

# Uralla Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

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*“...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 year ended 30 June 2017

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### Overview

- (i) These financial statements are General Purpose Financial Statements and cover the 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 1993* (LGA).

Council's guiding principles are detailed in Chapter 3 of the LGA and includes:

- principles applying to the exercise of functions generally by council,
- principles to be applied when making decisions,
- principles of community participation,
- principles of sound financial management, and
- principles for strategic planning relating to the development of an integrated planning and reporting framework.

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 30 October 2017. Council has the power to amend and reissue these financial statements.
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## Uralla Shire Council

### General Purpose Financial Statements for the year ended 30 June 2017

#### Understanding Council's financial statements

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##### Introduction

Each year, individual local governments across New South Wales are required to present a set of audited financial statements to their council and community.

##### What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2017.

The format of the financial statements is standard across all NSW Councils and complies with both the accounting and 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 and ownership of the financial statements.

##### About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

##### 1. The Income Statement

Summarises Council's financial performance for the year, listing all income and 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 value of Council's Infrastructure, Property, Plant and Equipment.

##### 3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its assets, liabilities and "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 five primary financial statements.

##### About the Auditor's Reports

Council's annual financial statements are required to be audited by the NSW Audit Office. In NSW the auditor provides 2 audit reports:

1. an opinion on whether the financial statements present fairly the Council's financial performance and position, and
2. their observations on the conduct of the audit, including commentary on the Council's financial performance and financial position.

##### Who uses the financial statements?

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

The public can make submissions to Council up to seven 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 year ended 30 June 2017

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

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

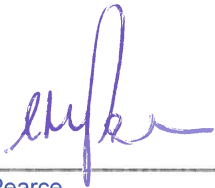
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and professional pronouncements, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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
- 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 24 October 2017.



Cr M Pearce  
Mayor



Cr I Strutt  
Deputy Mayor



Mr Andrew Hopkins  
General manager



Mr Simon Paul  
Responsible accounting officer

## Uralla Shire Council

## Income Statement

for the year ended 30 June 2017

Budget <sup>1</sup> 2017	\$ '000	Notes	Actual 2017	Actual 2016
<b>Income from continuing operations</b>				
<b>Revenue:</b>				
6,077	Rates and annual charges	3a	5,938	5,638
4,946	User charges and fees	3b	4,890	5,074
291	Interest and investment revenue	3c	337	522
615	Other revenues	3d	756	523
7,947	Grants and contributions provided for operating purposes	3e,f	8,808	7,585
72	Grants and contributions provided for capital purposes	3e,f	16	1,848
<b>Other income:</b>				
–	Net share of interests in joint ventures and associates using the equity method	19	–	–
<b>19,948</b>	<b>Total income from continuing operations</b>		<b>20,745</b>	<b>21,190</b>
<b>Expenses from continuing operations</b>				
10,202	Employee benefits and on-costs	4a	8,975	8,632
152	Borrowing costs	4b	190	182
3,695	Materials and contracts	4c	3,699	5,200
3,588	Depreciation and amortisation	4d	3,958	3,945
–	Impairment	4d	–	–
1,558	Other expenses	4e	1,508	1,664
–	Net losses from the disposal of assets	5	518	413
<b>19,195</b>	<b>Total expenses from continuing operations</b>		<b>18,848</b>	<b>20,036</b>
<b>753</b>	<b>Operating result from continuing operations</b>		<b>1,897</b>	<b>1,154</b>
<b>Discontinued operations</b>				
–	Net profit/(loss) from discontinued operations	24	–	–
<b>753</b>	<b>Net operating result for the year</b>		<b>1,897</b>	<b>1,154</b>
753	Net operating result attributable to Council		1,897	1,154
–	Net operating result attributable to non-controlling interests		–	–
<b>681</b>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>1,881</b>	<b>(694)</b>

<sup>1</sup> Original budget as approved by Council – refer Note 16

## Uralla Shire Council

## Statement of Comprehensive Income

for the year ended 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
<b>Net operating result for the year</b> (as per Income Statement)		<b>1,897</b>	<b>1,154</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	2,306	3,821
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>2,306</b>	<b>3,821</b>
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
<b>Total other comprehensive income for the year</b>		<b>2,306</b>	<b>3,821</b>
<b>Total comprehensive income for the year</b>		<b>4,203</b>	<b>4,975</b>
<b>Total comprehensive income attributable to Council</b>		<b>4,203</b>	<b>4,975</b>
<b>Total comprehensive income attributable to non-controlling interests</b>		<b>–</b>	<b>–</b>

## Uralla Shire Council

## Statement of Financial Position

as at 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	4,782	3,200
Investments	6b	9,650	7,150
Receivables	7	936	1,389
Inventories	8	178	175
Other	8	75	52
<b>Total current assets</b>		<b>15,621</b>	<b>11,966</b>
<b>Non-current assets</b>			
Investments	6b	–	–
Receivables	7	–	–
Inventories	8	–	–
Infrastructure, property, plant and equipment	9	232,423	231,517
Investments accounted for using the equity method	19	–	–
Investment property	14	–	–
Intangible assets	25	–	–
<b>Total non-current assets</b>		<b>232,423</b>	<b>231,517</b>
<b>TOTAL ASSETS</b>		<b>248,044</b>	<b>243,483</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	3,515	3,400
Income received in advance	10	393	3
Borrowings	10	213	202
Provisions	10	2,386	2,303
<b>Total current liabilities</b>		<b>6,507</b>	<b>5,908</b>
<b>Non-current liabilities</b>			
Payables	10	–	–
Income received in advance	10	–	–
Borrowings	10	2,633	2,845
Provisions	10	914	943
<b>Total non-current liabilities</b>		<b>3,547</b>	<b>3,788</b>
<b>TOTAL LIABILITIES</b>		<b>10,054</b>	<b>9,696</b>
<b>Net assets</b>		<b>237,990</b>	<b>233,787</b>
<b>EQUITY</b>			
Retained earnings	20	71,065	69,168
Revaluation reserves	20	166,925	164,619
Other reserves	20	–	–
<b>Council equity interest</b>		<b>237,990</b>	<b>233,787</b>
<b>Non-controlling equity interests</b>		<b>–</b>	<b>–</b>
<b>Total equity</b>		<b>237,990</b>	<b>233,787</b>

This statement should be read in conjunction with the accompanying notes.

## Uralla Shire Council

Statement of Changes in Equity  
for the year ended 30 June 2017

\$ '000	Notes	2017					2016						
		Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity	Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity
<b>Opening balance</b> (as per last year's audited accounts)		69,168	164,619	–	<b>233,787</b>	–	<b>233,787</b>	68,014	160,798	–	<b>228,812</b>	–	<b>228,812</b>
a. Correction of prior period errors	20 (c)	–	–	–	–	–	–	–	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–	–	–	–	–	–	–	–
<b>Revised opening balance</b>		<b>69,168</b>	<b>164,619</b>	<b>–</b>	<b>233,787</b>	<b>–</b>	<b>233,787</b>	<b>68,014</b>	<b>160,798</b>	<b>–</b>	<b>228,812</b>	<b>–</b>	<b>228,812</b>
<b>c. Net operating result for the year</b>		<b>1,897</b>	–	–	<b>1,897</b>	–	<b>1,897</b>	1,154	–	–	<b>1,154</b>	–	<b>1,154</b>
d. Other comprehensive income		–	–	–	–	–	–	–	–	–	–	–	–
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	2,306	–	<b>2,306</b>	–	<b>2,306</b>	–	3,821	–	<b>3,821</b>	–	<b>3,821</b>
<b>Other comprehensive income</b>		<b>–</b>	<b>2,306</b>	<b>–</b>	<b>2,306</b>	<b>–</b>	<b>2,306</b>	<b>–</b>	<b>3,821</b>	<b>–</b>	<b>3,821</b>	<b>–</b>	<b>3,821</b>
<b>Total comprehensive income (c&amp;d)</b>		<b>1,897</b>	<b>2,306</b>	<b>–</b>	<b>4,203</b>	<b>–</b>	<b>4,203</b>	<b>1,154</b>	<b>3,821</b>	<b>–</b>	<b>4,975</b>	<b>–</b>	<b>4,975</b>
e. Distributions to/(contributions from) non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	–
f. Transfers between equity		–	–	–	–	–	–	–	–	–	–	–	–
<b>Equity – balance at end of the reporting period</b>		<b>71,065</b>	<b>166,925</b>	<b>–</b>	<b>237,990</b>	<b>–</b>	<b>237,990</b>	<b>69,168</b>	<b>164,619</b>	<b>–</b>	<b>233,787</b>	<b>–</b>	<b>233,787</b>



## Uralla Shire Council

## Statement of Cash Flows

for the year ended 30 June 2017

Budget 2017	\$ '000	Notes	Actual 2017	Actual 2016
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
6,077	Rates and annual charges		5,897	5,659
4,946	User charges and fees		5,274	5,064
291	Investment and interest revenue received		277	500
8,019	Grants and contributions		8,815	9,416
615	Other		1,544	1,380
<b>Payments:</b>				
(10,202)	Employee benefits and on-costs		(8,919)	(8,954)
(3,695)	Materials and contracts		(4,261)	(6,354)
(152)	Borrowing costs		(156)	(166)
(1,558)	Other		(1,559)	(1,407)
<b>4,341</b>	<b>Net cash provided (or used in) operating activities</b>	11b	<b>6,912</b>	<b>5,138</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
800	Sale of investment securities		15,800	13,905
60	Sale of infrastructure, property, plant and equipment		185	38
<b>Payments:</b>				
–	Purchase of investment securities		(18,294)	(18,650)
(4,703)	Purchase of infrastructure, property, plant and equipment		(3,261)	(3,985)
<b>(3,843)</b>	<b>Net cash provided (or used in) investing activities</b>		<b>(5,570)</b>	<b>(8,692)</b>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
350	Proceeds from borrowings and advances		–	–
–	Proceeds from retirement home contributions		1,777	593
<b>Payments:</b>				
(202)	Repayment of borrowings and advances		(201)	(192)
–	Repayment of retirement home contributions		(1,336)	(822)
(350)	Other financing activity payments		–	–
<b>(202)</b>	<b>Net cash flow provided (used in) financing activities</b>		<b>240</b>	<b>(421)</b>
<b>296</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,582</b>	<b>(3,975)</b>
5,867	Plus: cash and cash equivalents – beginning of year	11a	3,200	7,175
<b>6,163</b>	<b>Cash and cash equivalents – end of the year</b>	11a	<b>4,782</b>	<b>3,200</b>
Additional Information:				
	plus: Investments on hand – end of year	6b	9,650	7,150
<b>Total cash, cash equivalents and investments</b>			<b>14,432</b>	<b>10,350</b>

Please refer to Note 11 for additional cash flow information

## Uralla Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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n/a – not applicable

## Uralla Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies

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

##### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the Local Government Act 1993 (NSW) and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting. Council is a not for-profit entity for the purpose of preparing these financial statements.

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

AASB 124 Related Party Disclosures was adopted during the year, the impact of this standard had no impact on reporting financial position or performance, however note 28 has been added.

##### (ii) Early adoption of standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2016.

##### (iii) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities and certain classes of property, plant and equipment and investment property.

##### (iv) Significant accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Council's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the 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 include:

- (i) Estimated fair values of infrastructure, property, plant and equipment,
- (ii) Estimated tip remediation provisions.

##### **Significant judgements in applying the 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.

##### (b) Revenue recognition

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

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

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

##### (i) Rates, annual charges, grants and contributions

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenue when the Council obtains control over the assets comprising these receipts. Developer contributions may only be expended for the purposes for which the contributions were required, but the

## Uralla Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

Council may apply contributions according to the priorities established in work schedules.

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

Control over granted assets/contributed 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.

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 un-discharged at reporting date, the unused grant or contribution is disclosed in Note 3(g). The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

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

#### (ii) User charges and fees

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

#### (iii) 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.

#### (iv) Interest

Interest income is recognised using the effective interest rate at the date that interest is earned.

#### (v) Rent

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

#### (vi) Dividend income

Revenue is recognised when the Council's right to receive the payment is established, which is generally when shareholders approve the dividend.

#### (vii) 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

##### (i) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the Local Government Act 1993 (NSW), 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.

Cash and other assets of the following entities have been included as part of the Consolidated Fund:

- (a) *Uralla Shire Council General Purpose Operations.*
- (b) *Uralla Shire Council Water Fund.*
- (c) *Uralla Shire Council 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 (NSW) (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 reports.

Trust monies and property held by Council but not subject to the control of Council have been excluded from these reports. 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) County Councils

Council is not a member of any county councils.

## Uralla Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

##### (iv) Interests in other entities

###### Subsidiaries

Council has no interest in any subsidiaries.

##### (d) Leases

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

Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that Council will obtain ownership at the end of the lease term.

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

Lease income from operating leases where Council is a lessor is recognised as income on a straight-line basis over the lease term.

##### (e) Impairment of assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

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

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

##### (f) Cash and cash equivalents

For Statement of Cash Flow 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 Statement of Financial Position.

##### (g) Inventories

###### (i) Raw materials and stores, work in progress and finished goods

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

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

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

## Uralla Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

##### (ii) Inventory held for distribution

Inventory held for distribution is held at cost, adjusted where applicable for any loss of service potential.

##### (iii) Land held for resale/capitalisation of borrowing costs

Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

##### (h) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets arising from employee benefits; financial assets and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

##### (i) Investments and other financial assets

###### Classification

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

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

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

###### (ii) Loans and receivables

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

Loans and receivables are included in other receivables (note 8) and receivables (note 7) in the Statement of Financial Position.

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

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

## Uralla Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

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

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, that 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. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

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

##### **Recognition and de-recognition**

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

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

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

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

##### Subsequent measurement

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

Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

##### Impairment

Council assesses at the end of each reporting period 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 investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

##### (i) Assets carried at amortised cost

For loans and receivables the amount of the loss is measured as the difference between the asset's carrying amount and the present value of 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 Council may measure impairment on the basis of an instrument's fair value using an observable market price.

Collectability of receivables is reviewed on an on-going basis. Debts that are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is

## Uralla Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

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

#### Investment Policy

Council has an approved investment policy complying with Section 625 of the Local Government Act 1993 (NSW) and Clause 212 of the Local Government (General) Regulation 2005 (NSW).

Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order. Council maintains an investment policy that complies with the Act and ensures that it, or its representatives, exercise the 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 (the Order) arising from the Cole Inquiry recommendations.

#### (j) Fair value estimation – financial instruments

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 reporting date.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Council uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

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

#### (k) Infrastructure, property, plant and equipment (IPPE)

Council's assets have been progressively revalued to fair value in accordance with a staged implementation advised by the Office of Local Government. At reporting date, the following classes of IPPE were stated at their fair value:

##### Externally valued:

- Operational land
- Community land
- Land improvements
- Buildings – specialised/non-specialised
- Other structures
- Water and sewerage networks
- Other open space/recreational assets
- Other infrastructure
- Other assets

##### Internally valued:

- Roads assets including roads, bridges and footpaths
- Bulk earthworks
- Stormwater drainage
- Swimming pools

##### As approximated by depreciated historical cost:

- Plant and equipment



## Uralla Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

Non-specialised assets with short useful lives are measured at depreciated historical cost as an approximation of fair value. Council has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

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 asset classes, 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 revalue the asset to that amount. Full revaluations are undertaken for all assets on a five-year cycle.

Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss.

Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

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

#### Depreciation

Land is not depreciated.

Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

<b>Plant and Equipment</b>	
- 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

<b>Other Equipment</b>	
- Playground equipment	5 to 15 years
- Benches, seats etc	10 to 20 years

<b>Buildings</b>	
- Buildings: Masonry	50 to 100 years
- Buildings: Other	20 to 40 years

<b>Stormwater Drainage</b>	
- Drains	75 to 125 years
- Culverts	75 to 125 years

<b>Transportation Assets</b>	
- Sealed Roads: Surface	15 to 20 years
- Sealed Roads: Structure	60 to 100 years
- Unsealed Roads - Formation	20 to 30 years
- Bridge: Concrete	100 years
- Bridge: Other	80 years
- Concrete Road Pavements	60 years
- Kerb, Gutter and Paths	40 years

<b>Water and Sewer Assets</b>	
- 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

<b>Other Infrastructure Assets</b>	
- Bulk earthworks	Infinite

- Other Open Space/ Recreational Assets	10 to 100 years
--------------------------------------------	-----------------

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

## Uralla Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

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

#### **(l) Payables**

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

#### **(m) Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

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

#### **(n) 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. Other borrowing costs are expensed.

#### **(o) Provisions**

Provisions are recognised when Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

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.

#### **(p) Employee benefits**

##### **(i) Short-term obligations**

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

The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

## Uralla Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

##### (ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the Statement of Financial Position if the Council does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

##### (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 Statement of Financial Position, 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 that 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 accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable.

##### (q) Land under roads

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

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

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

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

##### (r) Self-insurance

Council does not self-insure.

##### (s) Intangible assets

Council has not classified any assets as intangible.

##### (t) Crown reserves

Crown Reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

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

## Uralla Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

##### **(u) Rural fire service assets**

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

Until such time as discussions on this matter have concluded and the legislation changed, Council will recognise rural fire service assets including land, buildings, plant and vehicles.

##### **(v) Goods and Services Tax (GST)**

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

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

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

##### **(w) New accounting standards and interpretations issued not yet effective**

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period and which have not been applied.

Council does not consider that these standards are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

##### **(x) Rounding of amounts**

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

##### **(y) 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.

##### **(z) 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 year ended 30 June 2017

## 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
	2017	2017	2016	2017	2017	2016	2017	2017	2016	2017	2016	2017	2016
Governance	13	24	13	782	800	886	(769)	(776)	(873)	0	–	728	771
Administration	322	361	330	748	316	662	(426)	45	(332)	–	–	6,515	4,577
Public order and safety	23	48	66	273	316	429	(250)	(268)	(363)	–	23	–	–
Health	20	17	14	128	79	108	(108)	(62)	(94)	–	–	–	–
Environment	1,770	1,799	1,618	1,912	1,898	1,820	(142)	(99)	(202)	13	106	125	1,522
Community services and education	7,056	6,660	6,723	6,804	6,242	6,384	252	418	339	–	–	10,212	9,731
Housing and community amenities	227	176	216	598	528	554	(371)	(352)	(338)	23	–	4,270	2,944
Water supplies	1,007	1,008	1,077	845	999	930	162	9	147	16	18	20,477	20,767
Sewerage services	650	654	638	606	705	590	44	(51)	48	12	14	10,871	8,311
Recreation and culture	118	139	212	856	871	1,040	(738)	(732)	(828)	41	134	6,667	6,617
Mining, manufacturing and construction	–	–	–	107	39	8	(107)	(39)	(8)	–	–	4	5
Transport and communication	2,539	2,264	4,028	4,927	5,596	6,227	(2,388)	(3,332)	(2,199)	1,134	2,887	185,813	185,876
Economic affairs	190	253	31	609	459	398	(419)	(206)	(367)	–	–	2,362	2,362
<b>Total functions and activities</b>	<b>13,935</b>	<b>13,403</b>	<b>14,966</b>	<b>19,195</b>	<b>18,848</b>	<b>20,036</b>	<b>(5,260)</b>	<b>(5,445)</b>	<b>(5,070)</b>	<b>1,239</b>	<b>3,182</b>	<b>248,044</b>	<b>243,483</b>
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	–	–	–	–	–	–	–	–	–
General purpose income <sup>1</sup>	6,013	7,342	6,224	–	–	–	6,013	7,342	6,224	3,581	2,369	–	–
<b>Operating result from continuing operations</b>	<b>19,948</b>	<b>20,745</b>	<b>21,190</b>	<b>19,195</b>	<b>18,848</b>	<b>20,036</b>	<b>753</b>	<b>1,897</b>	<b>1,154</b>	<b>4,820</b>	<b>5,551</b>	<b>248,044</b>	<b>243,483</b>

1. Includes: rates and annual charges (incl. ex-gratia), untied general purpose grants and unrestricted interest and investment income.

