

# Uralla Shire Council

ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2023

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# Uralla Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2023

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# Uralla Shire Council

## General Purpose Financial Statements

for the year ended 30 June 2023

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### Overview

Uralla Shire Council is constituted under the Local Government Act 1993 (NSW) and has its principal place of business at:

32 Salisbury Street  
Uralla NSW 2358

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 B1-2.

Through the use of the internet, we have ensured that our reporting is timely, complete and available at minimum cost. All press releases, financial statements and other information are publicly available on our website: [www.uralla.nsw.gov.au](http://www.uralla.nsw.gov.au).

# Uralla Shire Council

## General Purpose Financial Statements

for the year ended 30 June 2023

### Understanding Council's Financial Statements

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#### Introduction

Each year NSW local governments are required to present 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 2023.

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 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 2023

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

The attached general purpose financial statements have been prepared in accordance with:

- the *Local Government Act 1993* and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the Local Government Code of Accounting Practice and Financial Reporting.

To the best of our knowledge and belief, these statements:

- present fairly the Council's operating result and financial position for the year
- 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 26 September 2023.



Robert Bell  
Mayor  
26 September 2023



Robert Crouch  
Deputy Mayor  
26 September 2023



Toni Averay  
Interim General Manager  
26 September 2023



Mustaq Ahammed  
Responsible Accounting Officer  
26 September 2023



# Uralla Shire Council

## Statement of Comprehensive Income

for the year ended 30 June 2023

<b>\$ '000</b>	Notes	<b>2023</b>	2022
<b>Net operating result for the year – from Income Statement</b>		<b>4,084</b>	4,756
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	<b>24,469</b>	23,990
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>24,469</b>	23,990
<b>Total other comprehensive income for the year</b>		<b>24,469</b>	23,990
<b>Total comprehensive income for the year attributable to Council</b>		<b>28,553</b>	28,746

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

# Uralla Shire Council

## Statement of Financial Position

as at 30 June 2023

\$ '000	Notes	2023	2022
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	C1-1	3,543	2,637
Investments	C1-2	20,765	17,312
Receivables	C1-4	3,571	3,553
Inventories	C1-5	324	326
Contract assets and contract cost assets	C1-6	2,363	971
Other	C1-8	72	94
<b>Total current assets</b>		<b>30,638</b>	<b>24,893</b>
<b>Non-current assets</b>			
Infrastructure, property, plant and equipment (IPPE)	C1-7	292,824	268,629
Right of use assets	C2-1	150	178
<b>Total non-current assets</b>		<b>292,974</b>	<b>268,807</b>
<b>Total assets</b>		<b>323,612</b>	<b>293,700</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	C3-1	6,674	5,124
Contract liabilities	C3-2	4,768	5,583
Lease liabilities	C2-1	19	23
Borrowings	C3-3	187	260
Employee benefit provisions	C3-4	2,554	2,484
<b>Total current liabilities</b>		<b>14,202</b>	<b>13,474</b>
<b>Non-current liabilities</b>			
Lease liabilities	C2-1	141	160
Borrowings	C3-3	1,320	1,485
Employee benefit provisions	C3-4	105	153
Provisions	C3-5	4,553	3,690
<b>Total non-current liabilities</b>		<b>6,119</b>	<b>5,488</b>
<b>Total liabilities</b>		<b>20,321</b>	<b>18,962</b>
<b>Net assets</b>		<b>303,291</b>	<b>274,738</b>
<b>EQUITY</b>			
Accumulated surplus	C4-1	89,187	85,103
IPPE revaluation reserve	C4-1	214,104	189,635
<b>Council equity interest</b>		<b>303,291</b>	<b>274,738</b>
<b>Total equity</b>		<b>303,291</b>	<b>274,738</b>

The above Statement of Financial Position should be read in conjunction with the accompanying notes.



# Uralla Shire Council

## Statement of Changes in Equity

for the year ended 30 June 2023

\$ '000	Notes	2023			2022		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
<b>Opening balance at 1 July</b>		85,103	189,635	274,738	80,347	165,645	245,992
<b>Net operating result for the year</b>		4,084	–	4,084	4,756	–	4,756
<b>Net operating result for the period</b>		4,084	–	4,084	4,756	–	4,756
<b>Other comprehensive income</b>							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	–	24,469	24,469	–	23,990	23,990
<b>Other comprehensive income</b>		–	24,469	24,469	–	23,990	23,990
<b>Total comprehensive income</b>		4,084	24,469	28,553	4,756	23,990	28,746
<b>Closing balance at 30 June</b>		89,187	214,104	303,291	85,103	189,635	274,738

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

# Uralla Shire Council

## Statement of Cash Flows

for the year ended 30 June 2023

Original unaudited budget 2023	\$ '000	Notes	Actual 2023	Actual 2022
<b>Cash flows from operating activities</b>				
<i>Receipts:</i>				
7,388	Rates and annual charges		7,354	7,126
4,913	User charges and fees		5,899	4,954
275	Interest received		413	125
11,044	Grants and contributions		15,247	17,848
–	Bonds, deposits and retentions received		31	–
551	Other		1,371	1,261
<i>Payments:</i>				
(11,218)	Payments to employees		(10,738)	(10,664)
(6,137)	Payments for materials and services		(10,104)	(6,324)
(62)	Borrowing costs		(82)	(75)
(519)	Other		860	(1,250)
6,235	<b>Net cash flows from operating activities</b>	G1-1	<b>10,251</b>	<b>13,001</b>
<b>Cash flows from investing activities</b>				
<i>Receipts:</i>				
1,847	Sale of investments		17,591	3,300
–	Proceeds from sale of IPPE		4	336
–	Proceeds from retirement home contributions <sup>1</sup>		1,585	1,321
<i>Payments:</i>				
–	Purchase of investments		(20,974)	(6,505)
(8,011)	Payments for IPPE		(5,636)	(10,330)
–	Repayment of retirement home contributions <sup>1</sup>		(1,655)	(1,669)
(6,164)	<b>Net cash flows from investing activities</b>		<b>(9,085)</b>	<b>(13,547)</b>
<b>Cash flows from financing activities</b>				
<i>Payments:</i>				
(237)	Repayment of borrowings		(238)	(226)
–	Principal component of lease payments		(22)	(24)
(237)	<b>Net cash flows from financing activities</b>		<b>(260)</b>	<b>(250)</b>
(166)	<b>Net change in cash and cash equivalents</b>		<b>906</b>	<b>(796)</b>
948	Cash and cash equivalents at beginning of year		2,637	3,433
782	<b>Cash and cash equivalents at end of year</b>	C1-1	<b>3,543</b>	<b>2,637</b>
–	plus: Investments on hand at end of year	C1-2	20,765	17,312
782	<b>Total cash, cash equivalents and investments</b>		<b>24,308</b>	<b>19,949</b>

(1) Proceeds and repayment of retirement home contributions were reclassified from financing to investing activities in 2022.

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

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# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### A About Council and these financial statements

#### A1-1 Basis of preparation

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These financial statements were authorised for issue by Council on 26 September 2023. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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.

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993* (Act) and *Local Government (General) Regulation 2021* (Regulation), and the Local Government Code of Accounting Practice and Financial Reporting.

Council is a not for-profit entity.

The financial statements are presented in Australian dollars and are rounded to the nearest thousand dollars.

#### **Historical cost convention**

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

#### **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 – refer Note C1-7
- ii. estimated tip remediation provisions – refer Note C3-5
- iii. employee benefit provisions – refer Note C3-4.

#### **Significant judgements in applying the Council's accounting policies**

- i. Impairment of receivables – refer Note C1-4.
- ii. Determination of whether performance obligations are sufficiently specific and whether the contract is within the scope of AASB 15 *Revenue from Contracts with Customers* and / or AASB 1058 *Income of Not-for-Profit Entities* – refer to Notes B2-2 – B2-4.
- iii. Determination of the lease term, discount rate (when not implicit in the lease) and whether an arrangement contains a lease – refer to Note C2-1.

#### **Monies and other assets received by Council**

##### **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.

# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### A1-1 Basis of preparation (continued)

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

- General purpose operations
- Water service
- Sewerage service
- McMaugh Gardens Aged Care Centre

#### 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.

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

#### 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 that are recoverable from, or payable to, the taxation authority, are presented as operating cash flows.

#### Volunteer services

Council uses volunteers in a number of its activities including at the Visitor Information Centre, McMaugh Gardens and Tablelands Community Transport. These services are not considered material and have therefore not been recognised in the income statement.

#### COVID-19

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. For the financial year ended 30 June 2023 Council did not identify any potential material adjustments required to be done as a result of the pandemic.

Even though the pandemic had a widespread effect on slowing down economies around the world, as at 30 June 2023 it is hard to predict any significant future implications on Council's business.

Council's business operations remain on the same pattern. Council is not aware of any post balance sheet date events which would result in separate disclosures or adjustments to the 30 June 2023 financial results. Hence, 30 June 2023 financial statements were prepared on a going concern basis.

#### Domestic and international situation

Widespread volatility caused by international and domestic events in 2022 (war in Ukraine, natural disasters in NSW and nationwide, etc.) has significantly impacted supply chains, labour costs and inflation. With continuing changes in material costs, labour shortages and supply issues there has been a significant increases in amount of discussion and data regarding changes in construction costs.

Commodity prices including key construction materials have seen significant increases over the last 3 years. As a result of assessment done, council had performed indexation of its infrastructure assets to ensure their carrying amount is not materially different to fair value as at 30 June 2022.

# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### A1-1 Basis of preparation (continued)

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Rise of the cost of living continued in 2023 financial year. This caused another indexation of infrastructure assets values as at the end of June 2023 (see Note C1-7). Management keeps monitoring ongoing developments on the international and Australian markets and the impact they may have on the financial results and position of the council.

#### **New accounting standards and interpretations issued but not yet effective**

##### **New accounting standards and interpretations issued but not yet effective**

Certain new accounting standards and interpretations (ie. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2023 reporting period.

Council has elected not to apply any of these pronouncements in these financial statements before their operative dates.

As at the date of authorisation of these financial statements Council does not consider that any of these new (and still to be applied) standards and interpretations are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

##### **New accounting standards adopted during the year**

During the year Council adopted all accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from the first time at 30 June 2023.

None of the newly adopted standards had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures.

# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### B Financial Performance

#### B1 Functions or activities

##### B1-1 Functions or activities – income, expenses and assets

Income, expenses and assets have been directly attributed to the following functions or activities. Details of those functions or activities are provided in Note B1-2.

\$ '000	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
<b>Functions or activities</b>										
Our Society	9,366	7,223	9,114	8,326	252	(1,103)	5,214	2,890	29,024	20,999
Our Economy	7,945	6,050	10,762	8,222	(2,817)	(2,172)	7,564	5,681	233,106	219,650
Our Environment	5,129	7,146	5,708	4,840	(579)	2,306	330	2,865	52,046	45,108
Our Leadership	8,973	7,892	1,745	2,167	7,228	5,725	3,951	3,031	9,436	7,943
<b>Total functions and activities</b>	<b>31,413</b>	<b>28,311</b>	<b>27,329</b>	<b>23,555</b>	<b>4,084</b>	<b>4,756</b>	<b>17,059</b>	<b>14,467</b>	<b>323,612</b>	<b>293,700</b>



# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### B1-2 Components of functions or activities

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**Details relating to the Council's functions or activities as reported in B1-1 are as follows:**

#### **Our Society**

Includes public libraries; sporting grounds and venues; swimming pools; parks; gardens; other sporting, recreational and cultural services; public cemeteries; public conveniences; other community amenities, aged person facilities, services for disabled persons, migrants and Indigenous persons; youth services. Includes Council's RFS and emergency services costs, fire protection, emergency services, enforcement of regulations and animal control.

#### **Our Economy**

Includes community centres and halls, including public halls; building control; quarries and pits; urban local, urban regional, sealed and unsealed roads, bridges, footpaths and parking areas; street cleaning; tourism and area promotion; industrial development promotion; real estate development; street lighting and town planning;

#### **Our Environment**

Includes noxious plants and insect/vermin control; other environmental protection; solid waste management, including domestic waste; other waste management; water and sewer services; other sanitation; drainage and stormwater management.

#### **Our Leadership**

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 policymaking committees, public disclosure (e.g. GIPA), and legislative compliance. Also includes all administrative costs such as finance, human resources, information technology, governance and customer support. Also includes camping areas and caravan parks.

# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### B2 Sources of income

#### B2-1 Rates and annual charges

\$ '000	2023	2022
<b>Ordinary rates</b>		
Residential	1,694	1,647
Farmland	2,425	2,360
Business	108	104
Less: pensioner rebates (mandatory)	(91)	(95)
<b>Rates levied to ratepayers</b>	<b>4,136</b>	<b>4,016</b>
Pensioner rate subsidies received	48	53
<b>Total ordinary rates</b>	<b>4,184</b>	<b>4,069</b>
<b>Annual charges (pursuant to s496, 496A, 496B, 501 &amp; 611)</b>		
Domestic waste management services	732	710
Stormwater management services	33	33
Water supply services	622	584
Sewerage services	903	859
Waste management services (non-domestic)	82	85
Environmental	1,009	974
Less: pensioner rebates (mandatory)	(92)	(97)
<b>Annual charges levied</b>	<b>3,289</b>	<b>3,148</b>
Pensioner annual charges subsidies received:		
– Water	15	16
– Sewerage	14	15
– Domestic waste management	21	22
<b>Total annual charges</b>	<b>3,339</b>	<b>3,201</b>
<b>Total rates and annual charges</b>	<b>7,523</b>	<b>7,270</b>

Council has used 2022 year valuations provided by the NSW Valuer General in calculating its rates.

#### Accounting policy

Rates and annual charges are recognised as revenue at the beginning of the rating period to which they relate. Prepaid rates are recognised as a financial liability until the beginning of the rating period.

Pensioner rebates relate to reductions in rates and certain annual charges for eligible pensioners' place of residence in the local government council area that are not subsidised by the NSW Government.

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates and are recognised within the underlying revenue item based on their substance.

# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### B2-2 User charges and fees

\$ '000	2023	2022
<b>Specific user charges (per s502 - specific 'actual use' charges)</b>		
Water supply services	561	520
Sewerage services	49	63
Waste management services (non-domestic)	234	202
<b>Total specific user charges</b>	<b>844</b>	<b>785</b>
<b>Other user charges and fees</b>		
<b>(i) Fees and charges – statutory and regulatory functions (per s608)</b>		
Inspection services	59	48
Private works – section 67	23	429
Regulatory/ statutory fees	–	2
Registration fees	6	2
Section 10.7 certificates (EP&A Act)	21	25
Section 603 certificates	15	20
Town planning	124	121
<b>Total fees and charges – statutory/regulatory</b>	<b>248</b>	<b>647</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s608))</b>		
Aged care	1,022	953
Caravan park	112	116
Cemeteries	46	47
Community centres	8	8
Sundry sales	48	48
Swimming centres	33	17
Tourism	2	1
Waste disposal tipping fees	121	170
Water and sewer connection fees	24	8
Kamillaroi aged and disability services – contract service fees	1	1
Scrap metal sales	280	5
Tablelands community support options – client contributions	113	162
Tablelands community support options – contract service fees	2,615	2,577
Tablelands community transport	22	384
Other	3	3
<b>Total fees and charges – other</b>	<b>4,450</b>	<b>4,500</b>
<b>Total other user charges and fees</b>	<b>4,698</b>	<b>5,147</b>
<b>Total user charges and fees</b>	<b>5,542</b>	<b>5,932</b>
<b>Timing of revenue recognition for user charges and fees</b>		
User charges and fees recognised over time (1)	4,333	3,530
User charges and fees recognised at a point in time (2)	1,209	2,402
<b>Total user charges and fees</b>	<b>5,542</b>	<b>5,932</b>

# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### B2-2 User charges and fees (continued)

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#### **Accounting policy**

Revenue arising from user charges and fees is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods / services being provided.

The performance obligation relates to the specific services which are provided to the customers and generally the payment terms are within 30 days of the provision of the service or in some cases such as caravan parks, the customer is required to pay on arrival or a deposit in advance. There is no material obligation for Council in relation to refunds or returns.

