

Uralla Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2014

*“...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 2014

Contents	Page
1. Understanding Council's Financial Statements	2
2. Statement by Councillors & Management	3
3. Primary Financial Statements:	
- Income Statement	4
- Statement of Comprehensive Income	5
- Statement of Financial Position	6
- Statement of Changes in Equity	7
- Statement of Cash Flows	8
4. Notes to the Financial Statements	9
5. Independent Auditor's Reports:	
- On the Financial Statements (Sect 417 [2])	84
- On the Conduct of the Audit (Sect 417 [3])	86

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 31 October 2014. Council has the power to amend and reissue these financial statements.

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

The financial statements set out the financial performance, financial position & cash flows of Council for the financial year ended 30 June 2014.

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate 5 "primary" financial statements:

1. The Income Statement

Summarises Council's financial performance for the year, listing all income & expenses.

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its Assets, Liabilities & "Net Wealth".

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

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

About the Notes to the Financial Statements

The Notes to the financial statements provide greater detail and additional information on the 5 primary financial statements.

About the Auditor's Reports

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

In NSW, the Auditor provides 2 audit reports:

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

Who uses the Financial Statements ?

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

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

Council is required to forward an audited set of financial statements to the Office of Local Government.

Uralla Shire Council

General Purpose Financial Statements
for the financial year ended 30 June 2014

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

The attached General Purpose Financial 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 22 September 2014.



Mr Michael Pearce
MAYOR



Cr Bob Crouch
COUNCILLOR



Mr Damien Connor
GENERAL MANAGER



Mrs Rosemary Strobel
RESPONSIBLE ACCOUNTING OFFICER

Uralla Shire Council

Income Statement

for the financial year ended 30 June 2014

Budget ¹ 2014	\$ '000	Notes	Actual 2014	Actual 2013
Income from Continuing Operations				
Revenue:				
5,340	Rates & Annual Charges	3a	5,155	4,911
1,825	User Charges & Fees	3b	5,252	4,724
494	Interest & Investment Revenue	3c	299	622
666	Other Revenues	3d	722	625
7,165	Grants & Contributions provided for Operating Purposes	3e,f	5,433 ²	5,345
1,739	Grants & Contributions provided for Capital Purposes	3e,f	1,588	252
Other Income:				
-	Net gains from the disposal of assets	5	77	67
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	-	-
<u>17,229</u>	Total Income from Continuing Operations		<u>18,526</u>	<u>16,546</u>
Expenses from Continuing Operations				
8,121	Employee Benefits & On-Costs	4a	8,198	7,038
103	Borrowing Costs	4b	145	167
3,021	Materials & Contracts	4c	4,908	4,578
3,751	Depreciation & Amortisation	4d	3,309	3,486
-	Impairment	4d	-	-
1,498	Other Expenses	4e	1,359	1,264
<u>16,493</u>	Total Expenses from Continuing Operations		<u>17,919</u>	<u>16,533</u>
<u>736</u>	Operating Result from Continuing Operations		<u>607</u>	<u>14</u>
Discontinued Operations				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
<u>736</u>	Net Operating Result for the Year		<u>607</u>	<u>14</u>
736	Net Operating Result attributable to Council		607	14
-	Net Operating Result attributable to Non-controlling Interests		-	-
<u>(1,003)</u>	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		<u>(981)</u>	<u>(238)</u>

¹ Original Budget as approved by Council - refer Note 16

² Financial Assistance Grants for 13/14 are lower, reflecting a timing difference due to a change in how the grant is paid - refer Note 3 (e)

Uralla Shire Council

Statement of Comprehensive Income

for the financial year ended 30 June 2014

\$ '000	Notes	Actual 2014	Actual 2013
Net Operating Result for the year (as per Income statement)		607	14
Other Comprehensive Income:			
Amounts which will not be reclassified subsequently to the Operating Result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	991	(384)
Total Items which will not be reclassified subsequently to the Operating Result		991	(384)
Amounts which will be reclassified subsequently to the Operating Result when specific conditions are met			
Nil			
Total Other Comprehensive Income for the year		991	(384)
Total Comprehensive Income for the Year		1,598	(370)
Total Comprehensive Income attributable to Council		1,598	(370)
Total Comprehensive Income attributable to Non-controlling Interests		-	-

Uralla Shire Council

Statement of Financial Position

as at 30 June 2014

\$ '000	Notes	Actual 2014	Actual 2013
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	5,830	6,631
Investments	6b	1,000	1,500
Receivables	7	2,349	1,240
Inventories	8	197	191
Other	8	117	104
Non-current assets classified as "held for sale"	22	-	-
Total Current Assets		9,493	9,666
Non-Current Assets			
Investments	6b	-	-
Receivables	7	-	-
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	294,408	292,844
Investments accounted for using the equity method	19	-	-
Investment Property	14	-	-
Intangible Assets	25	-	-
Non-current assets classified as "held for sale"	22	-	-
Total Non-Current Assets		294,408	292,844
TOTAL ASSETS		303,901	302,510
LIABILITIES			
Current Liabilities			
Payables	10	3,465	3,860
Borrowings	10	112	108
Provisions	10	2,560	1,918
Total Current Liabilities		6,137	5,886
Non-Current Liabilities			
Payables	10	-	-
Borrowings	10	1,237	1,348
Provisions	10	889	1,236
Total Non-Current Liabilities		2,126	2,584
TOTAL LIABILITIES		8,263	8,470
Net Assets		295,638	294,040
EQUITY			
Retained Earnings	20	64,448	63,841
Revaluation Reserves	20	231,190	230,199
Council Equity Interest		295,638	294,040
Non-controlling Interests		-	-
Total Equity		295,638	294,040

Uralla Shire Council

Statement of Changes in Equity
for the financial year ended 30 June 2014

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non- controlling Interest	Total Equity
2014						
Opening Balance (as per Last Year's Audited Accounts)		63,841	230,199	294,040	-	294,040
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/13)		63,841	230,199	294,040	-	294,040
c. Net Operating Result for the Year		607	-	607	-	607
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	991	991	-	991
Other Comprehensive Income		-	991	991	-	991
Total Comprehensive Income (c&d)		607	991	1,598	-	1,598
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		64,448	231,190	295,638	-	295,638

\$ '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 : IPP&E Asset Revaluation Rsve	20b (ii)	-	(384)	(384)	-	(384)
Other Comprehensive Income		-	(384)	(384)	-	(384)
Total Comprehensive Income (c&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

Uralla Shire Council

Statement of Cash Flows

for the financial year ended 30 June 2014

Budget 2014	\$ '000	Notes	Actual 2014	Actual 2013
Cash Flows from Operating Activities				
Receipts:				
5,174	Rates & Annual Charges		5,170	4,952
6,748	User Charges & Fees		4,113	4,782
557	Investment & Interest Revenue Received		260	657
4,392	Grants & Contributions		7,037	5,867
543	Other		366	1,627
Payments:				
(7,480)	Employee Benefits & On-Costs		(7,680)	(6,851)
(4,433)	Materials & Contracts		(4,975)	(5,226)
(103)	Borrowing Costs		(100)	(115)
	Bonds, Deposits & Retention amounts refunded		(53)	-
(1,245)	Other		(1,946)	(1,387)
4,152	Net Cash provided (or used in) Operating Activities	11b	2,192	4,306
Cash Flows from Investing Activities				
Receipts:				
-	Sale of Investment Securities		1,300	6,300
333	Sale of Infrastructure, Property, Plant & Equipment		276	335
Payments:				
(300)	Purchase of Investment Securities		(800)	(1,500)
(4,180)	Purchase of Infrastructure, Property, Plant & Equipment		(4,081)	(3,867)
(4,147)	Net Cash provided (or used in) Investing Activities		(3,305)	1,268
Cash Flows from Financing Activities				
Receipts:				
600	Proceeds from Retirement Home Contributions		680	268
Payments:				
(100)	Repayment of Borrowings & Advances		(107)	(108)
(500)	Repayment of Retirement Home Contributions		(260)	(174)
-	Net Cash Flow provided (used in) Financing Activities		312	(14)
5	Net Increase/(Decrease) in Cash & Cash Equivalents		(801)	5,560
6,631	plus: Cash & Cash Equivalents - beginning of year	11a	6,631	1,072
6,636	Cash & Cash Equivalents - end of the year	11a	5,830	6,632
Additional Information:				
	plus: Investments on hand - end of year	6b	1,000	1,500
	Total Cash, Cash Equivalents & Investments		6,830	8,132

Please refer to Note 11 for additional cash flow information

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	10
2(a)	Council Functions / Activities - Financial Information	27
2(b)	Council Functions / Activities - Component Descriptions	28
3	Income from Continuing Operations	29
4	Expenses from Continuing Operations	34
5	Gains or Losses from the Disposal of Assets	36
6(a)	Cash & Cash Equivalent Assets	37
6(b)	Investments	37
6(c)	Restricted Cash, Cash Equivalents & Investments - Details	38
7	Receivables	39
8	Inventories & Other Assets	40
9(a)	Infrastructure, Property, Plant & Equipment	41
9(b)	Externally Restricted Infrastructure, Property, Plant & Equipment	42
9(c)	Infrastructure, Property, Plant & Equipment - Current Year Impairments	42
10(a)	Payables, Borrowings & Provisions	43
10(b)	Description of (and movements in) Provisions	44
11	Statement of Cash Flows - Additional Information	45
12	Commitments for Expenditure	46
13	Statement of Performance Measures:	
	13a (i) Local Government Industry Indicators (Consolidated)	47
	13a (ii) Local Government Industry Graphs (Consolidated)	48
	13b Local Government Industry Indicators (by Fund)	50
14	Investment Properties	51
15	Financial Risk Management	51
16	Material Budget Variations	55
17	Statement of Developer Contributions	57
18	Contingencies and Other Liabilities/Assets not recognised	59
19	Controlled Entities, Associated Entities & Interests in Joint Ventures	64
20	Equity - Retained Earnings and Revaluation Reserves	64
21	Financial Result & Financial Position by Fund	66
22	"Held for Sale" Non Current Assets & Disposal Groups	68
23	Events occurring after the Reporting Date	68
24	Discontinued Operations	68
25	Intangible Assets	68
26	Reinstatement, Rehabilitation & Restoration Liabilities	69
27	Fair Value Measurement	70
Additional Council Disclosures		
28	Council Information & Contact Details	83

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

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

(a) Basis of preparation

(i) Background

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

- Australian Accounting Standards and Australian Accounting Interpretations issued by the Australian Accounting Standards Board,
- the Local Government Act (1993) & Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting June 2014.

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

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

Because AASBs are sector neutral, some standards either:

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

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

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

(iii) New and amended standards adopted by Council

During the current year, the following relevant standards became mandatory for Council and have been adopted:

- AASB 13 Fair Value Measurement
- AASB 119 Employee Benefits

AASB 13 Fair Value Measurement has not affected the assets or liabilities which are to be measured at fair value; however it provides detailed guidance on how to measure fair value in accordance with the accounting standards. It introduces the concept of highest and best use for non-financial assets and has caused the Council to review their valuation methodology. The level of disclosures regarding fair value has increased significantly and have been included in the financial statements at Note 27.

AASB 119 Employee Benefits introduced revised definitions for short-term employee benefits. Whilst the Council has reviewed the annual leave liability to determine the level of annual leave which is expected to be paid more than 12 months after the end of the reporting period, there has been no effect on the amounts disclosed as leave liabilities since Council's existing valuation policy was to discount annual leave payable more than 12 months after the end of the reporting period to present values.

(iv) Early adoption of Accounting Standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2013.

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

(v) Basis of Accounting

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

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

- (i) certain financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets which are all valued at fair value,
- (ii) the write down of any Asset on the basis of Impairment (if warranted) and
- (iii) certain classes of non current assets (eg. Infrastructure, Property, Plant & Equipment and Investment Property) that are accounted for at fair valuation.
- (ii) Estimated fair values of investment properties
- (iii) Estimated fair values of infrastructure, property, plant and equipment.
- (iv) Estimated landfill remediation provisions.
- (v) The valuation of Collateralised Debt Obligations (CDOs). 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 2014 and recorded only as contingent assets in the unlikely recovery on maturity in June 2015.

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

(vi) Changes in Accounting Policies

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

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

(vii) Critical Accounting Estimates

The preparation of financial statements requires the use of certain critical accounting estimates (in conformity with AASBs). Accordingly this requires management to exercise its judgement in the process of applying the Council's accounting policies.

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

Critical accounting estimates and assumptions

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

- (i) Estimation of depreciation costs including useful lives and residual values

Critical judgements in applying Council's accounting policies

- (i) Impairment of Receivables - Council has made a significant judgement about the impairment of a number of its receivables in Note 7.
- (ii) Projected Section 94 Commitments - Council has used significant judgement in determining future Section 94 income and expenditure in Note 17.
- (iii) Provision for restoration and environmental clean-up costs of Landfills – Council has used significant judgement about the timing and effect of intention to undertake progressive remediation work on the legacy areas of the Uralla landfill.

(b) Revenue recognition

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

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

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

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

Rates, Annual Charges, Grants and Contributions

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

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

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

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

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

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in Note 3(g). 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 S94 of the EPA Act 1979.

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

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

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

User Charges, Fees and Other Income

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

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

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

Sale of Infrastructure, Property, Plant and Equipment

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

Interest and Rents

Rental income is accounted for on a straight-line basis over the lease term.

Interest Income from Cash & Investments is accounted for using the effective interest rate at the date that interest is earned.

Other Income

Other income is recorded when the payment is due, the value of the payment is notified or the payment is received, whichever occurs first.

(c) Principles of Consolidation

These financial statements incorporate **(i)** the assets and liabilities of Uralla Shire Council and any entities (or operations) that it **controls** (as at 30 June 2014) and **(ii)** all the related operating results (for the financial year ended the 30th June 2014).

Uralla Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

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

(i) The Consolidated Fund

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

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

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

- (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*

(ii) The Trust Fund

In accordance with the provisions of Section 411 of the Local Government Act 1993 (as amended), a separate and distinct Trust Fund is maintained to account for all money and property received by the Council in trust which must be applied only for the purposes of or in accordance with the trusts relating to those monies.

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

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

(iii) Joint Ventures

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.

(iv) Associated Entities

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

Such entities are usually termed Associates.

(v) County Councils

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.

The governing body of each County Council is responsible for managing its own affairs. Council is of the opinion that it neither controls nor significantly influences the above County Councils and accordingly these entities have not been consolidated or otherwise included within these financial statements.

Uralla Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

(d) Leases

Finance Leases

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

Operating Leases

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

Uralla Shire Council did not enter into any Finance or Operating Lease arrangement in the financial years ending 30 June 2013 or 30 June 2014.

(e) Cash and Cash Equivalents

For Statement of Cash Flows (and Statement of Financial Position) 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 & Cash Equivalents for presentation of the Cash Flow Statement.

(f) Investments and Other Financial Assets

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

- financial assets at fair value through profit or loss,
- loans and receivables,

- held-to-maturity investments, and
- available-for-sale financial assets.

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

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

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

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

A financial asset is classified in the "held for trading" category if it is acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges.

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

(ii) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Council provides money, goods or services directly to a debtor with no intention (or in some cases ability) of selling the resulting receivable.

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

(iii) Held-to-maturity investments

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

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

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

(iv) Available-for-sale financial assets

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

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

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

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

Financial Assets – Reclassification

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

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term.

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

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

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

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

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

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

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

(ii) Subsequent Measurement

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

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

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

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

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

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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.

Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

If there is evidence of impairment for any of Council's financial assets carried at amortised cost (eg. loans and receivables), the amount of the loss is measured as the difference between the asset's carrying amount and the present value of 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 profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

(iii) Types of Investments

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

Investments are placed and managed in accordance with the Policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order. Council investments are conservative with a very low risk profile.

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

Council amended its policy following revisions to the Ministerial Local Government Investment Order arising from the Cole Inquiry recommendations. Certain investments that Council holds are no longer prescribed (eg. managed funds, CDOs, and equity linked notes), however they have been retained under grandfathering provisions of the Order. Future cash flow will result from favourable legal proceedings.

(g) Fair value estimation

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques.

Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held.

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

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

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

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

(h) Receivables

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

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

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

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

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

Impairment losses are recognised in the Income Statement within other expenses. When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account.

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

(i) Inventories

Raw Materials and Stores, Work in Progress and Finished Goods

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

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

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

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

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

Acquisition of assets

Council's non current assets are continually revalued (over a 5 year period) in accordance with the fair valuation policy as mandated by the Office of Local Government.

At balance date, the following classes of I,PP&E 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	Internal Valuation
Unsealed Roads	Internal Valuation
Bulk Earthworks	Internal Valuation
Bridges	Internal Valuation
Stormwater Drainage	Internal Valuation
Artwork	External Valuation
Other Structures and other assets	Approximated by depreciated historical cost

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.

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

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

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

Subsequent costs

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

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

Asset Revaluations (including Indexation)

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

- Increases in the combined carrying amounts of asset classes arising on revaluation are credited to the asset revaluation reserve.
- To the extent that a net asset class increase reverses a decrease previously recognised via the profit or loss, then increase is first recognised in profit or loss.
- 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.

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

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

Capitalisation Thresholds

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

Land	
- council land	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

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

Depreciation

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

Land is not depreciated.

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

Plant 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

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 (if appropriate), at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount – refer Note 1(s) on Asset Impairment.

Disposal and De-recognition

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

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

(k) Land

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

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

(l) Land under roads

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

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051. Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 – Property, Plant and Equipment.

(m) Intangible Assets

Council has not classified any assets as Intangible.

(n) Crown Reserves

Crown reserves, 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.

(o) Rural Fire Service assets

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 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 arrangement Council continues to contribute to the costs of maintenance of this equipment.

(p) Investment property

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.

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

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

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

Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. Costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, eg updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Close down, Restoration and Remediation costs are a normal consequence of 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.

Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

feasibility and engineering studies using current restoration standards and techniques.

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

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

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

Provision is made for the estimated present value of the costs of environmental clean up obligations outstanding at the balance sheet date. These costs are charged to the income statement.

Movements in the environmental clean up provisions are presented as an operating cost, except for the unwind of the discount which is shown as a borrowing cost.

Remediation procedures generally commence soon after the time the damage, remediation process and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other locations.

The expected timing of expenditure can also change 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.

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.

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

Uralla Shire Council does not have any discontinued operations or non-current assets held for sale.

(s) Impairment of Assets

All Council's I,PP&E is subject to an annual assessment of impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

Where an asset is not held principally for cash generating purposes (for example Infrastructure Assets) 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.

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

(t) Payables

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

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

(u) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost.

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

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

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

(v) Borrowing costs

Borrowing costs 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.

(w) Provisions

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

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

Provisions are not recognised for future operating losses.

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

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

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

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

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

(x) Employee benefits

(i) Short Term Obligations

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

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

These provisions are measured at the amounts expected to be paid when the liabilities are settled. All other short-term employee benefit obligations are presented as payables.

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

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

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

(ii) Other Long Term Obligations

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

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

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

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

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

(iii) Retirement benefit obligations

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

Defined Benefit Plans

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

The present value of the defined benefit obligation is based on expected future payments which arise

from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

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

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

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

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

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 2014.

However the position is monitored annually and the Actuary has estimated that as at 30 June 2014 the prior period deficit still exists.

Effective from 1 July 2009, employers are required to contribute additional contributions to assist in extinguishing this deficit.

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of Superannuation Expenses at Note 4(a) for the year ending 30 June 2014 was \$223,227.

The amount of additional contributions included in the total employer contribution advised above is \$92,801.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$371,204 as at 30 June 2014.

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

Council's share of that deficiency cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils. For this reason, no liability for the deficiency has been recognised in these financial statements.

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

Defined Contribution Plans

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

(iv) Employee Benefit On-Costs

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

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30 June 2014.

(y) Self insurance

Council does not self insure.

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

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

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

Exceptions

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

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

(aa) Taxes

The Council is exempt from both Commonwealth Income Tax and Capital Gains Tax. Council does however have to comply with both Fringe Benefits Tax and Goods and Services Tax (GST).

Goods & Services Tax (GST)

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

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

Receivables and payables within the Balance Sheet are stated inclusive of any applicable GST. The net amount of GST recoverable from or payable to the ATO is included as a current asset or current liability in the Balance Sheet.

