

Uralla Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2013

*“...committed to creating a unique environment
which offers an excellent quality of life and
economic opportunities for its people”*



Uralla Shire Council

General Purpose Financial Statements

for the financial year ended 30 June 2013

Contents	Page
1. Statement by Councillors & Management	2
2. Primary Financial Statements:	
- Income Statement	3
- Statement of Comprehensive Income	4
- Statement of Financial Position	5
- Statement of Changes in Equity	6
- Statement of Cash Flows	7
3. Notes to the Financial Statements	8
4. Independent Auditor's Reports:	
- On the Financial Statements (Sect 417 [2])	76
- On the Conduct of the Audit (Sect 417 [3])	79

Overview

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

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

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

- the ability to provide goods, services & facilities, and to carry out activities appropriate to the current & future needs of the local community and of the wider public,
- the responsibility for administering regulatory requirements under the LGA and
- a role in the management, improvement and development of the resources in the area.

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

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

(iv) These financial statements were authorised for issue by the Council on 22 November 2013. Council has the power to amend and reissue these financial statements.

Uralla Shire Council

General Purpose Financial Statements for the financial year ended 30 June 2013

Statement by Councillors and Management made pursuant to Section 413(2)(c) of the Local Government Act 1993 (as amended)

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

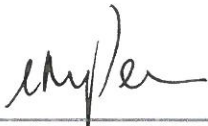
- The Local Government Act 1993 (as amended) and the Regulations made thereunder,
- The Australian Accounting Standards and professional pronouncements, and
- The Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

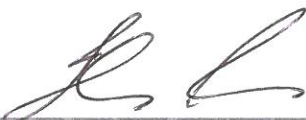
Signed in accordance with a resolution of Council made on 16 October 2013.



Councillor Michael Pearce
MAYOR



Councillor Bob Crouch
COUNCILLOR



Mr Thomas Patrick O'Connor
GENERAL MANAGER



Mr Thomas Patrick O'Connor ACA
RESPONSIBLE ACCOUNTING OFFICER

Uralla Shire Council

Income Statement

for the financial year ended 30 June 2013

Budget ⁽¹⁾			Actual	Actual
2013	\$ '000	Notes	2013	2012
Income from Continuing Operations				
<i>Revenue:</i>				
4,763	Rates and Annual Charges	3a	4,911	4,589
6,355	User Charges and Fees	3b	4,724	1,856
582	Interest and Investment Revenue	3c	622	405
428	Other Revenues	3d	625	624
3,883	Grants and Contributions provided for Operating Purposes	3e,f	5,346	7,248
158	Grants and Contributions provided for Capital Purposes	3e,f	252	1,093
<i>Other Income:</i>				
-	Net gains from the disposal of assets	5	67	37
-	Net Share of interests in Joint Ventures and Associated Entities using the equity method	19	-	-
16,170	Total Income from Continuing Operations		16,547	15,852
Expenses from Continuing Operations				
6,896	Employee Benefits and On-Costs	4a	7,038	7,091
112	Borrowing Costs	4b	167	171
4,398	Materials and Contracts	4c	4,577	3,986
3,386	Depreciation and Amortisation	4d	3,486	3,486
-	Impairment	4d	-	-
1,131	Other Expenses	4e	1,265	1,155
15,923	Total Expenses from Continuing Operations		16,533	15,889
247	Operating Result from Continuing Operations		14	(37)
Discontinued Operations				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
247	Net Operating Result for the Year		14	(37)
247	Net Operating Result attributable to Council		14	(37)
-	Net Operating Result attributable to Non-controlling Interests		-	-
89	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		(237)	(1,130)

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

Uralla Shire Council

Statement of Comprehensive Income

for the financial year ended 30 June 2013

\$ '000	Notes	Actual 2013	Actual 2012
Net Operating Result for the year (as per Income statement)		14	(37)
Other Comprehensive Income:			
Amounts which will not be reclassified subsequently to the Operating Result			
Gain (loss) on revaluation of IPPE	20b (ii)	(384)	5,404
Total Items which will not be reclassified subsequently to the Operating Result		(384)	5,404
Amounts which will be reclassified subsequently to the Operating Result when specific conditions are met			
Nil			
Total Other Comprehensive Income for the year		(384)	5,404
Total Comprehensive Income for the Year		(370)	5,367
Total Comprehensive Income attributable to Council		(370)	5,367
Total Comprehensive Income attributable to Non-controlling Interests		-	-

Uralla Shire Council

Statement of Financial Position
as at 30 June 2013

\$ '000	Notes	Actual 2013	Actual 2012	Actual 2011
ASSETS				
Current Assets				
Cash & Cash Equivalents	6a	6,631	1,072	826
Investments	6b	1,500	6,300	5,312
Receivables	7	1,240	1,849	1,535
Inventories	8	191	172	169
Other	8	104	88	85
Non-current assets classified as 'held for sale'	22	-	-	-
Total Current Assets		9,666	9,481	7,927
Non-Current Assets				
Investments	6b	-	-	-
Receivables	7	-	-	-
Inventories	8	-	-	-
Infrastructure, Property, Plant & Equipment	9	292,844	304,676	299,621
Investments accounted for using the equity method	19	-	-	-
Investment Property	14	-	-	-
Intangible Assets	25	-	-	-
Total Non-Current Assets		292,844	304,676	299,621
TOTAL ASSETS		302,511	314,157	307,548
LIABILITIES				
Current Liabilities				
Payables	10	3,860	3,733	2,608
Borrowings	10	108	100	130
Provisions	10	1,918	1,682	1,282
Total Current Liabilities		5,886	5,515	4,020
Non-Current Liabilities				
Payables	10	-	-	-
Borrowings	10	1,348	1,464	1,563
Provisions	10	1,236	1,206	920
Total Non-Current Liabilities		2,584	2,670	2,483
TOTAL LIABILITIES		8,470	8,185	6,503
Net Assets		294,041	305,972	301,045
EQUITY				
Retained Earnings	20	63,841	66,826	67,303
Revaluation Reserves	20	230,199	239,146	233,742
Council Equity Interest		294,040	305,972	301,045
Non-controlling Interest		-	-	-
Total Equity		294,040	305,972	301,045

Uralla Shire Council

Statement of Changes in Equity
for the financial year ended 30 June 2013

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non- controlling Interest	Total Equity
2013						
Opening Balance (as per Last Year's Audited Accounts)		66,825	239,146	305,971	-	305,971
a. Correction of Prior Period Errors	20 (c)	(2,998)	(8,563)	(11,561)	-	(11,561)
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/12)		63,827	230,583	294,410	-	294,410
c. Net Operating Result for the Year		14	-	14	-	14
d. Other Comprehensive Income						
- Revaluations : IPPE Asset Revaluation Rsve	20b (ii)	-	(384)	(384)	-	(384)
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to IPPE	20b (ii)	-	-	-	-	-
- Other Movements	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	(384)	(384)	-	(384)
Total Comprehensive Income (c plus d)		14	(384)	(370)	-	(370)
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		63,841	230,199	294,040	-	294,040

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non- controlling Interest	Total Equity
2012						
Opening Balance (as per Last Year's Audited Accounts)		67,302	233,742	301,044	-	301,044
a. Correction of Prior Period Errors	20 (c)	(440)	-	(440)	-	(440)
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/11)		66,862	233,742	300,604	-	300,604
c. Net Operating Result for the Year		(37)	-	(37)	-	(37)
d. Other Comprehensive Income						
- Revaluations : IPPE Asset Revaluation Rsve	20b (ii)	-	5,404	5,404	-	5,404
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to IPPE	20b (ii)	-	-	-	-	-
- Other Movements	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	5,404	5,404	-	5,404
Total Comprehensive Income (c&d)		(37)	5,404	5,367	-	5,367
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		66,825	239,146	305,971	-	305,972

Uralla Shire Council

Statement of Cash Flows

for the financial year ended 30 June 2013

Budget 2013	\$ '000	Notes	Actual 2013	Actual 2012
Cash Flows from Operating Activities				
Receipts:				
4,817	Rates and Annual Charges		4,952	4,682
6,465	User Charges and Fees		4,782	2,125
613	Investment and Interest Revenue Received		657	336
2,959	Grants and Contributions		5,867	9,511
993	Other		1,627	556
Payments:				
(6,862)	Employee Benefits and On-Costs		(6,851)	(7,141)
(4,507)	Materials and Contracts		(5,226)	(4,296)
(112)	Borrowing Costs		(115)	(124)
(1,089)	Other		(1,387)	(1,506)
3,278	Net Cash provided (or used in) Operating Activities	11b	4,306	4,143
Cash Flows from Investing Activities				
Receipts:				
300	Sale of Investment Securities		6,300	609
417	Sale of Infrastructure, Property, Plant and Equipment		335	235
Payments:				
-	Purchase of Investment Securities		(1,500)	(1,600)
(3,979)	Purchase of Infrastructure, Property, Plant and Equipment		(3,867)	(3,335)
(3,262)	Net Cash provided (or used in) Investing Activities		1,268	(4,091)
Cash Flows from Financing Activities				
Receipts:				
516	Proceeds from Retirement Home Contributions		268	1,012
Payments:				
(100)	Repayment of Borrowings and Advances		(108)	(129)
(500)	Repayment of Retirement Home Contributions		(174)	(689)
(84)	Net Cash Flow provided (used in) Financing Activities		(14)	194
(69)	Net Increase/(Decrease) in Cash & Cash Equivalents		5,560	246
1,072	plus: Cash and Cash Equivalents - beginning of year	11a	1,072	826
1,003	Cash and Cash Equivalents - end of the year	11a	6,632	1,072
Additional Information:				
	plus: Investments on hand - end of year	6b	1,500	6,300
Total Cash, Cash Equivalents & Investments			8,132	7,372

Please refer to Note 11 for information on the following:

- Non Cash Financing and Investing Activities.
- Financing Arrangements.
- Net cash flow disclosures relating to any Discontinued Operations

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	9
2(a)	Council Functions / Activities - Financial Information	28
2(b)	Council Functions / Activities - Component Descriptions	29
3	Income from Continuing Operations	30
4	Expenses from Continuing Operations	35
5	Gains or Losses from the Disposal of Assets	38
6(a)	Cash and Cash Equivalent Assets	39
6(b)	Investments	39
6(c)	Restricted Cash, Cash Equivalents and Investments - Details	40
7	Receivables	41
8	Inventories and Other Assets	42
9(a)	Infrastructure, Property, Plant and Equipment	43
9(b)	Externally Restricted Infrastructure, Property, Plant and Equipment	44
9(c)	Infrastructure, Property, Plant and Equipment - Current Year Impairments	44 n/a
10(a)	Payables, Borrowings and Provisions	45
10(b)	Description of (and movements in) Provisions	46
11	Statement of Cash Flows - Additional Information	7
12	Commitments for Expenditure	48
13	Statement of Performance Measures:	
	13a (i) Local Government Industry Indicators (Consolidated)	49
	13a (ii) Local Government Industry Graphs (Consolidated)	51
	13b Local Government Industry Indicators (by Fund)	54
14	Investment Properties	56 n/a
15	Financial Risk Management	56
16	Material Budget Variations	60
17	Statement of Developer Contributions	62
18	Contingencies and Other Liabilities/Assets not recognised	64
19	Controlled Entities, Associated Entities and Interests in Joint Ventures	68 n/a
20	Equity - Retained Earnings and Revaluation Reserves	69
21	Financial Result and Financial Position by Fund	71
22	"Held for Sale" Non Current Assets and Disposal Groups	73 n/a
23	Events occurring after the Reporting Period	73
24	Discontinued Operations	73 n/a
25	Intangible Assets	73 n/a
26	Reinstatement, Rehabilitation and Restoration Liabilities	74
 Additional Council Disclosures		
27	Council Information and Contact Details	75

n/a - not applicable

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of 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.

The Council's accounting policies are defined under the Australian Accounting Standards (AASBs), as those specific principles, bases, conventions, rules and practices applied by a reporting entity in preparing and presenting financial statements.

1. Basis of preparation

1.1 Background

These financial statements are general purpose financial statements which have been prepared in accordance with the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board; the Local Government Act (1993), Local Government (General) Regulation 2005, and the Local Government Code of Accounting Practice and Financial Reporting June 2013.

The Uralla Shire Council is a not-for-profit entity for the purpose of preparing these financial statements.

1.2 Compliance with International Financial Reporting Standards (IFRSs)

Australian Accounting Standards (AASBs) are sector neutral, some standards either:

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

Therefore in preparing these financial statements and accompanying notes, the Uralla Shire Council has been unable to comply fully with International Accounting Standards, however has complied fully with Australian Accounting Standards.

The New South Wales Local Government Act Regulations and Local Government Code of Accounting Practice and Financial Reporting only require Councils in New South Wales to comply with AASBs.

1.3 New and amended Accounting Standards adopted by Council

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

1.4 Early adoption of Accounting Standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2012.

Refer further to Section 10 pages 25 to 28, relating to a summary of the effects of Standards with future operative dates.

1.5 Basis of Accounting

These financial statements have been prepared on the accrual basis of accounting and the historical cost convention; except for:

- (a) financial assets and liabilities at fair value through profit or loss, available-for-sale financial assets and investment properties which are all valued at fair value,
- (b) the write down of any asset on the basis of impairment, where warranted; and
- (c) certain classes of infrastructure, property, plant and equipment that are accounted for at fair valuation.

1.6 Changes in Accounting Policies

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

There have also been no changes in accounting policies when compared with previous financial statements unless otherwise stated.

1.7 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.

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant 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.

1.8 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 amounts of assets and liabilities within the next financial year are set out below:

- (a) Estimation of depreciation costs including useful lives and residual values.
- (b) Estimated fair values of investment properties.
- (c) Estimated fair values of infrastructure, property, plant and equipment.
- (d) Estimated landfill remediation provisions.
- (e) The valuation of Collateralised Debt Obligations (CDOs). The Uralla Shire Council has determined that the balance of its holding of CDOs, having sold those instruments of value and received the principal of others on maturity, is to be Nil value at 30 June 2013 and recorded only as contingent assets in the unlikely recovery on maturity in June 2015.

1.9 Critical judgements in applying the entity's accounting policies

- (a) Impairment of Receivables
Council has made a significant judgement about the impairment of a number of its receivables in Note 7.
- (b) Projected Section 94 Commitments
Council has used significant judgement in determining future Section 94 income and expenditure in Note 17.
- (c) Provision for restoration and environmental clean-up costs of Landfills
Council has used significant judgement about the timing and effect of its intention to

undertake progressive remediation work on the legacy areas of the Uralla landfill.

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 below. Council bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

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 being an enforceable debt linked to the rateable property or, when earlier, upon receipt of the rates.

Provisions for the impairment on rates receivables are not made as unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

Control over granted assets is 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 from Contributions is recognised when the Council either obtains control of the contribution or the right to receive the contribution, it is probable that the

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

economic benefits comprising the contribution will flow to the Council and the amount of the contribution can be measured reliably.

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

The Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of Section 94 of the Environmental Planning and Assessment Act 1979.

Council assesses the S94 contribution amounts due as part of the Development Consents Order. However developer contributions are only recognised as income upon their physical receipt by Council, due to the possibility that individual Development Consents may not be acted upon by the applicant and accordingly would not be payable to Council.

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

2.2 User Charges, Fees and Other Income

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

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

A liability is recognised in respect of user charges, fees and other income revenue that is reciprocal in nature to the extent that the requisite service has not been provided as at balance date.

2.3 Sale of Plant, Property, Infrastructure and Equipment

The surplus 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

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

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

3. The Local Government Reporting Entity

The 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.

The annual financial statements incorporate the assets and liabilities of the Uralla Shire Council and any entities or operation that it controls at 30 June in each year and the related operating results for the financial year then ended.

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

Within the special purpose reports the Uralla and Bundarra Joint Water Fund, the Uralla Local Sewer Fund, the McMaugh Gardens Aged Care Centre Fund and private works activities are reported, which include any inter-entity year end balances and reporting period transactions that have been eliminated between Council and those entities.

3.1 The Consolidated Fund

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

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

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

- (a) *Uralla Shire Council General Purpose Operations.*
- (b) *Uralla and Bundarra Joint Water Fund.*
- (c) *Uralla Local Sewer Sewerage Fund.*
- (d) *McMaugh Garden Aged Care Centre Fund*

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 money and property received by the Council in trust which must be applied only for the purposes of or in accordance with the trusts relating to those monies. Trust monies and property subject to Council's control have been included in these statements. Trust monies and property held by Council but not subject to the control of Council, have been excluded from these statements. A separate statement of monies held in the Trust Fund is available for inspection at the Council office by any person free of charge.

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 Councils

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.

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 and subsequently depreciated over the asset's useful life or lease term if there is no reasonable certainty that Council would obtain ownership at the end of the lease term. 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, which is charged to the income statement.

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

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.

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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.

Where an asset is not held principally for cash generating purpose and would be replaced if the Council was deprived of it then depreciated replacement cost is used as value in use, otherwise value in use is estimated by using a discounted cash flow model.

For the 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.

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 current liabilities on the balance sheet but are incorporated into Cash and Cash Equivalents for presentation of the Cash Flow Statement.

4.5 Receivables

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

Receivables, excluding receivables for rates and annual charges, are generally due for settlement no more than 30 days.

The collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off in accordance with Council's Debt – Recovery Policy (Policy 2.2.04)..

An allowance account, titled provision for impairment of receivables, is used when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of each receivable.

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.

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 recognised in the Income Statement within other expenses. When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

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, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs.

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

Accounts for goods and services are unsecured and are paid a weekly basis within 21 days of recognition.

4.8 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. 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 Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired.

The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or finance cost in the Income Statement over the period of the borrowings using the effective interest method.

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

4.9 Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the

asset for its intended use or sale. All other borrowing costs are expensed.

4.10 Provisions - Generally

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

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

For Restoration:

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

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

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

However it is Council's intention to undertake remediation works on legacy areas on a progressive but not systematic basis over the life of the operation.

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

The amortisation or 'unwinding' of the discount applied in establishing the net present value of provisions is charged to the Income Statement in each accounting period. The amortisation of the discount is disclosed as a borrowing cost in Note 4(b).

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

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

For Rehabilitation:

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure or progressively through the life, provision

is made for the estimated outstanding continuous rehabilitation work at each reporting date and the cost is charged to the Income Statement.

Provision is made for the estimated present value of the costs of environmental clean-up obligations outstanding at the reporting date. These costs are charged to the Income Statement.

Movements in the environmental clean up provisions are presented as an operating cost, except for the unwinding of the discount which is shown as a borrowing cost. Remediation procedures generally commence soon after the time the damage, remediation process and estimated remediation costs become known; however may continue for many years depending on the nature of the disturbance and the remediation techniques.

As stated previously, the ultimate cost to be incurred is uncertain. Cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other locations.

The expected timing of expenditure can also change, and as a result there could be significant adjustments to the provision for close-down and restoration and environmental clean up, which would affect future financial results.

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

4.13 Provision for the close down and restoration and for environmental clean-up costs – Gravel Pits and Quarries

The Uralla Shire Council operates only one small gravel pit and no quarries. Council acquires its gravel and other road making material from private quarries.

As a consequence there is no provision for the close down and restoration and for environmental clean-up costs for gravel pits.

4.14 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

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

delivered or damage reinstated, or the amount is refunded as may be the case

4.15 Allocation between current and non-current assets and liabilities

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

The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operational cycle. However, 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 they are not expected to be realised in the next 12 months.

4.16 Taxes

The Uralla Shire Council is exempt in respect to Income Tax and Capital Gains Tax. However Council has to comply with both Fringe Benefits Tax and Goods and Services Tax (GST).

4.17 Goods and Services Tax (GST)

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

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

Receivables and payables within the Statement of Financial Position are stated inclusive of any applicable GST.

The net amount of GST recoverable from or payable to the Australian Tax Office (ATO) is included as a current asset or current liability in the Statement of Financial Position. Operating cash flows within the Cash Flow Statement are on a gross basis; that is they are inclusive of GST where applicable.

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

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

4.18 Comparative Figures

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

4.19 Rounding of amounts

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, in accordance with AASB 139, classifies its investments into one of the following categories: for measurement purposes: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired.

Management determines the classification of its investments at the time of 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 include financial assets that are held for trading. A financial asset is classified in this category if it is acquired principally for the purpose of selling in the short term. Derivatives are classified as held for

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

trading unless they are designated as hedges. Assets in this category are primarily classified as current assets.

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

They are included in current assets, except for those with maturities greater than 12 months after the reporting date, which are classified as non-current assets. Loans and receivables are included in receivables (Note 7) and other receivables (Note 8) in the Statement of Financial Position.

5.4 Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that are generally quoted in an active market. Council's management has the positive intention and ability to hold these investments 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-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets, unless management intends to dispose of the investment within 12 months of the reporting date or the term to maturity from the reporting date is less than 12 months.

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.

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

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

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

5.7 Types of Investments

Council has an approved Investment Policy (Policy 2.2.07) in accordance with and to comply with Section 625 of the Local Government Act and S212 of the LG (General) Regulation 2005. Council had previously amended its policy following revisions to the Ministerial Local Government Investment Order arising from the Cole Inquiry recommendations.

The policy ensures that Council exercises care, diligence and skill of a prudent person. Investments are placed and managed in accordance with the policy having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order. Council investments are conservative with a very low risk profile.

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

Council holds a Collateralised Debt Obligation (CDO) investment that is no longer prescribed. However, the investment has been retained, at nil value, under grandfathering provisions of the Order. Future cash flow will result from favourable legal proceedings.

5.8 Recognition and de-recognition

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

Investments are initially recognised and measured at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the Income Statement.

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

5.9 Subsequent Measurement

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

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included 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 or loss is recognised in the Income Statement as part of revenue from continuing operations when Council's right to receive payment is established.

The changes in the fair value of monetary securities classified as available-for-sale and denominated in a foreign currency are recognised for (a) changes in the amortised cost in the Income Statement and (b) other changes in the carrying amount in the Statement of Changes in Equity.

Available-for-sale monetary securities denominated in foreign currencies transactions are to be analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security noting Council's obligations under Section 625 of the Local Government Act and S212 of the LG (General) Regulation 2005.

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

5.10 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 in determining whether the security is 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.

5.11 Fair value estimation

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

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. If a market for a financial asset is not active or for unlisted securities, the Council establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

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

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

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 under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 – Property, Plant and Equipment. Land under roads is that land under roadways, road reserves, also land under footpaths, nature strips and median strips.