Where an upfront fee is charged, the fee is recognised on a straight-line basis over the expected life of the membership.

Licences granted by Council are all either short-term or low value and all revenue from licences is recognised at the time that the licence is granted rather than over the term of the licence.

# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### B2-3 Other revenues

<b>\$ '000</b>	<b>2023</b>	<b>2022</b>
Rental income	117	118
Fines	8	4
Commissions and agency fees	8	7
Diesel rebate	86	106
Insurance claims recoveries	119	127
Recycling income (non-domestic)	18	61
Sales – general	26	24
Donations received	8	6
Other reimbursements	132	13
Other sundry income	11	15
Staff FBT contributions	51	17
Other	6	11
<b>Total other revenue</b>	<b>590</b>	<b>509</b>

#### Timing of revenue recognition for other revenue

Other revenue recognised over time (1)	–	–
Other revenue recognised at a point in time (2)	590	509
<b>Total other revenue</b>	<b>590</b>	<b>509</b>

#### Accounting policy for other revenue

Where the revenue is earned for the provision of specified goods / services under an enforceable contract, revenue is recognised when or as the obligations are satisfied.

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

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

# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### B2-4 Grants and contributions

\$ '000	Operating 2023	Operating 2022	Capital 2023	Capital 2022
<b>General purpose grants and non-developer contributions (untied)</b>				
<b>General purpose (untied)</b>				
<b>Current year allocation</b>				
Financial assistance – general component	540	727	–	–
Financial assistance – local roads component	284	761	–	–
<b>Payment in advance - future year allocation</b>				
Financial assistance – general component	2,163	1,482	–	–
Financial assistance – local roads component	1,166	806	–	–
<b>Amount recognised as income during current year</b>	<b>4,153</b>	<b>3,776</b>	<b>–</b>	<b>–</b>
<b>Special purpose grants and non-developer contributions (tied)</b>				
<b>Cash contributions</b>				
Water supplies <sup>1</sup>	268	181	–	–
Sewerage services	–	–	(32)	2,638
Drought Communities Extension Program	–	–	114	25
Employment and training programs	4	11	–	–
Community care	–	18	–	–
Library	74	80	–	–
Recreation and culture	2	20	–	–
Street lighting	–	14	–	–
Stronger Country Communities Fund	–	–	972	65
Regional NSW Planning Portal Scheme	25	80	–	–
Transport (other roads and bridges funding)	2,552	46	3,011	2,266
Transport (roads to recovery)	149	889	–	–
Drought Stimulus Package	–	–	–	133
Recreation and culture	200	–	–	–
Public Spaces Legacy Program	–	–	508	130
Black Summer Bushfire Recovery program	–	–	–	47
Crown Reserves Improvement Fund	–	–	–	46
Bushfire Local Economic Recovery Fund	–	–	312	46
Transport for NSW contributions (regional roads, block grant)	1,058	992	78	375
McMaugh gardens aged care – subsidies	2,786	2,001	–	–
Tablelands community transport – subsidies	403	439	–	–
<b>Total special purpose grants and non-developer contributions – cash</b>	<b>7,521</b>	<b>4,771</b>	<b>4,963</b>	<b>5,771</b>
<b>Non-cash contributions</b>				
Bushfire services	–	–	250	–
<b>Total other contributions – non-cash</b>	<b>–</b>	<b>–</b>	<b>250</b>	<b>–</b>
<b>Total special purpose grants and non-developer contributions (tied)</b>	<b>7,521</b>	<b>4,771</b>	<b>5,213</b>	<b>5,771</b>
<b>Total grants and non-developer contributions</b>	<b>11,674</b>	<b>8,547</b>	<b>5,213</b>	<b>5,771</b>
<b>Comprising:</b>				
– Commonwealth funding	7,088	6,700	1,398	916
– State funding	4,586	1,847	3,815	4,855
	<b>11,674</b>	<b>8,547</b>	<b>5,213</b>	<b>5,771</b>

(1) The groundwater project grant was reclassified in 2022 from capital to operating grants (\$181 thousand).

# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### B2-4 Grants and contributions (continued)

#### Developer contributions

\$ '000	Notes	Operating 2023	Operating 2022	Capital 2023	Capital 2022
<b>Developer contributions:</b>					
<b>(s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>					
<b>Cash contributions</b>					
S 7.11 – contributions towards amenities/services	G4	46	89	–	–
S 7.12 – fixed development consent levies		126	60	–	–
<b>Total developer contributions – cash</b>		<b>172</b>	<b>149</b>	<b>–</b>	<b>–</b>
<b>Total developer contributions</b>		<b>172</b>	<b>149</b>	<b>–</b>	<b>–</b>
<b>Total contributions</b>		<b>172</b>	<b>149</b>	<b>–</b>	<b>–</b>
<b>Total grants and contributions</b>		<b>11,846</b>	<b>8,696</b>	<b>5,213</b>	<b>5,771</b>
<b>Timing of revenue recognition for grants and contributions</b>					
Grants and contributions recognised over time (1)		4,274	3,432	1,555	465
Grants and contributions recognised at a point in time (2)		7,572	5,264	3,658	5,306
<b>Total grants and contributions</b>		<b>11,846</b>	<b>8,696</b>	<b>5,213</b>	<b>5,771</b>

# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### B2-4 Grants and contributions (continued)

#### Unspent grants and contributions

Certain grants and contributions are obtained by Council on the condition they be spent in a specified manner or in a future period but which are not yet spent in accordance with those conditions are as follows:

\$ '000	Operating 2023	Operating 2022	Capital 2023	Capital 2022
<b>Unspent grants and contributions</b>				
Unspent funds at 1 July	2,808	2,364	3,089	808
<b>Add:</b> Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	760	–	–	431
<b>Add:</b> Funds received and not recognised as revenue in the current year	–	1,193	1,793	1,850
<b>Less:</b> Funds recognised as revenue in previous years that have been spent during the reporting year	(862)	–	(431)	–
<b>Less:</b> Funds received in prior year but revenue recognised and funds spent in current year	(1,946)	(749)	(979)	–
<b>Unspent funds at 30 June</b>	<b>760</b>	<b>2,808</b>	<b>3,472</b>	<b>3,089</b>
<b>Contributions</b>				
Unspent funds at 1 July	909	755	–	–
<b>Add:</b> contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	206	154	–	–
<b>Less:</b> contributions recognised as revenue in previous years that have been spent during the reporting year	–	–	–	–
<b>Unspent contributions at 30 June</b>	<b>1,115</b>	<b>909</b>	<b>–</b>	<b>–</b>

#### Accounting policy

##### Grants and contributions – enforceable agreement with sufficiently specific performance obligations

Grant and contribution revenue from an agreement which is enforceable and contains sufficiently specific performance obligations is recognised as or when control of each performance obligations is transferred.

The performance obligations vary according to the agreement but include achieving milestones associated with constructing an asset or delivering specific outcomes established in an agreement. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

Performance obligations may be satisfied either at a point in time or over time and this is reflected in the revenue recognition pattern. Point in time recognition occurs when the beneficiary obtains control of the goods / services at a single time (e.g. completion of the project when a report / outcome is provided), whereas over time recognition is where the control of the services is ongoing throughout the project (e.g. provision of community health services through the year).

Where control is transferred over time, generally the input methods being either costs or time incurred are deemed to be the most appropriate methods to reflect the transfer of benefit.

##### Capital grants

Capital grants received by Council under an enforceable contract for the acquisition or construction of infrastructure, property, plant and equipment to identified specifications which will be under Council's control on completion are recognised as revenue as and when the obligation to construct or purchase is completed.



# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### B2-4 Grants and contributions (continued)

For construction projects, this is generally as the construction progresses in accordance with costs incurred since this is deemed to be the most appropriate measure of the completeness of the construction project.

For acquisitions of assets, the revenue is recognised when the asset is acquired and controlled by the Council.

#### Developer contributions

Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of sections 7.4, 7.11 and 7.12 of the *Environmental Planning and Assessment Act 1979* (EP&A Act).

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

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

#### Other grants and contributions

Assets, including cash, received from other grants and contributions are recognised at fair value when the asset is received. Council considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard.

Once the assets and liabilities have been recognised then income is recognised for any remaining asset value at the time that the asset is received.

### B2-5 Interest and investment income

\$ '000	2023	2022
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	56	48
– Cash and investments	643	85
<b>Total interest and investment income (losses)</b>	<b>699</b>	<b>133</b>

#### Accounting policy

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

# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### B3 Costs of providing services

#### B3-1 Employee benefits and on-costs

<b>\$ '000</b>	<b>2023</b>	<b>2022</b>
Salaries and wages	<b>8,384</b>	8,483
Employee leave entitlements (ELE)	<b>1,831</b>	1,466
Superannuation – defined contribution plans	<b>974</b>	913
Superannuation – defined benefit plans	<b>29</b>	47
Workers' compensation insurance	<b>563</b>	609
Fringe benefit tax (FBT)	<b>13</b>	13
Training costs (other than salaries and wages)	<b>111</b>	82
Travel expenses	<b>24</b>	20
Other	<b>4</b>	15
<b>Total employee costs</b>	<b>11,933</b>	<b>11,648</b>
Less: capitalised costs	<b>(1,161)</b>	(981)
<b>Total employee costs expensed</b>	<b>10,772</b>	<b>10,667</b>
Number of 'full-time equivalent' employees (FTE) at year end	<b>126</b>	121
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	<b>139</b>	133

#### Accounting policy

Employee benefit expenses are recorded when the service has been provided by the employee.

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.

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

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore 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 – refer to Note E3-1 for more information.

# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### B3-2 Materials and services

\$ '000	Notes	2023	2022
Raw materials and consumables		4,897	7,621
Contractor costs		6,733	8,091
Audit Fees	F2-1	87	106
Councillor and Mayoral fees and associated expenses	F1-2	129	126
Advertising		6	6
Bank charges		31	31
Computer software charges		13	5
Election expenses		4	–
Electricity and heating		255	159
Insurance		386	340
Postage		29	33
Printing and stationery		38	38
Street lighting		41	28
Subscriptions and publications		115	94
Telephone and communications		71	71
Internet and other communication		6	5
Licences		103	119
Motor vehicle registration fees		56	54
Other fees and charges		1	–
Other expenses		3	7
Volunteer reimbursements		2	1
<b>Legal expenses:</b>			
– Legal expenses: other		8	19
Expenses from short-term leases		6	1
Other		–	1
<b>Total materials and services</b>		<b>13,020</b>	<b>16,956</b>
Less: capitalised costs		(4,155)	(10,358)
<b>Total materials and services</b>		<b>8,865</b>	<b>6,598</b>

#### Accounting policy

Expenses are recorded on an accruals basis as the Council receives the goods or services.

# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### B3-3 Borrowing costs

<b>\$ '000</b>	Notes	<b>2023</b>	<b>2022</b>
<b>(i) Interest bearing liability costs</b>			
Interest on leases		6	7
Interest on loans		80	69
<b>Total interest bearing liability costs</b>		<b>86</b>	<b>76</b>
<b>Total interest bearing liability costs expensed</b>		<b>86</b>	<b>76</b>
<b>(ii) Other borrowing costs</b>			
Amortisation of discounts			
– Remediation liabilities	C3-5	132	35
<b>Total other borrowing costs</b>		<b>132</b>	<b>35</b>
<b>Total borrowing costs expensed</b>		<b>218</b>	<b>111</b>

#### **Accounting policy**

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 as incurred.

# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### B3-4 Depreciation, amortisation and impairment of non-financial assets

\$ '000	Notes	2023	2022 <sup>1</sup>
<b>Depreciation and amortisation</b>			
Plant and equipment		925	663
Office equipment		23	34
Furniture and fittings		38	47
<b>Infrastructure:</b>			
	C1-7		
– Buildings – non-specialised		732	617
– Other structures <sup>1</sup>		259	234
– Sealed roads structure		1,654	1,610
– Unsealed roads		679	722
– Bridges		444	407
– Footpaths		50	43
– Stormwater drainage		49	49
– Water supply network		443	419
– Sewerage network		385	255
Right of use assets	C2-1	27	27
<b>Other assets:</b>			
– Other		2	2
<b>Reinstatement, rehabilitation and restoration assets:</b>			
– Tip assets	C1-7	347	108
<b>Total gross depreciation and amortisation costs</b>		<b>6,057</b>	<b>5,237</b>
<b>Total depreciation and amortisation costs</b>		<b>6,057</b>	<b>5,237</b>
<b>Total depreciation, amortisation and impairment for non-financial assets</b>		<b>6,057</b>	<b>5,237</b>

#### Accounting policy

##### Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives.

##### Impairment of non-financial assets

Council assets held at fair value that are not held primarily for their ability to generate net cash flow, and that are deemed to be specialised, are not tested for impairment since these assets are assessed on an annual basis to ensure that the carrying amount is not materially different from fair value and therefore an impairment loss would be captured during this assessment.

Intangible assets not yet available for use, are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Other non-financial assets that do not meet the criteria above 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).

Impairment losses for revalued assets are firstly offset against the amount in the revaluation surplus for the class of asset, with only the excess to be recognised in the Income Statement.

(1) Depreciation for swimming pools and open space assets was reclassified to depreciation of other structures in 2022.

# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### B3-5 Other expenses

<b>\$ '000</b>	<b>2023</b>	<b>2022</b>
<b>Other</b>		
Donations, contributions and assistance to other organisations (Section 356)	<b>560</b>	416
<b>Total other expenses</b>	<b>560</b>	<b>416</b>

#### **Accounting policy**

Other expenses are recorded on an accruals basis when Council has an obligation for the expenses.

Impairment expenses are recognised when identified.

# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### B4 Gains or losses

#### B4-1 Gain or loss from the disposal, replacement and de-recognition of assets

<b>\$ '000</b>	Notes	<b>2023</b>	<b>2022</b>
<b>Gain (or loss) on disposal of property (excl. investment property)</b>			
Less: carrying amount of property assets sold/written off		–	(120)
<b>Gain (or loss) on disposal</b>		<b>–</b>	<b>(120)</b>
<b>Gain (or loss) on disposal of plant and equipment</b>	C1-7		
Proceeds from disposal – plant and equipment		4	336
Less: carrying amount of plant and equipment assets sold/written off		(33)	(187)
<b>Gain (or loss) on disposal</b>		<b>(29)</b>	<b>149</b>
<b>Gain (or loss) on disposal of infrastructure</b>	C1-7		
Less: carrying amount of infrastructure assets sold/written off		(828)	(555)
<b>Gain (or loss) on disposal</b>		<b>(828)</b>	<b>(555)</b>
<b>Gain (or loss) on disposal of investments</b>	C1-2		
Proceeds from disposal/redemptions/maturities – investments		17,591	3,300
Less: carrying amount of investments sold/redeemed/matured		(17,591)	(3,300)
<b>Gain (or loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>Net gain (or loss) from disposal of assets</b>		<b>(857)</b>	<b>(526)</b>

#### Accounting policy

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

The gain or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer and the asset is de-recognised.

# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### B5 Performance against budget

#### B5-1 Material budget variations

Council's original budget was adopted by the Council on 28 June 2022 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

While these General Purpose Financial Statements include the original budget adopted by Council, the Act requires Council to review its financial budget on a quarterly basis, so it is able to manage the variation between actuals and budget that invariably occur during the year.

**Material variations of more than 10%** between original budget and actual results or where the variance is considered material by nature are explained below.