## Uralla Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### 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**

Includes costs relating to 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, public disclosure (e.g. GIPA), and legislative compliance.

##### **ADMINISTRATION**

Includes corporate support and other support services, engineering works, and any Council policy compliance.

##### **PUBLIC ORDER AND SAFETY**

Includes Council's fire and emergency services levy, fire protection, emergency services, beach control, enforcement of regulations and animal control.

##### **HEALTH**

Includes immunisation, food control, health centres etc.

##### **ENVIRONMENT**

Includes noxious plants and insect/vermin control; other environmental protection; solid waste management, including domestic waste; other waste management; other sanitation; and garbage, street cleaning, drainage and stormwater management.

##### **COMMUNITY SERVICES AND EDUCATION**

Includes administration and education; social protection (welfare); migrant, Aboriginal and other community services and administration (excluding accommodation – as it is covered under 'housing and community amenities'); youth services; aged and disabled persons services; children's services, including family day care; child care; and other family and children services.

##### **HOUSING AND COMMUNITY AMENITIES**

Includes public cemeteries; public conveniences; street lighting; town planning; other community amenities, including housing development and accommodation for families and children, aged persons, disabled persons, migrants and Indigenous persons.

##### **WATER SUPPLIES**

##### **SEWERAGE SERVICES**

##### **RECREATION AND CULTURE**

Includes public libraries; museums; art galleries; community centres and halls, including public halls and performing arts venues; sporting grounds and venues; swimming pools; parks; gardens; lakes; and other sporting, recreational and cultural services.

##### **MINING, MANUFACTURING AND CONSTRUCTION**

Includes building control, quarries and pits, mineral resources, and abattoirs.

##### **TRANSPORT AND COMMUNICATION**

Urban local, urban regional, includes sealed and unsealed roads, bridges, footpaths, parking areas, and aerodromes.

##### **ECONOMIC AFFAIRS**

Includes camping areas and caravan parks; tourism and area promotion; industrial development promotion; sale yards and markets; real estate development; commercial nurseries; and other business undertakings.

## Uralla Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 3. Income from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Rates and annual charges</b>			
<b>Ordinary rates</b>			
Residential		1,474	1,367
Farmland		1,970	1,973
Business		107	101
<b>Total ordinary rates</b>		<b>3,551</b>	<b>3,441</b>
<b>Special rates</b>			
Nil			
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		505	406
Stormwater management services		29	29
Water supply services		390	410
Sewerage services		584	567
Waste management services (non-domestic)		41	67
Environmental		838	718
<b>Total annual charges</b>		<b>2,387</b>	<b>2,197</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>5,938</b>	<b>5,638</b>

Council has used 2015 year valuations provided by the NSW Valuer General in calculating its rates.

## Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
<b>(b) User charges and fees</b>			
<b>Specific user charges</b> (per s.502 – specific 'actual use' charges)			
Water supply services		534	586
Sewerage services		6	6
Waste management services (non-domestic)		170	140
<b>Total user charges</b>		<b>710</b>	<b>732</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Inspection services		22	20
Private works – section 67		176	114
Registration fees		8	6
Section 149 certificates (EPA Act)		22	20
Section 603 certificates		11	11
Town planning		81	86
<b>Total fees and charges – statutory/regulatory</b>		<b>320</b>	<b>257</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Aged care		726	735
Bundarra neighbour aid		4	67
Caravan park		14	9
Cemeteries		21	38
Community centres		16	1
Kamillaroi aged and disability services – contract service fees		387	1,035
Lease rentals		5	–
Scrap metal sales		31	7
Sundry sales		72	12
Swimming centres		20	17
Tablelands community transport		20	15
Tablelands community support options – client contributions		597	205
Tablelands community support options – contract service fees		1,877	1,872
Waste disposal tipping fees		62	48
Water and sewer connection fees		8	15
Other		–	9
<b>Total fees and charges – other</b>		<b>3,860</b>	<b>4,085</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>4,890</b>	<b>5,074</b>



## Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
<b>(c) Interest and investment revenue (including losses)</b>			
<b>Interest</b>			
– Interest on overdue rates and annual charges (incl. special purpose rates)		27	27
– Interest earned on investments (interest and coupon payment income)		304	290
<b>Impairment (losses)/reversals</b>			
– Investments other than available for sale		6	205
<b><u>TOTAL INTEREST AND INVESTMENT REVENUE</u></b>		<b><u>337</u></b>	<b><u>522</u></b>
<b>Interest revenue is attributable to:</b>			
<b>Unrestricted investments/financial assets:</b>			
Overdue rates and annual charges (general fund)		16	27
General Council cash and investments		194	387
<b>Restricted investments/funds – external:</b>			
Development contributions			
– Section 94		14	13
Water fund operations		64	50
Sewerage fund operations		49	45
<b><u>Total interest and investment revenue recognised</u></b>		<b><u>337</u></b>	<b><u>522</u></b>
<b>(d) Other revenues</b>			
Rental income – other council properties		143	109
Fines		3	3
Legal fees recovery – rates and charges (extra charges)		2	21
Commissions and agency fees		6	11
Diesel rebate		87	87
Donations received		25	2
Insurance claim recoveries		73	35
Other reimbursements		88	30
Other sundry income		36	65
Recycling income (non-domestic)		82	92
Sales – general		34	41
Staff FBT contributions		25	27
Prior year creditor reversal		82	–
Prior year purchases adjustment		70	–
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>756</u></b>	<b><u>523</u></b>

## Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
Financial assistance – general component	2,602	1,398	–	–
Financial assistance – local roads component	906	905	–	–
Pensioners' rates subsidies – general component	73	66	–	–
<b>Total general purpose</b>	<b>3,581</b>	<b>2,369</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Water	16	17	–	–
– Sewerage	12	14	–	–
– Domestic waste management	13	15	–	–
Animal control	–	23	–	–
Employment and training programs	3	–	–	–
Environmental protection	–	6	–	–
Heritage and cultural	9	4	–	–
Landfill management	–	–	–	85
Library	41	30	–	–
Recreation and culture	–	–	–	100
Street lighting	14	13	–	–
Transport (roads to recovery)	1,115	1,228	–	–
Transport (other roads and bridges funding)	–	–	16	1,646
Youth service	–	1	–	–
<b>Total specific purpose</b>	<b>1,223</b>	<b>1,351</b>	<b>16</b>	<b>1,831</b>
<b>Total grants</b>	<b>4,804</b>	<b>3,720</b>	<b>16</b>	<b>1,831</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	4,624	3,532	–	217
– State funding	180	188	16	1,614
	<b>4,804</b>	<b>3,720</b>	<b>16</b>	<b>1,831</b>

## Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
<b>(f) Contributions</b>				
<b>Developer contributions:</b>				
<b>(s93 &amp; s94 – EP&amp;A Act, s64 of the LGA):</b>				
S 94 – contributions towards amenities/services	7	30	–	–
<b>Total developer contributions</b>	<b>7</b>	<b>30</b>	<b>–</b>	<b>–</b>
<b>Other contributions:</b>				
Kerb and gutter	–	–	–	17
McMaugh gardens aged care – subsidies	2,284	2,147	–	–
RMS contributions (regional roads, block grant)	1,126	1,132	–	–
Tablelands community transport – subsidies	587	556	–	–
<b>Total other contributions</b>	<b>3,997</b>	<b>3,835</b>	<b>–</b>	<b>17</b>
<b>Total contributions</b>	<b>4,004</b>	<b>3,865</b>	<b>–</b>	<b>17</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>	<b>8,808</b>	<b>7,585</b>	<b>16</b>	<b>1,848</b>

\$ '000	Actual 2017	Actual 2016
<b>(g) Unspent grants and contributions</b>		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
Unexpended at the close of the previous reporting period	1,566	1,016
<b>Add:</b> grants and contributions recognised in the current period but not yet spent:	851	974
<b>Less:</b> grants and contributions recognised in a previous reporting period now spent:	(27)	(424)
<b>Net increase (decrease) in restricted assets during the period</b>	<b>824</b>	<b>550</b>
<b>Unexpended and held as restricted assets</b>	<b>2,390</b>	<b>1,566</b>
<b>Comprising:</b>		
– Specific purpose unexpended grants	1,878	1,075
– Developer contributions	512	491
	<b>2,390</b>	<b>1,566</b>

## Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Employee benefits and on-costs</b>			
Salaries and wages		7,224	7,435
Travel expenses		95	42
Employee leave entitlements (ELE)		1,171	1,113
Superannuation – defined contribution plans		797	710
Superannuation – defined benefit plans		77	212
Workers' compensation insurance		276	396
Fringe benefit tax (FBT)		48	25
Training costs (other than salaries and wages)		38	84
Other		44	25
<b>Total employee costs</b>		<b>9,770</b>	<b>10,042</b>
Less: capitalised costs		(795)	(1,410)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>8,975</b>	<b>8,632</b>
Number of 'full-time equivalent' employees (FTE) at year end		<b>109</b>	<b>132</b>
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)		<b>115</b>	–
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on loans		165	158
<b>Total interest bearing liability costs expensed</b>		<b>165</b>	<b>158</b>
<b>(ii) Other borrowing costs</b>			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	26	25	24
<b>Total other borrowing costs</b>		<b>25</b>	<b>24</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>190</b>	<b>182</b>

## Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
<b>(c) Materials and contracts</b>			
Raw materials and consumables		5,486	5,306
Contractor and consultancy costs		1,903	3,846
Auditors remuneration <sup>(1)</sup>		47	44
Legal expenses:			
– Legal expenses: debt recovery		9	20
– Legal expenses: other		34	58
Operating leases:			
– Operating lease rentals: minimum lease payments <sup>(2)</sup>		53	–
<b>Total materials and contracts</b>		<b>7,532</b>	<b>9,274</b>
Less: capitalised costs		(3,833)	(4,074)
<b>TOTAL MATERIALS AND CONTRACTS</b>		<b>3,699</b>	<b>5,200</b>
<b>1. Auditor remuneration</b>			
a. During the year, the following fees were incurred for services provided by the Auditor-General:			
<b>(i) Audit and other assurance services</b>			
– Audit and review of financial statements: Auditor-General		38	–
<b>Remuneration for audit and other assurance services</b>		<b>38</b>	<b>–</b>
<b>Total Auditor-General remuneration</b>		<b>38</b>	<b>–</b>
b. During the year, the following fees were incurred for services provided by the other Council's Auditors:			
<b>(i) Audit and other assurance services</b>			
– Audit and review of financial statements: Council's Auditor		9	42
<b>Remuneration for audit and other assurance services</b>		<b>9</b>	<b>42</b>
<b>(ii) Other non-assurance services</b>			
– Other services		–	2
<b>Remuneration for other services</b>		<b>–</b>	<b>2</b>
<b>Total remuneration of other Council's Auditors</b>		<b>9</b>	<b>44</b>
<b>Total Auditor remuneration</b>		<b>47</b>	<b>44</b>
<b>2. Operating lease payments are attributable to:</b>			
Other		53	–
		<b>53</b>	<b>–</b>

## Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
<b>(d) Depreciation, amortisation and impairment</b>			
Plant and equipment		532	502
Office equipment		91	80
Furniture and fittings		76	53
Infrastructure:			
– Buildings – non-specialised		370	469
– Other structures		29	65
– Sealed roads structure		1,376	1,349
– Unsealed roads		550	555
– Bridges		323	325
– Footpaths		43	41
– Stormwater drainage		23	23
– Water supply network		246	242
– Sewerage network		203	198
– Swimming pools		14	–
– Other open space/recreational assets		39	–
Other assets			
– Other		4	4
Asset reinstatement costs	9 & 26	39	39
<b>Total gross depreciation and amortisation costs</b>		<b>3,958</b>	<b>3,945</b>
Less: capitalised costs		–	–
<b>Total depreciation and amortisation costs</b>		<b>3,958</b>	<b>3,945</b>
<b>Impairment</b>			
Nil			
<b><u>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</u></b>		<b><u>3,958</u></b>	<b><u>3,945</u></b>

## Uralla Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
<b>(e) Other expenses</b>			
Advertising		29	36
Bad and doubtful debts		59	8
Bank charges		24	24
Computer software charges		5	–
Councillor expenses – mayoral fee		19	20
Councillor expenses – councillors' fees		89	103
Councillors' expenses (incl. mayor) – other (excluding fees above)		10	15
Donations, contributions and assistance to other organisations (Section 356)		344	465
Electricity and heating		180	180
Insurance		311	310
Internet and other communication		25	31
Licences		46	26
Motor vehicle registration fees		14	73
Other fees and charges		5	2
Postage		32	23
Printing and stationery		57	75
Street lighting		47	51
Subscriptions and publications		79	79
Telephone and communications		128	125
Sundry expenses		3	5
Volunteer reimbursements		2	13
<b><u>TOTAL OTHER EXPENSES</u></b>		<b><u>1,508</u></b>	<b><u>1,664</u></b>

## Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 2017	Actual 2016
<b>Property</b> (excl. investment property)			
Proceeds from disposal – property		7	–
Less: carrying amount of property assets sold/written off		(5)	–
<b>Net gain/(loss) on disposal</b>		<b>2</b>	<b>–</b>
<b>Plant and equipment</b>			
Proceeds from disposal – plant and equipment		178	38
Less: carrying amount of plant and equipment assets sold/written off		(185)	(38)
<b>Net gain/(loss) on disposal</b>		<b>(7)</b>	<b>–</b>
<b>Infrastructure</b>			
Less: carrying amount of infrastructure assets sold/written off		(513)	(413)
<b>Net gain/(loss) on disposal</b>		<b>(513)</b>	<b>(413)</b>
<b>Financial assets *</b>			
Proceeds from disposal/redemptions/maturities – financial assets		15,800	13,905
Less: carrying amount of financial assets sold/redeemed/matured		(15,800)	(13,905)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b><u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u></b>		<b><u>(518)</u></b>	<b><u>(413)</u></b>



## Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 6a. – Cash assets and Note 6b. – investments

\$ '000	Notes	2017	2017	2016	2016
		Actual Current	Actual Non-current	Actual Current	Actual Non-current
<b>Cash and cash equivalents (Note 6a)</b>					
Cash on hand and at bank		100	–	109	–
Cash-equivalent assets <sup>1</sup>					
– Deposits at call		4,682	–	1,741	–
– Short-term deposits		–	–	1,350	–
<b>Total cash and cash equivalents</b>		<b>4,782</b>	<b>–</b>	<b>3,200</b>	<b>–</b>
<b>Investments (Note 6b)</b>					
– Long term deposits		9,650	–	7,150	–
<b>Total investments</b>		<b>9,650</b>	<b>–</b>	<b>7,150</b>	<b>–</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>		<b>14,432</b>	<b>–</b>	<b>10,350</b>	<b>–</b>

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

**Cash, cash equivalents and investments were classified at year end in accordance with AASB 139 as follows:**

**Cash and cash equivalents**

<b>a. 'At cost'</b>	<b>4,782</b>	<b>–</b>	<b>3,200</b>	<b>–</b>
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**Investments**

<b>b. 'Held to maturity'</b>	<b>9,650</b>	<b>–</b>	<b>7,150</b>	<b>–</b>
<b>Investments</b>	<b>9,650</b>	<b>–</b>	<b>7,150</b>	<b>–</b>

Refer to Note 27. Fair value measurement for information regarding the fair value of investments held.

## Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 6c. Restricted cash, cash equivalents and investments – details

\$ '000	2017	2017	2016	2016
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	14,432	–	10,350	–
<b>attributable to:</b>				
External restrictions (refer below)	9,098	–	7,366	–
Internal restrictions (refer below)	3,165	–	2,338	–
Unrestricted	2,169	–	646	–
	<b>14,432</b>	<b>–</b>	<b>10,350</b>	<b>–</b>
<b>2017</b>	<b>Opening</b>	<b>Transfers to</b>	<b>Transfers from</b>	<b>Closing</b>
<b>\$ '000</b>	<b>balance</b>	<b>restrictions</b>	<b>restrictions</b>	<b>balance</b>
<b>Details of restrictions</b>				
<b>External restrictions – included in liabilities</b>				
Specific purpose unexpended loans – general (A)	619	–	–	619
McMaugh gardens resident bonds	1,651	438	–	2,089
<b>External restrictions – included in liabilities</b>	<b>2,270</b>	<b>438</b>	<b>–</b>	<b>2,708</b>
<b>External restrictions – other</b>				
Developer contributions – general (D)	491	21	–	512
Specific purpose unexpended grants (F)	1,075	803	–	1,878
Water supplies (G)	1,806	364	–	2,170
Sewerage services (G)	1,724	106	–	1,830
<b>External restrictions – other</b>	<b>5,096</b>	<b>1,294</b>	<b>–</b>	<b>6,390</b>
<b>Total external restrictions</b>	<b>7,366</b>	<b>1,732</b>	<b>–</b>	<b>9,098</b>
<b>Internal restrictions</b>				
Plant and vehicle replacement	659	174	–	833
Employees leave entitlement	539	475	–	1,014
Carry over works	636	362	–	998
Community services excess income	304	–	(304)	–
Strategic development	200	120	–	320
<b>Total internal restrictions</b>	<b>2,338</b>	<b>1,131</b>	<b>(304)</b>	<b>3,165</b>
<b>TOTAL RESTRICTIONS</b>	<b>9,704</b>	<b>2,863</b>	<b>(304)</b>	<b>12,263</b>

A Loan moneys which must be applied for the purposes for which the loans were raised.

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

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

G Water, sewerage, domestic waste management (DWM) and other special rates/levies/charges are externally restricted assets and must be applied for the purposes for which they were raised.

## Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 7. Receivables

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
<b>Purpose</b>					
Rates and annual charges		233	–	192	–
Interest and extra charges		36	–	58	–
User charges and fees		380	–	335	–
Private works		52	–	3	–
Accrued revenues					
– Interest on investments		126	–	50	–
– Other income accruals		8	–	553	–
Amounts due from other councils		50	–	101	–
Government grants and subsidies		79	–	70	–
Net GST receivable		25	–	(41)	–
Other debtors		16	–	78	–
<b>Total</b>		<b>1,005</b>	<b>–</b>	<b>1,399</b>	<b>–</b>
<b>Less: provision for impairment</b>					
Other debtors		(69)	–	(10)	–
<b>Total provision for impairment – receivables</b>		<b>(69)</b>	<b>–</b>	<b>(10)</b>	<b>–</b>
<b><u>TOTAL NET RECEIVABLES</u></b>		<b><u>936</u></b>	<b><u>–</u></b>	<b><u>1,389</u></b>	<b><u>–</u></b>
<b>Externally restricted receivables</b>					
<b>Water supply</b>					
– Rates and availability charges		29	–	32	–
– Other		233	–	311	–
<b>Sewerage services</b>					
– Rates and availability charges		39	–	30	–
– Other		5	–	7	–
<b>Other</b>					
– Unexpended grants		58	–	264	–
<b>Total external restrictions</b>		<b>364</b>	<b>–</b>	<b>644</b>	<b>–</b>
<b>Internally restricted receivables</b>					
Nil					
<b>Unrestricted receivables</b>		<b>572</b>	<b>–</b>	<b>745</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>		<b>936</b>	<b>–</b>	<b>1,389</b>	<b>–</b>

**Notes on debtors above:**

- (i) Rates and annual charges outstanding are secured against the property.
- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding.  
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates and charges at 8.00% (2016 8.50%).  
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 year ended 30 June 2017

## Note 8. Inventories and other assets

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
<b>(a) Inventories</b>					
<b>(i) Inventories at cost</b>					
Stores and materials		178	–	175	–
<b>Total inventories at cost</b>		<b>178</b>	<b>–</b>	<b>175</b>	<b>–</b>
<b>(ii) Inventories at net realisable value (NRV)</b>					
Nil					
<b><u>TOTAL INVENTORIES</u></b>		<b><u>178</u></b>	<b><u>–</u></b>	<b><u>175</u></b>	<b><u>–</u></b>
<b>(b) Other assets</b>					
Prepayments		75	–	52	–
<b><u>TOTAL OTHER ASSETS</u></b>		<b><u>75</u></b>	<b><u>–</u></b>	<b><u>52</u></b>	<b><u>–</u></b>

**Externally restricted assets**

There are no restrictions applicable to the above assets.

**Other disclosures****Inventory write downs**

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

Refer to Note 27. Fair value measurement for information regarding the fair value of other assets held.

## Uralla Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 9a. Infrastructure, property, plant and equipment

Asset class	as at 30/6/2016			Asset movements during the reporting period								as at 30/6/2017		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
<b>\$ '000</b>														
Capital work in progress	1,091	–	1,091	326	–	–	–	(1,024)	–	–	–	393	–	393
Plant and equipment	6,912	2,888	4,024	685	93	(181)	(532)	–	–	–	–	7,345	3,256	4,089
Office equipment	554	359	195	–	7	–	(91)	–	–	–	–	561	450	111
Furniture and fittings	1,058	541	517	83	17	(4)	(76)	–	–	–	–	1,153	616	537
<b>Land:</b>														
– Operational land	1,741	–	1,741	–	–	(5)	–	–	–	–	–	1,736	–	1,736
– Community land	3,532	–	3,532	–	–	–	–	–	–	–	–	3,532	–	3,532
Land improvements – non-depreciable	17	–	17	–	–	–	–	–	–	–	–	17	–	17
<b>Infrastructure:</b>														
– Buildings – non-specialised	23,820	6,925	16,895	–	194	–	(370)	12	–	–	–	24,026	7,295	16,731
– Other structures	1,285	741	544	–	23	–	(29)	–	–	–	–	1,308	770	538
– Sealed roads structure	99,814	25,246	74,568	475	23	(432)	(1,376)	561	374	–	–	100,471	26,278	74,193
– Unsealed roads	17,330	11,343	5,987	220	–	(51)	(550)	–	–	–	–	17,423	11,817	5,606
– Bridges	32,208	11,066	21,142	21	–	(22)	(323)	–	–	–	–	31,916	11,098	20,818
– Footpaths	1,732	226	1,506	15	44	–	(43)	–	–	–	–	1,791	269	1,522
– Bulk earthworks (non-depreciable)	75,897	–	75,897	887	–	(8)	–	384	(374)	–	–	76,786	–	76,786
– Stormwater drainage	2,479	542	1,937	–	–	–	(23)	–	–	–	–	2,479	565	1,914
– Water supply network	16,322	1,861	14,461	–	3	–	(246)	1	–	(305)	–	27,543	13,629	13,914
– Sewerage network	7,909	1,708	6,201	38	2	–	(203)	–	–	–	2,611	13,881	5,232	8,649
– Swimming pools	750	566	184	–	–	–	(14)	–	–	–	–	750	580	170
– Other open space/recreational assets	653	300	353	35	37	–	(39)	66	–	–	–	791	339	452
<b>Other assets:</b>														
– Heritage collections	90	–	90	–	–	–	–	–	–	–	–	90	–	90
– Other	51	22	29	–	33	–	(4)	–	–	–	–	84	26	58
<b>Reinstatement, rehabilitation and restoration assets (refer Note 26):</b>														
– Tip assets	787	181	606	–	–	–	(39)	–	–	–	–	787	220	567
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>296,032</b>	<b>64,515</b>	<b>231,517</b>	<b>2,785</b>	<b>476</b>	<b>(703)</b>	<b>(3,958)</b>	<b>–</b>	<b>–</b>	<b>(305)</b>	<b>2,611</b>	<b>314,863</b>	<b>82,440</b>	<b>232,423</b>

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 and equipment.

## Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 9b. Externally restricted infrastructure, property, plant and equipment

\$ '000	Actual 2017			Actual 2016		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
<b>Water supply</b>						
Land						
– Operational land	295	–	<b>295</b>	295	–	<b>295</b>
Buildings	4,395	569	<b>3,826</b>	4,395	538	<b>3,857</b>
Infrastructure	27,544	13,629	<b>13,915</b>	16,323	1,861	<b>14,462</b>
Other assets	7	3	<b>4</b>	7	3	<b>4</b>
<b>Total water supply</b>	<b>32,241</b>	<b>14,201</b>	<b>18,040</b>	<b>21,020</b>	<b>2,402</b>	<b>18,618</b>
<b>Sewerage services</b>						
Land						
– Operational land	195	–	<b>195</b>	195	–	<b>195</b>
– Improvements non-depreciable	6	–	<b>6</b>	6	–	<b>6</b>
Buildings	104	8	<b>96</b>	104	8	<b>96</b>
Other structures	40	26	<b>14</b>	40	25	<b>15</b>
Infrastructure	13,880	5,232	<b>8,648</b>	7,909	1,708	<b>6,201</b>
Other assets	46	9	<b>37</b>	46	9	<b>37</b>
<b>Total sewerage services</b>	<b>14,271</b>	<b>5,275</b>	<b>8,996</b>	<b>8,300</b>	<b>1,750</b>	<b>6,550</b>
<b>Domestic waste management</b>						
Plant and equipment	523	257	<b>266</b>	432	226	<b>206</b>
Office equipment	2	2	<b>–</b>	2	1	<b>1</b>
Land						
– Operational land	203	–	<b>203</b>	203	–	<b>203</b>
Buildings	455	92	<b>363</b>	455	81	<b>374</b>
Other structures	225	176	<b>49</b>	225	170	<b>55</b>
Other assets	26	6	<b>20</b>	26	5	<b>21</b>
<b>Total DWM</b>	<b>1,434</b>	<b>533</b>	<b>901</b>	<b>1,343</b>	<b>483</b>	<b>860</b>
<b>McMaugh Gardens aged care</b>						
– Plant and equipment	42	20	<b>22</b>	42	16	<b>26</b>
– Office equipment	25	21	<b>4</b>	25	18	<b>7</b>
– Furniture and fittings	760	398	<b>362</b>	688	349	<b>339</b>
– Land (Council owned)	133	–	<b>133</b>	133	–	<b>133</b>
– Roads, parking and footpaths	38	6	<b>32</b>	38	5	<b>33</b>
– Buildings	6,036	1,787	<b>4,249</b>	6,008	1,685	<b>4,323</b>
– Other structures	161	54	<b>107</b>	137	46	<b>91</b>
<b>Total other restrictions</b>	<b>7,195</b>	<b>2,286</b>	<b>4,909</b>	<b>7,071</b>	<b>2,119</b>	<b>4,952</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	<b>55,141</b>	<b>22,295</b>	<b>32,846</b>	<b>37,734</b>	<b>6,754</b>	<b>30,980</b>

## Note 9c. Infrastructure, property, plant and 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 year ended 30 June 2017

## Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
<b>Payables</b>					
Goods and services – operating expenditure		334	–	395	–
Accrued expenses:					
– Borrowings		19	–	10	–
– Salaries and wages		229	–	182	–
– Other expenditure accruals		593	–	894	–
ATO – net GST payable		(10)	–	(2)	–
Retirement home contributions		2,350	–	1,921	–
<b>Total payables</b>		<b>3,515</b>	<b>–</b>	<b>3,400</b>	<b>–</b>
<b>Income received in advance</b>					
Payments received in advance		393	–	3	–
<b>Total income received in advance</b>		<b>393</b>	<b>–</b>	<b>3</b>	<b>–</b>
<b>Borrowings</b>					
Loans – secured <sup>1</sup>		213	2,633	202	2,845
<b>Total borrowings</b>		<b>213</b>	<b>2,633</b>	<b>202</b>	<b>2,845</b>
<b>Provisions</b>					
<b>Employee benefits:</b>					
Annual leave		708	–	670	–
Sick leave		74	–	75	–
Long service leave		1,549	32	1,509	86
Other leave		55	–	49	–
Sub-total – aggregate employee benefits		2,386	32	2,303	86
Asset remediation/restoration (future works)	26	–	882	–	857
<b>Total provisions</b>		<b>2,386</b>	<b>914</b>	<b>2,303</b>	<b>943</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>		<b>6,507</b>	<b>3,547</b>	<b>5,908</b>	<b>3,788</b>
<b>(i) Liabilities relating to restricted assets</b>					
		2017		2016	
		Current	Non-current	Current	Non-current
<b>Externally restricted assets</b>					
Other		2,089	–	1,651	–
McMaugh Garden (interest bearing liabilities)		5	54	4	59
Liabilities relating to externally restricted assets		2,094	54	1,655	59
<b>Internally restricted assets</b>					
Nil					
<b>Total liabilities relating to restricted assets</b>		<b>2,094</b>	<b>54</b>	<b>1,655</b>	<b>59</b>
<b>Total liabilities relating to unrestricted assets</b>		<b>4,413</b>	<b>3,493</b>	<b>4,253</b>	<b>3,729</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>		<b>6,507</b>	<b>3,547</b>	<b>5,908</b>	<b>3,788</b>

<sup>1</sup> Loans are secured over the general rating income of Council

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 15.

## Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 10a. Payables, borrowings and provisions (continued)

\$ '000	Actual 2017	Actual 2016
<b>(ii) Current liabilities not anticipated to be settled within the next twelve months</b>		
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	1,443	1,578
Retirement home contributions	1,187	1,183
	<b>2,630</b>	<b>2,761</b>

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

Class of provision	2016		2017			
	Opening balance as at 1/7/16	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	Closing balance as at 30/6/17
Annual leave	670	439	(401)	–	–	708
Sick leave	75	(1)	–	–	–	74
Long service leave	1,595	54	(68)	–	–	1,581
Other leave	49	78	(72)	–	–	55
Asset remediation	857	25	–	–	–	882
<b>TOTAL</b>	<b>3,246</b>	<b>595</b>	<b>(541)</b>	<b>–</b>	<b>–</b>	<b>3,300</b>

- a. Employees leave entitlements and on-costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.
- b. Asset remediation, reinstatement and restoration provisions represent the present value estimate of future costs Council will incur in order to remove, restore and remediate assets and/or activities as a result of past operations.



## Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	4,782	3,200
Less bank overdraft	10	–	–
<b>Balance as per the Statement of Cash Flows</b>		<b>4,782</b>	<b>3,200</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>1,897</b>	<b>1,154</b>
Adjust for non-cash items:			
Depreciation and amortisation		3,958	3,945
Net losses/(gains) on disposal of assets		518	413
Impairment losses/(prior period reversals) – financial investments		(6)	–
Unwinding of discount rates on reinstatement provisions		25	24
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		394	(62)
Increase/(decrease) in provision for doubtful debts		59	8
Decrease/(increase) in inventories		(3)	12
Decrease/(increase) in other assets		(23)	(33)
Increase/(decrease) in payables		(61)	(707)
Increase/(decrease) in accrued interest payable		9	(8)
Increase/(decrease) in other accrued expenses payable		(254)	496
Increase/(decrease) in other liabilities		370	(23)
Increase/(decrease) in employee leave entitlements		29	(81)
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>6,912</b>	<b>5,138</b>

## Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 11. Statement of cash flows – additional information (continued)

\$ '000	Notes	Actual 2017	Actual 2016
<b>(c) Non-cash investing and financing activities</b>			
Nil			
<b>(d) Financing arrangements</b>			
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>			
Bank overdraft facilities <sup>(1)</sup>		100	100
Credit cards/purchase cards		35	30
<b>Total financing arrangements</b>		<b>135</b>	<b>130</b>
<b>Amounts utilised as at balance date:</b>			
– Credit cards/purchase cards		7	13
<b>Total financing arrangements utilised</b>		<b>7</b>	<b>13</b>

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

Interest rates on overdrafts are interest rates on loans and other payables are disclosed in Note 15.

**(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 year ended 30 June 2017

## Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Capital commitments (exclusive of GST)</b>			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
<b>Property, plant and equipment</b>			
Bridges		741	–
Land		30	–
Bundarra Sewer Scheme		182	–
<b>Total commitments</b>		<b>953</b>	<b>–</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		953	–
<b>Total payable</b>		<b>953</b>	<b>–</b>
<b>Sources for funding of capital commitments:</b>			
Unexpended grants		741	–
Externally restricted reserves		212	–
<b>Total sources of funding</b>		<b>953</b>	<b>–</b>

**Details of capital commitments**

Capital commitments relate to the construction of Munsies and Mihi bridges, construction of a new sewer system at Bundarra and the acquisition of land at Bundarra for the existing water treatment works.

**(b) Finance lease commitments**

Nil

**(c) Operating lease commitments (non-cancellable)****a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:**

Within the next year	49	–
Later than one year and not later than 5 years	4	–
Later than 5 years	–	–
<b>Total non-cancellable operating lease commitments</b>	<b>53</b>	<b>–</b>

**b. Non-cancellable operating leases include the following assets:**

The operating lease in place is for business premises in Tamworth. The lease agreement does not impose any financial restrictions on Council regarding future debt.

**Conditions relating to operating leases:**

- All operating lease agreements are secured only against the leased asset.
- No lease agreements impose any financial restrictions on Council regarding future debt etc.

## Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 13a(i). Statement of performance measurement – indicators (consolidated)

\$ '000	Amounts 2017	Indicator 2017	Prior periods		Benchmark
			2016	2015	
<b>Local government industry indicators – consolidated</b>					
<b>1. Operating performance ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<u>2,399</u>	<b>11.57%</b>	-1.45%	-1.94%	>0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<u>20,729</u>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<u>14,792</u>	<b>71.30%</b>	68.24%	62.98%	>60.00%
Total continuing operating revenue <sup>(1)</sup>	<u>20,745</u>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions <sup>(2)</sup>	<u>6,159</u>	<b>2.07x</b>	1.48x	1.58x	>1.5x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<u>2,970</u>				
<b>4. Debt service cover ratio</b>					
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<u>6,547</u>	<b>16.74x</b>	10.28x	14.21x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>391</u>				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<u>269</u>	<b>4.33%</b>	4.20%	4.77%	< 5%
Rates, annual and extra charges collectible	<u>6,217</u>				Metro <10% Rural
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<u>14,432</u>	<b>10.54</b>	6.9 mths	7.3 mths	> 3 mths
Payments from cash flow of operating and financing activities	<u>1,369</u>	<b>mths</b>			

## Notes

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

(2) Refer Notes 6-8 inclusive.

Also excludes any real estate and land for resale not expected to be sold in the next 12 months.

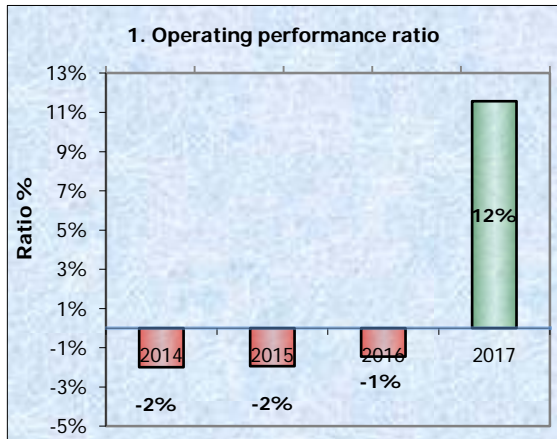
(3) Refer to Note 10(a).

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

# Uralla Shire Council

## Notes to the Financial Statements for the year ended 30 June 2017

### 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 2016/17 result**

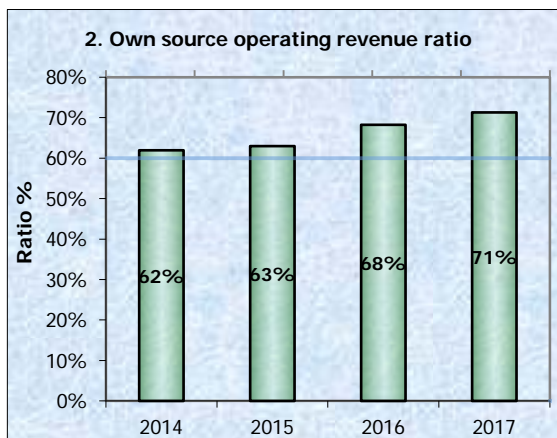
**2016/17 ratio 11.57%**

The improvement in operating performance is a reflection of strong management and restraint in the spending of council resources and also reflects the advance payment of FAGS for 2017-18.

Benchmark: ——— Minimum  $\geq 0.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

 Ratio achieves benchmark  
 Ratio is outside benchmark



**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 and contributions.



**Commentary on 2016/17 result**

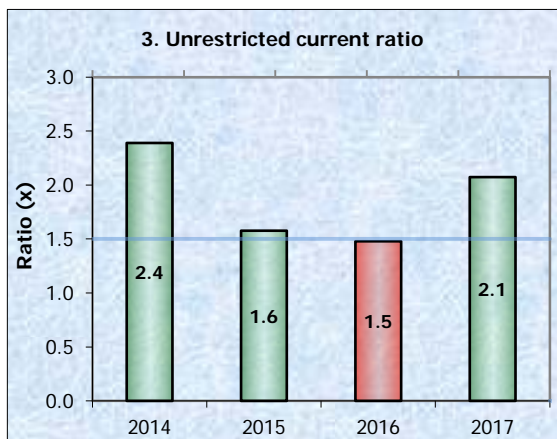
**2016/17 ratio 71.30%**

Council has maintained a ratio above the benchmark for the past five years reflecting less reliance on other government grants for continuing operations.

Benchmark: ——— Minimum  $\geq 60.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

 Ratio achieves benchmark  
 Ratio is outside benchmark



**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 2016/17 result**

**2016/17 ratio 2.07x**

This result reflects Council's ability to pay debts from reserves not restricted for other purposes. Council needs to continue to build these reserves to provide future fiscal flexibility.