6.2 Initial 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.

For the initial recognition, an asset's cost is measured at its fair value, plus all expenditure that is directly attributable to the acquisition.

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

Where infrastructure, property, plant and equipment assets are acquired for no cost or for an amount other than cost, the assets are recognised in the financial statements at their fair value at acquisition date - being the amount that the asset could have been exchanged between knowledgeable willing parties in an arm's length transaction. These transactions generally arise through subdivisions and property development, where public open space, road infrastructure and other facilities become public property under the Development Approval.

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

There is an anomaly in respect to the accounting for Rural Fire Service assets as 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

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

council of the area for or on behalf of which the fire fighting equipment has been purchased or constructed" however these assets are under the management of the Regional Rural Fire Service to enable that Service to provide the bushfire protection defences as set out in their Service Level Agreement with Council. Actual control of the asset is not with Council.

Until such time as discussions on the ownership and accounting of Rural Fire Service assets have been concluded and the legislation changed; Council will recognise Rural Fire Service assets; including land, buildings, plant vehicles and some equipment, as a Council asset. Council currently has title to, and is the registered owner of 25 rural fire appliances and associated rural fire fighting equipment. In accordance with normal Rural Fire Service funding arrangements, Council continues to contribute to the costs of maintenance of this equipment.

6.3 Subsequent Costs

Subsequent costs are added to an 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.

For instance, sealed road resealing will add to the carrying amount of the existing asset. The value of residual carrying amount plus the subsequent cost of the reseal can not exceed the fair value of the asset. The amount in excess of fair value is to be accounted for as repairs and maintenance and charged to the Income Statement during the financial period in which they are incurred.

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

6.4 Land

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

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

6.5 Materiality and Capitalisation Thresholds

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:

Land	
- council land	No threshold
- open space	No threshold
- land under roads (purchases after 30/6/08)	No threshold

Plant and Equipment	
Office Furniture	\$250
Office Equipment	\$250
Other Plant and Equipment	\$300

Buildings and Land Improvements	
Park Furniture and Equipment	\$1,000
Building	
- construction/extensions	\$2,000
- renovations	\$2,000
Other Structures	\$2,000

Water and Sewer Asset	
Reticulation extensions	\$2,000
Other	\$2,000

Stormwater Assets	
Drains and Culverts	\$2,000
Other	\$2,000

Transport Assets	
Road construction and reconstruction	No threshold
Reseal/Re-sheet and major repairs:	No threshold
Bridge construction and reconstruction	No threshold

6.6 Valuation and Re-valuation

Council's non current assets are re-valued to fair value on a five year rotation as determined by the Division of Local Government.

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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
Artwork	External Valuation
Other Structures and other assets	
as approximated by depreciated historical cost	

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

- (a) Increases in the combined carrying amounts of asset classes arising on revaluation are credited to the asset revaluation reserve.
- (b) To the extent that a net asset class increase reverses a decrease previously recognised via the Income Statement, then increase is first recognised in the Income Statement.
- (c) Net decreases that reverse previous increases of the same asset class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income statement.

Water and sewerage network assets are indexed annually between full revaluations in accordance with the latest indices provided in the NSW Office of Water - Rates Reference Manual. 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 are expected to reduce the impact of the periodic increases emerging from the full revaluation when undertaken next on the five year cycle.

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

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

6.7 Depreciation of Non-current Assets

Land is not depreciated, depreciation on other assets, infrastructure, property, plant and equipment, is calculated using the straight line method to allocate their cost, net of residual values, over their estimated useful lives, as follows:

Plant and Equipment

- Office Equipment	5 to 20 years
- Office furniture	5 to 20 years
- Computer Equipment	4 years
- Motor Cars - Sedans	5 years
- Trucks and utilities	5 to 10 years
- Dozers, Graders, Rollers	10 years
- Other plant and equipment	10 years

Other Equipment

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

Buildings

- Buildings : Masonry	50 to 100 years
- Buildings : Other	20 to 40 years

Stormwater Drainage

- Drains	90 years
- Culverts	80 years

Transportation Assets

- Sealed Roads : Surface	25 to 50 years
- Sealed Roads : Structure	70 to 80 years
- Unsealed Roads - Formation	5 to 36 years
- Bridge : Concrete	120 years
- Bridge : Other	40 years
- Concrete Road Pavements	60 years
- Kerb, Gutter and Paths	40 years

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

Water and Sewer Assets

- Dams and reservoirs	100 years
- Water and Sewer Treatment Plants	70 to 100 years
- Water Mains	80 to 100 years
- Sewer Mains	70 to 100 years
- Reticulation pipes : PVC	80 years
- Reticulation pipes: Other	25 to 75 years
- Meters and Water Plant	10 years
- Pumps and telemetry	15 to 20 years

Other Infrastructure Assets

- Bulk earthworks	Infinite
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All asset residual values and useful lives are reviewed and adjusted, where appropriate, at each reporting date. The Council's infrastructure assets are subject to the valuation incremental adjustment, referred to in Section 6.6. 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.

6.8 Non-Current Assets or Disposal Groups held for sale and Discontinued Operations

If Non-current assets, or disposal groups, carrying amount is to be recovered principally through a sale transaction rather than through continuing use; they are classified as held for sale and stated at the lower of either their carrying amount or fair value less costs to sell.

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

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

Non-current assets held for sale are not depreciated or amortised while they are classified as held for sale. Non-current assets classified as held for sale are presented separately from the other assets in the Statement of Financial Position.

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

The results of discontinued operations are presented separately on the face of the Income Statement.

6.9 Impairment of assets

All Council's Infrastructure, Property, Plant and Equipment (IPPE) assets are subject to an annual assessment of impairment.

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

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where an asset is not held principally for cash generating purposes and would be replaced if the Council was deprived of it then depreciated replacement cost is used as value in use, otherwise value in use is estimated by using a discounted cash flow model.

Non-financial assets, other than goodwill, that suffered a prior period impairment are reviewed for possible reversal of the impairment at each reporting date.

6.10 Intangible Assets

Council has not classified any assets as Intangible.

6.11 Investment property

The Uralla Shire Council does not hold any investment property. Investment property is usually comprised of land and/or buildings that are principally held for long-term rental yields, capital gains or both that are not occupied by Council.

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

6.12 Disposal and De-recognition

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

Gains or losses arising on de-recognition of the asset, calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is included in the Income Statement in the year the asset is de-recognised.

7. Employee benefits

7.1 Short Term Obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and vested sick leave expected to be settled within 12 months of the end of the reporting period in which the employees render the related service, are recognised in respect of employees' services to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

Leave liabilities, including vested sick leave noted in Section 4.11, the are recognised in the provision for employee benefits in respect of employees' services up to the reporting date with other short term employee benefit obligations disclosed under payables. All other short-term employee benefit obligations are presented as payables.

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

7.2 Other Long Term 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 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.

Obligations are presented as current liabilities in the Statement of Financial Position 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.

Due to the nature of when and how Long Service Leave can be taken, all Long Service Leave for employees with four or more years of service has been classified as Current, as it has been deemed that Council does not have the unconditional right to defer settlement beyond 12 months. This is despite the fact that all employees with more than four years service at the reporting date will nor apply for or take their leave entitlements within the next 12 months.

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 or defined contribution plans on behalf of its employees.

Contributions to defined contribution plans, at 9% of superable salaries plus salary sacrifice contributions, 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.

The amount of the Uralla Shire Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year and disclosed as part of Superannuation Expenses at Note 4(a) for the year ending 30 June 2013 was \$222,353.

A liability or asset in respect to defined benefits superannuation plans would ordinarily be recognised in the Statement of Financial Position and measured as the net of the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains less unrecognised actuarial losses, the fair value of the superannuation fund's assets at that

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

date and any unrecognised past service cost. The present value of a 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 anticipated future wage and salary levels, experience of employee departures and periods of service.

However, when this information is not readily available, Council will account for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans (see below).

The Uralla Shire Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named the "Local Government Superannuation Scheme – Pool B". This Scheme has been deemed to be a "multi employer fund" for the purposes of AASB 119.

Therefore sufficient information is not available to account for the Scheme as a defined benefit plan within the Council's financial statements, in accordance with AASB 119, because the assets to the scheme are pooled together for all Councils.

The last valuation of The Scheme was performed by Mr Martin Stevenson BSc, FIA, FIAA on 20 February 2013 and covers the period ended 30 June 2013. However the position is monitored annually and the Actuary has estimated that as at 30 June 2013 the prior period deficit still exists. Since 1 July 2009, employers have been required to continue to make additional contributions to assist in extinguishing this deficit. This requirement will continue for the foreseeable future.

Local Government Super as managers of The Scheme advised Council on 15 March 2013 that, as a result of the global financial crisis, The Scheme had a deficit of assets over liabilities of \$386.4 million at 30 June 2009, and a significant deficit still exists. As a result they advise that the significant contributions to recover that deficiency are still required. The additional contribution of \$92,801 is anticipated to continue for the foreseeable future.

This additional contribution, remitted by Council during the year, is included in the total employer contributions of \$222,353. The share of the deficit of

the Local Government Superannuation Scheme – Pool B (The Scheme) that can be broadly attributed to the Uralla Shire Council is estimated to be in the order of \$431,462 as at 30 June 2013.

Although the share of the deficit for the Uralla Shire Council is indicated broadly at \$431,462 at 30 June 2013; the Council's share cannot be accurately calculated as stated above. 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.

7.4 Employee Benefit On-Costs

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

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of leave liabilities, other than sick leave, accrued at 30 June 2013.

8. Self insurance

Council does not self insure.

9. 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

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

10. New Accounting Standards and Urgent Issues Group (UIG) Interpretations

Certain new and amended accounting standards and interpretations have been published that are not mandatory for the 30 June 2013 reporting period. Council has not adopted any of these standards early.

The Uralla Shire Council's assessment of the impact of these new standards and interpretations is set out below:

AASB 9 Financial Instruments, associated standards,

AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9

AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and transitional disclosures

(effective from 1 January 2015).

AASB 9 Financial Instruments addresses the clarification, measurement and de-recognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 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 or loss although there is currently a proposal by IASB to introduce a fair value through Other Comprehensive Income category for debt instruments.

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 or loss and Council does not have any such liabilities. The de-recognition rules have been transferred from *AASB 139 Financial Instruments: Recognition and Measurement* and have not been changed.

AASB 10 Consolidated Financial Statements

AASB 11 Joint Arrangements

AASB 12 Disclosure of Interest in Other Entities

AASB 127 Separate Financial Statements (revised)

AASB 128 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards

(effective from 1 January 2013)

In August 2011; the Australian Accounting Standards Board (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.

Council has assessed that this Accounting Standard has and will have 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.

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

Joint ventures are accounted for using the equity method and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

Council's investment in 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 (AASB 12) 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.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept.

Council is still assessing the impact of these amendments.

Council does not expect to adopt the new standards, AASB 10, AASB 11, AASB 12, AASB 13, AASB 127 and AASB 128, before their operative date. The standards would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

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

AASB 13 explains how to measure fair value and aims to enhance fair value disclosures.

Council has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements.

However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. Council does not intend to adopt the new standards, AASB 13 and AASB 2011-8, before their operative date. The standards would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

*AASB 119 Employee Benefits (revised)
AASB 2011-10 Amendments to Australian
Accounting Standards arising
from AASB 119
AASB 2011-11 Amendments to AASB 119 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 profit or loss. The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits. The amendments will have to be implemented retrospectively.

Council does not recognise defined benefits assets and liabilities for the reasons set out in Note 1 – 7.3 therefore these changes will not have an impact on its reported results.

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

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

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

Council does not believe that the adoption of this standard will change the reported financial position and performance of Council. There is no impact on disclosure as there are no offsetting arrangements currently in place.

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

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

Council does not believe that the adoption of this standard will change the reported financial position and performance of Council. There is no impact on disclosure as there are no offsetting arrangements currently in place.

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

AASB 1 - this standard clarifies that an entity can apply AASB 1 more than once. An entity can elect to

apply AASB 123 from the transition date or an earlier date.

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

AASB 116 - clarifies the classification of servicing equipment.

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

AASB 134 - provides clarification about segment reporting.

Council does not believe that the amendments arising from this standard will effect or change the reported financial position or performance of the Council.

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

Disclaimer

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

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current and Non-current)	
	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Actual	Actual	Actual	Actual
	2013	2013	2012	2013	2013	2012	2013	2013	2012	2013	2012	2013	2012
Governance	2	1	10	608	545	529	(606)	(544)	(519)	13	-	844	92
Administration	439	412	511	134	37	(467)	305	375	978	4	1	12,344	12,724
Public Order and Safety	8	36	175	226	189	157	(219)	(153)	18	-	120	827	955
Health	3	2	2	58	71	88	(55)	(70)	(86)	-	-	-	-
Environment	1,227	1,273	1,151	1,420	1,767	1,712	(193)	(494)	(561)	30	65	27	26
Community Services and Education	5,328	5,614	5,295	5,205	5,230	5,411	123	384	(116)	76	4,238	7,290	7,043
Housing & Community Amenities	373	370	247	555	591	526	(182)	(221)	(279)	162	36	3,824	4,310
Water Supplies	732	901	643	846	927	820	(114)	(26)	(177)	19	17	18,115	18,157
Sewerage Services	524	625	527	576	559	612	(52)	66	(85)	13	13	6,637	7,934
Recreation & Culture	171	177	112	810	847	742	(639)	(669)	(630)	128	65	5,185	6,224
Mining, Manufacturing and Construction	-	-	-	11	1	13	(11)	(1)	(13)	-	-	8	9
Transport and Communication	2,296	2,235	2,752	5,156	5,325	5,402	(2,860)	(3,090)	(2,650)	238	950	246,610	255,139
Economic Affairs	68	95	76	318	445	344	(250)	(350)	(268)	-	12	801	1,544
Total Functions and Activities	11,171	11,742	11,501	15,923	16,533	15,889	(4,752)	(4,792)	(4,388)	683	5,517	302,511	314,157
Share of gains/(losses) in Associates and Joint Ventures (using the Equity Method)	-	-	-	-	-	-	-	-	-	-	-	-	-
General Purpose Income ¹	4,999	4,806	4,351	-	-	-	4,999	4,806	4,351	2,120	1,649	-	-
Operating Result from Continuing Operations	16,170	16,547	15,852	15,923	16,533	15,889	247	14	(37)	2,803	7,166	302,511	314,157

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

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

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

GOVERNANCE

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

ADMINISTRATION

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

HEALTH

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

ENVIRONMENT

Noxious plants, insect and vermin control, other 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, youth services, other services to families and children, other community services.

HOUSING AND COMMUNITY AMENITIES

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

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION AND CULTURE

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

MINING, MANUFACTURING AND CONSTRUCTION

Quarries & pits, other.

TRANSPORT AND COMMUNICATION

Urban roads, sealed rural roads, unsealed rural roads, bridges, footpaths, parking areas, bus shelters and services, water transport, works undertaken for Roads and Maritime Services (RMS), other.

ECONOMIC AFFAIRS

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

Uralla Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2013	Actual 2012
(a) Rates and Annual Charges			
Ordinary Rates			
Residential		1,236	1,011
Farmland		1,864	1,968
Business		92	76
Total Ordinary Rates		3,192	3,055
Special Rates			
Nil			
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		326	223
Stormwater Management Services		30	29
Water Supply Services		332	314
Sewerage Services		488	467
Waste Management Services (non-domestic)		22	-
Environmental		521	501
Total Annual Charges		1,719	1,534
<u>TOTAL RATES AND ANNUAL CHARGES</u>		<u>4,911</u>	<u>4,589</u>

Council has used 2011 year valuations provided by the NSW Valuer General in calculating its rates.

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(b) User Charges and Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Domestic Waste Management Services		-	168
Water Supply Services		425	283
Sewerage Services		14	8
Waste Management Services (non-domestic)		155	17
Total User Charges		594	476
Other User Charges and Fees			
(i) Fees and Charges - Statutory and Regulatory Functions (per s.608)			
Inspection Services		18	21
Private Works - Section 67		135	334
Section 149 Certificates (EPA Act)		14	-
Section 603 Certificates		8	9
Town Planning		72	81
Total Fees and Charges - Statutory/Regulatory		247	445
(ii) Fees and Charges - Other (including General User Charges (per s.608)			
Aged Care		721	687
Caravan Park		-	1
Cemeteries		26	24
Community Centres and Public Halls		7	9
Sundry Sales		14	-
Swimming Pool		23	14
Water Connection Fees		8	-
Tablelands Community Transport		11	6
Scrap Metal Sales		50	81
Tablelands Community Support Options - Client Contributions		242	86
Bundarra Neighbour Aid		11	8
Sponsorships Received		25	-
Tablelands Community Support Options - Contract Service Fees		1,593	-
Kamillaroi Aged and Disability Services - Contract Service Fees		1,152	-
Other		-	19
Total Fees and Charges - Other		3,883	935
TOTAL USER CHARGES AND FEES		4,724	1,856

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(c) Interest and Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates and Annual Charges (incl. Special Purpose Rates)		35	43
- Interest earned on Investments (interest and coupon payment income)		587	365
Fair Value Adjustments			
- Fair Valuation movements in Investments (at FV or Held for Trading)		-	(3)
TOTAL INTEREST AND INVESTMENT REVENUE		622	405
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates and Annual Charges (General Fund)		35	43
General Council Cash and Investments		363	362
Restricted Investments/Funds - External:			
Water Fund Operations		118	-
Sewerage Fund Operations		106	-
Total Interest and Investment Revenue Recognised		622	405
(d) Other Revenues			
Rental Income - Other Council Properties		132	114
Legal Fees Recovery - Rates and Charges (Extra Charges)		15	-
Legal Fees Recovery - Other		-	39
Commissions and Agency Fees		4	1
Diesel Rebate		77	-
Insurance Claim Recoveries		61	112
Recycling Income (non domestic)		109	-
Sales - General		44	-
Miscellaneous Sales		-	69
Donations Received		14	-
Other Reimbursements		96	-
Other Sundry Income		37	-
Staff FBT Contributions		36	-
Other		-	289
TOTAL OTHER REVENUE		625	624

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

\$ '000	2013 Operating	2012 Operating	2013 Capital	2012 Capital
(e) Grants				
General Purpose (Untied)				
Financial Assistance - General Component	1,231	927	-	-
Financial Assistance - Local Roads Component	846	643	-	-
Pensioner Rates Subsidies - General Component	43	79	-	-
Total General Purpose	2,120	1,649	-	-
Specific Purpose				
Pensioner Rates Subsidies:				
- Water	17	14	-	-
- Sewerage	13	13	-	-
- Domestic Waste Management	-	4	-	-
Water Supplies	2	-	-	-
Aged Care - McMaugh Gardens	-	1,117	-	-
Bushfire and Emergency Services	-	-	-	120
Community Care	70	-	-	-
Community Centres	24	-	-	-
Employment and Training Programs	12	15	-	-
Environmental Protection	15	-	-	-
Heritage and Cultural	44	-	-	-
Library	59	29	-	-
Street Lighting	6	6	-	-
Transport (Roads to Recovery)	-	-	252	-
Transport (Other Roads and Bridges Funding)	-	-	-	913
Kamilaroi Ageing and Disability Services	-	1,094	-	-
Tablelands Community Support Options	-	1,671	-	-
Tablelands Community Transport	-	273	-	-
Bundarra Neighbour Aid	-	55	-	7
Youth Service	1	-	-	-
Town Planning	156	-	-	-
Landfill Mangement	12	-	-	-
Other	-	133	-	53
Total Specific Purpose	431	4,424	252	1,093
Total Grants	2,551	6,073	252	1,093
Grant Revenue is attributable to:				
- Commonwealth Funding	2,147	4,239	252	21
- State Funding	404	1,813	-	158
- Other Funding	-	21	-	914
	2,551	6,073	252	1,093

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

\$ '000	2013 Operating	2012 Operating	2013 Capital	2012 Capital
(f) Contributions				
Developer Contributions:				
(s93 and s94 - EP&A Act, s64 of the LGA):				
S 94 - Contributions towards amenities/services	79	81	-	-
Total Developer Contributions	79	81	-	-
Other Contributions:				
Roads and Bridges	100	-	-	-
RMS Contributions (Regional Roads, Block Grant)	1,074	1,067	-	-
Bundarra Neighbour Aid - Subsidies	61	-	-	-
Tablelands Community Transport - Subsidies	312	-	-	-
Water Strategy Contribution	2	-	-	-
McMaugh Gardens Aged Care - Subsidies	1,167	-	-	-
Other	-	27	-	-
Total Other Contributions	2,716	1,094	-	-
Total Contributions	2,795	1,175	-	-
TOTAL GRANTS AND CONTRIBUTIONS	5,346	7,248	252	1,093

\$ '000	Actual 2013	Actual 2012
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(g) Restrictions relating to Grants and Contributions

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

Unexpended at the Close of the Previous Reporting Period	677	765
add: Grants and contributions recognised in the current period but not yet spent:	79	392
less: Grants and contributions recognised in a previous reporting period now spent:	(367)	(480)
Net Increase (Decrease) in Restricted Assets during the Period	(288)	(88)
Unexpended and held as Restricted Assets	389	677
Comprising:		
- Specific Purpose Unexpended Grants	-	367
- Developer Contributions	389	310
	389	677

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2013	Actual 2012
(a) Employee Benefits and On-Costs			
Salaries and Wages		5,673	5,497
Travelling		18	7
Employee Leave Entitlements (ELE)		1,175	1,074
Superannuation - Defined Contribution Plans		493	640
Superannuation - Defined Benefit Plans		222	269
Workers' Compensation Insurance		202	223
Fringe Benefit Tax (FBT)		26	28
Training Costs (other than Salaries & Wages)		53	50
Other		6	-
Other		-	1
Total Employee Costs		7,868	7,789
less: Capitalised Costs		(830)	(698)
TOTAL EMPLOYEE COSTS EXPENSED		7,038	7,091
Number of "Equivalent Full Time" Employees at year end		106	107
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		115	125
Total Interest Bearing Liability Costs Expensed		115	125
(ii) Other Borrowing Costs			
Discount adjustments relating to movements in Provisions (other than ELE)			
- Remediation Liabilities	26	52	46
Total Other Borrowing Costs		52	46
TOTAL BORROWING COSTS EXPENSED		167	171