**Variation Key:** **F** = Favourable budget variation, **U** = Unfavourable budget variation.

\$ '000	2023 Budget	2023 Actual	2023 ----- Variance -----	
<b>Revenues</b>				
<b>Rates and annual charges</b>	7,399	7,523	124	2% <b>F</b>
<b>User charges and fees</b>	4,896	5,542	646	13% <b>F</b>
Increase in subsidies and fees related to TCS and as well as increase in waste service fees and charges mainly contributed to this variance.				
<b>Other revenues</b>	539	590	51	9% <b>F</b>
<b>Operating grants and contributions</b>	8,281	11,846	3,565	43% <b>F</b>
Significant amount of unexpected disaster recovery grants received in 2023. Furthermore, council received 100% of FAG 2024 allocation in 2023 financial year.				
<b>Capital grants and contributions</b>	2,750	5,213	2,463	90% <b>F</b>
The increase in grants and contributions for capital purposes was driven by receipt of state government grants under various programs related to roads capital works.				
<b>Interest and investment revenue</b>	262	699	437	167% <b>F</b>
Interest rates increase continued in 2023.				
<b>Expenses</b>				
<b>Employee benefits and on-costs</b>	11,222	10,772	450	4% <b>F</b>
<b>Materials and services</b>	6,136	8,865	(2,729)	(44)% <b>U</b>
Increase due to unexpected emergency works on flood affected roads.				
<b>Borrowing costs</b>	60	218	(158)	(263)% <b>U</b>
Effect of unwinding of discounting of remediation provision.				
<b>Depreciation, amortisation and impairment of non-financial assets</b>	5,299	6,057	(758)	(14)% <b>U</b>
Effect of significant indexation of infrastructure assets in 2022.				
<b>Other expenses</b>	428	560	(132)	(31)% <b>U</b>



# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### B5-1 Material budget variations (continued)

\$ '000	2023 Budget	2023 Actual	2023 ----- Variance -----	
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One-off events and promotional donations in 2023.

<b>Net losses from disposal of assets</b>	-	857	(857)	∞ U
Effect of write-off of undepreciated components of renewed assets. No effect on cash position and hard to budget.				

#### Statement of cash flows

<b>Cash flows from operating activities</b>	6,235	10,251	4,016	64% F
In line with increase in operating grants. Unexpected inflow of disaster recovery grants and receipt of 100% allocation of 2024 FAG.				

<b>Cash flows from investing activities</b>	(6,164)	(9,085)	(2,921)	47% U
Increase in investing activities was driven by receipt of state government grants under various programs related to roads capital works.				

<b>Cash flows from financing activities</b>	(237)	(260)	(23)	10% U
Due to unexpectedly higher increase of interest rates.				

# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### C Financial position

#### C1 Assets we manage

##### C1-1 Cash and cash equivalents

<b>\$ '000</b>	<b>2023</b>	<b>2022</b>
<b>Cash assets</b>		
Cash on hand and at bank	84	64
Cash equivalent assets		
– Deposits at call	3,459	2,573
<b>Total cash and cash equivalents</b>	<b>3,543</b>	<b>2,637</b>
<b>Reconciliation of cash and cash equivalents</b>		
Total cash and cash equivalents per Statement of Financial Position	3,543	2,637
<b>Balance as per the Statement of Cash Flows</b>	<b>3,543</b>	<b>2,637</b>

#### **Accounting policy**

For Statement of Cash Flow presentation purposes, cash and cash equivalents include: 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.

# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### C1-2 Financial investments

\$ '000	2023	2023	2022	2022
	Current	Non-current	Current	Non-current
<b>Debt securities at amortised cost</b>				
Term deposits	20,765	–	17,312	–
<b>Total</b>	<b>20,765</b>	<b>–</b>	<b>17,312</b>	<b>–</b>
<b>Total financial investments</b>	<b>20,765</b>	<b>–</b>	<b>17,312</b>	<b>–</b>
<b>Total cash assets, cash equivalents and investments</b>	<b>24,308</b>	<b>–</b>	<b>19,949</b>	<b>–</b>

#### Accounting policy

Financial instruments are recognised initially on the date that the Council becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

#### Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

#### Classification

On initial recognition, Council classifies its financial assets into the following categories – those measured at:

- amortised cost
- fair value through profit and loss (FVTPL)
- fair value through other comprehensive income – equity instrument (FVOCI-equity)

Financial assets are not reclassified subsequent to their initial recognition.

#### Amortised cost

Council's financial assets measured at amortised cost comprise trade and other receivables, term deposits and cash and cash equivalents in the Statement of Financial Position. Term deposits with an initial term of more than 3 months are classified as investments rather than cash and cash equivalents.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, impairment and gains or loss on de-recognition are recognised in profit or loss.

# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### C1-3 Restricted and allocated cash, cash equivalents and investments

\$ '000	2023	2022
(a) Externally restricted cash, cash equivalents and investments		
<b>Total cash, cash equivalents and investments</b>	<b>24,308</b>	19,949
Less: Externally restricted cash, cash equivalents and investments	<u>(17,876)</u>	<u>(13,972)</u>
<b>Cash, cash equivalents and investments not subject to external restrictions</b>	<b>6,432</b>	5,977
<b>External restrictions</b>		
<b>External restrictions – included in liabilities</b>		
External restrictions included in cash, cash equivalents and investments above comprise:		
Specific purpose unexpended grants – general fund <sup>1</sup>	1,770	2,925
Specific purpose unexpended grants – water fund	23	–
TCT and TCS payables	1,447	626
TCS and TCT contract liabilities <sup>1</sup>	2,975	2,658
Specific purpose unexpended loans – general	487	491
McMaugh gardens resident bonds	3,325	2,720
Trusts and deposits	31	–
<b>External restrictions – included in liabilities</b>	<b>10,058</b>	9,420
<b>External restrictions – other</b>		
External restrictions included in cash, cash equivalents and investments above comprise:		
Developer contributions – general	1,115	909
Specific purpose unexpended grants (recognised as revenue) – general fund	2,439	314
Water fund	2,336	2,317
Sewer fund	1,616	698
Stormwater management	312	314
<b>External restrictions – other</b>	<b>7,818</b>	4,552
<b>Total external restrictions</b>	<b>17,876</b>	13,972

Cash, cash equivalents and investments subject to external restrictions are those which are only available for specific use by Council due to a restriction placed by legislation or third-party contractual agreement.

(1) In 2022 TCS and TCT contract liabilities of \$2,658 thousand are shown separately from general fund unexpended grants of \$2,925 thousand.

# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### C1-3 Restricted and allocated cash, cash equivalents and investments (continued)

\$ '000	2023	2022
(b) Internal allocations		
<b>Cash, cash equivalents and investments not subject to external restrictions</b>	<b>6,432</b>	<b>5,977</b>
Less: Internally restricted cash, cash equivalents and investments	<b>(5,632)</b>	<b>(5,123)</b>
<b>Unrestricted and unallocated cash, cash equivalents and investments</b>	<b>800</b>	<b>854</b>

#### Internal allocations

At 30 June, Council has internally allocated funds to the following:

Plant and vehicle replacement	210	713
Employees leave entitlement	800	763
FAGS received in advance	3,328	2,288
Tip Remediation	1,265	949
Waste management consultancy	8	8
Strategic development	20	84
InfoCouncil implementation	1	26
K&G - Roman street	-	63
GIS project	-	11
WMS implementation	-	193
Budget review	-	25
<b>Total internal allocations</b>	<b>5,632</b>	<b>5,123</b>

Cash, cash equivalents and investments not subject to external restrictions may be internally allocated by resolution or policy of the elected Council.

\$ '000	2023	2022
(c) Unrestricted and unallocated		
<b>Unrestricted and unallocated cash, cash equivalents and investments</b>	<b>800</b>	<b>854</b>

# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### C1-4 Receivables

\$ '000	2023		2022	
	Current	Non-current	Current	Non-current
Rates and annual charges	989	–	787	–
Interest and extra charges	63	–	58	–
User charges and fees	510	–	373	–
Private works	7	–	378	–
Accrued revenues				
– Interest on investments	324	–	43	–
– Other income accruals	253	–	–	–
Government grants and subsidies	796	–	1,441	–
Net GST receivable	369	–	242	–
Resident contributions	117	–	82	–
Other debtors	207	–	213	–
<b>Total</b>	<b>3,635</b>	<b>–</b>	<b>3,617</b>	<b>–</b>
<b>Less: provision for impairment</b>				
Other debtors	(64)	–	(64)	–
<b>Total provision for impairment – receivables</b>	<b>(64)</b>	<b>–</b>	<b>(64)</b>	<b>–</b>
<b>Total net receivables</b>	<b>3,571</b>	<b>–</b>	<b>3,553</b>	<b>–</b>

\$ '000	2023	2022
<b>Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year (calculated in accordance with AASB 139)	64	64
<b>Balance at the end of the year</b>	<b>64</b>	<b>64</b>

# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### C1-4 Receivables (continued)

#### Accounting policy

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.

#### Impairment

Impairment of financial assets measured at amortised cost is recognised on an expected credit loss (ECL) basis.

When estimating ECL, Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on Council's historical experience and informed credit assessment, and including forward-looking information.

Council uses the simplified approach for trade receivables where the expected lifetime credit losses are recognised on day 1.

When considering the ECL for rates and annual charges debtors, Council takes into account that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

Credit losses are measured at the present value of the difference between the cash flows due to the entity in accordance with the contract, and the cash flows expected to be received. This is applied using a probability weighted approach.

Council writes off a receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 5 years past due, whichever occurs first.

None of the receivables that have been written off are subject to enforcement activity.

Where Council renegotiates the terms of receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

### C1-5 Inventories

\$ '000	2023	2023	2022	2022
	Current	Non-current	Current	Non-current
<b>(i) Inventories at cost</b>				
Stores and materials	324	–	326	–
<b>Total inventories at cost</b>	<b>324</b>	<b>–</b>	<b>326</b>	<b>–</b>
<b>Total inventories</b>	<b>324</b>	<b>–</b>	<b>326</b>	<b>–</b>

#### Accounting policy

#### 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. Costs are assigned to individual items of inventory on the basis of weighted average costs.

Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### C1-6 Contract assets and Contract cost assets

\$ '000	2023 Current	2022 Current
Contract assets	2,363	971
<b>Total contract assets and contract cost assets</b>	<b>2,363</b>	<b>971</b>

#### Accounting policy

##### Contract assets

Contract assets represent Council's right to payment in exchange for goods or services the Council has transferred to a customer when that right is conditional on something other than the passage of time.

Contract assets arise when the amounts billed to customers are based on the achievement of various milestones established in the contract and therefore the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer. Once an invoice or payment claim is raised or the relevant milestone is reached, Council recognises a receivable.

Impairment of contract assets is assessed using the simplified expected credit loss model where lifetime credit losses are recognised on initial recognition.



# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### C1-7 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2022			Asset movements during the reporting period							At 30 June 2023			
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	RFS contribution (from Note B2-4)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
<b>\$ '000</b>														
Capital work in progress	3,232	–	3,232	2,285	424	–	–	(2,324)	(245)	–	–	3,372	–	3,372
Plant and equipment	10,656	(4,340)	6,316	53	711	(33)	(925)	85	–	250	–	11,681	(5,224)	6,457
Office equipment	780	(726)	54	–	63	–	(23)	–	–	–	–	848	(753)	95
Furniture and fittings	1,121	(878)	243	–	–	–	(38)	–	–	–	–	1,125	(915)	210
<b>Land:</b>														
– Operational land	1,988	–	1,988	–	–	–	–	–	–	–	1,506	3,493	–	3,493
– Community land	2,346	–	2,346	–	–	–	–	–	1,826	–	298	4,467	–	4,467
– Crown land <sup>4</sup>	1,826	–	1,826	–	–	–	–	–	(1,826)	–	–	–	–	–
<b>Infrastructure:</b>														
– Buildings – non-specialised	31,418	(16,277)	15,141	–	70	–	(732)	46	–	–	5,506	34,282	(14,252)	20,030
– Other structures <sup>3</sup>	2,508	(1,168)	1,340	–	–	–	(259)	–	2,249	–	170	6,406	(2,893)	3,513
– Sealed roads structure	131,181	(38,019)	93,162	1,743	37	(670)	(1,654)	1,428	–	–	5,398	140,503	(41,057)	99,446
– Unsealed roads	18,807	(14,146)	4,661	271	–	(90)	(679)	151	–	–	235	19,954	(15,405)	4,549
– Bridges	45,471	(16,432)	29,039	2	–	(23)	(444)	614	–	–	1,691	48,450	(17,572)	30,878
– Footpaths	2,305	(558)	1,747	–	–	–	(50)	–	–	–	101	2,442	(641)	1,801
– Bulk earthworks (non-depreciable)	69,836	–	69,836	–	–	–	–	–	–	–	4,130	73,965	–	73,965
– Stormwater drainage	4,551	(1,257)	3,294	211	–	(45)	(49)	–	–	–	246	4,892	(1,235)	3,657
– Water supply network <sup>2</sup>	30,984	(17,556)	13,428	–	–	–	(443)	–	–	–	1,844	36,468	(21,639)	14,829
– Sewerage network <sup>2</sup>	22,750	(6,947)	15,803	–	–	–	(385)	–	–	–	3,344	25,808	(7,046)	18,762
– Swimming pools <sup>3</sup>	896	(697)	199	–	–	–	–	–	(199)	–	–	–	–	–
<sup>3</sup> Other open space/recreational assets	2,684	(634)	2,050	–	–	–	–	–	(2,050)	–	–	–	–	–
<b>Other assets:</b>														
– Heritage collections	90	–	90	–	–	–	–	–	–	–	–	90	–	90
– Other	83	(25)	58	–	–	–	(2)	–	–	–	–	75	(28)	47
<b>Reinstatement, rehabilitation and restoration assets (refer Note C3-5):</b>														
– Tip assets	3,457	(681)	2,776	–	–	–	(347)	–	731	–	–	4,191	(1,028)	3,163
<b>Total infrastructure, property, plant and equipment</b>	<b>388,970</b>	<b>(120,341)</b>	<b>268,629</b>	<b>4,565</b>	<b>1,305</b>	<b>(861)</b>	<b>(6,030)</b>	<b>–</b>	<b>486</b>	<b>250</b>	<b>24,469</b>	<b>422,512</b>	<b>(129,688)</b>	<b>292,824</b>

(1) Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

(2) Effect of revaluation increment includes effect of comprehensive revaluation on 1 July 2022 and indexation on 30 June 2023

(3) Opening balances of swimming pools and open space assets were reclassified to other structures.

(4) Crown land as a class was reclassified to community land.

continued on next page ...

# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### C1-7 Infrastructure, property, plant and equipment (continued)

By aggregated asset class	At 1 July 2021			Asset movements during the reporting period							At 30 June 2022		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
<b>\$ '000</b>													
Capital work in progress	6,670	–	6,670	2,383	–	(16)	–	(5,801)	–	–	3,232	–	3,232
Plant and equipment	9,885	(4,269)	5,616	–	1,550	(187)	(663)	–	–	–	10,656	(4,340)	6,316
Office equipment	770	(692)	78	–	6	–	(34)	4	–	–	780	(726)	54
Furniture and fittings	1,118	(830)	288	4	–	–	(47)	–	–	–	1,121	(878)	243
<b>Land:</b>													
– Operational land	1,402	–	1,402	–	–	–	–	–	446	140	1,988	–	1,988
– Community land	2,538	–	2,538	–	–	–	–	–	(446)	254	2,346	–	2,346
– Crown land	1,660	–	1,660	–	–	–	–	–	–	166	1,826	–	1,826
<b>Infrastructure:</b>													
– Buildings – non-specialised	26,275	(13,496)	12,779	51	278	(118)	(617)	679	–	2,089	31,418	(16,277)	15,141
– Other structures	1,754	(1,017)	737	–	214	(2)	(234)	339	–	111	2,508	(1,168)	1,340
– Bridges	40,964	(14,397)	26,567	–	–	–	(407)	–	–	2,879	45,471	(16,432)	29,039
– Footpaths	1,972	(460)	1,512	–	93	–	(43)	13	–	172	2,305	(558)	1,747
– Bulk earthworks (non-depreciable)	62,549	–	62,549	71	111	(36)	–	220	–	6,921	69,836	–	69,836
– Stormwater drainage	4,253	(1,125)	3,128	–	–	–	(49)	1	–	214	4,551	(1,257)	3,294
– Water supply network	29,304	(16,184)	13,120	–	–	–	(419)	–	–	727	30,984	(17,556)	13,428
– Sewerage network	14,184	(6,318)	7,866	–	3,983	–	(255)	3,771	–	438	22,750	(6,947)	15,803
– Sealed roads structure	116,633	(33,038)	83,595	506	907	(461)	(1,610)	774	341	9,232	131,181	(38,019)	93,162
– Swimming pools	822	(608)	214	–	–	–	–	–	–	16	896	(697)	199
– Other open space/recreational assets	2,462	(437)	2,025	–	–	–	–	–	–	169	2,684	(634)	2,050
– Unsealed roads	17,207	(12,208)	4,999	169	–	(42)	(722)	–	(341)	462	18,807	(14,146)	4,661
<b>Other assets:</b>													
– Heritage collections	90	–	90	–	–	–	–	–	–	–	90	–	90
– Other	83	(23)	60	–	–	–	(2)	–	–	–	83	(25)	58
<b>Reinstatement, rehabilitation and restoration assets (refer Note 11):</b>													
– Tip assets	2,526	(572)	1,954	–	–	–	(108)	–	934	–	3,457	(681)	2,776
<b>Total infrastructure, property, plant and equipment</b>	<b>345,121</b>	<b>(105,674)</b>	<b>239,447</b>	<b>3,184</b>	<b>7,142</b>	<b>(862)</b>	<b>(5,210)</b>	<b>–</b>	<b>934</b>	<b>23,990</b>	<b>388,970</b>	<b>(120,341)</b>	<b>268,629</b>

(1) Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### C1-7 Infrastructure, property, plant and equipment (continued)

#### Accounting policy

Infrastructure, property, plant and equipment are held at fair value. Independent comprehensive valuations are performed at least every five years, however the carrying amount of assets is assessed by Council at each reporting date to confirm that it is not materially different from current fair value.

