

## **FINANCIAL STATEMENTS**

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

**YEAR ENDED  
30 JUNE 2009**



# URALLA SHIRE COUNCIL

## General Purpose Financial Reports for the year ended 30th June 2009

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# **URALLA SHIRE COUNCIL**

## **ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2009**

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

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

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

To the best of our knowledge and belief, these reports

- Present fairly the Council's financial position and operating result for the year, and
- Accord with Council's accounting and other records

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

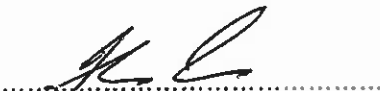
Signed in accordance with a resolution of Council made on 28 September 2009




**Councillor R. Filmer  
MAYOR**



**Councillor R. Spreadborough  
DEPUTY MAYOR**



**Mr T. P. O'Connor (Chartered Accountant)  
GENERAL MANAGER**



**Mr T. P. O'Connor (Chartered Accountant)  
RESPONSIBLE ACCOUNTING OFFICER**

# **URALLA SHIRE COUNCIL**

## **INCOME STATEMENT** for the year ended 30th June 2009

Budget 2009 \$'000		Notes	Actual 2009 \$'000	Actual 2008 \$'000
	<b>INCOME</b>			
	<b>Revenue:</b>			
4,026	Rates & Annual Charges	3	3,743	3,700
1,434	User Charges & Fees	3	1,944	2,483
381	Investment Revenues	3	197	-
227	Other Revenues	3	276	216
7,683	Grants & Contributions - Operating	3	8,230	7,155
1,217	Grants & Contributions - Capital	3	1,256	681
	<b>Other Income:</b>			
487	Profit from Disposal of Assets	5	457	121
15,455	<b>Total Income from Continuing Operations</b>		<b>16,103</b>	<b>14,356</b>
	<b>EXPENSES</b>			
6,097	Employee Costs	4	6,219	6,332
3,861	Materials & Contracts	4	3,979	4,289
123	Borrowing Costs	4	153	144
1,900	Depreciation & Amortisation	4	1,505	1,838
-	Impairment	4	-	-
1,276	Other Expenses	4	1,219	1,091
-	Interest and investment losses	3	-	418
13,257	<b>Total expenses from Continuing Operations</b>		<b>13,075</b>	<b>14,112</b>
2,198	<b>NET OPERATING RESULT FOR YEAR</b>		<b>3,028</b>	<b>244</b>
	Attributable to:			
2,198	URALLA SHIRE COUNCIL		3,028	244
2,198			\$ 3,028	\$ 244
981	<b>Net operating result before capital grants and contributions</b>		<b>\$ 1,772</b>	<b>\$ (437)</b>

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

# **URALLA SHIRE COUNCIL**

## **BALANCE SHEET**

as at 30th June 2009

	Notes	Actual 2009 \$'000	Actual 2008 \$'000
<b>CURRENT ASSETS</b>			
Cash & cash equivalents	6	1,454	2,216
Investments	6	5,412	3,078
Receivables	7	1,397	1,168
Inventories	8	187	168
Other	8	106	92
<b>TOTAL CURRENT ASSETS</b>		<b>8,556</b>	<b>6,722</b>
<b>NON-CURRENT ASSETS</b>			
Receivables	7	-	106
Infrastructure, Property, Plant & Equipment	9	276,251	103,118
<b>TOTAL NON-CURRENT ASSETS</b>		<b>276,251</b>	<b>103,224</b>
<b>TOTAL ASSETS</b>		<b>284,807</b>	<b>109,946</b>
<b>CURRENT LIABILITIES</b>			
Payables	10	3,191	2,850
Borrowings	10	209	1,047
Provisions	10	1,159	1,375
<b>TOTAL CURRENT LIABILITIES</b>		<b>4,559</b>	<b>5,272</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	10	1,816	845
Provisions	10	1,003	752
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>2,819</b>	<b>1,597</b>
<b>TOTAL LIABILITIES</b>		<b>7,378</b>	<b>6,869</b>
<b>NET ASSETS</b>		<b>\$ 277,429</b>	<b>103,077</b>
<b>EQUITY</b>			
Accumulated Surplus	20	66,543	77,132
Revaluation Reserves	20	210,886	25,945
<b>TOTAL EQUITY</b>		<b>\$ 277,429</b>	<b>103,077</b>

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

# **URALLA SHIRE COUNCIL**

## **STATEMENT OF CHANGES IN EQUITY** for the year ended 30th June 2009

		2009 \$'000			2008 \$'000		
	Note	Retained Earnings	Asset Reval. Reserve	Total	Retained Earnings	Asset Reval. Reserve	Total
Balance at beginning of the reporting period		77,132	25,945	103,077	74,912	16,458	91,370
Transfers to/(from) Asset Revaluation Reserve	20	-	184,941	184,941	-	9,487	9,487
Other adjustments		(13,617)	-	(13,617)	1,976	-	1,976
Net movements recognised directly in equity		(13,617)	184,941	171,324	1,976	9,487	11,463
Net Operating Result for the year		3,028		3,028	244		244
Total recognised income and expense for the year		(10,589)	184,941	174,352	2,220	9,487	11,707
<b>Balance at end of the reporting period</b>		<b>66,543</b>	<b>210,886</b>	<b>277,429</b>	<b>77,132</b>	<b>25,945</b>	<b>103,077</b>
<i>Effect of correction of errors in previous years on retained earnings</i>	20	(13,617)	-	(13,617)	1976	-	1,976
<i>Effect of accounting policy changes on retained earnings</i>		-	-	-	-	-	-

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

# URALLA SHIRE COUNCIL

## CASH FLOW STATEMENT for the year ended 30th June 2009

Budget 2009 \$'000		Actual 2009 \$'000	Actual 2008 \$'000
	<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>Notes</b>	
	<u>Receipts</u>		
4,026	Rates & Annual Charges	3,805	3,558
1,434	User Charges & Fees	2,150	2,657
381	Investments Income	228	362
8,900	Grants & Contributions	9,854	8,401
227	Other operating receipts	379	153
	<u>Payments</u>		
(6,097)	Employee Costs	(6,217)	(6,463)
(3,861)	Materials & Contracts	(3,970)	(4,427)
(123)	Borrowing Costs	(120)	(150)
(1,276)	Other operating payments	(1,628)	(1,278)
3,611	<b>Net Cash provided by (or used in) Operating Activities</b>	11 4,481	2,813
	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
	<u>Receipts</u>		
487	Proceeds from sale of Infrastructure, Property, Plant & Equipment	415	248
-	Proceeds from sale of Investment Securities	200	417
	<u>Payments</u>		
(4,004)	Purchase of Infrastructure, Property, Plant & Equipment	(3,562)	(1,170)
-	Purchase of Investment Securities	(2,625)	(915)
(3,517)	<b>Net Cash provided by (or used in) Investing Activities</b>	(5,572)	(1,422)
	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
	<u>Receipts</u>		
-	Proceeds from Borrowings & Advances	310	192
-	Proceeds from Retirement Home Contributions	108	430
	<u>Payments</u>		
(206)	Repayments of Borrowings & Advances	(177)	(386)
-	Repayment of Retirement Home Contributions	90	7
(206)	<b>Net Cash provided by (or used in) Financing Activities</b>	329	243
(112)	<b>Net Increase (Decrease) in cash held</b>	(762)	1,634
2,216	Cash Assets at beginning of reporting period	11 2,216	582
2,104	Cash Assets at end of reporting period	11 1,454	2,216

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



# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2008

### Note 1 - SIGNIFICANT ACCOUNTING POLICIES

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

#### 1 Basis of Preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations, the Local Government Act (1993) and Regulations and the Local Government Code of Accounting Practice and Financial Reporting.

##### AAS 27

The Standard has been superseded from 1 July 2008. However, all key elements of the former Standard have been incorporated into other current Standards including AASB 1051, 1052 and 1004.

##### *Historical cost convention*

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, certain classes of infrastructure, property, plant and equipment and investment property.

##### *Critical accounting estimates*

The preparation of financial statements in conformity with AIFRS 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.

#### 1.1 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised when the Council obtains control over the assets comprising the revenue, or when the amount becomes an enforceable debt, whichever first occurs.

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

Revenue is measured on major income categories as follows:

##### *Rates, annual charges, grants and contributions*

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenues when the Council obtains control over the assets comprising these receipts. Developer contributions may only be expended for the purposes for which the contributions were required but the Council may apply contributions according to the priorities established in work schedules.

Control over assets acquired from rates and annual charges is obtained at the commencement of the rating year as it is an enforceable debt linked to the rateable property or, where earlier, upon receipt of the rates. A provision for doubtful debts on rates has not been established as unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

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

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

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

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

*User charges and fees*

User charges and fees (including parking 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 first occurs. A provision for doubtful debt is recognised when collection in full is no longer probable.

*Sale of plant, property, infrastructure and equipment*

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

*Interest and rents*

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

**1.2 Compliance with Australian equivalents to International Financial Reporting Standards**

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS) as they apply to not-for-profit entities, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations, the NSW Local Government Act 1993 and regulations thereunder and the Local Government Code of Accounting Practice and Financial Reporting.

**1.3 Historical Cost Convention**

The financial report has been prepared on the accrual basis of accounting and, except where specifically indicated in these Notes, in accordance with the historical cost convention.

**1.4 Critical Accounting Estimates**

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates, and requires management to exercise its judgement in applying Council's accounting policies. The areas involving a higher degree of judgement or complexity, or cases where assumptions and estimates are significant to the financial statements are specifically referred to in the relevant sections of this Note. Nothing contained within this report may be taken to be an admission of any liability to any person under any circumstance.

In particular, the valuation of collateralised debt obligations (CDOs) is subject to the difficulties set out in Appendix B to the *Review of NSW Local Government Investments* (Cole Inquiry Report). Valuations were provided by the promoters or distributors of the product, and largely represent an estimate of the market price. The valuations adopted for the purposes of these financial statements is consistent with the information contained within the Cole Inquiry Report and other information subsequently obtained by Council.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

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

**2. The Local Government Reporting Entity**

Uralla Shire Council is incorporated under the NSW Local Government Act 1993 (as amended) and has its principal place of business at 32 Salisbury Street, Uralla, NSW 2358. In accordance with the provisions of Section 409(1) of the LGA 1993, all money and property received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund. These financial statements include the consolidated fund and other entities through which the Council controls resources to carry on its functions. In the process of reporting on the Council as a single unit, all transactions and balances between activity areas and controlled entities have been eliminated.

The following Special Rate funds and Committees established pursuant to the Act are included:

- Uralla Shire Water Supply Fund
- Uralla Shire Sewerage Fund
- McMaugh Gardens

Other joint ventures and associated entities in which Council is involved are included to the extent set out in paragraph 13 below and in Note 19.

**2.1 The Trust Fund**

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

Trust monies and property held by Council but subject to the control of other persons have been excluded from these reports. A separate statement of moneys held in the Trust Fund is available for inspection at the Council Office by any person free of charge.

**3. Cash Assets and other Financial Instruments**

Cash Assets include all amounts readily convertible to cash on hand at Council's option with an insignificant risk of changes in value with a maturity of three months or less from the date of acquisition.

Receivables for rates and annual charges are secured over the subject land, and bear interest at rates determined in accordance with the Local Government Act 1993 (as amended) and the Regulations and Determinations made thereunder. Other receivables are generally unsecured and do not bear interest. Loans made to sporting and community groups at concessional interest rates are recognised at their nominal amounts; interest revenues foregone by the Council effectively being a reduction of interest revenue in the period to which it relates.

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

**4. Receivables**

Receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Receivables are due for settlement no more than 30 days from the date of recognition.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

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

**5. Inventories**

Inventories held in respect of stores have been valued by using the weighted average cost on a continual basis, after adjustment for loss of service potential. Inventories held in respect of business undertakings have been valued at the lower of cost and net realisable value.

**6. Investments and other financial assets.**

***Classification***

Council classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

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

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

***(ii) Loans and receivables***

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

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

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council's management has the positive intention and ability to hold to maturity. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

***(iv) Available-for-sale financial assets***

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

***Financial assets – reclassification AASB2008-10(6)***

Council may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, Council may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if it has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

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

***Recognition and derecognition***

Regular purchases and sales of financial assets are recognised on trade-date - the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

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

***Subsequent measurement***

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

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the income statement within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the income statement as part of revenue from continuing operations when Council's right to receive payments is established. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

***Fair value***

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), Council establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

***Impairment***

Council assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

***Policy***

Council has an approved investment policy complying with Section 625 of the Local Government Act and S212 of the LG (General) Regulations 2005. Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Local Government Investment Order. Council maintains an investment policy that complies with the Act and ensures that it or its representatives exercise care, diligence and skill that a prudent person would exercise in investing council funds. Council amended its policy during the year following revisions to the Investment Order arising from the Cole Inquiry recommendations. Certain investments the Council holds are no longer prescribed - for example managed funds, CDO's, and equity linked notes - however they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

***Fair Value Estimation.***

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

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

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

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

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

**7. Infrastructure, Property, Plant & Equipment (IPPE)**

**7.1 Transitional Provisions**

Council has elected not to recognise land under roads in accordance with the deferral arrangements under AASB 1045.

**7.2 Recognition**

All non-current assets purchased or constructed are capitalised as the expenditure is incurred and depreciated as soon as the asset is held "ready for use".

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

Council has title to, and is the registered owner of, (number) rural fire appliances and associated rural fire fighting equipment. These assets are under the control of the Rural Fire Services to enable that Department to provide the bushfire protection defences set out in their Service Level Agreement with Council, and accordingly have not been recognised in these reports. In accordance with normal Rural Fire Service funding arrangements, Council continues to contribute to the costs of maintenance of this equipment.

**7.3 Materiality**

Assets with an economic life in excess of one year are only capitalised where the cost of acquisition exceeds materiality thresholds established by Council for each type of asset. In determining (and in annually reviewing) such thresholds, regard is had to the nature of the asset and its estimated service life. Examples of capitalisation thresholds applied during the year under review are provided in Note 9 to these accounts.

**7.4 Valuation**

Council's assets are being progressively revalued to fair value in accordance with a staged implementation advised by the Department of Local Government. At balance date the following classes of IPPE were stated at their fair value:

- Operational land (External Valuation).
- Buildings – Specialised/Non Specialised (External Valuation).
- Water/Sewerage Networks (Internal Valuation).
- Plant and equipment (as approximated by depreciated historical cost).
- Roads and footpaths

Other asset classes will be revalued to fair value as follows:

2009/10 – Bridges and Drainage assets

2010/11 – Community Land, land improvements, other structures and other assets

Water and sewerage network assets are indexed annually between full revaluations in accordance with the latest indices provided in the DWE Rates Reference Manual. For all other assets, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date. If any such indication exists, Council determines the asset's fair value and revalues the asset to that amount. Full revaluations are undertaken for all assets on a 5 year cycle.

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

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

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.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

**Land under roads**

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051. Any land under roads that was recognised before 1 July 2008 has been derecognised at 1 July 2008 against the opening balance of retained earnings.

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

Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips. Council will recognise all land under roads when the valuation methodology has been determined by the industry and is, in the meantime, collecting the necessary physical data to undertake the valuation.

**7.5 Depreciation of Non-Current Assets**

Other than land, all assets recognised are systematically depreciated over their useful lives in a manner which reflects the consumption of the service potential embodied in those assets.

Depreciation is recognised on a straight-line basis. Depreciation periods for infrastructure assets have been estimated based on the best information available to Council, but appropriate records covering the entire life cycle of these assets are not available, and extreme care should be used in interpreting financial information based on these estimates.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Motor Cars - Sedans	5 years	Dams & Reservoirs	100 years
Trucks and Utilities	5-10 years	Water Mains	80 -100 years
Dozers, Graders, Rollers, Tractors, Backhoes, Loaders	10 years	Water Treatment Plant	70 -100 years
Office Equipment	5-20 years	Meters & Plant	10 years
Furniture & Fittings	5-20 years	Sewerage Treatment Plants	50 -100 years
Library Books	5 years	Sewer Mains & Pump Stations	70 -100 years
Buildings - masonry	50 to 100 years	Roads - Unsealed	30 - 70 years
Buildings – other construction	20 to 40 years	- Sealed	80 -120 years
Playground equipment	5 to 15 years	- Concrete	60 years
Benches, seats, etc	10 to 20 years	Bridges - Timber	40 years
		- Concrete	120 years



**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

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

**7.6 Impairment**

Assets that have an indefinite useful life are not subject to depreciation and are reviewed annually for impairment. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount (which is the higher of the *present value of future cash inflows* or *value in use*).

For assets whose future economic benefits are not dependent on the ability to generate cash flows, and where the future economic benefits would be replaced if Council were deprived thereof, the *value in use* is the depreciated replacement cost. In assessing impairment for these assets, a rebuttable presumption is made that the current replacement cost exceeds the original cost of acquisition.

**7.7 Borrowing Costs**

Borrowing costs in relation to qualifying assets (net of offsetting investment revenue) have been capitalised in accordance with AASB 1023 *Borrowing Costs*. Interest costs are expensed as they occur.

**8 Payables**

**8.1 Goods & Services**

Creditors are amounts due to external parties for the supply of goods and services and are recognised as liabilities when the goods and services are received. Creditors are normally paid 30 days after the month of invoice. No interest is payable on these amounts.

**8.2 Payments Received in Advance & Deposits**

Amounts received from external parties in advance of service delivery, and security deposits held against possible damage to Council assets, are recognised as liabilities until the service is delivered or damage reinstated, or the amount is refunded as the case may be.

**9 Borrowings**

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

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

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

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

**10. Employee Benefits**

**10.1 Salaries, Wages & Compensated Absences**

Liabilities for employees' entitlements to salaries, wages and compensated absences expected to be paid or settled within 12 months of reporting date are accrued at nominal amounts (including payroll based on-costs) measured in accordance with AASB 119 *Employee Benefits*.

Liabilities for employee benefits not expected to be paid or settled within 12 months are measured as the present value of the estimated future cash outflows (including payroll based on-costs) to be made in respect of services provided by employees up to the reporting date. Present values are calculated using government guaranteed securities rates with similar maturity terms.

Weighted average discount rate	6.70% (2008, 6.57%)
Weighted average settlement period	15 years (2008, 15 years)

Council does not make payment for untaken sick leave.

**10.2 Superannuation**

The Council makes employer superannuation contributions in respect of its employees to the Local Government Superannuation Scheme. The Scheme has two types of membership, each of which is funded differently.

**Accumulation Fund Members**

The accumulation fund receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings in accordance with Superannuation Guarantee Legislation (9% in 2007/08; 9% in 2006/07). No further liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

**Defined Benefit Members**

Council makes employer contributions to the defined benefits categories of the Scheme at rates determined by the Scheme's Trustee. The rate is currently 0.95 times members' contributions (0.95 times members' contributions in 2006/2007). Employees also make member contributions to the Fund. As such, assets accumulate in the Fund to meet the member's benefits, as defined in the Trust Deed, as they accrue.

The Fund's Defined Benefit Plan is a multi-employer sponsored plan. As the Fund's assets and liabilities are pooled and are not allocated by employer, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. As provided by AASB 119.32(b), Council does not use defined benefit accounting for these contributions.

The Local Government Superannuation Scheme has advised member councils that, as a result of the global financial crisis, it has a significant deficiency of assets over liabilities amounting to around \$290 million at 30 June 2009. As a result, they have asked for significant increases in contributions from 2009/2010 onwards to recover that deficiency. Council's share of that deficiency cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils. For this reason, no liability for the deficiency has been recognised in Council's accounts. Council has, however, disclosed a contingent liability in note 18 to reflect the possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

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

**11. Construction Contracts**

Construction works undertaken by Council for third parties (principally the Roads & Traffic Authority for works on national and state highways) are generally on an agency basis where the third party reimburses Council for actual costs incurred, and usually do not extend beyond the reporting period. As there is no profit component, such works are treated as 100% completed. Reimbursements not received are recognised as receivables and reimbursements received in advance are recognised as "payments received in advance".