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

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

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

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

(ab) New accounting standards and interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2014.

Council has not adopted any of these standards early.

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

Applicable to Local Government with implications:

- **AASB 9 Financial Instruments, 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 and**
- **AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (effective from 1 January 2017)**

AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption.

When adopted, the standard will affect in particular Council's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading.

Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss although there is currently a proposal by the IASB to introduce a Fair value through Other Comprehensive Income category for debt instruments.

There will be no impact on Council's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are

designated at fair value through profit or loss and Council does not have any such liabilities.

The de-recognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed.

The Council has not yet fully assessed the impact on the reporting financial position and performance on adoption of AASB 9.

Applicable to Local Government but no implications for Council;

AASB 2013-3 Amendments to AASB 136 Recoverable Amount Disclosures for Non-Financial Assets (effective for 30 June 2015 Financial Statements)

There are no changes to reported financial position or performance from AASB 2013 – 3, however additional disclosures may be required.

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

- **AASB 10 Consolidated Financial Statements,**
- **AASB 11 Joint Arrangements,**
- **AASB 12 Disclosure of Interests in Other Entities, revised**
- **AASB 127 Separate Financial Statements,**
- **AASB 128 Investments in Associates and Joint Ventures and**
- **AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective for 30 June 2015 Financial Statements for not-for-profit entities)**

This suite of new and amended standards address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities.

The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

all entities. It focuses on the need to have both power and rights or exposure to variable returns.

Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both.

Control exists when the investor can use its power to affect the amount of its returns.

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

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

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

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

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

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

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

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

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

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128.

Application of this standard by Council will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to Council's investments.

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

The amendments also introduce a "partial disposal" concept.

Council is still assessing the impact of these amendments.

Council does not expect to adopt the new standards before their operative date.

They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2015.

Not applicable to Local Government per se;

None

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

(ac) Rounding of amounts

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

(ad) Comparative Figures

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

(ae) Disclaimer

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

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Actual	Actual	Actual	Actual
	2014	2014	2013	2014	2014	2013	2014	2014	2013	2014	2013	2014	2013
Governance	2	2	1	586	510	545	(584)	(508)	(544)	1	13	721	845
Administration	443	697	412	413	736	37	30	(39)	375	-	4	12,071	12,343
Public Order & Safety	8	49	36	202	283	189	(194)	(234)	(153)	-	-	797	827
Health	3	115	2	70	213	71	(68)	(98)	(69)	-	-	-	-
Environment	1,367	1,878	1,273	1,500	1,981	1,766	(133)	(103)	(494)	475	30	25	27
Community Services & Education	5,469	5,853	5,614	5,428	5,743	5,230	41	110	384	109	76	7,237	7,290
Housing & Community Amenities	173	185	370	506	485	591	(334)	(300)	(221)	6	162	4,196	3,824
Water Supplies	855	930	901	821	894	927	34	36	(26)	17	19	18,337	18,115
Sewerage Services	553	561	625	506	629	558	47	(68)	66	13	13	6,607	6,637
Recreation & Culture	124	106	176	1,013	794	848	(889)	(688)	(671)	35	128	5,148	5,185
Mining, Manufacturing & Construction		-	-	12	1	1	(12)	(1)	(1)	-	-	7	8
Transport & Communication	2,881	2,276	2,236	5,121	5,277	5,325	(2,240)	(3,001)	(3,089)	1,389	238	247,970	246,610
Economic Affairs	64	91	95	315	373	445	(251)	(282)	(350)	-	-	786	801
Total Functions & Activities	11,941	12,743	11,742	16,493	17,919	16,533	(4,552)	(5,176)	(4,791)	2,045	683	303,901	302,510
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	-	-	-	-	-	-	-	-	-	-	-	-
General Purpose Income ¹	5,288	5,783	4,806	-	-	-	5,288	5,783	4,806	2,307	2,120	-	-
Operating Result from Continuing Operations	17,229	18,526	16,548	16,493	17,919	16,533	736	607	14	4,352	2,803	303,901	302,510

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

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

COMMUNITY SERVICES & 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 & COMMUNITY AMENITIES

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

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION & CULTURE

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

MINING, MANUFACTURING & CONSTRUCTION

Quarries & pits, other.

TRANSPORT & COMMUNICATION

Urban roads, sealed rural roads, unsealed rural roads, bridges, footpaths, parking areas, bus shelters and services, RMS works, 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 2014

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2014	Actual 2013
(a) Rates & Annual Charges			
Ordinary Rates			
Residential		1,273	1,236
Farmland		1,919	1,864
Business		95	92
Total Ordinary Rates		3,287	3,192
Special Rates			
Nil			
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		352	326
Stormwater Management Services		29	30
Water Supply Services		369	332
Sewerage Services		510	488
Waste Management Services (non-domestic)		25	22
Environmental		583	521
Total Annual Charges		1,868	1,719
TOTAL RATES & ANNUAL CHARGES		5,155	4,911

Council has used 2014 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 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(b) User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Water Supply Services		516	425
Sewerage Services		13	14
Waste Management Services (non-domestic)		166	155
Total User Charges		695	594
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
Inspection Services		116	18
Private Works - Section 67		407	135
Registration Fees		7	-
Section 149 Certificates (EPA Act)		17	14
Section 603 Certificates		8	8
Town Planning		94	72
Total Fees & Charges - Statutory/Regulatory		649	247
(ii) Fees & Charges - Other (incl. General User Charges) (per s.608)			
Aged Care		749	721
Bundarra Neighbour Aid		8	11
Cemeteries		29	26
Community Centres		8	7
Kamillaroi Aged and Disability Services - Contract Service Fees		1,156	1,152
Scrap Metal Sales		63	50
Sponsorships Received		21	25
Sundry Sales		4	14
Swimming Centres		43	23
Tablelands Community Support Options - Client Contributions		78	242
Tablelands Community Support Options - Contract Service Fees		1,726	1,593
Tablelands Community Transport		10	11
Water Connection Fees		11	8
Other		2	-
Total Fees & Charges - Other		3,908	3,883
TOTAL USER CHARGES & FEES		5,252	4,724

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(c) Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates)		29	35
- Interest earned on Investments (interest & coupon payment income)		270	587
TOTAL INTEREST & INVESTMENT REVENUE		299	622
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges (General Fund)		29	35
General Council Cash & Investments		160	363
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		15	-
Water Fund Operations		46	118
Sewerage Fund Operations		49	106
Total Interest & Investment Revenue Recognised		299	622
(d) Other Revenues			
Rental Income - Other Council Properties		145	132
Fines		3	-
Legal Fees Recovery - Rates & Charges (Extra Charges)		19	15
Commissions & Agency Fees		5	4
Diesel Rebate		72	77
Donations Received		62	14
Insurance Claim Recoveries		47	61
Other Reimbursements		111	96
Other Sundry Income		42	37
Recycling Income (non domestic)		99	109
Sales - General		82	44
Staff FBT Contributions		35	36
TOTAL OTHER REVENUE		722	625

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	2014 Operating	2013 Operating	2014 Capital	2013 Capital
(e) Grants				
General Purpose (Untied)				
Financial Assistance - General Component	1,336	1,231	-	-
Financial Assistance - Local Roads Component	894	846	-	-
Pensioners' Rates Subsidies - General Component	77	43	-	-
Total General Purpose	2,307	2,120	-	-
Specific Purpose				
Pensioners' Rates Subsidies:				
- Water	17	17	-	-
- Sewerage	13	13	-	-
Water Supplies	-	2	-	-
Community Care	80	70	5	-
Community Centres	-	24	-	-
Employment & Training Programs	24	12	-	-
Environmental Protection	60	15	-	-
Heritage & Cultural	6	44	-	-
Landfill Mangement	221	12	194	-
Library	29	59	-	-
Street Lighting	6	6	-	-
Town Planning	-	156	-	-
Transport (Roads to Recovery)	-	-	708	252
Transport (Other Roads & Bridges Funding)	-	-	681	-
Youth Service	1	1	-	-
Total Specific Purpose	457	431	1,588	252
Total Grants	2,764	2,551	1,588	252
Grant Revenue is attributable to:				
- Commonwealth Funding	2,337	2,147	907	252
- State Funding	427	404	618	-
- Other Funding	-	-	63	-
	2,764	2,551	1,588	252

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	2014 Operating	2013 Operating	2014 Capital	2013 Capital
(f) Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the LGA):				
S 94 - Contributions towards amenities/services	14	79	-	-
Total Developer Contributions	14	79	-	-
Other Contributions:				
Bundarra Neighbour Aid - Subsidies	62	61	-	-
McMaugh Gardens Aged Care - Subsidies	1,306	1,166	-	-
Roads & Bridges	-	100	-	-
RMS Contributions (Regional Roads, Block Grant)	858	1,074	-	-
Tablelands Community Transport - Subsidies	429	312	-	-
Water Strategy Contribution	-	2	-	-
Total Other Contributions	2,655	2,716	-	-
Total Contributions	2,669	2,795	-	-
TOTAL GRANTS & CONTRIBUTIONS	5,433	5,345	1,588	252

\$ '000	Actual 2014	Actual 2013
(g) Restrictions relating to Grants and Contributions		
Certain grants & contributions are obtained by Council on condition that they be spent in a specified manner:		
Unexpended at the Close of the Previous Reporting Period	389	677
add: Grants & contributions recognised in the current period but not yet spent:	29	79
less: Grants & contributions recognised in a previous reporting period now spent:	-	(367)
Net Increase (Decrease) in Restricted Assets during the Period	29	(288)
Unexpended and held as Restricted Assets	418	389
Comprising:		
- Developer Contributions	418	389
	418	389

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2014	Actual 2013
(a) Employee Benefits & On-Costs			
Salaries and Wages		6,114	5,673
Travelling		22	18
Employee Leave Entitlements (ELE)		1,458	1,175
Superannuation - Defined Contribution Plans		535	493
Superannuation - Defined Benefit Plans		223	222
Workers' Compensation Insurance		415	202
Fringe Benefit Tax (FBT)		23	26
Training Costs (other than Salaries & Wages)		57	53
Other		5	6
Total Employee Costs		8,852	7,869
less: Capitalised Costs		(654)	(830)
TOTAL EMPLOYEE COSTS EXPENSED		8,198	7,038
Number of "Equivalent Full Time" Employees at year end		105	106
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		97	114
Total Interest Bearing Liability Costs Expensed		97	114
(ii) Other Borrowing Costs			
Discount adjustments relating to movements in Provisions (other than ELE)			
- Remediation Liabilities	26	48	53
Total Other Borrowing Costs		48	53
TOTAL BORROWING COSTS EXPENSED		145	167

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(c) Materials & Contracts			
Raw Materials & Consumables		1,055	1,431
Contractor & Consultancy Costs		3,795	3,093
Auditors Remuneration ⁽¹⁾		36	37
Legal Expenses:			
- Legal Expenses: Debt Recovery		18	17
- Legal Expenses: Other		4	-
TOTAL MATERIALS & CONTRACTS		4,908	4,578

1. Auditor Remuneration

During the year, the following fees were incurred for services provided by the Council's Auditor (& the Auditors of other Consolidated Entities):

Audit and Other Assurance Services

- Audit & review of financial statements: Council's Auditor	36	21
- Audit & review of financial statements: Internal Auditors	-	16
Total Auditor Remuneration	36	37

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2014	Actual 2013	Actual 2014	Actual 2013
Plant and Equipment		-	-	412	802
Office Equipment		-	-	58	55
Furniture & Fittings		-	-	52	53
Buildings - Non Specialised		-	-	197	183
Other Structures		-	-	70	78
Infrastructure:					
- Sealed Roads Structure		-	-	1,579	1,496
- Unsealed Roads		-	-	319	319
- Bridges		-	-	268	263
- Footpaths		-	-	17	17
- Stormwater Drainage		-	-	30	30
- Water Supply Network		-	-	181	247
- Sewerage Network		-	-	204	179
Other Assets					
- Other		-	-	3	3
Asset Reinstatement Costs	9 & 26	-	-	10	10
Total Depreciation & Impairment Costs		-	-	3,400	3,735
less: Capitalised Costs		-	-	(91)	(249)
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		-	-	3,309	3,486

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(e) Other Expenses			
Advertising		56	63
Bank Charges		21	19
Councillor Expenses - Mayoral Fee		16	14
Councillor Expenses - Councillors' Fees		93	91
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		18	18
Donations, Contributions & Assistance to other organisations (Section 356)		349	276
Electricity & Heating		213	239
Insurance		273	249
Internet and Other Communication		34	32
Licences		17	19
Motor Vehicle Registration Fees		52	41
Other Fees and Charges		15	20
Postage		22	17
Street Lighting		48	51
Subscriptions & Publications		60	45
Sundry Expenses		3	(2)
Telephone & Communications		62	63
Volunteer Reimbursements		7	9
<u>TOTAL OTHER EXPENSES</u>		<u>1,359</u>	<u>1,264</u>

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2014	Actual 2013
Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		276	335
less: Carrying Amount of P&E Assets Sold / Written Off		(199)	(209)
Net Gain/(Loss) on Disposal		<u>77</u>	<u>126</u>
Infrastructure			
less: Carrying Amount of Infrastructure Assets Sold / Written Off		-	(59)
Net Gain/(Loss) on Disposal		<u>-</u>	<u>(59)</u>
Financial Assets*			
Proceeds from Disposal / Redemptions / Maturities - Financial Assets		1,300	6,300
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured		(1,300)	(6,300)
Net Gain/(Loss) on Disposal		<u>-</u>	<u>-</u>
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>77</u>	<u>67</u>

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Notes	2014 Actual Current	2014 Actual Non Current	2013 Actual Current	2013 Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		3	-	4	-
Cash-Equivalent Assets ¹					
- Deposits at Call		5,827	-	6,627	-
Total Cash & Cash Equivalents		5,830	-	6,631	-
Investments (Note 6b)					
- Long Term Deposits		1,000	-	1,500	-
Total Investments		1,000	-	1,500	-
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		6,830	-	8,131	-

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

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

Cash & Cash Equivalents

a. "At Cost"		5,830	-	6,631	-
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Investments

b. "Held to Maturity"	6(b-ii)	1,000	-	1,500	-
Investments		1,000	-	1,500	-

Note 6(b-ii)**Reconciliation of Investments classified as "Held to Maturity"**

Balance at the Beginning of the Year		1,500	-	1,500	-
Additions		800	-	6,300	-
Disposals (sales & redemptions)		(1,300)	-	(6,300)	-
Balance at End of Year		1,000	-	1,500	-

Comprising:

- Long Term Deposits		1,000	-	1,500	-
Total		1,000	-	1,500	-

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	2014	2014	2013	2013
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investments	6,830	-	8,131	-
attributable to:				
External Restrictions (refer below)	3,952	-	3,482	-
Internal Restrictions (refer below)	2,761	-	3,694	-
Unrestricted	117	-	955	-
	6,830	-	8,131	-
2014	Opening	Transfers to	Transfers from	Closing
\$ '000	Balance	Restrictions	Restrictions	Balance
Details of Restrictions				
External Restrictions - Included in Liabilities				
Nil				
External Restrictions - Other				
Developer Contributions - General (D)	389	29	-	418
Water Supplies (G)	837	207	-	1,044
Sewerage Services (G)	1,152	158	-	1,310
McMaugh Gardens Aged Care	1,104	76	-	1,180
External Restrictions - Other	3,482	470	-	3,952
Total External Restrictions	3,482	470	-	3,952
Internal Restrictions				
Plant & Vehicle Replacement	728	-	(228)	500
Employees Leave Entitlement	1,000	-	(450)	550
Carry Over Works	691	-	(671)	20
Accommodation Bond Guarantees	1,009	354	-	1,363
Community Services excess income	266	62	-	328
Total Internal Restrictions	3,694	416	(1,349)	2,761
TOTAL RESTRICTIONS	7,176	886	(1,349)	6,713

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

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

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 7. Receivables

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		244	-	259	-
Interest & Extra Charges		60	-	50	-
User Charges & Fees		289	-	249	-
Accrued Revenues					
- Interest on Investments		29	-	-	-
- Other Income Accruals		478	-	171	-
Government Grants & Subsidies		-	-	16	-
Net GST Receivable		17	-	-	-
Other Debtors		1,233	-	496	-
Total		2,350	-	1,241	-
less: Provision for Impairment					
Other Debtors		(1)	-	(1)	-
Total Provision for Impairment - Receivables		(1)	-	(1)	-
TOTAL NET RECEIVABLES		2,349	-	1,240	-
Externally Restricted Receivables					
Water Supply					
- Rates & Availability Charges		32	-	35	-
- Other		305	-	265	10
Sewerage Services					
- Rates & Availability Charges		28	-	29	-
- Other		8	-	7	-
- McMaugh Gardens		567	-	267	-
Total External Restrictions		940	-	603	10
Internally Restricted Receivables					
- Internal Restricted Receivables		-	-	-	(10)
Internally Restricted Receivables		-	-	-	(10)
Unrestricted Receivables		1,409	-	637	-
TOTAL NET RECEIVABLES		2,349	-	1,240	-

Notes on Debtors above:

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates & charges at 9.00% (2013 10.00%).
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 2014

Note 8. Inventories & Other Assets

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Inventories					
Stores & Materials		197	-	191	-
Total Inventories		197	-	191	-
Other Assets					
Prepayments		117	-	104	-
Total Other Assets		117	-	104	-
TOTAL INVENTORIES/OTHER ASSETS		314	-	295	-

Externally Restricted Assets

There are no restrictions applicable to the above assets.

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2013					Asset Movements during the Reporting Period						as at 30/6/2014				
	At	At	Accumulated		Carrying	Asset Additions	WDV of Asset Disposals	Depreciation Expense	WIP Transfers	Adjustments & Transfers	Revaluation Increments to Equity (ARR)	At	At	Accumulated		Carrying
	Cost	Fair Value	Dep'n	Impairment	Value							Cost	Fair Value	Dep'n	Impairment	Value
Capital Work in Progress	843	-	-	-	843	1,554	-	-	(1,730)	-	-	668	-	-	-	668
Plant & Equipment	-	6,191	2,811	-	3,380	983	(199)	(412)	-	76	-	-	6,421	2,593	-	3,828
Office Equipment	-	328	165	-	163	51	-	(58)	-	-	-	-	380	222	-	158
Furniture & Fittings	-	744	389	-	355	16	-	(52)	-	-	-	-	759	441	-	318
Land:																
- Operational Land	-	1,360	-	-	1,360	-	-	-	-	-	-	-	1,360	-	-	1,360
- Community Land	-	1,631	-	-	1,631	-	-	-	-	-	-	-	1,631	-	-	1,631
Land Improvements - non depreciable	-	17	-	-	17	-	-	-	-	-	-	-	17	-	-	17
Buildings - Non Specialised	-	23,542	6,039	-	17,503	7	-	(197)	20	-	-	-	23,569	6,236	-	17,333
Other Structures	-	1,572	727	-	845	15	-	(70)	32	-	-	-	1,620	797	-	823
Infrastructure:																
- Sealed Roads Structure	-	77,780	20,606	-	57,174	1,291	-	(1,579)	933	-	-	-	80,004	22,186	-	57,818
- Unsealed Roads	-	12,917	8,827	-	4,090	-	-	(319)	-	-	-	-	12,917	9,146	-	3,771
- Bridges	-	22,462	3,940	-	18,522	-	-	(268)	404	-	-	-	22,865	4,207	-	18,658
- Footpaths	-	1,033	328	-	705	-	-	(17)	-	-	-	-	1,033	345	-	688
- Bulk Earthworks (non-depreciable)	-	163,439	-	-	163,439	128	-	-	340	-	-	-	163,907	-	-	163,907
- Stormwater Drainage	-	2,561	466	-	2,095	-	-	(30)	-	-	-	-	2,561	496	-	2,065
- Water Supply Network	-	15,307	1,351	-	13,956	47	-	(181)	-	-	387	-	15,784	1,575	-	14,209
- Sewerage Network	-	7,409	1,036	-	6,373	4	-	(204)	-	-	173	-	7,621	1,275	-	6,346
Other Assets:																
- Heritage Collections	-	90	-	-	90	-	-	-	-	-	-	-	90	-	-	90
- Other	-	51	12	-	39	-	-	(3)	-	-	-	-	51	15	-	36
Reinstatement, Rehabilitation & Restoration Assets (refer Note 26):																
- Tip Assets	-	456	191	-	265	-	-	(10)	-	-	431	-	786	102	-	684
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	843	338,890	46,889	-	292,844	4,095	(199)	(3,400)	-	76	991	668	343,376	49,636	-	294,408

Additions to Buildings & Infrastructure Assets are made up of Asset Renewals (\$2698) and New Assets (\$1397). Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of other Infrastructure, Property, Plant & Equipment.