Benchmark: ——— Minimum  $\geq 1.50$

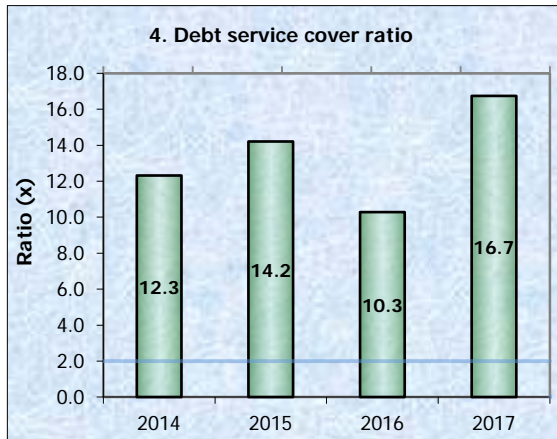
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

 Ratio achieves benchmark  
 Ratio is outside benchmark

# Uralla Shire Council

## Notes to the Financial Statements for the year ended 30 June 2017

### Note 13a(ii). Local government industry indicators – graphs (consolidated)



**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 2016/17 result**

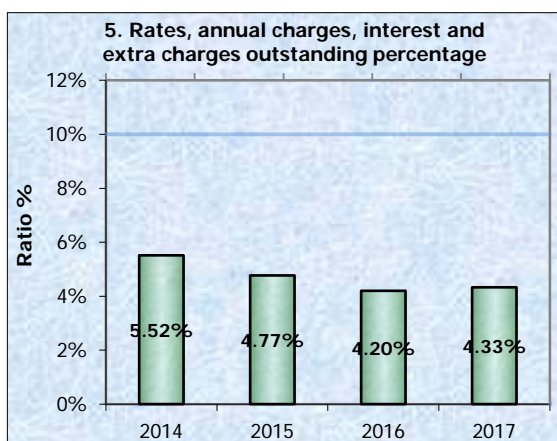
**2016/17 ratio 16.74x**

The high ratios here reflect Council's decision to fund asset replacement, renewal and expansion without the need to borrow for these activities.

Benchmark: Minimum >=2.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of rates and 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 2016/17 result**

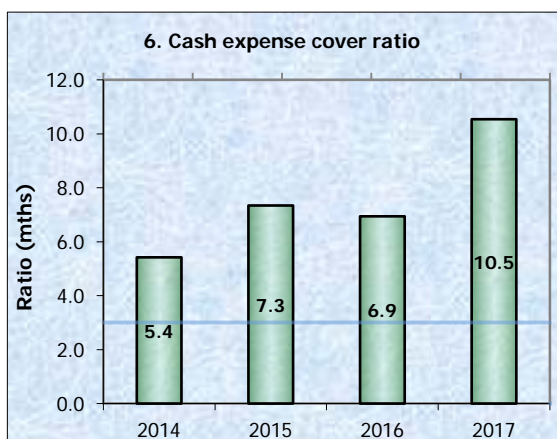
**2016/17 ratio 4.33%**

Close monitoring of outstanding rates has ensured Council remains within the boundaries of the benchmarking limits.

Benchmark: Maximum <10.00%

Source for Benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio is within Benchmark  
 Ratio is outside Benchmark



**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 2016/17 result**

**2016/17 ratio 10.54 mths**

Council continues to maintain a strong position on cash held.

Benchmark: Minimum >=3.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark  
 Ratio is outside benchmark

## Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 13b. Statement of performance measurement – indicators (by fund)

\$ '000	General indicators <sup>5</sup>		Water indicators		Sewer indicators		Benchmark
	2017	2016	2017	2016	2017	2016	
<b>Local government industry indicators – by fund</b>							
<b>1. Operating performance ratio</b>							
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<b>12.80%</b>	-2.72%	<b>0.89%</b>	13.55%	<b>-7.80%</b>	7.96%	>0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions							
<b>2. Own source operating revenue ratio</b>							
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<b>68.95%</b>	65.58%	<b>98.41%</b>	98.43%	<b>98.17%</b>	97.82%	>60.00%
Total continuing operating revenue <sup>(1)</sup>							
<b>3. Unrestricted current ratio</b>							
Current assets less all external restrictions <sup>(2)</sup>	<b>2.07x</b>	1.48x	<b>No liabilities</b>	No liabilities	<b>No liabilities</b>	No liabilities	>1.5x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>							

## 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 and sewer activities which are listed separately.

## Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 13b. Statement of performance measurement – indicators (by fund) (continued)

\$ '000	General indicators <sup>5</sup>		Water indicators		Sewer indicators		Benchmark
	2017	2016	2017	2016	2017	2016	
<b>Local government industry indicators – by fund (continued)</b>							
<b>4. Debt service cover ratio</b>							
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation							
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>15.62x</b>	8.48x	<b>0.00x</b>	0.00x	<b>0.00x</b>	0.00x	>2x
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>							
Rates, annual and extra charges outstanding	<b>3.83%</b>	3.77%	<b>7.44%</b>	7.80%	<b>6.69%</b>	5.29%	< 5% Metro <10% Rural
Rates, annual and extra charges collectible							
<b>6. Cash expense cover ratio</b>							
Current year's cash and cash equivalents plus all term deposits							
Payments from cash flow of operating and financing activities	<b>8.23</b> months	4.86 months	<b>36.07</b> months	32.69 months	<b>43.92</b> months	53.05 months	> 3 months

## Notes

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

(5) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.



## Uralla Shire Council

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 14. Investment properties

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\$ '000

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Council has not classified any land or buildings as 'investment properties'.

#### Note 15. Financial risk management

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##### 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.

The fair value of Council's financial assets and financial liabilities approximates their carrying amount.

## Uralla Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 15. Financial risk management (continued)

\$ '000

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

Council's finance area manages the cash and Investments portfolio with the assistance of independent advisors.

Council has an investment policy which complies with the *Local Government Act 1993* and 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 and investments.

#### (a) Market risk – price risk and interest rate risk

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2017</b>				
Possible impact of a 1% movement in interest rates	113	113	(113)	(113)
<b>2016</b>				
Possible impact of a 1% movement in interest rates	100	100	(100)	(100)

## Uralla Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 15. Financial risk management (continued)

\$ '000

##### (b) Credit risk

Council's major receivables comprise (i) rates and annual charges and (ii) user charges and fees.

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

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures. 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 and annual charges at higher than market rates which further encourages the payment of debt.

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

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

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

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

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

	2017 Rates and annual charges	2017 Other receivables	2016 Rates and annual charges	2016 Other receivables
<b>(i) Ageing of receivables – %</b>				
Current (not yet overdue)	74%	66%	57%	82%
Overdue	26%	34%	43%	18%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

##### (ii) Ageing of receivables – value

Rates and annual charges	Other receivables	2017 Rates and annual charges	2017 Other receivables	2016 Rates and annual charges	2016 Other receivables
Current	Current	174	520	110	990
< 1 year overdue	0 – 30 days overdue	15	–	58	3
1 – 2 years overdue	31 – 60 days overdue	27	–	24	1
2 – 5 years overdue	61 – 90 days overdue	17	–	–	–
> 5 years overdue	> 91 days overdue	–	252	–	213
		<u>233</u>	<u>772</u>	<u>192</u>	<u>1,207</u>

##### (iii) Movement in provision for impairment of receivables

	2017	2016
Balance at the beginning of the year	10	2
+ new provisions recognised during the year	60	8
– amounts provided for but recovered during the year	(1)	–
<b>Balance at the end of the year</b>	<u>69</u>	<u>10</u>

## Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 15. Financial risk management (continued)

\$ '000

## (c) Liquidity risk

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

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

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

The contractual undiscounted cash outflows (ie. principal and interest) of Council's payables and 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		
<b>2017</b>									
Trade/other payables	2,350	1,165	–	–	–	–	–	3,515	3,515
Loans and advances	–	352	348	339	327	327	1,986	3,679	2,846
<b>Total financial liabilities</b>	<b>2,350</b>	<b>1,517</b>	<b>348</b>	<b>339</b>	<b>327</b>	<b>327</b>	<b>1,986</b>	<b>7,194</b>	<b>6,361</b>
<b>2016</b>									
Trade/other payables	1,921	1,479	–	–	–	–	–	3,400	3,400
Loans and advances	–	351	351	346	337	325	2,324	4,034	3,047
<b>Total financial liabilities</b>	<b>1,921</b>	<b>1,830</b>	<b>351</b>	<b>346</b>	<b>337</b>	<b>325</b>	<b>2,324</b>	<b>7,434</b>	<b>6,447</b>

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

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

	2017		2016	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	3,515	0.00%	3,400	0.00%
Loans and advances – fixed interest rate	2,846	4.97%	3,047	5.11%
	<u>6,361</u>		<u>6,447</u>	

## Uralla Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 16. Material budget variations

\$ '000

Council's original financial budget for 16/17 was adopted by the Council on 27 June 2016.

While the Income Statement included in this General Purpose Financial Report must disclose the original budget adopted by Council, the *Local Government Act 1993* 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	2017 Budget	2017 Actual	2017 ----- Variance* -----		
<b>REVENUES</b>					
Rates and annual charges	6,077	5,938	(139)	(2%)	<b>U</b>
User charges and fees	4,946	4,890	(56)	(1%)	<b>U</b>
Interest and investment revenue	291	337	46	16%	<b>F</b>
Budget variations arose due to higher cash reserves being held throughout the year.					
Other revenues	615	756	141	23%	<b>F</b>
The major variations relate to entries recorded in 2017 to reverse prior year creditors and prior year purchases – see note 3(d).					
Operating grants and contributions	7,947	8,808	861	11%	<b>F</b>
The major variation here relates to the receipt in June 2017 of \$1,193,081 of FAGS for 2017-18.					
Capital grants and contributions	72	16	(56)	(78%)	<b>U</b>
The major variation in grants relates to a decrease in the amount of capital grants applied for and received compared to original budgeted capital grants.					

## Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 16. Material budget variations (continued)

\$ '000	2017 Budget	2017 Actual	2017 Variance*		
<b>EXPENSES</b>					
<b>Employee benefits and on-costs</b>	<b>10,202</b>	<b>8,975</b>	<b>1,227</b>	12%	<b>F</b>
Actual employee costs were down due to the temporary non-replacement of staff who had resigned or retired and the non-appointment of new staff due to temporary shortages in the marketplace.					
<b>Borrowing costs</b>	<b>152</b>	<b>190</b>	<b>(38)</b>	(25%)	<b>U</b>
The major budget variation relates to actual tip remediation costs that were not included in the original budget.					
<b>Materials and contracts</b>	<b>3,695</b>	<b>3,699</b>	<b>(4)</b>	(0%)	<b>U</b>
<b>Depreciation and amortisation</b>	<b>3,588</b>	<b>3,958</b>	<b>(370)</b>	(10%)	<b>U</b>
The budgeted depreciation was initially calculated prior to updating depreciation rates following a review of the asset register in 2016.					
<b>Other expenses</b>	<b>1,558</b>	<b>1,508</b>	<b>50</b>	3%	<b>F</b>
<b>Net losses from disposal of assets</b>	<b>–</b>	<b>518</b>	<b>(518)</b>	0%	<b>U</b>
The actual losses this year relate to the write-off of realigned roads that were not in the original budget.					

## Budget variations relating to Council's Cash Flow Statement include:

<b>Cash flows from operating activities</b>	<b>4,341</b>	<b>6,912</b>	<b>2,571</b>	59.2%	<b>F</b>
The major variations to budget relate to the advance receipt of 2017/18 FAGS grant, the collection of prior year debtors and the underspend on materials noted above.					
<b>Cash flows from investing activities</b>	<b>(3,843)</b>	<b>(5,570)</b>	<b>(1,727)</b>	44.9%	<b>U</b>
The major variation relates to the purchase of additional investment securities due to additional cash reserves.					
<b>Cash flows from financing activities</b>	<b>(202)</b>	<b>240</b>	<b>442</b>	(218.8%)	<b>F</b>
The major variation here relates to the additional retirement home contributions received during the year.					

## Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 17. Statement of developer contributions

\$ '000

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

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

**SUMMARY OF CONTRIBUTIONS AND LEVIES**

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	362	7	–	10	–	–	379	–
Traffic facilities	15	–	–	1	–	–	16	–
Community facilities	69	–	–	2	–	–	71	–
Other	46	–	–	1	–	–	47	–
<b>S94 contributions – under a plan</b>	<b>491</b>	<b>7</b>	<b>–</b>	<b>14</b>	<b>–</b>	<b>–</b>	<b>512</b>	<b>–</b>
<b>Total S94 revenue under plans</b>	<b>491</b>	<b>7</b>	<b>–</b>	<b>14</b>	<b>–</b>	<b>–</b>	<b>512</b>	<b>–</b>
<b>Total contributions</b>	<b>491</b>	<b>7</b>	<b>–</b>	<b>14</b>	<b>–</b>	<b>–</b>	<b>512</b>	<b>–</b>

## Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## 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	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	73	–	–	2	–	–	75	–
Traffic facilities	15	–	–	1	–	–	16	–
Community facilities	69	–	–	2	–	–	71	–
Other	41	–	–	1	–	–	42	–
<b>Total</b>	<b>197</b>	<b>–</b>	<b>–</b>	<b>6</b>	<b>–</b>	<b>–</b>	<b>203</b>	<b>–</b>

## 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	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Other	5	–	–	–	–	–	5	–
<b>Total</b>	<b>5</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>5</b>	<b>–</b>

## 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	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	289	7	–	8	–	–	304	–
<b>Total</b>	<b>289</b>	<b>7</b>	<b>–</b>	<b>8</b>	<b>–</b>	<b>–</b>	<b>304</b>	<b>–</b>



## Uralla Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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

#### LIABILITIES NOT RECOGNISED:

##### 1. Guarantees

##### (i) Defined benefit superannuation contribution plans

Council participates in an employer-sponsored defined benefit superannuation scheme, and makes contributions as determined by the superannuation scheme's trustees.

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

The schemes most recent full actuarial review indicated that the net assets of the scheme were not sufficient to meet the accrued benefits of the schemes defined benefit member category with member councils required to make significantly higher contributions in future years.

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of its share of the net deficit and accordingly Council has not recorded any net liability from 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 is required to pay standard employer contributions and additional lump sum contributions to the Fund.

The standard employer contributions were determined using the new entrant rate method under which a contribution rate sufficient to fund the total benefits over the working life-time of a typical new entrant is calculated. The current standard employer contribution rate is 1.9 times employee contributions.

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40.0 million per annum from 1 July 2016 for 4 years to 30 June 2020, apportioned according to each employer's share of the accrued liabilities at 30 June 2016. Council's share of the deficit is 0.16%. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June '16.

The adequacy of contributions is assessed at each triennial investigation and monitored annually between triennials.

Each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses.

However, there is no relief under the Fund's trust deed for employers to walk away from their defined benefit obligations. Under limited circumstances, an employer

## Uralla Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 18. Contingencies and other assets/liabilities not recognised (continued)

\$ '000

##### (i) Defined benefit superannuation contribution plans (continued)

may withdraw from the plan when there are no active members, on full payment of outstanding additional contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the entity.

There are no specific provisions under the Fund's trust deed dealing with deficits or surplus on wind-up.

There is no provision for allocation of any surplus which may be present at the date of withdrawal of an employer.

The plan is a defined benefit plan.

The expected contributions to the Fund by Council for the next annual reporting period is \$184,465.88

The estimated employer reserves financial position for the Pooled Employers at 30 June 2017 is:

		Coverage
Assets	\$1,754.4 million	
Vested Benefits	\$1,775.9 million	98.8%

The key economic long term assumptions used to calculate the present value of accrued benefits are:

Investment return	6.5% p.a.
Salary inflation	3.5% p.a.
Increase in CPI	2.5% p.a.

Council's additional lump sum contributions per annum as a percentage of the total additional lump sum contributions for all Pooled Employers provides an indication of the level of participation of Council compared with other employers in the Pooled Employer sub-group.

##### (ii) Statewide Limited

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

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

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

##### (iii) StateCover Limited

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

StateCover is a company providing workers compensation insurance cover to the NSW local government industry and specifically Council.

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

These future equity contributions would be required to maintain the company's minimum level of net assets in accordance with its licence requirements.

##### (iv) Other guarantees

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

## Uralla Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 18. Contingencies and other assets/liabilities not recognised (continued)

\$ '000

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

##### 2. Other liabilities

##### (i) Third party claims

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

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

##### (ii) S94 plans

Council levies section 94/94A contributions upon various development across the Council area through the required contributions plans.

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

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

These future expenses do not yet qualify as liabilities as of the reporting date, but represent Council's 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.

##### (iii) Potential land acquisitions due to planning restrictions imposed by Council (continued)

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.

Council's 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 year ended 30 June 2017

#### Note 18. Contingencies and other assets/liabilities not recognised (continued)

\$ '000

##### ASSETS NOT RECOGNISED (continued):

##### (iii) 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.

##### (iii) CENTRAL NORTHERN LIBRARIES (continued)

The net assets of the Central Northern Regional Library at 30 June 2017 were not available.

The net assets of the Central Northern Regional Library at 30 June 2016 were \$1,205,090 with a Surplus from Ordinary Activities of \$30,531 for the 2015/2016 year.

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

##### (iv) RURAL FIRE FIGHTING ASSETS

Council has title to, and is the registered owner of vehicles including 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 (k) – Note 1).

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

#### Note 19. Interests in other entities

Council has no interest in any controlled entities, joint arrangements or associates.

## Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Retained earnings</b>			
<b>Movements in retained earnings were as follows:</b>			
Balance at beginning of year (from previous years audited accounts)		69,168	68,014
a. Net operating result for the year		1,897	1,154
<b>Balance at end of the reporting period</b>		<b>71,065</b>	<b>69,168</b>
<b>(b) Revaluation reserves</b>			
<b>(i) Reserves are represented by:</b>			
– Infrastructure, property, plant and equipment revaluation reserve		166,925	164,619
<b>Total</b>		<b>166,925</b>	<b>164,619</b>
<b>(ii) Reconciliation of movements in reserves:</b>			
<b>Infrastructure, property, plant and equipment revaluation reserve</b>			
– Opening balance		164,619	160,798
– Revaluations for the year	9(a)	2,306	3,821
<b>– Balance at end of year</b>		<b>166,925</b>	<b>164,619</b>
<b>TOTAL VALUE OF RESERVES</b>		<b>166,925</b>	<b>164,619</b>

**(iii) Nature and purpose of reserves****Infrastructure, property, plant and equipment revaluation reserve**

– The infrastructure, property, plant and equipment revaluation reserve is used to record increments/decrements of non-current asset values due to their revaluation.

**(c) Correction of error/s relating to a previous reporting period**

Council made no correction of errors during the current reporting period.

**(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 year ended 30 June 2017

## Note 21. Financial result and financial position by fund

Income Statement by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
<b><u>Continuing operations</u></b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Income from continuing operations</b>			
Rates and annual charges	390	583	4,965
User charges and fees	536	10	4,344
Interest and investment revenue	64	49	224
Other revenues	2	–	754
Grants and contributions provided for operating purposes	16	12	8,780
Grants and contributions provided for capital purposes	–	–	16
<b>Other income</b>			
Net gains from disposal of assets	–	–	–
<b>Total income from continuing operations</b>	<b>1,008</b>	<b>654</b>	<b>19,083</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	430	278	8,267
Borrowing costs	–	–	190
Materials and contracts	288	213	3,198
Depreciation and amortisation	277	206	3,475
Impairment	–	–	–
Other expenses	4	8	1,496
Net losses from the disposal of assets	–	–	518
<b>Total expenses from continuing operations</b>	<b>999</b>	<b>705</b>	<b>17,144</b>
<b>Operating result from continuing operations</b>	<b>9</b>	<b>(51)</b>	<b>1,939</b>
<b><u>Discontinued operations</u></b>			
Net profit/(loss) from discontinued operations	–	–	–
<b>Net operating result for the year</b>	<b>9</b>	<b>(51)</b>	<b>1,939</b>
<b>Net operating result attributable to each council fund</b>	<b>9</b>	<b>(51)</b>	<b>1,939</b>
<b>Net operating result attributable to non-controlling interests</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>9</b>	<b>(51)</b>	<b>1,923</b>

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

NB. All amounts disclosed above are gross – that is, they include internal charges and recoveries made between the funds.