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Department of Planning, Industry and Environment - Water.

Increases in the carrying amounts arising on revaluation are credited to the 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.

When infrastructure, property, plant and equipment are acquired by Council for nil or nominal consideration, the assets are initially recognised at their fair value at acquisition date.

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>	<b>Years</b>	<b>Other equipment</b>	<b>Years</b>
Office equipment	5 to 20	Playground equipment	5 to 15
Office furniture	5 to 20	Benches, seats etc.	10 to 20
Computer equipment	4	Other open space recreational assets	10 to 100
Vehicles, trucks and utilities	5 to 10		
Dozers, graders and rollers	10	<b>Buildings</b>	
Other plant and equipment	10	Buildings: masonry	50 to 100
		Buildings: other	20 to 40
<b>Water and sewer assets</b>		<b>Stormwater assets</b>	
Dams and reservoirs	100	Drains	75 to 125
Water & Sewer Treatment Plants	70 to 100	Culverts	75 to 125
Reticulation pipes: PVC	70 to 115	Flood control structures	75 to 125
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 20		
Meters & Water Plant	10		
Water Mains	80 to 100	<b>Other infrastructure assets</b>	
Sewer Mains	70 to 100	Bulk earthworks	Infinite
		Swimming pools	50
<b>Transportation assets</b>		Other open space/recreational assets	20
Sealed roads: surface	15 to 20	Other infrastructure	20
Sealed roads: structure	60 to 100		
Unsealed roads	20 to 30		
Bridge: concrete	100		
Bridge: other	80		
Concrete road pavements	60		
Kerb, gutter and footpaths	40		

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

#### Land under roads

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

# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### C1-7 Infrastructure, property, plant and equipment (continued)

Council has elected not to recognise land under roads acquired before 1 July 2008. Land under roads acquired after 1 July 2008 is recognised in accordance with the IPPE accounting policy.

#### 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. Where the Crown reserves are under a lease arrangement they are accounted for under AASB 16 Leases, refer to Note C2-1.

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.

#### Rural Fire Service assets

Under Section 119 of the *Rural Fire Services Act 1997 (NSW)*, "all firefighting 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 firefighting equipment has been purchased or constructed".

These Rural Fire Service assets are recognised as assets of the Council in these financial statements.

### C1-8 Other

#### Other assets

\$ '000	2023		2022	
	Current	Non-current	Current	Non-current
Prepayments	72	–	94	–
<b>Total other assets</b>	<b>72</b>	<b>–</b>	<b>94</b>	<b>–</b>

# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### C2 Leasing activities

#### C2-1 Council as a lessee

Council has leases over a range of assets including infrastructure, office and IT equipment. Information relating to the leases in place and associated balances and transactions is provided below.

##### Terms and conditions of leases

Office equipment is leased over periods between two and five years with no residual value and equal monthly instalments.

Crown land is leased for between three and eight years with equal annual payments.

##### Office and IT equipment

Leases for office and IT equipment are generally for low value assets, except for significant items such as photocopiers. The leases are for between 2 and 5 years with no renewal option, the payments are fixed, however some of the leases include variable payments based on usage.

#### (a) Right of use assets

\$ '000	Plant & Equipment	Crown Land	Total
<b>2023</b>			
Opening balance at 1 July	48	130	178
Depreciation charge	(16)	(11)	(27)
Other movement	–	(1)	(1)
<b>Balance at 30 June</b>	<b>32</b>	<b>118</b>	<b>150</b>
<b>2022</b>			
Opening balance at 1 July	11	51	62
Additions to right-of-use assets	53	–	53
Adjustments to right-of-use assets due to re-measurement of lease liability	–	90	90
Depreciation charge	(16)	(11)	(27)
<b>Balance at 30 June</b>	<b>48</b>	<b>130</b>	<b>178</b>

#### (b) Lease liabilities

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Lease liabilities	19	141	23	160
<b>Total lease liabilities</b>	<b>19</b>	<b>141</b>	<b>23</b>	<b>160</b>

# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### C2-1 Council as a lessee (continued)

#### (c) (i) The maturity analysis

The maturity analysis of lease liabilities based on contractual undiscounted cash flows is shown in the table below:

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
<b>2023</b>					
Cash flows	24	77	104	205	160
<b>2022</b>					
Cash flows	23	80	80	183	183

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
<b>Total lease liabilities relating to unrestricted assets</b>	<b>19</b>	<b>141</b>	23	160
<b>Total lease liabilities</b>	<b>19</b>	<b>141</b>	<b>23</b>	<b>160</b>

#### (d) Income Statement

The amounts recognised in the Income Statement relating to leases where Council is a lessee are shown below:

\$ '000	2023	2022
Interest on lease liabilities	6	7
Amortisation of right of use assets	27	27
Expenses relating to short-term leases	6	1
	<b>39</b>	<b>35</b>

#### (e) Statement of Cash Flows

Total cash outflow for leases	29	30
	<b>29</b>	<b>30</b>

#### Accounting policy

At inception of a contract, Council assesses whether a lease exists – i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration?

Council has elected not to separate non-lease components from lease components for any class of asset and has accounted for payments as a single component.

At the lease commencement, Council recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where Council believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises: the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration, less any lease incentives received. The right-

## Notes to the Financial Statements

for the year ended 30 June 2023

### C2-1 Council as a lessee (continued)

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of-use asset is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of asset accounting policy.

The lease liability is initially recognised at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Council's incremental borrowing rate for a similar term with similar security is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is re-measured when there is a lease modification, or change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI).

Where the lease liability is re-measured, the right-of-use asset is adjusted to reflect the re-measurement.

#### **Exceptions to lease accounting**

Council has applied the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. Council recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

#### **Leases at significantly below market value / Concessionary leases**

Council has elected to measure the right of use asset arising from the concessionary leases at cost which is based on the associated lease liability at initial recognition.

# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### C3 Liabilities of Council

#### C3-1 Payables

\$ '000	2023	2023	2022	2022
	Current	Non-current	Current	Non-current
Goods and services – operating expenditure	100	–	84	–
Accrued expenses:				
– Borrowings	12	–	8	–
– Salaries and wages	381	–	313	–
– Other expenditure accruals <sup>1</sup>	2,641	–	1,698	–
Security bonds, deposits and retentions	33	–	2	–
Retirement home contributions	3,325	–	2,720	–
Prepaid rates	178	–	145	–
TCS HCP liability	4	–	154	–
<b>Total payables</b>	<b>6,674</b>	<b>–</b>	<b>5,124</b>	<b>–</b>

(1) \$153k of workers compensation on-costs were reclassified to ELE provision in 2022 (see Note C3-4)

#### Current payables not anticipated to be settled within the next twelve months

\$ '000	2023	2022
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Retirement home contributions	2,019	1,726
<b>Total payables</b>	<b>2,019</b>	<b>1,726</b>

#### Accounting policy

Council measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

#### Payables

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



# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### C3-2 Contract Liabilities

\$ '000	Notes	2023 Current	2023 Non-current	2022 Current	2022 Non-current
<b>Grants and contributions received in advance:</b>					
Unexpended operating grants (received prior to performance obligation being satisfied) <sup>i</sup>	(i)	2,975	-	2,658	-
Unexpended capital grants (received prior to performance obligation being satisfied) <sup>ii</sup>	(ii)	1,793	-	2,925	-
<b>Total grants received in advance</b>		<b>4,768</b>	<b>-</b>	<b>5,583</b>	<b>-</b>
<b>Total contract liabilities</b>		<b>4,768</b>	<b>-</b>	<b>5,583</b>	<b>-</b>

(i) The contract liability relates to grants received prior to the revenue recognition criteria in AASB 15 being satisfied since the performance obligations are ongoing

(ii) Council has received funding to construct assets, being road and water infrastructure. The funds received are under an enforceable contract which require Council to construct an identified asset which will be under Council's control on completion. The revenue is recognised as Council constructs the asset and the contract liability reflects the funding received which cannot yet be recognised as revenue. The revenue is expected to be recognised in the next 12 months.

#### Revenue recognised that was included in the contract liability balance at the beginning of the period

\$ '000	2023	2022
<b>Grants and contributions received in advance:</b>		
Capital grants (to construct Council controlled assets)	-	40
<b>Total revenue recognised that was included in the contract liability balance at the beginning of the period</b>	<b>-</b>	<b>40</b>

#### Accounting policy

Contract liabilities are recorded when consideration is received from a customer / fund provider prior to Council transferring a good or service to the customer, Council presents the funds which exceed revenue recognised as a contract liability.

# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### C3-3 Borrowings

\$ '000	2023		2022	2022
	Current	Non-current	Current	Non-current
Loans – secured <sup>1</sup>	187	1,320	260	1,485
<b>Total borrowings</b>	<b>187</b>	<b>1,320</b>	<b>260</b>	<b>1,485</b>

(1) Loans are secured over the general rating income of Council.

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note E1-1.

#### (a) Changes in liabilities arising from financing activities

\$ '000	2022		Non-cash movements				2023
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	1,745	(238)	-	-	-	-	1,507
Lease liability (Note C2-1b)	183	(23)	-	-	-	-	160
<b>Total liabilities from financing activities</b>	<b>1,928</b>	<b>(261)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,667</b>

\$ '000	2021		Non-cash movements				2022
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	1,971	(226)	-	-	-	-	1,745
Lease liability (Note C2-1b)	64	(24)	-	-	-	143	183
<b>Total liabilities from financing activities</b>	<b>2,035</b>	<b>(250)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>143</b>	<b>1,928</b>

# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### C3-3 Borrowings (continued)

#### (b) Financing arrangements

\$ '000	2023	2022
<b>Total facilities</b>		
Bank overdraft facilities <sup>1</sup>	100	100
Credit cards/purchase cards	35	35
Master lease facilities	150	150
<b>Total financing arrangements</b>	<b>285</b>	<b>285</b>
<b>Drawn facilities</b>		
– Credit cards/purchase cards	8	8
<b>Total drawn financing arrangements</b>	<b>8</b>	<b>8</b>
<b>Undrawn facilities</b>		
– Bank overdraft facilities	100	100
– Credit cards/purchase cards	27	27
– Lease facilities	150	150
<b>Total undrawn financing arrangements</b>	<b>277</b>	<b>277</b>

#### Additional financing arrangements information

##### Breaches and defaults

During the current and prior year, there were no defaults or breaches on any of the loans.

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

##### Accounting policy

Council measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate 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.

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 borrowing costs.

# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### C3-4 Employee benefit provisions

\$ '000	2023		2022	
	Current	Non-current	Current	Non-current
Annual leave	740	–	701	–
Sick leave	51	–	53	–
Long service leave	1,624	105	1,532	153
Other leave <sup>1</sup>	139	–	198	–
<b>Total employee benefit provisions</b>	<b>2,554</b>	<b>105</b>	<b>2,484</b>	<b>153</b>

(1) \$153k of workers compensation on-costs accrued expenses were reclassified from payables (see Note C3-1) to other leave provision in 2022.

#### Current employee benefit provisions not anticipated to be settled within the next twelve months

\$ '000	2023	2022
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	1,377	1,568
	<b>1,377</b>	<b>1,568</b>

#### Accounting policy

Employee benefit provisions are presented as current liabilities in the Statement of Financial Position if Council does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur and therefore all annual leave and vested long service leave (or that which vests within 12 months) is presented as current.

#### 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.

#### Other long-term employee benefit obligations

The liability for vested employees 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.

#### On-costs

The employee benefit provisions include the aggregate on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include superannuation, payroll tax and workers compensation expenses which will be payable upon the future payment of certain leave liabilities which employees are entitled to at the reporting period.

# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### C3-5 Provisions

\$ '000	2023 Current	2023 Non-Current	2022 Current	2022 Non-Current
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	-	4,553	-	3,690
<b>Sub-total – asset remediation/restoration</b>	<b>-</b>	<b>4,553</b>	<b>-</b>	<b>3,690</b>
<b>Total provisions</b>	<b>-</b>	<b>4,553</b>	<b>-</b>	<b>3,690</b>

### Description of and movements in provisions

\$ '000	Other provisions	
	Asset remediation	Total
<b>2023</b>		
At beginning of year	3,690	3,690
Unwinding of discount	132	132
Remeasurement effects	731	731
Total other provisions at end of year	<b>4,553</b>	<b>4,553</b>
<b>2022</b>		
At beginning of year	2,721	2,721
Unwinding of discount	35	35
Remeasurement effects	934	934
Total other provisions at end of year	<b>3,690</b>	<b>3,690</b>

## Notes to the Financial Statements

for the year ended 30 June 2023

### C3-5 Provisions (continued)

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#### **Nature and purpose of provisions**

##### **Asset remediation**

Council has a legal/public obligation to make good, restore, rehabilitate and reinstate the council tip and quarry.

##### **Accounting policy**

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 a borrowing cost.

##### **Asset remediation – tips and quarries**

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

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

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

The 30 June 2023 tip future remediation cost estimates were based on a range of options provided by an independent consultant. Council decided to follow a conservative approach by adopting the most expensive option of future remediation works until a master plan is finalised.

# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### C4 Reserves

#### C4-1 Nature and purpose of reserves

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##### **IPPE Revaluation reserve**

The infrastructure, property, plant and equipment (IPPE) revaluation reserve is used to record increments and decrements in the revaluation of infrastructure, property, plant and equipment.

# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### D Council structure

#### D1 Results by fund

General fund refers to all Council activities other than water and sewer. All amounts disclosed in this note are gross i.e. inclusive of internal charges and recoveries made between the funds. Assets and liabilities shown in the water and sewer columns are restricted for use for these activities.