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Actual				Actual			
	2014				2013			
Class of Asset	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
Water Supply								
Land								
- Operational Land	-	202	-	202	-	202	-	202
Buildings	-	4,395	475	3,920	-	4,396	445	3,951
Infrastructure	-	15,784	1,575	14,209	-	15,307	1,350	13,957
Other Assets	-	7	3	4	-	8	3	5
Total Water Supply	-	20,388	2,053	18,336	-	19,913	1,798	18,115
Sewerage Services								
Land								
- Operational Land	-	102	-	102	-	101	-	101
- Improvements non-depreciable	-	6	-	6	-	6	-	6
Buildings	-	104	7	97	-	104	6	98
Other Structures	-	40	23	18	-	40	21	19
Infrastructure	-	7,621	1,275	6,346	-	7,409	1,036	6,373
Other Assets	-	46	7	38	-	46	7	39
Total Sewerage Services	-	7,919	1,312	6,607	-	7,706	1,070	6,636
Domestic Waste Management								
Plant & Equipment	-	306	115	191	-	306	80	226
Land								
- Operational Land	-	180	-	180	-	182	-	182
Buildings	-	301	67	234	-	284	64	220
Other Structures	-	186	153	34	-	183	144	39
Other Assets	-	28	5	22	-	26	5	21
Total DWM	-	1,001	339	661	-	981	293	688
MaMaugh Gardens Aged Care								
- Plant and Equipment	-	15	12	2	-	10	9	1
- Office Equipment	-	19	12	7	-	17	8	9
- Furniture and Fittings	-	443	299	144	-	432	271	161
- Land (Council owned)	-	65	-	65	-	65	-	65
- Roads, Parking & Footpaths	-	38	5	33	-	38	4	34
- Buildings	-	5,968	1,554	4,413	-	5,968	1,490	4,478
- Other Structures	-	138	29	109	-	130	22	108
Total Other Restrictions	-	6,685	1,912	4,774	-	6,660	1,804	4,856
TOTAL RESTRICTED I,PP&E	-	35,993	5,615	30,378	-	35,260	4,965	30,295

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 2014

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		518	-	578	-
Payments Received In Advance		-	-	1,099	-
Accrued Expenses:					
- Salaries & Wages		271	-	-	-
- Other Expenditure Accruals		269	-	138	-
ATO - Net GST Payable		(3)	-	1	-
Retirement Home Contributions		2,410	-	2,044	-
Total Payables		3,465	-	3,860	-
Borrowings					
Loans - Secured ¹		112	1,237	108	1,348
Total Borrowings		112	1,237	108	1,348
Provisions					
Employee Benefits;					
Annual Leave		808	-	814	-
Sick Leave		92	-	87	-
Long Service Leave		1,538	55	1,017	447
Other Leave		122	-	-	-
ELE On-Costs		-	4	-	7
Sub Total - Aggregate Employee Benefits		2,560	59	1,918	454
Asset Remediation/Restoration (Future Works) ²⁶		-	830	-	782
Total Provisions		2,560	889	1,918	1,236
Total Payables, Borrowings & Provisions		6,137	2,126	5,886	2,584

(i) Liabilities relating to Restricted Assets

	2014		2013	
	Current	Non Current	Current	Non Current
Externally Restricted Assets				
McMaugh Garden (Payables)	2,410	-	2,044	-
McMaugh Garden (Interest Bearing Liabilite	4	67	3	71
Liabilities relating to externally restricted assets	2,414	67	2,047	71
Internally Restricted Assets				
Nil				
Total Liabilities relating to restricted assets	2,414	67	2,047	71
Total Liabilities relating to Unrestricted Assets	3,723	2,059	3,839	2,513
TOTAL PAYABLES, BORROWINGS & PROVISIONS	6,137	2,126	5,886	2,584

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

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

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Actual 2014	Actual 2013
(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	1,794	1,412
Retirement Home Contributions	2,081	1,685
	<u>3,875</u>	<u>3,097</u>

Note 10b. Description of and movements in Provisions

Class of Provision	2013		2014			
	Opening Balance as at 1/7/13	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	Closing Balance as at 30/6/14
Annual Leave	814	551	(557)	-	-	808
Sick Leave	87	5	-	-	-	92
Long Service Leave	1,464	422	(293)	-	-	1,593
Other Leave	-	122	-	-	-	122
ELE On-Costs	7	(3)	-	-	-	4
Asset Remediation	782	48	-	-	-	830
TOTAL	3,154	1,145	(850)	-	-	3,449

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

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2014	Actual 2013
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	5,830	6,631
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		5,830	6,631
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		607	14
Adjust for non cash items:			
Depreciation & Amortisation		3,309	3,486
Net Losses/(Gains) on Disposal of Assets		(77)	(67)
Non Cash Maturity of Accommodation Bonds		-	(34)
Unwinding of Discount Rates on Reinstatement Provisions		48	52
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		(1,109)	657
Increase/(Decrease) in Provision for Doubtful Debts		-	(49)
Decrease/(Increase) in Inventories		(6)	(19)
Decrease/(Increase) in Other Assets		(13)	(16)
Increase/(Decrease) in Payables		(61)	68
Increase/(Decrease) in other accrued Expenses Payable		402	(18)
Increase/(Decrease) in Other Liabilities		(1,155)	17
Increase/(Decrease) in Employee Leave Entitlements		247	214
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		2,192	4,305

(c) Non-Cash Investing & Financing Activities

Nil

(d) Financing Arrangements**(i) Unrestricted access was available at balance date to the
following lines of credit:****Amounts utilised as at Balance Date:**

- Bank Overdraft Facilities	100	100
- Credit Cards / Purchase Cards	57	40
Total Financing Arrangements Utilised	157	140

(ii) Secured Loan Liabilities

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

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2014	Actual 2013
(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 & Equipment			
Plant & Equipment		368	228
Total Commitments		368	228
These expenditures are payable as follows:			
Within the next year		368	228
Total Payable		368	228
Sources for Funding of Capital Commitments:			
Unrestricted General Funds		368	228
Total Sources of Funding		368	228

(b) Finance Lease Commitments

Nil

(c) Operating Lease Commitments (Non Cancellable)

Nil

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Amounts 2014	Indicator 2014	Prior Periods 2013 2012	
Local Government Industry Indicators - Consolidated				
1. Operating Performance Ratio				
Total continuing operating revenue ⁽¹⁾				
<u>(excl. Capital Grants & Contributions) - Operating Expenses</u>	<u>(1,058)</u>	-6.27%	-1.88%	-8.27%
Total continuing operating revenue ⁽¹⁾ (excl. Capital Grants & Contributions)	16,861			
2. Own Source Operating Revenue Ratio				
Total continuing operating revenue ⁽¹⁾				
<u>(less ALL Grants & Contributions)</u>	<u>11,428</u>	61.94%	66.03%	40.65%
Total continuing operating revenue ⁽¹⁾	18,449			
3. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽²⁾	<u>4,601</u>	1.19 : 1	2.30	2.40
Current Liabilities less Specific Purpose Liabilities ^(3, 4)	<u>3,871</u>			
4. Debt Service Cover Ratio				
Operating Result ⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation (EBITDA)	<u>2,396</u>	9.51	12.17	6.83
Principal Repayments (from the Statement of Cash Flows) + Borrowing Interest Costs (from the Income Statement)	<u>252</u>			
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual and Extra Charges Outstanding	<u>304</u>	5.52%	5.78%	7.63%
Rates, Annual and Extra Charges Collectible	<u>5,512</u>			
6. Cash Expense Cover Ratio				
Current Year's Cash and Cash Equivalents including All Term Deposits	<u>6,830</u>	5.42	7.04	1.02
Payments from cash flow of operating and financing activities	<u>1,260</u>			

Notes

⁽¹⁾ Excludes fair value adjustments and reversal of revaluation decrements, net gain/(loss) on sale of assets and net share of interests in joint ventures.

⁽²⁾ Refer Notes 6-8 inclusive.

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

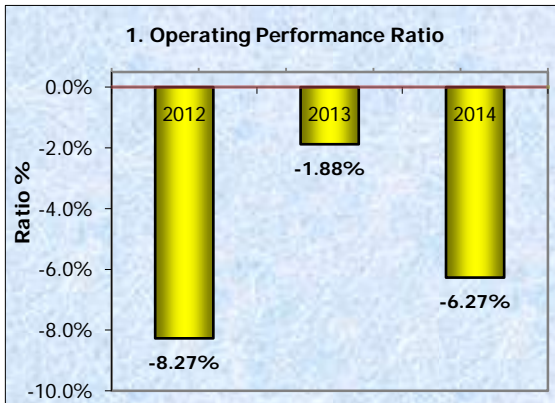
⁽³⁾ Refer to Note 10(a).

⁽⁴⁾ Refer to Note 10(a)(ii) - excludes all payables & provisions not expected to be paid in the next 12 months (incl. ELE).

Uralla Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

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



Purpose of Operating Performance Ratio

This ratio measures Council's achievement of containing operating expenditure within operating revenue.

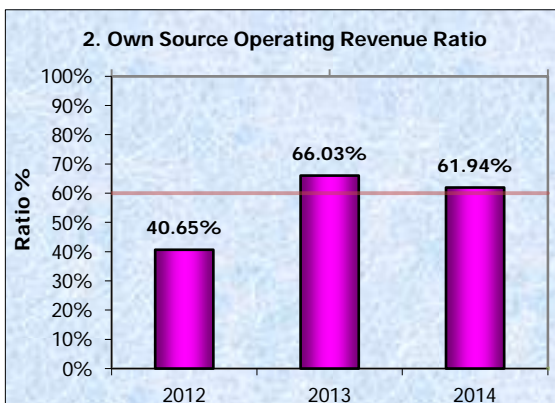
Commentary on 2013/14 Result

2013/14 Ratio -6.27%

The Tcorp benchmark for this measure is to be better than a deficit of 4%. The current year is 2.27% higher than the benchmark. This increase is attributed to higher expenditure primarily attributed to employee costs and insurance. Though council received higher capital income than last year this ratio excludes it from the calculation.

— Minimum 0.00%

Source for Benchmark: Code of Accounting Practice and Financial Reporting



Purpose of Own Source Operating Revenue Ratio

This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants & contributions.

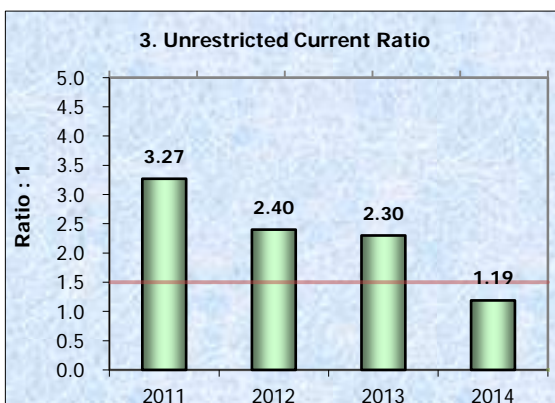
Commentary on 2013/14 Result

2013/14 Ratio 61.94%

The Tcorp benchmark for this measure is better than 60%. Council has adopted better accounting treatment of revenue and identification of revenue within the proper categories.

— Minimum 60.00%

Source for Benchmark: Code of Accounting Practice and Financial Reporting



Purpose of Unrestricted Current Ratio

To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.

Commentary on 2013/14 Result

2013/14 Ratio 1.19 : 1

The Tcorp benchmark for this measure is 1.50:1, council in 2014 is slightly lower than expected due to an increase in employee and insurance costs. The ratio for 2012 and 2013 have been adversely affected by the inclusion in current liabilities of two quarters of FAG grants.

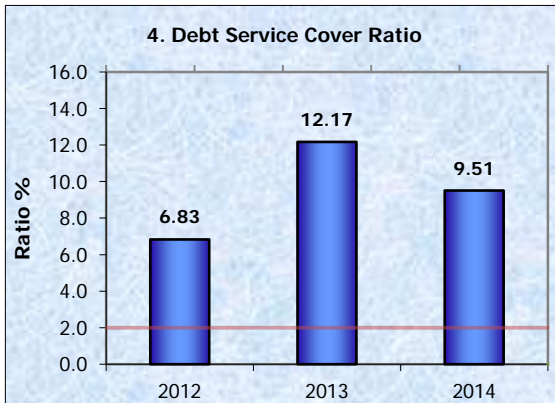
— Minimum 1.50

Source for Benchmark: Code of Accounting Practice and Financial Reporting

Uralla Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

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



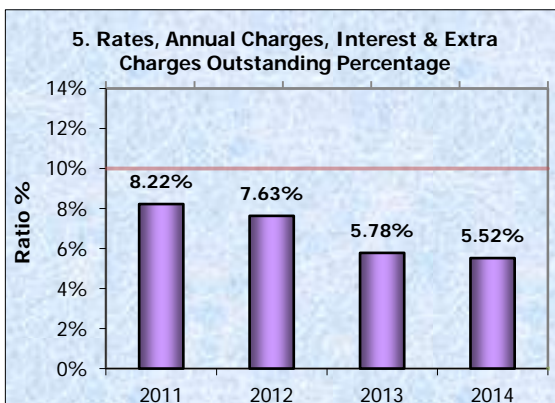
— Minimum 2.00

Source for Benchmark: NSW Treasury Corporation

Purpose of Debt Service Cover Ratio

This ratio measures the availability of operating cash to service debt including interest, principal and lease payments

Commentary on 2013/14 Result	
2013/14 Ratio	9.51
The Tcorp benchmark for this measure is better than 2.0x, which is constantly exceeded by Uralla Shire Council. This is due to Council's decision to fund assets replacement, renewal and expansion from surpluses, grants and non cash depreciation and not incur inter-generational debt	



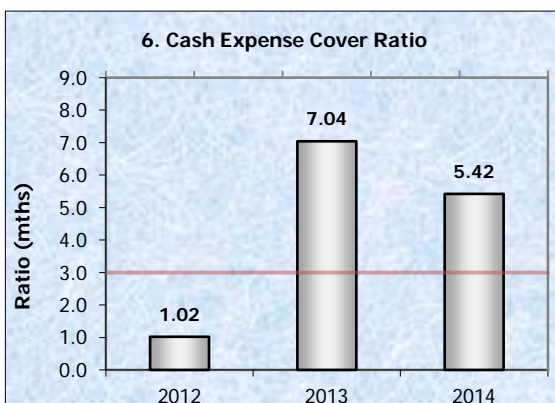
— Maximum 10.00%

Source for Benchmark: Office of Local Gov. - Comparative Information (10/11)

Purpose of Rates & Annual Charges Outstanding Ratio

To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.

Commentary on 2013/14 Result	
2013/14 Ratio	5.52%
The outstanding ratio continues to improve from the high, during the NESAC management of council's finances, of 11.19 in 2009 towards councils historical 2.94% to 4.40% for the period 2001 to 2005. Council has a long term target of outstanding rates of 3%.	



— Minimum 3.00

Source for Benchmark: Code of Accounting Practice and Financial Reporting

Purpose of Cash Expense Cover Ratio

This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.

Commentary on Result	
2013/14 Ratio	5.42
The Tcorp benchmark is more than 3 months. The Uralla Shire Council has achieved this benchmark for the current year by continuing to reclassifying cash equivalents Term Deposits with maturity under 3 months rather than investment. Council maintains a rolling investment in Term Deposit of its surplus funds with even monthly maturities.	

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Water 2014	Sewer 2014	General ⁵ 2014
Local Government Industry Indicators - by Fund			
1. Operating Performance Ratio			
Total continuing operating revenue ⁽¹⁾			
<u>(excl. Capital Grants & Contributions) - Operating Expenses</u>	7.07%	-7.52%	-7.06%
Total continuing operating revenue ⁽¹⁾			
(excl. Capital Grants & Contributions)	prior period: -2.50%	10.95%	-2.39%
2. Own Source Operating Revenue Ratio			
<u>Total continuing operating revenue (less ALL Grants & Contributions)</u>	98.44%	97.61%	58.63%
Total continuing operating revenue (inclusive of Capital Grants & Contributions)	prior period: 97.89%	97.92%	62.78%
3. Unrestricted Current Ratio			
<u>Current Assets less all External Restrictions ⁽²⁾</u>	No Liabilities	No Liabilities	1.19 : 1
Current Liabilities less Specific Purpose Liabilities ^(3, 4)	prior period: No Liabilities	No Liabilities	2.30
4. Debt Service Cover Ratio			
<u>Operating Result ⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation (EBITDA)</u>	0.00	0.00	7.75
Principal Repayments (from the Statement of Cash Flows) + Borrowing Interest Costs (from the Income Statement)	prior period: 0.00	0.00	10.42
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage			
<u>Rates, Annual and Extra Charges Outstanding</u>	8.70%	5.48%	5.27%
Rates, Annual and Extra Charges Collectible	prior period: 10.54%	5.82%	5.43%
6. Cash Expense Cover Ratio			
<u>Current Year's Cash and Cash Equivalents including All Term Deposits</u> x12	18.34	37.52	3.83
Payments from cash flow of operating and financing activities	prior period: 15.02	37.06	5.75

Notes

(1) - (4) Refer to Notes at Note 13a(i) above.

(5) 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 2014

Note 14. Investment Properties

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

Note 15. Financial Risk Management

\$ '000

Risk Management

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

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

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

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

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

	Carrying Value		Fair Value	
	2014	2013	2014	2013
Financial Assets				
Cash and Cash Equivalents	5,830	6,631	5,830	6,631
Investments				
- "Held to Maturity"	1,000	1,500	1,000	1,500
Receivables	2,349	1,240	2,349	1,239
Total Financial Assets	9,179	9,371	9,179	9,370
Financial Liabilities				
Payables	3,465	2,761	3,465	2,761
Loans / Advances	1,349	1,456	1,349	1,456
Total Financial Liabilities	4,814	4,217	4,814	4,217

Fair Value is determined as follows:

- **Cash & 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.

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of financial assets & liabilities

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 15. Financial Risk Management (continued)

\$ '000

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

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

Council's Finance area manages the Cash & Investments portfolio with the assistance of independent advisors.

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

The risks associated with the investments held are:

- **Price Risk** - the risk that the capital value of Investments may fluctuate due to changes in market prices, whether there changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest Rate Risk** - the risk that movements in interest rates could affect returns and income.
- **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.

Council also seeks advice from independent advisers before placing any funds in Cash Equivalents & Investments.

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
2014				
Possible impact of a 10% movement in Market Values	-	-	-	-
Possible impact of a 1% movement in Interest Rates	68	68	(68)	(68)
2013				
Possible impact of a 10% movement in Market Values	-	-	-	-
Possible impact of a 1% movement in Interest Rates	82	82	(82)	(82)

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 15. Financial Risk Management (continued)

\$ '000

(b) Receivables

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

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

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

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

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:

	2014 Rates & Annual Charges	2014 Other Receivables	2013 Rates & Annual Charges	2013 Other Receivables
(i) Ageing of Receivables - %				
Current (not yet overdue)	67%	85%	58%	100%
Overdue	33%	15%	42%	
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
(ii) Ageing of Receivables - value				
Current (not yet overdue)	163	1,790	150	982
Past due by up to 30 days	-	143	-	-
Past due between 31 and 60 days	-	162	-	-
Past due between 61 and 90 days	-	(22)	-	-
Past due by more than 90 days	81	33	109	-
	<u>244</u>	<u>2,106</u>	<u>259</u>	<u>982</u>
(iii) Movement in Provision for Impairment of Receivables			2014	2013
Balance at the beginning of the year			1	50
- provision written off to Debtors this year			-	(49)
Balance at the end of the year			<u>1</u>	<u>1</u>

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 15. Financial Risk Management (continued)

\$ '000

(c) Payables & Borrowings

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

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

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

The contractual undiscounted cash outflows (ie. principal and interest) of Council's Payables & Borrowings are set out in the maturity 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		
2014									
Trade/Other Payables	-	1,455	400	400	400	400	410	3,465	3,465
Loans & Advances	-	118	118	118	118	118	759	1,349	1,349
Total Financial Liabilities	-	1,573	518	518	518	518	1,169	4,814	4,814
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

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

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

	2014		2013	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	3,465	0.0%	2,761	0.0%
Loans & Advances - Fixed Interest Rate	1,349	7.3%	1,456	7.3%
	<u>4,814</u>		<u>4,217</u>	

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 13/14 was adopted by the Council on 24 June 2013.