## Uralla Shire Council

## Notes to the Financial Statements

as at 30 June 2017

## Note 21. Financial result and financial position by fund (continued)

Statement of Financial Position by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
<b>ASSETS</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Current assets</b>			
Cash and cash equivalents	2,170	1,830	782
Investments	–	–	9,650
Receivables	262	44	630
Inventories	–	–	178
Other	–	–	75
<b>Total current assets</b>	<b>2,432</b>	<b>1,874</b>	<b>11,315</b>
<b>Non-current assets</b>			
Investments	–	–	–
Receivables	–	–	–
Inventories	–	–	–
Infrastructure, property, plant and equipment	18,040	8,996	205,387
Investments accounted for using the equity method	–	–	–
Investment property	–	–	–
Intangible assets	–	–	–
<b>Total non-current assets</b>	<b>18,040</b>	<b>8,996</b>	<b>205,387</b>
<b>TOTAL ASSETS</b>	<b>20,472</b>	<b>10,870</b>	<b>216,702</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	–	–	3,515
Income received in advance	–	–	393
Borrowings	–	–	213
Provisions	–	–	2,386
<b>Total current liabilities</b>	<b>–</b>	<b>–</b>	<b>6,507</b>
<b>Non-current liabilities</b>			
Payables	–	–	–
Borrowings	–	–	2,633
Provisions	–	–	914
<b>Total non-current liabilities</b>	<b>–</b>	<b>–</b>	<b>3,547</b>
<b>TOTAL LIABILITIES</b>	<b>–</b>	<b>–</b>	<b>10,054</b>
<b>Net assets</b>	<b>20,472</b>	<b>10,870</b>	<b>206,648</b>
<b>EQUITY</b>			
Retained earnings	8,850	5,336	56,879
Revaluation reserves	11,622	5,534	149,769
<b>Total equity</b>	<b>20,472</b>	<b>10,870</b>	<b>206,648</b>

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

NB. All amounts disclosed above are gross – that is, they include internal receivables and payables between the funds.

## Uralla Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 22. 'Held for sale' non-current assets and disposal groups

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\$ '000

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Council did not classify any non-current assets or disposal groups as 'held for sale'.

#### Note 23. Events occurring after the reporting date

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Events that occur between the end of the reporting period (30 June 2017) 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 30/10/17.

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 2017.

**(ii) Events that provide evidence of conditions that arose after the reporting period**

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 30 June 2017 and which are only indicative of conditions that arose after 30 June 2017.

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

#### Note 24. Discontinued operations

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Council has not classified any of its operations as 'discontinued'.

#### Note 25. Intangible assets

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Intangible assets represent identifiable non-monetary assets 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 year ended 30 June 2017

## Note 26. Reinstatement, rehabilitation and restoration liabilities

\$ '000

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

Asset/operation	Estimated year of restoration	NPV of provision	
		2017	2016
Landfill remediation	2029	882	857
<b>Balance at end of the reporting period</b>	10(a)	<b>882</b>	<b>857</b>

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

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

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

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

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	857	833
Amounts capitalised to new or existing assets:		
Amortisation of discount (expensed to borrowing costs)	25	24
<b>Total – reinstatement, rehabilitation and restoration provision</b>	<b>882</b>	<b>857</b>

**Amount of expected reimbursements**

Of the above provisions for reinstatement, rehabilitation and restoration works, those applicable to garbage services and 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 year ended 30 June 2017

#### 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

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 and recognised at fair values:

2017	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	
<b>Recurring fair value measurements</b>					
<b>Infrastructure, property, plant and equipment</b>					
Plant and equipment	30/06/17	–	–	4,089	4,089
Office equipment	30/06/17	–	–	111	111
Furniture and fittings	30/06/17	–	–	537	537
Operational land	30/06/16	–	–	1,736	1,736
Community land	30/06/16	–	–	3,532	3,532
Land improvements – non-depreciable	30/06/14	–	–	17	17
Buildings – non-specialised	30/06/14	–	–	16,731	16,731
Other structures	30/06/14	–	–	604	604
Sealed road structure	30/06/15	–	–	74,193	74,193
Unsealed roads	30/06/15	–	–	5,606	5,606
Bridges	30/06/15	–	–	20,818	20,818
Footpaths	30/06/15	–	–	1,522	1,522
Bulk earthworks	30/06/15	–	–	76,786	76,786
Stormwater drainage	30/06/15	–	–	1,914	1,914
Water supply network	30/06/17	–	–	13,914	13,914
Sewerage network	30/06/17	–	–	8,649	8,649
Heritage collection	30/06/14	–	–	90	90
Other assets	30/06/14	–	–	58	58
Tip assets	30/06/14	–	–	567	567
Other open space / recreational assets	30/06/14	–	–	386	386
Swimming pools	30/06/14	–	–	170	170
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>–</b>	<b>232,030</b>	<b>232,030</b>

## Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 27. Fair value measurement (continued)

\$ '000

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

2016	Fair value measurement hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>				
<b>Infrastructure, property, plant and equipment</b>				
Plant and equipment	–	–	4,024	4,024
Office equipment	–	–	195	195
Furniture and fittings	–	–	517	517
Operational land	–	–	1,741	1,741
Community land	–	–	3,532	3,532
Land improvements – non-depreciable	–	–	17	17
Buildings – non-specialised	–	–	16,895	16,895
Other structures	–	–	544	544
Sealed road structure	–	–	74,568	74,568
Unsealed roads	–	–	5,987	5,987
Bridges	–	–	21,142	21,142
Footpaths	–	–	1,506	1,506
Bulk earthworks	–	–	75,897	75,897
Stormwater drainage	–	–	1,937	1,937
Water supply network	–	–	14,461	14,461
Sewerage network	–	–	6,201	6,201
Heritage collection	–	–	90	90
Other assets	–	–	29	29
Tip assets	–	–	606	606
Other open space / recreational assets	–	–	353	353
Swimming pools	–	–	184	184
<b>Total infrastructure, property, plant and equipment</b>	<b>–</b>	<b>–</b>	<b>230,426</b>	<b>230,426</b>

## (2) Transfers between level 1 and 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.

## Uralla Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 27. Fair value measurement (continued)

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\$ '000

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##### (3) Valuation techniques used to derive level 2 and level 3 fair values

Where Council is unable to derive fair valuations using quoted market prices of identical assets (ie. level 1 inputs) Council instead utilises a spread of both observable inputs (level 2 inputs) and unobservable inputs (level 3 inputs).

The fair valuation techniques Council has employed while utilising level 2 and level 3 inputs are as follows:

##### Infrastructure, property, plant and equipment (IPP&E)

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 year ended 30 June 2017

#### Note 27. Fair value measurement (continued)

\$ '000

#### (3) Valuation techniques used to derive level 2 and level 3 fair values (continued)

##### Infrastructure, property, plant and equipment (IPP&E) (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
- Asset Condition
- Asset Condition

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. This land was revalued in 2016.

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, McMaugh's 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 year ended 30 June 2017

#### Note 27. Fair value measurement (continued)

\$ '000

#### (3) Valuation techniques used to derive level 2 and level 3 fair values (continued)

##### Infrastructure, property, plant and equipment (IPP&E) (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. An asset condition assessment was carried out by council staff during 2015.

To determine the unit cost of seals, Council has researched actual costs for a range of sealing works on different road types carried out in 2013/14 and 2014/15. These costs were then averaged on a per square metre basis. The average costs were then indexed by 3% per annum in order to estimate current unit rates. For the costs of both sealed and unsealed pavement works, separate estimates have been prepared from first principles using actual 2015 plant and labour rates and applying appropriate contingency factors. The rates were calculated on a volume basis by taking into account the pavement thickness and then compared to recently completed works as a final check. Roads are componentised into road pavement and road seal assets, with pavements split into sealed and 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 2015 by council staff. These inspections were carried out to comply with insurance protocols and to provide data for the revaluation that occurred this year. Current replacement costs are based on recent works in King and Bridge Streets, 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 year ended 30 June 2017

#### Note 27. Fair value measurement (continued)

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\$ '000

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#### (3) Valuation techniques used to derive level 2 and level 3 fair values (continued)

##### Infrastructure, property, plant and equipment (IPP&E) (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 between 75 and 125 years for its stormwater drainage assets.

Condition assessment for all stormwater drainage was carried out in 2015, additionally physical inspection of one of council's major lines in Plane Avenue, Uralla was carried out in 2015 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 2017. 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 year ended 30 June 2017

#### Note 27. Fair value measurement (continued)

\$ '000

#### (3) Valuation techniques used to derive level 2 and level 3 fair values (continued)

##### Infrastructure, property, plant and equipment (IPP&E) (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. Other infrastructure assets were revalued during 2016 including the swimming pool which has now been recognised separately in note 9a. 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



## Uralla Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 27. Fair value measurement (continued)

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\$ '000

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#### (3) Valuation techniques used to derive level 2 and level 3 fair values (continued)

##### Infrastructure, property, plant and equipment (IPP&E) (continued)

##### Infrastructure- Bridges

Council has 50 bridges/major culverts on local roads and 30 bridges/major culverts on regional roads. Of these, only two bridges are timber and these are both due for replacement in 2017/18:

Local:

Enmore Road - Salisbury Waters Bridge

Gostwyck Road - Munsies Bridge

The two timber bridges have been inspected by LGES Pty Ltd in 2012/2013. All identified repair works have been carried out. The biannual inspection may be carried out in Sept 2017. 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 2017/2018. 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 recently completed at Emu Crossing & Abington Bridges. No bridges have weight limits in place.

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.

The unobservable Level 3 inputs used include:

Pattern of Consumption

Useful Life and Residual Value

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 council staff.

Currently using unit rate estimated from first principles using current internal rates.

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.

## Uralla Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 27. Fair value measurement (continued)

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\$ '000

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##### (3) Valuation techniques used to derive level 2 and level 3 fair values (continued)

##### Infrastructure, property, plant and equipment (IPP&E) (continued)

##### 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 2017. 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

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 year ended 30 June 2017

## 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	Buildings and other infrastructure	<b>Total</b>
<b>Opening balance – 1/7/15</b>	1,404	1,631	17	18,151	21,203
Purchases (GBV)	337	–	–	5	342
Depreciation and impairment	–	–	–	(534)	(534)
FV gains – other comprehensive income	–	1,901	–	170	2,071
<b>Closing balance – 30/6/16</b>	<b>1,741</b>	<b>3,532</b>	<b>17</b>	<b>17,792</b>	<b>23,082</b>
Purchases (GBV)	–	–	–	367	367
Disposals (WDV)	(5)	–	–	–	(5)
Depreciation and impairment	–	–	–	(438)	(438)
<b>Closing balance – 30/6/17</b>	<b>1,736</b>	<b>3,532</b>	<b>17</b>	<b>17,721</b>	<b>23,006</b>

	Sealed roads	Unsealed roads	Bridges	Footpaths	<b>Total</b>
<b>Opening balance – 1/7/15</b>	37,974	5,243	20,778	1,452	65,447
Transfers from/(to) another asset class	35,649	1,344	713	–	37,706
Purchases (GBV)	1,098	–	–	95	1,193
Disposals (WDV)	(303)	–	(24)	–	(327)
Depreciation and impairment	(1,349)	(555)	(325)	(41)	(2,270)
FV gains – other comprehensive income	1,499	(45)	–	–	1,454
<b>Closing balance – 30/6/16</b>	<b>74,568</b>	<b>5,987</b>	<b>21,142</b>	<b>1,506</b>	<b>103,203</b>
Purchases (GBV)	1,433	220	21	59	1,733
Disposals (WDV)	(432)	(51)	(22)	–	(505)
Depreciation and impairment	(1,376)	(550)	(323)	(43)	(2,292)
<b>Closing balance – 30/6/17</b>	<b>74,193</b>	<b>5,606</b>	<b>20,818</b>	<b>1,522</b>	<b>102,139</b>

## Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## 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
<b>Opening balance – 1/7/15</b>	111,974	1,960	14,460	6,295	134,689
Transfers from/(to) another asset class	(36,993)	–	–	–	(36,993)
Purchases (GBV)	1,195	–	12	12	1,219
Disposals (WDV)	(86)	–	18	–	(68)
Depreciation and impairment	–	(23)	(242)	(198)	(463)
FV gains – other comprehensive income	(193)	–	213	92	112
<b>Closing balance – 30/6/16</b>	<b>75,897</b>	<b>1,937</b>	<b>14,461</b>	<b>6,201</b>	<b>98,496</b>
Purchases (GBV)	897	–	4	40	941
Disposals (WDV)	(8)	–	–	–	(8)
Depreciation and impairment	–	(23)	(246)	(203)	(472)
FV gains – other comprehensive income	–	–	(305)	2,611	2,306
<b>Closing balance – 30/6/17</b>	<b>76,786</b>	<b>1,914</b>	<b>13,914</b>	<b>8,649</b>	<b>101,263</b>

	Other assets	Tip assets	Plant and equipment	Total
<b>Opening balance – 1/7/15</b>	123	645	4,897	5,665
Purchases (GBV)	–	–	512	512
Disposals (WDV)	–	–	(38)	(38)
Depreciation and impairment	(4)	(39)	(635)	(678)
FV gains – other comprehensive income	184	–	–	184
<b>Closing balance – 30/6/16</b>	<b>303</b>	<b>606</b>	<b>4,736</b>	<b>5,645</b>
Purchases (GBV)	33	–	886	919
Disposals (WDV)	–	–	(352)	(352)
Depreciation and impairment	(18)	(39)	(533)	(590)
<b>Closing balance – 30/6/17</b>	<b>318</b>	<b>567</b>	<b>4,737</b>	<b>5,622</b>

## b. Information relating to the transfers into and out of the level 3 fair valuation hierarchy (as disclosed in the table above) includes:

Nil

## Uralla Shire Council

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 27. Fair value measurement (continued)

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\$ '000

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#### **(4). Fair value measurements using significant unobservable inputs (level 3) (continued)**

##### **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 year ended 30 June 2017

#### Note 28. Related party disclosures

\$ '000

##### a. Key management personnel

Key management personnel (KMP) of the council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly.

The aggregate amount of KMP compensation included in the Income Statement is:

<b>Compensation:</b>	<b>Actual 2017</b>
Short-term benefits	727,762
Post-employment benefits	80,853
<b>Total</b>	<b><u>808,615</u></b>

##### b. Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council as part of Council delivering a public service objective (e.g. access to library or Council swimming pool by KMP) will not be disclosed. There were no transactions between council and other related parties requiring disclosure.

##### c. Other related party transactions

###### Nature of the transaction

A close family member of a key management personnel was previously employed through an arm's length process. They are paid in accordance with the Award for the job they perform. The council employs 156 staff of which only 1 is a close family member of key management personnel.

## Uralla Shire Council

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 29. Council information and contact details

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**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](mailto:council@uralla.nsw.gov.au)

**Officers****GENERAL MANAGER**

Mr Andrew Hopkins

**RESPONSIBLE ACCOUNTING OFFICER**

Mr Simon Paul

**PUBLIC OFFICER**

Ms Patricia Kirkland

**AUDITORS**

Audit Office of NSW  
Level 15, 1 Margaret Street  
Sydney NSW 2000

**Elected members****MAYOR**

Cr M Pearce

**COUNCILLORS**

Cr R Bell  
Cr R Crouch  
Cr M Dusting  
Cr N Ledger  
Cr L Sampson  
Cr I Strutt  
Cr T Toomey  
Cr K Ward

**Other information**

**ABN:** 55 868 272 018



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### Uralla Shire Council

To the Councillors of Uralla Shire Council

### Opinion

I have audited the accompanying financial statements of Uralla Shire Council (the Council), which comprise the statement of financial position as at 30 June 2017, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
  - have been presented, in all material respects, in accordance with the requirements of this Division
  - are consistent with the Council's accounting records
  - present fairly, in all material respects, the financial position of the Council as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

My opinion should be read in conjunction with the rest of this report.

### Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).



I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Other Matter**

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 4 November 2016.

### **The Councillors' Responsibility for the Financial Statements**

The Councillors are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the *Local Government Act 1993*, and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

### **Auditor's Responsibility for the Audit of the Financial Statements**

My objectives are to:

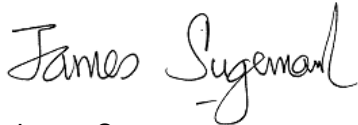
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf). The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, Note 2(a) and Note 16 budget variation explanations
- on the attached Special Schedules
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



James Sugumar  
Director, Financial Audit Services

31 October 2017  
SYDNEY

Mayor Michael Pearce  
Uralla Shire Council  
PO Box 106  
URALLA NSW 2358

Contact: James Sugumar  
Phone no: (02) 9275 7255  
Our ref: D1727715/1798

31 October 2017

Dear Mayor Pearce

**Report on the Conduct of the Audit**  
**Audit for the year ended 2017**  
**Uralla Shire Council**




I have audited the general purpose financial statements of the Uralla Shire Council (the Council) for the year ended 30 June 2017 as required by s415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's general purpose financial statements.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2017 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

## INCOME STATEMENT

### Operating result

	2017 \$m	2016 \$m	Variance %
<b>Rates and annual charges revenue</b>	5.9	5.6	5.4 
<b>User charges and fees</b>	4.9	5.0	(2.0) 
<b>Grants and contributions revenue</b>	8.8	9.4	(6.4) 
<b>Total income</b>	20.7	21.2	(2.4) 
<b>Total operating expenses</b>	18.8	20.0	(6.0)
<b>Operating result for the year</b>	1.9	1.2	58.3

Favourable movements in Rates and annual charges revenue represents:

- three per cent rate rise (\$110,000)
- growth in domestic waste management service charge by 21 per cent (\$99,000)
- rise in the environmental charges 16.7 per cent (\$120,000).

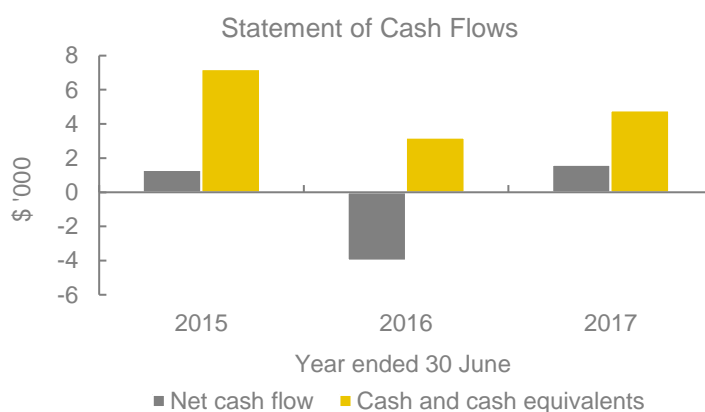
Grants and contributions revenue decreased by \$600,000 due in part to a reduction in Transport grants (other roads and bridges funding) of \$1.7 million offset by early receipt of the financial assistance grant (FAG) of \$1.2 million.

Total operating expenses decreased by \$1.2 million mainly due to a reduction in contracts and consultancy expenses.

The operating result for the year increased by \$700,000 largely due to early receipt of the 2017-18 FAG.