**12. Joint Ventures and Associated Entities**

Council participates in cooperative arrangements with other Councils for the provision of services and facilities. This arrangement is based on a resource sharing model where shared costs are distributed to other Councils. The NESAC organisation is not a formal structure; however, each participant agrees to share resources on a charge basis. Debtors for works performed by Uralla Shire Council and chargeable to other members are included in note 7 and creditors for works performed by other members and chargeable to Uralla Shire Council are included as creditors in Note 10.

**13. Leases**

Lease arrangements have been accounted for in accordance with AASB 117.

In respect of finance leases, where Council substantially carries all of the risks incident to ownership, the leased items are initially recognised as assets and liabilities equal in amount to the present value of the minimum lease payments. The assets are disclosed as assets under lease, and are amortised to expense over the period during which the Council is expected to benefit from the use of the leased assets. Lease payments are allocated between interest expense and reduction of the lease liability, according to the interest rate implicit in the lease.

In respect of operating leases, where the lessor substantially retains all of the risks and benefits incident to ownership of the leased items, lease payments are charged to expense over the lease term.

**14. GST Implications**

In accordance with UIG Interpretation 1031 "Accounting for the Goods & Services Tax"

- Receivables and Creditors include GST receivable and payable.
- Except in relation to input taxed activities, revenues and operating expenditures exclude GST receivable and payable.
- Non-current assets and capital expenditures include GST net of any recoupment.
- Amounts included in the Statement of Cash Flows are disclosed on a gross basis.

**15. Provision for close down and restoration and for environmental clean up costs – Tips and Quarries**

*(i) Restoration*

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 costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, eg updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Close down and restoration costs are a normal consequence of tip and quarry operations, and the majority of close down and restoration expenditure is incurred at the end of the life of the operations. Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

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

The amortisation or 'unwinding' of the discount applied in establishing the net present value of provisions is charged to the Income statement in each accounting period. The amortisation of the discount is shown as a borrowing cost.

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 property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

*(ii) Rehabilitation*

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

Provision is made for the estimated present value of the costs of environmental clean up obligations outstanding at the balance sheet date. These costs are charged to the income statement. Movements in the environmental clean up provisions are presented as an operating cost, except for the unwind of the discount which is shown as a borrowing cost. Remediation procedures generally commence soon after the time the damage, remediation process and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

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

**16. Intangible Assets**

*IT development and software*

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service, direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from 3 to 5 years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where Council has an intention and ability to use the asset.

**17. Crown Reserves**

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

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

A working party of interested representatives from both State and Local Government is being formed to consider the accounting issues related to the Crown Reserves, with the intention of developing a consistent approach to their recognition and future accounting treatment across both tiers of government.

**18. Rural Fire Service assets**

Under section 119 of the Rural Fire Services Act 1997, "all fire fighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the fire fighting equipment has been purchased or constructed". Until such time as discussions on this matter have concluded and the legislation changed, Council will continue to account for these assets as it has been doing in previous years.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

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

**19. Budget Information**

The Statement of Financial Performance, Statement of Cash Flows and Note 2 provide budget information of revenues and expenditures by type and for each of the major activities of the Council. Budget figures presented are those approved by Council at the beginning of the financial year and do not include Council approved variations throughout the year. Short explanations of the most significant variations are given in Note 16, and further information of the nature and amount of all variations is available from the Council office upon request.

**20. Allocation between current and non-current assets and liabilities**

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the ensuing 12 months, being the Council's operational cycle. In the case of liabilities where Council does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months. Inventories held for trading are classified as current even if not expected to be realised in the next 12 months.

**21. Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet. Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

**22. Rounding**

In accordance with the Code of Accounting Practice all amounts shown in the Financial Statements are in Australian currency and have been rounded to the nearest thousand dollars.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

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

**23. New Accounting Standards & UIG Interpretations**

Certain new accounting standards and UIG interpretations have been published that are not mandatory for the 30 June 2009 reporting period. Council's assessment of the impact of these new standards and interpretations is set out below.

**(i) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 (effective from 1 January 2009)**

AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision maker's use internally for evaluating segment performance and deciding how to allocate resources to operating segments. There will be no impact as this Standard is not applicable to not-for-profit entities like Council.

**(ii) Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 (effective from 1 January 2009)**

The revised AASB 123 has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial reports as Council already capitalises borrowing costs relating to qualifying assets.

**(iii) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 (effective from 1 January 2009)**

The September 2007 revised AASB 101 requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. Council will apply the revised standard from 1 July 2009.

**(iv) AASB 2008-1 Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations (effective from 1 January 2009)**

AASB 2008-1 clarifies that vesting conditions are service conditions and performance conditions only and that other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. There will be no impact on the financial reports as Council makes no share based payments.

**(v) Revised AASB 3 Business Combinations, AASB 127 Consolidated and Separate Financial Statements and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 (effective 1 July 2009)**

The revised AASB 3 continues to apply the acquisition method to business combinations, but with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs must be expensed.

The revised AASB 127 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. There will be no impact on the financial reports as Council has no exposure to these types of transactions.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

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

*(vi) AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective 1 July 2009)*

The amendments to AASB 5 *Discontinued Operations* and AASB 1 *First-Time Adoption of Australian-Equivalents to International Financial Reporting Standards* are part of the IASB's annual improvements project published in May 2008. They clarify that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosures should be made for this subsidiary if the definition of a discontinued operation is met. There will be no impact on the financial reports as Council does not have any subsidiaries it is proposing to dispose of.

*(vii) AASB 2008-7 Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective 1 July 2009)*

In July 2008, the AASB approved amendments to AASB 1 *First-time Adoption of International Financial Reporting Standards* and AASB 127 *Consolidated and Separate Financial Statements*. Council will apply the revised rules prospectively from 1 July 2009. After that date, all dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue, even if they are paid out of pre-acquisition profits, but the investments may need to be tested for impairment as a result of the dividend payment.

*(viii) AASB Interpretation 15 Agreements for the Construction of Real Estate (effective 1 January 2009)*

AASB-I 15 clarifies whether AASB 118 *Revenue* or AASB 111 *Construction Contracts* should be applied to particular transactions. Council intends to apply the interpretation from 1 July 2009. It has reviewed its current agreements for the sale of real estate in light of the new guidance and concluded that there would be no change to the accounting for these agreements if AASB-I 15 was adopted in the current financial year. Consequently, it does not expect to make any adjustment on the initial application of AASB-I 15.

*(ix) AASB Interpretation 16 Hedges of a Net Investment in a Foreign Operation (effective 1 October 2008)*

AASB-I 16 clarifies which foreign currency risks qualify as hedged risk in the hedge of a net investment in a foreign operation and that hedging instruments may be held by any entity or entities within the group. It also provides guidance on how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item. There will be no impact on the financial reports as Council has no hedges of a net investment in a foreign operation.

*(x) AASB 2008-8 Amendment to IAS 39 Financial Instruments: Recognition and Measurement (effective 1 July 2009)*

AASB 2008-8 amends AASB 139 *Financial Instruments: Recognition and Measurement* and must be applied retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendment makes two significant changes. It prohibits designating inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges. Council will apply the amended standard from 1 July 2009. It is not expected to have any impact on the financial reports.

*(xi) AASB Interpretation 17 Distribution of Non-cash Assets to Owners and AASB 2008-13 Amendments to Australian Accounting Standards arising from AASB Interpretation 17*

AASB-I 17 applies to situations where an entity pays dividends by distributing non-cash assets to its shareholders. These distributions will need to be measured at fair value and the entity will need to recognise the difference between the fair value and the carrying amount of the distributed assets in the income statement on distribution. There will be no impact on the financial reports as Council has no exposure to these types of transactions.

# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2009

### Note 2 - FUNCTIONS

REVENUES, EXPENSES AND ASSETS HAVE BEEN DIRECTLY ATTRIBUTED TO THE FOLLOWING FUNCTIONS & ACTIVITIES												
Income from continuing operations	Expenses from continuing operations			Operating result from continuing operations			GRANTS INCLUDED IN INCOME			TOTAL ASSETS HELD (CURRENT & NON-CURRENT)		
ORIGINAL BUDGET	ACTUAL	ACTUAL	ORIGINAL BUDGET	ACTUAL	ACTUAL	ORIGINAL BUDGET	2009 \$'000	2008 \$'000	2009 \$'000	2009 \$'000	2008 \$'000	2008 \$'000
GOVERNANCE												
ADMINISTRATION	771	692	435	376	436	(435)	(376)	(436)	-	18,309	-	9,251
PUBLIC ORDER & SAFETY	40	127	302	(357)	358	469	1,049	262	23	804	6	830
HEALTH	13	2	246	256	271	(206)	(129)	26	116	-	278	-
COMMUNITY SERVICES & EDUCATION	4,631	5,181	74	73	104	(61)	(71)	(99)	-	-	-	-
HOUSING & COMMUNITY AMENITIES	1,160	1,082	4,741	4,885	4,870	(110)	296	73	4,166	10,647	3,782	9,836
WATER SUPPLIES	710	532	1,399	1,369	1,316	(239)	(287)	(125)	15	2,380	78	2,702
SEWERAGE SERVICES	493	410	806	862	677	(96)	(130)	(334)	-	17,631	13	16,917
RECREATION & CULTURE	74	258	508	368	414	(15)	42	(209)	-	8,078	19	7,777
MINING, MANUFACTURING & CONSTRUCTION	-	-	558	569	613	(484)	(311)	(540)	229	5,047	32	5,068
TRANSPORT & COMMUNICATION	2,330	2,211	8	2	2	(8)	(2)	(2)	-	11	-	12
ECONOMIC AFFAIRS	324	321	3,701	4,238	3,829	(1,371)	(2,027)	(2,578)	1,159	221,107	339	56,739
<b>TOTALS - FUNCTIONS</b>	<b>10,546</b>	<b>10,816</b>	<b>13,257</b>	<b>13,075</b>	<b>14,112</b>	<b>(2,711)</b>	<b>(2,259)</b>	<b>(4,287)</b>	<b>5,708</b>	<b>284,807</b>	<b>4,547</b>	<b>109,938</b>
GENERAL PURPOSE REVENUES	4,909	5,287	-	-	-	4,909	5,287	4,531	2,491	-	1,826	-
<b>TOTALS</b>	<b>15,455</b>	<b>16,103</b>	<b>13,257</b>	<b>13,075</b>	<b>14,112</b>	<b>2,198</b>	<b>3,028</b>	<b>244</b>	<b>8,199</b>	<b>284,807</b>	<b>6,373</b>	<b>109,938</b>

The above functions conform to those used by the Australian Bureau of Statistics and provide a basis for comparison with other Councils.



# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2009

### Note 2 (cont) - COMPONENTS OF FUNCTIONS

The activities relating to Council functions are as follows:

#### **Governance**

Costs relating to Council's role as a component of democratic government, including elections, meetings and associated activities, area representation, and public disclosure and compliance, together with related administration costs.

#### **Administration**

Costs not otherwise attributed to functions.

#### **Public Order & Safety**

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

#### **Health**

Administration and inspection, immunisations, food control, insect & vermin control, noxious plants, health centres, other.

#### **Community Services & Education**

Administration, family day care, child-care, youth services, other services to families and children, aged and disabled, migrant services, Aboriginal services, other community services, education.

#### **Housing & Community Amenities**

Housing, town planning, domestic waste management services, other waste management services, street cleaning, other sanitation and garbage, urban stormwater drainage, environmental protection, public cemeteries, public conveniences, other community amenities.

#### **Water Supplies**

#### **Sewerage Services**

#### **Recreation & Culture**

Public libraries, museums, art galleries, community centres, public halls, other cultural services, swimming pools, sporting grounds, parks and gardens, lakes, other sport and recreation.

#### **Fuel & Energy - Gas Supplies.**

#### **Mining, Manufacturing & Construction**

Building control, abattoirs, quarries and pits, other.

#### **Transport & Communication**

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

#### **Economic Affairs**

Camping areas, caravan parks, tourism and area promotion, industrial development promotion, saleyards and markets, real estate development, commercial nurseries, private works, other business undertakings.

# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2009

### Note 3 - INCOME

<b>RATES &amp; ANNUAL CHARGES</b>	<b>2009 \$'000</b>	<b>2008 \$'000</b>
<u>Ordinary Rates</u>		
Residential	918	951
Farmland	1,810	1,735
Business	30	31
	<u>2,758</u>	<u>2,717</u>
<u>Special Rates</u>		
TV Rate	-	11
	<u>-</u>	<u>11</u>
<u>Annual Charges</u>		
Domestic Waste Management	197	250
Water Supply	323	294
Sewerage Services	421	405
Drainage	27	23
Other Waste Management	17	-
	<u>985</u>	<u>972</u>
<b>Total Rates &amp; Annual Charges</b>	<u><b>3,743</b></u>	<u><b>3,700</b></u>
<b>USER CHARGES &amp; FEES</b>		
<u>User Charges</u>		
Domestic Waste Management	67	-
Water Supply	229	262
Sewerage Services	14	28
Drainage Services	10	12
Other Waste Management	450	442
Other	3	1
	<u>773</u>	<u>745</u>
<u>Fees</u>		
Private Works	218	706
Tablelands Community Transport	17	14
Sale of scrap material	-	86
Rents	70	87
Swimming Pool	14	16
Aged Care	546	522
Town Planning	96	130
Tablelands Community Service Option	161	138
Cemeteries	16	16
Other	33	23
	<u>1,171</u>	<u>1,738</u>
<b>Total User Charges &amp; Fees</b>	<u><b>1,944</b></u>	<u><b>2,483</b></u>

# **URALLA SHIRE COUNCIL**

## **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS** for the year ended 30th June 2009

### **Note 3 - REVENUES (cont)**

	2009 \$'000	2008 \$'000
<b>INVESTMENT REVENUES</b>		
Interest receivable		
- overdue rates & charges	32	32
- cash & investments	448	330
Fair value adjustments - investments		
- other	(283)	(780)
<b>Total Investment Revenues</b>	<u>197</u>	<u>(418)</u>

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

### **OTHER REVENUES**

Other fines	1	1
Legal Fees Recovered	18	-
Insurance Claims	36	2
Commissions & Agency Fees	2	1
Miscellaneous sales	103	134
Other	116	78
<b>Total Other Revenues</b>	<u>276</u>	<u>216</u>

# **URALLA SHIRE COUNCIL**

## **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS** for the year ended 30th June 2009

### **Note 3 - INCOME (cont)**

	<u>Notes</u>	<b>OPERATING</b>		<b>CAPITAL</b>	
		<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>GRANTS</b>					
General Purpose (Untied)					
Financial Assistance		1,912	1,783	-	-
Individually significant item	see	484	-	-	-
- additional Grants Commission payment	below				
Pensioner Rates Subsidies (General)		52	43		
Specific Purpose					
Pensioner Rates Subsidies					
Water Supplies		13	13	-	-
Sewerage Services		19	19	-	-
Domestic Waste Management		11	11	-	-
Bundarra Neighbourhood Aid		-	45	-	-
Aged Care Facilities		1,322	1,066	-	-
Other Frail Aged and Disabled Services		566	873	-	18
Library		28	29	-	-
Tablelands community Service Options		1,851	1,473	-	40
Tablelands community Transport		217	218	-	-
Roads & Bridges		101	-	1,139	332
Employment & Training Programs		15	15	-	-
Community Care Services		47	40	-	-
Bushfire & Emergency Services		26	55	90	223
Other		306	77	-	-
<b>Total Grants &amp; Subsidies</b>		<b>6,970</b>	<b>5,760</b>	<b>1,229</b>	<b>613</b>
<b>Comprising:</b>					
- Commonwealth funding		4,419	3,722	-	332
- State funding		2,551	2,038	1,229	281
		<b>6,970</b>	<b>5,760</b>	<b>1,229</b>	<b>613</b>
<b>Individually significant item</b>					
On 26 June 2009, Council received payment of the first quarter instalment of the 2009/10 Grant Commission (FAG) grant. This represents a significant increase in income from this source for 2008/09, with an equivalent reduction in 2009/10.		484	-	-	-
<b>CONTRIBUTIONS &amp; DONATIONS</b>					
Developer Contributions					
Section 94	17	-	-	27	53
RTA Contributions		1,050	895	-	15
Other Councils - Joint Works		129	447	-	-
Other		81	53	-	-
<b>Total Contributions &amp; Donations</b>		<b>1,260</b>	<b>1,395</b>	<b>27</b>	<b>68</b>
<b>TOTAL GRANTS &amp; CONTRIBUTIONS</b>		<b>8,230</b>	<b>7,155</b>	<b>1,256</b>	<b>681</b>

# **URALLA SHIRE COUNCIL**

## **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS** for the year ended 30th June 2009

### **Note 3 - INCOME (cont)**

#### **CONDITIONS OVER GRANTS & CONTRIBUTIONS**

Grants and contributions which were obtained on the condition that they be expended for specified purposes or in a future period, but which are not yet expended in accordance with those conditions, are as follows:

	2009 \$'000		2008 \$'000	
	<u>Grants</u>	<u>Contrib</u>	<u>Grants</u>	<u>Contrib</u>
<i>Unexpended at the close of the previous reporting period</i>	824	231	743	235
<i>Less: expended during the current period from revenues recognised in previous reporting periods</i>				
<i>Section 94/64 Developer Contributions</i>	-	40	-	57
<i>Roads Infrastructure</i>	338	-	337	-
<i>Heritage &amp; Cultural Services</i>	44	-	7	-
<i>Community Care Services</i>	190	-	89	-
<i>Subtotal</i>	<u>572</u>	<u>40</u>	<u>433</u>	<u>57</u>
<i>Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions</i>				
<i>Section 94/64 Developer Contributions</i>	-	34	-	53
<i>Roads Infrastructure</i>	395	-	206	-
<i>Heritage &amp; Cultural Services</i>	60	-	234	-
<i>Community Care Services</i>	17	-	74	-
<i>Subtotal</i>	<u>472</u>	<u>34</u>	<u>514</u>	<u>53</u>
<i>Unexpended at the close of this reporting period and held as restricted assets</i>	<u>724</u>	<u>225</u>	<u>824</u>	<u>231</u>
<i>Net increase (decrease) in restricted assets in the current</i>	(100)	(6)	81	(4)

# **URALLA SHIRE COUNCIL**

## **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS** for the year ended 30th June 2009

### **Note 4 - EXPENSES**

	2009 \$'000	2008 \$'000
<b>EMPLOYEE COSTS</b>		
Salaries and Wages	4,942	4,832
Travelling	27	1
Employee Leave Entitlements	743	786
Superannuation - defined contribution plan contributions	400	370
Superannuation - defined benefit plan contributions	147	82
Workers' Compensation Insurance	169	197
Fringe Benefits Tax	12	55
Training Costs (excluding Salaries)	72	17
Other	43	142
Less: Capitalised and distributed costs	<u>(336)</u>	<u>(150)</u>
<b>Total Operating Employee Costs</b>	<u><b>6,219</b></u>	<u><b>6,332</b></u>
<b>Total Number of Employees</b>	<b>115</b>	<b>101</b>
<i>(Full time equivalent at end of reporting period)</i>		
<b>BORROWING COSTS</b>		
Interest on Loans	120	144
Unwinding of present value discounts & premiums	<u>33</u>	<u>-</u>
<b>Gross Interest Charges</b>	<u><b>153</b></u>	<u><b>144</b></u>
Less: Borrowing Costs capitalised	<u>-</u>	<u>-</u>
<b>Total Interest Charges</b>	<u><b>153</b></u>	<u><b>144</b></u>
<b>MATERIALS &amp; CONTRACTS</b>		
Raw materials & consumables	2,909	3,106
Contractor and consultancy costs	1,010	1,158
Auditor's Remuneration		
- Audit Services	20	14
Legal Expenses		
- Planning & Development	-	1
- Other Legal Expenses	<u>40</u>	<u>10</u>
<b>Total Materials &amp; Contracts</b>	<u><b>3,979</b></u>	<u><b>4,289</b></u>

# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2009

### Note 4 - EXPENSES (cont)

	IMPAIRMENT		DEPRECIATION	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
<b>DEPRECIATION, AMORTISATION &amp; IMPAIRMENT</b>				
Plant and Equipment	-	-	650	784
Office Equipment	-	-	28	36
Furniture & Fittings	-	-	50	51
Buildings - non-specialised	-	-	76	122
Other Structures	-	-	75	74
Infrastructure				
- roads, bridges & footpaths	-	-	715	708
- stormwater drainage	-	-	15	15
- water supply network not elsewhere included	-	-	52	50
- sewerage network not elsewhere included	-	-	13	12
Other assets				
- heritage collections	-	-	1	1
- other	-	-	1	-
Future Reinstatement Costs				
- Tips	-	-	17	31
Less: Capitalised and distributed costs	-	-	(188)	(46)
<b>Total Depreciation, Amortisation &amp; Impairment</b>	<b>-</b>	<b>-</b>	<b>1,505</b>	<b>1,838</b>
	2009	2008		
	\$'000	\$'000		
<b>OTHER EXPENSES</b>				
Mayoral fee	13	12		
Councillors' Fees & Allowances	80	68		
Councillors' (Incl. Mayor) Expenses	18	14		
Insurances	230	199		
Street Lighting	66	63		
Light, Power & Heating	240	188		
Telephone & Communications	92	108		
Donations & Contributions to Local & Regional Bodies	246	241		
Advertising	13	12		
Bank Charges	3	9		
Postage and Freight	56	37		
Items for Resale	5	2		
Printing and Stationery	45	55		
Promotion and Publicity	16	14		
Valuation Fees	23	13		
Election Expenses	16	-		
Subscriptions & Publications	57	56		
<b>Total Other Expenses</b>	<b>1,219</b>	<b>1,091</b>		

## URALLA SHIRE COUNCIL

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2009

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

	2009 \$'000	2008 \$'000
<b>DISPOSAL OF INFRASTRUCTURE, PLANT &amp; EQUIPMENT</b>		
Proceeds from disposal	415	246
Less: Carrying amount of assets sold	150	125
<b>Gain (Loss) on disposal</b>	<b>265</b>	<b>121</b>
<b>DISPOSAL OF FINANCIAL INSTRUMENTS</b>		
Proceeds from disposal	200	417
Less: Carrying amount of assets sold	8	417
<b>Gain (Loss) on disposal</b>	<b>192</b>	<b>-</b>
<b>TOTAL GAIN (LOSS) ON DISPOSAL OF ASSETS</b>	<b>457</b>	<b>121</b>



# **URALLA SHIRE COUNCIL**

## **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS** for the year ended 30th June 2009

### **Note 6 - CASH ASSETS & INVESTMENT SECURITIES**

	2009 \$'000		2008 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
<b>CASH ASSETS</b>				
Cash on Hand and at Bank	953		1,210	
Short Term Deposits & Bills, etc	501		1,006	
<b>Total Cash Assets</b>	<u>1,454</u>		<u>2,216</u>	
<i>Cash Assets comprise short-term, highly liquid investments readily convertible to known amounts of cash that are subject to insignificant risk of changes of value.</i>				
<b>INVESTMENT SECURITIES</b>				
<b>Summary</b>				
Financial assets at fair value through profit and loss	828	-	1,119	-
Held to maturity Investments	4,584	-	1,959	-
<b>Total</b>	<u>5,412</u>	<u>-</u>	<u>3,078</u>	<u>-</u>
<b>Financial assets at fair value through profit and loss</b>				
At beginning of year	1,119	-	2,316	-
Revaluation to Income Statement	(283)	-	(780)	-
Disposals	(8)	-	(417)	-
<b>At end of year</b>	<u>828</u>	<u>-</u>	<u>1,119</u>	<u>-</u>
<b>Held for trading:</b>				
- CDOs	328	-	619	-
- FRNs	500	-	500	-
	<u>828</u>	<u>-</u>	<u>1,119</u>	<u>-</u>
<b>Held to Maturity Investments</b>				
At beginning of year	1,959	-	1,044	-
Additions	5,784	-	915	-
Disposals	(3,159)	-	-	-
<b>At end of year</b>	<u>4,584</u>	<u>-</u>	<u>1,959</u>	<u>-</u>
<b>Comprising:</b>				
- Term Deposits	4,584	-	1,959	-
	<u>4,584</u>	<u>-</u>	<u>1,959</u>	<u>-</u>

*The permitted forms of investment in financial instruments of the Council are defined in an order made by the Minister of Local Government on 31 July 2008, and may broadly be described as "Trustee Securities". Deposits and Bills are with, or have been accepted by, banks and credit unions and bear various rates of interest between 2% and 8% (2008 - 3% and 7%). NCDs, CDOs, FRNs and Managed Funds are all with organisations with credit ratings that complied with the Minister's Order at the time of acquisition and bear various rates of return between 4% and 9% (2008 - 4% and 9%). For further information refer to Note 15 below.*

# **URALLA SHIRE COUNCIL**

## **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS** for the year ended 30th June 2009

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

#### **RESTRICTED CASH ASSETS & INVESTMENT SECURITIES**

	2009 \$'000		2008 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
Cash & Cash Equivalent Assets	1,454		2,216	
Investment Securities	5,412	-	3,078	-
<b>TOTAL CASH &amp; INVESTMENT SECURITIES</b>	<b>6,866</b>	<b>-</b>	<b>5,294</b>	<b>-</b>
<b>External Restrictions</b>	<b>3,814</b>	<b>-</b>	<b>3,433</b>	<b>-</b>
<b>Internal Restrictions</b>	<b>1,604</b>	<b>-</b>	<b>1,021</b>	<b>-</b>
<b>Unrestricted</b>	<b>1,448</b>	<b>-</b>	<b>840</b>	<b>-</b>
	<b>6,866</b>	<b>-</b>	<b>5,294</b>	<b>-</b>

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

	Notes	Opening Balance 30 June 2008 \$'000	Movements		Closing Balance 30 June 2009 \$'000
			Transfers To Restriction \$'000	Transfers From Restriction \$'000	
<b>External Restrictions</b>					
<b>Included in liabilities</b>					
Unexpended Loans		33	300	33	300
Aged Care Bonds		1,185	90	-	1,275
Other (McMaugh)		-	129	-	129
		1,218	519	33	1,704
<b>Other</b>					
Developer Contributions	17	231	34	40	225
Unexpended Grants		824	472	572	724
Water Supply funds		441	-	33	408
Sewerage funds		719	6	-	725
Domestic Waste Management		-	28	-	28
		2,215	540	645	2,110
<b>Total External Restrictions</b>		<b>3,433</b>	<b>1,059</b>	<b>878</b>	<b>3,814</b>

*External Restrictions arise pursuant to section 409(3) of the Local Government Act, the Local Government (General) Regulation 2005 and other applicable legislation. Further information relating to Developer Contributions is provided in Note 17 and Unexpended Grants in Note 3. Amounts raised by special rates (eg. Water & Sewer) or for Domestic Waste Management may only be used for those*

#### **Internal Restrictions**

Employee Leave Entitlements	464	-	(9)	473
Plant replacement	250	50	-	300
Carry-over works	307	142	204	245
FAG in advance	-	784	300	484
Strategic Alliance	-	77	-	77
Gravel Pit Restoration	-	18	-	18
Kentucky Hall	-	4	-	4
Arding Hall	-	3	-	3
<b>Total Internal Restrictions</b>	<b>1,021</b>	<b>1,078</b>	<b>495</b>	<b>1,604</b>

*Internal Restrictions arise pursuant to resolutions of Council to set aside reserves of cash resources either relating to liabilities recognised in these reports or to fund future expenditure for the stated purpose. Such reserves are not permitted to exceed the amounts of cash assets and cash investments not otherwise restricted.*

# **URALLA SHIRE COUNCIL**

## **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS** for the year ended 30th June 2009

### **Note 7 - RECEIVABLES**

	2009 \$'000		2008 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
Rates & Annual Charges	322	-	384	-
Interest & Extra Charges	72	-	62	-
User Charges & Fees	156	-	160	-
Accrued Revenues	444	-	202	-
Other levels of Government	165	-	27	-
Retirement Home Contributions	-	-	-	106
Other	240	-	335	-
Total	<u>1,399</u>	<u>-</u>	<u>1,170</u>	<u>106</u>
Less: Allowance for Doubtful Debts				
User Charges & Fees	<u>2</u>	<u>-</u>	<u>2</u>	<u>-</u>
	<u>1,397</u>	<u>-</u>	<u>1,168</u>	<u>106</u>

#### **Rates, Annual Charges, Interest & Extra Charges**

Overdue rates and annual charges (being amounts not paid on or before the due date determined in accordance with the Local Government Act) are secured over the relevant land and are subject to simple interest at a rate of 10.00% (2008: 10.00%). Although Council is not materially exposed to any individual ratepayer, credit risk exposure is concentrated within the Council boundaries in the State of New South Wales.

#### **Other levels of Government**

Amounts due have been calculated in accordance with the terms and conditions of the respective programs following advice of approvals, and do not bear interest. All amounts are due by Departments and Agencies of the Government of New South Wales and the Government of Australia.

#### **Retirement Home Contributions**

Pursuant to Commonwealth legislation certain intending residents are required to contribute amounts on an interest free basis. The amounts are subject to certain deductions as prescribed by the legislation, the balance being repaid on termination of tenancy. Compliance with these procedures is subject to separate audit in accordance with that Act.

#### **Other Receivables**

Amounts due (other than User Charges which are secured over the relevant land) are unsecured and do not bear interest. Although Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries in the State of New South Wales.

#### **AGGREGATE ASSET ARISING FROM EMPLOYEE BENEFITS**

	<u>0</u>		<u>0</u>	
<b>RESTRICTED RECEIVABLES</b>				
Water Supply	206	-	218	-
Sewerage Services	59	-	73	-
Domestic Waste Management	42	-	34	-
Other	-	-	-	106
Total Restrictions	<u>307</u>	-	<u>325</u>	<u>106</u>
Unrestricted Receivables	<u>1,090</u>	-	843	-
<b>Total Receivables</b>	<u>1,397</u>	-	<u>1,168</u>	<u>106</u>

# **URALLA SHIRE COUNCIL**

## **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS** for the year ended 30th June 2009

### **Note 8 - INVENTORIES & OTHER ASSETS**

	2009 \$'000		2008 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
<b>INVENTORIES</b>				
Stores & Materials	187	-	168	-
<b>Total Inventories</b>	<u>187</u>	<u>-</u>	<u>168</u>	<u>-</u>
<i>Inventories not expected to be realised within the next 12 months.</i>	-	-	-	-
<i>Aggregate write-downs and other losses recognised as an expense, and reversals of these, were not material in amount in either year. All such reversals occurred principally as a result of clerical inaccuracies during stores operations.</i>				
<b>OTHER ASSETS</b>				
Prepayments	106	-	92	-
<b>Total Other Assets</b>	<u>106</u>	<u>-</u>	<u>92</u>	<u>-</u>

# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2009

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

	2008 \$'000				CARRYING AMOUNT MOVEMENTS DURING YEAR \$'000							2009 \$'000		
	AT COST	AT FAIR VALUE	ACCUM DEPN	CARRYING AMOUNT	Asset Purchases	Asset Disposals	Depreciation	Net Revaluation	AT COST	AT FAIR VALUE	ACCUM DEPN	CARRYING AMOUNT		
Capital Work-in-progress	-	-	-	-	-	-	-	-	-	-	-	-		
Plant & Equipment	-	6,239	(3,279)	2,960	1,347	(151)	(650)	-	-	7,435	(3,929)	3,506		
Office Equipment	-	616	(550)	66	64	-	(28)	-	-	680	(578)	102		
Furniture & Fittings	-	817	(553)	264	66	-	(50)	-	-	883	(603)	280		
Land	-	-	-	-	-	-	-	-	-	-	-	-		
- Operational Land	-	3,102	-	3,102	-	-	-	-	-	3,102	-	3,102		
- Community Land	-	666	-	666	-	-	-	-	-	666	-	666		
Land Improvements - non-depreciable	-	17	-	17	-	-	-	-	-	17	-	17		
Buildings - non-specialised	-	15,690	(683)	15,007	3	-	(76)	-	-	15,693	(759)	14,834		
Other Structures	2,039	-	(1,083)	956	46	-	(75)	-	-	2,084	(1,157)	927		
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-		
- Roads, bridges, footpaths	-	49,567	(11,948)	37,619	2,046	-	(715)	33,573	14,767	84,038	(26,282)	72,523		
- Bulk earthworks (non-deprec.)	-	18,860	-	18,860	-	-	-	137,073	-	155,933	-	155,933		
- Stormwater drainage	-	889	(270)	619	-	-	(15)	-	889	-	(285)	604		
- Water Supply Network	-	16,559	(658)	15,901	30	-	(52)	476	-	17,087	(732)	16,355		
- Sewerage Network	-	7,456	(737)	6,719	52	-	(13)	201	-	7,731	(772)	6,959		
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-		
- Heritage Collections	-	36	(6)	30	-	-	(1)	-	35	-	(6)	29		
- Other	-	18	(6)	12	-	-	(1)	-	18	-	(7)	11		
Future Reinstatement Costs	-	-	-	-	-	-	-	-	-	-	-	-		
- Tips	456	-	(136)	320	-	-	(17)	-	456	-	(153)	303		
Totals	2,495	120,532	(19,909)	103,118	3,854	(151)	(1,693)	171,323	16,165	295,349	(35,263)	276,251		
Asset acquisitions were apportioned between:														
				Building & Infrastructure Renewals	1,049									
				Building & Infrastructure New Assets	1,082									
				Other Assets	1,523									

# **URALLA SHIRE COUNCIL**

## **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS** for the year ended 30th June 2009

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

	2009 \$'000				2008 \$'000			
	AT COST	AT VALUATION	ACCUM DEPN	CARRYING AMOUNT	AT COST	AT VALUATION	ACCUM DEPN	CARRYING AMOUNT
<b>Water Supply</b>								
Plant & Equipment	-	5	(5)	-	-	5	(5)	-
Land	-				-			-
- Operational	-	234	-	234	-	234	-	234
- non depreciable land improv	-	1	-	1	-	1	-	1
Buildings	-	335	(22)	313	-	335	(22)	313
Water Supply Infrastructure	-	17,088	(732)	16,356	-	16,559	(658)	15,901
- Other	7		(2)	5	7		(2)	5
<b>Total Water Supply</b>	<b>7</b>	<b>17,663</b>	<b>(761)</b>	<b>16,909</b>	<b>7</b>	<b>17,134</b>	<b>(687)</b>	<b>16,454</b>
<b>Sewerage Services</b>								
Land	-				-			
- Operational	-	169	-	169	-	169	-	169
Land Improvements - depreciab	-	6	-	6	-	6	-	6
Buildings	-	100	(2)	98	-	100	(2)	98
Other Structures	40	-	(16)	24	40	-	(15)	25
Sewerage Infrastructure	-	7,731	(772)	6,959	-	7,456	(737)	6,719
- Roads, bridges, footpaths	42	-	(4)	38	-	42	(4)	38
<b>Total Sewerage Services</b>	<b>82</b>	<b>8,006</b>	<b>(794)</b>	<b>7,294</b>	<b>40</b>	<b>7,773</b>	<b>(758)</b>	<b>7,055</b>
<b>Domestic Waste Management</b>								
Plant & Equipment	-	101	(3)	98	-	13	(5)	8
Land	-				-			
- Operational	-	228	-	228	-	80	-	80
Other Structures	147	-	(100)	47	147	-	(87)	60
- Other	25	-	(16)	9	25	-	(15)	10
<b>Total Domestic Waste</b>	<b>172</b>	<b>329</b>	<b>(119)</b>	<b>382</b>	<b>172</b>	<b>93</b>	<b>(107)</b>	<b>158</b>
<b>TOTAL RESTRICTIONS</b>	<b>261</b>	<b>25,998</b>	<b>(1,674)</b>	<b>24,585</b>	<b>219</b>	<b>25,000</b>	<b>(1,552)</b>	<b>23,667</b>

# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2009

### Note 10 - LIABILITIES

	2009 \$'000		2008 \$'000	
	Current	Non-Current	Current	Non-Current
<b>PAYABLES</b>				
Goods & Services	1,049	-	676	-
Payments received in advance	64	-	65	-
Accrued Expenses	299	-	299	-
Alliance Private Works	472	-	623	-
Retirement Home Contributions	1,275	-	1,185	-
Deposits, Retentions & Bonds	30	-	-	-
Other	2	-	2	-
<b>Total Payables</b>	<b>3,191</b>	<b>-</b>	<b>2,850</b>	<b>-</b>

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

886

698

### BORROWINGS

Loans				
- Secured	209	1,816	1,047	845
<b>Total Borrowings</b>	<b>209</b>	<b>1,816</b>	<b>1,047</b>	<b>845</b>

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

### PROVISIONS

Annual Leave	595	-	539	-
Sick Leave	76	-	72	-
Long Service Leave	461	419	608	330
Reinstatement, Remediation, etc. (see also Note 28)	-	584	129	422
Other	27	-	27	-
<b>Total Provisions</b>	<b>1,159</b>	<b>1,003</b>	<b>1,375</b>	<b>752</b>

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

1,033

736

### Movements In Provisions

	Employee Benefits 2009 \$'000	Insurance Losses 2009 \$'000	Reinstatement, etc. 2009 \$'000	Other 2009 \$'000
Opening Balance	1,549	-	551	27
Add Additional amounts recognised	320	-	-	-
Unwinding of present value discounts	-	-	33	-
(Less) Payments	(318)	-	-	-
<b>Closing Balance</b>	<b>1,551</b>	<b>-</b>	<b>584</b>	<b>27</b>

# **URALLA SHIRE COUNCIL**

## **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2009**

### **NOTE 10 - LIABILITIES (cont)**

#### **Provision for Insurance Losses**

At any time Council may be involved in defending a number of separate actions arising from various causes, further details of which are given in Note 18. Council makes provision for the best estimate of the probable costs it will incur in defending such actions, and records a contingent liability for the balance of potential losses.

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

Council is required by law to reinstate/ rehabilitate the areas of certain tips and quarries for roadmaking materials when it ceases to use each facility. Engineering estimates have been made based on current reinstatement standards and discounted to its present value over the estimated remaining life of each facility at the rates applicable to government securities.

	<b>2009</b>		<b>2008</b>	
	<b>\$'000</b>		<b>\$'000</b>	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
<b>AGGREGATE LIABILITY ARISING FROM EMPLOYEE BENEFITS</b>	<b>1,132</b>	<b>419</b>	<b>1,219</b>	<b>330</b>
<b>LIABILITIES relating to RESTRICTED ASSETS</b>				
<u>Water Supplies</u>				
Payables	4	-	3	-
Subtotal	4	-	3	-
<u>Sewerage Services</u>				
Payables	47	-	46	-
Interest Bearing Liabilities	12	-	-	15
Subtotal	59	-	46	15
<u>Other</u>				
Payables	1,275	-	1,185	-
Interest Bearing Liabilities	3	83	2	86
Provisions	74	62	221	83
Subtotal	1,352	145	1,408	169
<b>TOTAL</b>	<b>1,415</b>	<b>145</b>	<b>1,457</b>	<b>184</b>



# **URALLA SHIRE COUNCIL**

## **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2009**

### **Note 11 - RECONCILIATION TO CASH FLOW STATEMENT**

**(a) Reconciliation of Cash**

Cash Assets comprise short-term, highly liquid investments readily convertible to known amounts of cash that are subject to insignificant risk of changes of value. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows:

	2009 \$'000	2008 \$'000
Total Cash Assets (Note 6)	1,454	2,216
Less: Bank Overdraft (Note 10)	-	-
Balances per Statement of Cash Flows	<u>1,454</u>	<u>2,216</u>

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

Net Operating Result from Income Statement	3,028	244
Add: Depreciation, Amortisation & Impairment	1,693	1,884
Unwinding of present value discounts & premiums	33	34
Investments - impairment & fair value adjustments	283	-
Increase in other provisions	-	36
Decrease in receivables	-	1
Increase in trade creditors	372	386
Increase in other payables	-	2
Decrements from Revaluations	-	780
	<u>5,411</u>	<u>3,367</u>
Less: Decrease in provision for doubtful debts	-	-
Decrease in employee benefits provisions	-	-
Increase in receivables	229	116
Increase in inventories	19	25
Increase in other assets	14	27
Decrease in accrued expenses payable	-	6
Decrease in other payables	121	-
Gain on Sale of Assets	457	121
Non-cash Capital Grants and Contributions	90	259
Net Cash provided by (or used in) operations	<u>4,481</u>	<u>2,813</u>

## URALLA SHIRE COUNCIL

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2009

#### Note 11 (cont) - RECONCILIATION TO CASH FLOW STATEMENT

	2009 \$'000	2008 \$'000
<b>(c) Non-Cash Financing and Investing Activities</b>		
Acquisition of assets by means of:		
- Bushfire Grants	90	223
- Developer Contributions received in kind	-	-
- Non-cash Issues of Shares in Other Companies	-	-
- Estimated future reinstatement, etc costs	-	36
	<u>90</u>	<u>259</u>

#### **(d) Financing Arrangements**

Unrestricted access was available at balance date to the following lines of credit:

Bank Overdrafts		
Total Facilities	100	100
Corporate Credit Cards	41	25

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. Interest rates on overdrafts are variable while the rates for loans are fixed for the period of the loan.

# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2009

### Note 12 - COMMITMENTS FOR EXPENDITURE

	2009 \$'000	2008 \$'000
<b>(a) Capital Commitments</b>		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Maitland Point Bridge	215	-
	<u>215</u>	<u>-</u>
These expenditures are payable:		
Not later than one year	215	-
Later than one year and not later than 5 years	-	-
Later than 5 years	-	-
	<u>215</u>	<u>-</u>
<i>Commitments for Capital Expenditures relating to Joint Ventures and Partnerships are set out in Note 19.</i>		
<b>(b) Other Expenditure Commitments</b>		
Other expenditure committed for (excluding inventories) at the reporting date but not recognised in the financial statements as liabilities:		
Audit Services	102	119
Library Services	115	134
Tourism Services	78	98
Microsoft Licencing Program	-	15
	<u>295</u>	<u>366</u>
These expenditures are payable:		
Not later than one year	153	153
Later than one year and not later than 5 years	142	213
Later than 5 years	-	-
	<u>295</u>	<u>366</u>
<b>(c) Remuneration Commitments</b>		
Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at reporting date but not recognised as liabilities, payable:		
Not later than one year	145	145
Later than one year and not later than 5 years	302	435
Later than 5 years	-	-
	<u>447</u>	<u>580</u>

# **URALLA SHIRE COUNCIL**

## **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS** for the year ended 30th June 2009

### **Note 13 - STATEMENT OF PERFORMANCE MEASUREMENT**

	<u>Amounts</u>	<u>2009 Indicators</u>	2008	2007
<b>Unrestricted Current Ratio</b>				
<u>Unrestricted Current Assets*</u>	<u>\$4,435</u>	3.62:1	1.24:1	0.64:1
Current Liabilities not relating to Restricted Assets	\$1,225			
 <b>Debt Service Ratio</b>				
<u>Net Debt Service Cost*</u>	<u>\$263</u>	3%	6%	7%
Operating Revenue*	\$9,065			
 <b>Rate &amp; Annual Charges</b>				
<b>Coverage Ratio</b>				
<u>Rates &amp; Annual Charges Revenues</u>	<u>\$3,743</u>	23%	26%	29%
Revenue from continuing operations	\$16,103			
 <b>Rates &amp; Annual Charges</b>				
<b>Outstanding Percentage</b>				
<u>Rates &amp; Annual Charges Outstanding</u>	<u>\$394</u>	9.33%	11.19%	6.45%
Rates & Annual Charges Collectible	\$4,221			
 <b>Building &amp; Infrastructure</b>				
<b>Renewals Ratio</b>				
<u>Asset renewals*</u>	<u>\$1,049</u>	120%	59%	74%
Depreciation, Amortisation, Impairment	\$871			

\* Detailed methods of calculation of these indicators is defined in the Code.

# **URALLA SHIRE COUNCIL**

## **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2009**

### **Note 14 - INVESTMENT PROPERTY**

Council does not hold Investment Properties

# **URALLA SHIRE COUNCIL**

## **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2009**

### **Note 15 - FINANCIAL RISK MANAGEMENT**

Council's activities expose it to a variety of financial risks including price risk, credit risk, liquidity risk and interest rate risk. All financial instruments are denominated in Australian dollars, and hence currency risk does not apply. Since August 2007 Council has been caught in the world credit crisis that has subsequently increased the credit and liquidity risk significantly.

Financial risk management is carried out by Council's Finance section in accordance with policies approved by Council and in accordance with statutory requirements, and seeks to attain diversification, and maximise revenue while protecting the corpus of the funds invested. To manage interest rate risk Council invested in a range of approved fixed income securities and term deposits. Investment in fixed income securities required specialist skills and access to information not available to Council's staff. To manage the financial risks Council outsourced the portfolio administration to Grange Securities who evaluate and select investment securities other than term deposits through an individually managed portfolio contract.

In October 2008, Lehman Brother Bank, the parent organisation of Grange Securities advised Council, Lehman Brothers Australia would enter voluntary administration. Council transferred all securities under custodian to ANZ nominees. During the financial year Federation was unwound with 100% return to Council, the profit being reflected in note 5. Council has during the course of 2008-2009 sought legal advice to recover CDOs and FRNs managed in the IMP. Council elected to join class action on some CDOs where there was some probability of resolution.

Council held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>				
Cash and Cash Equivalents	1,454	2,216	1,454	2,216
Receivables	1,397	1,274	1,397	1,274
Financial assets at fair value through profit & loss	828	1,119	828	1,119
Available-for-sale financial assets	4,584	1,959	4,584	1,959
	<u>8,263</u>	<u>6,568</u>	<u>8,263</u>	<u>6,568</u>
<b>Financial Liabilities</b>				
Payables	3,191	2,850	3,191	2,850
Borrowings	2,025	1,892	2,025	1,892
	<u>5,216</u>	<u>4,742</u>	<u>5,216</u>	<u>4,742</u>

Fair value is estimated as follows:

- \* Cash & equivalents, receivables & payables - due to the short-term nature, face value (carrying value) approximates fair value.
- \* Held-to-maturity investments and borrowings - anticipated future cash flows discounted by current market interest rates applicable to assets and liabilities with similar risk profiles.
- \* Financial assets at fair value through profit & loss, and available-for-sale - based on quoted market prices (where a liquid market exists) or independent valuation. Particular difficulties were experienced in assessing fair value of CDOs, and these have been reported in Note 1.

#### **Cash and cash Equivalents**

#### **Financial assets at fair value through profit & loss**

#### **Available-for-sale financial assets**

#### **Held-to-maturity investments**

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

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

Cash and investments are also subject to interest rate risk – the risk that movements in interest rates could affect returns.

Another risk associated with cash and investments is credit risk – the risk that a contracting entity will not complete its obligations under a financial instrument resulting in a financial loss to Council.

The investment portfolio is managed in accordance with Council's policy which complies with the Local Government Act & Regulations, and the Minister's Order. The investment policy is reviewed regularly, and monthly reports provided to Council in accordance with section 625 of the Act.

# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2009

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

The investment portfolio is managed so as to provide adequate liquidity at all times, particularly during the periods between the quarterly receipt of rates instalments and grants. In addition, Council has access to overdraft facilities set out in Note 11. Since investment holdings in CDOs and FRNs represent approximately 17% of Council's surplus funds at any one time, Council has determined to hold the current FRNs to maturity and pursue legal action in respect to losses incurred with CDO obligations. Council also determined that the CDOs would be liquidated with the most appropriate returns.

Council's portfolio is invested in products that are subject to price risk, principally CDOs. Council viewed the loss in market value - which has been recognised in these reports - as deriving principally from a lack of liquidity in the market. Council has determined to retain these financial instruments on a long term basis, and reviewing its liquidity projections quarterly so to confirm with this strategy. Council expects to recoup the majority of the amounts of principal and interest over the life of the investment, but with a deterioration in the quality of the securities over the financial year have engaged legal and financial specialists to assist council in managing the increased default risk. Council has some CDO's that are at a higher risk of defaulting but no advice that they have formally defaulted has been received and council continues to receive regular interest payments.

Due to the lack of market activity and reluctance of institutions to disclose information, reliable CDO valuations have been very difficult to obtain. As no reliable valuation method was available, Council has estimated the worth of the financial instruments on the basis of probable return and actual income being received.

The remainder of Council's investment portfolio consists of deposits at fixed and variable interest rates, generally for periods of less than 120 days. Whilst these are subject to interest rate risk, this is minimised by the short term of the financial assets held.

#### Interest Sensitivity Analysis

	2009 \$'000	2008 \$'000
Impact of a 10% (2008 30%) movement in price of investments (for assets subject to price risk only)		
- Equity	83	923
- Income Statement	83	923
Impact of a 1% change in interest rates on cash & investments		
- Equity	54	31
- Income Statement	54	31

#### Receivables

Credit risk on receivables for rates, annual charges and service charges made under section 502 is minimised as these are secured over the subject land. The security extends to interest levied for late payment.

Other receivables are subject to a range of credit risk minimisation procedures as appropriate, varying from credit checks to specific security pledges. Council is not materially exposed to any individual debtor, and credit risk exposure is concentrated within the Council boundaries in the State of New South Wales. There are no material receivables that have been subject to re-negotiation of repayment terms.

Council receives regular summary reports of receivables due, and detailed reports where appropriate.

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

	2009 \$'000	2008 \$'000
Percentage of Rates & Annual Charges		
- Current	72%	73%
- Overdue	28%	27%

# **URALLA SHIRE COUNCIL**

## **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS** for the year ended 30th June 2009

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

#### **Payables**

#### **Borrowings**

Payables and borrowings are subject to liquidity risk - the risk that insufficient funds may be on hand to meet payment obligations as they fall due. The investment portfolio is managed so as to provide adequate liquidity at all times, particularly during the periods between the quarterly receipt of rates instalments and grants. In addition, Council has access to overdraft facilities set out in Note 12.

#### **Liquidity Sensitivity Table**

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

	2009 '000	Due			Total Contractual Cash Flows	Carrying Value
		≤ 1 year	2 - 5 years	> 5 years		
Payables		2,305	886	-	3,191	3,191
Borrowings		209	1,816	-	2,025	2,025
		<u>2,514</u>	<u>2,702</u>	<u>-</u>	<u>5,216</u>	<u>5,216</u>

	2008 '000	Due			Total Contractual Cash Flows	Carrying Value
		≤ 1 year	2 - 5 years	> 5 years		
Payables		2,152	698	-	2,850	2,850
Borrowings		88	1,804	-	1,892	1,892
		<u>2,240</u>	<u>2,502</u>	<u>-</u>	<u>4,742</u>	<u>4,742</u>

Borrowings are also subject to Interest rate risk - the risk that changes in interest rates could adversely affect funding costs. Council manages this risk by generally borrowing long term, commonly at rates fixed for the duration of the loan. Bank overdraft and less than 10% of borrowings are at variable rates; the associated Interest rate risk is not considered material.

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

	2009		2008	
	Wtd ave Interest rate	Balance	Wtd ave interest rate	Balance
Overdraft	1.25%	-		-
Loans - fixed Interest rate	6.35%	<u>2,025</u>	7.11%	<u>1,892</u>
		<u>2,025</u>		<u>1,892</u>



# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2009

### Note 16 - SIGNIFICANT VARIATIONS FROM ORIGINAL BUDGET

Council's original budget comprised part of the Management Plan adopted by Council on 29th June 2008. The original projections on which the budget was based have been affected by decisions and new grant programs initiated by State and Federal Governments, by the weather, and by decisions made by the Council.

This Note sets out the principal variations between the original Budget and Actual results for the Statement of Financial Performance Cash Flow Statement and Note 2 Functions.

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

### STATEMENT OF FINANCIAL PERFORMANCE

#### 1 Income

##### 1.1 Rates and Extra Charges (Unfavourable – 7%)

Pension rebates granted by council of \$103k were omitted from the original budget. Domestic Waste charges were budgeted in total to annual charges instead of being allocated to annual charges and user charges which contributed to the unfavourable result in rates and extra charges and the favourable result in user charges and fees.

##### 1.2 User Charges and Fees (Favourable – 36%)

User fees of \$490k for resident fees for McMaugh Gardens Aged Care Centre were budgeted under Grants and contributions.

##### 1.3 Interest and Investments revenue (Unfavourable – 48%)

Investment returns were in line with original budget estimates. The continuing volatility of markets due to the ongoing global financial crisis resulted in Council recognising a further deterioration in the mark to market adjustment on Investments which resulted in an unfavourable adjustment of \$283,378.

##### 1.4 Other Operating Revenues (Favourable – 21%)

Insurance claims of \$36k were received for McMaugh Gardens which were not anticipated when the original budget was compiled.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2009**

**Note 16 - Significant Variations from Original Budget (cont)**

**2 Expenses**

**2.1 Materials & Contracts (Favourable – 11%)**

Council recorded a favourable variance in materials and contracts as a result of tightened budget controls across all functions of Council although expenditure was generally in line with expectation.

**1.2 Borrowing Costs (Unfavourable – 32%)**

Borrowing costs were understated in the original budget in the area of Transport and Communication.

**1.3 Depreciation & Amortisation (favourable – 11%)**

Council recorded a favourable variance in depreciation expenditure, particularly in the area of roads. This can be attributed to the revaluation of roads assets and change in useful lives.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

**Note 16 - Significant Variations from Original Budget (cont)**

**CASH FLOW STATEMENT**

**3 Operating Activities**

**3.1 Rates & Annual Charges (Unfavourable – 5%)**

Pension rebates granted by council of \$103k were omitted from the original budget. Domestic Waste charges were budgeted in total to annual charges instead of being allocated to annual charges and user charges which contributed to the unfavourable result in rates and extra charges and the favourable result in user charges and fees

**3.2 User Charges & Fees (Favourable – 43%)**

User fees of \$490k for resident fees for McMaugh Gardens Aged Care Centre were budgeted under Grants and contributions. Domestic waste charges which included \$67k of user charges were budgeted in total to rates and annual charges.

**3.3 Investments Income (Unfavourable – 40%)**

Investment returns were in line with original budget estimates which were based on estimated interest rate returns on overnight and short term deposits. The continuing volatility of markets due to the ongoing global financial crisis resulted in Council recognising a further deterioration in the mark to market adjustment on investments which resulted in an unfavourable adjustment of \$283,378.

**3.4 Grants & Contributions (Favourable – 11%)**

In many instances, the actual amount of grants received depends on decisions made by State and Federal governments after the original Budget was adopted.

Major variations occurred in grants received for the following purposes:

- Community Infrastructure funding (\$271k)
- Early remittance of 2009-2010 Financial Assistance Grant (\$484k)

**3.5 Other Operating Receipts (Favourable – 22%)**

Insurance claims of \$36k were received for McMaugh Gardens which were not anticipated when the original budget was compiled.

**3.6 Other Operating Payments (Unfavourable – 20%)**

The variance in other operating payments results from the inclusion of GST in the cash flow statement.

**4 Investing/Financing Activities**

**4.1 Proceeds from Property Plant & Equipment (Unfavourable – 15%)**

All plant and equipment identified for sale or trade was disposed of during the year with proceeds not reaching original budget expectation.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

**Note 16 - Significant Variations from Original Budget (cont)**

**4.2 Proceeds from the sale of Investment Securities (Favourable – 200%)**

Federation was unwound during the 2008/09 financial year which returned \$200k representing 100% of Council's original investment.

**4.3 Purchase of Property, Plant & Equipment (Favourable 16%)**

Survey Total Station equipment with a budget of \$50k was not purchased. Other plant and equipment was purchased for less than the original budget estimates.

**4.4 Purchase of Investment securities (Unfavourable – 2625%)**

Surplus funds which were not originally budgeted for, were invested in short term deposits to increase interest returns.

**4.5 Proceeds from Borrowings & Advances (Favourable – 310%)**

\$300k was included in "grants & contributions" in the original budget.

**4.6 Proceeds from Retirement Home Contributions (Favourable – 106%)**

Proceeds from Retirement Home Contributions were not originally budgeted for.

**4.7 Repayment of Borrowings & Advances (Favourable – 14%)**

Repayment of borrowings was overstated in the original budget.

**4.8 Repayment of Retirement Home Contributions (Unfavourable – 90%)**

Repayment of Retirement Home Contributions were not originally budgeted for.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

**Note 16 - Significant Variations from Original Budget (cont)**

**NOTE 2 (a)**

**5 Functions**

**5.1 Governance (Favourable 14%)**

Local government elections which were budgeted at \$59k in the original budget were not held resulting in a saving of \$43k.

**5.2 Administration (Favourable – 124%)**

The original budget was split between operating and capital projects.

**5.3 Public Order & Safety (Unfavourable 10%)**

The unfavourable result is mainly the result of expenditure exceeding budget on RFS vehicles with repairs and maintenance exceeding budget by \$14k and fuel by \$4k.

**5.4 Health (Unfavourable 16%)**

Income from Statutory/Regulatory Fees and Inspection Fees was lower than the original budget with expenditure in line with expectations.

**5.5 Community Services & Education (369% Favourable)**

Income exceeded the original budget estimates in the following areas:

Grant Income (infrastructure grants)	\$70k
Client fees and contributions	\$179k
Interest Revenues	\$91k

Tightened budget controls were also implemented at McMaugh Gardens Aged Care Centre to reduce expenditure which contributed to the favourable result in community services.

**5.6 Housing & Community Amenities (Unfavourable 20%)**

Income was lower than the original budget with expected income from fees and sale of goods being \$56k less than budgeted.

**5.7 Water Supplies (Unfavourable – 34%)**

Income from water supplies was less than originally budgeted with water user charges being less than estimated by \$44k. In addition, Council recognised a further deterioration in the market to market adjustment on water fund investments which was not included in the original budget estimates.

**5.8 Sewerage Services (Favourable – 380%)**

Sewerage depreciation expenditure was overstated in the original budget which has led to the favourable variance between the actual figures and the original budget.

**5.9 Recreation & Culture (Favourable – 36%)**

Recreation and Culture has shown a favourable variance of \$173k which is attributable to the receipt of grant funding through the Federal Economic Stimulus funding which was not included in the original budget estimates.

**5.10 Mining Manufacturing & Construction (Favourable – 75%)**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

**Note 16 - Significant Variations from Original Budget (cont)**

Planned activities in the area of Mining were not carried out.

**5.11 Transport & Communication (Unfavourable – 48%)**

The original budget was split between capital and operating projects.

**5.12. Economic Affairs (Unfavourable – 102%)**

Alliance costs of \$36k and promotion/publicity costs of \$10k were not included in the original budget. Material and consumables of \$45k, Salaries and employee costs of \$35k and depreciation expense of \$29k were over the original budget estimates which contributed to the unfavourable result.