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	2014 Budget	2014 Actual	2014 ----- Variance* -----	
REVENUES				
Rates & Annual Charges	5,340	5,155	(185)	(3%) U
User Charges & Fees	1,825	5,252	3,427	188% F
The funding of McMaugh Gardens (1.3Mil), Tablelands Community Transport and Bundarra Neighbour Aid Service 500K was included as Operating Grant income in the Original Budget. The funding has been determined to not be grants but Contract Service Fees under the contract with the State and Federal Department.				
Interest & Investment Revenue	494	299	(195)	(40%) U
Interest rates continue to fall. The average rate on term deposits for 2013-14 was 3.67%. This low rate was not reflected in the 2014 budget.				
Other Revenues	666	722	56	8% F
Operating Grants & Contributions	7,165	5,433	(1,732)	(24%) U
As per 'User Charges & Fees', the original budget included funding for McMaugh Gardens, Tablelands Community Transport and Bundarra Neighbour Aid Services which was since determined to be User Charges, not Grant Income.				
Capital Grants & Contributions	1,739	1,588	(151)	(9%) U
Net Gains from Disposal of Assets	-	77	77	0% F
Motor vehicles and plant were traded in or sold during the year. Gains or losses on disposal of assets are not included in the original budget				

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 16. Material Budget Variations (continued)

\$ '000	2014 Budget	2014 Actual	2014 ----- Variance* -----		
EXPENSES					
Employee Benefits & On-Costs	8,121	8,198	(77)	(1%)	U
Borrowing Costs	103	145	(42)	(41%)	U
The unwinding of present value for landfill remediation of \$48,093 was not included in the original budget					
Materials & Contracts	3,021	4,908	(1,887)	(62%)	U
Carry over road and bridge work in excess of \$1Mil plus additional works undertaken utilising contractors					
Depreciation & Amortisation	3,751	3,309	442	12%	F
Residual values were applied to building and plant assets during the year which resulted in a lowering of depreciation costs					
Other Expenses	1,498	1,359	139	9%	F

\$ '000	2014 Budget	2014 Actual	2014 ----- Variance* -----		
Budget Variations relating to Council's Cash Flow Statement include:					
Cash Flows from Operating Activities	4,152	2,192	(1,961)	(47.2%)	U
Variances to cashflow from Operating activities is almost negated by variances below. Cashflow budget process is being refined.					
Cash Flows from Investing Activities	(4,147)	(3,305)	842	(20.3%)	F
Refer above					
Cash Flows from Financing Activities	-	312	312		F
Refer above					

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 17. Statement of Developer Contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Roads	282	12	-	11	-	-	305	56	(350)	11	-
Traffic Facilities	14	0	-	0	-	-	15	10	(24)	0	-
Community Facilities	57	1	-	2	-	-	61	21	(80)	2	-
Other	35	1	-	1	-	-	38	26	(58)	6	-
S94 Contributions - under a Plan	389	15	-	15	-	-	418	113	(512)	20	-
Total S94 Revenue Under Plans	389	15	-	15	-	-	418				-
Total Contributions	389	15	-	15	-	-	418	113	(512)	20	-

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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	54	3	-	2	-	-	59	56	(113)	2	
Traffic Facilities	14	0	-	0	-	-	15	10	(24)	0	
Community Facilities	57	1	-	2	-	-	61	21	(80)	2	
Other	30	1	-	1	-	-	33	26	(58)	1	
Total	155	6	-	6	-	-	167	113	(275)	6	-

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	-	-	0	-	-	5	-	-	5	
Total	5	-	-	0	-	-	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	229	8	-	9	-	-	246	-	(237)	9	
Total	229	8	-	9	-	-	246	-	(237)	9	-

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 18. Contingencies & 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 & 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 its Defined Benefit Scheme obligations in accordance with AASB 119.

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

(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 2014 was \$223,227. 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 2014. However the position is monitored annually and the Actuary has estimated that as at 30 June 2014 a deficit still exists.

Effective from 1 July 2014, 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 2014

Note 18. Contingencies & 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 2014 was estimated to be in the order of \$371,204.

(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 2013 in all funds:

	2013	2012
Fidelity Guarantee Fund	1,434,211	1,660,087
Liability Fund	23,397,659	23,796,508
Property Fund	10,429,576	13,210,215

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 had 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.

As of June 2013 the levy is discontinued subsequent to StateCover's assessment that current capital and future projections are adequate to meet StateCover's regulatory obligations and future liabilities.

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 \$107,828.94 comprising payments:

2004/2005	\$20,396
2005/2006	\$10,225
2006/2007	\$10,596
2007/2008	\$12,010
2008/2009	\$12,868
2009/2010	\$12,565
2010/2011	\$13,335
2011/2012	\$13,763
2012/2013	\$14,080
2013/2014	nil

(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 2014

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other Liabilities

(i) Third Party Claims

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

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

(ii) S94 Plans

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

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

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

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

(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 2014

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 securities 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.

There has been no progress on the legal actions in the 2013-2014 financial year.

Uralla Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 18. Contingencies & 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."

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 2014 balance were not available.

(iv) CENTRAL NORTHERN LIBRARIES (continued)

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.

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.

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

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

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2014	Actual 2013
(a) Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		63,841	66,825
a. Correction of Prior Period Errors	20 (c)	-	(2,998)
d. Net Operating Result for the Year		607	14
Balance at End of the Reporting Period		64,448	63,841
(b) Reserves			
(i) Reserves are represented by:			
- Infrastructure, Property, Plant & Equipment Revaluation Reserve		231,190	230,199
Total		231,190	230,199
(ii) Reconciliation of movements in Reserves:			
Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- Opening Balance		230,199	239,146
- Revaluations for the year	9(a)	991	(384)
- Correction of Prior Period Errors	20(c)	-	(8,563)
- Balance at End of Year		231,190	230,199
TOTAL VALUE OF RESERVES		231,190	230,199
(iii) Nature & Purpose of Reserves			
Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- The Infrastructure, Property, Plant & Equipment Revaluation Reserve is used to record increments/decrements of Non Current Asset values due to their revaluation.			

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Notes	Actual 2014	Actual 2013
(c) Correction of Error/s relating to a Previous Reporting Period			
Council made no correction of errors during the current reporting period.			
Correction of errors as disclosed in last year's financial statements:			
- Error in calculation of ELE provision at 30 June 2012 for prior years			
- 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 did not have sufficient and reliable information that would allow the restatement of information prior to 30/6/12 (the closing date for the comparative figures in last year's report).			
As a result, Council adjusted the accumulated depreciation for the Asset Classes below as at 30/6/12 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 a net increase / (decrease) in Council's Accumulated Surplus as at 30/6/12.			
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 - 1/7/12 (relating to adjustments for the 30/6/12 reporting year end and prior periods)		-	(11,561)
- Adjustments to Closing Equity - 30/6/13 (relating to adjustments for the 30/6/13 year end)		-	-
Total Prior Period Adjustments - Prior Period Errors		-	(11,561)

(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 2014

Note 21. Financial Result & Financial Position by Fund

Income Statement by Fund \$ '000	Actual 2014	Actual 2014	Actual 2014
Continuing Operations	Water	Sewer	General¹
Income from Continuing Operations			
Rates & Annual Charges	368	511	4,276
User Charges & Fees	525	13	4,714
Interest & Investment Revenue	46	49	204
Other Revenues	6	-	716
Grants & Contributions provided for Operating Purposes	17	13	5,403
Grants & Contributions provided for Capital Purposes	-	-	1,588
Other Income			
Net Gains from Disposal of Assets	-	-	77
Share of interests in Joint Ventures & Associates using the Equity Method	-	-	-
Total Income from Continuing Operations	962	586	16,978
Expenses from Continuing Operations			
Employee Benefits & on-costs	378	256	7,564
Borrowing Costs	-	-	145
Materials & Contracts	304	162	4,442
Depreciation & Amortisation	212	211	2,886
Other Expenses	-	-	1,359
Total Expenses from Continuing Operations	894	629	16,396
Operating Result from Continuing Operations	68	(43)	582
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	68	(43)	(1,006)

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 2014

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

Statement of Financial Position by Fund \$ '000	Actual 2014	Actual 2014	Actual 2014
ASSETS	Water	Sewer	General¹
Current Assets			
Cash & Cash Equivalents	1,044	1,310	3,476
Investments	-	-	1,000
Receivables	337	37	1,975
Inventories	-	-	197
Other	-	-	117
Total Current Assets	1,381	1,347	6,765
Non-Current Assets			
Investments	-	-	-
Receivables	-	-	-
Inventories	-	-	-
Infrastructure, Property, Plant & Equipment	18,337	6,606	269,465
Investments Accounted for using the equity method	-	-	-
Investment Property	-	-	-
Intangible Assets	-	-	-
Total Non-Current Assets	18,337	6,606	269,465
TOTAL ASSETS	19,718	7,953	276,230
LIABILITIES			
Current Liabilities			
Payables	-	-	3,465
Borrowings	-	-	112
Provisions	-	-	2,560
Total Current Liabilities	-	-	6,137
Non-Current Liabilities			
Payables	-	-	-
Borrowings	-	-	1,237
Provisions	-	-	889
Total Non-Current Liabilities	-	-	2,126
TOTAL LIABILITIES	-	-	8,263
Net Assets	19,718	7,953	267,967
EQUITY			
Retained Earnings	8,501	5,319	50,628
Revaluation Reserves	11,217	2,634	217,339
Total Equity	19,718	7,953	267,967

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 2014

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

\$ '000

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

Note 23. Events occurring after the Reporting Date

Events that occur between the end of the reporting period (ending 30 June 2014) 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 31/10/14.

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 2014.

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

These financial statements (& figures therein) do not incorporate any "non-adjusting events" that have occurred after 30 June 2014 and which are only indicative of conditions that arose after 30 June 2014.

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 2014

Note 26. Reinstatement, Rehabilitation & 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	
		2014	2013
Landfill Remediation	2029	830	782
Balance at End of the Reporting Period		830	782

10(a)

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

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

In November 2013 Council received an independent assessment of Uralla Landfill (Logicus Environmental Management) as at 30 June 2013. Lifespan estimates of 45 years proved to be incorrect with the study revealing that the landfill will be full by 2029 if the landfill continues to operate in the same way. The lifespan is therefore revised to 17 years. Council is currently reviewing its compaction options to extend life expectancy. The report estimated cover cost provision is \$783,918 at 30 June 2013 under current operating processes.

Reconciliation of movement in Provision for year:

Balance at beginning of year	782	730
Amounts capitalised to new or existing assets:		
Amortisation of discount (expensed to borrowing costs)	48	52
Total - Reinstatement, rehabilitation and restoration provision	830	782

Amount of Expected Reimbursements

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

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement

\$ '000

The Council measures the following asset and liability classes at fair value on a recurring basis:

- Infrastructure, Property, Plant and Equipment
- Investment Property
- Financial Assets & Liabilities

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

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a "level" in the fair value hierarchy as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

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

(1) The following table presents all assets and liabilities that have been measured & recognised at fair values:

2014	Date of latest Valuation	Fair Value Measurement Hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring Fair Value Measurements					
Infrastructure, Property, Plant & Equipment					
Capital Works in Progress	30/6/14	-	-	-	-
Plant & Equipment	30/6/14	-	-	3,828	3,828
Office Equipment	30/6/14	-	-	158	158
Furniture and Fittings	30/6/14	-	-	318	318
Operational Land	30/6/14	-	-	1,360	1,360
Community Land	30/6/14	-	-	1,631	1,631
Land Improvements - non depreciable	30/6/14	-	-	17	17
Buildings- Non Specialised	30/6/14	-	-	17,333	17,333
Other Structures	30/6/14	-	-	823	823
Sealed Road Structure	30/6/14	-	-	57,818	57,818
Unsealed Roads	30/6/14	-	-	3,771	3,771
Bridges	30/6/14	-	-	18,658	18,658
Footpaths	30/6/14	-	-	688	688
Bulk Earthworks	30/6/14	-	-	163,907	163,907
Stormwater Drainage	30/6/14	-	-	2,065	2,065
Water Supply Network	30/6/14	-	-	14,209	14,209
Sewerage Network	30/6/14	-	-	6,346	6,346
Heritage Collection	30/6/14	-	-	90	90
Other Assets	30/6/14	-	-	36	36
Tip Assets	30/6/14	-	-	684	684
Total Infrastructure, Property, Plant & Equipment		-	-	293,740	293,740

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

(2) Transfers between Level 1 & Level 2 Fair Value Hierarchies

During the year, there were no transfers between Level 1 and Level 2 Fair Value hierarchies for recurring fair value measurements.

(3) Valuation techniques used to derive Level 3 Fair Values

Property, Plant & Equipment, Furniture & Fittings

Councils Plant & Equipment, Furniture and Fittings incorporates:

Major Plant - trucks, tractors, graders, rollers and excavators
 Fleet Vehicles - cars, vans, utes etc.
 Minor Plant - chainsaw, brush cutters, mowers, concrete mixers.
 Furniture and Fittings - desks, chairs, display system.
 Office Equipment - computers, monitors, projectors, laptops

Plant equipment, office equipment and furniture & fittings are valued at cost but are disclosed at fair value in the notes. The carrying amount reflects the fair value of the asset due to the nature of the items as shown above

The unobservable Level 3 inputs used include:

Pattern of Consumption
 Useful Life
 Asset Condition
 Residual Value
 Gross Replacement Cost

There has been no change to the valuation process during the reporting period.

Land - Operational Land

Council's "Operational" land by definition has no special restriction other than those that may apply to any parcel of land. Fair value for operational land is obtained from an external valuer every 5 years.

Last valuation was conducted in 2013 using Level 3 Inputs

Generally, fair value is the most advantageous price reasonably obtained by the seller and the most advantageous price reasonably obtained by buyer. This is not necessarily the market selling price of the asset rather, the maximum value that Council would rationally pay to acquire the asset, taking into account quoted market price in an active and liquid market, current market price of similar asset, cost of replacing an asset.

Criteria for this include: Land description and dimensions, planning and other constraints on development and the potential for alternative use (Valued by Martin Burns, Liquid Pacific Pty Ltd 2012/2013).

The unobservable Level 3 inputs used include:

Rates per Square Metre
 Description of Land

The 'Market Approach' is used to value operational land. There has been no change to the valuation process during the reporting period.

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

(3) Valuation techniques used to derive Level 3 Fair Values (continued)

Land Improvements

Land Improvement are repairs to the dam located at The Glen on New England Highway and a small piece of land at the Sewerage Works. Values are determined based on actual cost of construction and maintenance.

Any infrastructure constructed on improved land is separately valued.

Council carries fair value of land reserves using Level 3 Inputs

The unobservable Level 3 inputs used include:

Useful Life	Residual Value
Asset Condition	Gross Replacement Cost

The cost approach is used to value the land improvements. There has been no change to the valuation process during the reporting period.

Land - Community Land

Council's "Community" Land (including owned by Council, The Crown and various other Government Agencies that is managed by Council) by definition is land intended for public access and use or where other restrictions applying to the land create some obligation to maintain public access (such as a trust deed or dedication under section 94 of the EPA Act 1979). This gives rise to the restriction in the Act, intended to preserve the qualities of the land. Community land is valued at Valuer General unimproved capital value (UCV) which takes into account highest and best use values.

Community Land:

Cannot be sold

Cannot be leased, licensed, or any other estate granted over the land for more than 21 years

Must have a plan for management of it.

Buildings - Non Specialised

Council buildings includes Libraries, Public Amenities, Sporting Club, Kiosks and Amenities, Depot Building and Workshops, McMaughs Aged Care Centre, Community Centre, Visitor Information Centre, Pre School, SES Shelter and others. Council carries fair value buildings using level 3 inputs. Valuations were carried out by external valuers - Liquid Pacific Holdings Pty Ltd in 2013 using the cost approach.

This approach estimates the replacement cost for each building by componentising the building into significant parts with different useful life and taking into account a range of factors.

Buildings are valued by applying a unit rate to a structure or a square metre rate to a building, based on its current replacement cost. These rates are derived from substantial analysis of construction costs by Council's valuer (Valued by Martin Burns, Liquid Pacific Pty Ltd 2012/2013). Each building is assigned a residual value. Further improvements could be achieved by componentising buildings.

The unobservable Level 3 inputs used include:

Pattern of Consumption	Future Economic Benefit
Useful Life	Residual Value
Asset Condition	Remaining useful life

The cost approach is used to value the Buildings. There has been no change to the valuation process during the reporting period.

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

(3) Valuation techniques used to derive Level 3 Fair Values (continued)

Infrastructure - ROADS

This asset class comprises the Road Carriageway, Bus Shelter, Car Parks, Guardrails, Kerb and Gutter, Suburb Markers, and Traffic Facilities.

The road carriageway is defined as the trafficable portion of a road, between but not including the kerb and gutter and would include any paved markers parking places along roadside.

Council's Asset Management System include condition assessment data for a 5 year cycle on sealed roads and routine inspections of unsealed roads. Asset condition carried out by AST in June 2014 for sealed roads. Council has a per square metre rate for rehabilitation of roads.

The current replacement cost for roads asset class has been derived from Australian Institute of Quantity Surveyors, NSW References Rates Manual, Rawlinson's (Australian Construction Handbook), and SMEC report of 2008 AST Assessment and recently completed projects in the region at the time of the valuation and valued by AST Road Assessment in 2014. Roads are componentised into road pavement and road seal assets, with pavements split into sealed and unsealed road pavements. A distinction is also made between road pavements on various soil types. Council has increased significantly the amount of available information on its road network but still lacks some historical information such as rehabilitation dates for components such as road seals and pavements. Other information that is currently being sourced includes traffic volumes, more accurate dimensions and topography information, and better information on soil types.

Council fair values road infrastructure assets using Level 3 inputs at a component level.

The Cost Approach is used to value roads by componentising the assets into significant parts and then rolling up these component values to provide an overall road valuation (for each road segment) within Council Asset System. The unobservable Level 3 inputs used include:

Pattern of Consumption	Asset Condition	Remaining useful life
Useful Life and Residual Value	Gross Replacement Cost	

The cost approach is used to value the Roads (Sealed and Unsealed). There has been no change in valuation technique from prior year

Infrastructure- Footpaths

A footpath is defined as all footways (including those shared with a cycleway) sealed or non-sealed. Council has specification for dimensions of cycleway and pathways. A full assessment was conducted in 2008 by New England Strategic Alliance of Councils staff. Inspections by Uralla Council staff carried out on a 6 monthly basis to comply with insurance protocols. Current replacement costs are based on recent works in King Street, Uralla and Bendemeer Street, Bundarra.

Councils fair values, footpaths, (non componentised) using Level 3 inputs

Pattern of Consumption
Useful Life
Asset Condition
Future Economic Benefit
Remaining useful life

The cost approach is used to value the Footpaths. There has been no change to the valuation process during the reporting period.

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

(3) Valuation techniques used to derive Level 3 Fair Values (continued)

Infrastructure - Stormwater Drainage

Council's Drainage Assets comprises pits, culverts, open channels, headwalls and various type of water quality devices used to collect, store and remove stormwater. The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. Council has adopted useful life of 60 years for its stormwater drainage assets.

Condition assessment for all stormwater drainage was carried out in 2012, additionally physical inspection of one of council's major lines in Plane Avenue, Uralla was carried out in 2014 by the Bridge/Culvert work gang. All systems have been assessed as being satisfactory or better. Council carries fair value drainage assets (non-componentised) using Level 3 inputs.