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(c) Materials & Contracts			
Raw Materials & Consumables		1,431	1,765
Contractor and Consultancy Costs		3,092	2,164
Auditors Remuneration ⁽¹⁾		37	18
Legal Expenses:			
- Legal Expenses: Planning & Development		-	38
- Legal Expenses: Debt Recovery		17	-
- Legal Expenses: Other		-	1
<u>TOTAL MATERIALS & CONTRACTS</u>		<u>4,577</u>	<u>3,986</u>
1. Auditor Remuneration			
During the year, the following fees were incurred for services provided by the Council's Auditor (and the Auditors of other Consolidated Entities):			
(i) Audit and Other Assurance Services			
- Audit and review of financial statements: Council's Auditor		21	9
- Audit and review of financial statements: completing prior year		16	9
Remuneration for audit and other assurance services		<u>37</u>	<u>18</u>
Total Auditor Remuneration		<u>37</u>	<u>18</u>

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2013	Actual 2012	Actual 2013	Actual 2012
(d) Depreciation, Amortisation and Impairment					
Plant and Equipment		-	-	802	741
Office Equipment		-	-	55	41
Furniture and Fittings		-	-	53	54
Buildings - Non Specialised		-	-	183	179
Other Structures		-	-	78	75
Infrastructure:					
- Sealed Roads Structure		-	-	1,496	1,540
- Unsealed Roads		-	-	319	327
- Bridges		-	-	263	263
- Footpaths		-	-	17	15
- Stormwater Drainage		-	-	30	29
- Water Supply Network		-	-	247	246
- Sewerage Network		-	-	179	179
Other Assets					
- Other		-	-	3	1
Asset Reinstatement Costs	9 & 26	-	-	10	10
Total Depreciation and Impairment Costs		-	-	3,735	3,700
less: Capitalised Costs		-	-	(249)	(214)
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		-	-	3,486	3,486

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		63	53
Bad and Doubtful Debts		-	45
Bank Charges		19	-
Councillor Expenses - Mayoral Fee		14	16
Councillor Expenses - Councillors' Fees		91	87
Councillors' Expenses (including Mayor) - Other (excluding fees above)		18	30
Donations, Contributions and Assistance to other organisations (Section 356)		276	245
Electricity and Heating		239	227
Insurance		249	238
Postage		17	-
Street Lighting		51	50
Subscriptions and Publications		45	71
Telephone and Communications		63	93
Motor Vehicle Registration Fees		41	-
Licences		19	-
Internet and Other Communication		32	-
Other Fees and Charges		20	-
Sundry Expenses		(2)	-
Volunteer Reimbursements		10	-
<u>TOTAL OTHER EXPENSES</u>		<u>1,265</u>	<u>1,155</u>

Note 5. Gains or Losses from the Disposal of Assets

Plant and Equipment			
Proceeds from Disposal - Plant and Equipment		335	235
less: Carrying Amount of P and E Assets Sold / Written Off		(209)	(198)
Net Gain/(Loss) on Disposal		<u>126</u>	<u>37</u>
Infrastructure			
Proceeds from Disposal - Infrastructure		-	-
less: Carrying Amount of Infrastructure Assets Sold / Written Off		(59)	-
Net Gain/(Loss) on Disposal		<u>(59)</u>	<u>-</u>
Financial Assets*			
Proceeds from Disposal / Redemptions / Maturities - Financial Assets		6,300	609
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured		(6,300)	(609)
Net Gain/(Loss) on Disposal		<u>-</u>	<u>-</u>
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>67</u>	<u>37</u>

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 6a. - Cash Assets and Note 6b. - Investments

\$ '000	Notes	2013	2013	2012	2012
		Actual Current	Actual Non Current	Actual Current	Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		4	-	20	-
Cash-Equivalent Assets ¹					
- Deposits at Call		6,627	-	1,052	-
Total Cash and Cash Equivalents		6,631	-	1,072	-
Investments (Note 6b)					
- Long Term Deposits		1,500	-	6,300	-
Total Investments		1,500	-	6,300	-
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		8,131	-	7,372	-

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

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

Cash and Cash Equivalents

a. "At Fair Value through the Profit and Loss"		6,631	-	1,072	-
--	--	--------------	----------	--------------	----------

Investments

b. "Held to Maturity"	6(b-ii)	1,500	-	6,300	-
Investments		1,500	-	6,300	-

Note 6(b-i)

Reconciliation of Investments classified as "At Fair Value through the Profit and Loss"

Balance at the Beginning of the Year		-	-	412	-
Revaluations (through the Income Statement)		-	-	(3)	-
Disposals (sales and redemptions)		-	-	(409)	-
Balance at End of Year		-	-	-	-

Note 6(b-ii)

Reconciliation of Investments classified as "Held to Maturity"

Balance at the Beginning of the Year		6,300	-	4,900	-
Additions		1,500	-	1,600	-
Disposals (sales and redemptions)		(6,300)	-	(200)	-
Balance at End of Year		1,500	-	6,300	-

Comprising:

- Long Term Deposits		1,500	-	6,300	-
Total		1,500	-	6,300	-

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 6c. Restricted Cash, Cash Equivalents and Investments - Details

\$ '000	2013	2013	2012	2012
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investments	8,131	-	7,372	-
attributable to:				
External Restrictions (refer below)	3,482	-	2,918	-
Internal Restrictions (refer below)	3,694	-	3,218	-
Unrestricted	955	-	1,236	-
	8,131	-	7,372	-

2013 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

Details of Restrictions

External Restrictions - Included in Liabilities

Nil

External Restrictions - Other

Developer Contributions - General (D)	310	79	-	389
Specific Purpose Unexpended Grants (F)	367	-	(367)	-
Water Supplies (G)	735	102	-	837
Sewerage Services (G)	876	276	-	1,152
McMaugh Gardens Aged Care	630	474	-	1,104
External Restrictions - Other	2,918	931	(367)	3,482
Total External Restrictions	2,918	931	(367)	3,482

Internal Restrictions

Plant and Vehicle Replacement	500	228	-	728
Employees Leave Entitlement	840	160	-	1,000
Carry Over Works	1,182	-	(491)	691
Accommodation Bond Guarantees	696	313	-	1,009
Community Services excess income	-	266	-	266
Total Internal Restrictions	3,218	967	(491)	3,694
TOTAL RESTRICTIONS	6,136	1,898	(858)	7,176

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

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

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

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 7. Receivables

\$ '000	Notes	2013		2012	
		Current	Non Current	Current	Non Current
Purpose					
Rates and Annual Charges		259	-	300	-
Interest and Extra Charges		50	-	85	-
User Charges and Fees		249	-	195	-
Accrued Revenues					
- Other Income Accruals		171	-	296	-
Government Grants and Subsidies		16	-	145	-
Other Debtors		496	-	878	-
Total		1,241	-	1,899	-
less: Provision for Impairment					
Other Debtors		(1)	-	(50)	-
Total Provision for Impairment - Receivables		(1)	-	(50)	-
<u>TOTAL NET RECEIVABLES</u>		<u>1,240</u>	<u>-</u>	<u>1,849</u>	<u>-</u>
Externally Restricted Receivables					
Water Supply					
- Rates and Availability Charges		35	-	247	-
- Other		265	10	9	20
Sewerage Services					
- Rates and Availability Charges		29	-	58	-
- Other		7	-	-	-
Other					
- McMaugh Gardens		267	-	662	-
Total External Restrictions		603	10	976	20
Internally Restricted Receivables					
- Internally Restricted Receivables		-	(10)	-	(20)
Internally Restricted Receivables		-	(10)	-	(20)
Unrestricted Receivables		638	-	873	-
<u>TOTAL NET RECEIVABLES</u>		<u>1,240</u>	<u>0</u>	<u>1,849</u>	<u>-</u>

Notes on Debtors above:

- (i) Rates and Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates and charges at 9.00% (2012 9.00%).
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 8. Inventories and Other Assets

\$ '000	Notes	2013		2012	
		Current	Non Current	Current	Non Current
Inventories					
Stores and Materials		191	-	172	-
Total Inventories		191	-	172	-
Other Assets					
Prepayments		104	-	88	-
Total Other Assets		104	-	88	-
TOTAL INVENTORIES / OTHER ASSETS		295	-	260	-

Externally Restricted Assets

There are no restrictions applicable to the above assets.

(i) Other Disclosures

(a) Inventory Write Downs

There were no amounts recognised as an expense relating to the write down of Inventory balances held during the year.

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 9a. Infrastructure, Property, Plant and Equipment

\$ '000	as at 30/6/2012					Asset Movements during the Reporting Period								as at 30/6/2013				
	At	At	Accumulated		Carrying	Asset Additions	WDV of Asset Disposals	Depreciation Expense	WIP Transfers	Adjustment prior period and sale of plant	Other Movements	Revaluation Decrements to Equity (ARR)	Revaluation Increments to Equity (ARR)	At	At	Accumulated		Carrying
	Cost	Fair Value	Dep'n	Impairment	Value									Cost	Fair Value	Dep'n	Impairment	Value
Capital Work in Progress	398	-	-	-	398	841	-	-	(396)	-	-	-	-	843	-	-	-	843
Plant and Equipment	-	6,061	2,557	-	3,504	803	(209)	(802)	3	112	-	(33)	-	-	6,191	2,811	-	3,379
Office Equipment	-	205	110	-	95	123	-	(55)	-	-	-	-	-	-	328	165	-	163
Furniture and Fittings	-	723	336	-	387	21	-	(53)	-	-	-	-	-	-	744	389	-	354
Land:																		
- Operational Land	-	3,102	-	-	3,102	-	-	-	-	-	(1,322)	(419)	-	-	1,360	-	-	1,360
- Community Land	-	666	-	-	666	-	-	-	-	-	1,322	(357)	-	-	1,631	-	-	1,631
Land Improvements - non depreciable	-	17	-	-	17	-	-	-	-	-	-	-	-	-	17	-	-	17
Buildings - Non Specialised	-	16,798	1,057	-	15,741	-	-	(183)	-	-	(3,468)	-	5,414	-	23,542	6,039	-	17,503
Other Structures	-	1,827	778	-	1,050	21	-	(78)	5	-	285	(437)	-	-	1,572	727	-	846
Infrastructure:																		
- Sealed Roads Structure	-	80,523	19,846	-	60,677	1,491	-	(1,496)	94	185	(3,777)	-	-	-	77,780	20,606	-	57,173
- Unsealed Roads	-	12,917	8,508	-	4,409	-	-	(319)	-	-	-	-	-	-	12,917	8,827	-	4,090
- Bridges	-	22,263	3,722	-	18,541	131	(59)	(263)	172	-	-	-	-	-	22,462	3,940	-	18,522
- Footpaths	-	1,033	311	-	722	-	-	(17)	-	-	-	-	-	-	1,033	328	-	705
- Bulk Earthworks (non-depreciable)	-	167,643	-	-	167,643	459	-	-	122	-	(4,784)	-	-	-	163,439	-	-	163,439
- Stormwater Drainage	-	2,561	436	-	2,125	-	-	(30)	-	-	-	-	-	-	2,561	466	-	2,095
- Water Supply Network	-	18,738	1,138	-	17,600	101	-	(247)	-	-	-	(3,497)	-	-	15,307	1,351	-	13,957
- Sewerage Network	-	8,628	1,027	-	7,601	7	-	(179)	-	-	-	(1,056)	-	-	7,409	1,036	-	6,373
Other Assets:																		
- Heritage Collections	-	90	-	-	90	-	-	-	-	-	-	-	-	-	90	-	-	90
- Other	-	44	10	-	34	7	-	(3)	-	-	-	-	-	-	51	12	-	39
Reinstatement, Rehabilitation & Restoration Assets (refer Note 26)																		
- Tip Asset	-	456	182	-	274	-	-	(10)	-	-	-	-	-	-	456	191	-	264
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	398	344,295	40,018	-	304,676	4,005	(268)	(3,735)	-	297	(11,745)	(5,798)	5,414	843	338,891	46,889	-	292,844

Additions to Depreciable Land Improvements, Buildings, Other Structures and Infrastructure Assets are made up of Infrastructure Asset Renewals (\$2,447K) and New Infrastructure and other Assets (\$1,558K). Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000	Actual 2013				Actual 2012			
	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
Water Supply								
Plant and Equipment	-	-	-	-	3	-	1	2
Land								
- Operational Land	-	202	-	202	-	234	-	234
Buildings	-	4,396	445	3,951	-	346	31	315
Infrastructure	-	15,307	1,350	13,957	-	18,765	1,165	17,600
Other Assets	-	8	3	5	-	9	3	6
Total Water Supply	-	19,913	1,798	18,115	3	19,354	1,200	18,157
Sewerage Services								
Land								
- Operational Land	-	101	-	101	-	169	-	169
- Improvements non-depreciable	-	6	-	6	-	6	-	6
Buildings	-	104	6	98	-	104	5	99
Other Structures	-	40	21	19	-	40	20	20
Infrastructure	-	7,409	1,036	6,373	-	8,653	1,052	7,601
Other Assets	-	46	7	39	-	45	6	39
Total Sewerage Services	-	7,706	1,070	6,636	-	9,017	1,083	7,934
Domestic Waste Management								
Plant and Equipment	-	306	80	226	-	310	87	223
Land								
- Operational Land'	-	182	-	182	-	227	-	227
Buildings	-	284	64	220	-	414	13	401
Other Structures	-	183	144	39	170	-	129	41
Other Assets	-	26	5	21	28	-	5	23
Total DWM	-	981	293	688	198	951	234	915
MaMaugh Gardens Aged Care								
- Plant and Equipment	-	10	9	1	10	-	9	1
- Office Equipment	-	17	8	9	17	-	4	13
- Furniture and Fittings	-	432	271	161	420	-	242	178
- Land (Council owned)	-	65	-	65	-	155	-	155
- Roads, Parking & Footpaths	-	38	4	34	-	38	4	34
- Buildings	-	5,968	1,490	4,478	-	4,180	154	4,026
- Other Structures	-	130	22	108	-	130	14	116
Total Other Restrictions	-	6,660	1,804	4,856	447	4,503	427	4,523
TOTAL RESTRICTED IPPE	-	35,260	4,965	30,295	648	33,825	2,944	31,529

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

Council has recognised no impairment losses during the reporting period nor reversed any prior period losses.

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 10a. Payables, Borrowings and Provisions

\$ '000	Notes	2013		2012	
		Current	Non Current	Current	Non Current
Payables					
Goods and Services - operating expenditure		714	-	646	-
Payments Received In Advance		1,099	-	1,082	-
Accrued Expenses:					
- Other Expenditure Accruals		3	-	21	-
Retirement Home Contributions		2,044	-	1,984	-
Total Payables		3,860	-	3,733	-
Borrowings					
Loans - Secured ¹		108	1,348	100	1,464
Total Borrowings		108	1,348	100	1,464
Provisions					
Employee Benefits;					
Annual Leave		814	-	805	-
Sick Leave		87	-	64	-
Long Service Leave		1,017	447	813	476
ELE On-Costs		-	7	-	-
Sub Total - Aggregate Employee Benefits		1,918	454	1,682	476
Asset Remediation/Restoration (Future Works)	26	-	782	-	730
Total Provisions		1,918	1,236	1,682	1,206
Total Payables, Borrowings and Provisions		5,886	2,584	5,515	2,670
 (i) Liabilities relating to Restricted Assets					
		2013		2012	
		Current	Non Current	Current	Non Current
Externally Restricted Assets					
McMaugh Garden (Payables)		2,044	-	1,984	-
McMaugh Garden (Interest Bearing Liabilities)		3	71	3	74
Liabilities relating to externally restricted assets		2,047	71	1,987	74
Internally Restricted Assets					
Nil					
Total Liabilities relating to restricted assets		2,047	71	1,987	74
Total Liabilities relating to Unrestricted Assets		3,839	2,513	3,528	2,596
TOTAL PAYABLES, BORROWINGS and PROVISIONS		5,886	2,584	5,515	2,670

¹. Loans are secured over the General Rating Income of Council

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

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 10a. Payables, Borrowings and Provisions (continued)

\$ '000	Actual 2013	Actual 2012
(ii) Current Liabilities not anticipated to be settled within the next 12 months		
The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions - Employees Benefits	1,412	1,203
Retirement Home Contributions	1,685	1,504
	3,097	2,707

Note 10b. Description of and movements in Provisions

Class of Provision	2012		2013			
	Opening Balance as at 1/7/12	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	Closing Balance as at 30/6/13
Annual Leave	805	481	(472)	-	-	814
Sick Leave	64	237	(214)	-	-	87
Long Service Leave	1,289	355	(180)	-	-	1,464
ELE On-Costs	-	7	-	-	-	7
Asset Remediation	730	52	-	-	-	782
TOTAL	2,888	1,132	(866)	-	-	3,154

- a. Employees Leave Entitlements and On-Costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.
- b. Asset Remediation, Reinstatement and Restoration Provisions represent the Present Value estimate of future costs Council will incur in order to remove, restore and remediate assets and/or activities as a result of past operations.

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2013	Actual 2012
(a) Reconciliation of Cash Assets			
Total Cash and Cash Equivalent Assets	6a	6,631	1,072
BALANCE as per the STATEMENT of CASH FLOWS		6,631	1,072
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		14	(37)
<i>Adjust for non cash items:</i>			
Depreciation and Amortisation		3,486	3,486
Net Losses/(Gains) on Disposal of Assets		(67)	(37)
Non Cash Maturity of Accommodation Bonds		(34)	-
Losses/(Gains) recognised on Fair Value Re-measurements through the P and L			
- Investments classified as "At Fair Value" or "Held for Trading"		-	3
Unwinding of Discount Rates on Reinstatement Provisions		52	46
<i>+/- Movement in Operating Assets and Liabilities and Other Cash Items:</i>			
Decrease/(Increase) in Receivables		657	(356)
Increase/(Decrease) in Provision for Doubtful Debts		(49)	42
Decrease/(Increase) in Inventories		(19)	(3)
Decrease/(Increase) in Other Assets		(16)	(3)
Increase/(Decrease) in Payables		68	801
Increase/(Decrease) in other accrued Expenses Payable		(18)	-
Increase/(Decrease) in Other Liabilities		17	-
Increase/(Decrease) in Employee Leave Entitlements		214	200
NET CASH PROVIDED FROM/(USED IN)		4,306	4,143
OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		4,306	4,143
(c) Non-Cash Investing and Financing Activities			
Nil			
(d) Financing Arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank Overdraft Facilities ⁽¹⁾		100	100
Credit Cards / Purchase Cards		40	40
Total Financing Arrangements		140	140

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

Interest rates on overdrafts are Interest Rates on Loans and Other Payables are disclosed in Note 15.

Uralla Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2013	Actual 2012
(a) Capital Commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, Plant and Equipment			
Plant and Equipment		228	131
Total Commitments		228	131
These expenditures are payable as follows:			
Within the next year		228	131
Total Payable		228	131
Sources for Funding of Capital Commitments:			
Unrestricted General Funds		228	131
Total Sources of Funding		228	131

(b) Finance Lease Commitments

Nil

(c) Operating Lease Commitments (Non Cancellable)

Nil

(d) Investment Property Commitments

Nil

(e) Investment in Associates / Joint Ventures - Commitments

For Capital Commitments and Other Commitments relating to Investments in Associates and Joint Ventures, refer to Note 19 (b)

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000	Amounts	Indicator	Prior Periods	
	2013	2013	2012	2011
Local Government Industry Indicators - Consolidated				
1. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽¹⁾	<u>5,582</u>	2.30 : 1	2.40	3.27
Current Liabilities less Specific Purpose Liabilities ^(2,3)	<u>2,427</u>			
2. Debt Service Ratio				
Debt Service Cost	<u>222</u>	1.70%	3.00%	3.00%
Income from Continuing Operations (excl. Capital Items and Specific Purpose Grants/Contributions)	<u>13,069</u>			
3. Rates and Annual Charges Coverage Ratio				
Rates and Annual Charges	<u>4,911</u>	29.68%	29.00%	27.00%
Income from Continuing Operations	<u>16,547</u>			
4. Rates, Annual Charges, Interest and Extra Charges Outstanding Percentage				
Rates, Annual and Extra Charges Outstanding	<u>309</u>	5.78%	7.63%	8.22%
Rates, Annual and Extra Charges Collectible	<u>5,345</u>			
5. Building and Infrastructure Renewals Ratio				
Asset Renewals ⁽⁴⁾	<u>2,447</u>	86.99%	89.52%	71.00%
Depreciation, Amortisation and Impairment	<u>2,813</u>			

Notes

⁽¹⁾ Refer Notes 6-8 inclusive.

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

⁽²⁾ Refer to Note 10(a).

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

⁽⁴⁾ Asset Renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance. Asset Renewals include building and infrastructure assets only.