# **URALLA SHIRE COUNCIL**

## **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS** for the year ended 30th June 2009

### **Note 17 - STATEMENT OF CONTRIBUTION PLANS**

#### **SUMMARY OF CONTRIBUTIONS**

PURPOSE	OPENING BALANCE	CONTRIBUTIONS RECEIVED DURING YEAR		INTEREST EARNED DURING YEAR	EXPENSE D DURING YEAR	INTERNAL BORROW- INGS (to)/from	HELD AS RESTR- ICTED ASSET	EST. FUTURE CONTRIBS	EST. WORKS OUT- STANDING	EST. OVER/ (UNDER) FUNDING
		CASH	NON-CASH							
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Roads	173	23	-	6	(40)	-	162	-	162	-
Traffic Facilities	4	1	-	-	-	-	5	-	5	-
Community facilities	40	1	-	1	-	-	42	60	102	60
Other	14	2	-	-	-	-	16	-	16	-
Subtotal \$94 under plans	231	27	-	7	(40)	-	225	60	285	60
<b>Total Contributions</b>	<b>231</b>	<b>27</b>	<b>-</b>	<b>7</b>	<b>(40)</b>	<b>-</b>	<b>225</b>			

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

#### **CONTRIBUTION PLAN - DCP ZONE #1 RURAL - INVERGOWRIE**

PURPOSE	OPENING BALANCE	CONTRIBUTIONS RECEIVED DURING YEAR		INTEREST EARNED DURING YEAR	EXPENSE D DURING YEAR	INTERNAL BORROW- INGS (to)/from	HELD AS RESTR- ICTED ASSET	EST. FUTURE CONTRIBS	EST. WORKS OUT- STANDING	EST. OVER/ (UNDER) FUNDING
		CASH	NON-CASH							
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Roads	49	-	-	2	(34)	-	17	-	17	-
Traffic Facilities	4	1	-	-	-	-	5	-	5	-
Community facilities	40	1	-	1	-	-	42	60	102	-
Other	9	2	-	-	-	-	11	-	11	-
<b>Total</b>	<b>102</b>	<b>4</b>	<b>-</b>	<b>3</b>	<b>(34)</b>	<b>-</b>	<b>75</b>	<b>60</b>	<b>135</b>	<b>-</b>

#### **CONTRIBUTION PLAN - DCP ZONE #1 - RURAL**

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

#### **CONTRIBUTION PLAN - DCP ROAD MAINTENANCE ROYALTIES**

PURPOSE	OPENING BALANCE	CONTRIBUTIONS RECEIVED DURING YEAR		INTEREST EARNED DURING YEAR	EXPENSE D DURING YEAR	INTERNAL BORROW- INGS (to)/from	HELD AS RESTR- ICTED ASSET	EST. FUTURE CONTRIBS	EST. WORKS OUT- STANDING	EST. OVER/ (UNDER) FUNDING
		CASH	NON-CASH							
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Roads	124	23	0	4	-6	0	145	0	145	-
<b>Total</b>	<b>124</b>	<b>23</b>	<b>-</b>	<b>4</b>	<b>(6)</b>	<b>-</b>	<b>145</b>	<b>-</b>	<b>145</b>	<b>-</b>

# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2009

### Note 18 - CONTINGENCIES & ASSETS & LIABILITIES NOT RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position but knowledge of those items is considered relevant to user of the financial report in making and evaluating decisions about the allocation of scarce resources.

#### 1. DEFINED BENEFIT SUPERANNUATION PLAN

The Local Government superannuation scheme - Pool B (the Scheme) is a defined benefit plan that has been deemed to be a "Multi-employer fund" for purposes of AASB119. Sufficient information under AASB119 is not available to account for the Scheme as a defined benefit plan, because the assets to the Scheme are pooled together for all employers. The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2009 was \$147,001. The last valuation of the Scheme was performed by Mr Martin Stevenson BSc, FIA, FIAA on 19th June 2007 and covers the period ended 30 June 2006. However the position is monitored annually and the actuary has estimated that as at 30th June 2009 a deficit exists. Effective from 1 July 2009, employers are required to contribute at twice the "notional" or long term cost for a period of up to ten years in order to rectify this deficit. The share of this deficit that can be broadly attributed to the employer was estimated to be in the order of \$625,088 as at 30 June 2009.

#### 2. POTENTIAL INSURANCE LOSSES

Council is a multi-purpose organisation providing a large range of building, parks infrastructure, playgrounds and other facilities accessible to the public. At any time, it is likely that claims will have been made against Council that remain unsettled.

Council insures against all known insurable risks using a range of insurance policies, each of which is subject to a deductible "insurance excess", the amount of which varies according to the class of insurance.

Council has recognised the potential losses arising from claims known at reporting date based on average historical net cost (including insurance excess) of similar types of claims. Other potential claims not reported to Council may have existed at reporting date.

##### 2.1. Statewide Mutual

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

Statewide Mutual's Directors report that the scheme has accumulated surpluses of \$22.7M as at 30 June 2009. They also report, however, that it is impossible to predict the long term consequences of certain proposed amendments to the law relating to public liability and professional negligence.

During the period 1995-1997 a portion of Council's public risk insurance cover was insured or re-insured with a member of the HIH Insurance group of companies. At reporting date there are no known claims outstanding for that period.

#### 3. STATECOVER MUTUAL Ltd

Council has been a member of Statecover Mutual Ltd, a corporation formed for the purchase and management of workers compensation insurances on behalf of its members, since 1 July 2001.

Statecover has issued shares with no par value and may make calls on its members to meet trading losses and to comply with prudential requirements. There is no recognised market for the sale of Statecover shares.

Council is of the opinion that there is insufficient certainty of recovery of capital contributed \$30,621.55 (2006: \$30,621.55; 2005: \$20,396.30) to qualify for recognition as an asset. No calls have been made in respect of the Council's shares for the current reporting period.



**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2009**

**Note 18 – Contingencies & Assets & Liabilities not Recognised in the Statement of Financial Position (cont)**

**4. LEGAL EXPENSES**

Council is the planning consent authority for its area under the Environmental Planning & Assessment Act (as amended). Pursuant to that Act, certain persons aggrieved by a planning decision of the Council may appeal to the Land & Environment Court. It is the Court's normal practice that parties bear their own legal costs. At the date of these reports, Council had no notice of any appeals against planning decisions made prior to reporting date. All known costs have been recognised, but the amount of further costs cannot be known until the appeals are determined.

**5. RURAL FIRE FIGHTING ASSETS**

Council has title to, and is the registered owner of 8 rural fire appliances and associated rural fire fighting equipment. These assets are under the control of the Rural Fire Services to enable that Department to provide the bushfire protection defences set out in their Service Level Agreement with Council, and accordingly have not been recognised in these reports.

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

**6. CENTRAL NORTHERN LIBRARIES**

The Uralla Shire Council is a member of the Central Northern Libraries Group. This group operates under the Central Northern Library Regional Library Agreement made on 1 July 2005 and administered by the Tamworth Regional Council on behalf of the six members. Clause 7.1 of the Agreement states "Tamworth Regional Council shall own the assets acquired from Central Northern Regional Library's budget subject to the 'reimbursement rights' held by each of the Delegating Councils as provided by this clause."

Clause 7.3 states "Upon the termination of this agreement, a proportion of the assets identified in the asset register shall be distributed to the Delegating Councils. The method for determining the asset distribution to each Delegating Council is specified in Schedule 4 of this Agreement." Schedule 4 determines that the distribution of the net assets shall be apportioned in the ratio of the contributions made in the three preceding years or the current life of the existing agreement. The net assets of the Central Northern Regional Library at 30 June 2009 was not available. Council expects the net assets of the library to be in line with the previous year's results (\$820,306 – 2008) and the percentage of contribution by the Uralla Shire Council is 6.65%.

## **URALLA SHIRE COUNCIL**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
for the year ended 30th June 2009**

### **Note 19 - JOINT VENTURES & ASSOCIATED ENTITIES**

**Council does not have any material Joint Ventures**

# **URALLA SHIRE COUNCIL**

## **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS** for the year ended 30th June 2009

### **Note 20 - RETAINED EARNINGS & REVALUATION RESERVES**

<b>RETAINED EARNINGS</b>	<b>2009</b>	<b>2008</b>
	<b>\$'000</b>	<b>\$'000</b>
As previously reported (beginning of year)	77,132	74,912
Transfers from asset revaluation reserve (IPP&E)	-	-
Correction of errors - see below	(13,617)	1,976
Commencement of new accounting standard	-	-
- AASB 1051 <i>Land under roads</i> - see below	-	-
Net operating result for the year	3,028	244
At end of year	<u>66,543</u>	<u>77,132</u>
 <b>REVALUATION RESERVES</b>		
<b><i>Infrastructure, Property, Plant &amp; Equipment</i></b>		
Balance at beginning of reporting period	25,945	16,458
Add: Revaluation Increments transferred to the reserve relating to:		
Land		
- Council owned (freehold)	-	2,084
- Buildings	-	6,327
- Water Infrastructure	476	757
- Sewerage Infrastructure	201	319
- Roads	184,264	-
Subtotal	<u>184,941</u>	<u>9,487</u>
Less: Revaluation decrements transferred from the reserve relating to:		
Land		
- Council owned (freehold)	-	-
Subtotal	<u>-</u>	<u>-</u>
<b>Balance at end of reporting period</b>	<u><b>210,886</b></u>	<u><b>25,945</b></u>

# **URALLA SHIRE COUNCIL**

## **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS** for the year ended 30th June 2009

### **Note 20 - REVALUATION RESERVES & RETAINED EARNINGS (CONT)**

	2009 \$'000	2008 \$'000
<b><i>Nature and purpose of reserves</i></b>		
<u>Infrastructure, property, plant &amp; equipment revaluation reserve</u>		
Used to record increments (net of decrements) on the revaluation of infrastructure, property, plant & equipment.		
<b><i>MOVEMENTS IN RETAINED EARNINGS</i></b>		
<b><i>Correction of errors in previous years</i></b>		
(i) Certain investments containing embedded derivatives were previously incorrectly categorised as <i>available-for-sale</i> instead of <i>fair value through profit &amp; loss</i> . As fair value equalled carrying value there was no effect on the Income Statement, and the categorisation has been corrected on Note 6.		NIL
(ii)		
In previous years Council had not consistently reviewed the estimates of useful lives of certain assets. In the course of the revaluations carried out in the current reporting period, it was found that the combined effect resulted in a significant reduction in the depreciation that had previously been charged. It was found to be impracticable to calculate the distortion occurring in each of the previous years, and the adjustment has been made to current year balances.	-	-
- Buildings	-	1,976
- Roads	(13,617)	-
(iii)		
In the course of the revaluations carried out in the current reporting period, it was found that a number of buildings had not previously been recognised. An estimate has been made of the depreciation that should have been charged in the previous year had they been correctly recognised at the appropriate time, and the comparative amounts have been adjusted accordingly.	-	-
<b><i>Commencement of AASB 1051 - Land under roads</i></b>		
As at 1 July 2008, Council determined that it was of the opinion that it was not possible to reliably measure the fair value of land under roads previously acquired, and that it was impracticable to determine the original cost of acquisition.	-	-
In accordance with AASB 1051.9, the carrying value of land under roads previously recognised has been made against the opening balance of retained earnings.		

## **URALLA SHIRE COUNCIL**

### **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2009**

#### **Note 23 - EVENTS OCCURRING AFTER BALANCE SHEET DATE**

##### **Decision on Counter Swap Defaults.**

In October 2002 Lehman Brother International ( Europe ) established a multi issuer secured obligation programme. The purpose of the programme was to issue notes to investors. The issuers that made up the Dante programme included Zircon Finance Limited and Beryl Finance Limited established by Lehman Brothers Group in the Republic of Ireland or the Cayman Islands.

The Trustee of the notes is the Bank of New York Mellon Corporate Trustee Services Ltd, incorporated in England.

On the 15th September 2008, Lehman Brothers Holdings Inc, the parent company of Lehman Brothers Group, applied for Chapter 11 Bankruptcy code in the United States.

On the 13th May and 9th June 2009, Perpetual and Belmont issued Part 8 Claims against the trustee, for orders designed to procure the realisation of the collateral held by the trustee, in respect of each note, in favour of note holders. Lehman Brothers contested these claims and did not accept that note holders are entitled to the priority claimed. The Trustees have decided to not act until the legal situation has been determined.

In July 2009, the High Court of Justice London, the Chancellor of the Court ruled in favour of the note holders. The ruling outlined that the collateral held by the trustee Bank of New York Mellon should be returned to bond holders. Council has \$350,000 in COD's affected by this case. Leman Brothers Inc has lodged an appeal against the ruling. If the Lehman Brothers appeal is successful, it appears that it will have the effect of invalidating the payments to note holders.

On the 25 September 2009, the Full Court of the Federal Court of Australia determined that a Deed of Company Arrangement (DOCA) entered into by the creditors of Lehman Brothers Australia Limited on 28 May 2009 is invalid. On 2 October 2009 Justice Rares of the Federal Court made the following orders in respect to the decision of the Full Court:

- (a) the Deed of Company Arrangement dated 12 June 2009 is declared void;
- (b) Lehman Brothers Australia Limited (Lehman Australia) be wound up; and
- (c) Neil Singleton and Stephen Parbery be appointed liquidators of Lehman Australia (subject to the filing consents to act as liquidators).

Neil Singleton and Stephen Parbery, as the firm of PPB Pty Ltd, have advised that they are proceeding to determine the liabilities of the Lehman Australia. Defendants have until 23 October 2009 to seek leave to appeal the decision of the Federal Court to the High Court. Council has lodged a claim of \$669,035 for losses sustained from an investment of \$1,150,000 in Collateralised Debt Obligations (CDOs) under the Individually Managed Portfolio managed by Lehman Australia (formerly Grange Securities) on behalf of the Uralla Shire Council. The estimates of recovery under a successful claim range from 9% to 30% of the losses.

## **URALLA SHIRE COUNCIL**

### **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2009**

#### **Note 23 - EVENTS OCCURRING AFTER BALANCE SHEET DATE**

##### **New England Strategic Alliance of Councils**

The Charter of the New England Strategic Alliance of Councils (NESAC) expires on 30 September 2009 and was due for renegotiation and renewal. At a meeting of Council held on Monday 28 August 2009 Council resolved to not renew its membership from 1 October 2009.

This decision was arrived at following a period of review of the benefits and costs, workshops, independent reviews and survey of the Uralla Shire Council's Community attitude towards the Independent NESAC Restructure Review (The Finch Report) principal recommendation of a voluntary amalgamation of the NESAC Councils.

Council is determined to continue structural reform by outsourcing services by Shared Services not only within the public sector but also the private sector. The initial activity to be outsourced will be a hosted IT Solution for the Uralla Shire Council. Initial indications are that a considerable saving will be achieved over the current shared service cost through NESAC. This amount is expected to be no less than \$100,000 per annum from the second year of the five year contract.

## URALLA SHIRE COUNCIL

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2009

#### NOTE 26 - REINSTATEMENT, REHABILITATION AND RESTORATION LIABILITIES

##### Tip remediation

Council is required by law to restore the present tip site at Uralla to parkland/farmland at the end of its useful life in 2017. The projected cost of this restoration is \$584K, based on feasibility and engineering studies and has been discounted to its present value at 4.5% per annum being the estimated consumer price index.

	2009 \$'000	2008 \$'000
At beginning of year	551	481
Amounts capitalised to Tip asset		
-New distributions	-	-
-Revised cost	-	36
-Revised life	-	-
-Revised discount rate	-	-
Amortised of discount - expensed to borrowing costs	33	34
At end of year	<u>584</u>	<u>551</u>

**URALLA SHIRE COUNCIL**

**INDEPENDENT AUDIT REPORT**

S417(2) – Report on the general purpose financial report

***Qualified audit opinion***

In our opinion except for the effects on the financial statements of the matter referred to in the paragraph below titled Basis for qualified Auditor's Opinion:

- (a) 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; and
- (b) the financial report:
  - (i) has been presented in accordance with the requirements of this Division;
  - (ii) is consistent with the Council's accounting records;
  - (iii) presents fairly the Council's financial position, the results of its operations and its cash flows; and
  - (iv) are in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia.
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial report that have come to light during the course of the audit.

This opinion must be read in conjunction with the rest of our audit report.

**Basis for Qualified Auditor's Opinion**

Since July 2007, global financial markets have experienced a period of high volatility led by events in the US housing market, particularly sub prime loans, which has impacted the value, recoverability, liquidity, cash flows and rates of return of many financial assets including Collateralised Debt Obligations (CDOs), Equity Linked Notes (ELNs) and certain other Managed Funds.

**Knowledge with integrity**

Liability limited by a scheme approved under the Professional Standards Legislation

**ARMIDALE | COONABARABRAN | GUNNEDAH | TAMWORTH**

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Forsyth's Business Services Pty Ltd  
ABN 68 102 781 401



At 30 June 2009, Uralla Shire Council's investment portfolio totalled \$5.4 million of which \$0.8 million have been impacted by this market volatility. The impact on individual securities varies depending on their degree of exposure to affected markets.

At 30 June 2009, Uralla Shire Council's investment portfolio included CDO securities totaling \$0.8 million. Many of these securities do not have market values that are independently quoted and they are not widely traded. Independent market valuations are not readily available and in many cases, values are assessed based on estimates from valuation models for which there is limited market evidence available to verify their reasonableness in the current economic environment. Further, the ongoing volatility of financial markets and legal actions against Lehman Brothers creates greater uncertainty in the valuation process and determination of future cash flows that can be attributed to these securities.

These circumstances have resulted in our inability to obtain sufficient appropriate audit evidence to satisfy ourselves as to the fair value and recoverability of \$0.8 million of Uralla Shire Council's total investment portfolio. The maximum impact on the operating surplus and net assets is the carrying amount of these investments.

#### ***Scope and summary of our role***

##### ***The financial report and Council's responsibility***

The financial report comprises the Balance Sheet, Income Statement, Cash Flow Statement, accompanying notes to the financial statements, and the Statement by Councillors and Management in the approved form as required by Section 413(2) of the Local Government Act 1993 for Uralla Shire Council (the Council), for the year ended 30 June 2009.

*The Council is responsible for the preparation and true and fair presentation of the financial report in accordance with the Local Government Act 1993. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.*

##### ***Audit approach***

We conducted an independent audit of the financial report in order to express an opinion on them to the Council. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. Our audit responsibility does not extend to the Original Budget figures included in the Income Statement, Cash Flow Statement and the Original Budget disclosures in Notes 2(a) and 16 to the financial statements and accordingly, we express no opinion on them. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

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

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

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

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

Our audit did not involve an analysis of the prudence of business decisions made by Councillors or management.

#### ***Independence***

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

*Forsyths*

*Forsyths Business Services Pty Ltd*

*P.R. Cornall*

**Paul R Cornall**  
Principal

29 October 2009  
111 Faulkner Street Armidale

29 Oct 09

The Mayor  
Uralla Shire Council  
PO Box 106  
URALLA 2358

**Armidale**

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Forsyth's Business Services Pty Ltd  
ABN 66 182 781 401

Dear Mr Mayor

**AUDIT OF ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2009**

We are pleased to report that we have completed the audit of Council's records for the year ended 30th June 2009 and have reported on the general purpose financial report and special purpose financial report as required by the provisions of Section 417(2) of the Local Government Act 1993.

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

***Audit Objectives***

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

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

***Scope of the Audit***

Audit procedures were primarily aimed at achieving audit objectives and did not seek to confirm for management purposes the effectiveness of all internal controls. The planning of the audit procedures was based on an assessment of the risk of the existence of errors and/or irregularities which could materially affect the financial statements.



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

We conducted an independent audit of the financial report in order to express an opinion on them to the Council. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. Our audit responsibility does not extend to the Original Budget figures included in the Income Statement and Cash Flow Statement and the Original Budget disclosures in Notes 2(a) and 16 to the financial statements and accordingly, we express no opinion on them. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

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

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

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

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

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

We have issued our qualified audit opinion as required by Section 417(2) of the Local Government Act 1993 on the basis of the foregoing comments.

#### ***Additional Reporting Requirements***

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

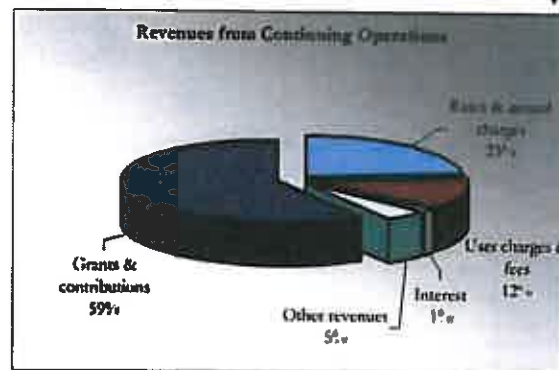


The Income Statement for the year ended 30th June 2009 discloses the following operating result:

INCOME STATEMENT		Budget 2009	Actual 2009	Actual 2008	Variance	
		\$'000	\$'000	\$'000	Actual	Budget
					%	%
<b>INCOME FROM CONTINUING OPERATIONS</b>						
Rates & annual charges		4,026	3,743	3,700	1.2%	-7.0%
User charges & fees		1,434	1,944	2,483	-21.7%	35.6%
Interest		381	197	0	0.0%	-48.3%
Other revenues from ordinary activities		227	276	216	27.8%	21.6%
Grants & contributions for operating purposes		7,683	8,230	7,155	15.0%	7.1%
Grants & contributions For capital purposes		1,217	1,256	681	84.4%	3.2%
Gain from sale of assets		487	457	121	277.7%	-6.2%
Total income from continuing operations		15,455	16,103	14,356	12.2%	4.2%
<b>EXPENSES FROM CONTINUING OPERATIONS</b>						
Employee benefits & oncosts		6,097	6,219	6,332	-1.8%	2.0%
Borrowing costs		123	153	144	6.3%	24.4%
Materials and contracts		3,861	3,979	4,289	-7.2%	3.1%
Depreciation & amortisation		1,900	1,505	1,838	11.7%	-20.8%
Other expenses from ordinary activities		1,276	1,219	1,091	-18.1%	-4.5%
Investment losses		0	0	418	0.0%	0.0%
Total Expenses from continuing operations		13,257	13,075	14,112	-7.3%	-1.4%
<b>OPERATING RESULT FROM CONTINUING OPERATIONS</b>		2,198	3,028	244	1141.0%	37.8%
<b>NET OPERATING RESULT BEFORE CAPITAL GRANTS AND CONTRIBUTIONS</b>		981	1,772	(437)	-505.5%	80.6%

Council achieved a surplus before capital amounts of \$1.8m compared to the deficit in 2008 of \$0.4m.