## STATEMENT OF CASH FLOWS

Net cash flow for the year is greater than \$1.6 million in comparison to previous year mainly due to the early receipt of the 2017-18 FAG of \$1.2 million, reduction in contract expenses of \$2.1 million, offset by lower grants and contributions of \$601,000.



## FINANCIAL POSITION

### Cash and Investments

Restricted Cash and Investments	2017	2016	Commentary
	\$m	\$m	
External restrictions	9.1	7.4	○ Cash and investments increased by \$3.1 million, mainly due to the early receipt of the 2017-18 FAG of \$1.2 million, reduction in contractor and consultancy expenses of \$1.9 million.
Internal restrictions	3.1	2.4	
Unrestricted	2.2	0.6	
<b>Total Cash and investments</b>	<b>14.4</b>	<b>10.4</b>	○ The ratios of unrestricted to restricted cash and investments increased mainly due to early receipt of Commonwealth financial assistance grant of \$1.2 million.
<b>Unrestricted / Restricted Ratio (%)</b>	<b>17.7</b>	<b>6.7</b>	○ Significant externally restricted funds include unspent specific purpose funds for water and sewer of \$4.0 million and McMaugh gardens resident bonds of \$2.1 million.

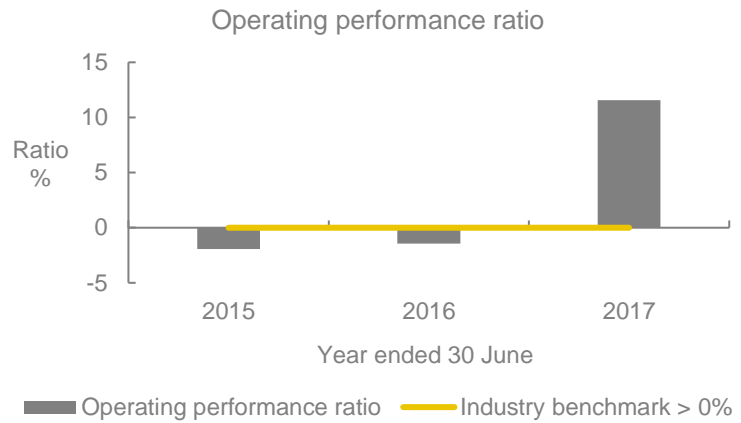
## PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 13 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7.

### Operating performance ratio

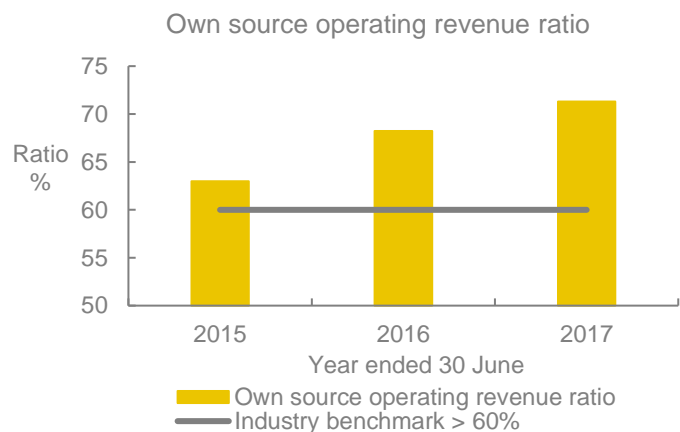
- Council exceeded the benchmark of greater than zero per cent in 2016-17.
- This ratio significantly improved over previous year in line with the decreased operating expenses due to a reduction contractor and consultancy expenses and the early receipt of 2017-18 FAG of \$1.2 million.

The 'operating performances ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than zero per cent.



### Own source operating revenue ratio

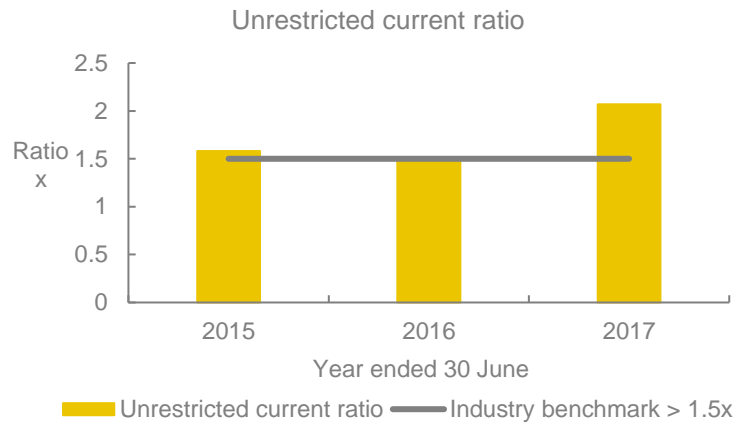
Council exceeded the benchmark of greater than 60 per cent in 2016-17. The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



### Unrestricted current ratio

- Council exceeded the benchmark of 1.5 times.
- Council has sufficient liquid assets to meet its creditors payments as and when they fall due.

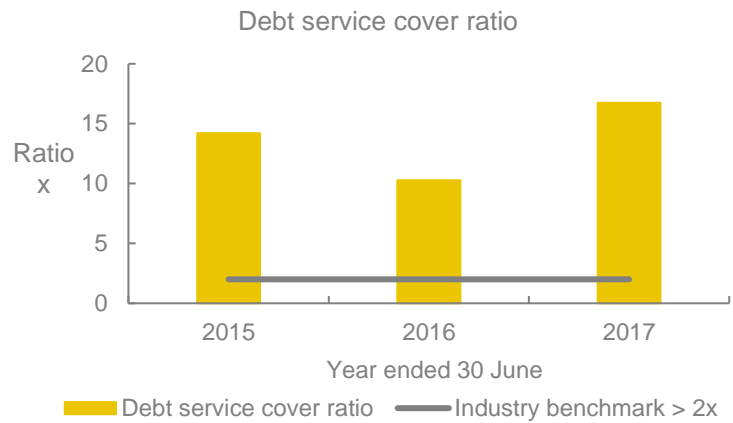
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



### Debt service cover ratio

- Council exceeded the benchmark of greater than two times in 2016-17.
- The ratio increased from previous years due mainly to the early receipt of FAG of \$1.2 million.

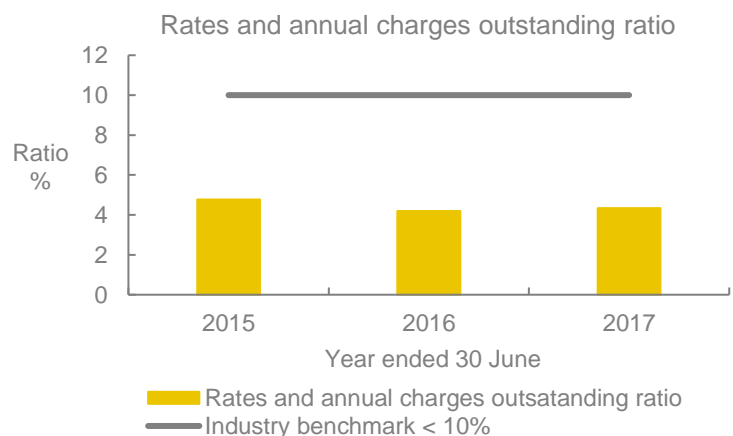
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



### Rates and annual charges outstanding ratio

Council continues to achieve the benchmark for outstanding rates and annual charges.

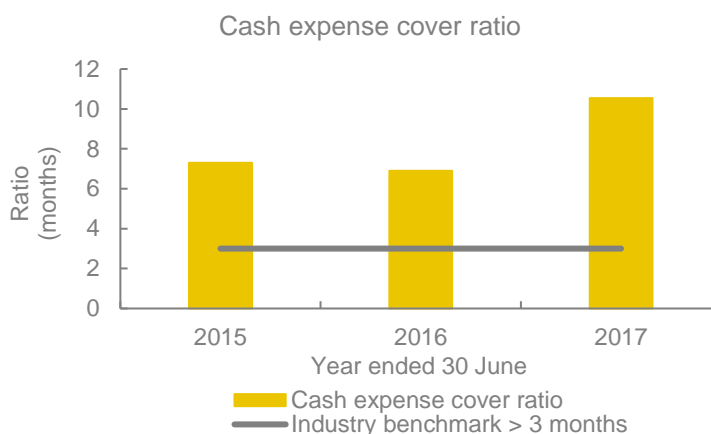
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is greater than 10 per cent for rural councils.



## Cash expense cover ratio

- Council exceeded the benchmark of greater than three months.
- This has increased slightly from prior year due to the early receipt of FAG of \$1.2 million.

This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.

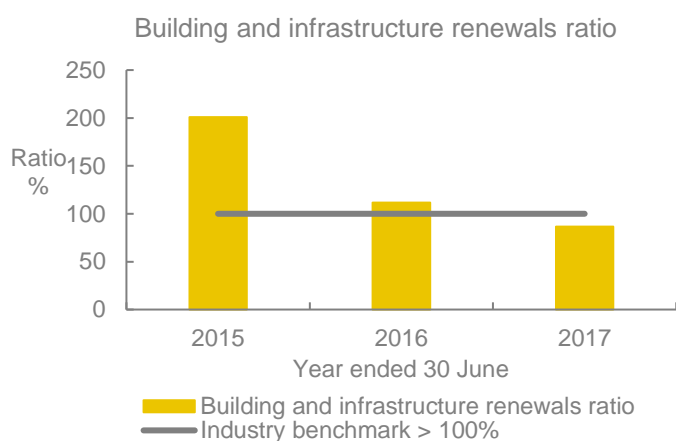


## Building and infrastructure renewals ratio

- Council's building and infrastructure renewals ratio was below the benchmark for 2016-17.
- This ratio has decreased due to a reduction in asset renewals of \$863,000 compared to prior year.

The 'building and infrastructure renewals ratio assesses the rate at which these assets are being renewed against the rate at which they are depreciating. The benchmark set by OLG is greater than 100 per cent.

This ratio is sourced from information contained in council's Special Schedule 7 which has not been audited.



## OTHER MATTERS

### New accounting standards implemented

#### AASB 124 'Related Party Disclosures'

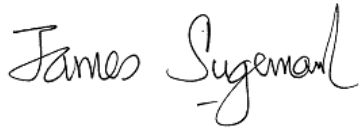
Effective for annual reporting periods beginning on or after 1 July 2016

AASB 2015-6 extended the scope of AASB 124 to include not-for-profit public sector entities. As a result, Council's financial statements disclosed the:

- compensation paid to their key management personnel
- nature of their related party relationships

My audit procedures did not identify any instances of non-compliance with legislative requirements or a material deficiency in the Council's accounting records or financial reports. The Council's:

- accounting records were maintained in a manner and form to allow the general purpose financial statements to be prepared and effectively audited
- staff provided all accounting records and information relevant to the audit.



James Sugumar  
Director, Financial Audit Services

31 October 2017  
SYDNEY

cc: Mr Andrew Hopkins, General Manager  
Mr Michael O'Connor, Chair of the Audit, Risk Committee



# Uralla Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

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*“...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 year ended 30 June 2017

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<b>2. Special Purpose Financial Statements:</b>	
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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
<b>3. Notes to the Special Purpose Financial Statements</b>	9
<b>4. Auditor’s Report</b>	18

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### Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office 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 and 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 more than \$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 and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).
-

## Uralla Shire Council

### Special Purpose Financial Statements for the year ended 30 June 2017

#### 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:

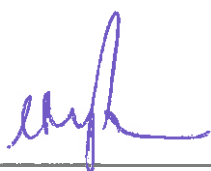
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,
- the NSW Office of Water Best-Practice Management of Water and Sewerage Guidelines.

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 24 October 2017.



Cr M Pearce  
Mayor



Cr I Strutt  
Deputy Mayor



Mr Andrew Hopkins  
General manager



Mr Simon Paul  
Responsible accounting officer

## Uralla Shire Council

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

for the year ended 30 June 2017

\$ '000	Actual 2017	Actual 2016
<b>Income from continuing operations</b>		
Access charges	390	410
User charges	536	593
Fees	–	–
Interest	64	50
Grants and contributions provided for non-capital purposes	16	17
Profit from the sale of assets	–	–
Other income	2	15
<b>Total income from continuing operations</b>	<b>1,008</b>	<b>1,085</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	430	386
Borrowing costs	–	–
Materials and contracts	288	272
Depreciation, amortisation and impairment	277	275
Water purchase charges	–	–
Loss on sale of assets	–	–
Calculated taxation equivalents	–	5
Other expenses	4	–
<b>Total expenses from continuing operations</b>	<b>999</b>	<b>938</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>9</b>	<b>147</b>
Grants and contributions provided for capital purposes	–	–
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>9</b>	<b>147</b>
Surplus (deficit) from discontinued operations	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>9</b>	<b>147</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(3)	(44)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>6</b>	<b>103</b>
Plus opening retained profits	8,840	8,693
Plus/less: prior period adjustments	–	–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	–	5
– Debt guarantee fees	–	–
– Corporate taxation equivalent	3	44
Less:		
– Tax equivalent dividend paid	–	(5)
– Surplus dividend paid	–	–
<b>Closing retained profits</b>	<b>8,849</b>	<b>8,840</b>
<b>Return on capital %</b>	<b>0.0%</b>	<b>0.8%</b>
<b>Subsidy from Council</b>	<b>420</b>	<b>223</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	6	103
Less: capital grants and contributions (excluding developer contributions)	–	–
<b>Surplus for dividend calculation purposes</b>	<b>6</b>	<b>103</b>
<b>Potential dividend calculated from surplus</b>	<b>3</b>	<b>51</b>

## Uralla Shire Council

## Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2017

\$ '000	Actual 2017	Actual 2016
<b>Income from continuing operations</b>		
Access charges	583	567
User charges	10	12
Liquid trade waste charges	–	–
Fees	–	–
Interest	49	45
Grants and contributions provided for non-capital purposes	12	14
Profit from the sale of assets	–	–
Other income	–	3
<b>Total income from continuing operations</b>	<b>654</b>	<b>641</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	278	246
Borrowing costs	–	–
Materials and contracts	213	140
Depreciation, amortisation and impairment	206	200
Loss on sale of assets	–	–
Calculated taxation equivalents	–	3
Other expenses	8	1
<b>Total expenses from continuing operations</b>	<b>705</b>	<b>590</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(51)</b>	<b>51</b>
Grants and contributions provided for capital purposes	–	–
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(51)</b>	<b>51</b>
Surplus (deficit) from discontinued operations	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>(51)</b>	<b>51</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	–	(15)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(51)</b>	<b>36</b>
Plus opening retained profits	5,387	5,336
Plus/less: prior period adjustments	–	–
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	–	3
– Debt guarantee fees	–	–
– Corporate taxation equivalent	–	15
<b>Less:</b>		
– Tax equivalent dividend paid	–	(3)
– Surplus dividend paid	–	–
<b>Closing retained profits</b>	<b>5,336</b>	<b>5,387</b>
<b>Return on capital %</b>	<b>-0.6%</b>	<b>0.8%</b>
<b>Subsidy from Council</b>	<b>265</b>	<b>79</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	(51)	36
Less: capital grants and contributions (excluding developer contributions)	–	–
<b>Surplus for dividend calculation purposes</b>	<b>–</b>	<b>36</b>
<b>Potential dividend calculated from surplus</b>	<b>–</b>	<b>18</b>

## Uralla Shire Council

## Income Statement of Council's Other Business Activities

for the year ended 30 June 2017

\$ '000	Private works		McMaugh Gardens	
	Category 2		Category 2	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
<b>Income from continuing operations</b>				
Access charges	–	–	–	–
User charges	178	114	714	712
Fees	–	–	12	23
Interest	–	–	58	67
Grants and contributions provided for non-capital purposes	–	–	2,284	2,147
Profit from the sale of assets	–	–	–	–
Other income	–	–	22	7
<b>Total income from continuing operations</b>	<b>178</b>	<b>114</b>	<b>3,090</b>	<b>2,956</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	11	44	2,062	1,812
Borrowing costs	–	–	10	8
Materials and contracts	28	29	821	657
Depreciation, amortisation and impairment	–	–	165	107
Loss on sale of assets	–	–	–	–
Calculated taxation equivalents	–	–	–	–
Debt guarantee fee (if applicable)	–	–	–	–
Other expenses	–	–	61	42
<b>Total expenses from continuing operations</b>	<b>39</b>	<b>73</b>	<b>3,119</b>	<b>2,626</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>139</b>	<b>41</b>	<b>(29)</b>	<b>330</b>
Grants and contributions provided for capital purposes	–	–	–	–
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>139</b>	<b>41</b>	<b>(29)</b>	<b>330</b>
Surplus (deficit) from discontinued operations	–	–	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>139</b>	<b>41</b>	<b>(29)</b>	<b>330</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(42)	(12)	–	(99)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>97</b>	<b>29</b>	<b>(29)</b>	<b>231</b>
<b>Plus opening retained profits</b>	–	–	2,929	2,599
<b>Plus/less: prior period adjustments</b>	–	–	–	–
<b>Plus adjustments for amounts unpaid:</b>				
– Taxation equivalent payments	–	–	–	–
– Debt guarantee fees	–	–	–	–
– Corporate taxation equivalent	42	12	–	99
<b>Add:</b>				
– Subsidy paid/contribution to operations	–	–	–	–
<b>Less:</b>				
– TER dividend paid	–	–	–	–
– Dividend paid	(139)	(41)	–	–
<b>Closing retained profits</b>	<b>–</b>	<b>–</b>	<b>2,900</b>	<b>2,929</b>
<b>Return on capital %</b>	<b>n/a</b>	<b>n/a</b>	<b>-0.4%</b>	<b>6.8%</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>–</b>	<b>136</b>	<b>–</b>

## Uralla Shire Council

Statement of Financial Position – Council's Water Supply Business Activity  
as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	2,170	1,806
Investments	–	–
Receivables	262	343
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
<b>Total current assets</b>	<b>2,432</b>	<b>2,149</b>
<b>Non-current assets</b>		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	18,040	18,618
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
<b>Total non-current assets</b>	<b>18,040</b>	<b>18,618</b>
<b>TOTAL ASSETS</b>	<b>20,472</b>	<b>20,767</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank overdraft	–	–
Payables	–	–
Income received in advance	–	–
Borrowings	–	–
Provisions	–	–
<b>Total current liabilities</b>	<b>–</b>	<b>–</b>
<b>Non-current liabilities</b>		
Payables	–	–
Borrowings	–	–
Provisions	–	–
<b>Total non-current liabilities</b>	<b>–</b>	<b>–</b>
<b>TOTAL LIABILITIES</b>	<b>–</b>	<b>–</b>
<b>NET ASSETS</b>	<b>20,472</b>	<b>20,767</b>
<b>EQUITY</b>		
Retained earnings	8,850	8,840
Revaluation reserves	11,622	11,927
Other reserves	–	–
Council equity interest	20,472	20,767
Non-controlling equity interest	–	–
<b>TOTAL EQUITY</b>	<b>20,472</b>	<b>20,767</b>