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000	Amounts 2013	Indicator 2013	Prior Periods	
			2012	2011
TCorp Performance Measures - Consolidated				
a. Operating Performance				
(Operating Revenue excludes Capital Grants and Contributions)				
Operating Revenue - Operating Expenses	<u>(237)</u>	-1.46%	-8.27%	4.87%
Operating Revenue	16,295			
b. Own Source Operating Revenue				
Rates and Annual Charges + User Charges and Fees	<u>9,635</u>	58.23%	40.65%	38.80%
Total Operating Revenue (incl. Capital Grants and Contributions)	16,547			
c. Unrestricted Current Ratio				
Current Assets less all External Restrictions	<u>5,582</u>	2.30	2.40	3.27
Current Liabilities less Specific Purpose Liabilities	2,427			
d. Debt Service Cover Ratio				
Operating Result before Interest and Depreciation (EBITDA)	<u>3,415</u>	12.41	6.83	11.55
Principal Repayments (from the Statement of Cash Flows)	275			
+ Borrowing Interest Costs (from the Income Statement)				
e. Capital Expenditure Ratio				
Annual Capital Expenditure	<u>3,737</u>	1.07	0.88	1.02
Annual Depreciation	3,486			
f. Infrastructure Backlog Ratio				
Estimated Cost to bring Assets to a Satisfactory Condition	<u>9,285</u>	0.08	0.05	0.05
Total value of Infrastructure, Building, Other Structures and Depreciable Land Improvement Assets	121,264			
g. Asset Maintenance Ratio				
Actual Asset Maintenance	<u>3,576</u>	1.17	1.09	1.09
Required Asset Maintenance	3,044			
h. Building and Infrastructure Renewals Ratio				
Asset Renewals	<u>2,447</u>	0.87	0.90	0.71
Depreciation of Building and Infrastructure Assets	2,813			
i. Cash Expense Cover Ratio				
Current Year's Cash and Cash Equivalents	<u>6,631</u>	6.18	1.02	0.84
(Total Expenses - Depreciation - Interest Costs) x12	1,073			
j. Interest Cover Ratio				
Operating Results before Interest and Depreciation (EBITDA)	<u>3,415</u>	20.43	11.99	19.31
Borrowing Interest Costs (from the income statement)	167			

The TCorp ratios calculated are based on the DLG requirements for the Financial Disclosure Return (FDR) and differ from the Code 21 calculation definitions. Council has decided to align the financial statement ratios with the FDR calculation process to avoid variances in results

Uralla Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 13a(ii). Local Government Industry Indicators - Graphs (Consolidated)

<p>1. Unrestricted Current Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio : 1</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>5.08</td> </tr> <tr> <td>2011</td> <td>3.27</td> </tr> <tr> <td>2012</td> <td>2.40</td> </tr> <tr> <td>2013</td> <td>2.30</td> </tr> </tbody> </table>	Year	Ratio : 1	2010	5.08	2011	3.27	2012	2.40	2013	2.30	<p>Purpose of Unrestricted Current Ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2012/2013 Result</p> <p>2012/13 Ratio 2.30 : 1</p> <p>The unrestricted current ratio remains at above the Division of Local Government benchmark ratio of 2:1, which Uralla Shire Council exceeds. The ratio for 2012 and 2013 have been affected by the inclusion in current liabilities of the two quarters of financial Assistance Grants advances of \$1,081,803 and \$1,098,956 respectively.</p>
Year	Ratio : 1											
2010	5.08											
2011	3.27											
2012	2.40											
2013	2.30											
<p>2. Debt Service Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>2.00%</td> </tr> <tr> <td>2011</td> <td>3.00%</td> </tr> <tr> <td>2012</td> <td>3.00%</td> </tr> <tr> <td>2013</td> <td>1.70%</td> </tr> </tbody> </table>	Year	Ratio %	2010	2.00%	2011	3.00%	2012	3.00%	2013	1.70%	<p>Purpose of Debt Service Ratio</p> <p>To assess the impact of loan principal & interest repayments on the discretionary revenue of council.</p>	<p>Commentary on 2012/2013 Result</p> <p>2012/13 Ratio 1.70%</p> <p>The Debt Service Ratio, which includes both principal and interest payments, remains at a constant but reducing ratio with maturing loans and increasing revenue.</p>
Year	Ratio %											
2010	2.00%											
2011	3.00%											
2012	3.00%											
2013	1.70%											
<p>3. Rates and Annual Charges Coverage Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>30.00%</td> </tr> <tr> <td>2011</td> <td>27.00%</td> </tr> <tr> <td>2012</td> <td>29.00%</td> </tr> <tr> <td>2013</td> <td>29.68%</td> </tr> </tbody> </table>	Year	Ratio %	2010	30.00%	2011	27.00%	2012	29.00%	2013	29.68%	<p>Purpose of Rates & Annual Charges Coverage Ratio</p> <p>To assess the degree of Council's dependence upon revenue from rates and annual charges and to assess the security of Council's income.</p>	<p>Commentary on 2012/2013 Result</p> <p>2012/13 Ratio 29.68%</p> <p>The Uralla Shire Council's Rates and Annual Charges remains just under 30%, due to the approximately 27% of revenue obtained for auspiced community service. The percentage, excluding community services income, would be 37.8%</p>
Year	Ratio %											
2010	30.00%											
2011	27.00%											
2012	29.00%											
2013	29.68%											
<p>4. Rates, Annual Charges, Interest and Extra Charges Outstanding Percentage</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>9.74%</td> </tr> <tr> <td>2011</td> <td>8.22%</td> </tr> <tr> <td>2012</td> <td>7.63%</td> </tr> <tr> <td>2013</td> <td>5.78%</td> </tr> </tbody> </table>	Year	Ratio %	2010	9.74%	2011	8.22%	2012	7.63%	2013	5.78%	<p>Purpose of Rates & Annual Charges Outstanding Ratio</p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p>Commentary on 2012/2013 Result</p> <p>2012/13 Ratio 5.78%</p> <p>The outstanding ratio continues to improve from the high, during the NESAC management of Council's finances, of 11.19% in 2009 towards Council's historical 2.94% to 4.40% for the period 2001 to 2005. Council has a long term target of outstanding rates of 3.00%</p>
Year	Ratio %											
2010	9.74%											
2011	8.22%											
2012	7.63%											
2013	5.78%											
<p>5. Building and Infrastructure Renewals Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>106.00%</td> </tr> <tr> <td>2011</td> <td>71.00%</td> </tr> <tr> <td>2012</td> <td>89.52%</td> </tr> <tr> <td>2013</td> <td>86.99%</td> </tr> </tbody> </table>	Year	Ratio %	2010	106.00%	2011	71.00%	2012	89.52%	2013	86.99%	<p>Purpose of Asset Renewals Ratio</p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p>Commentary on 2012/2013 Result</p> <p>2012/13 Ratio 86.99%</p> <p>While Council continues to renew its infrastructure at or just under 100% of depreciation of those assets over the long term; it places greater importance upon the maintenance of its infrastructure than renewal. Maintenance is the most prudent and economical means of asset management.</p>
Year	Ratio %											
2010	106.00%											
2011	71.00%											
2012	89.52%											
2013	86.99%											

Uralla Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 13a(ii). TCorp Performance Measures - Graphs (Consolidated)

<p>a. Operating Performance</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>4.87%</td> </tr> <tr> <td>2012</td> <td>-8.27%</td> </tr> <tr> <td>2013</td> <td>-1.46%</td> </tr> </tbody> </table>	Year	Ratio %	2011	4.87%	2012	-8.27%	2013	-1.46%	<p>Purpose of Operating Performance Ratio</p> <p>This ratio measures Council's achievement of containing operating expenditure within operating revenue.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio -1.46%</p> <p>The TCorp benchmark for this measure is to be better than a deficit of 4.0%. The current year is within this benchmark and the Uralla Shire Council has operated the past 10 years at a operating result of deficit of 1.20% and the past 3 years at a deficit of 2.21%, within the benchmark of a deficit of 4%.</p>
Year	Ratio %									
2011	4.87%									
2012	-8.27%									
2013	-1.46%									
<p>b. Own Source Operating Revenue</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>38.80%</td> </tr> <tr> <td>2012</td> <td>40.65%</td> </tr> <tr> <td>2013</td> <td>58.23%</td> </tr> </tbody> </table>	Year	Ratio %	2011	38.80%	2012	40.65%	2013	58.23%	<p>Purpose of Own Source Operating Revenue Ratio</p> <p>This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 58.23%</p> <p>The TCorp benchmark for this measure is better than 60%. Council's previous well below the benchmark results is entirely due to accounting treatment of the funding of auspiced community service programs of approximately 27% of revenue. Funding of 16.51% previously classified as grants now as contract service fees income with 9.33% as contributions.</p>
Year	Ratio %									
2011	38.80%									
2012	40.65%									
2013	58.23%									
<p>c. Unrestricted Current Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (x)</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>3.27</td> </tr> <tr> <td>2012</td> <td>2.40</td> </tr> <tr> <td>2013</td> <td>2.30</td> </tr> </tbody> </table>	Year	Ratio (x)	2011	3.27	2012	2.40	2013	2.30	<p>Purpose of Unrestricted Current Ratio</p> <p>To assess the adequacy of unrestricted working capital and Council's ability to meet short term obligations as they fall due.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 2.30</p> <p>The TCorp benchmark for this measure is better than 1.5:1, which Uralla Shire Council exceeds. The ratio for 2012 and 2013 have been adversely affected by the inclusion in current liabilities of the two quarters of Financial Assistance Grants advances of \$1,081,803 and \$1,098,956 respectively.</p>
Year	Ratio (x)									
2011	3.27									
2012	2.40									
2013	2.30									
<p>d. Debt Service Cover Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (x)</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>11.55</td> </tr> <tr> <td>2012</td> <td>6.83</td> </tr> <tr> <td>2013</td> <td>12.41</td> </tr> </tbody> </table>	Year	Ratio (x)	2011	11.55	2012	6.83	2013	12.41	<p>Purpose of Debt Service Cover Ratio</p> <p>This ratio measures the availability of operating cash to service debt including interest, principal and lease payments</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 12.41 x</p> <p>The TCorp benchmark for this measure is better than 2.0x, which is constantly exceeded by Uralla Shire Council. This is due to the Council's decision to fund its asset replacement, renewal and expansion from Surpluses, Grants and non cash Depreciation and not inter-generational debt.</p>
Year	Ratio (x)									
2011	11.55									
2012	6.83									
2013	12.41									
<p>e. Capital Expenditure Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (x)</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>1.02</td> </tr> <tr> <td>2012</td> <td>0.88</td> </tr> <tr> <td>2013</td> <td>1.07</td> </tr> </tbody> </table>	Year	Ratio (x)	2011	1.02	2012	0.88	2013	1.07	<p>Purpose of Capital Expenditure Ratio</p> <p>This ratio assesses the extent to which a Council is expanding its asset base with capital expenditure (on new assets, replacement and renewal of existing assets).</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 1.07 x</p> <p>The TCorp benchmark is better than 1.10x. This year Council's effort is just under the benchmark, however past years have not reached this benchmark. Council suggests that the benchmark needs revision for General Purpose Councils with Water and Sewer assets that have longer than annual renewal horizons.</p>
Year	Ratio (x)									
2011	1.02									
2012	0.88									
2013	1.07									

Uralla Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 13a(ii). TCorp Performance Measures - Graphs (Consolidated) continued

<p>f. Infrastructure Backlog Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (x)</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>0.05</td> </tr> <tr> <td>2012</td> <td>0.05</td> </tr> <tr> <td>2013</td> <td>0.08</td> </tr> </tbody> </table>	Year	Ratio (x)	2011	0.05	2012	0.05	2013	0.08	<p>Purpose of Infrastructure Backlog Ratio</p> <p>This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 0.08 x</p> <p>The TCorp benchmark is less than 0.02x. The Uralla Shire Council believes that an Infrastructure Backlog Ratio of 2% of the Asset Carrying Capacity is not achievable, or realistic, as the annual deterioration of infrastructure asset is 2.15% of carrying value. The backlog for 2013 at \$9,285,000 includes the replacement of the Emu Crossing at \$4,785,000 that will receive a confirmed capital grant of \$3,500,000 over the next two years. After deducting the \$3,500,000 grant the ratio would be 4.05% or twice the annual deterioration of those assets.</p>
Year	Ratio (x)									
2011	0.05									
2012	0.05									
2013	0.08									
<p>g. Asset Maintenance Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (x)</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>1.09</td> </tr> <tr> <td>2012</td> <td>1.09</td> </tr> <tr> <td>2013</td> <td>1.17</td> </tr> </tbody> </table>	Year	Ratio (x)	2011	1.09	2012	1.09	2013	1.17	<p>Purpose of Asset Maintenance Ratio</p> <p>Compares actual vs. required annual asset maintenance. A ratio of > 1.0x indicates enough has been spent to stop the Infrastructure Backlog from growing.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 1.17 x</p> <p>The TCorp benchmark is greater than 1.0X, which is constantly exceeded by Uralla Shire Council. Council relies on funded scheduled maintenance as the primary effort in Asset Maintenance. This; combined with the funding of asset replacement, renewal and expansion from Surpluses, Grants and non cash Depreciation; has resulted in a continuing manageable Infrastructure Backlog of no more than twice the annual deterioration of its assets.</p>
Year	Ratio (x)									
2011	1.09									
2012	1.09									
2013	1.17									
<p>h. Building and Infrastructure Renewals Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (x)</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>0.71</td> </tr> <tr> <td>2012</td> <td>0.90</td> </tr> <tr> <td>2013</td> <td>0.87</td> </tr> </tbody> </table>	Year	Ratio (x)	2011	0.71	2012	0.90	2013	0.87	<p>Purpose of Asset Renewals Ratio</p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 0.87 x</p> <p>The TCorp benchmark is better than 1.0x. The Uralla Shire Council has maintained the 0.90x of last year for infrastructure renewal with 0.87x in the current year. For the prior years 2011 was 0.71x, 2010 was 1.06x and 2009 was 1.20x. The benchmark needs revision for General Purpose Councils with Water and Sewer assets that have longer than annual renewal horizons. Note 13b (5) shows that the General Fund separately has 0.98x for the current year and 1.032x last year.</p>
Year	Ratio (x)									
2011	0.71									
2012	0.90									
2013	0.87									
<p>i. Cash Expense Cover Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (mths)</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>0.84</td> </tr> <tr> <td>2012</td> <td>1.02</td> </tr> <tr> <td>2013</td> <td>6.18</td> </tr> </tbody> </table>	Year	Ratio (mths)	2011	0.84	2012	1.02	2013	6.18	<p>Purpose of Cash Expense Cover Ratio</p> <p>This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 6.18 mths</p> <p>The TCorp benchmark is more than 3 months. The Uralla Shire Council has achieved this benchmark for the current year by reclassifying as cash equivalents Term Deposits with maturity under 3 months that in prior years have been classified as investments. Council maintains a rolling investment in Term Deposits of its surplus funds with even monthly maturities.</p>
Year	Ratio (mths)									
2011	0.84									
2012	1.02									
2013	6.18									
<p>j. Interest Cover Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (x)</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>19.31</td> </tr> <tr> <td>2012</td> <td>11.99</td> </tr> <tr> <td>2013</td> <td>20.43</td> </tr> </tbody> </table>	Year	Ratio (x)	2011	19.31	2012	11.99	2013	20.43	<p>Purpose of Interest Cover Ratio</p> <p>This ratio indicates the extent to which a Council can service (thru operating cash) its interest bearing debt and take on additional borrowings.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 20.43 x</p> <p>The TCorp benchmark is better than 4.0x. The Uralla Shire Council has borrowings of less than \$1.44 million and no projected borrowings in its ten year financial plans, therefore interest will reduce further.</p>
Year	Ratio (x)									
2011	19.31									
2012	11.99									
2013	20.43									

Uralla Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

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

\$ '000	Water 2013	Sewer 2013	General ¹ 2013
Local Government Industry Indicators - by Fund			
1. Unrestricted Current Ratio			
Current Assets less all External Restrictions ⁽¹⁾	No	No	2.30 : 1
Current Liabilities less Specific Purpose Liabilities ^(2,3)	Liabilities	Liabilities	
prior period:	0	0	1.56
2. Debt Service Ratio			
Debt Service Cost	0.00%	0.00%	1.92%
Income from Continuing Operations (excl. Capital Items and Specific Purpose Grants/Contributions)	prior period:	0.00%	3.00%
3. Rates & Annual Charges Coverage Ratio			
Rates and Annual Charges	36.83%	78.66%	27.21%
Income from Continuing Operations	prior period:	50.90%	25.81%
4. Rates, Annual Charges, Interest and Extra Charges Outstanding Percentage			
Rates, Annual and Extra Charges Outstanding	10.54%	5.82%	5.43%
Rates, Annual and Extra Charges Collectible	prior period:	17.13%	6.53%
5. Building and Infrastructure Renewals Ratio			
Asset Renewals (Building and Infrastructure assets)	40.76%	4.15%	97.99%
Depreciation, Amortisation and Impairment	prior period:	2.85%	103.19%

Notes

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

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000	Water 2013	Sewer 2013	General ¹ 2013
TCorp Performance Measures - by Fund			
a. Operating Performance			
Operating Revenue (excl. Capital Grants and Contributions) - Operating Expenses	-2.50%	10.95%	-1.92%
Operating Revenue (excl. Capital Grants and Contributions)			
prior period:	-27.78%	-16.16%	-6.38%
b. Own Source Operating Revenue			
Rates & Annual Charges + User Charges and Fees	84.67%	80.83%	55.70%
Total Operating Revenue (incl. Capital Grants and Contributions)			
prior period:	50.86%	89.73%	38.45%
c. Unrestricted Current Ratio			
Current Assets less all External Restrictions	0.00	0.00	2.30
Current Liabilities less Specific Purpose Liabilities			
prior period:	0.00	0.00	1.56
d. Debt Service Cover Ratio			
Operating Result before Interest and Depreciation (EBITDA)	0.00	0.00	10.66
Principal Repayments (from the Statement of Cash Flows) + Borrowing Interest Costs (from the Income Statement)			
prior period:	0.00	0.00	11.50
e. Capital Expenditure Ratio			
Annual Capital Expenditure	0.42	0.04	1.19
Annual Depreciation			
prior period:	0.03	0.13	1.04
f. Infrastructure Backlog Ratio			
Estimated Cost to bring Assets to a Satisfactory Condition (from Special Schedule 7)	0.01	0.02	0.09
Total value of Infrastructure, Building, Other Structures & Depreciable Land Improvement Assets			
prior period:	0.01	0.01	0.06
g. Asset Maintenance Ratio			
Actual Asset Maintenance	0.98	1.02	1.19
Required Asset Maintenance			
prior period:	1.00	1.00	1.20
h. Building and Infrastructure Renewals Ratio			
Asset Renewals	0.41	0.04	0.98
Depreciation of Building and Infrastructure Assets			
prior period:	0.03	0.13	1.03
i. Cash Expense Cover Ratio			
Current Year's Cash and Cash Equivalents	14.98	36.94	6.72
(Total Expenses - Depreciation - Interest Costs) x12			
prior period:	15.84	24.87	1.10
j. Interest Cover Ratio			
Operating Results before Interest and Depreciation (EBITDA)	0.00	0.00	17.54
Borrowing Interest Costs (from the income statement)			
prior period:	0.00	0.00	20.18

Notes

(1) General Fund refers to all of Council's activities except for its Water and Sewer activities which are listed separately.

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 14. Investment Properties

\$ '000

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

Note 15. Financial Risk Management

Risk Management

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

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

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

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

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

	Carrying Value		Fair Value	
	2013	2012	2013	2012
Financial Assets				
Cash and Cash Equivalents	6,631	1,072	6,631	1,072
Investments				
- "Held to Maturity"	1,500	6,300	1,500	6,300
Receivables	1,240	1,849	1,240	1,849
Total Financial Assets	9,371	9,221	9,371	9,221
Financial Liabilities				
Payables	2,761	2,651	2,761	2,651
Loans / Advances	1,456	1,564	1,456	1,564
Total Financial Liabilities	4,217	4,215	4,217	4,215

Fair Value is determined as follows:

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

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 15. Financial Risk Management (continued)

\$ '000

(a) Cash & Cash Equivalents, Financial assets 'at fair value through the Profit and Loss' "Available-for-sale" financial assets and "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.

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

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

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

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

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

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

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

	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
2013				
Possible impact of a 1% movement in Interest Rates	82	82	(82)	(82)
2012				
Possible impact of a 1% movement in Interest Rates	63	63	(63)	(63)

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 15. Financial Risk Management (continued)

\$ '000

(b) Receivables

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

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

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures.

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

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

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

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

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

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

	2013	2013	2012	2012
	Rates and Annual Charges	Other Receivables	Rates and Annual Charges	Other Receivables
(i) Ageing of Receivables				
Current (not yet overdue)	150	981	153	1,599
Overdue	109	-	147	
	<u>259</u>	<u>981</u>	<u>300</u>	<u>1,599</u>

(ii) Movement in Provision for Impairment of Receivables

	2013	2012
Balance at the beginning of the year	50	50
- provision written off to Debtors this year	(49)	-
Balance at the end of the year	<u>1</u>	<u>50</u>

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 15. Financial Risk Management (continued)

\$ '000

(c) Payables and Borrowings

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2013									
Trade/Other Payables	-	766	375	375	375	375	495	2,761	2,761
Loans & Advances	-	118	118	118	118	118	867	1,457	1,456
Total Financial Liabilities	-	884	493	493	493	493	1,362	4,218	4,217
2012									
Trade/Other Payables	-	2,229	376	376	376	376	-	3,733	3,733
Loans & Advances	-	100	112	112	112	112	1,015	1,564	1,564
Total Financial Liabilities	-	2,329	488	488	488	488	1,015	5,297	5,297

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

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

	2013		2012	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	2,761	0.0%	3,733	0.0%
Loans and Advances - Fixed Interest Rate	1,456	7.3%	1,564	7.3%
	<u>4,217</u>		<u>5,297</u>	

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 2012/2013 was adopted by the Council on 25 June 2012.

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

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

Note that for Variations* of Budget to Actual :

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

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

\$ '000	2013 Budget	2013 Actual	2013 ----- Variance* -----	
REVENUES				
Rates and Annual Charges	4,763	4,911	148	3% F
User Charges & Fees	6,355	4,724	(1,631)	(26%) U
The funding for McMaugh Gardens (\$1,167,354.06), Tablelands Community Transport (\$311,671.56) and Bundarra Neighbour Aid Services (\$59,785.52) totalling \$1,538,811.14 was included as Contract Service Fees in the original budget. The funding has been determined to not be fees for service but subsidies under the contracts with the State and Federal Departments and have been classified as Contributions and removed from Fees and Charges.				
Interest and Investment Revenue	582	622	40	7% F
Other Revenues	428	625	197	46% F
Within the Other Revenues the following items were under-budgeted: Recycling Income \$109,471.69 (Budget \$53,500), Diesel Fuel Rebates \$77,016.35 (Budget \$52,200) Re-imbursments from Rural Fire Service for prior years \$31,293.53 and for Environmental Projects \$10,570.98. Subtotal \$228,352.55 against a budget of \$105,700; a net variation of \$122,652.55				
Operating Grants and Contributions	3,883	5,346	1,463	38% F
The funding for McMaugh Gardens (\$1,167,354.06), Tablelands Community Transport (\$311,671.56) and Bundarra Neighbour Aid Services (\$59,785.52) totalling \$1,538,811.14 was included as Contract Service Fees in the original budget. The funding has been determined to be subsidies rather than fees for service under the contracts with the State and Federal Departments and have been classified as Contributions rather than Fees and Charges.				
Capital Grants and Contributions	158	252	94	59% F
The budgeted capital grants were \$150,000 for capital roadworks and \$8,000 for footpaths (PAMP Grant). The actual capital grant was \$252,562.00 from Roads to Recovery.				
Net Gains from Disposal of Assets	-	67	67	0% F

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 16. Material Budget Variations (continued)

\$ '000	2013 Budget	2013 Actual	2013 ----- Variance* -----		
EXPENSES					
Employee Benefits and On-Costs	6,896	7,038	(141)	(2%)	U
Borrowing Costs	112	167	(55)	(49%)	U
The unwinding of present value for landfill remediation of \$52,318 was not budgeted for in the original budget.					
Materials and Contracts	4,398	4,577	(180)	(4%)	U
Depreciation and Amortisation	3,386	3,486	(100)	(3%)	U
Other Expenses	1,131	1,265	(134)	(12%)	U
Within the other expenses the following items and categories were underbudgeted:					
Advertising \$62,947.77 (Budget \$24,356) an underbudget of \$38,591.77 of which Tourism and Economic Development advertising costs were underbudgeted by \$24,134.12 due to increased effort.					
Community Services other sundry expenses \$38,420.78 (\$27,571) for funded expenditure.					
Audit Fees \$37,200.00 (\$26,000) for additional work in completing the 2011/2012 year.					
Motor vehicle registration \$41,116.37 (\$31,012) Internet expenses \$32,051.88 (\$14,101) underestimated.					
Subtotal \$211,736.80 against a budget of \$123,040; a net variation of \$88,696.80					

Budget Variations relating to Council's Cash Flow Statement include:

Cash Flows from Operating Activities	3,278	4,306	1,028	31.4%	F
The difference between the actual surplus of \$13,460.23 and the budget of \$246,972.00 reduced the funds from the two quarter advance of \$1,098,956.00 for 2013/2014 Financial Assistance Grant to account for \$865,444.23 of the \$1,028,000 additional cash flow from operations.					
Cash Flows from Investing Activities	(3,262)	1,268	4,530	(138.9%)	F
Principal variation is the end of year transfer of +\$5,800,000 of Term Deposits to current assets as cash equivalents. The actual redemption of Term Deposits during the year was \$500,000 against a budget of \$300,000 with the actual investment in Term Deposits for the year at \$1,500,000 against a nil budget; a net -\$1,300,000					
Cash Flows from Financing Activities	(84)	(14)	70	(83.4%)	F
The budget for the receipt and payment of Accommodation Bonds, for McMaugh Gardens Aged Care Centre, were Receipts \$516,000 and repayments on leaving \$500,000 a net \$16,000. The actual receipts were \$268,415.91 and repayments on leaving \$174,339.20 a net \$94,076.71. The difference is \$78,076.71. The payout of accommodation bonds on leaving and the subsequent receipt of bonds on filling the vacancies can not be reliably predicted.					