Operating revenue increased as a result of higher grants and contributions for operating and capital purposes and gains from sale of assets which were off set by lower user charges and fees. Grants and contributions have increased as a result of additional Financial Assistance Grant for the 2010 year received in June 2009 as part of State Government economic stimulus measures.



Further, there were increases in road and bridge grants for construction as well as aged care and other community service activities. Sale of assets included better returns on the sale of plant and sale of investments when market values improved, especially on FRN and CDO investments that had previously devalued. User fee revenue reductions arose from lower private works projects.

The decrease in expenses as a result of lower materials and contracts costs (less private works activity and increased focus on capital projects in 2009) and no net loss on investments in 2009 (investment losses of \$0.3m were offset by interest income).

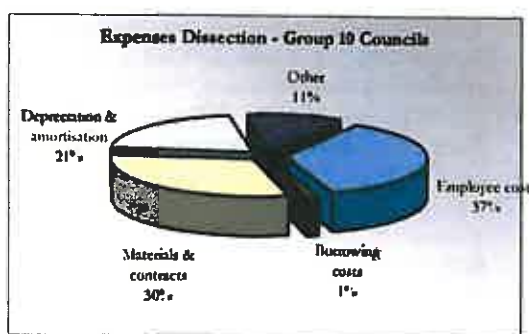
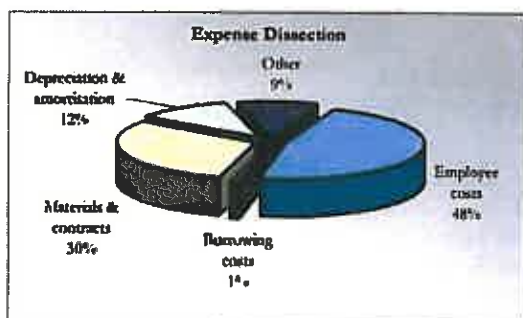


The global credit crisis has continued to have a major impact on credit linked products such as CDO's and FRN's. Council expects to hold most of these investments until maturity but events during the 2009 year and subsequent to balance date have ensured the risk of investment default remains. At the date of this report it is uncertain which investments may not recover but it is expected some of the book losses will convert to actual losses in the coming years. The write down in investments for the 2009 year of \$0.3m reflects the continued higher risk of default on these investments in the market place.

The budget amounts included above are those adopted in the original budget and exclude re-votes from the previous year and variations to the budget during the year. The actual operating surplus for the year of \$3m compares with the original budget surplus of \$2.2m. The major variations between the actual results and the original budget are as follows:

- Rates and extra charges (unfavourable \$0.3m) – pension rebates granted by council were omitted from the original budget and there was a misallocation between user charges and fees and rates and annual charges.
- User charges and fees (favourable \$0.5m) – User fees for residents of McMaugh Gardens Aged Care Centre were budgeted under Grants and contributions and there was a misallocation in the budget with rates and annual charges.
- Investment income – (unfavourable \$0.2m) - as a result of the continued investment market volatility during the year, see above.
- Grants and contributions capital and operating (favourable \$0.6m) - the first instalment of the financial assistance grant for the 2010 year of \$0.5m was received in June 2009 in order to bring forward Council projects as part of State economic stimulus measures.
- Depreciation and amortisation (favourable \$0.4m) – this is attributable to revaluation of infrastructure assets which has changed the amount of depreciation charged than previously budgeted.

Below is a comparison of expense dissections for the Council for 2009 compared to the Group 10 council average (2008 data).

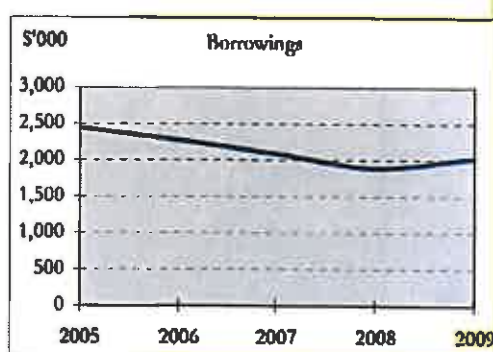
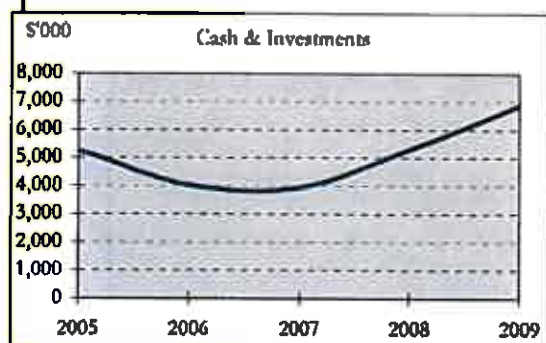


There is a significant variation in the levels of employee costs and depreciation compared to the Group 10 average. We believe this is due to Council having a lower level of depreciation expense than other Councils in the group (as it has a smaller level of infrastructure compared to the other Group 10 Councils) together with the additional employee costs associated with sponsoring Community Service activities.



The following schedule of assets and liabilities has been extracted from the Balance Sheet as at 30th June 2009. This schedule discloses the consolidated assets and liabilities of all functions.

SCHEDULE OF ASSETS & LIABILITIES			
	2009 \$'000	2008 \$'000	Variance %
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	1,454	2,216	-34.4%
Investments	5,412	3,078	75.8%
Receivables	1,397	1,168	19.6%
Inventories	187	168	11.3%
Other	106	92	15.2%
<b>TOTAL CURRENT ASSETS</b>	<b>8,556</b>	<b>6,722</b>	<b>27.3%</b>
<b>CURRENT LIABILITIES</b>			
Payables	3,191	2,850	12.0%
Borrowings	209	1,047	-80.0%
Provisions	1,159	1,375	-15.7%
<b>TOTAL CURRENT LIABILITIES</b>	<b>4,559</b>	<b>5,272</b>	<b>-13.5%</b>
<b>NET CURRENT ASSETS</b>	<b>3,997</b>	<b>1,450</b>	<b>175.7%</b>
<b>NON-CURRENT ASSETS</b>			
Receivables	-	106	0.0%
Infrastructure, Property Plant & Equipment	276,251	103,118	167.9%
<b>TOTAL NON-CURRENT ASSETS</b>	<b>276,251</b>	<b>103,224</b>	<b>167.6%</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	1,003	752	33.4%
Borrowings	1,816	845	114.9%
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>2,819</b>	<b>1,597</b>	<b>76.5%</b>
<b>NET ASSETS</b>	<b>277,429</b>	<b>103,077</b>	<b>169.1%</b>



Net current assets increased by \$2,547,000 or 176% mainly due to cash balance improvements arising from improved cash flow performance in 2009 and the receipt of a portion of the 2010 financial assistance grant of \$0.5m.

Borrowings have been refinanced and therefore mostly shown as non-current in 2009.





The significant increase in infrastructure, property, plant and equipment of \$173.0m is mainly due to the rise in values from the revaluation of roads, bridges, footpaths, bulk earthworks, water supply network and sewerage network assets in 2009 to correct over depreciation in prior years for these assets and increases in replacement value since the last revaluation.

Council has now revalued most of its infrastructure assets to allow it to determine its current condition and therefore improve the accuracy of depreciation expense in future years.

### NET CURRENT ASSETS

The Net Current Asset position at year end is an important financial indicator as it discloses the working capital available to Council to fund day to day operations and finance infrastructure and new community projects. However, included in Current Assets are assets which are "Restricted" by regulation or other externally imposed requirements and therefore are not available for other than their restricted purpose, as outlined below.

RATIO	PURPOSE	2009	2008	2007	2006
UNRESTRICTED RATIO	To assess the adequacy of working capital after excluding all restricted assets and liabilities.	3.62	1.24	0.64	0.82
DEBT SERVICE RATIO	To assess the degree to which revenues are committed to the repayment of debt.	3.0%	6.0%	3.0%	6.0%
RATE COVERAGE RATIO	To assess the degree of dependence upon revenues from rates and annual charges.	23.0%	28.0%	29.0%	29.0%
OUTSTANDING RATES %	To assess the impact of uncollected rates and charges on liquidity and the adequacy of recovery efforts.	9.3%	11.2%	6.5%	6.7%
ASSET RENEWALS RATIO	To assess the rate at which assets are being renewed against the rate they are being depreciated	1.20	0.89	0.74	

CASH MOVEMENTS		Actual 2009	Actual 2008	Variance
		\$'000	\$'000	%
<b>CASH INFLOWS</b>				
Operating Receipts		16,416	14,769	11.2%
Proceeds from Assets Sales		115	246	68.7%
Net receipt of retirement home bonds		196	437	55.1%
Proceeds from investments		200	417	52.8%
Proceeds from Borrowings		310	192	61.5%
<b>TOTAL RECEIPTS</b>		<b>17,537</b>	<b>16,061</b>	<b>9.2%</b>
<b>CASH OUTFLOWS</b>				
Operating Payments		11,938	11,958	-0.2%
Purchase of investments		2,625	915	186.9%
Purchase of Assets		3,562	1,179	204.4%
Repayment of Loans		172	386	-54.1%
<b>TOTAL PAYMENTS</b>		<b>18,297</b>	<b>14,437</b>	<b>26.8%</b>
<b>TOTAL CASH MOVEMENT</b>		<b>-762</b>	<b>1,624</b>	<b>146.6%</b>
<b>Total Cash &amp; Investments on Hand</b>		<b>6,366</b>	<b>5,294</b>	<b>20.7%</b>

The above table demonstrates that after excluding McMaugh Gardens Hostel, the general function of working capital balance is in surplus and able to support the internal restrictions it has created as at 30 June 2009. Also, McMaugh Gardens Aged Care net current assets is in surplus and therefore there is cash reserves outside of the cash needed to cover bonds commitments to fund operations.





Council has restricted \$1,654,000 in cash to partly fund plant replacements, carry-over projects and employee entitlements provisions. As there is now positive working capital, we are of the view that there is now adequate cash to meet both working capital needs and fund these restrictions.

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

The key financial indicators disclosed in the Financial Statements are:

RATIO	PURPOSE	2009	2008	2007	2006
UNRESTRICTED RATIO	To assess the adequacy of working capital after excluding all restricted assets and liabilities.	3.62	1.24	0.64	0.82
DEBT SERVICE RATIO	To assess the degree to which revenues are committed to the repayment of debt.	3.0%	6.0%	3.0%	6.0%
RATE COVERAGE RATIO	To assess the degree of dependence upon revenues from rates and annual charges.	23.0%	26.0%	29.0%	29.0%
OUTSTANDING RATES %	To assess the impact of uncollected rates and charges on liquidity and the adequacy of recovery efforts.	9.3%	11.2%	6.5%	5.7%
ASSET RENEWALS RATIO	To assess the rate at which assets are being renewed against the rate they are being depreciated	1.20	0.59	0.74	

The unrestricted ratio excludes all current assets and liabilities that are restricted to specific purposes such as water, sewer, aged care, domestic waste management functions and specific purpose unexpended grants & contributions. This ratio is before setting aside cash to fund internal restrictions relative to the general function. An unrestricted ratio of 3.62 indicates that for every \$1 of current liabilities as at 30 June 2009, which is expected to be paid out within the following twelve months, Council has 3.62 to meet this commitment. As a comparison, Category 10 Councils in 2008 had an average unrestricted ratio of 3.14.

The debt service ratio of 3% has decreased. We note the ratio is lower than the average for similar sized Councils of 5.87% (2008 data). The low ratio reflects an ability for Council to increase its borrowings to fund infrastructure needs if required.

The outstanding rates ratio decreased compared to prior years as a result of increased focus on collection activities in the year. We believe a ratio of 5% is where Council should aim as part of its operating targets.

The asset renewals ratio is a new ratio established by the Department of Local Government from the 2007 year. The ratio is to assist readers of the financial statements to assess Council's performance with renewing its infrastructure assets against the level of infrastructure asset deterioration (as represented by depreciation expense). We advise that due to a lack of a definition in the accounting code for what is an asset "renewal" that we cannot comment on the accuracy of the ratio disclosed in the financial statements.



Based on the above context, the ratio seems to indicate that Council expended slightly less on asset renewals (81%) compared to the estimated asset deterioration over the past three years. In essence, Council's overall infrastructure condition, in financial terms, reduced slightly across Council. In the longer term Council should aim to have an asset renewal ratio of at least 1.1.

However, we advise that this ratio is a relatively new one and there is no historic trends to assess how Council is performing in this area in the longer term. Further, with the revaluation of infrastructure the accuracy of this ratio is also expected to improve in 2010.

Overall the financial indicators show that Council's financial standing is sound in the short term.

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

CASH MOVEMENTS	Actual 2009	Actual 2008	Variance
	\$'000	\$'000	%
<b>CASH INFLOWS</b>			
Operating Receipts	16,416	14,769	11.2%
Proceeds from Assets Sales	415	246	68.7%
Net receipt of retirement lease bonds	196	437	-55.1%
Proceeds from investments	200	417	-52.0%
Proceeds from Borrowings	310	192	61.5%
<b>TOTAL RECEIPTS</b>	<b>17,537</b>	<b>16,061</b>	<b>9.2%</b>
<b>CASH OUTFLOWS</b>			
Operating Payments	11,935	11,956	-0.2%
Purchase of investments	2,625	915	186.9%
Purchase of Assets	3,562	1,170	204.4%
Repayment of Loans	177	386	-54.1%
<b>TOTAL PAYMENTS</b>	<b>18,299</b>	<b>14,427</b>	<b>26.8%</b>
<b>TOTAL CASH MOVEMENT</b>	<b>-762</b>	<b>1,634</b>	<b>-146.6%</b>
<b>Total Cash &amp; Investments on Hand</b>	<b>6,866</b>	<b>5,294</b>	<b>29.7%</b>

Cash outflows for Purchase of Assets included road and bridge construction totalling \$2m. This compares to the \$0.7m annual rate of depreciation of these assets. In assessing the replacement rate of depreciating assets it is also important to note that Special Schedule No.7, which is an unaudited statement prepared in conjunction with the financial report, discloses that the estimated cost to bring road and bridges to a "satisfactorily" standard is \$2.8m.

Council has reviewed its depreciation useful lives for infrastructure assets (roads and bridges) in the 2009 financial year. This will provide more certainty regarding the level of depreciation expense for 2010 and Council will be able to obtain a better understanding of its abilities to fund infrastructure in the longer term.



## **SPECIAL PURPOSE REPORTS**

Council is required to report the financial results of identified Business Units in accordance with National Competition Policy guidelines. The reports are known as Special Purpose Financial Reports and are subject to audit. Council has identified Water, Sewerage, private works and McMaugh Gardens Hostel as Category 2 Business Units.

### **WATER SUPPLY FUNCTION**

The Special Purpose Financial Reports disclose that the Water Supply function recorded an operating deficit (before capital funding) of \$120,000 after allowing for depreciation of \$52,000.

The Net Current Asset position records a positive balance of \$610,000. This surplus plus the fact that it has minimal debt, indicates a sound financial position to meet operational requirements given the size of the function and the water infrastructure condition (per unaudited Special Schedule 7) being of "satisfactory" standard.

### **SEWERAGE SERVICES**

This function recorded an operating surplus (before capital funding) of \$60,000 after allowing for depreciation of \$14,000.

The Net Current Assets position show a surplus of \$725,000. Given the size of the operations, the minimal level of debt and the sewer infrastructure condition (per unaudited Special Schedule 7) being of "satisfactory" standard, the sewerage function is in a sound financial position.

### **MCCMAUGH GARDENS HOSTEL**

The Special Purpose Financial Reports disclose that McMaugh Gardens Hostel recorded an operating surplus of \$180,000 for the 2008 year compared to the deficit of \$365,000 in the prior year. This result is after depreciation expense of \$44,000.

The net current asset position is a surplus of \$52,000 after allowing for resident's bonds amounting to \$1,275,000. Therefore the Hostel as at 30 June 2009 had a small cash reserves to fund its operations, outside of bond commitments. Council needs to focus on continued cost control at the Hostel to improve its financial position and reduce its potential impact on Council's general fund.

## **SUBSEQUENT EVENTS AND OUTLOOK FOR 2010**

Note 23 to the accounts records "Events occurring after Balance Sheet Date". This note makes reference to continued turmoil surrounding Lehman Brothers who filed for bankruptcy and current legal challenges in order to recover CDO funds which are highly likely to default or have already defaulted. It is unclear at the date of this report the ultimate affect on the recoverable value of investment's Council holds with Lehman's valued at \$0.3m as at 30 June 2009.

At the time of this report it is impossible to assess the impact on the value of investments, due to the lack of market evidence and ongoing legal action. We however, believe that a significant portion of "book" losses recorded to date (over \$1.1m) will convert to actual losses in the coming years.



Note 23 also discloses that Walcha and Uralla have chosen to leave the NESAC alliance post year end. This may have a significant impact on Council's longer term finances as it seeks to re-establish its own IT and finance capabilities and it reduces Council's ability to find cost reductions in the future which the NESAC Alliance may have delivered in the longer term.

## **GENERAL**

### ***Limitation of audit opinion***

Since July 2007, global financial markets have continued to experience a period of high volatility led by events in the US housing market, particularly sub prime loans, which has impacted the value, recoverability, liquidity, cash flows and rates of return of many financial assets including Collateralised Debt Obligations (CDOs), Equity Linked Notes (ELNs) and certain other Managed Funds.

At 30 June 2009, Council's investment portfolio totaled \$5.4 million (2008: \$3.1 million) and included securities totaling \$0.8 million that have been impacted by this market volatility. The impact on individual securities varies depending on their degree of exposure to affected markets.

At 30 June 2009, Council's investment portfolio included CDO securities totaling \$0.3 million (2008: \$0.6 million). Many of these securities do not have market values that are independently quoted and they are not widely traded. Independent market valuations are not readily available and in many cases, values are assessed based on estimates from external valuers and/or evaluation models for which there is limited market evidence available to verify their reasonableness in the current economic environment. Further, the ongoing volatility of financial markets creates greater uncertainty in the valuation process and determination of future cash flows that can be attributed to these securities.

These circumstances have resulted in our inability to obtain sufficient appropriate audit evidence to satisfy ourselves as to the fair value and recoverability of \$0.3 million of Council's total investment portfolio. The maximum impact on the operating surplus and net assets is the carrying amount of these investments.

We have therefore qualified our audit opinion in relation to CDO investment valuations for the 2009 financial statements.

### ***Infrastructure revaluation***

It is pleasing that Council has completed the revaluation of its roads, bridges and footpath infrastructure well before the deadline of June 2010 financial reports. We do note that Council needs to review these assets residual values to ensure depreciation expense for 2010 is accurate. We have been advised this will be completed before June 2010.

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

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



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

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

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

Yours faithfully  
**Forsyths Business Services Pty Ltd**

A handwritten signature in dark ink, appearing to read "P.R. Cornall".