## Uralla Shire Council

## Statement of Financial Position – Council's Sewerage Business Activity

as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,830	1,724
Investments	–	–
Receivables	44	37
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
<b>Total current Assets</b>	<b>1,874</b>	<b>1,761</b>
<b>Non-current assets</b>		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	8,996	6,550
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
<b>Total non-current assets</b>	<b>8,996</b>	<b>6,550</b>
<b>TOTAL ASSETS</b>	<b>10,870</b>	<b>8,311</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank overdraft	–	–
Payables	–	–
Income received in advance	–	–
Borrowings	–	–
Provisions	–	–
<b>Total current liabilities</b>	<b>–</b>	<b>–</b>
<b>Non-current liabilities</b>		
Payables	–	–
Borrowings	–	–
Provisions	–	–
<b>Total non-current liabilities</b>	<b>–</b>	<b>–</b>
<b>TOTAL LIABILITIES</b>	<b>–</b>	<b>–</b>
<b>NET ASSETS</b>	<b>10,870</b>	<b>8,311</b>
<b>EQUITY</b>		
Retained earnings	5,336	5,387
Revaluation reserves	5,534	2,924
Other reserves	–	–
Council equity interest	10,870	8,311
Non-controlling equity interest	–	–
<b>TOTAL EQUITY</b>	<b>10,870</b>	<b>8,311</b>



## Uralla Shire Council

## Statement of Financial Position – Council's Other Business Activities

as at 30 June 2017

\$ '000	Private works		McMaugh Gardens	
	Category 2		Category 2	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	–	–	2,089	1,652
Investments	–	–	–	–
Receivables	–	–	–	–
Inventories	–	–	–	–
Other	–	–	–	–
<b>Total Current Assets</b>	<b>–</b>	<b>–</b>	<b>2,089</b>	<b>1,652</b>
<b>Non-current assets</b>				
Investments	–	–	–	–
Receivables	–	–	–	–
Inventories	–	–	–	–
Infrastructure, property, plant and equipment	–	–	4,910	4,952
Investments accounted for using equity method	–	–	–	–
Investment property	–	–	–	–
<b>Total non-current assets</b>	<b>–</b>	<b>–</b>	<b>4,910</b>	<b>4,952</b>
<b>TOTAL ASSETS</b>	<b>–</b>	<b>–</b>	<b>6,999</b>	<b>6,604</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Bank overdraft	–	–	–	–
Payables	–	–	2,354	1,925
Income received in advance	–	–	–	–
Borrowings	–	–	–	–
Provisions	–	–	–	–
<b>Total current liabilities</b>	<b>–</b>	<b>–</b>	<b>2,354</b>	<b>1,925</b>
<b>Non-current liabilities</b>				
Payables	–	–	54	59
Borrowings	–	–	–	–
Provisions	–	–	–	–
Other Liabilities	–	–	–	–
<b>Total non-current liabilities</b>	<b>–</b>	<b>–</b>	<b>54</b>	<b>59</b>
<b>TOTAL LIABILITIES</b>	<b>–</b>	<b>–</b>	<b>2,408</b>	<b>1,984</b>
<b>NET ASSETS</b>	<b>–</b>	<b>–</b>	<b>4,591</b>	<b>4,620</b>
<b>EQUITY</b>				
Retained earnings	–	–	2,900	2,929
Revaluation reserves	–	–	1,691	1,691
Other reserves	–	–	–	–
Council equity interest	–	–	4,591	4,620
Non-controlling equity interest	–	–	–	–
<b>TOTAL EQUITY</b>	<b>–</b>	<b>–</b>	<b>4,591</b>	<b>4,620</b>

## Uralla Shire Council

### Special Purpose Financial Statements

for the year ended 30 June 2017

#### 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 year ended 30 June 2017

#### Note 1. Significant accounting policies

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

These financial statements are SPFS prepared for use by Council and the Office of Local Government. For the purposes of these statements, the Council is a non-reporting not-for-profit entity.

The figures presented in these Special Purpose Financial Statements have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Australian Accounting Interpretations.

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 1993 (NSW), the Local Government (General) Regulation, and the Local Government Code of Accounting Practice and Financial Reporting.

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

#### National Competition Policy

Council has adopted the principle of 'competitive neutrality' in its business activities as part of the National Competition Policy which is being applied throughout Australia at all levels of government.

The framework for its application is set out in the June 1996 NSW government policy statement titled 'Application of National Competition Policy to Local Government'.

The Pricing and 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 and costing guidelines outline the process for identifying and allocating costs to

activities and provide a standard for 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 and Costing for Council Businesses – A Guide to Competitive Neutrality*, Council has declared that the following are to be considered as business activities:

##### Category 1

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

##### (a) 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.

##### Category 2

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

##### (b) 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).

##### (c) 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).

#### Monetary amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest thousand dollars, except for Note 2 (Water Supply Best-Practice Management Disclosures) and Note 3 (Sewerage Best-Practice Management Disclosures).

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

## Uralla Shire Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

#### Note 1. Significant accounting policies (continued)

##### (i) Taxation-equivalent charges

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

However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in Special Purpose 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 **\$549,000** of combined land values attracts **0%**. For the combined land values in excess of \$549,001 up to \$3,357,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$3,357,000 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 Department of Primary Industries Water (DPIW), 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 to in the NSW Office of Water Guidelines to as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

Achievement of substantial compliance to the NSW Office of Water Guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

##### Income tax

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

Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account 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 gain/ (loss) from ordinary activities before capital amounts has been achieved.

Since the taxation equivalent is notional – that is, it is payable to 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 the SPFS.

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

##### Local government rates and 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 and debt guarantee fees

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

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

## Uralla Shire Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

#### Note 1. Significant accounting policies (continued)

##### (ii) Subsidies

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

Subsidies occur when 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 Council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of each reported business activity.

Local government water supply and sewerage businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

Each dividend must be calculated and approved in accordance with the DPIW guidelines and must not exceed:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2017 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the DPIW guidelines a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the DPIW.

##### (iii) Return on investments (rate of return)

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

The rate of return is calculated as follows:

**Operating result before capital income + interest expense**

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**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 2.38% at 30/6/17.

##### (iv) Dividends

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

## Uralla Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2017Note 2. Water supply business  
best-practice management disclosure requirements

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2017

**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)	Number of assessments multiplied by \$3/assessment	4,338
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	-
(iv)	Amounts actually paid for tax equivalents	4,338

**2. Dividend from surplus**

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	3,150
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	43,380
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	243,600

2017 Surplus	6,300	2016 Surplus	102,900	2015 Surplus	134,400
		2016 Dividend	-	2015 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	3,150
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	-
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? <sup>a</sup>	YES

**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 year ended 30 June 2017Note 2. Water supply business  
best-practice management disclosure requirements (continued)

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Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2017


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## 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	944
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)]	%	57.88%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w43)	\$'000	13,914
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	721
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	4
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 and equipment (w33b)]	%	-0.30%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

- Notes:
1. References to w (e.g. w12) refer to item numbers within Special Schedules 3 and 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 and Definitions.
    - a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007

## Uralla Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2017Note 3. Sewerage business  
best-practice management disclosure requirements

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2017

**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)	Number of assessments multiplied by \$3/assessment	3,402
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	-
(iv)	Amounts actually paid for tax equivalents	3,402

**2. Dividend from surplus**

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	-
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	34,020
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	(4,100)

2017 Surplus	(51,000)	2016 Surplus	35,700	2015 Surplus	11,200
		2016 Dividend	-	2015 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]	-
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? <sup>a</sup>	YES

**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 and 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 year ended 30 June 2017Note 3. Sewerage business  
best-practice management disclosure requirements (continued)

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Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2017


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**National Water Initiative (NWI) financial performance indicators**

<b>NWI F2</b>	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	605
<b>NWI F10</b>	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s44)	\$'000	8,649
<b>NWI F12</b>	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	500
<b>NWI F15</b>	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	40
<b>NWI F18</b>	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s44) + plant and equipment (s29b)]	%	-1.11%
<b>NWI F27</b>	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

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**National Water Initiative (NWI) financial performance indicators  
Water and sewer (combined)**

<b>NWI F3</b>	Total income (water and 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	1,549
<b>NWI F8</b>	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.81%
<b>NWI F16</b>	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	44
<b>NWI F19</b>	Economic real rate of return (water and 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 and equipment (w28b + s29b)]	%	-0.57%
<b>NWI F20</b>	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
<b>NWI F21</b>	Dividend payout ratio (water and 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 year ended 30 June 2017Note 3. Sewerage business  
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2017

National Water Initiative (NWI) financial performance indicators  
Water and sewer (combined)

<b>NWI F22</b>	Net debt to equity (water and sewerage) Overdraft (w31 + s32) + borrowings (w33 + s34) – cash and investments (w25 + s26) x 100 divided by [total assets (w30 + s31) – total liabilities (w40 + s41)]	%	-12.76%
<b>NWI F23</b>	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest  Earnings before interest and 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)		-
<b>NWI F24</b>	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	(50)
<b>NWI F25</b>	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	28

- Notes:
- References to w (eg. s12) refer to item numbers within Special Schedules 5 and 6 of Council's Annual Financial Statements.
  - The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
    - refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007



## INDEPENDENT AUDITOR'S REPORT

### Report on the special purpose financial statements

#### Uralla Shire Council

To the Councillors of Uralla Shire Council

### Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Uralla Shire Council's (the Council) Declared Business Activities, which comprise the statement of financial position of each Declared Business Activity as at 30 June 2017, the income statement of each Declared Business Activity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information for the Business Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council are:

- Water Supply
- Sewerage
- Private Works
- McMaugh Gardens.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2017, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

My opinion should be read in conjunction with the rest of this report and in particular, the Emphasis of Matter referring to the basis of accounting.

### Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as the auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Emphasis of Matter - Basis of Accounting**

Without modifying my opinion, I draw attention to Note (1) to the financial statements which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.

### **Other Matter**

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 4 November 2016.

### **The Councillors' Responsibility for the Financial Statements**

The Councillors are responsible for the preparation and fair presentation of the financial statements and for determining that the accounting policies, described in Note 1 to the financial statements, are appropriate to meet the requirements in the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting, as it affects the Council's Declared Business Activities.

### **Auditor's Responsibility for the Audit of the Financial Statements**

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

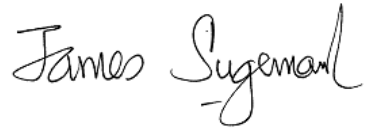
A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf).

The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the best practice management disclosures in Notes 2 and 3 of the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

A handwritten signature in black ink that reads "James Sugumar". The signature is written in a cursive style with a large, stylized 'S'.

James Sugumar  
Director, Financial Audit Services

31 October 2017  
SYDNEY

# Uralla Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2017

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*“...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 year ended 30 June 2017

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<sup>1</sup> Special Schedules are not audited (with the exception of Special Schedule 8).

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### 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.

## Uralla Shire Council

Special Schedule 1 – Net Cost of Services  
for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Governance</b>	<b>800</b>	<b>24</b>	<b>–</b>	<b>(776)</b>
<b>Administration</b>	<b>316</b>	<b>361</b>	<b>–</b>	<b>45</b>
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	145	–	–	(145)
Enforcement of local government regulations	–	–	–	–
Animal control	171	48	–	(123)
Other	–	–	–	–
<b>Total public order and safety</b>	<b>316</b>	<b>48</b>	<b>–</b>	<b>(268)</b>
<b>Health</b>	<b>79</b>	<b>17</b>	<b>–</b>	<b>(62)</b>
<b>Environment</b>				
Noxious plants and insect/vermin control	78	–	–	(78)
Other environmental protection	205	233	–	28
Solid waste management	1,536	1,537	–	1
Street cleaning	51	–	–	(51)
Drainage	28	29	–	1
Stormwater management	–	–	–	–
<b>Total environment</b>	<b>1,898</b>	<b>1,799</b>	<b>–</b>	<b>(99)</b>
<b>Community services and education</b>				
Administration and education	(126)	–	–	126
Social protection (welfare)	–	–	–	–
Aged persons and disabled	6,345	6,659	–	314
Children's services	23	1	–	(22)
<b>Total community services and education</b>	<b>6,242</b>	<b>6,660</b>	<b>–</b>	<b>418</b>
<b>Housing and community amenities</b>				
Public cemeteries	42	21	–	(21)
Public conveniences	85	–	–	(85)
Street lighting	52	14	–	(38)
Town planning	304	132	–	(172)
Other community amenities	45	9	–	(36)
<b>Total housing and community amenities</b>	<b>528</b>	<b>176</b>	<b>–</b>	<b>(352)</b>
<b>Water supplies</b>	<b>999</b>	<b>1,008</b>	<b>–</b>	<b>9</b>
<b>Sewerage services</b>	<b>705</b>	<b>654</b>	<b>–</b>	<b>(51)</b>



## Uralla Shire Council

Special Schedule 1 – Net Cost of Services (continued)  
for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Recreation and culture</b>				
Public libraries	355	43	–	(312)
Museums	–	–	–	–
Art galleries	–	–	–	–
Community centres and halls	90	60	–	(30)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	52	1	–	(51)
Sporting grounds and venues	42	–	–	(42)
Swimming pools	135	33	–	(102)
Parks and gardens (lakes)	197	2	–	(195)
Other sport and recreation	–	–	–	–
<b>Total recreation and culture</b>	<b>871</b>	<b>139</b>	<b>–</b>	<b>(732)</b>
<b>Mining, manufacturing and construction</b>				
Building control	30	–	–	(30)
Other mining, manufacturing and construction	9	–	–	(9)
<b>Total mining, manufacturing and const.</b>	<b>39</b>	<b>–</b>	<b>–</b>	<b>(39)</b>
<b>Transport and communication</b>				
Urban roads (UR) – local	301	–	–	(301)
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	911	472	–	(439)
Sealed rural roads (SRR) – regional	1,544	1,047	16	(481)
Unsealed rural roads (URR) – local	1,852	650	–	(1,202)
Unsealed rural roads (URR) – regional	40	51	–	11
Bridges on UR – local	–	–	–	–
Bridges on SRR – local	409	–	–	(409)
Bridges on URR – local	–	–	–	–
Bridges on regional roads	272	–	–	(272)
Parking areas	8	–	–	(8)
Footpaths	139	–	–	(139)
Aerodromes	–	–	–	–
Other transport and communication	120	28	–	(92)
<b>Total transport and communication</b>	<b>5,596</b>	<b>2,248</b>	<b>16</b>	<b>(3,332)</b>
<b>Economic affairs</b>				
Camping areas and caravan parks	17	34	–	17
Other economic affairs	442	219	–	(223)
<b>Total economic affairs</b>	<b>459</b>	<b>253</b>	<b>–</b>	<b>(206)</b>
<b>Totals – functions</b>	<b>18,848</b>	<b>13,387</b>	<b>16</b>	<b>(5,445)</b>
<b>General purpose revenues <sup>(1)</sup></b>		<b>7,342</b>		<b>7,342</b>
<b>Share of interests – joint ventures and associates using the equity method</b>	<b>–</b>	<b>–</b>		<b>–</b>
<b>NET OPERATING RESULT <sup>(2)</sup></b>	<b>18,848</b>	<b>20,729</b>	<b>16</b>	<b>1,897</b>

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges (2) As reported in the Income Statement

## Uralla Shire Council

## Special Schedule 2(a) – Statement of Long Term Debt (all purpose)

for the year ended 30 June 2017

\$'000

Classification of debt	Principal outstanding at beginning of the year			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
<b>Loans (by source)</b>											
Commonwealth Government	–	–	–							–	–
NSW Treasury Corporation	–	–	–							–	–
Other State Government	–	–	–							–	–
Public subscription	–	–	–							–	–
Financial institutions	202	2,845	<b>3,047</b>	–	201	–	–	165	213	2,633	<b>2,846</b>
Other	–	–	–							–	–
<b>Total loans</b>	<b>202</b>	<b>2,845</b>	<b>3,047</b>	<b>–</b>	<b>201</b>	<b>–</b>	<b>–</b>	<b>165</b>	<b>213</b>	<b>2,633</b>	<b>2,846</b>
<b>Other long term debt</b>											
Ratepayers advances	–	–	–							–	–
Government advances	–	–	–							–	–
Finance leases	–	–	–							–	–
Deferred payments	–	–	–							–	–
<b>Total long term debt</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total debt</b>	<b>202</b>	<b>2,845</b>	<b>3,047</b>	<b>–</b>	<b>201</b>	<b>–</b>	<b>–</b>	<b>165</b>	<b>213</b>	<b>2,633</b>	<b>2,846</b>

Notes: excludes (i) internal loans and (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 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	184	169
b. Engineering and supervision	107	84
<b>2. Operation and maintenance expenses</b>		
– <b>dams and weirs</b>		
a. Operation expenses	2	2
b. Maintenance expenses	57	35
– <b>Mains</b>		
c. Operation expenses	–	–
d. Maintenance expenses	108	89
– <b>Reservoirs</b>		
e. Operation expenses	–	–
f. Maintenance expenses	2	6
– <b>Pumping stations</b>		
g. Operation expenses (excluding energy costs)	–	–
h. Energy costs	2	2
i. Maintenance expenses	2	3
– <b>Treatment</b>		
j. Operation expenses (excluding chemical costs)	–	–
k. Chemical costs	102	116
l. Maintenance expenses	155	157
– <b>Other</b>		
m. Operation expenses	–	–
n. Maintenance expenses	–	–
o. Purchase of water	–	–
<b>3. Depreciation expenses</b>		
a. System assets	195	191
b. Plant and equipment	83	84
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	–	–
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
<b>5. Total expenses</b>	<b>999</b>	<b>938</b>

## Uralla Shire Council

## Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
<b>Income</b>		
<b>6. Residential charges</b>		
a. Access (including rates)	390	410
b. Usage charges	536	593
<b>7. Non-residential charges</b>		
a. Access (including rates)	–	–
b. Usage charges	–	–
<b>8. Extra charges</b>	–	–
<b>9. Interest income</b>	64	50
<b>10. Other income</b>	2	15
<b>10a. Aboriginal Communities Water and Sewerage Program</b>	–	–
<b>11. Grants</b>		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	16	17
c. Other grants	–	–
<b>12. Contributions</b>		
a. Developer charges	–	–
b. Developer provided assets	–	–
c. Other contributions	–	–
<b>13. Total income</b>	<b>1,008</b>	<b>1,085</b>
<b>14. Gain (or loss) on disposal of assets</b>	–	–
<b>15. Operating result</b>	<b>9</b>	<b>147</b>
<b>15a. Operating result (less grants for acquisition of assets)</b>	9	147

## Uralla Shire Council

## Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>16. Acquisition of fixed assets</b>		
a. New assets for improved standards	–	–
b. New assets for growth	4	18
c. Renewals	–	12
d. Plant and equipment	–	–
<b>17. Repayment of debt</b>	–	–
<b>18. Totals</b>	<u>4</u>	<u>30</u>
<b>Non-operating funds employed</b>		
<b>19. Proceeds from disposal of assets</b>	–	–
<b>20. Borrowing utilised</b>	–	–
<b>21. Totals</b>	<u>–</u>	<u>–</u>
<b>C Rates and charges</b>		
<b>22. Number of assessments</b>		
a. Residential (occupied)	1,235	1,412
b. Residential (unoccupied, ie. vacant lot)	12	78
c. Non-residential (occupied)	195	140
d. Non-residential (unoccupied, ie. vacant lot)	4	28
<b>23. Number of ETs for which developer charges were received</b>	– ET	– ET
<b>24. Total amount of pensioner rebates (actual dollars)</b>	\$ 15,772	\$ 17,576