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 17. Statement of Developer Contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Roads	234	49	-	-	-	-	283	59	(342)	-	-
Traffic Facilities	9	5	-	-	-	-	14	10	(24)	-	-
Community Facilities	46	11	-	-	-	-	57	22	(79)	-	-
Other	21	14	-	-	-	-	35	27	(57)	5	-
S94 Contributions - under a Plan	310	79	-	-	-	-	389	118	(502)	5	-
Total S94 Revenue Under Plans	310	79	-	-	-	-	389				-
Total Contributions	310	79	-	-	-	-	389	118	(502)	5	-

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN - RURAL INVERGOWRIE

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Roads	23	31	-	-	-	-	54	59	(113)	-	-
Traffic Facilities	9	5	-	-	-	-	14	10	(24)	-	-
Community Facilities	46	11	-	-	-	-	57	22	(79)	-	-
Other	16	14	-	-	-	-	30	27	(57)	-	-
Total	94	61	-	-	-	-	155	118	(273)	-	-

CONTRIBUTION PLAN - RURAL

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Other	5	-	-	-	-	-	5	-	-	5	-
Total	5	-	-	-	-	-	5	-	-	5	-

CONTRIBUTION PLAN - DCP ROAD MAINTENANCE ROYALTIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Roads	211	18	-	-	-	-	229	-	(229)	-	-
Total	211	18	-	-	-	-	229	-	(229)	-	-

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 18. Contingencies and Other Assets/Liabilities Not Recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined Benefit Superannuation Contribution Plans

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

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

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

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

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

(i) Defined Benefit Superannuation Contribution Plans (continued)

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

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 the member's contribution 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 amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2013 was \$222,353. The last valuation of the Scheme was performed by Mr Martin Stevenson BSc, FIA, FIAA on 20 February 2013 and covers the period to 30 June 2013. However the position is monitored annually and the Actuary has estimated that as at 30 June 2013 a deficit still exists.

Effective from 1 July 2013, employers are required to contribute additional contributions to assist in extinguishing this deficit.

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

(i) Defined Benefit Superannuation Contribution Plans (continued)

The annual amount of additional contributions payable until the deficit is extinguished is \$92,801. The additional contributions remitted during the year is included in the total employer contributions set out in the beginning of this paragraph.

The share of the deficit that can be broadly attributed to Council as the employer as at 30 June 2013 was estimated to be in the order of \$431,462

(ii) Statewide Limited

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

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

Statewide Mutual's Directors report that the scheme had accumulated surpluses at 30 June 2012 in all funds:

	2012	2011
Fidelity Guarantee Fund	1,660,087	1,544,062
Liability Fund	23,796,508	20,893,500
Property Fund	13,210,215	14,847,868

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

(iii) StateCover Limited

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

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

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

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

Council is of the opinion that there is insufficient certainty of recovery of capital contributed to qualify for recognition of an asset. Capital contributions to date total \$119,838.71, comprising payments:

2004/2005	\$20,396.30
2005/2006	\$10,225.25
2006/2007	\$10,595.97
2007/2008	\$12,009.77
2008/2009	\$12,868.20
2009/2010	\$12,565.26
2010/2011	\$13,334.93
2011/2012	\$13,763.42
2012/2013	\$14,079.61

(iv) Other Guarantees

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

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other Liabilities

(i) Third Party Claims

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

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

(ii) S94 Plans

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

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

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

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

(iii) Potential Land Acquisitions due to Planning Restrictions imposed by Council

Council has classified a number of privately owned land parcels as Local Open Space or Bushland.

As a result, where notified in writing by the various owners, Council will be required to purchase these land parcels.

At reporting date, reliable estimates as to the value of any potential liability (and subsequent land asset) from such potential acquisitions has not been possible.

ASSETS NOT RECOGNISED:

(i) Land Under Roads

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

(ii) Infringement Notices/Fines

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

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

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

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

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000

ASSETS NOT RECOGNISED: (continued)

(iii) 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 \$463,061.55 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.

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 this 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 securites for CDOs organised by LBSF until the differences have been resolved.

(iii) FINANCIAL ASSETS

COLLATERALISED DEBT OBLIGATIONS (CDOs)

(continued)

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 in July 2011. The second CDO is Coolangatta-Zircon Finance Ltd, with a face value of \$250,000 was paid out on 26 February 2013 with an amount of \$247,438.45.

The litigation funder, IMF (Australia) Ltd, has agreed to fund an appeal against the liquidator of Lehman Brothers Asia determination to reject claims for losses on Lehman Brothers International products sold to Australian clients after Lehman Brothers' acquisition of Grange Securities. The Uralla Shire Council's claim is for the aforementioned loss on the Global Bank Note of \$41,000 (\$100,000 - \$59,000).

The outcomes of the court cases in Australia and Hong Kong and other legal actions pending against the Lehman companies and the rating agencies are not known as amount and date of finalisation, therefore the total amount of Council's recovery, if any, cannot be estimated as this time.

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000

ASSETS NOT RECOGNISED (continued):

(iv) 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.

From 1 July 2012, the Gwydir Shire Council has been admitted as a member of the Central Northern Regional Libraries. The Gwydir Shire Council will not be entitled to share in reserves which existed at 30 June 2012 (Clause 2 of the Variation of Central Northern Regional Library Regional Library Agreement 2012).

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.”

(iv) CENTRAL NORTHERN LIBRARIES (continued)

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 2013 balance were not available.

The net assets of the Central Northern Regional Library at 30 June 2013 balance were \$966,030 with a Surplus from Ordinary Activities of \$162,629 for the 2012/2013 year (2012 \$803,041 and \$17,402 respectively)

The percentage of contribution and share of net assets for the Uralla Shire Council is 7.2%.

(v) RURAL FIRE FIGHTING ASSETS

Council has title to, and is the registered owner of 25 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.

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

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

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2013	Actual 2012
(a) Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		66,825	67,302
a. Correction of Prior Period Errors	20 (c)	(2,998)	(440)
b. Net Operating Result for the Year		14	(37)
Balance at End of the Reporting Period		<u>63,841</u>	<u>66,825</u>

(b) Reserves**(i) Reserves are represented by:**

- Infrastructure, Property, Plant AND Equipment Revaluation Reserve		230,199	239,146
Total		<u>230,199</u>	<u>239,146</u>

(ii) Reconciliation of movements in Reserves:**Infrastructure, Property, Plant and Equipment Revaluation Reserve**

- Opening Balance		239,146	233,742
- Revaluations for the year	9(a)	(384)	5,404
- Correction of Prior Period Errors	20(c)	(8,563)	-
- Balance at End of Year		<u>230,199</u>	<u>239,146</u>

TOTAL VALUE OF RESERVES

<u>230,199</u>	<u>239,146</u>
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(iii) Nature and Purpose of Reserves**Infrastructure, Property, Plant & Equipment Revaluation Reserve**

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

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000	Notes	Actual 2013	Actual 2012
(c) Correction of Error/s relating to a Previous Reporting Period			
Correction of errors disclosed in this year's financial statements:			
- Error in calculation of ELE provision at 30 June 2012 for prior years			(440)
- Remove roads taken up in revaluation of roads in 2009/2010 financial year when Uralla Shire Council was a member of NESAC. This road is related to Guyra Shire Council, not Uralla. Given the adjustment related to prior 2011/2012, the Revaluation Reserve has been adjusted.		8,563	
Council does not have sufficient and reliable information that will allow the restatement of information prior to 30 June 2012 (the closing date for the comparative figures in this report).			
As a result, Council has adjusted the accumulated depreciation for the following asset classes as at 30 June 2012 to reflect the correct value of accumulated depreciation;			
- Under depreciation of Building in prior years		(3,468)	
- Over depreciation of Other Structures in prior years		285	
- Over depreciation of Regional Rural Roads in prior years		185	
This adjustment resulted in net increase / (decrease) in Council's Accumulated Surplus as at 30 June 2012.			
In accordance with AASB 108 - Accounting Policies, Changes in Accounting Estimates and Errors, the above Prior Period Errors have been recognised retrospectively.			
These amounted to the following Equity Adjustments:			
- Adjustments to Opening Equity - 1 July 2012 (relating to adjustments for the 30 June 2012 reporting year end and prior periods)		(2,998)	(440)
Total Prior Period Adjustments - Prior Period Errors		(2,998)	(440)

The 2012 Comparatives for depreciation were reduced by \$92,276.80 relating to depreciation of 24.64 km of Thunderbolts Way within the Guyra Shire, that were duplicated in the Uralla Shire asset register and removed in the current year. This depreciation was adjusted in the results and not against retained earnings.

(d) Voluntary Changes in Accounting Policies

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

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 21. Financial Result and Financial Position by Fund

Income Statement by Fund \$ '000	Actual 2013	Actual 2013	Actual 2013
<u>Continuing Operations</u>	Water	Sewer	General¹
Income from Continuing Operations			
Rates and Annual Charges	332	492	4,088
User Charges and Fees	431	14	4,279
Interest and Investment Revenue	118	106	398
Other Revenues	1	-	623
Grants and Contributions provided for Operating Purposes	19	13	5,313
Grants and Contributions provided for Capital Purposes	-	-	252
Other Income			
Net Gains from Disposal of Assets	-	-	67
Share of interests in Joint Ventures and Associates using the Equity Method	-	-	-
Total Income from Continuing Operations	901	625	15,021
Employee Benefits and on-costs	408	228	6,401
Borrowing Costs	-	-	167
Materials and Contracts	262	146	4,170
Depreciation and Amortisation	253	182	3,051
Impairment	-	-	-
Other Expenses	-	-	1,265
Total Expenses from Continuing Operations	923	556	15,054
Operating Result from Continuing Operations	(22)	69	(33)
<u>Discontinued Operations</u>			
Net Profit/(Loss) from Discontinued Operations	-	-	-
Net Operating Result for the Year	(22)	69	(33)
Net Operating Result attributable to each Council Fund	(22)	69	(33)
Net Operating Result attributable to Non-controlling Interests	-	-	-
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	(22)	69	(284)

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

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

Uralla Shire Council

Notes to the Financial Statements

as at 30 June 2013

Note 21. Financial Result and Financial Position by Fund (continued)

Statement of Financial Position by Fund \$ '000	Actual 2013	Actual 2013	Actual 2013
ASSETS	Water	Sewer	General¹
Current Assets			
Cash and Cash Equivalents	837	1,152	4,642
Investments	-	-	1,500
Receivables	300	36	905
Inventories	-	-	191
Other	-	-	104
Non-current assets classified as 'held for sale'	-	-	-
Total Current Assets	1,137	1,188	7,341
Non-Current Assets			
Investments	-	-	-
Receivables	10	-	(10)
Inventories	-	-	-
Infrastructure, Property, Plant and Equipment	18,114	6,636	268,094
Investments Accounted for using the equity method	-	-	-
Investment Property	-	-	-
Intangible Assets	-	-	-
Total Non-Current Assets	18,124	6,636	268,084
TOTAL ASSETS	19,261	7,824	275,425
LIABILITIES			
Current Liabilities			
Payables	-	-	3,860
Borrowings	-	-	108
Provisions	-	-	1,918
Total Current Liabilities	-	-	5,886
Non-Current Liabilities			
Payables	-	-	-
Borrowings	-	-	1,348
Provisions	-	-	1,236
Total Non-Current Liabilities	-	-	2,584
TOTAL LIABILITIES	-	-	8,470
Net Assets	19,261	7,824	266,955
EQUITY			
Retained Earnings	8,431	5,363	50,048
Revaluation Reserves	10,830	2,461	216,908
Total Equity	19,261	7,824	266,956

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

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

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000

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

Note 23. Events occurring after the Reporting Period

Events that occur between the end of the reporting period (ending 30 June 2013) and the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

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

Accordingly, the "authorised for issue" date is 22/11/13.

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

(i) Events that provide evidence of conditions that existed at the Reporting Period

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2013.

(ii) Events that provide evidence of conditions that arose after the Reporting Period

These financial statements (and figures therein) do not incorporate any "non-adjusting events" that have occurred after 30 June 2013 and which are only indicative of conditions that arose after 30 June 2013.

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

Note 24. Discontinued Operations

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

Note 25. Intangible Assets

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

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

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 26. Reinstatement, Rehabilitation and Restoration Liabilities

\$ '000

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

Asset/Operation	Estimated year of restoration	NPV of Provision	
		2013	2012
Landfill Remediation	2038	782	730
Balance at End of the Reporting Period		782	730

10(a)

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

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

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

Specific uncertainties relating to the final costs and the assumptions made in determining the amounts of provisions include:

- The Uralla Landfill has an estimated 45 years based on the average fill for the past 8 years.
- The existing cell (675 m²) and the uncapped cells (27,500 m²) will be capped over the next 25 years.
- The current estimated cost of initial cover is \$10.65 per m² and capping is \$38.90 per m² for a total of \$49.55 per m²
- The forecast increases in cost of remediation of landfill have been based on IPWEA estimates for Drainage costs.

Reconciliation of movement in Provision for year:

Balance at beginning of year	730	684
Amortisation of discount (expensed to borrowing costs)	52	46
Total - Reinstatement, rehabilitation and restoration provision	782	730

Amount of Expected Reimbursements

The above Provision for Reinstatement, Rehabilitation and Restoration works applicable to Other Waste Manager is able to be funded through future charges incorporated within Council's Annual Environmental Levy (Section 501 Local Government Act)

Uralla Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 27. Council Information & Contact Details

Principal Place of Business:

32 Salisbury Street
Uralla NSW 2358

Contact Details

Mailing Address:

PO Box 106
Uralla NSW 2358

Opening Hours:

Monday - Friday 8.30am to 4.30pm

Telephone: 02 6778 6300

Facsimile: 02 6778 6349

Internet: <http://www.uralla.nsw.gov.au/>

Email: council@uralla.nsw.gov.au

Officers

GENERAL MANAGER

Mr Thomas Patrick O'Connor

RESPONSIBLE ACCOUNTING OFFICER

Mr Thomas Patrick O'Connor ACA

PUBLIC OFFICER

Mrs Jane Michie

AUDITORS

Forsyths Chartered Accountants
PO Box 114
Armidale NSW 2350

Elected Members

MAYOR

Councillor Michael Pearce

COUNCILLORS

Cr R Crouch
Cr K Ward
Cr I Strutt
Cr F Geldof
Cr L Cooper
Cr M Dusting
Cr D Field
Cr K Dusting

Other Information

ABN: 55 868 272 018

Armidale

92 Rusden Street
PO Box 114
Armidale NSW 2350

p +61 2 6773 8400
f +61 2 6772 9957
e armidale@forsyths.com.au

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 30th June 2013.

Councils' responsibility for the financial statements

The Council is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the *Local Government Act 1993* and regulations and the Local Government Code of Accounting Practice and Financial Reporting (Code 21). 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.

Further, our audit does not extend to the New South Wales Treasury Corporation ("TCorp") performance measures disclosed in Note 13 as these are not mandatory under Code 21 and the calculations are based on the DLG requirements for the Financial Disclosure Return (FDR) which differ from the Code 21 and TCorp calculation definitions as disclosed in Note 13 and are therefore not subject to our audit opinion 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

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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.

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 in the Income Statement the Financial Assistance Grant (FAG), received in advance but Council deferred the recognition of these grants until the period to which they relate, of \$1,099,000 (2012 comparative - \$1,082,000 received in June 2012, being an instalment for the 2013 financial year but was also deferred to the 2013 financial year), being an instalment relating to the 2014 financial year, have been deferred. The FAG instalment will be recognised as a current liability and shown as income in the 2014 financial year.

The deferral of the grant income recognition is a variation to the Code 21 and Accounting Standard AASB 118 Revenue, which requires grant revenue to be recognised upon receipt.

Council considers the recognition of the FAG instalment received in advance significantly distorts its true financial performance for the 2012, 2013 and 2014 financial years.

If Council had recognised the FAG received in advance in the 2013 year the impact on the financial statements would be as follows:

- Increase in operating grants and contribution income from \$5,346,000 to \$5,363,000 by adding on the 2014 instalment received in 2013 and deducting the 2013 instalment received in 2012 (2012 comparative – increase from \$7,248,000 to \$8,330,000);
- Operating result from continuing activities would be a surplus of \$31,000 compared to a surplus of \$14,000 (2012 comparative – the deficit of \$37,000 would become as surplus of \$1,045,000);
- Decrease in current payables from \$3,860,000 to \$2,761,000 (2012 comparative – current payables would decrease from \$3,733,000 to \$2,651,000); and
- Increase accumulated surplus from \$63,841,000 to \$63,858,000 (2012 comparative - \$66,826,000 to \$67,908,000).

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.

Late lodgement of Financial Statements

The audited financial statements will be submitted late to the Division of Local Government and not within the prescribed time provided for in Section 416 of Division 2 of the *Local Government Act 1993*. The delays in finalising the financial statements have been a result of the time required to complete the revaluation of Council's land and building assets as well as issues with the compilation of financial statements.

QUALIFIED AUDIT OPINION

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

- (a) the accounting records of the Council have been kept in accordance with the requirements of Division 2 of Part 3 of the *Local Government Act 1993*;
- (b) the general purpose financial statements:
 - (i) have been prepared in accordance with the requirements of Division 2 of Part 3 of the *Local Government Act 1993*;
 - (ii) are consistent with the Council's accounting records; and
 - (iii) presents fairly, in all material respects, the Council's financial position as at 30th June 2013 and the results of its operations for the year then ended;
- (c) we have been able to obtain all information relevant to the conduct of our audit; and
- (d) no material deficiencies in the records or the financial statements were detected in the course of the audit.

Forsyths

Forsyths Business Services Pty Ltd

P.R. Cornall

Paul Cornall
Principal

22nd November 2013
92 Rusden Street Armidale

22 November 2013

The Mayor
Uralla Shire Council
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URALLA 2358

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Forsyths Business Services Pty Ltd
ABN 66 182 781 401

Dear Sir

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

We are pleased to report that we have completed the audit of Council's records for the year ended 30 June 2013 and have reported on the general purpose financial statements and special purpose financial statements as required by the provisions of Section 417(2) of the *Local Government Act 1993*.

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

Council's responsibilities

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.

Page 1

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We conducted an independent audit of the financial statements in order to express an opinion on them to the Council. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial statements are free of material misstatement.

Our audit responsibility does not extend to the Original Budget figures included in the Income Statement, Statement of Cash Flows and the Original Budget disclosures in Notes 2 and 16 and accordingly, we express no opinion on them. Further, our audit does not extend to the New South Wales Treasury Corporation (“TCorp”) performance measures disclosed in Note 13 as these are not mandatory under the Code of Accounting Practice and Financial Reporting (Code 21) and the calculations are based on the Division of Local Government (DLG) requirements for the Financial Disclosure Return (FDR) which differ from the Code 21 and TCorp calculation definitions as disclosed in Note 13 and are therefore not subject to our audit opinion 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 2013 included on Council’s web site. Council is responsible for the integrity of it’s 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

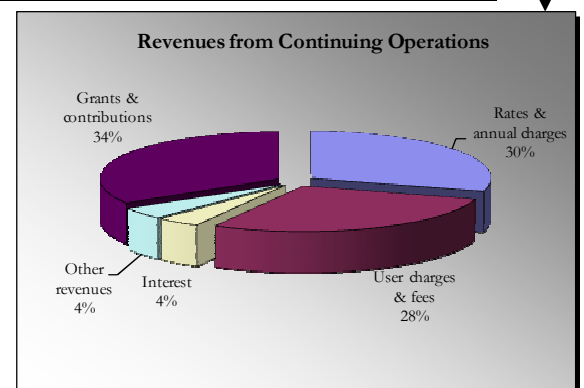
In accordance with Section 417(3) of the *Local Government Act 1993* we make the following comments in relation to the results and financial trends.

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

INCOME STATEMENT	Budget	Actual	Actual	Variance	
	2013	2013	2012	Actual	Budget
	\$'000	\$'000	\$'000	%	%
INCOME FROM CONTINUING OPERATIONS					
Rates & annual charges	4,763	4,911	4,589	7.0%	3.1%
User charges & fees	6,355	4,724	1,856	154.5%	-25.7%
Interest	582	622	405	53.6%	6.9%
Other revenues from ordinary activities	428	625	624	0.2%	46.0%
Grants & contributions for operating purposes	3,883	5,346	7,248	-26.2%	37.7%
Grants & contributions For capital purposes	158	252	1,093	-76.9%	59.5%
Gain from sale of assets	0	67	37	81.1%	0.0%
Total income from continuing operations	16,169	16,547	15,852	4.4%	2.3%
EXPENSES FROM CONTINUING OPERATIONS					
Employee benefits & oncosts	6,896	7,038	7,091	-0.7%	2.1%
Borrowing costs	112	167	171	-2.3%	49.1%
Materials and contracts	4,398	4,577	3,986	14.8%	4.1%
Depreciation & amortisation	3,386	3,486	3,486	0.0%	3.0%
Other expenses from ordinary activities	1,131	1,265	1,155	9.5%	11.8%
Total Expenses from continuing operations	15,923	16,533	15,889	4.1%	3.8%
OPERATING RESULT FROM CONTINUING OPERATIONS	246	14	(37)	137.8%	-94.3%
NET OPERATING RESULT BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	88	(238)	(1,130)	78.9%	-370.5%

Council has a surplus of \$14,000 from continuing operations compared to a deficit of \$37,000 in 2012. Excluding capital income of \$0.2m, council achieved a deficit of \$0.2m compared to a deficit of \$1.1m for 2012.