**Paul R Cornall**  
Principal



**URALLA SHIRE COUNCIL**  
**Special Purpose Financial Reports**  
**for the year ended 30th June 2009**

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# URALLA SHIRE COUNCIL

## SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2009

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

The attached special purpose Financial Statements have been drawn up in accordance with the Local Government Code of Accounting Practice and Financial Reporting and the

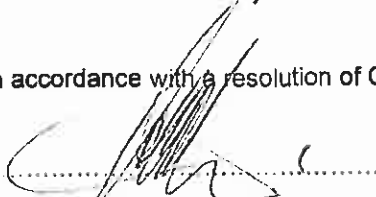
- NSW Government Policy Statement *"Application of National Competition Policy to Local Government"*
- Department of Local Government guidelines *"Pricing & Costing for Council Businesses: A Guide to Competitive Neutrality"*.
- The Department of Energy, Utilities and Sustainability *"Best Practice Management of Water Supply and Sewerage"* guidelines.

To the best of our knowledge and belief, these reports

- Present fairly the financial position and operating result for each of Council's declared Business Units for the year, and
- Accord with Council's accounting and other records

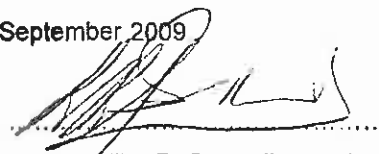
We are not aware of any matter that would render the reports false or misleading in any way.

Signed in accordance with a resolution of Council made on 28 September 2009



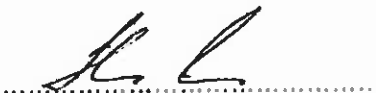
Councillor R. Filmer

**MAYOR**



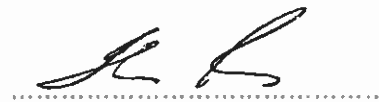
Councillor R. Spreadborough

**DEPUTY MAYOR**



Mr T. P. O'Connor (Chartered Accountant)

**GENERAL MANAGER**



Mr T. P. O'Connor (Chartered Accountant)

**RESPONSIBLE ACCOUNTING OFFICER**



## URALLA SHIRE COUNCIL

**INCOME STATEMENT**  
**WATER SUPPLY BUSINESS ACTIVITY**  
for the year ended 30th June 2009

	Notes	2009 '000	2008 '000	2007 '000
<b>INCOME FROM CONTINUING OPERATIONS</b>				
Access Charges		328	313	248
User Charges		231	262	195
Fees		-	-	3
Interest Received		15	83	55
Grants & Contributions - Operating		13	13	13
Gain on Disposal of Assets		81	-	-
<b>TOTAL</b>		<b>668</b>	<b>671</b>	<b>514</b>
<b>EXPENSES FROM CONTINUING OPERATIONS</b>				
Employee Costs		376	376	427
Materials & Contracts		241	254	228
Depreciation & Amortisation		52	50	150
Loss on Investments		-	328	-
Other Operating Expenses		119	-	-
<b>TOTAL</b>		<b>788</b>	<b>1,008</b>	<b>805</b>
<b>CONTINUING OPERATIONS RESULT BEFORE CAPITAL AMOUNTS</b>		<b>(120)</b>	<b>(337)</b>	<b>(291)</b>
Grants & Contributions - Capital		-	-	-
<b>SURPLUS (DEFICIT) BEFORE TAX</b>		<b>(120)</b>	<b>(337)</b>	<b>(291)</b>
Corporate Taxation Equivalent	1	-	-	-
<b>SURPLUS (DEFICIT) FOR YEAR</b>		<b>(120)</b>	<b>(337)</b>	<b>(291)</b>
Add: Accumulated Surplus brought forward		8,487	8,738	5,329
Adjustments for amounts unpaid		-	86	3,700
Fair Value Adjustments		-	-	-
<b>ACCUMULATED SURPLUS</b>		<b>8,367</b>	<b>8,487</b>	<b>8,738</b>
<b>RATE OF RETURN ON CAPITAL</b>	1	<b>NIL</b>	<b>Nil</b>	<b>Nil</b>
<b>NOTIONAL SUBSIDY FROM COUNCIL</b>	1	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<i>Calculation of Dividend Payable during next financial year</i>				
Surplus after tax		-120	-337	-291
Less: Capital grants & contribs from LWUs		13	13	13
Surplus for dividend calculation purposes		0	0	0
Dividend calculated from surplus		0	0	0

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

## URALLA SHIRE COUNCIL

**INCOME STATEMENT**  
**SEWERAGE BUSINESS ACTIVITY**  
for the year ended 30th June 2009

	Notes	2009 '000	2008 '000	2007 '000
<b>INCOME FROM CONTINUING OPERATIONS</b>				
Access Charges		423	405	382
User Charges		14	28	40
Liquid Trade Waste Charges		10	12	-
Interest Received		4	68	7
Grants & Contributions - Operating		19	19	20
Gain on Disposal of Assets		81	-	-
<b>TOTAL</b>		<b>551</b>	<b>532</b>	<b>449</b>
<b>EXPENSES FROM CONTINUING OPERATIONS</b>				
Employee Costs		217	242	173
Materials & Contracts		139	164	92
Borrowing Costs		2	-	-
Depreciation & Amortisation		14	16	167
Loss on Investments		-	327	-
Other Operating Expenses		119	-	-
<b>TOTAL</b>		<b>491</b>	<b>749</b>	<b>432</b>
<b>CONTINUING OPERATIONS RESULT BEFORE CAPITAL AMOUNTS</b>		<b>60</b>	<b>(217)</b>	<b>17</b>
Grants & Contributions - Capital		-	-	57
<b>SURPLUS (DEFICIT) BEFORE TAX</b>		<b>60</b>	<b>(217)</b>	<b>74</b>
Corporate Taxation Equivalent	1	18	-	5
<b>SURPLUS (DEFICIT) FOR YEAR</b>		<b>42</b>	<b>(217)</b>	<b>69</b>
Add: Accumulated Profits brought forward		4,997	5,185	2,117
Adjustments for amounts unpaid				
Fair Value Adjustments	1		29	2,994
Debt Guarantee Fee retained			-	-
Corporate Tax Equivalent retained		18	-	5
<b>ACCUMULATED SURPLUS</b>		<b>5,057</b>	<b>4,997</b>	<b>5,185</b>
<b>RATE OF RETURN ON CAPITAL</b>	1	<b>0.85%</b>	<b>NIL</b>	<b>0.26%</b>
<b>NOTIONAL SUBSIDY FROM COUNCIL</b>	1	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<i>Calculation of Dividend Payable during next financial year</i>				
Surplus after tax		42	-217	69
Less: Capital grants & contribs from LWUs		19	19	20
Surplus for dividend calculation purposes		23	0	49
Dividend calculated from surplus		12	0	25

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

## URALLA SHIRE COUNCIL

**INCOME STATEMENT BY BUSINESS ACTIVITIES**  
 for the year ended 30th June 2009

	Notes	BUSINESS ACTIVITIES			
		Private Works '000		McMaugh Gardens '000	
		2009	2008	2009	2008
<b>REVENUE FROM CONTINUING OPERATIONS</b>					
Rates & Annual Charges					
User Charges & Fees		166	862	556	531
Interest Received		-	-	28	58
Grants & Contributions - Operating		130	-	1,387	1,074
Gain on Disposal of Assets		-	-	27	31
Other Operating Revenues		-	-	30	-
<b>TOTAL</b>		<b>296</b>	<b>862</b>	<b>2,028</b>	<b>1,694</b>
<b>EXPENSES FROM CONTINUING OPERATIONS</b>					
Employee Costs		159	303	1,282	1,297
Materials & Contracts		207	597	428	504
Borrowing Costs		-	-	6	6
Depreciation & Amortisation		-	-	44	38
Other Operating Expenses		-	4	88	106
Fair Value Adjustments		-	-	-	108
<b>TOTAL</b>		<b>366</b>	<b>904</b>	<b>1,848</b>	<b>2,059</b>
<b>CONTINUING OPERATIONS RESULT BEFORE CAPITAL AMOUNTS</b>		<b>(70)</b>	<b>(42)</b>	<b>180</b>	<b>(365)</b>
Grants & Contributions - Capital					
<b>SURPLUS (DEFICIT) BEFORE TAX</b>		<b>(70)</b>	<b>(42)</b>	<b>180</b>	<b>(365)</b>
Corporate Taxation Equivalent	2	-	-	54	-
<b>SURPLUS (DEFICIT) FOR YEAR</b>		<b>(70)</b>	<b>(42)</b>	<b>126</b>	<b>(365)</b>
Add: Accumulated Profits brought forward		-	-	3,265	3,095
Corporate tax equivalent		-	-	54	-
Revaluation Adjustments		-	-	-	535
<b>ACCUMULATED SURPLUS</b>		<b>(70)</b>	<b>(42)</b>	<b>3,445</b>	<b>3,265</b>
<b>RATE OF RETURN ON CAPITAL</b>	2	<b>NIL</b>	<b>NIL</b>	<b>5.26%</b>	<b>NIL</b>
<b>NOTIONAL SUBSIDY FROM COUNCIL</b>	2	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

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

# URALLA SHIRE COUNCIL

## BALANCE SHEET WATER SUPPLY BUSINESS ACTIVITY as at 30th June 2009

	Notes	2009 '000	2008 '000
<b>CURRENT ASSETS</b>			
Cash & cash equivalents		408	441
Receivables		206	218
<b>TOTAL CURRENT ASSETS</b>		<b>614</b>	<b>659</b>
<b>NON-CURRENT ASSETS</b>			
Receivables		109	162
Infrastructure, Property, Plant & Equipment		16,908	16,454
<b>TOTAL NON-CURRENT ASSETS</b>		<b>17,017</b>	<b>16,616</b>
<b>TOTAL ASSETS</b>		<b>17,631</b>	<b>17,275</b>
<b>CURRENT LIABILITIES</b>			
Payables		4	3
<b>TOTAL CURRENT LIABILITIES</b>		<b>4</b>	<b>3</b>
<b>NON-CURRENT LIABILITIES</b>			
Payables		-	-
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>4</b>	<b>3</b>
<b>NET ASSETS</b>		<b>\$ 17,627</b>	<b>17,272</b>
<b>EQUITY</b>			
Accumulated Surplus		8,367	8,487
Asset Revaluation Reserve		9,260	8,785
<b>TOTAL EQUITY</b>		<b>\$ 17,627</b>	<b>17,272</b>

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

**URALLA SHIRE COUNCIL****BALANCE SHEET  
SEWERAGE BUSINESS ACTIVITY  
as at 30th June 2009**

	Notes	2009 '000	2008 '000
<b>CURRENT ASSETS</b>			
Cash & cash equivalents		725	719
Receivables		59	73
<b>TOTAL CURRENT ASSETS</b>		<u>784</u>	<u>792</u>
<b>NON-CURRENT ASSETS</b>			
Infrastructure, Property, Plant & Equipment		7,294	7,056
<b>TOTAL NON-CURRENT ASSETS</b>		<u>7,294</u>	<u>7,056</u>
<b>TOTAL ASSETS</b>		<u>8,078</u>	<u>7,848</u>
<b>CURRENT LIABILITIES</b>			
Payables		47	46
Interest bearing liabilities		12	-
<b>TOTAL CURRENT LIABILITIES</b>		<u>59</u>	<u>46</u>
<b>NON-CURRENT LIABILITIES</b>			
Interest bearing liabilities		-	15
<b>TOTAL NON CURRENT LIABILITIES</b>		<u>-</u>	<u>15</u>
<b>TOTAL LIABILITIES</b>		<u>59</u>	<u>61</u>
<b>NET ASSETS</b>		<u>\$ 8,019</u>	<u>7,787</u>
<b>EQUITY</b>			
Accumulated Surplus		5,057	4,997
Asset Revaluation Reserve		2,962	2,790
<b>TOTAL EQUITY</b>		<u>\$ 8,019</u>	<u>7,787</u>

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

## URALLA SHIRE COUNCIL

BALANCE SHEET by BUSINESS ACTIVITIES  
as at 30th June 2009

	Notes	BUSINESS ACTIVITIES			
		Private Works '000		McMaugh Gardens '000	
		2009	2008	2009	2008
<b>CURRENT ASSETS</b>					
Investments		-	-	1,404	1,185
<b>TOTAL CURRENT ASSETS</b>		-	-	1,404	1,185
<b>NON-CURRENT ASSETS</b>					
Receivables		-	-	-	106
Property, Plant & Equipment		-	-	3,538	3,551
<b>TOTAL NON-CURRENT ASSETS</b>		-	-	3,538	3,657
<b>TOTAL ASSETS</b>		-	-	4,942	4,842
<b>CURRENT LIABILITIES</b>					
Payables		-	-	1,275	1,185
Interest bearing liabilities		-	-	3	2
Provisions		-	-	74	221
<b>TOTAL CURRENT LIABILITIES</b>		-	-	1,352	1,408
<b>NON-CURRENT LIABILITIES</b>					
Interest bearing liabilities		-	-	83	86
Provisions		-	-	62	83
<b>TOTAL NON CURRENT LIABILITIES</b>		-	-	145	169
<b>TOTAL LIABILITIES</b>		-	-	1,497	1,577
<b>NET ASSETS</b>		-	-	3,445	3,265
<b>EQUITY</b>					
Accumulated Surplus		-	-	3,445	3,265
Asset Revaluation Reserve		-	-	-	-
<b>TOTAL EQUITY</b>		-	-	3,445	3,265

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

# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE FINANCIAL REPORTS for the year ended 30 June 2009

### Note 1 - SIGNIFICANT ACCOUNTING POLICIES

#### 1. The Special Purpose Financial Reports

These financial statements are a Special Purpose Financial Report prepared for use by the Council, the Department of Local Government, and the Department of Energy, Utilities and Sustainability. They have been prepared to report the results of business units determined by Council in accordance with the requirements of National Competition Policy guidelines, and the specific requirements relating to Best Practice Management of water and sewer business units.

In preparing these reports, each business unit has been viewed as a separate unit, and accordingly transactions between different business units, and between business units and other Council operations, have not been eliminated.

#### 2. Basis of Accounting

##### 2.1 Compliance

The financial reports comply with the Local Government Code of Accounting Practice and Financial Reporting and the Local Government Asset Accounting Manual, and with the principles of the June 1996 NSW Government Policy Statement *"Application of National Competition Policy to Local Government"*, the Department of Local Government's July 1997 guidelines *"Pricing & Costing for Council Businesses: A Guide to Competitive Neutrality"* and the Department of Energy, Utilities and Sustainability's May 2004 guidelines *"Best-Practice Management of Water Supply and Sewerage"*.

Except where directed to the contrary by the above documents, the financial report also complies with all applicable Australian Accounting Standards and professional pronouncements, and is based on information consistent with that forming the basis of Council's general purpose Annual Financial Statements for the year.

##### 2.2 Basis

The financial report has been prepared on the accrual basis of accounting and, except where specifically indicated in these Notes or in the Notes to the general purpose Annual Financial Statements, in accordance with the historical cost convention.

#### 3. National Competition Policy

In accordance with the framework set out in the June 1996 NSW Government Policy Statement *"Application of National Competition Policy to Local Government"* and other guidelines and documentation in relation to this matter, Council has declared that the following are to be considered as Business Units:

##### Uralla Shire Combined Water Supplies

Comprising the whole of the operations and assets of the water supply systems. As the total annual operating revenues do not exceed \$2,000,000, it is defined as a "Category 2" Business Unit.

##### Uralla Shire Sewerage Service

Comprising the whole of the operations and assets of the sewerage reticulation and treatment system servicing the area. As the total annual operating revenues do not exceed \$2,000,000, it is defined as a "Category 2" Business Unit.

The Department of Local Government's July 1997 guidelines *"Pricing & Costing for Council Businesses: A Guide to Competitive Neutrality"* outline the process for identifying and allocating costs to activities and provide a standard of disclosure requirements. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents,

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

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

council subsidies, rate of return on investments in business units and dividends paid. The Department of Energy, Utilities and Sustainability's May 2004 guidelines *"Best-Practice Management of Water Supply and Sewerage"* include specific requirements relating to the calculation and payment of "dividends" by water supply and sewerage business units.

**3.1 Taxation Equivalent Payments**

Council does not pay certain taxes and duties that are paid by equivalent private sector operations, but is liable for others. The Special Purpose Financial Reports disclose the effect of imputing these taxes to the declared business units at the several rates that would have applied to equivalent private sector operations. From 30 June 2004 the Department of Energy, Utilities and Sustainability's May 2004 guidelines *"Best-Practice Management of Water Supply and Sewerage"* require that imputed amounts be paid into the general funds of the Council where it may be applied for any permitted purpose of the Local Government Act 1993 (as amended).

Details of the rates of each tax or duty applicable to each different business unit are set out in the table forming Item 7 of this Note. The narration "applies" indicates that the tax or duty has in fact been paid to the taxing authority by the Business Unit, and that these costs have been included in actual Operating Expenses, and the narration "various" indicates that Council has based the calculation of imputed tax on the differing rates of tax or duty applicable to different purchases.

**3.2 Council Rates, Charges & Fees**

Council rates have been *imputed* in relation to all non-rateable land, and *applied* in relation to all rateable land, owned or exclusively used by all business units. Annual and User Charges, and Regulatory and Other Fees, have been *applied* in relation to all services supplied to business units by Council or other business units.

**3.3 Loan & Debt Guarantee Fees**

The debt guarantee fee is designed to ensure that Council's business units face equivalent commercial borrowing costs to private sector competitors. In order to calculate the debt guarantee fees, Council has determined the average differential between actual and commercial borrowing rates for each business unit.

**3.4 Corporate Taxation Equivalent**

In accordance with the Code of Local Government Accounting Practice and Financial Reporting, income taxation has been calculated on the Operating Result before Capital Amounts disclosed in the Statements of Financial Performance of the Special Purpose Financial Reports. No allowance has been made for non-deductible items, timing differences or carried forward losses. Australian Accounting Standard AASB 112 "Income Taxes" has not been applied.

**3.5 Dividends Paid**

In accordance with National Competition Policy guidelines, it is expected that business units will pay dividends to its owner, Council, equivalent to those paid by private sector competitors. In accordance with the Code of Local Government Accounting Practice and Financial Reporting, the rate of dividend paid has been expressed as a percentage of the Change in Net Assets Resulting from Operations after Taxation.

Council is permitted, but not required, to pay a dividend to the general funds of the Council from surpluses generated by water supply and sewerage operations. The maximum amount of such dividend permitted under the *"Best-Practice Management of Water Supply and Sewerage"* guidelines is set out at the foot of the relevant Statements of Financial Performance. Actual payment of the dividend is subject to compliance with the procedures set out in the guidelines.

**3.6 Return on Investment (Rate of Return)**

The Policy statement states that Category 1 businesses "would be expected to generate a rate of return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field." In accordance with the Code of Accounting Practice, the rate of return on monopoly businesses such as water and sewerage services has been set at an amount sufficient to cover costs and replace assets needed to maintain services. For competitive markets, the rate of return has been set equal to or better than the return on Commonwealth 10 year bonds.

In accordance with the Code of Accounting Practice, the rate of return has been calculated as the Operating Result before Capital Amounts plus Interest Expense expressed as a percentage of the carrying value of Property, Plant & Equipment at the reporting date.



**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

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

**3.7 Notional Subsidy from Council**

Government policy requires that subsidies provided to customers and the funding of those subsidies must be explicitly disclosed. Subsidies occur where Council provides services on a less than cost recovery basis, or accepts a lower rate of return on its investment in the business unit than would be acceptable to a private sector competitor.

In accordance with the Code of Accounting Practice, this amount has been calculated as the dollar difference between the required and actual rates of return.

**4. Special Rate Funds**

The Local Government Act 1993 (as amended) requires that moneys raised by way of Special Rates (or for Domestic Waste Management) be used only for those purposes, except for "dividends" payable in accordance with the *"Best-Practice Management of Water Supply and Sewerage"* guidelines, which also impose limits on the amounts payable. Accordingly, *imputed* amounts in excess of the permitted limits have been retained in those funds, and added back to Accumulated Surplus.