The unobservable Level 3 inputs used include:

- Pattern of Consumption
- Useful Life and Residual Value
- Asset Condition
- Gross Replacement Cost
- Remaining useful life

The cost approach is used to value the Stormwater Drainage. There has been no change in valuation technique from prior year

Infrastructure-Sewerage Network

Council's Sewerage Network consist of Sewer pipes, pump stations, treatment plant, telemetry system, manholes. Council carries fair values Sewerage Network Assets (non - componentised) using Level 3 inputs.

Current replacement costs for sewer assets have been derived by utilizing Rawlinson Rates and NSW Office of Water Revenue rates, unit costs and lump sums. Council engaged a highly qualified and experienced engineer to undertake a revaluation of its sewer assets in 2012-2013. 100% of above ground infrastructure was inspected. Council identifies 10 critical mains section each year for inspection; selection is based on the log of overflows, leakages or complaints. Data limitations therefore exist based upon sampling of inspections, lack of historical maintenance and complaint data. All asset components were assigned a residual value, useful life and remaining useful life, and were conditioned rated at time of valuation, with the condition rating determining the remaining useful life. A physical inspection of ground level assets was conducted and photographic evidence, including use of video, was collected of manholes and mains to support condition assessments.

The unobservable Level 3 inputs used include:

- Useful Life
- Asset Condition
- Future Economic Benefit
- Remaining useful life

The cost approach is used to value the Sewerage Network. There has been no change to the valuation process during the reporting period.

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

(3) Valuation techniques used to derive Level 3 Fair Values (continued)

Other Assets

Council's other assets comprise of Heritage Collections - Thunderbolts Painting and other miscellaneous assets. A valuation of the collection of Thunderbolts paintings was undertaken by A.N.G Art Consulting in August 2011 providing a reasonable estimate of the replacement value of each work based on current market prices for similar works by the same artist. Council carries fair values of other assets using level 3 inputs. The unobservable Level 3 inputs used include:

Pattern of Consumption

- Useful Life and Residual Value
- Asset Condition
- Gross Replacement Cost
- Remaining useful life

The cost approach is used to value the Other Assets. There has been no change in valuation technique from prior year

Landfills Assets - Reinstatement, Rehabilitation and Restoration Liabilities

See note 26 for details of Uralla Landfill asset.

Values are estimates of rehabilitation costs, and these included capping of landfill, revegetation, safety fencing and other associated restoration works. The forecast increase in cost of remediation of landfill have been based on independent assessment.

Unobservable Level 3 inputs include:

- Unit rates
- Useful Life
- Asset Condition - dimensions and specifications
- Future Economic Benefit

Infrastructure- Bridges

Council has 44 bridges/major culverts on local roads and 30 bridges/major culverts on regional roads. Of these, only three bridges are timber:

Local:

Enmore Road - Salisbury Waters Bridge

Gostwyck Road - Munsies Bridge

Regional:

Thunderbolts Way - Abington Creek Bridge

The three timber bridges have been inspected by LGES Pty Ltd in 2012/2013. All identified repair works have been carried out. The biannual inspection will again be carried out in 2014/2015. An annual pest control program is also in place. All Council non-timber bridges are inspected by Council's qualified inspectors on a biannual program next due in 2014/2015. The replacement costs have been upgraded utilising unit costs from the replacement of the superstructure of Torryburn Low Level bridge in 2013/2014, Purlieu Bridge in 2012/2013 and the new construction in progress at Emu Crossing Bridge. No bridges have weight limits in place.

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

(3) Valuation techniques used to derive Level 3 Fair Values (continued)

Infrastructure- Bridges (continued)

Bridges are componentised into bridges and major culverts, and culverts and drainage assets include both pits and pipes. All asset components are assigned residual values at the time of valuation conducted by AST roads assessment in 2014. A table summary including length is outlined below.

Regional Roads	Concrete/Steel	Timber
No. Of Bridges		
Overall Deck Area	6770m2	126m2
Local Roads		
No. Of Bridges		
Overall Deck Area	5088m2	449m2

The unobservable Level 3 inputs used include:

Pattern of Consumption Useful Life and Residual Value	Gross Replacement Cost Remaining useful life	Asset Condition
--	---	-----------------

The cost approach is used to value the Bridges. There has been no change in valuation technique from previous years.

Infrastructure- Bulk Earthworks

Council Bulk Earthworks consists of cuttings, fill and levelling of earth and rocks. Last valuation conducted by Snowy Mountain Engineering Corporation in 2008. Currently using unit rate based on Condition Assessment.

The unobservable Level 3 inputs used include Unit Rates & Asset Condition.

The cost approach is used to value the Bulk Earthworks. There has been no change in valuation technique from prior years.

Infrastructure- Water Supply Network

Council's Water Network consist of Water pipes, pump stations, treatment plant, telemetry system and reservoirs Council carries fair value Water Supply Network Assets (non-componentised) using Level 3 inputs.

Current replacement costs for water assets have been derived by utilizing Rawlinson Rates and NSW Office of Water references rates, unit costs and lump sum. Council engaged an engineer to undertake a revaluation of water assets in 2012-2013. Physical inspections were carried out with photographic evidence collected to support condition ratings. 100% of above ground infrastructure was inspected. Council identifies 10 critical mains sections each year for inspection; selection is based on the log of overflows, leakages or complaints. Data limitations therefore exist due to lack of records of historical maintenance and inspection and sampling of inspections. All asset components are assigned a residual value, useful life and remaining useful life, and were conditioned rated at time of revaluation, with the condition rating determining the useful life.

The unobservable Level 3 inputs used include:

Pattern of Consumption Useful Life	Asset Condition Future Economic Benefit	Remaining useful life
---------------------------------------	--	-----------------------

The cost approach is used to value the Water Network. There has been no change in valuation technique from prior years

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (Level 3)

a. The following tables present the changes in Level 3 Fair Value Asset Classes.

	Operational Land	Community Land	Land Improve- ments	Building Non- Specialised	Total
Opening Balance - 1/7/12	3,102	666	17	16,793	20,578
Transfers from/(to) another asset class	(1,742)	965	-	1,799	1,022
Transfers from/(to) Level 2	-	-	-	-	-
Adoption of AASB 13	-	-	-	-	-
Additions	-	-	-	21	21
Depreciation	-	-	-	(262)	(262)
Closing Balance - 30/6/13	1,360	1,631	17	18,351	21,359
Transfers from/(to) another asset class	-	-	-	52	52
Purchases (GBV)	-	-	-	22	22
Depreciation & Impairment	-	-	-	(267)	(267)
Closing Balance - 30/6/14	1,360	1,631	17	18,158	21,166

	Sealed Roads	Unsealed Roads	Bridges	Footpaths	Total
Opening Balance - 1/7/12	60,677	4,409	18,541	722	84,349
Transfers from/(to) another asset class	(3,498)	-	172	-	(3,326)
WDV of Asset Disposal	-	-	(59)	-	(59)
Adoption of AASB 13	-	-	-	-	-
Additions	1,491	-	131	-	1,622
Depreciation	(1,496)	(319)	(263)	(17)	(2,095)
Closing Balance - 30/6/13	57,174	4,090	18,522	705	80,491
Transfers from/(to) another asset class	933	-	404	-	1,337
Purchases (GBV)	1,291	-	-	-	1,291
Depreciation & Impairment	(1,580)	(319)	(268)	(17)	(2,184)
Closing Balance - 30/6/14	57,818	3,771	18,658	688	80,935

Uralla Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (Level 3) (continued)**a. The following tables present the changes in Level 3 Fair Value Asset Classes.** (continued)

	Bulk Earthworks (non depreciable)	Stormwater Drainage	Water Supply Network	Sewerage Network	Total
Opening Balance - 1/7/12	167,643	2,125	17,600	7,601	194,969
Transfers from/(to) another asset class	(4,662)	-	-	-	(4,662)
Revaluations Decrements	-	-	(3,497)	(1,056)	(4,553)
Additions	458	-	101	7	566
Depreciation	-	(30)	(247)	(179)	(456)
Closing Balance - 30/6/13	163,439	2,095	13,957	6,373	185,864
Transfers from/(to) another asset class	340	-	-	-	340
Purchases (GBV)	128	-	47	4	179
Depreciation & Impairment	-	(30)	(181)	(204)	(415)
FV Gains - Other Comprehensive Income	-	-	387	173	560
Closing Balance - 30/6/14	163,907	2,065	14,210	6,346	186,528

	Other Assets	Tip Assets	Plant and Equipment	WIP	Total
Opening Balance - 1/7/12	124	274	3,986	398	4,782
Transfers from/(to) another asset class	-	-	115	(396)	(281)
WDV of Asset Disposal	-	-	(209)	-	(209)
Revaluations Decrements	-	-	(33)	-	(33)
Additions	8	-	947	841	1,796
Depreciation	(3)	(10)	(910)	-	(923)
Closing Balance - 30/6/13	129	264	3,896	843	5,132
Transfers from/(to) another asset class	-	-	-	(1,730)	(1,730)
Purchases (GBV)	-	431	1,050	1,554	3,035
Disposals (WDV)	-	-	(123)	-	(123)
Depreciation & Impairment	(3)	(11)	(521)	-	(535)
Closing Balance - 30/6/14	126	684	4,302	667	5,779

Uralla Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (Level 3) (continued)

b. Significant unobservable valuation inputs used (for Level 3 asset classes) and their relationship to fair value.

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various Level 3 Asset Class fair values.

Class	Fair Value (30/6/14) \$'000	Valuation Technique/s	Unobservable Inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
Plant & Equipment	3,828	Level 3	Gross Replacement Cost, Remaining Useful Life, Residual Value	Various, UL 5- 10 years, RV 0-20%	Any changes in the gross replacement value, asset condition or useful life will have impact on fair value.
Office Equipment	158	Level 3	Gross Replacement Cost, Remaining Useful Life, Residual Value	Various, UL 5- 10 years, RV 0%	Any changes in the gross replacement value, asset condition or useful life will have impact on fair value.
Furniture and Fittings	318	Level 3	Gross Replacement Cost, Remaining Useful Life, Residual Value		Any changes in the gross replacement value, asset condition or useful life will have impact on fair value.
Operational Land	1,360	Level 3	Price per square metre, local property prices, alternative use	\$80sqm	The rate per square metre changes will increase or decrease the fair value of the Operational land, as will fluctuations in property pricing
Community Land	1,631	Level 3	NSW Valuer Generals Valuations (Unimproved Capital Value)	Per Value General	Any change in the average unimproved capital value will increase or decrease the fair value of the Community Land
Land Improvements	17	Level 3	Gross Replacement Cost, Remaining Useful Life, Residual Value and Asset Condition	Varies Significantly from asset to asset, 25-100 years, RV 40- 80%, Condition Very Poor to Excellent	Any changes in the gross replacement value, asset condition or useful life will have impact on fair value.

Uralla Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (Level 3) (continued)

b. Significant unobservable valuation inputs used (for Level 3 asset classes) and their relationship to fair value.

Class	Fair Value (30/6/14) \$'000	Valuation Technique/s	Unobservable Inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
Buildings- Non Specialised	18,156	Level 3	Gross Replacement Cost, Remaining Useful Life, Residual Value and Asset Condition	Varies Significantly from asset to asset, UL 20- 100 years, RV 0-80% and Condition Very poor to excellent	Any changes in the gross replacement value, asset condition or useful life will have impact on fair value.
Roads	61,589	Level 3	Gross Replacement Cost, Remaining Useful Life, Residual Value and Asset Condition	Varies Significantly from asset to asset, UL 2-50 years, RV 0- 100% and Condition Very poor to excellent	Any change in the gross replacement cost, pattern of consumption, residual value or components, asset condition, will increase or decrease the fair value of roads
Footpaths	688	Level 3	Gross Replacement Cost, Remaining Useful Life, Residual Value and Asset Condition	Varies Significantly from asset to asset, UL 20- 50 years, RV 10-40% and Condition Very poor to excellent	Any change in the gross replacement cost, pattern of consumption, residual value or components, asset condition, will increase or decrease the fair value of footpaths.
Stormwater Drainage	2,065	Level 3	Gross Replacement Cost, Remaining Useful Life, Residual Value and Asset Condition	Varies Significantly from asset to asset, UL 20- 80 years, RV 0- 40% and Condition Very poor to excellent	Any change in the gross replacement cost, pattern of consumption, residual value or components, asset condition, will increase or decrease the fair value of Stormwater Drainage.

Uralla Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (Level 3) (continued)

b. Significant unobservable valuation inputs used (for Level 3 asset classes) and their relationship to fair value.

Class	Fair Value (30/6/14) \$'000	Valuation Technique/s	Unobservable Inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
Sewerage Network	6,346	Level 3	Gross Replacement Cost, Remaining Useful Life, Residual Value and Asset Condition	Varies Significantly from asset to asset, UL 20-80 years, RV 0-40% and Condition Very poor to excellent	Any change in the gross replacement cost, pattern of consumption, residual value or components, asset condition, will increase or decrease the fair value of Sewerage Network.
Other Assets	126	Level 3	Gross Replacement Cost, Remaining Useful Life, Residual Value and Asset Condition	Varies Significantly from types of assets, UL (minor) 0-10 yrs, RV 0-20% and condition based	Changes in deterioration of art work will lead to change in fair value. Condition of minor assets and replacement cost will affect fair value.
Tip Assets	684	Level 3	Discounted Future Cash Flow, Unit Costs and CPI. Changes to regulations	Depending on interest and inflation rates	Any changes in the future estimates and discount rates, unit costs and CPI will have an impact on fair value of Tip. Changes to the EPA and other State regulations will impact the level of restoration required.
Bridges	18,658	Level 3	Gross Replacement Cost, Remaining Useful Life, Residual Value and Asset Condition	Varies Significantly from asset to asset, UL - Timber 0-30% and Concrete 0-100%. RV- Nil, Asset Condition Satisfactory to Good	Any changes in the gross replacement value, asset condition or useful life will have impact on fair value.
Bulk Earthworks	163,907	Level 3	Asset Condition, Unit Rates	Varies Significantly from complex assets network. Non Depreciable and Infinite Life Span	Changes in the asset condition and unit rate will have an impact on the fair value.

Uralla Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (Level 3) (continued)

b. Significant unobservable valuation inputs used (for Level 3 asset classes) and their relationship to fair value.

Class	Fair Value (30/6/14) \$'000	Valuation Technique/s	Unobservable Inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
Water Supply Network	14,209	Level 3	Gross Replacement Cost, Remaining Useful Life, Residual Value and Asset Condition	Varies Significantly from asset to asset, UL 20-80 years, RV 0-40% and Condition poor to excellent	Any change in the gross replacement cost, pattern of consumption, residual value or components, asset condition, will increase or decrease the fair value of Water Network.

c. The Valuation Process for Level 3 Fair Value Measurements

The valuation techniques prescribed by AASB 13 can be summarised as :

Cost approach - Valuation technique that reflects the amount what would be required to replace the service capacity of an asset (current replacement cost).

Income approach - Valuation technique that converts future amounts (cash inflow /outflows) to signal the current (i.e. discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about these future amounts.

Market approach - Valuation technique that uses prices and other relevant information, generated by market transactions involving identical or comparable (similar) assets, liabilities or a group of assets and liabilities such as a business.

For the purpose of level 3 fair value measurement a Cost Approach was used for most assets except Land - Operational and Community where a market approach is required. The inputs used for this technique are:

Pattern of consumption

Residual Value
Asset Condition
Useful Life
Unit Rates

(5). Highest and best use

All of Council's non financial assets are considered as being utilised for their highest and best use.

Uralla Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 28. 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 Damien Connor

RESPONSIBLE ACCOUNTING OFFICER

Mrs Rosemary Strobel

PUBLIC OFFICER

Mrs Jane Michie

AUDITORS

Forsyths Chartered Accountants
PO Box 114
Armidale NSW 2350

Elected Members**MAYOR**

Cr 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 2014.

Councils' responsibility for the financial statements

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

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

Knowledge with integrity

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, 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 the *Local Government Act 1993*, Chapter 13 part 3 Division 2; and:
- (b) the financial statements:
 - (i) have been prepared in accordance with the requirements of this Division;
 - (ii) are consistent with the Council's accounting records;
 - (iii) presents fairly, in all material respects, the Council's financial position as at 30th June 2014 and the results of its operations for the year then ended; and
 - (iv) are in accordance with applicable Australian Accounting Standards and the Local Government (General) Regulations 2005.
- (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

31st October 2014
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Armidale

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email - armidale@forsyths.com.au

Forsyths Business Services Pty Ltd
ABN 66 182 781 401

31 October 2014

The Mayor
Uralla Shire Council
PO Box 106
URALLA 2358

Dear Sir

AUDIT OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

We are pleased to report that we have completed the audit of Council's financial statements and records for the year ended 30 June 2014 and have reported on the general purpose financial statements and special purpose financial statements as required by the provisions of Section 417(2) of the *Local Government Act 1993*.

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

Council's responsibilities

The Council is responsible for preparing the financial statements which 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

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

Our audit responsibility does not extend to the Original Budget figures included in the Income Statement, Statement of Cash Flows and the Original Budget disclosures in Notes 2 and 16 and accordingly, we express no opinion on them.

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

Page 1



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 unqualified 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 2014 included on Council's web site. Council is responsible for the integrity of its web site. We have not been engaged to report on the integrity of the Council's web site. The auditor's report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.

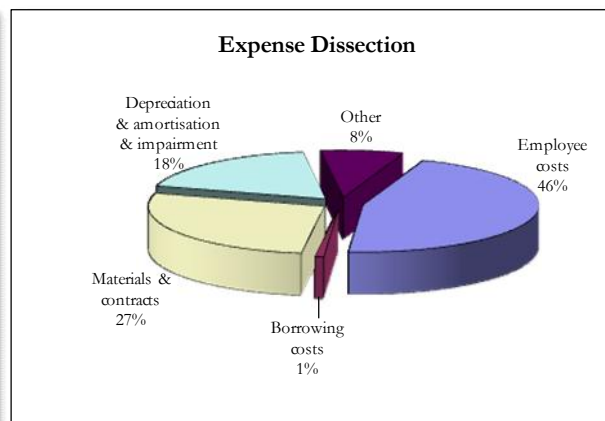
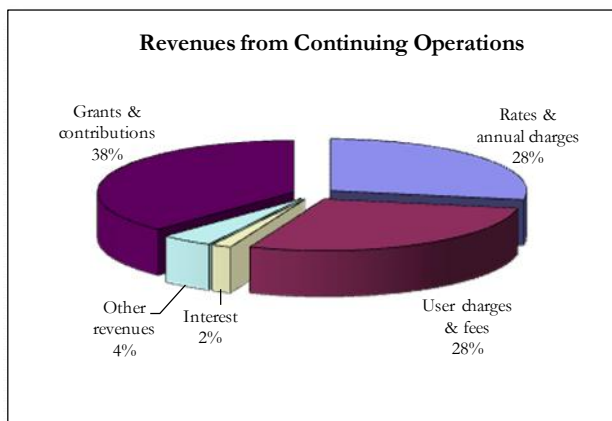


Additional Reporting Requirements

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

The Income Statement for the year ended 30 June 2014 discloses the following operating result:

INCOME STATEMENT	Budget	Actual	Actual	Variance	
	2014	2014	2013	Actual	Budget
	\$'000	\$'000	\$'000	%	%
INCOME FROM CONTINUING OPERATIONS					
Rates & annual charges	5,340	5,155	4,911	5.0%	-3.5%
User charges & fees	1,825	5,252	4,724	11.2%	187.8%
Interest	494	299	622	-51.9%	-39.5%
Other revenues from ordinary activities	666	722	625	15.5%	8.4%
Grants & contributions for operating purposes	7,165	5,433	5,346	1.6%	-24.2%
Grants & contributions For capital purposes	1,739	1,588	252	530.2%	-8.7%
Gain from sale of assets	0	77	67	14.9%	0.0%
Total income from continuing operations	17,229	18,526	16,547	12.0%	7.5%
EXPENSES FROM CONTINUING OPERATIONS					
Employee benefits & oncosts	8,121	8,198	7,038	16.5%	0.9%
Borrowing costs	103	145	167	-13.2%	40.8%
Materials and contracts	3,021	4,908	4,577	7.2%	62.5%
Depreciation & amortisation	3,751	3,309	3,486	-5.1%	-11.8%
Other expenses from ordinary activities	1,498	1,359	1,265	7.4%	-9.3%
Total Expenses from continuing operations	16,494	17,919	16,533	8.4%	8.6%
OPERATING RESULT FROM CONTINUING OPERATIONS	735	607	14	-4235.7%	-17.4%
NET OPERATING RESULT BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	(1,004)	(981)	(238)	-312.2%	-2.3%



Council has made a surplus of \$0.6m from continuing operations compared to a surplus of \$14,000 in 2013. Excluding capital income of \$1.6m, council achieved a deficit of \$1.0m compared to a deficit of \$0.2m for 2013.