Operating revenue increased by \$0.7m or 4.4% compared to 2012 mainly as a result of higher rates and annual charges, user charges and fees and interest income partially offset by a reduction in operating and capital grants and contributions.



Rates and charges increased due to rate pegging allowances, increase in rateable properties and introduction of non-domestic waste management annual charge. User charges and fees increased due to a change in classification of aged care and community support services from grants and contributions to user charges and fees. This was a result of a change in



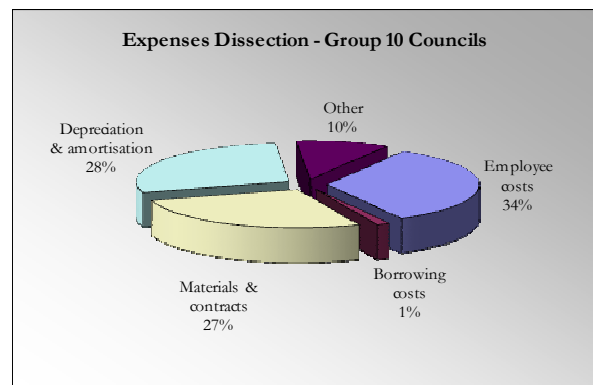
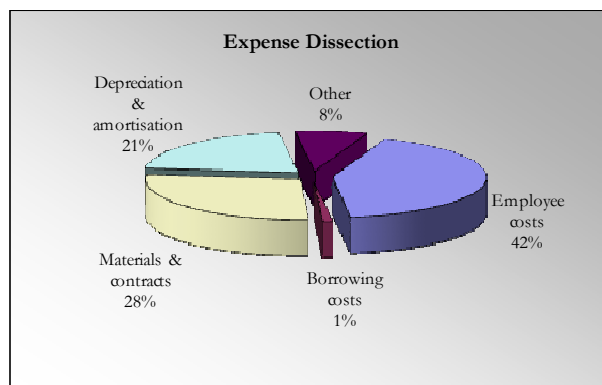
contractual arrangements, where Council no longer receives grants or contributions but charges a fee per client for the provision of community care services. Interest income increased due to the increase in cash and investments compared to the prior year.

Operating grants and contributions decreased due to the reclassification of income from aged care and community support services. Capital grants and contribution decreased due to one-off funding in the prior year for bushfire emergencies and grants for roads and bridge replacements.

Expenditure increased by \$0.6m or 4.1% due to higher materials and contract costs as a result of an increase in roads maintenance.

The budget amounts included above are those adopted in the original budget and exclude re-votes from the previous year and variations to the budget during the year. The actual operating surplus for the year of \$14,000 is lower than original budget surplus of \$246,000. Most variations between budget and actual are not significant in nature. The major variance between budget and actual results was the reclassification of McMaugh Gardens Aged Care and Tablelands Community Transport subsidies from user charges and fees to operating grants and contributions.

Below is a comparison of expense dissections for the Council for 2013 compared to the Group 10 council average 2011 data (latest available data).



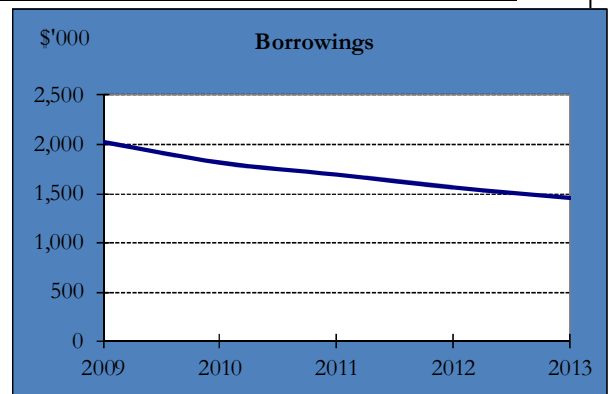
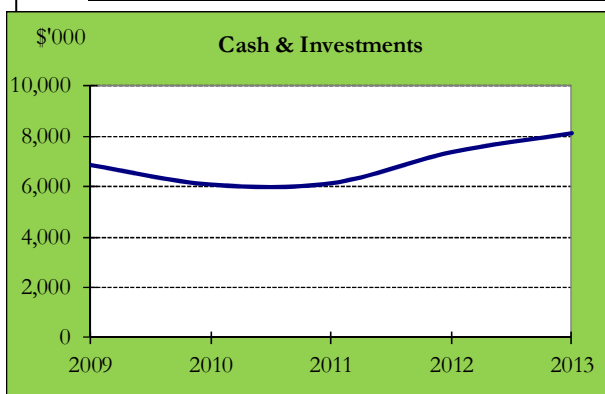
There is a significant variation in the levels of employee costs and depreciation expenditure compared to the Group 10 average. This is considered reasonable as Council has a smaller level of infrastructure compared to the other Group 10 councils. Further, employee costs are higher compared to the Group 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 the 2011 comparative are the latest available and the DLG is no longer publishing comparative data on expenditure types in its annual comparative information.



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

SCHEDULE OF ASSETS & LIABILITIES			
	2013	2012	Variance
	\$'000	\$'000	%
CURRENT ASSETS			
Cash and cash equivalents	6,631	1,072	518.6%
Investments	1,500	6,300	-76.2%
Receivables	1,240	1,849	-32.9%
Inventories	191	172	11.0%
Other	104	88	18.2%
TOTAL CURRENT ASSETS	9,666	9,481	2.0%
CURRENT LIABILITIES			
Payables	3,860	3,733	3.4%
Borrowings	108	100	8.0%
Provisions	1,918	1,682	14.0%
TOTAL CURRENT LIABILITIES	5,886	5,515	6.7%
NET CURRENT ASSETS	3,780	3,966	-4.7%
NON-CURRENT ASSETS			
Infrastructure, Property Plant & Equipment	292,844	304,676	-3.9%
TOTAL NON-CURRENT ASSETS	292,844	304,676	-3.9%
NON-CURRENT LIABILITIES			
Provisions	1,236	1,206	2.5%
Borrowings	1,348	1,464	-7.9%
TOTAL NON-CURRENT LIABILITIES	2,584	2,670	-3.2%
NET ASSETS	294,040	305,972	-3.9%



Total cash and investments increased by \$0.8m due to surplus cash flows from operations.

Borrowings decreased by \$0.1m due to scheduled repayments.



Receivables decreased by \$0.6m or 35% due to collection of Aged Care bonds that remained unpaid at the end of 2012 and reduction of rates and annual charge debtors from 7.6% to 5.8% of total receivables.

Infrastructure, Property, Plant and Equipment decreased by \$11.8m due mainly to a correction of error in relation to a segment of road that had been capitalised but related to another council.

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	1,137	1,188	1,371	5,970	9,666
Current Liabilities	-	-	2,047	3,839	5,886
Net Current Assets	1,137	1,188	(676)	2,131	3,780
Add Liabilities > 12 Months	-	-	1,685	1,412	3,097
Total Funds before Restrictions	1,137	1,188	1,009	3,543	6,877
LESS: Restricted Cash & Investments (Included in Revenue)					
Developer Contributions	-	-	-	389	389
	-	-	-	389	389
NET FUNDS AVAILABLE	1,137	1,188	1,009	3,154	6,488
LESS Internal Restrictions	-	-	1,009	2,685	3,694
Net Funds After All Restrictions	1,137	1,188	-	469	2,794

INTERNAL RESTRICTIONS	Opening \$'000	Transfer to \$'000	Transfer from \$'000	Closing \$'000
Employee leave entitlements	840	160	-	1,000
Plant replacement	500	228	-	728
Carry-over works	1,182	-	491	691
Accommodation bond guarantee	696	313	-	1,009
Other	-	266	-	266
	3,218	967	491	3,694

After excluding the net current assets of McMaugh Gardens Hostel, Water function and Sewerage function, the general function working capital balance is in surplus and sufficient to internal restrictions and working capital requirements at 30 June 2013. McMaugh Gardens Aged Care net current assets is in deficit under accounting standards as accommodation bonds are required to be shown as current liabilities. After adjusting for bonds not expected to be repaid in the coming twelve months, McMaugh Gardens Aged Care is considered to have sufficient cash reserves. However, under Prudential regulation requirements, Council needs to demonstrate it has not used aged care bonds to fund operations. Therefore, given that McMaugh Gardens has no working capital as at the end of June 2013, it is important that Council develops a formal reconciliation and related policy to



confirm bonds have not been utilised inappropriately and that Council is correctly subsidising the Aged Care facilities' operations.

Council has internally restricted \$3.7m in cash for: plant replacements; carry-over projects; accommodation bond requirements and employee entitlements provisions.

Local Government Industry Performance Indicators

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

The key financial indicators disclosed in the Financial Statements are:

RATIO	PURPOSE	2013	2012	2011	2010	2009
UNRESTRICTED RATIO	To assess the adequacy of working capital after excluding all restricted assets and liabilities.	2.3	2.4	3.3	5.1	3.6
DEBT SERVICE RATIO	To assess the degree to which revenues are committed to the repayment of debt.	1.7%	3.0%	3.0%	2.0%	3.0%
RATE COVERAGE RATIO	To assess the degree of dependence upon revenues from rates and annual charges.	29.7%	29.0%	27.0%	30.0%	23.0%
OUTSTANDING RATES %	To assess the impact of uncollected rates and charges on liquidity and the adequacy of recovery efforts.	5.8%	7.6%	8.2%	9.7%	9.3%
ASSET RENEWALS RATIO	To assess the rate at which assets are being renewed against the rate they are being depreciated	0.87	0.89	0.71	1.06	1.20

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 2.3 indicates that for every \$1 of current liabilities as at 30 June 2013, Council has \$2.30 to meet these commitments. As a comparison, Category 10 Councils had an average unrestricted ratio of 4.6 and a state-wide average of 3.8 for 2012. A ratio of 2 or better is generally viewed by the industry as acceptable. The TCorp benchmark is to have a ratio greater than 1.5.

Debt Service Ratio

The debt service ratio of 1.7% (i.e. \$1.70 of every \$100 of revenue is used to fund interest and debt repayments) is similar to the average for Group 10 Councils of 3.4% and state average of 5.45% for 2011 (last available data). The low ratio is one indicator that Council may be able to increase its borrowings to fund infrastructure needs if required.



Rate Coverage Ratio

The rate coverage ratio of 29.7% is similar to the Group 10 average of 30% for 2011 (last available data). The ratio shows Council's dependence on grants and contributions, which contributes 34% to council's revenue. Further, when the water and sewer operations are excluded, the general fund has a rates coverage ratio of 27.3%. We note that some of the general fund grants and contributions are contracted contributions 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 5.8% (i.e. 5.8% of all rates levied had not been received by year end) continues to improve and is better than the Group 10 average of 9.2% and state average of 5.4% for 2011 (last available data). This ratio is an indicator of Council's 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 2013 Council spent \$0.87 for every \$1 in estimated asset deterioration. The Group 10 average for the asset renewal ratio was 0.65 and the state average was 0.66 for the 2012 year. We note that the general fund asset renewal ratio was 0.98 with the water and sewer funds being 0.41 and 0.04 respectively.

The current trend in the ratio, excluding general fund which shows a positive renewal ratio over the past 5 years, highlights that Council expended less on water and sewer asset renewals compared to the estimated reduction in asset condition over the past five years and therefore, based on this ratio, Council's water and sewer infrastructure has deteriorated over that period.

Council should aim to ensure all infrastructure spending keeps pace with "wear and tear" and Council should seek to improve water and sewer asset condition.



TCorp Performance Indicators - unaudited

The Code of Accounting Practice has introduced new non-mandatory performance indicators that have been developed by TCorp as part of their review during the year of all councils future financial sustainability. These financial indicators are considered useful in assessing long term financial sustainability rather than the financial position at the end of the financial year.

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

RATIO	PURPOSE	2013	2012	2011	2010	2009
OPERATING PERFORMANCE	To assess councils ability to meet operating expenditure within operating reveune.	-1.5%	-7.6%	2.3%	-9.7%	9.1%
OWN SOURCE OPERATING REVENUE	To assess the degree of reliance on external funding sources.	58%	41%	42%	42%	36%
DEBT SERVICE COVER RATIO	To assess the availability of operating cash to service debt including interest, principle and lease payments.	12.41	6.83	11.55	4.67	7.25
CAPITAL EXPENDITURE RATIO	To assess the extent to which council is forecasting to expand its asset base with capital expenditure.	1.07	0.94	1.09	1.15	2.07
INFRASTRUCTURE BACKLOG RATIO	To assess the infrastructure backlog against the total value of councils infrastructure.	0.08	0.05	0.05	0.03	0.03
ASSET MAINTENANCE RATIO	To assess the actual vs required annual maintenance expenditure.	1.17	1.09	1.09	1.13	1.05
CASH EXPENSE COVER RATIO	To assess the number of months council can pay its expenses without additional cash inflow.	6.18	1.02	0.84	1.50	1.50
INTEREST COVER RATIO	To assess the extent to which council can service its interest bearing debt and take on additional borrowings.	20.43	11.99	19.31	9.94	19.43

Council has only disclosed these performance measures for the 2013 to 2011 financial years. However, for comparative purposes we have included the performance measures for the past 5 years with the ratios for 2010 and 2009 being sourced from the TCorp report issued during the 2013 year.

As disclosed in Note 13, the TCorp ratios calculated for 2013 are based on the DLG requirements for the Financial Disclosure Return (FDR) and differ from the Code 21 and TCorp calculation definitions. Council has decided to align the financial statement ratios with the FDR calculation process to avoid variances in results. Therefore, the wording explaining the ratio components in Note 13 does not align to the actual figures used in the ratio. Given the TCorp ratios are not a mandatory disclosure requirement and the variances in the calculation process we provide no audit opinion on these ratios.

*Operating performance*

Council achieved a deficit operating performance ratio of 1.5% for the 2013 year compared to a deficit of 7.6% for the 2012 year which indicates that Council's operating revenue, excluding capital grants and contributions are insufficient to cover operating expenditure. TCorp's benchmark for this ratio is to have a deficit of less than 4.0% each year. The state-wide average for this ratio was a deficit of 4.4% and deficit of 6.6% for Group 10 councils.

Own source operating revenue

The ratio of 58% for the 2013 year highlights Council's dependence on grants and contributions. The TCorp benchmark for sustainability is to have a ratio of greater than 60%. The ratio compares well against the state average of 57% and 46.6% for Group 10 councils. We note that owned sourced revenue increased from 41% to 58% due to the reclassification of certain aged care and community support services from grants and contributions to user charges and fees. This was a result of a change in contractual arrangements, where Council no longer receives grants or contributions but has a competitive service contract to provide services to community care clients in the region.

Debt service cover ratio

The debt service cover ratio of 12.41 times indicates that Council has \$12.41 before interest and depreciation to pay interest and principal repayments on current borrowings. The ratio has varied significantly in the past 5 years due to the impact of capital grant income included in net operating results in the prior period ratios (the TCorp report included capital grant income in its calculations). The TCorp benchmark for sustainability is to have a ratio of greater than 2.0. This ratio is one indicator that Council may be able to borrow for critical infrastructure projects in the future.

Capital expenditure ratio

The capital expenditure ratio of 1.07 indicates that Council has expended \$1.07 on capital expenditure for every dollar of depreciation. This ratio has been lower overall for the past 5 years than the TCorp benchmark which requires a ratio greater than 1.1.

Infrastructure backlog ratio

An infrastructure backlog ratio 0.08 indicates that the infrastructure backlog represents 8% of the value of Council's infrastructure. Council's backlog ratio has remained at similar low levels over the past 5 years and is better than the TCorp benchmark ratio of less than 20% and well below the state average of 13% and Group 10 average of 14.6% for 2012. This ratio indicates that Council has been able to manage its infrastructure needs over the past 5 years.

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

Asset maintenance ratio

The Asset Maintenance ratio of 1.17 indicated that Council has been undertaking sufficient maintenance to keep pace with required maintenance requirements as determined by Council's engineers and maintenance staff. A ratio of greater than 1.0 is considered acceptable by TCorp.

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

*Cash expense ratio*

This ratio indicates that Council can pay 6.18 months of its expenses without additional cash inflows. The TCorp benchmark is to have reserves to meet at least 3 months of operating expenditure. Council has maintained strong cash reserves and per this ratio maintains a healthy short term financial position.

Interest cover ratio

This ratio indicates that Council has 20.4 times interest cover and is in a satisfactory position to service current debt commitments and may have the ability to service additional debt borrowings.

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

CASH MOVEMENTS	Actual	Actual	Variance
	2013	2012	
	\$'000	\$'000	%
CASH INFLOWS			
Operating Receipts	17,885	17,210	3.9%
Proceeds from Assets Sales	335	235	42.6%
Net receipt of retirement home bonds	268	1,012	-73.5%
Proceeds from investments	6,300	609	934.5%
TOTAL RECEIPTS	24,788	19,066	30.0%
CASH OUTFLOWS			
Operating Payments	13,579	13,067	3.9%
Purchase of investments	1,500	1,600	-6.3%
Purchase of Assets	3,867	3,335	16.0%
Repayment of Loans	108	129	-16.3%
Net repayment of retirement home bonds	174	689	-74.7%
TOTAL PAYMENTS	19,228	18,820	2.2%
TOTAL CASH MOVEMENT	5,560	246	2160.2%
Cash and equivalents	6,631	1,072	3.0%
Investments	1,500	6,300	3.0%
Total Cash & Investments on Hand	8,131	7,372	10.3%

Cash and investments overall increased by \$0.8m due to surplus cash flows from operations

Cash outflows for Purchase of Assets of \$3.9m included road and bridge construction totalling \$2.9m. This compares to the \$1.8m annual rate of depreciation of these assets. In assessing the replacement rate of depreciating assets it is also important to note that Special Schedule No.7, which is an unaudited statement prepared in conjunction with the financial report, discloses that the estimated cost to bring road and bridges to a “satisfactorily” standard is \$9.3m.

The remaining asset purchases included purchases for plant and equipment of \$0.8m.

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 \$22,000 after allowing for depreciation of \$253,000.

The Net Current Asset position records a surplus of \$1,137,000. This surplus plus the fact that the water supply function has no debt, indicates a satisfactory financial position to meet operational requirements given the size of the function and considering the water infrastructure condition (per unaudited Special Schedule 7) being of “satisfactory” standard.

SEWERAGE FUNCTION

The Special Purpose Financial Statements disclose that the sewerage function recorded an operating surplus (excluding capital funding) of \$69,000 after allowing for depreciation of \$182,000.

The Net Current Assets position show a surplus of \$1,188,000. Considering the size of the sewerage operations, the fact that it has no debt and the sewerage 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 \$35,000 for the 2013 year compared to a deficit of \$187,000 in the previous year. This result is after depreciation expense of \$83,000.

The net current asset position is a deficit of \$676,000 after allowing for resident’s bonds amounting to \$2,047,000. The deficit is a result of the accounting standard 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 \$1,009,000.

Given that McMaugh Gardens has no working capital as at the end of June 2013 and had a deficit in operating results for 2013 and 2012, it is important that Council develops a formal reconciliation and related policy to confirm bonds have not been utilised inappropriately and that Council is correctly subsidising the Aged Care facilities’ operations.

FINANCIAL SUSTAINABILITY

During the year all councils have had an external assessment by NSW Treasury Corporation (“TCorp”) of the sector’s financial sustainability. TCorp has defined financial sustainability as follows:

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

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



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

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

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

- To complete its asset management plans and improve asset management processes in order to understand future infrastructure replacement and maintenance needs;
- Improve the accuracy and integrity of its ten year plans and special schedules 7 and 8;
- Continue to review its long term financial forecast modelling and assumptions in order to provide an accurate picture of long term financial issues; and
- Further community consultation to identify acceptable service levels including acceptable condition of its infrastructure assets.

GENERAL

Audit qualification regarding Grant income recognition

Council has not recognised in the Income Statement the Financial Assistance Grant (FAG), received in advance but Council deferred the recognition of these grants until the period to which they relate, of \$1,099,000 (2012 comparative - \$1,082,000 received in June 2012, being an instalment for the 2013 financial year but was also deferred to the 2013 financial year), being an instalment relating to the 2014 financial year, have been deferred. The FAG instalment will be recognised as a current liability and shown as income in the 2014 financial year.

The deferral of the grant income recognition is a variation to the Code 21 and Accounting Standard AASB 118 *Revenue*, which requires grant revenue to be recognised upon receipt.

Council considers the recognition of the FAG instalment received in advance significantly distorts its true financial performance for the 2012, 2013 and 2014 financial years.

If Council had recognised the FAG received in advance in the 2013 year the impact on the financial statements would be as follows:

- Increase in operating grants and contribution income from \$5,346,000 to \$5,363,000 by adding on the 2014 instalment received in 2013 and deducting the 2013 instalment received in 2012 (2012 comparative – increase from \$7,248,000 to \$8,330,000);
- Operating result from continuing activities would be a surplus of \$31,000 compared to a surplus of \$14,000 (2012 comparative – the deficit of \$37,000 would become as surplus of \$1,045,000);
- Decrease in current payables from \$3,860,000 to \$2,761,000 (2012 comparative – current payables would decrease from \$3,733,000 to \$2,651,000); and
- Increase accumulated surplus from \$63,841,000 to \$63,858,000 (2012 comparative - \$66,826,000 to \$67,908,000).



Reporting obligations under the Local Government Act

We note that, Council's core accounting systems and records are satisfactory, however, improvements are required in the following areas:

- Asset register finalisation especially data related to revaluation changes;
- Obtaining asset revaluation reports and results on a timely basis for inclusion in final results;
- Training, induction and support with regard to changes in critical finance staff; and
- Compilation of financial statements including the special purpose financial statements.