#### D1-1 Income Statement by fund

\$ '000	General 2023	Water 2023	Sewer 2023
<b>Income from continuing operations</b>			
Rates and annual charges	6,052	594	877
User charges and fees	4,914	565	63
Interest and investment revenue	552	91	56
Other revenues	590	–	–
Grants and contributions provided for operating purposes	11,817	15	14
Grants and contributions provided for capital purposes	4,883	362	(32)
<b>Total income from continuing operations</b>	<b>28,808</b>	<b>1,627</b>	<b>978</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	10,264	310	198
Materials and services	7,508	995	362
Borrowing costs	218	–	–
Depreciation, amortisation and impairment of non-financial assets	5,171	479	407
Other expenses	560	–	–
Net losses from the disposal of assets	857	–	–
<b>Total expenses from continuing operations</b>	<b>24,578</b>	<b>1,784</b>	<b>967</b>
<b>Operating result from continuing operations</b>	<b>4,230</b>	<b>(157)</b>	<b>11</b>
<b>Net operating result for the year</b>	<b>4,230</b>	<b>(157)</b>	<b>11</b>
<b>Net operating result attributable to each council fund</b>	<b>4,230</b>	<b>(157)</b>	<b>11</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>(653)</b>	<b>(519)</b>	<b>43</b>



# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### D1-2 Statement of Financial Position by fund

\$ '000	General 2023	Water 2023	Sewer 2023
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3,468	59	16
Investments	16,865	2,300	1,600
Receivables	2,851	529	191
Inventories	324	–	–
Contract assets and contract cost assets	2,033	330	–
Other	72	–	–
<b>Total current assets</b>	<b>25,613</b>	<b>3,218</b>	<b>1,807</b>
<b>Non-current assets</b>			
Infrastructure, property, plant and equipment	255,951	16,605	20,268
Right of use assets	150	–	–
<b>Total non-current assets</b>	<b>256,101</b>	<b>16,605</b>	<b>20,268</b>
<b>Total assets</b>	<b>281,714</b>	<b>19,823</b>	<b>22,075</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	6,674	–	–
Contract liabilities	4,745	23	–
Lease liabilities	19	–	–
Borrowings	187	–	–
Employee benefit provision	2,554	–	–
<b>Total current liabilities</b>	<b>14,179</b>	<b>23</b>	<b>–</b>
<b>Non-current liabilities</b>			
Lease liabilities	141	–	–
Borrowings	1,320	–	–
Employee benefit provision	105	–	–
Provisions	4,553	–	–
<b>Total non-current liabilities</b>	<b>6,119</b>	<b>–</b>	<b>–</b>
<b>Total liabilities</b>	<b>20,298</b>	<b>23</b>	<b>–</b>
<b>Net assets</b>	<b>261,416</b>	<b>19,800</b>	<b>22,075</b>
<b>EQUITY</b>			
Accumulated surplus	69,880	7,345	11,962
Revaluation reserves	191,536	12,455	10,113
<b>Council equity interest</b>	<b>261,416</b>	<b>19,800</b>	<b>22,075</b>
<b>Total equity</b>	<b>261,416</b>	<b>19,800</b>	<b>22,075</b>

# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### D2 Interests in other entities

#### D2-1 Subsidiaries, joint arrangements and associates not recognised

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The following subsidiaries, joint arrangements and associates have not been recognised in this financial report.

##### **New England Joint Organisation**

The New England Joint Organisation (NEJO) is a body corporate which was proclaimed on 11 May 2018 under the Local Government Act 1993 with the legal capacity and powers of an individual. The principle functions of NEJO are to:

- Establish strategic regional priorities for the Joint Organisation Area and develop strategies and plans for delivering these priorities;
- Provide regional leadership for the Joint Organisation Area and to be an advocate for strategic regional priorities;
- Identify and take up opportunities for intergovernmental cooperation on matters relating to the Joint Organisation Area.

NEJO consists of seven voting member Councils located on the Highlands, Slopes and Plains of Northern New South Wales.

The Board consists of:

- The Mayors of each Member Council, who are entitled to one (1) vote at Meetings;
- A non-voting representative of the NSW Government, who is the Regional Director of the Department of Premier and Cabinet.

The role of the Board is to direct and control the affairs of NEJO. A decision of the Board supported by a majority at which a quorum is present is a decision of NEJO. Uralla Shire Council has a one-seventh voting right, and based on the above, does not have control, joint control or significant influence over decision making or the overall activities of the organisation.

In accordance with the NEJO Charter, Uralla Shire Council contributed zero in annual fees for the 2022-23 year towards the operation of the joint organisation.

##### **New England Weeds Authority**

New England Weeds Authority (NEWA) is the registered trading name of The New England Tablelands Noxious Plants County Council. NEWA is a single purpose Council which is a Local Control Authority for priority and invasive weeds under the NSW Biosecurity Act, 2015. The present area of operation of NEWA is the local government areas of Uralla Shire Council, Armidale Regional Council, Walcha Shire Council, and Glen Innes Severn Council (under a Memorandum of Understanding). These Councils are located in the Northern Tablelands region of New South Wales.

The County Council's governance is in accordance with the Local Government Act 1993 (LGA 1993) with the County Council first proclaimed in 1947.

NEWA is funded by contributions from its four Constituent Councils, grants and private works. Each Constituent Council has delegated its Noxious weeds control function to NEWA and contributes in accordance with NEWA's proclamation. NEWA's governing body consists of five Councillors elected by each of the Constituent Councils.

Council does not have control, joint control or significant influence over decision making or the overall activities of the organisation.

# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### E Risks and accounting uncertainties

#### E1-1 Risks relating to financial instruments held

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.

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings** – are based upon estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.

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.

Council has an investment policy which complies with the Local Government Act 1993 and Minister's investment order 625. This policy is regularly reviewed by Council and its staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance as required by Local Government regulations.

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 these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.
- **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.

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

\$ '000	2023	2022
The impact on results for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	226	142

# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### E1-1 Risks relating to financial instruments held (continued)

#### (b) Credit risk

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

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures. Council also encourages ratepayers to pay their rates by the due date through incentives.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

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.

#### Credit risk profile

##### Receivables – rates and annual charges

Credit risk on rates and annual charges is minimised by the ability of Council to recover these debts as a secured charge over the land; 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 payment.

\$ '000	Not yet overdue rates and annual charges			Total
	Not yet overdue	< 5 years	≥ 5 years	
<b>2023</b>				
Gross carrying amount	605	384	–	989
2022				
Gross carrying amount	525	262	–	787

# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### E1-1 Risks relating to financial instruments held (continued)

#### Receivables - non-rates and annual charges and contract assets

Council applies the simplified approach for non-rates and annual charges debtors and contract assets to provide for expected credit losses, which permits the use of the lifetime expected loss provision at inception. To measure the expected credit losses, non-rates and annual charges debtors and contract assets have been grouped based on shared credit risk characteristics and the days past due.

The loss allowance provision is determined as follows. The expected credit losses incorporate forward-looking information.

\$ '000	Not yet overdue	Overdue debts				Total
		0 - 30 days	31 - 60 days	61 - 90 days	> 91 days	
<b>2023</b>						
Gross carrying amount <sup>1</sup>	4,431	8	546	–	24	5,009
Expected loss rate (%)	0.00%	10.00%	8.50%	0.00%	70.00%	1.28%
<b>ECL provision</b>	<b>–</b>	<b>1</b>	<b>46</b>	<b>–</b>	<b>17</b>	<b>64</b>
<b>2022</b>						
Gross carrying amount <sup>1</sup>	3,267	77	383	7	67	3,801
Expected loss rate (%)	0.00%	10.00%	13.00%	50.00%	3.00%	1.66%
<b>ECL provision</b>	<b>–</b>	<b>8</b>	<b>50</b>	<b>4</b>	<b>2</b>	<b>64</b>

(1) Last year figures were adjusted to include contract assets in amount of \$1,094 thousand

# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### E1-1 Risks relating to financial instruments held (continued)

#### (c) Liquidity risk

Payables, lease liabilities and borrowings are both subject to liquidity risk; that is, 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 by maintaining an adequate cash buffer. Payment terms can be extended, and overdraft facilities drawn upon in extenuating circumstances.

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

The finance team regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

The timing of cash flows presented in the table below to settle financial liabilities reflects the earliest contractual settlement dates. The timing of expected outflows is not expected to be materially different from contracted cashflows.

The amounts disclosed in the table are the undiscounted contracted cash flows for non-lease liabilities (refer to Note C2-1(b) for lease liabilities) and therefore the balances in the table may not equal the balances in the Statement of Financial Position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
<b>2023</b>							
Payables	0.00%	33	6,641	–	–	6,674	6,674
Borrowings	7.44%	280	823	904	–	2,007	1,507
<b>Total financial liabilities</b>		<b>313</b>	<b>7,464</b>	<b>904</b>	<b>–</b>	<b>8,681</b>	<b>8,181</b>
<b>2022</b>							
Payables	0.00%	2	5,275	–	–	5,277	5,124
Borrowings	6.94%	–	289	760	946	1,995	1,745
<b>Total financial liabilities</b>		<b>2</b>	<b>5,564</b>	<b>760</b>	<b>946</b>	<b>7,272</b>	<b>6,869</b>

# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### E2-1 Fair value measurement

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).

\$ '000	Notes	Fair value measurement hierarchy							
		Date of latest valuation		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2023	2022	2023	2022	2023	2022	2023	2022
<b>Recurring fair value measurements</b>									
<b>Infrastructure, property, plant and equipment</b> C1-7									
Plant and equipment		30/06/19	30/06/19	–	–	6,457	6,316	6,457	6,316
Office equipment		30/06/19	30/06/19	–	–	95	54	95	54
Furniture and fittings		30/06/19	30/06/19	–	–	210	243	210	243
Operational land		30/06/23	30/06/18	3,493	1,988	–	–	3,493	1,988
Community land		30/06/21	30/06/21	–	–	4,467	4,172	4,467	4,172
Buildings – non-specialised		30/06/23	30/06/18	–	–	20,030	15,141	20,030	15,141
Other structures		30/06/21	30/06/21	–	–	3,513	1,340	3,513	1,340
Sealed road structure		30/06/20	30/06/20	–	–	99,446	93,162	99,446	93,162
Unsealed roads		30/06/20	30/06/20	–	–	4,549	4,661	4,549	4,661
Bridges		30/06/20	30/06/20	–	–	30,878	29,039	30,878	29,039
Footpaths		30/06/20	30/06/20	–	–	1,801	1,747	1,801	1,747
Bulk earthworks		30/06/20	30/06/20	–	–	73,965	69,836	73,965	69,836
Stormwater drainage		30/06/20	30/06/20	–	–	3,657	3,294	3,657	3,294
Water supply network		01/07/22	30/06/17	–	–	14,829	13,428	14,829	13,428
Sewerage network		01/07/22	30/06/17	–	–	18,762	15,803	18,762	15,803
Heritage collection		30/06/14	30/06/14	–	–	90	90	90	90
Other assets		30/06/21	30/06/21	–	–	47	58	47	58
Other open space / recreational assets <sup>1</sup>		30/06/21	30/06/21	–	–	–	2,050	–	2,050
Swimming pools <sup>1</sup>		30/06/21	30/06/21	–	–	–	199	–	199
<b>Total infrastructure, property, plant and equipment</b>				<b>3,493</b>	<b>1,988</b>	<b>282,796</b>	<b>260,633</b>	<b>286,289</b>	<b>262,621</b>

(1) Opening balances of swimming pools and open space assets were reclassified to other structures in 2023.

### Valuation techniques

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).

# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### E2-1 Fair value measurement (continued)

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

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

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.

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 APV in June 2023).

The 'Market Approach' (observable input level 2) is used to value operational land. There has been no change to the valuation process during the reporting period.

#### **Land Improvements**

The cost approach is utilised, with asset values 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



# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### E2-1 Fair value measurement (continued)

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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 2021.

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 of management for it.

#### Buildings

Council buildings includes Libraries, Public Amenities, Sporting Club, Kiosks and Amenities, Depot Building and Workshops, McMaughs Aged Care Centre, Community Centre, Visitor Information Centre, Pre School, SES Shelter and others. Council carries fair value buildings using level 3 inputs. Valuations were carried out by external valuers - APV in June 2023 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 AssetVal in March 2018). 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.

#### 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 Shepherd Asset Management Solutions during 2020.

To determine the unit cost of seals, Council used external professionals, Australis Asset Advisory Group and Vanguard Consulting Group, to provide unit rates and replacement cost for all road asset classes. Roads are componentised into road surface, base, sub-base and earthworks. Surface has been split into sealed and unsealed road components.

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 these component values up to provide an overall road valuation (for each road segment) within the 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 years.

# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### E2-1 Fair value measurement (continued)

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#### 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 undertaken in 2020 by external consultants Australis and Vanguard.

These inspections were carried out to comply with insurance protocols and to provide data for the revaluation that occurred during 2020. Current replacement costs are based on modern equivalent unit rates..

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.

#### 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 2020. All systems have been assessed as being satisfactory or better. A full assessment was undertaken in 2020 by external consultants Australis and Vanguard. 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 years.

#### 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.

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.

Valuation was performed by Australis Asset Advisory Group on 1 July 2022.

The unobservable Level 3 inputs used include:

Useful Life  
Asset Condition  
Future Economic Benefit

# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### E2-1 Fair value measurement (continued)

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#### 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.

#### 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 2014 providing a reasonable estimate of the replacement value of each work based on current market prices for similar works by the same artist. The remaining 'Other assets' were revalued utilising indexation during 2021 including the swimming pool which is recognised separately in the infrastructure note. 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.

#### Infrastructure- Bridges

Council has 50 bridges/major culverts on local roads and 33 bridges/major culverts on regional roads. Of these, two bridges were replaced in 2017/18 with some additional work finalised in 2018/19.

All Council bridges are inspected by Council's qualified inspectors on a biannual program.

Council engaged an independent company to assess HML capacity on selected bridges in 2018-19.

Council used external professionals, Australis Asset Advisory Group and Vanguard Consulting Group, to provide unit rates and replacement cost for all bridges and culverts.

Bridges are componentised into bridges and major culverts, and culverts and drainage assets include both pits and pipes.

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.

Council used external professionals, Australis Asset Advisory Group and Vanguard Consulting Group, to provide unit rates and replacement cost for all earthworks.

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

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

#### Infrastructure- Water Supply Network

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

# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### E2-1 Fair value measurement (continued)

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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.

Valuation was performed by Australis Asset Advisory Group on 1 July 2022.

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.

## Notes to the Financial Statements

for the year ended 30 June 2023

### E2-1 Fair value measurement (continued)

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#### Fair value measurements using significant unobservable inputs (level 3)

##### 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

#### Highest and best use

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

## Notes to the Financial Statements

for the year ended 30 June 2023

### E3-1 Contingencies

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 is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named The Local Government Superannuation Scheme – Pool B (the Scheme) which is a defined benefit plan that has been deemed to be a 'multi-employer fund' for purposes of AASB119 Employee Benefits for the following reasons:

- Assets are not segregated within the sub-group according to the employees of each sponsoring employer.
- The contribution rates have been the same for all sponsoring employers. That is, contribution rates have not varied for each sponsoring employer according to the experience relating to the employees of that sponsoring employer.
- Benefits for employees of all sponsoring employers are determined according to the same formulae and without regard to the sponsoring employer.
- The same actuarial assumptions are currently used in respect of the employees of each sponsoring employer.

Given the factors above, 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 (to the extent that they are not borne by members).

###### *Description of the funding arrangements.*

Pooled Employers are required to pay future service employer contributions and past service employer contributions to the Fund.

The future service 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 future service employer contribution rates are::

Division B	1.9 times member contributions for non-180 Point Members; Nil for 180 Point Members*
Division C	2.5% salaries
Division D	1.64 times member contributions

\* For 180 Point Members, Employers are required to contribute 8% of salaries for the year ending 30 June 2023 (increasing to 8.5% in line with the increase in the Superannuation Guarantee) to these members' accumulation accounts, which are paid in addition to members' defined benefits.

The past service contribution for each Pooled Employer is a share of the total past service contributions OF \$20.0 million per annum for 1 January 2022 to 31 December 2024, apportioned according to each employer's share of the accrued liabilities as at 30 June 2022. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

###### *Description of the extent to which Council can be liable to the plan for other Council's obligations under the terms and conditions of the multi-employer plan*

As stated above, each sponsoring employer (Council) 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 may withdraw from the plan when there are no active members, on full payment

# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### E3-1 Contingencies (continued)

of outstanding additional contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the Council.

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 amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2023 was \$70,371.82. The last valuation of the Scheme was performed by fund actuary, Richard Boyfield, FIAA as at 30 June 2022.

The amount of additional contributions included in the total employer contribution advised above is \$32,627.64. Council's expected contribution to the plan for the next annual reporting period is \$63,665.28.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2022 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	2,290.9	
Past Service Liabilities	2,236.1	102.4%
Vested Benefits	2,253.6	101.7%

\* excluding other accumulation accounts and reserves in both assets and liabilities.