Operating revenue increased by \$2.0m or 12% compared to 2013 mainly as a result of higher capital grants and contributions of \$1.3m due to a capital grant to assist with the construction of the Emu Creek bridge and an increase in roads to recovery funding used for capital purposes. Other major changes in revenue included user charges and fees (increase of \$0.5m) and interest income (decrease of \$0.3m).

User charges and fees increased due to an improvement in private work income. Interest income decreased due to the one off recovery of an investment previously written off during the 2013 financial year.

Expenditure increased by \$1.4m or 8.4% due to higher employee benefits and oncost as a result of an increase in award pay rates, workers compensation insurance due to previous year claims, higher employee provisions for leave entitlements and a reduction in capitalised employee costs.

Comparison of actual to budget performance

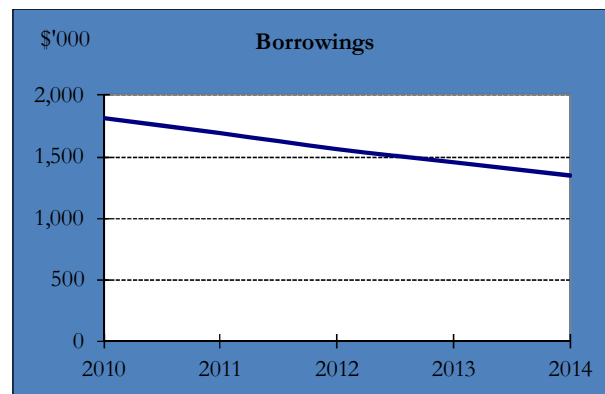
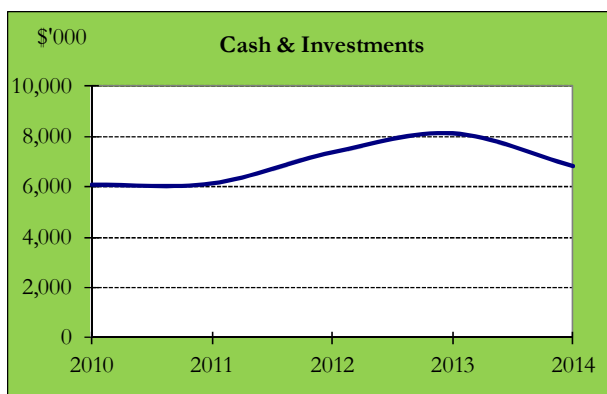
The budget amounts included above are those adopted in the original budget and exclude re-votes from the previous year and variations to the budget during the year. The actual operating surplus for the year of \$0.6m is only slightly lower than the original budget surplus of \$0.7m. The major variances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

- The reclassification of McMaugh Gardens Aged Care and Tablelands Community Transport subsidies from operating grants and contributions to user charges and fees. Excluding the reclassification adjustment, the net increase in user charges and fees of \$1.7m is due to higher than anticipated private works, higher water usage due to drier conditions and increased activity in tablelands community support options than that included in the original budget;
- Employee benefits and oncost (higher than budget by \$1.9m) due to completion of carry over works from the prior year and higher use of contractors especially for the Emu Creek bridge replacement.
- Depreciation and amortisation (lower than budget by \$0.4m) due to the introduction of residual values to various assets that reduced the annual depreciation charges.



The following schedule of assets and liabilities has been extracted from the Statement of Financial Position as at 30 June 2014. This schedule discloses the consolidated assets and liabilities of all functions.

SCHEDULE OF ASSETS & LIABILITIES	2014	2013	Variance
	\$'000	\$'000	%
CURRENT ASSETS			
Cash and cash equivalents	5,830	6,631	-12.1%
Investments	1,000	1,500	-33.3%
Receivables	2,349	1,240	89.4%
Inventories	197	191	3.1%
Other	117	104	12.5%
TOTAL CURRENT ASSETS	9,493	9,666	-1.8%
CURRENT LIABILITIES			
Payables	3,465	3,860	-10.2%
Borrowings	112	108	3.7%
Provisions	2,560	1,918	33.5%
TOTAL CURRENT LIABILITIES	6,137	5,886	4.3%
NET CURRENT ASSETS	3,356	3,780	-11.2%
NON-CURRENT ASSETS			
Infrastructure, Property Plant & Equipment	294,408	292,844	0.5%
TOTAL NON-CURRENT ASSETS	294,408	292,844	0.5%
NON-CURRENT LIABILITIES			
Provisions	889	1,236	-28.1%
Borrowings	1,237	1,348	-8.2%
TOTAL NON-CURRENT LIABILITIES	2,126	2,584	-17.7%
NET ASSETS	295,638	294,040	0.5%



Total cash and investments decreased by \$1.3m mainly as there were no prepaid Financial Assistance Grants (FAG) during the 2014 year.

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



Receivables increased by \$1.1m or 89% due to unpaid Aged Care bonds and capital grants receivable in relation to the Emu Creek bridge.

Infrastructure, Property, Plant and Equipment increased by \$1.6m due to asset additions of \$4.1m (including road and bridge works) and the annual indexation in the value of water and sewer assets of \$1.0m being partially offset by depreciation of \$3.4m and disposal of assets of \$0.2m.

The current portion of employee provisions increased due to staff reaching five years' service with Council and, as per the award, now entitled to receive long service leave on termination. As per accounting standards these provisions are required to be disclosed as current liabilities.

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	1,344	1,300	1,747	5,102	9,493
Current Liabilities	-	-	2,414	3,723	6,137
Net Current Assets	1,344	1,300	(667)	1,379	3,356
Add Liabilities > 12 Months	-	-	2,081	1,794	3,875
Total Funds before Restrictions	1,344	1,300	1,414	3,173	7,231
LESS: Restricted Cash & Investments (Included in Revenue)					
Developer Contributions	-	-	-	403	403
	-	-	-	403	403
NET FUNDS AVAILABLE	1,344	1,300	1,414	2,770	6,828
LESS Internal Restrictions	-	-	1,363	1,498	2,861
Net Funds After All Restrictions	1,344	1,300	51	1,272	3,967

INTERNAL RESTRICTIONS	Opening \$'000	Transfer to \$'000	Transfer from \$'000	Closing \$'000
Employee leave entitlements	1,000	-	450	550
Plant replacement	728	-	228	500
Carry-over works	691	-	571	120
Accommodation bond guarantee	1,009	354	-	1,363
Other	266	62	-	328
	3,694	416	1,249	2,861

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 fund internal restrictions and working capital requirements at 30 June 2014. McMaugh Gardens Aged Care net current assets is in deficit as under accounting standards, 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.



Council has internally restricted \$2.9m in cash for: plant replacements; carry-over projects; accommodation bond requirements, employee entitlements provisions and other minor reserves of \$0.3m.

Local Government Industry Performance Indicators

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

The key financial indicators disclosed in the Financial Statements are:

RATIO	PURPOSE	2014	2013	2012	Tcorp Benchmark
OPERATING PERFORMANCE RATIO	To assess councils ability to meet operating expenditure within operating reveune.	-6.3%	-1.9%	-8.3%	>4%
OWN SOURCE OPERATING REVENUE	To assess the degree of reliance on external funding sources.	61.9%	66.0%	40.7%	>60%
UNRESTRICTED CURRENT RATIO	To assess the adequacy of working capital after excluding all restricted assets and liabilities.	1.2	2.3	2.4	>1.5
DEBT SERVICE COVER RATIO	To assess the availability of operating cash to service debt including interest, principle and lease payments.	9.5	12.2	6.8	>2
OUTSTANDING RATES	To assess the impact of uncollected rates and charges on liquidity and the adequacy of recovery efforts.	5.5%	5.8%	7.6%	<10%
CASH EXPENSE COVER RATIO	To assess the number of months council can pay its expenses without additional cash inflow.	5.4	7.0	1.0	>3

Operating performance

An operating performance deficit of 6.3% compares to a deficit in 2013 of 1.9% and means that Councils operating revenue, excluding capital grants and contributions are insufficient to cover operating expenditure, especially depreciation of infrastructure assets. This compares to the State average deficit of 5% and Group 10 average deficit of 6.8% for 2013. The decline in this ratio for 2014 is due to lower revenues mainly as a result of higher expenses. The Fit for Future benchmark is that councils should average breakeven or better over a three year period.

Owned source operating revenue

A ratio of 61.9% (2013: 66.0%) for the 2014 year highlights that Council has a dependence on grants and contributions and compares to a Group 10 average of 44.0% and a State average of 58.6% for 2013. The TCorp benchmark for sustainability is to have a ratio of greater than 60% and the Fit for Future benchmark is to average greater than 60% over a three year period. Council is currently meeting this benchmark.

*Unrestricted Ratio*

The unrestricted ratio excludes all current assets and liabilities that are restricted to specific purposes such as water, sewer, domestic waste management functions, the McMaugh Gardens Aged Care facility and specific purpose unexpended grants & contributions and adjusting for employee entitlements not expected to be settled within 12 months. This ratio is before setting aside cash to fund internal restrictions relative to the general function. The ratio of 1.22 as at 30 June 2014 indicates that there is \$1.22 of unrestricted current assets for every \$1.00 of current liabilities. Council's ratio of 1.22 compares to the average of 5.1 for category 10 Councils and the State average of 4.0 for 2013. The ratio is above the TCorp benchmark of greater than 1.5.

The reduction in the ratio for 2014 is due to the reduction in financial assistance grant funding during the 2014 year.

Debt service cover ratio

The debt service cover ratio of 9.51 times indicates that council has \$9.51 before interest and depreciation to pay interest and principal repayments on current borrowings. This compares to the Group 10 average of 26.5 and the State average of 29.2 for 2013. The TCorp benchmark for sustainability is to have a ratio of greater than 2.0.

Outstanding rate ratio

The outstanding rates and charges ratio of 5.5% is similar to the previous year. Council's outstanding rates ratio is lower than the Group 10 average of 9.2%. The TCorp benchmark for rural Council's is to have an outstanding rates ratio of less than 10%. The ratio is an indicator of Council's good debt collection activities.

Cash expense ratio

The ratio indicates that Council can pay 5.42 months of its expenses without additional cash inflows. This compares to the Group 10 average of 6.3 and the State average of 5.4 for 2013. The TCorp benchmark is to have reserves to meet at least 3 months of operating expenditure



Key performance indicators by fund

The key financial indicators by fund disclosed in the Financial Statements are:

RATIO	PURPOSE	Water	Sewer	General
OPERATING PERFORMANCE RATIO	To assess councils ability to meet operating expenditure within operating revenue.	3.5% -2.5%	11.0% -16.9%	-6.5% -2.4%
OWN SOURCE OPERATING REVENUE	To assess the degree of reliance on external funding sources.	98.4%	97.4%	58.8%
UNRESTRICTED CURRENT RATIO	To assess the adequacy of working capital after excluding all restricted assets and liabilities.	100.0	100.0	1.2
DEBT SERVICE COVER RATIO	To assess the availability of operating cash to service debt including interest, principle and lease payments.	100.0	100.0	8.1
OUTSTANDING RATES	To assess the impact of uncollected rates and charges on liquidity and the adequacy of recovery efforts.	8.7%	5.5%	5.3%
CASH EXPENSE COVER RATIO	To assess the number of months council can pay its expenses without additional cash inflow.	32.0	36.3	3.6

Operating performance

An operating performance ratio by fund shows that the water fund has generally sufficient operating revenue, excluding capital grants and contributions to cover operating expenditure. However, the sewer and general fund have been unable to cover all of its operating expenses, especially depreciation expense. The significant reduction in the sewer fund ratio was due to increased revenue being unable to match the increase in operating costs, especially depreciation of sewer infrastructure (increased due to the revaluation of these assets in the prior year).

Owned source operating revenue

The ratios show the Councils reliance on grant and contribution funding within the general fund.

Unrestricted Ratio

The unrestricted ratios show that all funds have sufficient working capital. The ratio for water and sewer is shown as 100 as the funds do not have any current liabilities. The ratio for the general fund is lower than industry benchmarks and Council should focus on rebuilding reserves in the 2015 year.

Debt service cover ratio

The debt service cover ratio by fund shows that Council may have potential to increase borrowings within all funds. The water and sewer funds ratio is shown at 100 as they do not hold any debt.



Outstanding rate ratio

The outstanding rate ratio by fund shows that the outstanding rates are being well managed in all funds.

Cash expense ratio

The ratio indicates that all funds have sufficient short term cash reserves.

Infrastructure Asset Performance Indicators (unaudited)

With the emphasis on “Fit for the Future” we have included comments on unaudited infrastructure asset performance measures disclosed in the Special Schedule 7 are as follows:

RATIO	PURPOSE	2014	2013	2012	Tcorp Benchmark
BUILDING AND INFRASTRUCTURE RENEWALS RATIO	To assess the proportion spent on infrastructure renewals vs infrastructure deterioration.	96.5%	87.0%	89.5%	>100%
INFRASTRUCTURE BACKLOG RATIO	To assess the infrastructure backlog against the total value of councils infrastructure.	6.0%	8.0%	5.0%	<20%
ASSET MAINTENANCE RATIO	To assess the actual vs required annual maintenance expenditure.	1.0	1.2	1.1	>100%
CAPITAL EXPENDITURE RATIO	To assess the extent to which council is forecasting to expand its asset base with capital expenditure.	1.2	1.1	0.9	>1.1

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 2014 Council spent \$0.96 for every \$1 in estimated asset deterioration (2013: \$0.87). The Group 10 2013 ratio was \$0.79 and the State average for the asset renewal ratio was \$0.81 for the 2013 year. The Fit for Future benchmark is to have a three year average of greater than \$1.00.

The current trend in the ratio highlights that Council generally did not use sufficient resources on asset renewals for the past three years compared to the estimated reduction in asset condition over the past three years. It should also be noted that Special Schedule 7, which is an unaudited statement prepared in conjunction with the financial report, discloses that the estimated cost to bring infrastructure assets to a satisfactory standard is \$7.9m.

Infrastructure backlog ratio

An infrastructure backlog ratio 6% indicates that the infrastructure backlog represents 6.0% of the value of Councils infrastructure and compares to a Group 10 average of 16.6% and State average of 10.0% for 2013. The TCorp benchmark is a ratio less than 20% and the “fit for future” benchmark is less than 2%.

*Asset maintenance ratio*

The Asset Maintenance ratio of 1.0 indicates that Council has undertaken sufficient maintenance to keep pace with required maintenance requirements as determined by Council's engineers and maintenance staff. This compares positively to the Group 10 average of 0.9 and the State average of 0.7 for 2013. A ratio of greater than 1.0 is considered acceptable by TCorp.

Capital expenditure ratio

The capital expenditure ratio of 1.2 indicates that Council has expended \$1.20 on capital expenditure for every dollar of depreciation. The TCorp benchmark is for a Council to have a capital expenditure ratio of greater than 1.1.

The 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
	2014	2013	
	\$'000	\$'000	%
CASH INFLOWS			
Operating Receipts	16,946	17,885	-5.3%
Proceeds from Assets Sales	276	335	-17.6%
Net receipt of retirement home bonds	680	268	153.7%
Proceeds from investments	1,300	6,300	-79.4%
TOTAL RECEIPTS	19,202	24,788	-22.5%
CASH OUTFLOWS			
Operating Payments	14,754	13,579	8.7%
Purchase of investments	800	1,500	-46.7%
Purchase of Assets	4,081	3,867	5.5%
Repayment of Loans	107	108	-0.9%
Net repayment of retirement home bonds	260	174	49.4%
TOTAL PAYMENTS	20,002	19,228	4.0%
TOTAL CASH MOVEMENT	-800	5,560	-114.4%
Cash and equivalents	5,830	6,631	3.0%
Investments	1,000	1,500	3.0%
Total Cash & Investments on Hand	6,830	8,131	-16.0%

Cash and investments overall decreased by \$1.3m due to the impact of the cessation of the prepaid FAG during the 2014 year.

Cash outflows for Purchase of Assets of \$4.1m included road and bridge construction totalling \$2.5m. This compares to the \$2.2m annual rate of depreciation of these assets. The remaining asset purchases included purchases for plant and equipment of \$1.0m and other minor additions totalling \$0.6m.

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 surplus (before capital funding) of \$32,000 after allowing for depreciation of \$174,000.

The Net Current Asset position records a surplus of \$1,344,000. 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 deficit (excluding capital funding) of \$90,000 after allowing for depreciation of \$211,000.

The Net Current Assets position show a surplus of \$1,300,000. 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 \$67,000 for the 2014 year compared to a deficit of \$35,000 in the previous year. This result is after depreciation expense of \$106,000.

The net current asset position is a deficit of \$667,000 after allowing for resident’s bonds amounting to \$2,414,000. 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 estimated timing of bond repayments are taken into account the Hostel has reserves of \$1,414,000.

Given that McMaugh Gardens has no working capital as at the end of June 2014 and had a deficit in operating results for the past three years, it is important that Council continues to focus on improving the facilities financial performance to reduce the impact on Council’s general funds’ financial performance.

FINANCIAL SUSTAINABILITY

The recent assessments by TCorp, Office of Local Government and the local government reform panel for all NSW councils provides insight into the NSW Government expectations of councils and how they are assessing the viability and structure of local government in the future.

During the prior 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 its outlook as Neutral.

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

- Did not take into account the financial results for 2013 and 2014;
- It includes unaudited data from Special Schedule 7 as well as the ten year financial forecast; and
- Is based upon future data, which includes assumptions and judgements regarding the future operations of Council, including what revenue and expenses will be incurred in the future, as well as significant judgement with regard to other non-financial information.

Based on our review of the TCorp report, for Council to 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.

During 2013 an audit of Local Government infrastructure across all councils, excluding county councils, in NSW was conducted using a survey of councils' infrastructure management processes and practices, historical financial information and through a number of visits to councils. As a result of the audit councils asset management practices were graded as either Very Strong, Strong, Moderate, Weak, Very Weak or Distressed. Council was assess as Very Weak from this review.

The audit identified the following focus areas for all councils to achieve sustainable infrastructure service levels:

- Skilled People – develop asset management skills and capacity within councils;
- Appropriate Processes – implement appropriate asset management practices focusing on community service level negotiations, risk management and infrastructure vulnerability assessments, and identification of critical infrastructure;
- Reliable data – development of specific asset management measurement parameters, improved reporting of asset management and progress on achieving the delivery program; and
- Adequate resources – adequately fund asset management through the use of debt, local Government Renewal Scheme funding, special rate variations and grant funds.

Subsequently after the release of the report from the local government review panel and local government Acts taskforce, the NSW Government response is outlined in its “fit for the future” blueprint. This will require councils to assess their current financial position and submit a fit for the future proposal by 30 June 2015. Presently there has been no guidelines issued on the form of the response but indicators are they will use the above reports (TCorp and OLG infrastructure management report) along with the local government review panel recommendations.

Should councils be deemed “unfit” then the NSW Government will strongly encourage councils to consider the following options:

- Seek voluntary merger with other councils in order to meet a sustainable “threshold”;
- Develop regional joint organisations with separate governance structures to manage critical elements for a number of councils (e.g. finance and IT, economic development, engineering, etc.);



- Accepting the offer for cheaper finance to build and maintain facilities; and
- Utilising the innovation fund to help smaller councils explore new ways to working with other councils.

GENERAL

Reporting obligations under the Local Government Act

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

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

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

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

Yours faithfully

Forsyths Business Services Pty Ltd

Paul R Cornall
Principal

Uralla Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2014

*“...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 2014

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 2014

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:

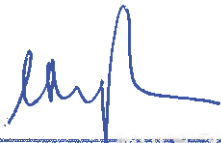
- The NSW Government Policy Statement "Application of National Competition Policy to Local Government".
- The Division of Local Government Guidelines "Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality".
- The Local Government Code of Accounting Practice and Financial Reporting.
- 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.