## Uralla Shire Council

## Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis  
as at 30 June 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
<b>ASSETS</b>			
<b>25. Cash and investments</b>			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	2,170	–	2,170
<b>26. Receivables</b>			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	29	–	29
c. User charges	233	–	233
d. Other	–	–	–
<b>27. Inventories</b>	–	–	–
<b>28. Property, plant and equipment</b>			
a. System assets	–	13,914	13,914
b. Plant and equipment	–	4,126	4,126
<b>29. Other assets</b>	–	–	–
<b>30. Total assets</b>	<u>2,432</u>	<u>18,040</u>	<u>20,472</u>
<b>LIABILITIES</b>			
<b>31. Bank overdraft</b>	–	–	–
<b>32. Creditors</b>	–	–	–
<b>33. Borrowings</b>	–	–	–
<b>34. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
<b>35. Total liabilities</b>	<u>–</u>	<u>–</u>	<u>–</u>
<b>36. NET ASSETS COMMITTED</b>	<u>2,432</u>	<u>18,040</u>	<u>20,472</u>
<b>EQUITY</b>			
<b>37. Accumulated surplus</b>			8,849
<b>38. Asset revaluation reserve</b>			11,623
<b>39. Other reserves</b>			–
<b>40. TOTAL EQUITY</b>			<u>20,472</u>
<b>Note to system assets:</b>			
<b>41. Current replacement cost</b> of system assets			27,544
<b>42. Accumulated current cost</b> depreciation of system assets			(13,630)
<b>43. Written down current cost</b> of system assets			<u>13,914</u>

## Uralla Shire Council

## Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	107	98
b. Engineering and supervision	29	16
<b>2. Operation and maintenance expenses</b>		
– mains		
a. Operation expenses	–	–
b. Maintenance expenses	34	35
– Pumping stations		
c. Operation expenses (excluding energy costs)	–	–
d. Energy costs	–	–
e. Maintenance expenses	16	9
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	–	–
g. Chemical costs	54	10
h. Energy costs	–	–
i. Effluent management	–	–
j. Biosolids management	122	75
k. Maintenance expenses	87	85
– Other		
l. Operation expenses	–	–
m. Maintenance expenses	51	62
<b>3. Depreciation expenses</b>		
a. System assets	203	198
b. Plant and equipment	2	2
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	–	–
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
<b>5. Total expenses</b>	<b>705</b>	<b>590</b>

## Uralla Shire Council

## Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
<b>Income</b>		
<b>6. Residential charges</b> (including rates)	583	567
<b>7. Non-residential charges</b>		
a. Access (including rates)	–	–
b. Usage charges	10	11
<b>8. Trade waste charges</b>		
a. Annual fees	–	–
b. Usage charges	–	1
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
<b>9. Extra charges</b>	–	–
<b>10. Interest income</b>	49	45
<b>11. Other income</b>	–	3
<b>11a. Aboriginal Communities Water and Sewerage Program</b>	–	–
<b>12. Grants</b>		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	12	14
c. Other grants	–	–
<b>13. Contributions</b>		
a. Developer charges	–	–
b. Developer provided assets	–	–
c. Other contributions	–	–
<b>14. Total income</b>	<u>654</u>	<u>641</u>
<b>15. Gain (or loss) on disposal of assets</b>	–	–
<b>16. Operating result</b>	<u>(51)</u>	<u>51</u>
<b>16a. Operating result (less grants for acquisition of assets)</b>	(51)	51



## Uralla Shire Council

## Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>17. Acquisition of fixed assets</b>		
a. New assets for improved standards	–	–
b. New assets for growth	40	3
c. Renewals	–	9
d. Plant and equipment	–	–
<b>18. Repayment of debt</b>	–	–
<b>19. Totals</b>	<b>40</b>	<b>12</b>
<b>Non-operating funds employed</b>		
<b>20. Proceeds from disposal of assets</b>	–	–
<b>21. Borrowing utilised</b>	–	–
<b>22. Totals</b>	<b>–</b>	<b>–</b>
<b>C Rates and charges</b>		
<b>23. Number of assessments</b>		
a. Residential (occupied)	961	953
b. Residential (unoccupied, ie. vacant lot)	62	59
c. Non-residential (occupied)	109	100
d. Non-residential (unoccupied, ie. vacant lot)	2	16
<b>24. Number of ETs for which developer charges were received</b>	– ET	– ET
<b>25. Total amount of pensioner rebates (actual dollars)</b>	\$ 11,853	\$ 13,519

## Uralla Shire Council

## Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis  
as at 30 June 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
<b>ASSETS</b>			
<b>26. Cash and investments</b>			
a. Developer charges	-	-	-
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	-	-	-
e. Sinking fund	-	-	-
f. Other	1,830	-	1,830
<b>27. Receivables</b>			
a. Specific purpose grants	-	-	-
b. Rates and availability charges	39	-	39
c. User charges	5	-	5
d. Other	-	-	-
<b>28. Inventories</b>	-	-	-
<b>29. Property, plant and equipment</b>			
a. System assets	-	8,649	8,649
b. Plant and equipment	-	347	347
<b>30. Other assets</b>	-	-	-
<b>31. Total assets</b>	<u>1,874</u>	<u>8,996</u>	<u>10,870</u>
<b>LIABILITIES</b>			
<b>32. Bank overdraft</b>	-	-	-
<b>33. Creditors</b>	-	-	-
<b>34. Borrowings</b>	-	-	-
<b>35. Provisions</b>			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
<b>36. Total liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>37. NET ASSETS COMMITTED</b>	<u>1,874</u>	<u>8,996</u>	<u>10,870</u>
<b>EQUITY</b>			
<b>38. Accumulated surplus</b>			5,336
<b>39. Asset revaluation reserve</b>			5,534
<b>40. Other reserves</b>			-
<b>41. TOTAL EQUITY</b>			<u>10,870</u>
<b>Note to system assets:</b>			
<b>42. Current replacement cost</b> of system assets			13,881
<b>43. Accumulated current cost</b> depreciation of system assets			(5,232)
<b>44. Written down current cost</b> of system assets			<u>8,649</u>

## Uralla Shire Council

### Notes to Special Schedules 3 and 5 for the year ended 30 June 2017

#### Administration <sup>(1)</sup>

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

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

#### Engineering and supervision <sup>(1)</sup>

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

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

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

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

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

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

**Impairment losses** (item 4d and 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** <sup>(2)</sup> (items 6a, 6b and item 6 of Special Schedules 3 and 5 respectively) include all income from residential charges. Item 6 of Schedule 3 should be separated into 6a access charges (including rates if applicable) and 6b usage charges.

**Non-residential charges** <sup>(2)</sup> (items 7a, 7b of Special Schedules 3 and 5) include all income from non-residential charges separated into 7a access charges (including rates if applicable) and 7b usage charges.

**Trade waste charges** (item 8 of Special Schedule 5) include all income from trade waste charges separated into 8a annual fees, 8b usage charges and 8c excess mass charges and 8d re-inspection fees.

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

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

#### Notes:

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

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

## Uralla Shire Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance <sup>a</sup>	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
<b>Buildings</b>	Buildings – non-specialised	–	–	1,060	932	16,731	24,026	7%	58%	35%	0%	0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>1,060</b>	<b>932</b>	<b>16,731</b>	<b>24,026</b>	<b>7.0%</b>	<b>58.0%</b>	<b>35.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Other structures</b>	Other structures	–	–	–	–	538	1,374	14%	32%	53%	1%	0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>538</b>	<b>1,374</b>	<b>14.0%</b>	<b>32.0%</b>	<b>53.0%</b>	<b>1.0%</b>	<b>0.0%</b>
<b>Roads</b>	Sealed roads	1,141	855	1,010	616	74,193	100,471	45%	14%	27%	12%	2%
	Unsealed roads	–	–	798	1,095	5,606	17,423	11%	4%	55%	30%	0%
	Bridges	–	–	97	35	20,818	31,916	31%	61%	8%	0%	0%
	Footpaths	–	–	37	72	1,522	1,791	30%	56%	13%	1%	0%
	Bulk earthworks	–	–	–	–	76,786	76,786	100%				0%
	<b>Sub-total</b>	<b>1,141</b>	<b>855</b>	<b>1,942</b>	<b>1,818</b>	<b>178,925</b>	<b>228,387</b>	<b>58.8%</b>	<b>15.4%</b>	<b>17.3%</b>	<b>7.6%</b>	<b>0.9%</b>

## Uralla Shire Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance <sup>a</sup>	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Water supply network	Water supply network	137	103	392	430	13,914	27,544	6%	58%	24%	11%	1%
	<b>Sub-total</b>	<b>137</b>	<b>103</b>	<b>392</b>	<b>430</b>	<b>13,914</b>	<b>27,544</b>	<b>6.0%</b>	<b>58.0%</b>	<b>24.0%</b>	<b>11.0%</b>	<b>1.0%</b>
Sewerage network	Sewerage network	–	–	234	313	8,649	13,881	24%	63%	1%	12%	0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>234</b>	<b>313</b>	<b>8,649</b>	<b>13,881</b>	<b>24.0%</b>	<b>63.0%</b>	<b>1.0%</b>	<b>12.0%</b>	<b>0.0%</b>
Stormwater drainage	Stormwater drainage	–	–	26	3	1,914	2,478	78%	13%	3%	6%	0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>26</b>	<b>3</b>	<b>1,914</b>	<b>2,478</b>	<b>78.0%</b>	<b>13.0%</b>	<b>3.0%</b>	<b>6.0%</b>	<b>0.0%</b>
Open space/recreational assets	Swimming pools	–	–	39	33	170	750	13%	0%	87%	0%	0%
	Other	–	–	5	28	452	725	20%	75%	5%	0%	0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>44</b>	<b>61</b>	<b>622</b>	<b>1,475</b>	<b>16.4%</b>	<b>36.9%</b>	<b>46.7%</b>	<b>0.0%</b>	<b>0.0%</b>
	<b>TOTAL – ALL ASSETS</b>	<b>1,278</b>	<b>958</b>	<b>3,698</b>	<b>3,557</b>	<b>221,293</b>	<b>299,165</b>	<b>47.9%</b>	<b>25.1%</b>	<b>18.8%</b>	<b>7.4%</b>	<b>0.8%</b>

## Notes:

a Required maintenance is the amount identified in Council's asset management plans.

## Infrastructure asset condition assessment 'key'

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

## Uralla Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)  
for the year ended 30 June 2017

\$ '000	Amounts	Indicator	Benchmark	Prior periods	
	2017	2017		2016	2015
<b>Infrastructure asset performance indicators * consolidated</b>					
<b>1. Infrastructure renewals ratio</b>					
Asset renewals <sup>(1)</sup>	<u>2,785</u>	<b>86.60%</b>	>= 100%	111.66%	200.99%
Depreciation, amortisation and impairment	<u>3,216</u>				
<b>2. Infrastructure backlog ratio</b>					
Estimated cost to bring assets to a satisfactory standard	<u>1,278</u>	<b>0.88%</b>	< 2%	1.50%	0.50%
Net carrying amount of infrastructure assets	<u>144,507</u>				
<b>3. Asset maintenance ratio</b>					
Actual asset maintenance	<u>3,557</u>	<b>0.96</b>	> 1.00	1.32	1.02
Required asset maintenance	<u>3,698</u>				
<b>4. Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	<u>958</u>	<b>0.32%</b>		0.00%	
Gross replacement cost	<u>299,165</u>				

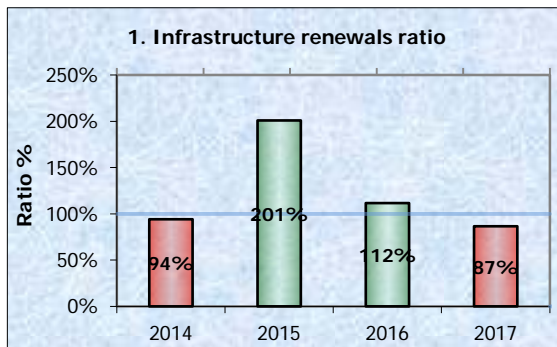
## Notes

\* All asset performance indicators are calculated using the asset classes identified in the previous table.

(1) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

# Uralla Shire Council

## Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2017



**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.

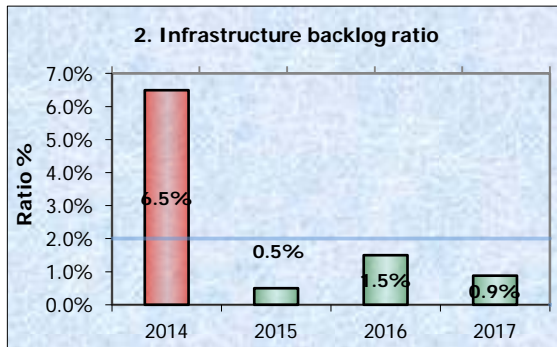
**Commentary on 2016/17 result**

**2016/17 Ratio 86.60%**

Council continues to provide an average renewal above 100% .

Benchmark: — Minimum  $\geq 100.00\%$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

■ Ratio achieves benchmark  
■ Ratio is outside benchmark



**Purpose of infrastructure backlog ratio**

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

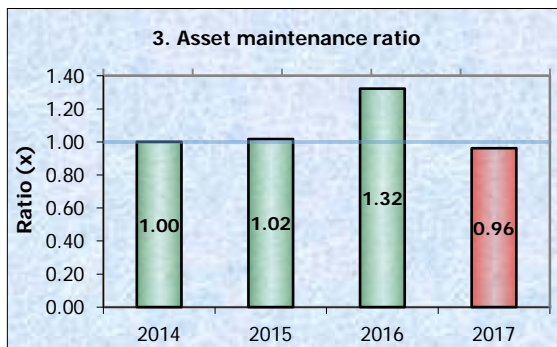
**Commentary on 2016/17 result**

**2016/17 Ratio 0.88%**

Council continues to manage infrastructure in a responsible manner thereby reducing the proportion of assets in backlog.

Benchmark: — Maximum  $< 2.00\%$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

■ Ratio achieves benchmark  
■ Ratio is outside benchmark



**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.

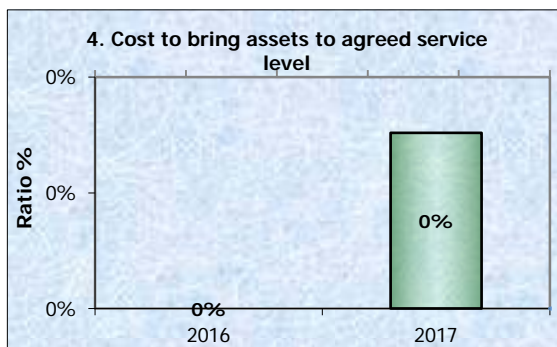
**Commentary on 2016/17 result**

**2016/17 Ratio 0.96 x**

Council continues to exceed the benchmark in this area on an average basis which is a reflection of the focus on roads maintenance.

Benchmark: — Minimum  $> 1.00$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

■ Ratio achieves benchmark  
■ Ratio is outside benchmark



**Purpose of agreed service level ratio**

This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.

**Commentary on 2016/17 result**

**2016/17 Ratio 0.32%**

Council continues to manage infrastructure in a responsible manner thereby reducing the proportion of assets in a standard that require intervention to return them to the agreed level of service.

## Uralla Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)  
for the year ended 30 June 2017

\$ '000	Benchmark	Water 2017	Sewer 2017	General <sup>(1)</sup> 2017
<b>Infrastructure asset performance indicators by fund</b>				
<b>1. Infrastructure renewals ratio</b>				
Asset renewals <sup>(2)</sup>		<b>1.63%</b>	<b>19.70%</b>	<b>99.06%</b>
Depreciation, amortisation and impairment	>= 100%			
	prior period:	12.40%	6.06%	127.56%
<b>2. Infrastructure backlog ratio</b>				
Estimated cost to bring assets to a satisfactory standard		<b>0.98%</b>	<b>0.00%</b>	<b>0.94%</b>
Net carrying amount of infrastructure assets	< 2%			
	prior period:	0.00%	0.00%	1.75%
<b>3. Asset maintenance ratio</b>				
Actual asset maintenance		<b>1.10</b>	<b>1.34</b>	<b>0.92</b>
Required asset maintenance	> 1.00			
	prior period:	0.98	0.85	1.39
<b>4. Cost to bring assets to agreed service level</b>				
Estimated cost to bring assets to an agreed service level set by Council		<b>0.37%</b>	<b>0.00%</b>	<b>0.33%</b>
Gross replacement cost				

## Notes

- (1) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.
- (2) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.



## Uralla Shire Council

## Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2018

\$'000		Calculation 2016/17	Calculation 2017/18
<b>Notional general income calculation <sup>(1)</sup></b>			
Last year notional general income yield	a	3,586	3,662
Plus or minus adjustments <sup>(2)</sup>	b	13	–
<b>Notional general income</b>	c = (a + b)	<b>3,599</b>	<b>3,662</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>(3)</sup>	d	0.00%	0.00%
Or rate peg percentage	e	1.80%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	–	–
Or plus rate peg amount	i = c x e	65	55
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>3,664</b>	<b>3,717</b>
Plus (or minus) last year's carry forward total	l	8	10
Less valuation objections claimed in the previous year	m	–	–
<b>Sub-total</b>	n = (l + m)	<b>8</b>	<b>10</b>
<b>Total permissible income</b>	o = k + n	<b>3,672</b>	<b>3,727</b>
Less notional general income yield	p	3,662	3,725
<b>Catch-up or (excess) result</b>	q = o – p	<b>10</b>	<b>2</b>
Plus income lost due to valuation objections claimed <sup>(4)</sup>	r	–	–
Less unused catch-up <sup>(5)</sup>	s	–	–
<b>Carry forward to next year</b>	t = q + r – s	<b>10</b>	<b>2</b>

**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.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 8 in the financial data return (FDR) to administer this process.



## INDEPENDENT AUDITOR'S REPORT

### Special Schedule No. 8

### Uralla Shire Council

To the Councillors of Uralla Shire Council

### Opinion

I have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Uralla Shire Council (the Council) for the year ending 30 June 2018.

In my opinion, Special Schedule No. 8 of Uralla Shire Council for 30 June 2018 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

My opinion should be read in conjunction with the rest of this report, and in particular the Emphasis of Matter paragraph, which describes the basis of accounting.

### Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of Special Schedule No.8' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **Emphasis of Matter - Basis of Accounting**

Without modifying my opinion, I draw attention to the notes and explanations in Special Schedule No. 8 that instruct councils in its preparation so it complies with OLG's requirements as described in the LG Code. As a result, Special Schedule No. 8 may not be suitable for another purpose.

## **Other Matter**

Special Schedule No.8 of the Council for the year ended 30 June 2016 was audited by another auditor who expressed an unmodified opinion on Special Schedule No. 8 on 4 November 2016.

## **Councillors' Responsibility for Special Schedule No. 8**

The Councillors of the Council are responsible for the preparation of Special Schedule No. 8 in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error.

In preparing Special Schedule No.8, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

## **Auditor's Responsibility for the Audit of Special Schedule No. 8**

My objectives are to:

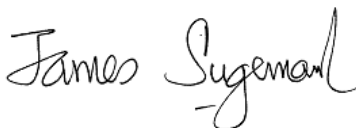
- obtain reasonable assurance whether Special Schedule No. 8 as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on Special Schedule No.8.

A description of my responsibilities for the audit of Special Schedule No.8 is located at the Auditing and Assurance Standards Board website at [http://www.auasb.gov.au/auditors\\_responsibilities/ar8.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar8.pdf). The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Special Schedule No.8 on any website where they may be presented
- about any other information which may have been hyperlinked to/from Special Schedule No 8.



James Sugumar  
Director, Financial Audit Services

31 October 2017  
SYDNEY