The share of any funding surplus or deficit that can be attributed to Council is 0.16%

Council's share of that deficiency cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils. For this reason, no liability for the deficiency has been recognised in Council's accounts. Council has a possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

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

Investment return	6.0% per annum
Salary inflation	3.5% per annum
Increase in CPI	6.0% for FY 22/23 2.5% per annum thereafter

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group.

Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the final end of year review, which will be a triennial actuarial investigation will be completed by December 2023.

#### (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 June this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

#### (iii) StateCover Limited

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

# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### E3-1 Contingencies (continued)

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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.

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

Council has classified a number of privately owned land parcels as local open space or bushland.

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

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

### ASSETS NOT RECOGNISED

#### (i) Land under roads

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

#### (ii) Infringement notices/fines

Fines and penalty income, the result of Council issuing infringement notices is followed up and collected by the Infringement Processing Bureau.

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 2023

### F People and relationships

#### F1 Related party disclosures

##### F1-1 Key management personnel (KMP)

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>\$ '000</b>	<b>2023</b>	<b>2022</b>
<b>Compensation:</b>		
Short-term benefits	<b>1,027</b>	845
Post-employment benefits	<b>95</b>	89
<b>Total</b>	<b>1,122</b>	<b>934</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 KMP using Council services (e.g. access to library or Council swimming pool) will not be disclosed.

# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### F1-2 Councillor and Mayoral fees and associated expenses

<b>\$ '000</b>	<b>2023</b>	<b>2022</b>
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	21	20
Councillors' fees	105	98
Other Councillors' expenses (including Mayor)	3	8
<b>Total</b>	<b>129</b>	<b>126</b>

### F2 Other relationships

#### F2-1 Audit fees

<b>\$ '000</b>	<b>2023</b>	<b>2022</b>
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
<b>Auditors of the Council - NSW Auditor-General:</b>		
<b>(i) Audit and other assurance services</b>		
Audit and review of financial statements	83	54
<b>Remuneration for audit and other assurance services</b>	<b>83</b>	<b>54</b>
<b>Total Auditor-General remuneration</b>	<b>83</b>	<b>54</b>
<b>Non NSW Auditor-General audit firms</b>		
<b>(i) Audit and other assurance services</b>		
Other audit and assurance services	4	52
<b>Remuneration for audit and other assurance services</b>	<b>4</b>	<b>52</b>
<b>Total remuneration of non NSW Auditor-General audit firms</b>	<b>4</b>	<b>52</b>
<b>Total audit fees</b>	<b>87</b>	<b>106</b>

# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### G Other matters

#### G1-1 Statement of Cash Flows information

##### Reconciliation of net operating result to cash provided from operating activities

\$ '000	2023	2022
<b>Net operating result from Income Statement</b>	<b>4,084</b>	<b>4,756</b>
<b>Add / (less) non-cash items:</b>		
Depreciation and amortisation	6,057	5,237
(Gain) / loss on disposal of assets	857	526
Non-cash capital grants and contributions	(250)	–
Unwinding of discount rates on reinstatement provisions	132	35
<b>Movements in operating assets and liabilities and other cash items:</b>		
(Increase) / decrease of receivables	(18)	(260)
(Increase) / decrease of inventories	2	(65)
(Increase) / decrease of other current assets	22	(13)
(Increase) / decrease of contract asset	(1,392)	123
Increase / (decrease) in payables	16	55
Increase / (decrease) in accrued interest payable	4	1
Increase / (decrease) in other accrued expenses payable	1,011	(137)
Increase / (decrease) in other liabilities	519	(597)
Increase / (decrease) in contract liabilities	(815)	3,368
Increase / (decrease) in employee benefit provision	22	(28)
<b>Net cash flows from operating activities</b>	<b>10,251</b>	<b>13,001</b>

# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### G2-1 Commitments

#### Capital commitments (exclusive of GST)

<b>\$ '000</b>	<b>2023</b>	<b>2022</b>
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
<b>Property, plant and equipment</b>		
Buildings	72	358
Plant and equipment	1,130	476
Bundarra Sewer Scheme	–	127
Road infrastructure	1,083	752
McMaugh Gardens works	16	179
Other	295	359
<b>Total commitments</b>	<b>2,596</b>	<b>2,251</b>
<b>These expenditures are payable as follows:</b>		
Within the next year	2,596	2,251
<b>Total payable</b>	<b>2,596</b>	<b>2,251</b>
<b>Sources for funding of capital commitments:</b>		
Unrestricted general funds	205	370
Future grants and contributions	1,261	1,405
Internally restricted reserves	1,130	476
<b>Total sources of funding</b>	<b>2,596</b>	<b>2,251</b>

### G3-1 Events occurring after the reporting date

No matters have arisen subsequent to balance date that would require these financial statements to be amended.

# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### G4 Statement of developer contributions as at 30 June 2023

#### G4-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2022	Contributions received during the year			Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2023	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash Land	Non-cash Other					
Roads	686	44	-	-	23	-	-	753	-
Traffic facilities	20	1	-	-	-	-	-	21	-
Community facilities	83	1	-	-	3	-	-	87	-
Other	60	-	-	-	4	-	-	64	-
<b>S7.11 contributions – under a plan</b>	<b>849</b>	<b>46</b>	<b>-</b>	<b>-</b>	<b>30</b>	<b>-</b>	<b>-</b>	<b>925</b>	<b>-</b>
<b>S7.12 levies – under a plan</b>	<b>60</b>	<b>126</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>190</b>	<b>-</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>909</b>	<b>172</b>	<b>-</b>	<b>-</b>	<b>34</b>	<b>-</b>	<b>-</b>	<b>1,115</b>	<b>-</b>
<b>Total contributions</b>	<b>909</b>	<b>172</b>	<b>-</b>	<b>-</b>	<b>34</b>	<b>-</b>	<b>-</b>	<b>1,115</b>	<b>-</b>

Under the *Environmental Planning and Assessment Act 1979*, Council has significant obligations to provide Section 7.11 (contributions towards provision or improvement of amenities or services) infrastructure in new release areas. It is possible that the funds contributed may be less than the cost of this infrastructure, requiring Council to borrow or use general revenue to fund the difference.

# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### G4-2 Developer contributions by plan

\$ '000	Opening balance at 1 July 2022	Contributions received during the year			Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2023	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash Land	Non-cash Other					
<b>CONTRIBUTION PLAN – RURAL INVERGOWRIE</b>									
Roads	97	-	-	-	3	-	-	100	-
Traffic facilities	20	1	-	-	-	-	-	21	-
Community facilities	83	1	-	-	3	-	-	87	-
Other	55	-	-	-	4	-	-	59	-
<b>Total</b>	<b>255</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>10</b>	<b>-</b>	<b>-</b>	<b>267</b>	<b>-</b>
<b>CONTRIBUTION PLAN – RURAL</b>									
Other	5	-	-	-	-	-	-	5	-
<b>Total</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5</b>	<b>-</b>
<b>CONTRIBUTION PLAN – DCP ROAD MAINTENANCE ROYALTIES</b>									
Roads	589	44	-	-	20	-	-	653	-
<b>Total</b>	<b>589</b>	<b>44</b>	<b>-</b>	<b>-</b>	<b>20</b>	<b>-</b>	<b>-</b>	<b>653</b>	<b>-</b>

### S7.12 Levies – under a plan

#### S7.12 LEVIES - UNDER A PLAN

Other	60	126	-	-	4	-	-	190	-
<b>Total</b>	<b>60</b>	<b>126</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>190</b>	<b>-</b>

# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### G5 Statement of performance measures

#### G5-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2023	Indicator 2023	Indicators		Benchmark
			2022	2021	
<b>1. Operating performance ratio *</b>					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<u>(272)</u>	<b>(1.04)%</b>	(2.17)%	(8.92)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>26,200</b>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	<u>14,354</u>	<b>45.69%</b>	57.52%	55.42%	> 60.00%
Total continuing operating revenue <sup>1</sup>	<b>31,413</b>				
<b>3. Unrestricted current ratio **</b>					
Current assets less all external restrictions	<u>11,712</u>	<b>3.57x</b>	3.45x	2.22x	> 1.50x
Current liabilities less specific purpose liabilities	<b>3,278</b>				
<b>4. Debt service cover ratio *</b>					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<u>6,003</u>	<b>12.56x</b>	13.46x	11.26x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>478</b>				
<b>5. Rates and annual charges outstanding percentage</b>					
Rates and annual charges outstanding	<u>1,052</u>	<b>12.49%</b>	10.54%	9.00%	< 10.00%
Rates and annual charges collectable	<b>8,424</b>				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<u>24,308</u>	<b>14.35</b>	12.90	11.88	> 3.00
Monthly payments from cash flow of operating and financing activities	<b>1,694</b>	<b>months</b>	months	months	months

(\*) The 2022 ratio is restated due to reclassification of groundwater project grant from capital to operating grants (\$181 thousand).

(1) Excludes fair value increments on investment properties, reversal of revaluation decrements, reversal of impairment losses on receivables, net gain on sale of assets and net share of interests in joint ventures and associates using the equity method and includes pensioner rate subsidies

(2) Excludes impairment/revaluation decrements of IPPE, fair value decrements on investment properties, net loss on disposal of assets and net loss on share of interests in joint ventures and associates using the equity method

(\*\*) The 2022 ratio was restated due to incorrect amount of restricted liability included in calculations.

# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### G5-2 Statement of performance measures by fund

\$ '000	General Indicators <sup>3</sup>		Water Indicators		Sewer Indicators		Benchmark
	2023	2022	2023	2022	2023	2022	
<b>1. Operating performance ratio <sup>3,*</sup></b>							
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>0.85%</b>	(1.14)%	<b>(41.03)%</b>	(36.20)%	<b>4.26%</b>	16.11%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>							
<b>2. Own source operating revenue ratio</b>							
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>42.03%</b>	50.55%	<b>76.83%</b>	81.85%	<b>101.84%</b>	25.62%	> 60.00%
Total continuing operating revenue <sup>1</sup>							
<b>3. Unrestricted current ratio <sup>**</sup></b>							
Current assets less all external restrictions	<b>2.06x</b>	2.59x	<b>139.91x</b>	60.06x	∞	∞	> 1.50x
Current liabilities less specific purpose liabilities							
<b>4. Debt service cover ratio <sup>*</sup></b>							
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>11.70x</b>	12.17x	∞	∞	∞	∞	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
<b>5. Rates and annual charges outstanding percentage</b>							
Rates and annual charges outstanding	<b>12.46%</b>	9.30%	<b>12.88%</b>	22.56%	<b>12.37%</b>	11.16%	< 10.00%
Rates and annual charges collectable							
<b>6. Cash expense cover ratio</b>							
Current year's cash and cash equivalents plus all term deposits	<b>12.97 months</b>	11.96 months	<b>29.70 months</b>	26.01 months	<b>34.63 months</b>	16.52 months	> 3.00 months
Monthly payments from cash flow of operating and financing activities							

(\*) The 2022 ratio is restated due to reclassification of groundwater project grant from capital to operating grants (\$181 thousand).

(\*\*) The 2022 ratio was restated due to incorrect amount of restricted liability included in calculations.

(1) - (2) Refer to Notes at Note G6-1 above.

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



**End of the audited financial statements**

# Uralla Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2023

### H Additional Council disclosures (unaudited)

#### H1-1 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:**

8:30am - 1:00pm  
2:00pm to 4:30pm  
Monday to Friday

**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

**Interim General Manager**

Toni Averay

**Responsible Accounting Officer**

Mustaq Ahammed

**Public Officer**

Mr Steven Williams

**Auditors**

Audit Office of NSW  
Level 19, Darling Park Tower 2,  
201 Sussex Street,  
Sydney NSW 2000

#### Elected members

**Mayor**

Robert Bell

**Councillors**

Cr Robert Crouch  
Cr Tim Bower  
Cr Sarah Burrows  
Cr Leanne Doran  
Cr Bruce McMullen  
Cr Lone Petrov  
Cr Tom O'Connor  
Cr Tara Toomey

#### 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 by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2023, the Statement of Financial Position as at 30 June 2023, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

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 prepared, 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 2023, 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 (including Independence Standards)' (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 have fulfilled my other ethical responsibilities in accordance with APES 110.

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

### **Other Information**

The Council's annual report for the year ended 30 June 2023 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the special purpose financial statements and Special Schedule - Permissible income for general rates.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

### **The Councillors' Responsibilities 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 are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

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

My objectives are to:

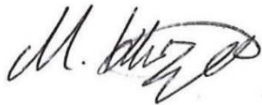
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

The scope of my audit does not include, nor 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, and Note B5-1 'Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- 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.



Michael Kharzoo  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

24 November 2023  
SYDNEY



Cr Robert Bell  
 Mayor  
 Uralla Shire Council  
 PO Box 106  
 URALLA NSW 2358

Contact: Michael Kharzoo  
 Phone no: 02 9275 7188  
 Our ref: R008-16585809-48473

24 November 2023

Dear Mayor

**Report on the Conduct of the Audit  
 for the year ended 30 June 2023  
 Uralla Shire Council**



I have audited the general purpose financial statements (GPFS) of the Uralla Shire Council (the Council) for the year ended 30 June 2023 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's GPFS.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2023 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

**INCOME STATEMENT**

**Operating result**

	2023 \$m	2022 \$m	Variance %
Rates and annual charges revenue	7.5	7.3	 2.7
Grants and contributions revenue	17.1	14.5	 17.9
Operating result from continuing operations	4.1	4.8	 14.6

Net operating result before capital grants and contributions	(1.1)	(1.0)	10.0
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The Council's operating result from continuing operations was a surplus of \$4.1 million, which was a 14.6 per cent decrease from the prior year (2021-22: \$4.8 million). This was mainly due to the increase in expenditure for materials and services.

The net operating result before capital grants and contributions was a deficit of \$1.1 million, which was relatively stable from the prior year (2021-22: deficit of \$1.0 million).

Grants and contributions revenue (\$17.1 million) increased by \$2.6 million (17.9 per cent) in 2022–23 was mainly due to:

- \$0.4 million increase in financial assistance grants due to receiving 100 percent of the financial assistance grants for 2023-24 in advance (75 percent in 2021-22)
- \$0.8 million increase in McMaugh Gardens aged care subsidies received during the year
- \$0.9 million increase in Stronger Country and Community funding capital grants for parks and reserves, and sports ground and facilities upgrade works
- \$0.7 million increase in capital grants for transport (other roads and bridges funding) due to funding received for road upgrade works
- \$2.5 million increase in operational grants for transport (other roads and bridges funding) due to disaster recovery funding received for the November 2022 floods.

Offset by:

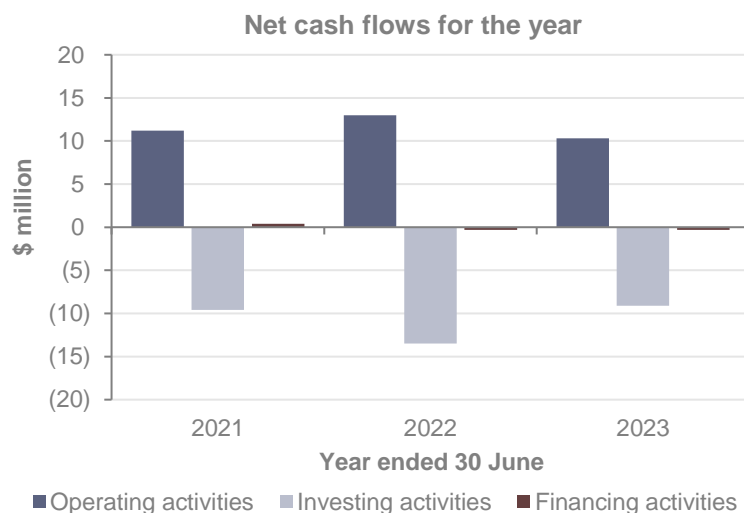
- \$2.7 million decrease in capital grants recognised for sewerage services due to completion of Bundarra sewer scheme project in the prior financial year.

## STATEMENT OF CASH FLOWS

Cash from operating activities decreased by \$2.8 million, mainly due to a decrease in grants and contributions cash receipts received during the year and an increase in payments for materials and services.