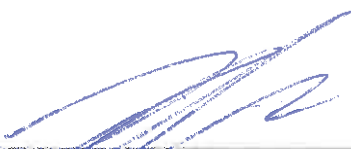
Signed in accordance with a resolution of Council made on 22 September 2014.



Cr Michael Pearce
MAYOR



Cr Bob Crouch
COUNCILLOR



Mr Damien Connor
GENERAL MANAGER



Mrs Rosemary Strobel
RESPONSIBLE ACCOUNTING OFFICER

Uralla Shire Council

Income Statement of Council's Water Supply Business Activity

for the financial year ended 30 June 2014

\$ '000	Actual 2014	Actual 2013
Income from continuing operations		
Access charges	368	332
User charges	525	431
Fees	-	-
Interest	46	118
Grants and contributions provided for non capital purposes	17	19
Profit from the sale of assets	-	-
Other income	6	1
Total income from continuing operations	962	901
Expenses from continuing operations		
Employee benefits and on-costs	378	408
Borrowing costs	-	-
Materials and contracts	304	262
Depreciation and impairment	212	253
Water purchase charges	-	-
Loss on sale of assets	-	-
Calculated taxation equivalents	-	-
Debt guarantee fee (if applicable)	-	-
Other expenses	-	-
Total expenses from continuing operations	894	923
Surplus (deficit) from Continuing Operations before capital amounts	68	(23)
Grants and contributions provided for capital purposes	-	-
Surplus (deficit) from Continuing Operations after capital amounts	68	(23)
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	68	(23)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-
SURPLUS (DEFICIT) AFTER TAX	68	(23)
plus Opening Retained Profits	8,430	8,457
plus/less: Prior Period Adjustments	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	-	-
- Debt guarantee fees	-	-
- Corporate taxation equivalent	-	-
less:		
- Tax Equivalent Dividend paid	(5)	(4)
- Surplus dividend paid	-	-
Closing Retained Profits	8,494	8,430
Return on Capital %	0.4%	-0.1%
Subsidy from Council	585	704
Calculation of dividend payable:		
Surplus (deficit) after tax	68	(23)
less: Capital grants and contributions (excluding developer contributions)	-	-
Surplus for dividend calculation purposes	68	-
Potential Dividend calculated from surplus	34	-

Uralla Shire Council

Income Statement of Council's Sewerage Business Activity

for the financial year ended 30 June 2014

\$ '000	Actual 2014	Actual 2013
Income from continuing operations		
Access charges	511	492
User charges	13	14
Liquid Trade Waste charges	-	-
Fees	-	-
Interest	49	106
Grants and contributions provided for non capital purposes	13	13
Profit from the sale of assets	-	-
Other income	-	-
Total income from continuing operations	586	625
Expenses from continuing operations		
Employee benefits and on-costs	256	228
Borrowing costs	-	-
Materials and contracts	162	146
Depreciation and impairment	211	182
Loss on sale of assets	-	-
Calculated taxation equivalents	-	-
Debt guarantee fee (if applicable)	-	-
Other expenses	-	-
Total expenses from continuing operations	629	556
Surplus (deficit) from Continuing Operations before capital amounts	(43)	68
Grants and contributions provided for capital purposes	-	-
Surplus (deficit) from Continuing Operations after capital amounts	(43)	68
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	(43)	68
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	(21)
SURPLUS (DEFICIT) AFTER TAX	(43)	48
plus Opening Retained Profits	5,362	5,297
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)	(3)
- Surplus dividend paid	-	-
Closing Retained Profits	5,316	5,362
Return on Capital %	-0.7%	1.0%
Subsidy from Council	278	181
Calculation of dividend payable:		
Surplus (deficit) after tax	(43)	48
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 2014

\$ '000	Private Works		McMaugh Gardens	
	Category 2		Category 2	
	Actual 2014	Actual 2013	Actual 2014	Actual 2013
Income from continuing operations				
Access charges	-	-	-	-
User charges	378	97	704	729
Fees	-	-	53	-
Interest	-	-	71	110
Grants and contributions provided for non capital purposes	-	-	1,306	1,180
Profit from the sale of assets	-	-	-	-
Other income	-	-	63	11
Total income from continuing operations	378	97	2,197	2,031
Expenses from continuing operations				
Employee benefits and on-costs	71	24	1,586	1,421
Borrowing costs	-	-	5	6
Materials and contracts	135	15	521	512
Depreciation and impairment	-	-	106	83
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	-	-	-	-
Debt guarantee fee (if applicable)	-	-	-	-
Other expenses	-	30	46	44
Total expenses from continuing operations	206	69	2,264	2,066
Surplus (deficit) from Continuing Operations before capital amounts	172	28	(67)	(35)
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	172	28	(67)	(35)
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	172	28	(67)	(35)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	-	-
SURPLUS (DEFICIT) AFTER TAX	172	28	(67)	(35)
plus Opening Retained Profits	-	-	2,485	2,520
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	(172)	(28)	-	-
Closing Retained Profits	-	-	2,418	2,485
Return on Capital %	n/a	n/a	-1.3%	-0.6%
Subsidy from Council	-	-	232	201

Uralla Shire Council

Statement of Financial Position - Council's Water Supply Business Activity
as at 30 June 2014

\$ '000	Actual 2014	Actual 2013
ASSETS		
Current Assets		
Cash and cash equivalents	1,044	837
Investments	-	-
Receivables	337	300
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	1,381	1,137
Non-Current Assets		
Investments	-	-
Receivables	-	10
Inventories	-	-
Infrastructure, property, plant and equipment	18,337	18,114
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	18,337	18,124
TOTAL ASSETS	19,718	19,261
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	19,718	19,261
EQUITY		
Retained earnings	8,501	8,431
Revaluation reserves	11,217	10,830
Council equity interest	19,718	19,261
Non-controlling equity interest	-	-
TOTAL EQUITY	19,718	19,261

Uralla Shire Council

Statement of Financial Position - Council's Sewerage Business Activity

as at 30 June 2014

\$ '000	Actual 2014	Actual 2013
ASSETS		
Current Assets		
Cash and cash equivalents	1,310	1,152
Investments	-	-
Receivables	37	36
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	1,347	1,188
Non-Current Assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	6,606	6,636
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	6,606	6,636
TOTAL ASSETS	7,953	7,824
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	7,953	7,824
EQUITY		
Retained earnings	5,319	5,363
Revaluation reserves	2,634	2,461
Council equity interest	7,953	7,824
Non-controlling equity interest	-	-
TOTAL EQUITY	7,953	7,824

Uralla Shire Council

Statement of Financial Position - Council's Other Business Activities

as at 30 June 2014

\$ '000	Private Works		McMaugh Gardens	
	Category 2		Category 2	
	Actual 2014	Actual 2013	Actual 2014	Actual 2013
ASSETS				
Current Assets				
Cash and cash equivalents	-	-	1,180	1,104
Investments	-	-	-	-
Receivables	-	-	567	267
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
Total Current Assets	-	-	1,747	1,371
Non-Current Assets				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	-	-	4,774	4,557
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
Total Non-Current Assets	-	-	4,774	4,557
TOTAL ASSETS	-	-	6,521	5,928
LIABILITIES				
Current Liabilities				
Bank Overdraft	-	-	-	-
Payables	-	-	2,414	2,047
Interest bearing liabilities	-	-	-	-
Provisions	-	-	-	-
Total Current Liabilities	-	-	2,414	2,047
Non-Current Liabilities				
Payables	-	-	67	71
Interest bearing liabilities	-	-	-	-
Provisions	-	-	-	-
Other Liabilities	-	-	-	-
Total Non-Current Liabilities	-	-	67	71
TOTAL LIABILITIES	-	-	2,481	2,118
NET ASSETS	-	-	4,040	3,811
EQUITY				
Retained earnings	-	-	2,418	2,485
Revaluation reserves	-	-	1,623	1,325
Council equity interest	-	-	4,041	3,811
Non-controlling equity interest	-	-	-	-
TOTAL EQUITY	-	-	4,041	3,811

Uralla Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2014

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 2014

Note 1. Significant Accounting Policies

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

For the purposes of these statements, the Council is not a reporting not-for-profit entity.

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) &
- 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.

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.

National Competition Policy

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

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

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

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

Declared Business Activities

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

Category 1

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

Nil

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.

Monetary Amounts

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

Uralla Shire Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2014

Note 1. Significant Accounting Policies

As required by the NSW Office of Water (Department of Primary Industries) the amounts shown in Notes 2 and Note 3 are disclosed in whole dollars.

(i) Taxation Equivalent Charges

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

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

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

Notional Rate Applied %

Corporate Income Tax Rate – 30%

Land Tax – The first **\$412,000** of combined land values attracts **0%**. From \$412,001 to \$2,519,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,519,000, a premium marginal rate of **2.0%** applies.

Payroll Tax – **5.45%** on the value of taxable salaries and wages in excess of \$750,000.

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

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

Achievement of substantial compliance against the guidelines for Best Practice Management of Water

Supply and Sewerage is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

Income Tax

An income tax equivalent has been applied on the profits of each reported Business Activity.

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

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

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

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

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

Local Government Rates & Charges

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

Loan & Debt Guarantee Fees

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

Uralla Shire Council

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

Note 1. Significant Accounting Policies

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

(ii) Subsidies

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

Subsidies occur where council provides services on a less than cost recovery basis. This option is exercised on a range of services in order for council to meet its community service obligations.

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

The overall effect of subsidies is contained within the Income Statement of each reported Business Activity.

(iii) Return on Investments (Rate of Return)

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

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

The Rate of Return on Capital is calculated as follows:

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

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 3.56% at 30/6/14.

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

(iv) Dividends

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

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

The dividend, calculated and approved in accordance with the Best Practice Management Guidelines, must not exceed either:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2014 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

Uralla Shire Council

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

Note 2. Water Supply Business Best Practice Management disclosure requirements

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

2014

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	4,683
(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]	34,000
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	46,830
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2014, less the cumulative dividends paid for the 2 years to 30 June 2013 & 30 June 2012	(131,816)

2014 Surplus	68,000	2013 Surplus	(22,534)	2012 Surplus	(177,282)
		2013 Dividend	-	2012 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	n/a
(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 2014

Note 2. Water Supply Business Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2014

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	917
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)]	%	58.59%
NWI F9	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	14,209
NWI F11	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	683
NWI F14	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	-
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)]	%	0.12%
NWI F26	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000	-

- Notes:
1. References to w (eg. w12) refer to item numbers within Special Schedules No. 3 & 4 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.

Uralla Shire Council

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

Note 3. Sewerage Business Best Practice Management disclosure requirements

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

2014

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	3,093
(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 x (\$30 less tax equivalent charges per assessment)	30,930
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2014, less the cumulative dividends paid for the 2 years to 30 June 2013 & 30 June 2012	(80,017)

2014 Surplus	(43,000)	2013 Surplus	47,893	2012 Surplus	(84,910)
		2013 Dividend	-	2012 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	n/a
(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 2014Note 3. Sewerage Business
Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2014

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	532
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	6,346
NWI F12	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	419
NWI F15	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	-
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)]	%	-1.41%
NWI F27	Capital Works Grants (Sewerage) Grants for the Acquisition of Assets (12a)	\$'000	1

**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	1,449
NWI F8	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	1.93%
NWI F16	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	-
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)]	%	-0.28%
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 2014Note 3. Sewerage Business
Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2014

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)]	%	-8.51%
NWI F23	Interest Cover (Water & Sewerage) Earnings before Interest & Tax (EBIT) divided by Net Interest Earnings before Interest & Tax (EBIT): 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: 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	24
NWI F25	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	28

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

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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 2014 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 Office of Local Government and Council. The Councils' responsibility also includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

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

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

INDEPENDENCE

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

AUDIT OPINION

In our opinion, the special purpose financial statements of the Uralla Shire Council for the year ended 30th June 2014 are presented fairly, in all material respects, in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting.

BASIS OF ACCOUNTING

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

Forsyths

Forsyths Business Services Pty Ltd

P.R. Cornall

Paul Cornall
Principal

31st October 2014
92 Rusden Street Armidale

Uralla Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2014

*“...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 2014

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 Operations - incl. Income Statement	6
- Special Schedule No. 4	Water Supply - Statement of Financial Position	10
- Special Schedule No. 5	Sewerage Service Operations - incl. 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	Report on Infrastructure Assets (as at 30 June 2014)	17
- Special Schedule No. 8	Financial Projections	23
- Special Schedule No. 9	Permissible Income Calculation	24

¹ Special Schedules are not audited (with the exception of Special Schedule 9).

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 (NOW), and
 - the Office of Local Government (OLG).
- (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.

Special Schedule No. 1 - Net Cost of Services

for the financial year ended 30 June 2014

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Governance	510	2	-	(508)
Administration	736	697	-	(39)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	283	38	-	(245)
Beach Control	-	-	-	-
Enforcement of Local Govt. Regulations	-	-	-	-
Animal Control	-	11	-	11
Other	-	-	-	-
Total Public Order & Safety	283	49	-	(234)
Health	213	115	-	(98)
Environment				
Noxious Plants and Insect/Vermin Control	78	-	-	(78)
Other Environmental Protection	211	301	-	90
Solid Waste Management	1,622	1,354	194	(74)
Street Cleaning	41	-	-	(41)
Drainage	-	-	-	-
Stormwater Management	29	29	-	-
Total Environment	1,981	1,684	194	(103)
Community Services and Education				
Administration & Education	(37)	4	-	41
Social Protection (Welfare)	2,174	2,384	-	210
Aged Persons and Disabled	3,589	3,446	-	(143)
Children's Services	17	19	-	2
Total Community Services & Education	5,743	5,853	-	110
Housing and Community Amenities				
Public Cemeteries	45	30	-	(15)
Public Conveniences	56	-	-	(56)
Street Lighting	58	6	-	(52)
Town Planning	326	149	-	(177)
Other Community Amenities	-	-	-	-
Total Housing and Community Amenities	485	185	-	(300)
Water Supplies	894	930	-	36
Sewerage Services	629	561	-	(68)

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

for the financial year ended 30 June 2014

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Recreation and Culture				
Public Libraries	295	29	-	(266)
Museums	-	-	-	-
Art Galleries	-	-	-	-
Community Centres and Halls	99	32	-	(67)
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	26	8	-	(18)
Sporting Grounds and Venues	18	-	-	(18)
Swimming Pools	123	31	-	(92)
Parks & Gardens (Lakes)	231	4	-	(227)
Other Sport and Recreation	2	2	-	-
Total Recreation and Culture	794	106	-	(688)
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	378	(1)	-	(379)
Urban Roads - Regional	-	-	-	-
Sealed Rural Roads (SRR) - Local	806	16	708	(82)
Sealed Rural Roads (SRR) - Regional	1,187	737	242	(208)
Unsealed Rural Roads (URR) - Local	1,942	-	-	(1,942)
Unsealed Rural Roads (URR) - Regional	97	40	-	(57)
Bridges on UR - Local	-	-	-	-
Bridges on SRR - Local	564	47	-	(517)
Bridges on URR - Local	-	-	-	-
Bridges on Regional Roads	-	-	-	-
Parking Areas	12	-	-	(12)
Footpaths	135	-	13	(122)
Aerodromes	-	-	-	-
Other Transport & Communication	156	47	427	318
Total Transport and Communication	5,277	886	1,390	(3,001)
Economic Affairs				
Camping Areas & Caravan Parks	15	12	-	(3)
Other Economic Affairs	358	75	4	(279)
Total Economic Affairs	373	87	4	(282)
Totals – Functions	17,919	11,155	1,588	(5,176)
General Purpose Revenues ⁽²⁾		5,783		5,783
Share of interests - joint ventures & associates using the equity method	-	-		-
NET OPERATING RESULT ⁽¹⁾	17,919	16,938	1,588	607

(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 2014

\$'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	108	1,348	1,456	-	107	-	-	97	112	1,237	1,349
Other	-	-	-							-	-
Total Loans	108	1,348	1,456	-	107	-	-	97	112	1,237	1,349
Other Long Term Debt											
Ratepayers Advances	-	-	-							-	-
Government Advances	-	-	-							-	-
Finance Leases	-	-	-							-	-
Deferred Payments	-	-	-							-	-
Total Long Term Debt	-	-	-	-	-	-	-	-	-	-	-
Total Debt	108	1,348	1,456	-	107	-	-	97	112	1,237	1,349

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 2014

\$'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	9	10
Water			
Sewer			
Domestic Waste Management			
Gas			
Other			
Totals	136	9	10

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	10
Totals							88	11	10

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 2014

\$'000	Actuals 2014	Actuals 2013
A Expenses and Income		
Expenses		
1. Management expenses		
a. Administration	202	194
b. Engineering and Supervision	98	79
2. Operation and Maintenance expenses		
- Dams & Weirs		
a. Operation expenses	-	-
b. Maintenance expenses	13	6
- Mains		
c. Operation expenses	-	-
d. Maintenance expenses	94	100
- Reservoirs		
e. Operation expenses	-	-
f. Maintenance expenses	2	15
- Pumping Stations		
g. Operation expenses (excluding energy costs)	-	-
h. Energy costs	2	3
i. Maintenance expenses	5	16
- Treatment		
j. Operation expenses (excluding chemical costs)	-	-
k. Chemical costs	124	89
l. Maintenance expenses	143	172
- Other		
m. Operation expenses	-	-
n. Maintenance expenses	-	-
o. Purchase of water	-	-
3. Depreciation expenses		
a. System assets	144	247
b. Plant and equipment	68	6
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 Equivalents Dividends (actually paid)	-	-
5. Total expenses	895	927

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 2014

\$'000	Actuals 2014	Actuals 2013
Income		
6. Residential charges		
a. Access (including rates)	371	332
b. Usage charges	525	431
7. Non-residential charges		
a. Access (including rates)	-	-
b. Usage charges	-	-
8. Extra charges	-	-
9. Interest income	46	118
10. Other income	6	1
10a. Aboriginal Communities Water and Sewerage Program	-	-
11. Grants		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	15	17
c. Other grants	-	-
12. Contributions		
a. Developer charges	-	-
b. Developer provided assets	-	-
c. Other contributions	-	2
13. Total income	963	901
14. Gain (or loss) on disposal of assets	-	-
15. Operating Result	68	(26)
15a. Operating Result (less grants for acquisition of assets)	68	(26)

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 2014

\$'000	Actuals 2014	Actuals 2013
B Capital transactions		
Non-operating expenditures		
16. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	-	77
b. New Assets for Growth	-	24
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
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)	1,395	1,236
b. Residential (unoccupied, ie. vacant lot)	9	3
c. Non-residential (occupied)	157	157
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)	\$ 15,150	\$ 15,932

Uralla Shire Council

Special Schedule No. 3 - Water Supply Cross Subsidies

for the financial year ended 30 June 2014

\$'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)?	<input type="checkbox"/>	<input type="checkbox"/>	
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.			
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 2014

\$'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	1,044	-	1,044
31. Receivables			
a. Specific purpose grants	-	-	-
b. Rates and Availability Charges	32	-	32
c. User Charges	295	-	295
d. Other	-	10	10
32. Inventories	-	-	-
33. Property, plant and equipment			
a. System assets	-	14,209	14,209
b. Plant and equipment	-	4,128	4,128
34. Other assets	-	-	-
35. Total assets	<u>1,371</u>	<u>18,347</u>	<u>19,718</u>
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	<u>-</u>	<u>-</u>	<u>-</u>
41. NET ASSETS COMMITTED	<u>1,371</u>	<u>18,347</u>	<u>19,718</u>
EQUITY			
42. Accumulated surplus			8,501
43. Asset revaluation reserve			11,217
44. TOTAL EQUITY			<u>19,718</u>
Note to system assets:			
45. Current replacement cost of system assets			(1,575)
46. Accumulated current cost depreciation of system assets			15,784
47. Written down current cost of system assets			<u>14,209</u>