Due to the above accounting issues, the audited financial statements will be submitted late to the Division of Local Government and not within the prescribed time provided for in Division 2 of the *Local Government Act 1993*.

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

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

Under section 419 of the *Local Government Act 1993*, Council is required to give public notice of a Council meeting for the purpose of presenting the audited financial statements and the auditor's report. A principal of 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 STATEMENTS
for the year ended 30 June 2013

*“...committed to creating a unique environment
which offers an excellent quality of life and
economic opportunities for its people”*



Uralla Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2013

Contents	Page
1. Statement by Councillors & Management	2
2. Special Purpose Financial Statements:	
Income Statement - Water Supply Business Activity	3
Income Statement - Sewerage Business Activity	4
Income Statement - Other Business Activities	5
Statement of Financial Position - Water Supply Business Activity	6
Statement of Financial Position - Sewerage Business Activity	7
Statement of Financial Position - Other Business Activities	8
3. Notes to the Special Purpose Financial Statements	9
4. Auditor's Report	18

Background

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

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

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

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

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

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

Uralla Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2013

Statement by Councillors and Management

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

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


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

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

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

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

Signed in accordance with a resolution of Council made on 16 October 2013.



Councillor Michael Pearce
MAYOR



Councillor Bob Crouch
COUNCILLOR



Mr Thomas Patrick O'Connor
GENERAL MANAGER



Mr Thomas Patrick O'Connor ACA
RESPONSIBLE ACCOUNTING OFFICER

Uralla Shire Council

Income Statement of Council's Water Supply Business Activity

for the financial year ended 30 June 2013

\$ '000	Actual 2013	Actual 2012
Income from continuing operations		
Access charges	332	327
User charges	431	283
Fees	-	1
Interest	118	15
Grants and contributions provided for non capital purposes	19	17
Profit from the sale of assets	-	-
Other income	1	-
Total income from continuing operations	901	643
Expenses from continuing operations		
Employee benefits and on-costs	408	373
Borrowing costs	-	-
Materials and contracts	262	197
Depreciation and impairment	253	251
Water purchase charges	-	-
Loss on sale of assets	-	-
Calculated taxation equivalents	-	-
Debt guarantee fee (if applicable)	-	-
Other expenses	-	-
Total expenses from continuing operations	923	821
Surplus (deficit) from Continuing Operations before capital amounts	(22)	(178)
Grants and contributions provided for capital purposes	-	-
Surplus (deficit) from Continuing Operations after capital amounts	(22)	(178)
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	(22)	(178)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-
SURPLUS (DEFICIT) AFTER TAX	(22)	(178)
plus Opening Retained Profits	8,457	8,635
plus/less: Prior Period Adjustments	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	-	-
- Debt guarantee fees	-	-
- Corporate taxation equivalent	-	-
less:		
- Tax Equivalent Dividend paid	(4)	-
- Surplus dividend paid	-	-
Closing Retained Profits	8,431	8,457
Return on Capital %	-0.1%	-1.0%
Subsidy from Council	704	-
Calculation of dividend payable:		
Surplus (deficit) after tax	(22)	(178)
less: Capital grants and contributions (excluding developer contributions)	-	-
Surplus for dividend calculation purposes	-	-
Potential Dividend calculated from surplus	-	-

Uralla Shire Council

Income Statement of Council's Sewerage Business Activity

for the financial year ended 30 June 2013

\$ '000	Actual 2013	Actual 2012
Income from continuing operations		
Access charges	492	472
User charges	14	8
Liquid Trade Waste charges	-	-
Fees	-	-
Interest	106	13
Grants and contributions provided for non capital purposes	13	13
Profit from the sale of assets	-	-
Other income	-	20
Total income from continuing operations	625	526
Expenses from continuing operations		
Employee benefits and on-costs	228	281
Borrowing costs	-	-
Materials and contracts	146	148
Depreciation and impairment	182	182
Loss on sale of assets	-	-
Calculated taxation equivalents	-	-
Debt guarantee fee (if applicable)	-	-
Other expenses	-	-
Total expenses from continuing operations	556	611
Surplus (deficit) from Continuing Operations before capital amounts	69	(85)
Grants and contributions provided for capital purposes	-	-
Surplus (deficit) from Continuing Operations after capital amounts	69	(85)
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	69	(85)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(21)	-
SURPLUS (DEFICIT) AFTER TAX	48	(85)
plus Opening Retained Profits	5,297	5,382
plus/less: Prior Period Adjustments	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	-	-
- Debt guarantee fees	-	-
- Corporate taxation equivalent	21	-
less:		
- Tax Equivalent Dividend paid	(3)	-
- Surplus dividend paid	-	-
Closing Retained Profits	5,363	5,297
Return on Capital %	1.0%	-1.1%
Subsidy from Council	181	-
Calculation of dividend payable:		
Surplus (deficit) after tax	48	(85)
less: Capital grants and contributions (excluding developer contributions)	-	-
Surplus for dividend calculation purposes	48	-
Potential Dividend calculated from surplus	24	-

Uralla Shire Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2013

\$ '000	Private Works		McMaugh Gardens	
	Category 2		Category 2	
	Actual 2013	Actual 2012	Actual 2013	Actual 2012
Income from continuing operations				
Access charges	-	-	-	-
User charges	97	241	729	692
Fees	-	-	-	-
Interest	-	-	110	88
Grants and contributions provided for non capital purposes	-	-	1,180	1,135
Profit from the sale of assets	-	-	-	-
Other income	-	-	11	3
Total income from continuing operations	97	241	2,031	1,918
Expenses from continuing operations				
Employee benefits and on-costs	24	30	1,421	1,487
Borrowing costs	-	-	6	91
Materials and contracts	15	112	512	381
Depreciation and impairment	-	-	83	92
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	-	-	-	-
Debt guarantee fee (if applicable)	-	-	-	-
Other expenses	30	71	44	54
Total expenses from continuing operations	69	213	2,066	2,105
Surplus (deficit) from Continuing Operations before capital amounts	28	28	(35)	(187)
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	28	28	(35)	(187)
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	28	28	(35)	(187)
less: Corporate Taxation Equivalent (30%) [based on result before capital]			-	-
SURPLUS (DEFICIT) AFTER TAX	-	-	(35)	(187)
plus Opening Retained Profits	-	-	2,520	2,707
plus/less: Prior Period Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	-	-	-	-
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	-	-	-	-
add:				
- Subsidy Paid/Contribution To Operations	-	-	-	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	-	-	-	-
Closing Retained Profits	-	-	2,485	2,520
Return on Capital %	n/a	n/a	-0.6%	-2.1%
Subsidy from Council	-	-	201	-

Uralla Shire Council

Statement of Financial Position - Council's Water Supply Business Activity
as at 30 June 2013

\$ '000	Actual 2013	Actual 2012
ASSETS		
Current Assets		
Cash and cash equivalents	837	752
Investments	-	-
Receivables	300	256
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	1,137	1,008
Non-Current Assets		
Investments	-	-
Receivables	10	20
Inventories	-	-
Infrastructure, property, plant and equipment	18,114	18,155
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	18,124	18,175
TOTAL ASSETS	19,261	19,183
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	-	-
Interest bearing liabilities	-	-
Provisions	-	-
Total Current Liabilities	-	-
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	-	-
Provisions	-	-
Total Non-Current Liabilities	-	-
TOTAL LIABILITIES	-	-
NET ASSETS	19,261	19,183
EQUITY		
Retained earnings	8,431	8,457
Revaluation reserves	10,830	10,726
Council equity interest	19,261	19,183
Non-controlling interest	-	-
TOTAL EQUITY	19,261	19,183

Uralla Shire Council

Statement of Financial Position - Council's Sewerage Business Activity

as at 30 June 2013

\$ '000	Actual 2013	Actual 2012
ASSETS		
Current Assets		
Cash and cash equivalents	1,152	889
Investments	-	-
Receivables	36	58
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	1,188	947
Non-Current Assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	6,636	7,935
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	6,636	7,935
TOTAL ASSETS	7,824	8,882
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	-	-
Interest bearing liabilities	-	-
Provisions	-	-
Total Current Liabilities	-	-
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	-	-
Provisions	-	-
Total Non-Current Liabilities	-	-
TOTAL LIABILITIES	-	-
NET ASSETS	7,824	8,882
EQUITY		
Retained earnings	5,363	5,297
Revaluation reserves	2,461	3,585
Council equity interest	7,824	8,882
Non-controlling equity interest	-	-
TOTAL EQUITY	7,824	8,882

Uralla Shire Council

Statement of Financial Position - Council's Other Business Activities

as at 30 June 2013

\$ '000	Private Works		McMaugh Gardens	
	Category 2		Category 2	
	Actual 2013	Actual 2012	Actual 2013	Actual 2012
ASSETS				
Current Assets				
Cash and cash equivalents	-	-	1,104	618
Investments	-	-	-	-
Receivables	-	-	267	663
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
Total Current Assets	-	-	1,371	1,281
Non-Current Assets				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	-	-	4,557	4,522
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
Total Non-Current Assets	-	-	4,557	4,522
TOTAL ASSETS	-	-	5,928	5,803
LIABILITIES				
Current Liabilities				
Bank Overdraft	-	-	-	-
Payables	-	-	2,047	1,987
Interest bearing liabilities	-	-	-	3
Provisions	-	-	-	-
Total Current Liabilities	-	-	2,047	1,990
Non-Current Liabilities				
Payables	-	-	71	74
Interest bearing liabilities	-	-	-	-
Provisions	-	-	-	-
Other Liabilities	-	-	-	-
Total Non-Current Liabilities	-	-	71	74
TOTAL LIABILITIES	-	-	2,118	2,064
NET ASSETS	-	-	3,811	3,739
EQUITY				
Retained earnings	-	-	2,485	2,520
Revaluation reserves	-	-	1,325	1,219
Council equity interest	-	-	3,811	3,739
Non-controlling equity interest	-	-	-	-
TOTAL EQUITY	-	-	3,811	3,739

Uralla Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2013

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	10
2	Water Supply Business Best Practice Management disclosure requirements	13
3	Sewerage Business Best Practice Management disclosure requirements	15

Uralla Shire Council

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

Note 1. Significant Accounting Policies

1. The Special Purpose Financial Statements

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

2. Basis of Accounting

2.1 Compliance

The figures presented in these special purpose financial statements, unless otherwise stated, have been prepared in accordance with:

- the recognition and measurement criteria of relevant Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and
- Australian Accounting Interpretations.

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 accruals basis, based on historic costs and do not take into account changing money values nor current values of non-current assets, except where specifically stated.

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

3. Declared Business Activities

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

3.1 Category 1 (where gross operating turnover is over \$2 million)

Nil

3.2 Category 2 (where gross operating turnover is less than \$2 million)

(a) Uralla Shire Council Combined Water Supplies

Comprising the operations and net 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).

(b) Uralla Local Sewerage Fund

Comprising the operations and net assets of the sewerage reticulation and treatment system servicing the town of Uralla which was established as a Special Rate Fund (see item 4 below).

(c) McMaugh Aged Care Centre

Comprising the operations and net assets of the 36 bed aged care facility "McMaugh Gardens Aged Care Centre" in King Street, Uralla.

4. National Competition Policy

Council has adopted the principle of 'competitive neutrality' to its business activities as part of the national competition policy which is being applied throughout Australia at all levels of government. The framework for its application is set out in the June 1996 Government Policy statement on the "Application of National Competition Policy to Local Government".

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

5. Pricing and Costing Guidelines

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

Uralla Shire Council

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

Note 1. Significant Accounting Policies

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

5.1 Taxation Equivalent Charges

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

However, where Council is exempt from paying taxes which are generally paid by private sector businesses, such as income tax, equivalent tax payments have been applied to all Council nominated business activities and are reflected in these SPFS statements.

For the purposes of disclosing comparative information relevant to the private sector equivalent, the following taxation equivalents have been applied to all council nominated business activities. This does not include council's non-business activities. The Notional Rates to be applied are as follows:

Corporate Income Tax Rate 30%

Land Tax

The first \$406,000 of combined land values attracts 0%. From \$406,001 to \$2,482,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$2,482,000, a premium marginal rate of 2.0% applies.

Payroll Tax

5.45% on the value of taxable salaries and wages in excess of \$689,000.

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

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

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

5.2 Income Tax

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

Accordingly, the return on capital invested is set at a pre-tax level; on the gain or loss from ordinary activities before capital amounts as would be applied by a private sector competitor. That is, the Corporate Tax Equivalent, when applicable, should be a provision equivalent to the corporate income tax rate, currently 30%.

Income Tax is only applied where a gain from ordinary activities before capital amounts has been achieved.

Since this taxation equivalent is notional - that is, it is payable to the "Council" as the owner of business operations, it represents an internal payment and has no effect on the operations of the Council. Accordingly, there is no need for disclosure of internal charges in Council's General Purpose Financial Statements. The rate applied of 30% is the equivalent company tax rate prevalent as at reporting date. No adjustments have been made for variations that have occurred during the reporting period.

5.3 Local Government Rates and Charges

The Uralla Shire Council charges its operations and activities with the relevant council rates and annual charges.

5.4 Loan and Debt Guarantee Fees

The debt guarantee fee, when applicable, is designed to ensure that council business activities face "true" commercial borrowing costs in line with private sector competitors. In order to calculate a debt guarantee fee, council has determined what the differential borrowing rate would have been between the commercial rate and the council's borrowing rate for its business activities.

Uralla Shire Council

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

Note 1. Significant Accounting Policies

5.5 Subsidies

Government policy requires that subsidies provided to customers and the funding of those subsidies must be explicitly disclosed. Subsidies occur where Council provides services on a less than cost recovery basis. This option is exercised on a range of services in order for Council to meet its community service obligations.

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

The Uralla Shire Council does not apply any Community Service Obligations to its declared business activities and operates those activities on full cost recovery.

5.6 Return on Investments (Rate of Return)

The Policy statement requires that councils with Category 1 businesses "would be expected to generate a return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field". Such funds would be available for meeting commitments or financing future investment strategies.

In accordance with the Code of Accounting Practice, the rate of return on monopoly businesses such as water and sewer services has been set at an amount sufficient to cover costs and to 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, which at 30 June 2013 was 3.77%.

The Rate of Return on Capital is calculated as the Operating Result before Capital Amounts plus Interest Expense expressed as a percentage of the carrying value of Property, Plan and Equipment at the reporting date.

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

6. Dividends Payable

Council is permitted but not required to pay dividends to the general funds of Council, or any external entity, from surpluses generated by water supply and sewerage operations. The Uralla Shire Council does not make provision for dividend payments.

The maximum amount of such dividend permitted under the "Best Practice Management of Water Supply and Sewerage" guidelines must not exceed 50% of the surplus in any one year or the number of water or sewerage assessments at the end of that reporting period multiplied by \$30.00, less the payment for tax equivalent charges, not exceeding \$3.00 per assessment.

In accordance with the guidelines for Best Practice Management of Water Supply and Sewerage; before making a dividend payment, a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report must be submitted to the NSW Office of Water and approved.

7. 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.

8. Monetary Amounts

Amounts shown in the financial statements are in Australian currency and, other than Note 2 and Note 3, have been rounded to the nearest one thousand dollars. The amounts shown in Notes 2 and Note 3 are disclosed in whole dollars to meet the requirements of the NSW Office of Water, Department of Primary Industries.

Uralla Shire Council

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

Note 2. Water Supply Business Best Practice Management disclosure requirements

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

2013

1. Calculation and Payment of Tax-Equivalents

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

(i)	Calculated Tax Equivalents	-
(ii)	No of assessments multiplied by \$3/assessment	4,188
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	-
(iv)	Amounts actually paid for Tax Equivalents	-

2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	-
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	41,880
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2013, less the cumulative dividends paid for the 2 years to 30 June 2012 & 30 June 2011	200,570

2013 Surplus	(21,534)	2012 Surplus	(177,282)	2011 Surplus	399,386
		2012 Dividend	-	2011 Dividend	-

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

3. Required outcomes for 6 Criteria

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

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

Uralla Shire Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2013Note 2. Water Supply Business
Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2013

National Water Initiative (NWI) Financial Performance Indicators

NWI F1	Total Revenue (Water) Total Income (w13) - Grants for the Acquisition of Assets (w11a) - Interest Income (w9) - Aboriginal Communities W&S Program Income (w10a)	\$'000	783
NWI F4	Revenue from Residential Usage Charges (Water) Income from Residential Usage Charges (w6b) x 100 divided by the sum of [Income from Residential Usage Charges (w6a) + Income from Residential Access Charges (w6b)]	%	56.50%
NWI F9	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	13,957
NWI F11	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	675
NWI F14	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	106
NWI F17	Economic Real Rate of Return (Water) [Total Income (w13) - Interest Income (w9) - Grants for acquisition of assets (w11a) - Operating Costs (NWI F11) - Current Cost Depreciation (w3)] x 100 divided by [Written Down Current Cost of System Assets (w47) + Plant & Equipment (w33b)]	%	-0.80%
NWI F26	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000	-

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

Uralla Shire Council

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

Note 3. Sewerage Business Best Practice Management disclosure requirements

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

2013

1. Calculation and Payment of Tax-Equivalents

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

(i)	Calculated Tax Equivalents	-
(ii)	No of assessments multiplied by \$3/assessment	3,333
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	-
(iv)	Amounts actually paid for Tax Equivalents	21

2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	24,122
(ii)	No. of assessments x (\$30 less tax equivalent charges per assessment)	33,330
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2013, less the cumulative dividends paid for the 2 years to 30 June 2012 & 30 June 2011	287,900

2013 Surplus	48,243	2012 Surplus	(84,910)	2011 Surplus	324,567
		2012 Dividend	-	2011 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	24,122
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]	-

3. Required outcomes for 4 Criteria

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

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

Uralla Shire Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2013Note 3. Sewerage Business
Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2013

National Water Initiative (NWI) Financial Performance Indicators

NWI F2	Total Revenue (Sewerage) Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10) - Aboriginal Communities W&S Program Income (w10a)	\$'000	519
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	6,373
NWI F12	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	377
NWI F15	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	7
NWI F18	Economic Real Rate of Return (Sewerage) [Total Income (s14) - Interest Income (s10) - Grants for acquisition of Assets (s12a) - Operating cost (NWI F12) - Current cost depreciation (s3)] x 100 divided by [Written down current cost (ie. WDCC) of System Assets (s48) + Plant & Equipment (s34b)]	%	-0.62%
NWI F27	Capital Works Grants (Sewerage) Grants for the Acquisition of Assets (12a)	\$'000	-

**National Water Initiative (NWI) Financial Performance Indicators
Water & Sewer (combined)**

NWI F3	Total Income (Water & Sewerage) Total Income (w13 + s14) + Gain/Loss on disposal of assets (w14 + s15) minus Grants for acquisition of assets (w11a + s12a) - Interest Income (w9 + s10)	\$'000	1,302
NWI F8	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	2.38%
NWI F16	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	113
NWI F19	Economic Real Rate of Return (Water & Sewerage) [Total Income (w13 + s14) - Interest Income (w9 + s10) - Grants for acquisition of assets (w11a + s12a) - Operating Cost (NWI F11 + NWI F12) - Current cost depreciation (w3 + s3)] x 100 divided by [Written down replacement cost of fixed assets (NWI F9 + NWI F10) + Plant & equipment (w33b + s34b)]	%	-0.75%
NWI F20	Dividend (Water & Sewerage) Dividend paid from surplus (2(v) of Note 2 + 2(v) of Note 3)	\$'000	-
NWI F21	Dividend Payout Ratio (Water & Sewerage) Dividend (NWI F20) x 100 divided by Net Profit after tax (NWI F24)	%	0.00%

Uralla Shire Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2013Note 3. Sewerage Business
Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2013

National Water Initiative (NWI) Financial Performance Indicators
Water & Sewer (combined)

NWI F22	Net Debt to Equity (Water & Sewerage) Overdraft (w36 + s37) + Borrowings (w38 + s39) - Cash & Investments (w30 + s31) x 100 divided by [Total Assets (w35 + s36) - Total Liabilities (w40 + s41)]	%	-7.34%
NWI F23	Interest Cover (Water & Sewerage) Earnings before Interest & Tax (EBIT) divided by Net Interest Earnings before Interest & Tax (EBIT): - 183 Operating Result (w15a + s16a) + Interest expense (w4a + s4a) - Interest Income (w9 + s10) - Gain/Loss on disposal of assets (w14 + s15) + Miscellaneous Expenses (w4b + w4c + s4b + s4c) Net Interest: - 224 Interest Expense (w4a + s4a) - Interest Income (w9 + s10)		-
NWI F24	Net Profit After Tax (Water & Sewerage) Surplus before dividends (w15a + s16a) - Tax equivalents paid (Note 2-1(iv) + Note 3-1(iv))	\$'000	41
NWI F25	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	31

- Notes:
1. References to w (eg. s12) refer to item numbers within Special Schedules No. 5 & 6 of Council's Annual Financial Statements.
 2. The NWI Performance Indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators & Definitions.

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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 30th June 2013 comprising the Statement by Councillors and Management, Income Statement of Business Activities, Statement of Financial Position 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

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reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial statements.

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

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

INDEPENDENCE

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

AUDIT OPINION

In our opinion, the special purpose financial statements of the Uralla Shire Council for the year ended 30th June 2013 are presented fairly, in all material respects, in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting.

BASIS OF ACCOUNTING

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

Forsyths

Forsyths Business Services Pty Ltd

P.R. Cornall

Paul Cornall
Principal

22nd November 2013
92 Rusden Street Armidale

Uralla Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2013

*“...committed to creating a unique environment
which offers an excellent quality of life and
economic opportunities for its people”*



Uralla Shire Council

Special Schedules

for the financial year ended 30 June 2013

Contents

Page

Special Schedules¹

- Special Schedule No. 1	Net Cost of Services	2
- Special Schedule No. 2(a)	Statement of Long Term Debt (all purposes)	4
- Special Schedule No. 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993)	5
- Special Schedule No. 3	Water Supply - Income Statement	6
- Special Schedule No. 4	Water Supply - Statement of Financial Position	10
- Special Schedule No. 5	Sewerage Service - Income Statement	11
- Special Schedule No. 6	Sewerage Service - Statement of Financial Position	15
- Notes to Special Schedules No. 3 & 5		16
- Special Schedule No. 7	Condition of Public Works	17
- Special Schedule No. 8	Financial Projections	20

¹ Special Purpose Schedules are not audited.