Cash outflows from investing activities decreased by \$4.5 million due to a decrease in payments for Infrastructure, Property, Plant and Equipment (IPP&E).

Cash outflows from financing activities primarily consist of repayments of borrowings.



## FINANCIAL POSITION

### Cash and investments

Cash and investments	2023	2022	Commentary
	\$m	\$m	
<b>Total cash, cash equivalents and investments</b>	<b>24.3</b>	<b>19.9</b>	Externally restricted cash and investments are restricted in their use by externally imposed requirements. Council's externally restricted balances comprise mainly of specific purpose unexpended grants, developer contributions, water fund, sewer fund and deposits for McMaugh Gardens Aged Care Centre.
Restricted and allocated cash, cash equivalents and investments:			
• External restrictions	17.9	14.0	Internal allocations are determined by council policies or decisions, which are subject to change.
• Internal allocations	5.6	5.1	At 30 June 2023 Council holds \$800,000 in unrestricted and unallocated cash, cash equivalents and investments. This is a reduction on the 2021-22 balance, which was \$854,000.

### Debt

At 30 June 2023, Council had:

- \$1.5 million in secured loans (\$1.7 million in 2021-22)
- \$100,000 in bank overdraft facilities with Nil drawn.
- \$50,000 in credit card facility, with \$8,000 used

## PERFORMANCE

### Performance measures

The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning and Environment.

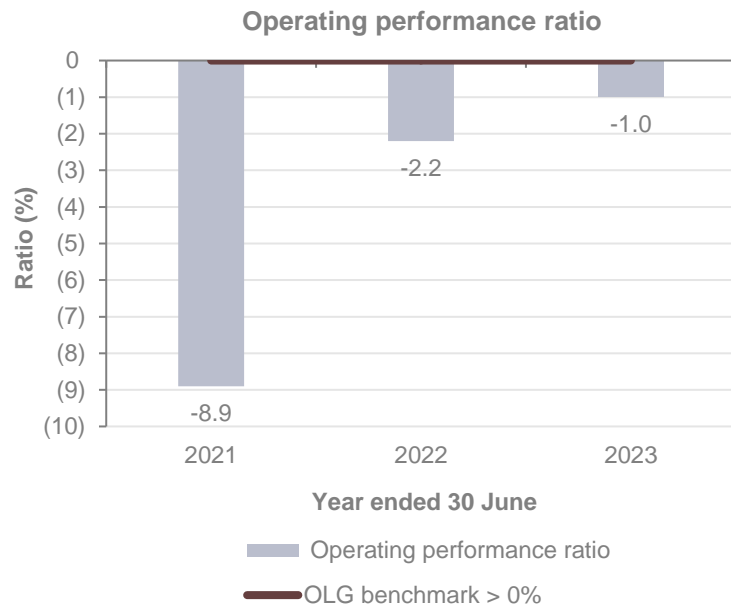


### Operating performance ratio

The 'operating performance 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 OLG is greater than zero per cent.

The Council did not meet the benchmark for the current or previous reporting periods.

The ratio has improved, mainly due to the increase in grants and contributions provided for operating purposes.

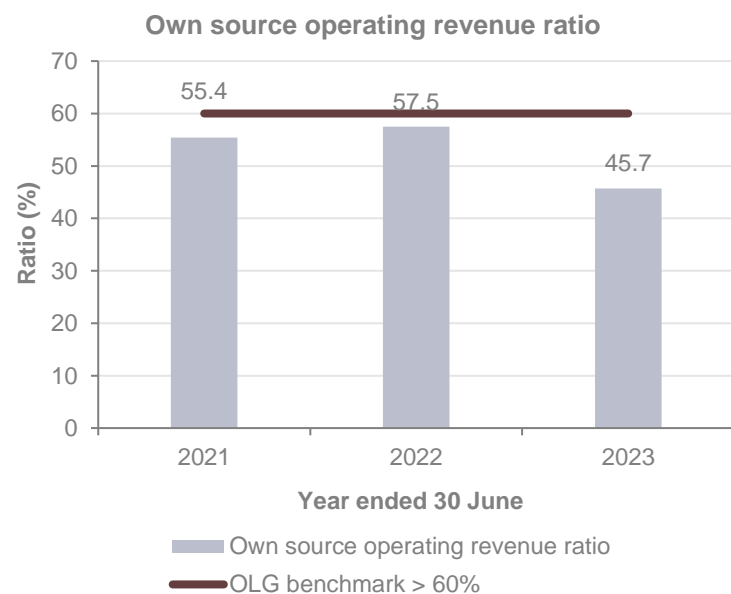


### Own source operating revenue ratio

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.

The Council did not meet the benchmark for the current or previous reporting periods.

The ratio continued to decline during the year, mainly due to an increase in grants and contributions provided for operating purposes.

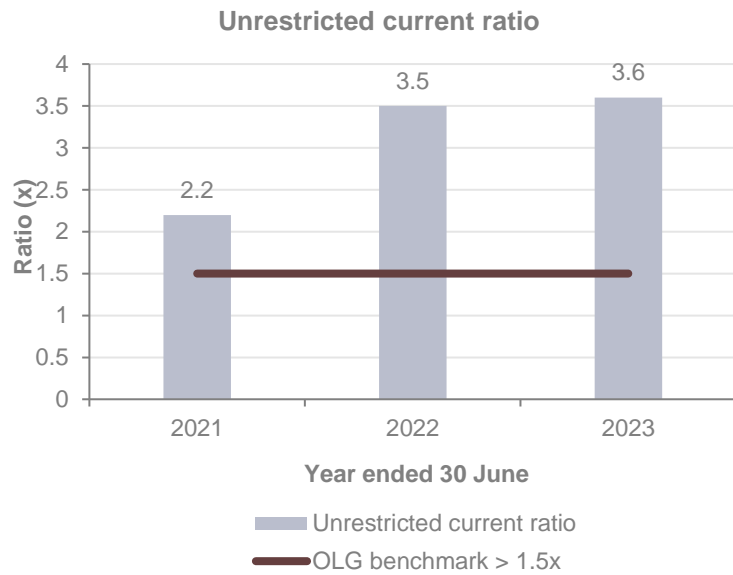


### Unrestricted current ratio

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.

The Council's ratio of 3.6 times exceeded the benchmark for the current reporting period.

The ratio remains consistent with the prior period.

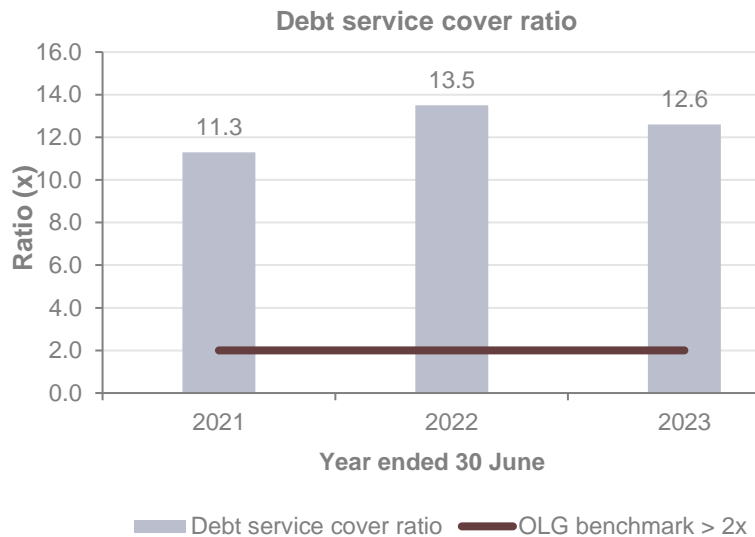


### Debt service cover ratio

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.

The Council's ratio of 12.6 times exceeded the benchmark for the current reporting period.

The ratio remains consistent with the prior period.

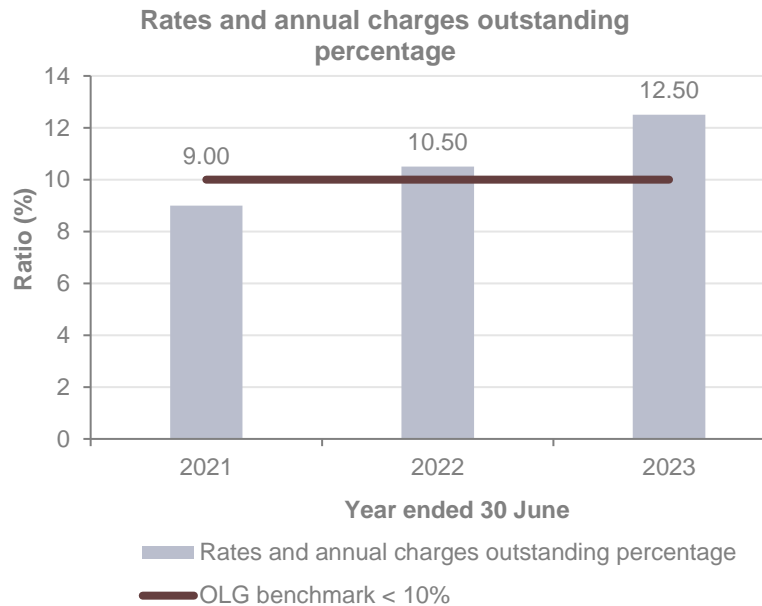


## Rates and annual charges outstanding percentage

The 'rates and annual charges outstanding percentage' 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 less than 10 per cent for regional and rural councils.

The Council ratio of 12.5 per cent did not meet the benchmark for the current reporting period.

The ratio continues to worsen due to outstanding repayments impacted by rising costs of living.

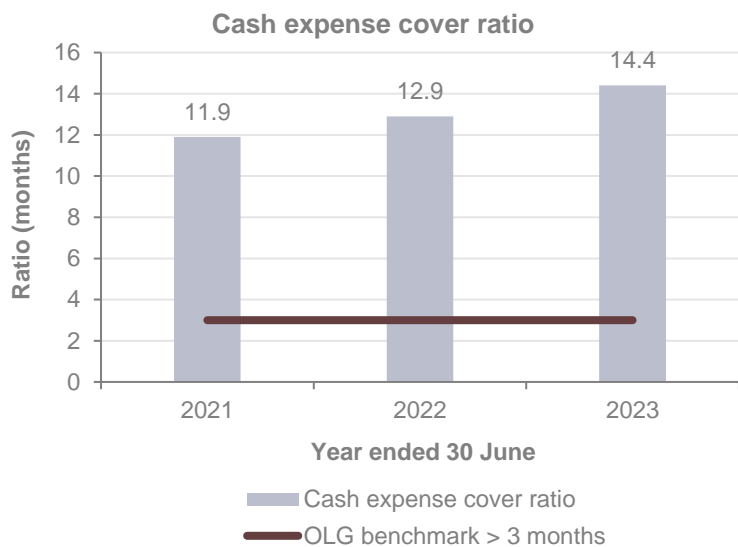


## Cash expense cover ratio

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.

The Council ratio of 14.4 months exceeded the benchmark for the current reporting period.

The ratio increased from the prior year due to an increased cash and cash equivalents balance at 30 June 2023.



## Infrastructure, property, plant and equipment renewals

Council renewed \$4.6 million of infrastructure, property, plant and equipment during the 2022-23 financial year (2021-22 \$3.2 million). This was mainly due to an increase in capital works in progress for public spaces legacy programs and Gostwyck Road patching works.

## OTHER MATTERS

### Legislative compliance

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 statements. The Council's:

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



Michael Kharzoo  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

cc: Ms Toni Averay, Acting General Manager  
Mr Stephen Coates, Chair, Audit, Risk and Improvement Committee  
Mr Steven Williams, Interim Director Corporate and Community  
Mr Mustaq Ahammed, Manager of Finance and Information Technology  
Mr Paul Cornall, Principal, Forsyths

# Uralla Shire Council

## SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2023

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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 2023

### 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:

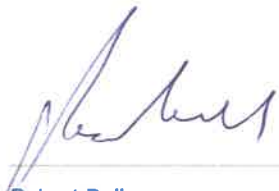
- the NSW Government Policy Statement '*Application of National Competition Policy to Local Government*',
- the Division of Local Government Guidelines '*Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality*',
- the Local Government *Code of Accounting Practice and Financial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

To the best of our knowledge and belief, these statements:

- present fairly the operating result and financial position for each of Council's declared business activities for the year
- accord with Council's accounting and other records
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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 26 September 2023.



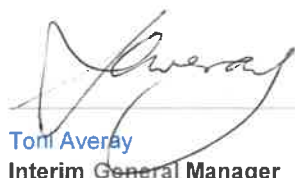
**Robert Bell**  
**Mayor**

26 September 2023



**Robert Crouch**  
**Deputy Mayor**

26 September 2023



**Toni Averay**  
**Interim General Manager**

26 September 2023



**Mustaq Ahammed**  
**Responsible Accounting Officer**

26 September 2023

# Uralla Shire Council

## Income Statement of water supply business activity

for the year ended 30 June 2023

<b>\$ '000</b>	<b>2023</b>	<b>2022</b>
<b>Income from continuing operations</b>		
Access charges	594	554
User charges	565	520
Interest and investment income	91	26
Grants and contributions provided for operating purposes	15	16
<b>Total income from continuing operations</b>	<b>1,265</b>	<b>1,116</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	310	413
Materials and services	995	652
Depreciation, amortisation and impairment	479	451
Other expenses	–	4
<b>Total expenses from continuing operations</b>	<b>1,784</b>	<b>1,520</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(519)</b>	<b>(404)</b>
Grants and contributions provided for capital purposes	362	228
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(157)</b>	<b>(176)</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>(157)</b>	<b>(176)</b>
<b>Surplus (deficit) after tax</b>	<b>(157)</b>	<b>(176)</b>
<b>Plus accumulated surplus</b>	<b>7,502</b>	<b>7,678</b>
<b>Closing accumulated surplus</b>	<b>7,345</b>	<b>7,502</b>
<b>Return on capital %</b>	<b>(3.1)%</b>	<b>(2.8)%</b>
<b>Subsidy from Council</b>	<b>1,187</b>	<b>939</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	(157)	(176)
Less: capital grants and contributions (excluding developer contributions)	(362)	(228)



# Uralla Shire Council

## Income Statement of sewerage business activity

for the year ended 30 June 2023

\$ '000	2023	2022
<b>Income from continuing operations</b>		
Access charges	877	834
User charges	63	63
Interest and investment income	56	16
Grants and contributions provided for operating purposes	14	12
<b>Total income from continuing operations</b>	<b>1,010</b>	<b>925</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	198	306
Materials and services	362	180
Depreciation, amortisation and impairment	407	269
Net loss from the disposal of assets	-	16
Other expenses	-	5
<b>Total expenses from continuing operations</b>	<b>967</b>	<b>776</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>43</b>	<b>149</b>
Grants and contributions provided for capital purposes	(32)	2,638
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>11</b>	<b>2,787</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>11</b>	<b>2,787</b>
Less: corporate taxation equivalent (25%) [based on result before capital]	(11)	(37)
<b>Surplus (deficit) after tax</b>	<b>-</b>	<b>2,750</b>
<b>Plus accumulated surplus</b>	<b>11,951</b>	<b>9,164</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	11	37
<b>Closing accumulated surplus</b>	<b>11,962</b>	<b>11,951</b>
<b>Return on capital %</b>	<b>0.2%</b>	<b>0.9%</b>
<b>Subsidy from Council</b>	<b>772</b>	<b>468</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	-	2,750
Less: capital grants and contributions (excluding developer contributions)	32	(2,638)
<b>Surplus for dividend calculation purposes</b>	<b>32</b>	<b>112</b>
<b>Potential dividend calculated from surplus</b>	<b>16</b>	<b>56</b>