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 2014

\$'000	Actuals 2014	Actuals 2013
A Expenses and Income		
Expenses		
1. Management expenses		
a. Administration	130	125
b. Engineering and Supervision	16	10
2. Operation and Maintenance expenses		
- Mains		
a. Operation expenses	-	-
b. Maintenance expenses	27	32
- Pumping Stations		
c. Operation expenses (excluding energy costs)	-	-
d. Energy costs	-	-
e. Maintenance expenses	12	9
- Treatment		
f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	-	-
g. Chemical costs	22	15
h. Energy costs	-	-
i. Effluent Management	-	-
j. Biosolids Management	76	76
k. Maintenance expenses	56	50
- Other		
l. Operation expenses	-	-
m. Maintenance expenses	80	60
3. Depreciation expenses		
a. System assets	204	179
b. Plant and equipment	2	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	625	559

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 2014

\$'000	Actuals 2014	Actuals 2013
Income		
6. Residential charges (including rates)	506	493
7. Non-residential charges		
a. Access (including rates)	-	-
b. Usage charges	9	8
8. Trade Waste Charges		
a. Annual Fees	-	-
b. Usage charges	4	5
c. Excess mass charges	-	-
d. Re-inspection fees	-	-
9. Extra charges	-	-
10. Interest income	49	106
11. Other income	-	-
11a. Aboriginal Communities Water & Sewerage Program	-	-
12. Grants		
a. Grants for acquisition of assets	1	-
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>582</u>	<u>625</u>
15. Gain (or loss) on disposal of assets	-	-
16. Operating Result	<u>(43)</u>	<u>66</u>
16a. Operating Result (less grants for acquisition of assets)	(44)	66

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 2014

\$'000	Actuals 2014	Actuals 2013
B Capital transactions		
Non-operating expenditures		
17. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	-	-
b. New Assets for Growth	-	7
c. Renewals	-	-
d. Plant and equipment	-	-
18. Repayment of debt		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
19. Transfer to sinking fund	-	-
20. Totals	<u>-</u>	<u>7</u>
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	<u>-</u>	<u>-</u>
C Rates and charges		
25. Number of assessments		
a. Residential (occupied)	945	943
b. Residential (unoccupied, ie. vacant lot)	49	98
c. Non-residential (occupied)	23	56
d. Non-residential (unoccupied, ie. vacant lot)	14	14
26. Number of ETs for which developer charges were received	ET	- ET
27. Total amount of pensioner rebates (actual dollars)	\$ 11,667	\$ 12,334

Uralla Shire Council

Special Schedule No. 5 - Sewerage Cross Subsidies
for the financial year ended 30 June 2014

\$'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"/> Yes	<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 2014

\$'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	1,310	-	1,310
32. Receivables			
a. Specific purpose grants	-	-	-
b. Rates and Availability Charges	28	-	28
c. User Charges	8	-	8
d. Other	-	-	-
33. Inventories	-	-	-
34. Property, plant and equipment			
a. System assets	-	6,346	6,346
b. Plant and equipment	-	261	261
35. Other assets	-	-	-
36. Total Assets	<u>1,346</u>	<u>6,607</u>	<u>7,953</u>
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	<u>-</u>	<u>-</u>	<u>-</u>
42. NET ASSETS COMMITTED	<u>1,346</u>	<u>6,607</u>	<u>7,953</u>
EQUITY			
42. Accumulated surplus			5,319
44. Asset revaluation reserve			2,634
45. TOTAL EQUITY			<u>7,953</u>
Note to system assets:			
46. Current replacement cost of system assets			(1,275)
47. Accumulated current cost depreciation of system assets			7,621
48. Written down current cost of system assets			<u>6,346</u>

Uralla Shire Council

Notes to Special Schedule No.'s 3 & 5

for the financial year ended 30 June 2014

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.

Special Schedule No. 7 - Report on Infrastructure Assets

as at 30 June 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard ⁽¹⁾	Required Annual Maintenance ⁽²⁾	Actual Maintenance 2013/14 ⁽³⁾	Written Down Value (WDV) ⁽⁴⁾	Assets in Condition as a % of WDV ^{(4), (5)}				
						1	2	3	4	5
Buildings	Council Offices / Administration Centres	50	8	8	1,311		90%	10%		0%
	Council Works Depot	40	5	5	711			100%		0%
	Council Public Halls	20	15	15	676			100%		0%
	Libraries		15	15	874	100%				0%
	Amenities/Toilets	12	39	39	359		60%	40%		0%
	Aged Accommodation	200	103	103	5,938		100%			0%
	Community Centres	20	10	10	1,213			100%		0%
	Recreation/VIC	50	5	5	585			100%		0%
	Water/Sewer	8	8	8	4,018		95%	5%		0%
	RFS Building	1	1	1	346			100%		0%
	Other				1,302					100%
	sub total		401	209	209	17,333	5.0%	64.3%	23.1%	0.0%
Other Structures	Assets not included in buildings				823					100%
	sub total	-	-	-	823	0.0%	0.0%	0.0%	0.0%	100.0%
Roads	Sealed Roads Structure	2,500	1,121	1,121	55,575	1%	33%	28%	27%	11%
	Unsealed Roads Structure	900	717	703	3,771		20%	55%	25%	0%
	Bridges	3,600	155	144	18,658	20%	60%	17%	3%	0%
	Footpaths	70	14	69	688	10%	50%	35%	5%	0%
	Kerb and Gutter	60	14	14	2,242	15%	55%	25%	5%	0%
	sub total		7,130	2,021	2,051	80,935	5.8%	39.4%	26.7%	20.6%

Uralla Shire Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)
as at 30 June 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard ⁽¹⁾	Required Annual Maintenance ⁽²⁾	Actual Maintenance 2013/14 ⁽³⁾	Written Down Value (WDV) ⁽⁴⁾	Assets in Condition as a % of WDV ^{(4), (5)}				
						1	2	3	4	5
Water Supply Network	Dams/Weirs	5	5	4	-	0%	100%			
	Reservoirs	10	7	7	62		100%			0%
	Pumping Station/s	6	3	4	8		60%	40%		0%
	Treatment Plant	10	8	8	37		100%			0%
	Pipelines	130	99	97	51		90%	10%		0%
	sub total	161	122	120	14,209	0.0%	1.1%	0.1%	0.0%	98.9%
Sewerage Network	Pumping Station/s	22	20	20	94		70%	30%		0%
	Treatment Works	50	50	50	13		100%			0%
	Pipelines	85	34	33	1		90%	10%		0%
	sub total	157	104	103	6,346	0.0%	1.3%	0.4%	0.0%	98.3%

Uralla Shire Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued) as at 30 June 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard ⁽¹⁾	Required Annual Maintenance ⁽²⁾	Actual Maintenance 2013/14 ⁽³⁾	Written Down Value (WDV) ⁽⁴⁾	Assets in Condition as a % of WDV ^{(4), (5)}				
						1	2	3	4	5
Stormwater Drainage	Pipes, Retention	30	15	6	2,065		80%	20%		0%
	sub total	30	15	6	2,065	0.0%	80.0%	20.0%	0.0%	0.0%
Open Space/ Recreational	Swimming Pools	25	30	14	-		60%	40%		
	sub total	25	30	14	-	0.0%	0.0%	0.0%	0.0%	0.0%
	TOTAL - ALL ASSETS	7,904	2,501	2,503	121,711	4.6%	36.9%	21.4%	13.7%	23.4%

Notes:

- (1). Satisfactory is defined as "satisfying expectations or needs, leaving no room for complaint, causing satisfaction, adequate".
The estimated cost to bring assets to a satisfactory standard is the amount of money that is required to be spent on an asset to ensure that it is in a satisfactory standard.
This estimated cost should not include any planned enhancements (ie.to heighten, intensify or improve the facilities).
- (2). Required Annual Maintenance is "what should be spent to maintain assets in a satisfactory standard.
- (3). Actual Maintenance is what has been spent in the current year to maintain the assets.
Actual Maintenance may be higher or lower than the required annual maintenance due to the timing of when the maintenance actually occurs.
- (4). Written Down Value is in accordance with Note 9 of Council's General Purpose Financial Statements

(5). Infrastructure Asset Condition Assessment "Key"

1	Excellent	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Average	Maintenance work required
4	Poor	Renewal required
5	Very Poor	Urgent renewal/upgrading required

6	Condition	Description here...
7	Condition	Description here...
8	Condition	Description here...
9	Condition	Description here...
10	Condition	Description here...

Uralla Shire Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)
for the financial year ended 30 June 2014

\$ '000	Amounts	Indicator	Prior Periods	
	2014	2014	2013	2012
Infrastructure Asset Performance Indicators Consolidated				
1. Building and Infrastructure Renewals Ratio				
Asset Renewals (Building and Infrastructure) ⁽¹⁾	<u>2,698</u>	96.54%	86.99%	89.52%
Depreciation, Amortisation & Impairment	<u>2,795</u>			
2. Infrastructure Backlog Ratio				
Estimated Cost to bring Assets to a Satisfactory Condition	<u>7,904</u>	0.06	0.08	0.05
Total value ⁽²⁾ of Infrastructure, Building, Other Structures & depreciable Land Improvement Assets	<u>121,711</u>			
3. Asset Maintenance Ratio				
Actual Asset Maintenance	<u>2,503</u>	1.00	1.17	1.09
Required Asset Maintenance	<u>2,501</u>			
4. Capital Expenditure Ratio				
Annual Capital Expenditure	<u>3,896</u>	1.18	1.07	0.88
Annual Depreciation	<u>3,309</u>			

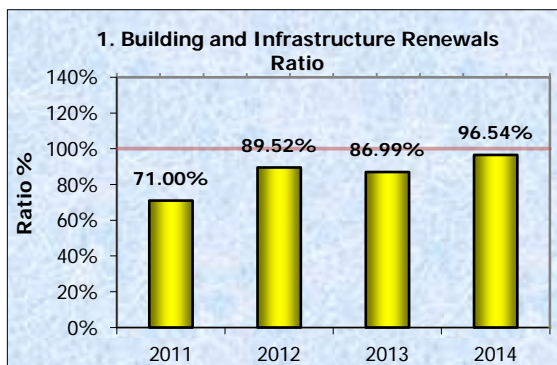
Notes

⁽¹⁾ Asset Renewals represent the replacement &/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.

⁽²⁾ Written down value

Uralla Shire Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued) for the financial year ended 30 June 2014



— Minimum 100.00%

Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

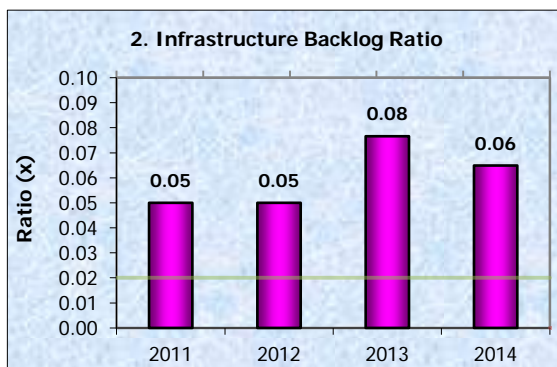
Purpose of Asset Renewals Ratio

To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

Commentary on 2013/14 Result

2013/14 Ratio 96.54%

The benchmark is 100% and this is almost achieved. Council continues to renew its infrastructure at or about 100% of depreciation of those assets; it places greater importance on the maintenance of its infrastructure than renewal. Maintenance is the most prudent and economical means of asset management.



— Maximum .02

Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

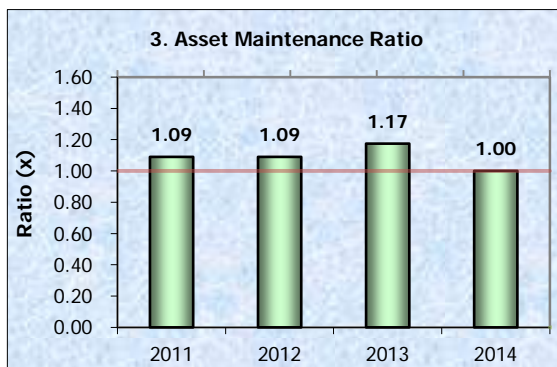
Purpose of Infrastructure Backlog Ratio

This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

Commentary on 2013/14 Result

2013/14 Ratio 0.06 x

The benchmark is less than 0.02. Council believes this benchmark is not achievable or realistic as the annual deterioration of infrastructure is close to 2% of carrying value. The backlog for 2014 includes replacement of Emu Crossing Bridge at \$4,785,000 that will receive confirmed capital funding of \$3,500,000; \$500,000 received in the current year, \$3,000,000 payable in 2014/15.



— Minimum 1.00

Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

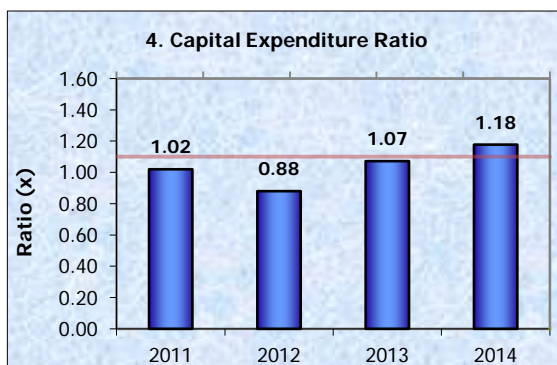
Purpose of Asset Maintenance Ratio

Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the Infrastructure Backlog growing.

Commentary on 2013/14 Result

2013/14 Ratio 1.00 x

A slight reduction in the ratio for 2013/14 but in line with the benchmark of 1.00. The decrease in this ratio can be explained by the increase in the Capital Expenditure Ratio below, resources having been diverted to capital roads projects.



— Minimum 1.10

Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

Purpose of Capital Expenditure Ratio

To assess the extent to which a Council is expanding its asset base thru capital expenditure on both new assets and the replacement and renewal of existing assets.

Commentary on 2013/14 Result

2013/14 Ratio 1.18 x

Council has exceeded the benchmark of 1.10 in the year, in part due to increased capital road projects.

Uralla Shire Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)
for the financial year ended 30 June 2014

\$ '000	Water 2014	Sewer 2014	General ⁽¹⁾ 2014
Infrastructure Asset Performance Indicators By Fund			
1. Building and Infrastructure Renewals Ratio			
<u>Asset Renewals (Building and Infrastructure)⁽¹⁾</u>	0.00%	0.00%	111.96%
Depreciation, Amortisation & Impairment			
prior period:	40.76%	4.15%	97.99%
2. Infrastructure Backlog Ratio			
<u>Estimated Cost to bring Assets to a Satisfactory Condition</u>			
Total value ⁽³⁾ of Infrastructure, Building, Other Structures & Depreciable Land Improvement Assets	0.01	0.02	0.07
prior period:	0.01	0.02	0.09
3. Asset Maintenance Ratio			
<u>Actual Asset Maintenance</u>			
Required Asset Maintenance	0.98	0.99	1.00
prior period:	0.98	1.02	1.19
4. Capital Expenditure Ratio			
<u>Annual Capital Expenditure</u>			
Annual Depreciation	0.00	0.00	1.35
prior period:	0.42	0.04	1.19

Notes

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

⁽²⁾ Asset Renewals represent the replacement &/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.

⁽³⁾ Written down value

Uralla Shire Council

Special Schedule No. 8 - Financial Projections

as at 30 June 2014

\$'000	Actual ⁽¹⁾ 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	Forecast ⁽³⁾ 23/24
(i) OPERATING BUDGET											
Income from continuing operations	18,526	20,388	18,569	18,491	19,052	19,637	20,242	20,883	21,528	22,196	24,500
Expenses from continuing operations	17,919	16,957	17,424	18,017	18,557	19,172	19,753	20,489	21,096	21,800	23,000
Operating Result from Continuing Operations	607	3,431	1,145	474	495	465	489	394	432	396	1,500
(ii) CAPITAL BUDGET											
New Capital Works ⁽²⁾	1,397	4,183	911	1,366	1,309	73	1,554	1,182	1,347	1,651	1,800
Replacement/Refurbishment of Existing Assets	2,698	2,953	3,987	3,035	3,159	4,810	3,101	3,692	3,681	3,352	3,350
Total Capital Budget	4,095	7,136	4,898	4,401	4,468	4,883	4,655	4,874	5,028	5,003	5,150
Funded by:											
– Loans	-	-	-	-	-	-	-	-	-	-	-
– Asset sales	333	422	365	437	436	747	371	563	550	430	500
– Reserves	(14)	(298)	(301)	(311)	(379)	(382)	(400)	(425)	(448)	(475)	(400)
– Grants/Contributions	1,588	3,141	774	151	156	162	168	173	180	186	190
– Recurrent revenue	99	290	371	323	339	303	321	221	252	210	200
– Other	2,089	3,581	3,689	3,801	3,916	4,053	4,195	4,342	4,494	4,652	4,660
	4,095	7,136	4,898	4,401	4,468	4,883	4,655	4,874	5,028	5,003	5,150

Notes:

(1) From 13/14 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.

Uralla Shire Council

Special Schedule No. 9 - Permissible Income Calculation

for the financial year ended 30 June 2015

\$'000		Calculation 2013/14	Calculation 2014/15
Notional General Income Calculation ⁽¹⁾			
Last Year Notional General Income Yield	a	3,313	3,428
Plus or minus Adjustments ⁽²⁾	b		2
Notional General Income	c	<u>3,313</u>	<u>3,430</u>
Permissible Income Calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
or Rate peg percentage	e	3.40%	2.30%
or Crown land adjustment incl. rate peg percentage	f		
less expiring Special variation amount	g		
plus Special variation amount	h = c x d	-	-
or plus Rate peg amount	i = c x e	113	79
or plus Crown land adjustment and rate peg amount	j = c x f	-	-
sub-total	k = (c+g+h+i+j)	<u>3,426</u>	<u>3,509</u>
plus (or minus) last year's Carry Forward Total	l	2	(0)
less Valuation Objections claimed in the previous year	m		(0)
sub-total	n = (l + m)	<u>2</u>	<u>(0)</u>
Total Permissible income	o = k + n	<u>3,427</u>	<u>3,509</u>
less Notional General Income Yield	p	3,428	3,514
Catch-up or (excess) result	q = o - p	<u>(0)</u>	<u>(5)</u>
plus Income lost due to valuation objections claimed ⁽⁴⁾	r	0	
less Unused catch-up ⁽⁵⁾	s		
Carry forward to next year	t = q + r - s	<u>(0)</u>	<u>(5)</u>

Notes

- ¹ The Notional General Income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- ² Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called "supplementary valuations" as defined in the Valuation of Land Act 1916.
- ³ The Special Variation Percentage is inclusive of the Rate Peg percentage and where applicable crown land adjustment.
- ⁴ Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- ⁵ Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.

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URALLA SHIRE COUNCIL INDEPENDENT AUDITORS' REPORT - SPECIAL SCHEDULE No. 9

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 9) of Uralla Shire Council for the year ending 30 June 2015.

Responsibility of Council for Special Schedule No. 9

The Council is responsible for preparation and fair presentation of Special No. 9 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 22. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant preparation and fair presentation of Special Schedule No. 9 that is free from material mistreatment, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibilities

Our responsibility is to express an opinion on Special Schedule No. 9 based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Audit Standard require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether Special Schedule No. 9 and is free from material misstatement.

An audit involves performing procedures to obtain audit evidences about the amounts and disclosures in Special Schedule No. 9. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement on Special Schedule No. 9, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of Special Schedule No. 9.

Because of the inherent limitation of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.

Knowledge with integrity

Liability limited by a scheme approved under the Professional Standards Legislation

ARMIDALE | COONABARABRAN | GUNNEDAH | TAMWORTH

Uralla Shire Council

INDEPENDENT AUDITORS' REPORT - SPECIAL SCHEDULE No. 9

In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule No. 9 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of the expressing an opinion on the effectiveness of the entity's internal control.

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

Independence

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

Audit Opinion

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

Basis of Accounting

Without modifying our opinion, we advise that the Special Schedule No. 9 has been prepared for distribution to the Office of Local Government for the purposes of confirming the Council's reconciliation of Council's total permissible general income is presented fairly. As a result, the Special Schedule No. 9 may not be suitable for another purpose

Forsyths

FORYSTHS BUSINESS SERVICES PTY LTD

P.R. Cornall

**Paul Cornall
Principal**

Dated at Armidale this 31st October 2014