Background

- (i) These Special Schedules have been designed to meet the requirements of special purpose users such as;
- the NSW Grants Commission
 - the Australian Bureau of Statistics (ABS),
 - the NSW Office of Water,
 - the Department of Environment, Climate Change and Water, and
 - the Division of Local Government (DLG).
- (ii) The financial data is collected for various uses including;
- the allocation of Financial Assistance Grants,
 - the incorporation of Local Government financial figures in national statistics,
 - the monitoring of loan approvals,
 - the allocation of borrowing rights, and
 - the monitoring of the financial activities of specific services.

Uralla Shire Council

Special Schedule No. 1 - Net Cost of Services
for the financial year ended 30 June 2013

\$'000

Function or Activity	Expenses from. Continuing. Operations.	Income from continuing operations		Net Cost. of Services.
		Non Capital.	Capital.	
Governance	545	1	-	(544)
Administration	37	412	-	375
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	129	31	-	(98)
Beach Control	-	-	-	-
Enforcement of Local Govt. Regulations	-	-	-	-
Animal Control	60	5	-	(55)
Other	-	-	-	-
Total Public Order & Safety	189	36	-	(153)
Health	71	2	-	(69)
Environment				
Noxious Plants and Insect/Vermin Control	75	-	-	(75)
Other Environmental Protection	199	161	-	(38)
Solid Waste Management	1,420	1,081	-	(339)
Street Cleaning	38	-	-	(38)
Drainage	-	-	-	-
Stormwater Management	35	31	-	(4)
Total Environment	1,767	1,273	-	(494)
Community Services and Education				
Administration & Education	(112)	70	-	182
Social Protection (Welfare)	2,016	2,241	-	225
Aged Persons and Disabled	3,312	3,284	-	(28)
Children's Services	14	19	-	5
Total Community Services & Education	5,230	5,614	-	384
Housing and Community Amenities				
Public Cemeteries	35	26	-	(9)
Public Conveniences	66	-	-	(66)
Street Lighting	61	6	-	(55)
Town Planning	429	338	-	(91)
Other Community Amenities	-	-	-	-
Total Housing and Community Amenities	591	370	-	(221)
Water Supplies	927	901	-	(26)
Sewerage Services	559	625	-	66

Uralla Shire Council

Special Schedule No. 1 - Net Cost of Services (continued)

for the financial year ended 30 June 2013

\$'000

Function or Activity	Expenses from Continuing Operations.	Income from continuing operations		Net Cost. of Services.
		Non Capital.	Capital.	
Recreation and Culture				
Public Libraries	-	-	-	-
Museums	272	60	-	(212)
Art Galleries	-	-	-	-
Community Centres and Halls	103	43	-	(60)
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	66	44	-	(22)
Sporting Grounds and Venues	18	-	-	(18)
Swimming Pools	117	27	-	(90)
Parks & Gardens (Lakes)	262	1	-	(261)
Other Sport and Recreation	9	2	-	(7)
Total Recreation and Culture	847	177	-	(670)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	-	-	-	-
Other Mining, Manufacturing & Construction	1	-	-	(1)
Total Mining, Manufacturing and Const.	1	-	-	(1)
Transport and Communication				
Urban Roads (UR) - Local	182	29	-	(153)
Urban Roads - Regional	-	-	-	-
Sealed Rural Roads (SRR) - Local	1,183	391	37	(755)
Sealed Rural Roads (SRR) - Regional	1,449	1,101	-	(348)
Unsealed Rural Roads (URR) - Local	1,623	464	215	(944)
Unsealed Rural Roads (URR) - Regional	71	-	-	(71)
Bridges on UR - Local	-	-	-	-
Bridges on SRR - Local	484	(32)	-	(516)
Bridges on URR - Local	-	-	-	-
Bridges on Regional Roads	-	-	-	-
Parking Areas	13	-	-	(13)
Footpaths	106	-	-	(106)
Aerodromes	-	-	-	-
Other Transport & Communication	214	33	-	(181)
Total Transport and Communication	5,325	1,983	252	(3,089)
Economic Affairs				
Camping Areas & Caravan Parks	14	21	-	7
Other Economic Affairs	431	74	-	(357)
Total Economic Affairs	445	95	-	(350)
Totals – Functions	16,534	11,490	252	(4,791)
General Purpose Revenues⁽²⁾		4,806		4,806
Share of interests - joint ventures & associates using the equity method	-	-		-
NET OPERATING RESULT⁽¹⁾	16,534	16,296	252	14

(1) As reported in the Income Statement

(2) Includes: Rates & Annual Charges (incl. Ex Gratia, excl. Water & Sewer), Non Capital General Purpose Grants, Interest on Investments (excl. Ext. Restricted Assets) & Interest on overdue Rates & Annual Charges

Uralla Shire Council

Special Schedule No. 2(a) - Statement of Long Term Debt (all purpose)

for the financial year ended 30 June 2013

\$'000

Classification of Debt	Principal outstanding at beginning of the year			New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the year		
	Current	Non Current	Total		From Revenue	Sinking Funds			Current	Non Current	Total
Loans (by Source)											
Commonwealth Government	-	-	-	-	-	-	-	-	-	-	-
Treasury Corporation	-	-	-	-	-	-	-	-	-	-	-
Other State Government	-	-	-	-	-	-	-	-	-	-	-
Public Subscription	-	-	-	-	-	-	-	-	-	-	-
Financial Institutions	100	1,464	1,564	-	108	-	-	114	108	1,348	1,456
Other	-	-	-	-	-	-	-	-	-	-	-
Total Loans	100	1,464	1,564	-	108	-	-	114	108	1,348	1,456
Other Long Term Debt											
Ratepayers Advances	-	-	-	-	-	-	-	-	-	-	-
Government Advances	-	-	-	-	-	-	-	-	-	-	-
Finance Leases	-	-	-	-	-	-	-	-	-	-	-
Deferred Payments	-	-	-	-	-	-	-	-	-	-	-
Total Long Term Debt	-	-	-	-	-	-	-	-	-	-	-
Total Debt	100	1,464	1,564	-	108	-	-	114	108	1,348	1,456

Notes: Excludes (i) Internal Loans & (ii) Principal Inflows/Outflows relating to Loan Re-Financing.

This Schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which are reported in the GPFS).

Uralla Shire Council

Special Schedule No. 2(b) - Statement of Internal Loans [Section 410(3) LGA 1993] for the financial year ended 30 June 2013

\$'000

Summary of Internal Loans

Borrower (by purpose)	Amount originally raised	Total repaid during the year (Principal & Interest)	Principal Outstanding at end of year
General	136	11	20
Water			
Sewer			
Domestic Waste Management			
Gas			
Other			
Totals	136	11	20

Note: The summary of Internal Loans (above) represents the total of Council's Internal Loans categorised according to the borrower.

Details of Individual Internal Loans

Borrower (by purpose)	Lender (by purpose)	Date of Minister's Approval	Date Raised	Term (years)	Dates of Maturity	Rate of Interest	Amount Originally raised	Total repaid during year (Princ. & Int.)	Principal Outstanding at end of year
General Fund	Water Fund	04/10/01	30/06/03	12	30/06/15	6.50%	88	11	20
Totals							88	11	20

Uralla Shire Council

Special Schedule No. 3 - Water Supply Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2013

\$'000	Actuals 2013	Actuals 2012
A Expenses and Income		
Expenses		
1. Management expenses		
a. Administration	194	177
b. Engineering and Supervision	79	65
2. Operation and Maintenance expenses		
- Dams & Weirs		
a. Operation expenses	-	-
b. Maintenance expenses	6	19
- Mains		
c. Operation expenses	-	-
d. Maintenance expenses	100	82
- Reservoirs		
e. Operation expenses	-	-
f. Maintenance expenses	15	3
- Pumping Stations		
g. Operation expenses (excluding energy costs)	-	-
h. Energy costs	3	2
i. Maintenance expenses	16	9
- Treatment		
j. Operation expenses (excluding chemical costs)	-	-
k. Chemical costs	89	61
l. Maintenance expenses	172	152
- Other		
m. Operation expenses	-	-
n. Maintenance expenses	-	-
o. Purchase of water	-	-
3. Depreciation expenses		
a. System assets	247	246
b. Plant and equipment	6	5
4. Miscellaneous expenses		
a. Interest expenses	-	-
b. Revaluation Decrements	-	-
c. Other expenses	-	-
d. Impairment - System assets	-	-
e. Impairment - Plant and equipment	-	-
f. Aboriginal Communities Water & Sewerage Program	-	-
g. Tax Equivalent Dividends (actually paid)	-	-
5. Total expenses	927	821

Uralla Shire Council

Special Schedule No. 3 - Water Supply Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2013

\$'000	Actuals 2013	Actuals 2012
Income		
6. Residential charges		
a. Access (including rates)	332	327
b. Usage charges	431	283
7. Non-residential charges		
a. Access (including rates)	-	-
b. Usage charges	-	-
8. Extra charges	-	-
9. Interest income	118	15
10. Other income	1	1
10a. Aboriginal Communities Water and Sewerage Program	-	-
11. Grants		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	17	17
c. Other grants	-	-
12. Contributions		
a. Developer charges	-	-
b. Developer provided assets	-	-
c. Other contributions	2	-
13. Total income	901	643
14. Gain (or loss) on disposal of assets	-	-
15. Operating Result	(26)	(178)
15a. Operating Result (less grants for acquisition of assets)	(26)	(178)

Uralla Shire Council

Special Schedule No. 3 - Water Supply Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2013

\$'000	Actuals 2013	Actuals 2012
B Capital transactions		
Non-operating expenditures		
16. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	77	-
b. New Assets for Growth	24	7
c. Renewals	-	-
d. Plant and equipment	5	-
17. Repayment of debt		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
18. Transfer to sinking fund	-	-
19. Totals	106	7
Non-operating funds employed		
20. Proceeds from disposal of assets	-	-
21. Borrowing utilised		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
22. Transfer from sinking fund	-	-
23. Totals	-	-
C Rates and charges		
24. Number of assessments		
a. Residential (occupied)	1,236	1,278
b. Residential (unoccupied, ie. vacant lot)	3	4
c. Non-residential (occupied)	157	131
d. Non-residential (unoccupied, ie. vacant lot)	-	-
25. Number of ETs for which developer charges were received	- ET	- ET
26. Total amount of pensioner rebates (actual dollars)	\$ 15,932	\$ 17,000

Uralla Shire Council

Special Schedule No. 3 - Water Supply Cross Subsidies

for the financial year ended 30 June 2013

\$'000	Yes	No	Amount
D Best practice annual charges and developer charges*			
27. Annual charges			
a. Does Council have best-practice water supply annual charges and usage charges*?	<input type="checkbox"/>	<input type="checkbox"/>	
If Yes, go to 28a.			
If No, please report if council has removed land value from access charges (ie rates)?			
<p>NB. Such charges for both residential customers and non-residential customers comply with section 3.2 of Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.</p>			
b. Cross-subsidy from residential customers using less than allowance (page 25 of Guidelines)			<input type="text"/>
c. Cross-subsidy to non-residential customers (page 24 of Guidelines)			<input type="text"/>
d. Cross-subsidy to large connections in unmetered supplies (page 26 of Guidelines)			<input type="text"/>
28. Developer charges			
a. Has council completed a water supply Development Servicing** Plan?	<input type="checkbox"/>	<input type="checkbox"/> No	
b. Total cross-subsidy in water supply developer charges for 2012/13 (page 47 of Guidelines)			<input type="text"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
29. Disclosure of cross-subsidies			
Total of cross-subsidies (27b +27c + 27d + 28b)			<input type="text" value="-"/>

* Councils which have not yet implemented best practice water supply pricing should disclose cross-subsidies in items 27b, 27c and 27d above.

However, disclosure of cross-subsidies is **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 Statement of Financial Position

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2013

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
30. Cash and investments			
a. Developer charges	-	-	-
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	-	-	-
e. Sinking fund	-	-	-
f. Other	837	-	837
31. Receivables			
a. Specific purpose grants	-	-	-
b. Rates and Availability Charges	35	-	35
c. User Charges	256	-	256
d. Other	9	10	19
32. Inventories	-	-	-
33. Property, plant and equipment			
a. System assets	-	13,957	13,957
b. Plant and equipment	-	4,157	4,157
34. Other assets	-	-	-
35. Total assets	1,137	18,124	19,261
LIABILITIES			
36. Bank overdraft	-	-	-
37. Creditors	-	-	-
38. Borrowings			
a. Loans	-	-	-
b. Advances	-	-	-
c. Finance leases	-	-	-
39. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
40. Total liabilities	-	-	-
41. NET ASSETS COMMITTED	1,137	18,124	19,261
EQUITY			
42. Accumulated surplus			8,431
43. Asset revaluation reserve			10,830
44. TOTAL EQUITY			19,261
Note to system assets:			
45. Current replacement cost of system assets			15,308
46. Accumulated current cost depreciation of system assets			(1,351)
47. Written down current cost of system assets			13,957

Uralla Shire Council

Special Schedule No. 5 - Sewerage Service Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2013

\$'000	Actuals 2013	Actuals 2012
A Expenses and Income		
Expenses		
1. Management expenses		
a. Administration	125	133
b. Engineering and Supervision	10	17
2. Operation and Maintenance expenses		
- Mains		
a. Operation expenses	-	-
b. Maintenance expenses	32	30
- Pumping Stations		
c. Operation expenses (excluding energy costs)	-	-
d. Energy costs	-	-
e. Maintenance expenses	9	22
- Treatment		
f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	-	-
g. Chemical costs	15	30
h. Energy costs	-	-
i. Effluent Management	-	-
j. Biosolids Management	76	73
k. Maintenance expenses	50	73
- Other		
l. Operation expenses	-	-
m. Maintenance expenses	60	51
3. Depreciation expenses		
a. System assets	179	179
b. Plant and equipment	3	3
4. Miscellaneous expenses		
a. Interest expenses	-	-
b. Revaluation Decrements	-	-
c. Other expenses	-	-
d. Impairment - System assets	-	-
e. Impairment - Plant and equipment	-	-
f. Aboriginal Communities Water & Sewerage Program	-	-
g. Tax Equivalent Dividends (actually paid)	-	-
5. Total expenses	559	611

Uralla Shire Council

Special Schedule No. 5 - Sewerage Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2013

\$'000	Actuals 2013	Actuals 2012
Income		
6. Residential charges (including rates)	493	472
7. Non-residential charges		
a. Access (including rates)	-	-
b. Usage charges	8	8
8. Trade Waste Charges		
a. Annual Fees	-	-
b. Usage charges	5	-
c. Excess mass charges	-	-
d. Re-inspection fees	-	-
9. Extra charges	-	-
10. Interest income	106	13
11. Other income	-	20
11a. Aboriginal Communities Water & Sewerage Program	-	-
12. Grants		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	13	13
c. Other grants	-	-
13. Contributions		
a. Developer charges	-	-
b. Developer provided assets	-	-
c. Other contributions	-	-
14. Total income	<u>625</u>	<u>526</u>
15. Gain (or loss) on disposal of assets	-	-
16. Operating Result	<u>66</u>	<u>(85)</u>
16a. Operating Result (less grants for acquisition of assets)	66	(85)

Uralla Shire Council

Special Schedule No. 5 - Sewerage Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2013

\$'000	Actuals 2013	Actuals 2012
B Capital transactions		
Non-operating expenditures		
17. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	-	-
b. New Assets for Growth	7	24
c. Renewals	-	-
d. Plant and equipment	-	-
18. Repayment of debt		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
19. Transfer to sinking fund	-	-
20. Totals	7	24
Non-operating funds employed		
21. Proceeds from disposal of assets	-	-
22. Borrowing utilised		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
23. Transfer from sinking fund	-	-
24. Totals	-	-
C Rates and charges		
25. Number of assessments		
a. Residential (occupied)	943	1,102
b. Residential (unoccupied, ie. vacant lot)	98	-
c. Non-residential (occupied)	56	1
d. Non-residential (unoccupied, ie. vacant lot)	14	-
26. Number of ETs for which developer charges were received	- ET	- ET
27. Total amount of pensioner rebates (actual dollars)	\$ 12,334	\$ 12,000

Uralla Shire Council

Special Schedule No. 5 - Sewerage Cross Subsidies
for the financial year ended 30 June 2013

\$'000	Yes	No	Amount
D Best practice annual charges and developer charges*			
28. Annual charges			
a. Does Council have best-practice sewerage annual charges, usage charges and trade waste fees & charges*?	<input type="checkbox"/>	<input type="checkbox"/>	
If Yes, go to 29a.			
If No, please report if council has removed land value from access charges (ie rates)?	<input type="checkbox"/>	<input type="checkbox"/>	
NB. Such charges for both residential customers and non-residential customers comply with section 4.2 & 4.3 of the Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.			
b. Cross-subsidy to non-residential customers (page 45 of Guidelines)			<input type="text"/>
c. Cross-subsidy to trade waste discharges (page 46 of Guidelines)			<input type="text"/>
29. Developer charges			
a. Has council completed a sewerage Development Servicing** Plan?	<input type="checkbox"/>	<input type="checkbox"/> No	
b. Total cross-subsidy in sewerage developer charges for 2012/13 (page 47 of Guidelines)			<input type="text"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
30. Disclosure of cross-subsidies			
Total of cross-subsidies (28b + 28c + 29b)			<input type="text"/> -

* Councils which have not yet implemented best practice sewer pricing & liquid waste pricing should disclose cross-subsidies in items 28b and 28c above.

However, disclosure of cross-subsidies is **not** required where a Council has implemented best practice sewerage and liquid waste pricing and is phasing in such pricing over a period of 3 years.

Uralla Shire Council

Special Schedule No. 6 - Sewerage Service Statement of Financial Position

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2013

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
31. Cash and investments			
a. Developer charges	-	-	-
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	-	-	-
e. Sinking fund	-	-	-
f. Other	1,152	-	1,152
32. Receivables			
a. Specific purpose grants	-	-	-
b. Rates and Availability Charges	29	-	29
c. User Charges	7	-	7
d. Other	-	-	-
33. Inventories	-	-	-
34. Property, plant and equipment			
a. System assets	-	6,373	6,373
b. Plant and equipment	-	263	263
35. Other assets	-	-	-
36. Total Assets	1,188	6,636	7,824
LIABILITIES			
37. Bank overdraft	-	-	-
38. Creditors	-	-	-
39. Borrowings			
a. Loans	-	-	-
b. Advances	-	-	-
c. Finance leases	-	-	-
40. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
41. Total Liabilities	-	-	-
42. NET ASSETS COMMITTED	1,188	6,636	7,824
EQUITY			
42. Accumulated surplus			5,363
44. Asset revaluation reserve			2,461
45. TOTAL EQUITY			7,824
Note to system assets:			
46. Current replacement cost of system assets			7,409
47. Accumulated current cost depreciation of system assets			(1,036)
48. Written down current cost of system assets			6,373

Uralla Shire Council

Notes to Special Schedule No.'s 3 & 5 for the financial year ended 30 June 2013

Administration ⁽¹⁾

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

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

Engineering and supervision ⁽¹⁾

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

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

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

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

Other expenses (item 4c of Special Schedules 3 and 5) includes all expenses not recorded elsewhere.

Revaluation decrements (item 4b of Special Schedules 3 and 5) is to be used when I,PP&E decreases in FV.

Impairment Losses (item 4d & 4e of Special Schedules 3 and 5) are to be used when the carrying amount of an asset exceeds its recoverable amount (refer to page D-31).

Aboriginal Communities Water and Sewerage Program (item 4f of Special Schedules 3 and 5) is to be used when operation and maintenance work has been undertaken on behalf of the Aboriginal Communities Water and Sewerage Program. Similarly, income for item 11a of Special Schedule 3 and item 12a of Special Schedule 5 are for services provided to the Aboriginal Communities Water and Sewerage Program and is not part of Council's water supply and sewerage revenue.

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

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

Trade waste charges (item 8 of Special Schedule 5) include all income from trade waste charges separated into 8a Annual Fees, 8b Usage Charges and 8c Excess Mass Charges and 8d Re-inspection Fees.

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

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

Notes:

⁽¹⁾ Administration and engineering costs for the development of capital works projects should be reported as part of the capital cost of the project and not as part of the recurrent expenditure (ie. in item 16 for water supply and item 17 for sewerage, and **not** in items 1a and 1b).

⁽²⁾ To enable accurate reporting of **residential revenue from usage charges**, it is essential for councils to accurately separate their residential (item 6) charges and non-residential (item 7) charges.

Uralla Shire Council

Special Schedule No. 8 - Financial Projections

as at 30 June 2013

\$'000	Actual ⁽¹⁾ 12/13	Forecast ⁽³⁾ 13/14	Forecast ⁽³⁾ 14/15	Forecast ⁽³⁾ 15/16	Forecast ⁽³⁾ 16/17	Forecast ⁽³⁾ 17/18	Forecast ⁽³⁾ 18/19	Forecast ⁽³⁾ 19/20	Forecast ⁽³⁾ 20/21	Forecast ⁽³⁾ 21/22	Forecast ⁽³⁾ 22/23
(i) OPERATING BUDGET											
Income from continuing operations	16,547	17,229	20,388	18,569	18,491	19,052	19,637	20,242	20,883	21,528	22,196
Expenses from continuing operations	16,533	16,493	16,957	17,424	18,017	18,557	19,172	19,753	20,489	21,096	21,800
Operating Result from Continuing Operations	14	736	3,431	1,145	474	495	465	489	394	432	396
(ii) CAPITAL BUDGET											
New Capital Works ⁽²⁾	1,558	1,449	4,183	911	1,366	1,309	73	1,554	1,182	1,347	1,651
Replacement/Refurbishment of Existing Assets	2,447	3,005	2,953	3,987	3,035	3,159	4,810	3,101	3,692	3,681	3,352
Total Capital Budget	4,005	4,454	7,136	4,898	4,401	4,468	4,883	4,655	4,874	5,028	5,003
Funded by:											
– Loans	-	-	-	-	-	-	-	-	-	-	-
– Asset sales	335	333	422	365	437	436	747	371	563	550	430
– Reserves	(79)	(92)	(298)	(301)	(311)	(379)	(382)	(400)	(425)	(448)	(475)
– Grants/Contributions	252	637	3,141	774	151	156	162	168	173	180	186
– Recurrent revenue	(238)	99	290	371	323	339	303	321	221	252	210
– Other	3,735	3,477	3,581	3,689	3,801	3,916	4,053	4,195	4,342	4,494	4,652
	4,005	4,454	7,136	4,898	4,401	4,468	4,883	4,655	4,874	5,028	5,003

Notes:

(1) From 12/13 Income Statement.

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

(3) Financial projections should be in accordance with Council's Integrated Planning and Reporting framework.