# Uralla Shire Council

## Income Statement of McMaugh Gardens

for the year ended 30 June 2023

\$ '000	2023 Category 2	2022 Category 2
<b>Income from continuing operations</b>		
User charges	1,022	953
Interest and investment income	106	16
Grants and contributions provided for operating purposes	2,786	2,001
Other income	14	16
<b>Total income from continuing operations</b>	<b>3,928</b>	<b>2,986</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	2,518	2,272
Borrowing costs	6	7
Materials and services	1,066	729
Depreciation, amortisation and impairment	233	211
Net loss from the disposal of assets	2	–
<b>Total expenses from continuing operations</b>	<b>3,825</b>	<b>3,219</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>103</b>	<b>(233)</b>
Grants and contributions provided for capital purposes	228	54
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>331</b>	<b>(179)</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>331</b>	<b>(179)</b>
Less: corporate taxation equivalent (25%) [based on result before capital]	(26)	–
<b>Surplus (deficit) after tax</b>	<b>305</b>	<b>(179)</b>
<b>Plus accumulated surplus</b>	<b>3,606</b>	<b>3,785</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	26	–
<b>Closing accumulated surplus</b>	<b>3,937</b>	<b>3,606</b>
<b>Return on capital %</b>	<b>1.8%</b>	<b>(4.7)%</b>
<b>Subsidy from Council</b>	<b>133</b>	<b>401</b>

# Uralla Shire Council

## Statement of Financial Position of water supply business activity

as at 30 June 2023

<b>\$ '000</b>	<b>2023</b>	<b>2022</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	59	17
Investments	2,300	2,300
Receivables	529	420
Contract assets and contract cost assets	330	86
<b>Total current assets</b>	<b>3,218</b>	<b>2,823</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	16,605	14,631
<b>Total non-current assets</b>	<b>16,605</b>	<b>14,631</b>
<b>Total assets</b>	<b>19,823</b>	<b>17,454</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Contract liabilities	23	47
<b>Total current liabilities</b>	<b>23</b>	<b>47</b>
<b>Total liabilities</b>	<b>23</b>	<b>47</b>
<b>Net assets</b>	<b>19,800</b>	<b>17,407</b>
<b>EQUITY</b>		
Accumulated surplus	7,345	7,502
Revaluation reserves	12,455	9,905
<b>Total equity</b>	<b>19,800</b>	<b>17,407</b>

# Uralla Shire Council

## Statement of Financial Position of sewerage business activity

as at 30 June 2023

<b>\$ '000</b>	<b>2023</b>	<b>2022</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	16	98
Investments	1,600	600
Receivables	191	133
Contract assets and contract cost assets	–	605
<b>Total current assets</b>	<b>1,807</b>	<b>1,436</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	20,268	16,855
<b>Total non-current assets</b>	<b>20,268</b>	<b>16,855</b>
<b>Total assets</b>	<b>22,075</b>	<b>18,291</b>
<b>Net assets</b>	<b>22,075</b>	<b>18,291</b>
<b>EQUITY</b>		
Accumulated surplus	11,962	11,951
Revaluation reserves	10,113	6,340
<b>Total equity</b>	<b>22,075</b>	<b>18,291</b>

# Uralla Shire Council

## Statement of Financial Position of McMaugh Gardens

as at 30 June 2023

\$ '000	2023 Category 2	2022 Category 2
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	8	41
Investments	4,200	3,300
Receivables	117	82
<b>Total current assets</b>	<b>4,325</b>	<b>3,423</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	6,031	4,771
<b>Total non-current assets</b>	<b>6,031</b>	<b>4,771</b>
<b>Total assets</b>	<b>10,356</b>	<b>8,194</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	3,332	2,729
<b>Total current liabilities</b>	<b>3,332</b>	<b>2,729</b>
<b>Non-current liabilities</b>		
Payables	18	23
<b>Total non-current liabilities</b>	<b>18</b>	<b>23</b>
<b>Total liabilities</b>	<b>3,350</b>	<b>2,752</b>
<b>Net assets</b>	<b>7,006</b>	<b>5,442</b>
<b>EQUITY</b>		
Accumulated surplus	3,937	3,606
Revaluation reserves	3,069	1,836
<b>Total equity</b>	<b>7,006</b>	<b>5,442</b>

# Uralla Shire Council

## Significant Accounting Policies

for the year ended 30 June 2023

### Note – Significant Accounting Policies

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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 (Act)*, the *Local Government (General) Regulation 2021 (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, fair value of non-current assets. Certain taxes and other costs, appropriately described, have been imputed for the purposes of the National Competition Policy.

The Statement of Financial Position includes notional assets/liabilities receivable from/payable to Council's general fund. These balances reflect a notional intra-entity funding arrangement with the declared business activities.

#### 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, and returns 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 Gardens 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.

###### (c) Uralla Shire Council Combined Sewerage Fund

Comprising the operations and net assets of the sewerage reticulation and treatment system servicing the town of Uralla and the treatment system that is to be constructed in Bundarra and which was established as a Special Rate Fund.

# Uralla Shire Council

## Significant Accounting Policies

for the year ended 30 June 2023

### Note – Significant Accounting Policies (continued)

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#### 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 – **25%** (21/22 25%)

Land tax – the first \$969,000 of combined land values attracts **0%**. For the combined land values in excess of \$969,000 up to \$5,925,000 the rate is **\$100 + 1.6%**. For the remaining combined land value that exceeds \$5,925,000 a premium marginal rate of **2.0%** applies.

Payroll tax – **5.45%** on the value of taxable salaries and wages in excess of \$1,200,000.

In accordance with section 4 of Department of Planning and Environment (DPE) – Water's regulatory and assurance framework, 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 regulatory and assurance framework as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the Act.

Achievement of substantial compliance to sections 3 and 4 of DPE – Water's regulatory and assurance framework 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 relevant corporate income tax rate, currently 25% (21/22 25%).

Income tax is only applied where a gain from ordinary activities before capital amounts has been achieved. Since the taxation equivalent is notional – that is, it is payable to the 'Council' as the owner of business operations – it represents an internal payment and has no effect on the operations of the Council.

Accordingly, there is no need for disclosure of internal charges in the SPFS. The rate applied of 25% 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 for all Category 1 businesses has been applied to all 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.

#### (i) Subsidies

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

# Uralla Shire Council

## Significant Accounting Policies

for the year ended 30 June 2023

### Note – Significant Accounting Policies (continued)

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#### (ii) 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'.

Funds are subsequently available for meeting commitments or financing future investment strategies. The rate of return is disclosed for each of Council's business activities on the 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 4.02% at 30/6/23.

#### (iii) Dividends

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

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

Each dividend must be calculated and approved in accordance with the Department of Industry – Water guidelines and must not exceed:

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2023 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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





## 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 by Councillors and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2023, the Statement of Financial Position of each Declared Business Activity as at 30 June 2023 and Significant Accounting Policies note.

The Declared Business Activities of the Council are:

- water supply
- sewerage
- 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 2023, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in the Significant Accounting Policies note and the Local Government Code of Accounting Practice and Financial Reporting 2022–23 (LG Code).

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 (including Independence Standards)' (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 have fulfilled my other ethical responsibilities in accordance with APES 110.

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 the Significant Accounting Policies note to the financial statements which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.

## **Other Information**

The Council's annual report for the year ended 30 June 2023 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and Special Schedule 'Permissible income for general rates'.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

## **The Councillors' Responsibilities 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 the Significant Accounting Policies note 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 are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

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

My objectives are to:

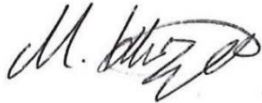
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

The scope of my audit does not include, nor 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 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, appearing to read 'M. Kharzoo', with a stylized flourish at the end.

Michael Kharzoo  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

24 November 2023  
SYDNEY

# Uralla Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2023

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Uralla Shire Council

Special Schedules

for the year ended 30 June 2023

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**Special Schedules:**

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# Uralla Shire Council

## Permissible income for general rates

\$ '000	Notes	Calculation 2022/23	Calculation 2023/24
<b>Notional general income calculation <sup>1</sup></b>			
Last year notional general income yield	a	4,112	4,226
Plus or minus adjustments <sup>2</sup>	b	(1)	15
<b>Notional general income</b>	c = a + b	<b>4,111</b>	<b>4,241</b>
<b>Permissible income calculation</b>			
Or rate peg percentage	e	2.50%	3.70%
Or plus rate peg amount	i = e x (c + g)	103	157
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>4,214</b>	<b>4,398</b>
Plus (or minus) last year's carry forward total	l	(4)	(16)
<b>Sub-total</b>	n = (l + m)	<b>(4)</b>	<b>(16)</b>
<b>Total permissible income</b>	o = k + n	<b>4,210</b>	<b>4,382</b>
Less notional general income yield	p	4,226	4,376
<b>Catch-up or (excess) result</b>	q = o - p	<b>(16)</b>	<b>6</b>
<b>Carry forward to next year <sup>6</sup></b>	t = q + r + s	<b>(16)</b>	<b>6</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 (NSW)*.
- (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 Act. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



## INDEPENDENT AUDITOR'S REPORT

### Special Schedule – Permissible income for general rates

#### Uralla Shire Council

To the Councillors of Uralla Shire Council

### Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Uralla Shire Council (the Council) for the year ending 30 June 2024.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting 2022–23 (LG Code) 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.

### 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 Schedule' 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 (including Independence Standards)' (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 have fulfilled my other ethical responsibilities in accordance with APES 110.

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 special purpose framework used to prepare the Schedule. The Schedule has been prepared for the purpose of fulfilling the Council's reporting obligations under the LG Code. As a result, the Schedule may not be suitable for another purpose.

### Other Information

The Council's annual report for the year ended 30 June 2023 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2023'.

My opinion on the Schedule does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and the special purpose financial statements.

In connection with my audit of the Schedule, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Schedule or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

### **The Councillors' Responsibilities for the Schedule**

The Councillors are responsible for the preparation of the Schedule 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 the Schedule that is free from material misstatement, whether due to fraud or error.

In preparing the Schedule, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

### **Auditor's Responsibilities for the Audit of the Schedule**

My objectives are to:

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

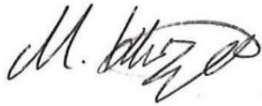
Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate,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

A description of my responsibilities for the audit of the Schedule is located at the Auditing and Assurance Standards Board website at: [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.



The scope of my audit does not include, nor 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 Schedule on any website where it may be presented
- about any other information which may have been hyperlinked to/from the Schedule.

A handwritten signature in black ink, appearing to read 'M. Kharzoo', with a stylized flourish at the end.

Michael Kharzoo  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

24 November 2023  
SYDNEY

# Uralla Shire Council

## Report on infrastructure assets as at 30 June 2023

Asset Class	Asset Category	Estimated cost		2022/23 Required maintenance <sup>a</sup>	2022/23 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost					
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5	
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000						
<b>Buildings</b>	Buildings – non-specialised	187	543	281	317	20,030	34,282	5.0%	17.0%	65.0%	11.0%	2.0%	
	<b>Sub-total</b>	<b>187</b>	<b>543</b>	<b>281</b>	<b>317</b>	<b>20,030</b>	<b>34,282</b>	<b>5.0%</b>	<b>17.0%</b>	<b>65.0%</b>	<b>11.0%</b>	<b>2.0%</b>	
<b>Other structures</b>	Other structures	12	137	510	480	3,513	6,406	50.0%	33.0%	14.0%	1.0%	2.0%	
	<b>Sub-total</b>	<b>12</b>	<b>137</b>	<b>510</b>	<b>480</b>	<b>3,513</b>	<b>6,406</b>	<b>50.0%</b>	<b>33.0%</b>	<b>14.0%</b>	<b>1.0%</b>	<b>2.0%</b>	
<b>Roads</b>	Sealed roads	3,856	10,273	1,009	1,153	99,446	140,503	67.0%	18.0%	5.0%	3.0%	7.0%	
	Bulk earthworks	–	–	–	–	73,965	73,965	100.0%	0.0%	0.0%	0.0%	0.0%	
	Bridges	500	816	53	60	30,879	48,450	39.0%	9.0%	45.0%	5.0%	2.0%	
	Unsealed roads	447	117	1,374	1,023	4,549	19,954	4.0%	63.0%	16.0%	16.0%	1.0%	
	Footpaths	–	–	105	147	1,801	2,442	26.0%	65.0%	9.0%	0.0%	0.0%	
	<b>Sub-total</b>	<b>4,803</b>	<b>11,206</b>	<b>2,541</b>	<b>2,383</b>	<b>211,698</b>	<b>285,314</b>	<b>66.0%</b>	<b>15.4%</b>	<b>11.3%</b>	<b>3.4%</b>	<b>3.9%</b>	
<b>Water supply network</b>	Water supply network	1,351	2,255	176	136	14,829	36,468	6.0%	11.0%	65.0%	12.0%	6.0%	
	<b>Sub-total</b>	<b>1,351</b>	<b>2,255</b>	<b>176</b>	<b>136</b>	<b>14,829</b>	<b>36,468</b>	<b>6.0%</b>	<b>11.0%</b>	<b>65.0%</b>	<b>12.0%</b>	<b>6.0%</b>	
<b>Sewerage network</b>	Sewerage network	–	–	617	520	18,762	25,808	38.0%	17.0%	38.0%	7.0%	0.0%	
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>617</b>	<b>520</b>	<b>18,762</b>	<b>25,808</b>	<b>38.0%</b>	<b>17.0%</b>	<b>38.0%</b>	<b>7.0%</b>	<b>0.0%</b>	
<b>Stormwater drainage</b>	Stormwater drainage	57	–	24	26	3,657	4,892	6.0%	78.0%	13.0%	3.0%	0.0%	
	<b>Sub-total</b>	<b>57</b>	<b>–</b>	<b>24</b>	<b>26</b>	<b>3,657</b>	<b>4,892</b>	<b>6.0%</b>	<b>78.0%</b>	<b>13.0%</b>	<b>3.0%</b>	<b>0.0%</b>	
<b>Total – all assets</b>		<b>6,410</b>	<b>14,141</b>	<b>4,149</b>	<b>3,862</b>	<b>272,489</b>	<b>393,170</b>	<b>52.3%</b>	<b>16.3%</b>	<b>22.8%</b>	<b>5.1%</b>	<b>3.5%</b>	

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

### Infrastructure asset condition assessment 'key'

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

# Uralla Shire Council

## Report on infrastructure assets as at 30 June 2023

### Infrastructure asset performance indicators (consolidated) \*

\$ '000	Amounts 2023	Indicator 2023	Indicators		Benchmark
			2022	2021	
<b>Buildings and infrastructure renewals ratio</b>					
Asset renewals <sup>1</sup>	<b>4,131</b>	<b>174.89%</b>	73.09%	79.31%	> 100.00%
Depreciation, amortisation and impairment	<b>2,362</b>				
<b>Infrastructure backlog ratio</b>					
Estimated cost to bring assets to a satisfactory standard	<b>6,410</b>	<b>3.75%</b>	3.81%	2.77%	< 2.00%
Net carrying amount of infrastructure assets	<b>170,807</b>				
<b>Asset maintenance ratio</b>					
Actual asset maintenance	<b>3,862</b>	<b>93.08%</b>	91.25%	95.10%	> 100.00%
Required asset maintenance	<b>4,149</b>				
<b>Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	<b>14,141</b>	<b>3.60%</b>	3.41%	3.49%	
Gross replacement cost	<b>393,170</b>				

(\*) All asset performance indicators are calculated using 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

## Report on infrastructure assets as at 30 June 2023

### Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2023	2022	2023	2022	2023	2022	
<b>Buildings and infrastructure renewals ratio</b>							
Asset renewals <sup>1</sup>							
Depreciation, amortisation and impairment	<b>269.30%</b>	86.47%	<b>0.00%</b>	0.00%	<b>0.00%</b>	0.00%	> 100.00%
<b>Infrastructure backlog ratio</b>							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	<b>3.69%</b>	4.16%	<b>9.11%</b>	4.38%	<b>0.00%</b>	0.56%	< 2.00%
<b>Asset maintenance ratio</b>							
Actual asset maintenance							
Required asset maintenance	<b>95.53%</b>	89.71%	<b>77.27%</b>	105.11%	<b>84.28%</b>	100.83%	> 100.00%
<b>Cost to bring assets to agreed service level</b>							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	<b>3.59%</b>	3.92%	<b>6.18%</b>	0.77%	<b>0.00%</b>	0.00%	

(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.