For Business Units not involving Special Rate Funds, *imputed* amounts have been transferred to Council's General Fund and are available to Council for utilisation for other purposes.

All such amounts have been eliminated in the course of preparation of the Council's general purpose Annual Financial Statements.

**5. Other Accounting Policies and Notes**

Other accounting policies relating to the determination of revenues and expenses, and assets and liabilities, not specifically referred to above are reported in Note 1 to the Council's Annual Financial Statements, and should be read in conjunction with this Note. Note references in the Statements of Financial Performance of Business Activities and the Statement of Financial Position of Business Activities that are prefixed "A" refer to the Notes to the Annual Financial Statements.

**6. Rounding**

In accordance with the Code of Accounting Practice all amounts shown in these statements are in Australian currency and, other than Notes 2 & 3, have been rounded to the nearest thousand dollars; amounts in Notes 2 & 3 are shown in whole dollars to meet the requirements of the Department of Energy, Utilities and Sustainability.

**7. National Competition Policy Notional Payments**

The table forming part of this Note immediately follows.

## NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE FINANCIAL REPORTS

**NOTE 1 Table - NATIONAL COMPETITION POLICY NOTIONAL PAYMENTS  
for the year ended 30th June 2009**

BUSINESS ACTIVITIES					
WATER		SEWER		Private Works	
2009	2008	2009	2008	2009	2008
				McMaugh Gardens	
				2009	2008

Category

[illegible]

See Note 1, Item 3.2

## COUNCIL RATES, CHARGES & FEES

LOAN & DEBT GUARANTEE FEES	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%

## CORPORATE TAXATION EQUIVALENT

30%	30%	30%	30%	30%	30%
-----	-----	-----	-----	-----	-----

## DIVIDENDS PAID

N/A	N/A	0.00%	N/A	N/A	N/A	N/A
N/A	N/A	0.00%	N/A	N/A	N/A	N/A

### RATE OF RETURN ON CAPITAL

Required Rate of Return	NIL	NIL	NIL	NIL	NIL
Actual Rate of Return	NIL	0.85%	0.26%	NIL	NIL

# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE STATEMENTS for the year ended 30th June 2009

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

Values shown in this Note are expressed in **WHOLE DOLLARS** 2009  
\$

#### Calculation and Payment of Tax-Equivalents

(i)	Calculated Tax Equivalents	0
(ii)	No of assessments multiplied by \$3/assessment	4,668
(iii)	Amounts payable for Tax Equivalents	0
(iv)	Tax Equivalents paid	0

#### Dividend from Surplus

(i)	50% of Surplus before Dividends <i>(Calculated in accordance with Best Practice Management for Water Supply and Sewerage guidelines.)</i>	0
(ii)	No of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	46,680
(iii)	Cumulative Surplus before Dividends for 3 years to 30 June 2008, less cumulative dividends paid for 2 years to 30 June 2007	0
(iv)	Maximum Dividend from Surplus (least of (i), (ii) and (iii) )	0
(v)	Dividend paid from Surplus	0

#### Required Outcomes for 6 Criteria

(i)	Completion of Strategic Business Plan (including Financial Plan)	NO
(ii)	Pricing with full cost-recovery, without significant cross subsidies (Item 2(a) in Table 1 on page 18 of Best practice guidelines)	NO
	Complying charges (Item 2(b) in Table 1)	YES
	DSP with Commercial Developer Charges (Item 2(e) in Table 1)	YES
	If Dual Water Supplies, Complying Charges (Item 2(g) in Table 1)	NO
(iii)	Sound Water Conservation & Demand Management Implemented	YES
(iv)	Sound Drought Management implemented	YES
(v)	Complete Performance Reporting Form (by 15 September each year)	NO
(vi)	Complete Integrated Water Cycle Management Evaluation	NO
(vii)	Complete and implement Integrated Water Cycle Management Strategy	NO

#### National Water Initiative (NWI) Financial Performance Indicators

NWI F1	Total Revenue (Water)	\$'000	578
NWI F4	Residential Revenue from Usage Charges (Water)	%	41.32
NWI F9	Written Down Replacement Cost of Fixed Assets (Water)	\$'000	15,427
NWI F11	Operating Cost (OMA) (Water)	\$'000	617
NWI F14	Capital Expenditure (Water)	\$'000	30
NWI F17	Economic Real Rate of Return (Water)	%	-0.57
NWI F20	Capital Works Grants (Water)	\$'000	

# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE STATEMENTS for the year ended 30th June 2009

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

Values shown in this Note are expressed in WHOLE DOLLARS

2009  
\$

#### Calculation and Payment of Tax-Equivalents

(i)	Calculated Tax Equivalents	0
(ii)	No of assessments multiplied by \$3/assessment	3,048
(iii)	Amounts payable for Tax Equivalents (lesser of (i) and (ii) )	0
(iv)	Tax Equivalents paid	0

#### Dividend from Surplus

(i)	50% of Surplus before Dividends (Calculated in accordance with Best Practice Management for Water Supply and Sewerage guidelines.)	12,000
(ii)	No of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	30,480
(iii)	Cumulative Surplus before Dividends for 3 years to 30 June 2008, less cumulative dividends paid for 2 years to 30 June 2007	0
(iv)	Maximum Dividend from Surplus (least of (i), (ii) and (iii) )	0
(v)	Dividend paid from Surplus	0

#### Required Outcomes for 4 Criteria

(i)	Completion of Strategic Business Plan (including Financial Plan)	NO
(ii)	Pricing with full cost-recovery, without significant cross subsidies (Item 2(a) in Table 1 on page 18 of Best practice guidelines)	NO
	Complying charges (a) Residential (Item 2(c) in Table 1)	YES
	(b) Non-Residential (Item 2(c) in Table 1)	YES
	(c) Trade Waste (Item 2(d) in Table 1)	YES
	DSP with Commercial Developer Charges (Item 2(e) in Table 1)	NO
	Liquid Trade Waste Approvals & Policy (Item 2(f) in Table 1)	NO
(iii)	Complete Performance Reporting Form (by 15 September each year)	NO
(iv)	Complete Integrated Water Cycle Management Evaluation	NO
(v)	Complete and implement Integrated Water Cycle Management Strategy	NO

#### National Water Initiative (NWI) Financial Performance Indicators

NWI F2	Total Revenue (Sewerage)	\$'000	470
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage)	\$'000	6,959
NWI F12	Operating Cost (Sewerage)	\$'000	356
NWI F15	Capital Expenditure (Sewerage)	\$'000	51
NWI F18	Economic Real Rate of Return (Sewerage)	%	1
NWI F27	Capital Works Grants (Sewer)	\$'000	0
NWI F3	Total Income (Water & Sewerage)	\$'000	1,210
NWI F5	Revenue from Community Service Obligations (Water & Sewerage)	%	3
NWI F16	Capital Expenditure (Water & Sewerage)	\$'000	81
NWI F19	Economic Real Rate of Return (Water & Sewerage)	%	0
NWI F20	Dividend (Water & Sewerage)	\$'000	0
NWI F21	Dividend Payout Ratio (Water & Sewerage)	%	0
NWI F22	Net Debt to Equity (Water & Sewerage)	%	-4
NWI F23	Interest Cover (Water & Sewerage)	times	0
NWI F24	Net Profit after Tax (Water & Sewerage)	\$'000	-60
NWI F25	Community Service Obligations (Water & Sewerage)	\$'000	32

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Forsyths Business Services Pty Ltd  
ABN 46 183 781 401

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

**To Uralla Shire Council**

**SCOPE**

We have audited the **special purpose financial reports** of Uralla Shire Council for the year ended 30 June 2009 comprising the Statement by Councillors and Management, Income Statement of Business Activities, Balance Sheet by Business Activities, and accompanying Notes to the Accounts. The financial statements include the accounts of the business activities of the Council and the entities it controlled at the year's end or from time to time during the year.

***Councils' responsibility for the financial report***

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

***Auditor's responsibility***

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

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

**Knowledge with integrity**

Liability limited by a scheme approved under the Professional Standards Legislation

**ARMIDALE | COONABARABRAN | GUNNEDAH | TAMWORTH**

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

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

### **INDEPENDENCE**

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

### **AUDIT OPINION**

In our opinion, the Special Purpose Financial Reports of the Uralla Shire Council for the year ended 30 June 2009 are presented fairly, in all material respects, in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting.

*Forsyths*

**Forsyths Business Services Pty Ltd**

*P.R. Cornall*

**Paul R Cornall**  
Principal

29 October 2009  
111 Faulkner Street Armidale

# URALLA SHIRE COUNCIL

## Special Schedules

for the year ended 30th June 2009

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# URALLA SHIRE COUNCIL

## SPECIAL SCHEDULE NO 1 NET COST OF SERVICES for the year ended 30th June 2009

\$'000

Function or Activity	Expenses from continuing operations		Income from continuing operations			NET COST OF SERVICES	
	Expenses	Group Totals	Non-capital revenues	Capital revenues	Group Totals	Net Cost	Group Totals
<b>GOVERNANCE</b>	376		-	-		376	
		376			-		376
<b>ADMINISTRATION</b>							
Corporate Support	(4)		342	71		(417)	
Engineering & Works	(353)		15	264		(632)	
Other Support Services	-		-	-		-	
		(357)			692		(1,049)
<b>PUBLIC ORDER &amp; SAFETY</b>							
Statutory Contribution - Fire Service Levy	-		-	-		-	
Fire Protection - Other	219		26	94		99	
Animal Control	35		7	-		28	
Beach Control	-		-	-		-	
Enforcement of Local Govt Regulations	-		-	-		-	
Emergency Services	2		-	-		2	
Other	-		-	-		-	
		256			127		129
<b>HEALTH</b>							
Administration & Inspection	73		2	-		71	
Immunisations	-		-	-		-	
Food Control	-		-	-		-	
Insect/Vermin Control	-		-	-		-	
Noxious Plants	-		-	-		-	
Health Centres	-		-	-		-	
Other	-		-	-		-	
		73			2		71
<b>COMMUNITY SERVICES &amp; EDUCATION</b>							
Administration	-		-	-		-	
Family Day Care	-		-	-		-	
Child Care	-		-	-		-	
Youth Services	10		1	-		9	
Other Families & Children	7		-	-		7	
Aged & Disabled	3,479		3,644	70		(235)	
Migrant Services	-		-	-		-	
Aboriginal Services	1,292		1,359	-		(67)	
Other Community Services	97		99	8		(10)	
Education	-		-	-		-	
		4,885			5,181		(296)
<b>HOUSING &amp; COMMUNITY AMENITIES</b>							
Housing	-		-	-		-	
Town Planning	348		127	-		221	
Domestic Waste Management	387		293	-		94	
Other Waste Management	455		599	-		(144)	
Street Cleaning	-		-	-		-	
Other Sanitation & Garbage	-		-	-		-	
Drainage	-		-	-		-	
Stormwater Management	30		27	-		3	
Environmental Protection	64		-	-		64	
Public Cemeteries	31		16	-		15	
Public Conveniences	54		-	20		34	
Other Community Amenities	-		-	-		-	
		1,369			1,082		287



# URALLA SHIRE COUNCIL

## SPECIAL SCHEDULE NO 1 - NET COST OF SERVICES (cont)

Function or Activity	Expenses from continuing operations		Income from continuing operations			NET COST OF SERVICES	
	Expenses	Group Totals	Non-capital revenues	Capital revenues	Group Totals	Net Cost	Group Totals
<b>WATER SUPPLIES</b>	662		526	6		130	
		662			532		130
<b>SEWERAGE SERVICES</b>	368		398	12		(42)	
		368			410		(42)
<b>RECREATION &amp; CULTURE</b>							
Public Libraries	221		28	-		193	
Museums	-		-	-		-	
Art Galleries	-		-	-		-	
Community Centres	-		-	-		-	
Public Halls	44		3	-		41	
Other Cultural Services	41		3	-		38	
Swimming Pools	95		24	93		(22)	
Sporting Grounds	-		-	-		-	
Parks & Gardens, Lakes	122		21	70		31	
Other Sport & Recreation	46		-	16		30	
		569			258		311
<b>FUEL &amp; ENERGY</b>							
Gas Supplies	-		-	-		-	
		-			-		-
<b>MINING, MANUFACTURING &amp; CONSTRUCTION</b>							
Building Control	-		-	-		-	
Abattoirs	-		-	-		-	
Quarries & Pits	2		-	-		2	
Other	-		-	-		-	
		2			-		2
<b>TRANSPORT &amp; COMMUNICATION</b>							
Urban Roads: Local	175		-	-		175	
Urban Roads: Regional	7		-	-		7	
Sealed Rural Roads: Local	869		425	10		434	
Sealed Rural Roads: Regional	962		726	287		(51)	
Unsealed Rural Roads: Local	1,169		-	-		1,169	
Unsealed Rural Roads: Regional	63		-	-		63	
Bridges - Urban Roads: Local	4		-	-		4	
Bridges - Urban Roads: Regional	6		-	-		6	
Bridges - Sealed Rural Roads: Local	287		-	-		287	
Bridges - Sealed Rural Roads: Regional	191		-	703		(512)	
Bridges - Unsealed Rural Roads: Local	7		-	-		7	
Bridges - Unsealed Rural Roads: Regional	-		-	-		-	
Footpaths	87		-	15		72	
Aerodromes	-		-	-		-	
Parking Areas	57		-	-		57	
Bus Shelters & Services	-		-	-		-	
Water Transport	-		-	-		-	
RTA Works - State Roads	-		-	-		-	
Street Lighting	68		6	-		62	
Other	286		39	-		247	
		4,238			2,211		2,027

# **URALLA SHIRE COUNCIL**

## **SPECIAL SCHEDULE NO 1 - NET COST OF SERVICES (cont)**

Function or Activity	Expenses from continuing operations		Income from continuing operations			NET COST OF SERVICES	
	Expenses	Group Totals	Non-capital revenues	Capital revenues	Group Totals	Net Cost	Group Totals
<b>ECONOMIC AFFAIRS</b>							
Camping Areas	-		-	-		-	
Caravan Parks	3		4	-		(1)	
Tourism & Area Promotion	214		8	-		206	
TV Blackspot Program	11		-	-		11	
Saleyards & Markets	-		-	-		-	
Real Estate Development	-		-	-		-	
Commercial Nurseries	-		-	-		-	
Other Business Undertakings	406		309	-		97	
		634			321		313
<b>TOTALS - FUNCTIONS</b>		13,075			10,816		2,259
<b>General Purpose Revenues</b>			5,287		5,287	5,287	5,287
		-					
<b>NET OPERATING RESULT FOR YEAR</b>							3,028

# URALLA SHIRE COUNCIL

## SPECIAL SCHEDULE NO 2 (1) STATEMENT OF LONG TERM DEBT (ALL PURPOSE) for the year ended 30th June 2009

\$'000

Classification of Debt	Principal Outstanding at beginning of year		New Loans Raised	Debt Redemption		Tfrs to Sinking Funds	Interest applicable for year	Principal outstanding at end of year	
	Current	Non-Current		From Revenue	Sinking Funds			Current	Non-Current
<b>LOANS (by source)</b>									
Commonwealth Government	-	-	-	-	-	-	-	-	-
Treasury Corporation	-	-	-	-	-	-	-	-	-
Other State Government	-	-	-	-	-	-	-	-	-
Public Subscription	-	-	-	-	-	-	-	-	-
Financial Institutions	980	821	300	143	-	-	113	142	1,816
Other	-	57	10	-	-	-	7	67	1,958
<b>Total Loans</b>	<b>1,047</b>	<b>845</b>	<b>310</b>	<b>143</b>	<b>-</b>	<b>-</b>	<b>120</b>	<b>209</b>	<b>2,025</b>
<b>OTHER LONG TERM DEBT</b>									
Ratepayers' Advances	-	-	-	-	-	-	-	-	-
Government Advances	-	-	-	-	-	-	-	-	-
Finance Leases	-	-	-	-	-	-	-	-	-
Deferred Payment	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>Total Other Long Term Debt</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL LONG TERM DEBT</b>	<b>1,047</b>	<b>845</b>	<b>310</b>	<b>143</b>	<b>-</b>	<b>-</b>	<b>120</b>	<b>209</b>	<b>2,025</b>

This Schedule excludes Internal Loans and refinancing of existing borrowings.

# URALLA SHIRE COUNCIL

## SPECIAL SCHEDULE NO 2 (2) STATEMENT OF INTERNAL LOANS for the year ended 30th June 2009

\$'000

### SUMMARY OF INTERNAL LOANS

Borrower (by purpose)	Amount Originally Raised	Total Repaid During Year Principal & Interest	Principal Outstanding at End of Year
General	389	62	109
Water	-	-	-
Sewerage	-	-	-
Domestic Waste Management	-	-	-
Gas	-	-	-
Other	-	-	-
<b>Totals</b>	<b>389</b>	<b>62</b>	<b>109</b>

The above summary of internal loans represents the total of Council's internal loans categorised according to the purpose of the borrower.  
Details of individual internal loans are set out below.

Borrower (by purpose)	Lender (by purpose)	Date of Minister's Approval	Date Raised	Term (years)	Maturity Date	Rate of Interest	Amount Originally Raised	Paid During Year - Princ and Interest	Principal Outstanding End of Year
General Fund (Loan 162)	Water	13/09/2001	30/09/2001	10	13/09/2011	6.46%	48	6	14
General Fund (Loan 170)	Water	4/10/2002	30/06/2003	12	30/06/2015	6.50%	88	11	52
General Fund (Loan 171)	Water	4/10/2002	30/06/2003	6	30/06/2009	5.94%	61	12	-
General Fund (Loan 173)	Water	4/10/2002	30/06/2003	6	30/06/2009	5.94%	46	9	-
General Fund (Loan 174)	Water	4/10/2002	30/06/2003	8	30/06/2011	6.50%	102	17	30
General Fund (Loan 175)	Water	4/10/2002	30/06/2003	8	30/06/2011	6.50%	44	7	13
<b>Totals</b>							<b>389</b>	<b>62</b>	<b>109</b>

# URALLA SHIRE COUNCIL

## SPECIAL SCHEDULE NO 3 WATER SUPPLY OPERATIONS (Gross including Internal Transactions) for the year ended 30th June 2009

<b>A. EXPENSES &amp; REVENUES</b>	<b>2009</b>	<b>2008</b>
<b>EXPENSES</b>	<b>\$'000</b>	<b>\$'000</b>
1.a. Management - Administration	126	135
b. - Engineering & Supervision	76	98
2 Operations		
a. - Dams & Weirs - Operation Expenses	-	-
b. - Maintenance Expenses	7	4
c. - Mains - Operation Expenses	-	-
d. -Maintenance Expenses	86	80
e. - Reservoirs - Operation Expenses	-	-
f. - Maintenance Expenses	11	3
g. - Pumping Stations - Operation Expenses	-	-
h. - Energy Costs	5	7
i. - Maintenance Expenses	8	11
j. - Treatment - Operation Expenses	-	-
k. - Chemical Costs	54	41
l. - Maintenance Expenses	238	249
m. - Other - Operation Expenses	-	-
n. - Maintenance Expenses	6	2
o. - Purchase of Water	-	-
3.a. Depreciation - System Assets	52	50
b. - Plant & Equipment	-	-
4.a. Miscellaneous - Interest	-	-
- Revaluation decrements	119	328
b. - Other	-	-
- NCP Tax & Other Equivalents	-	-
5 Total Expenses	<u>788</u>	<u>1,008</u>
<b>REVENUE</b>		
6 Residential Charges		
a. - Access (including rates)	328	313
b. - User Charges	231	262
7 Non-Residential Charges		
a. - Access (including rates)	-	-
b. - User Charges	-	-
8 Extra Charges	6	6
9 Interest	9	77
10 Other Income	-	-
11.a. Grants - Acquisition of Assets	-	-
b. - Pensioner Rebates	13	13
c. - Other	-	-
12.a. Contributions - Developer Charges	-	-
b. - Developer Provided Assets	-	-
c. - Other Contributions	-	-
13 Total Revenues	<u>587</u>	<u>671</u>
14 Gain (Loss) on Disposal of Assets	81	-
15 OPERATING RESULT	<u>(120)</u>	<u>(337)</u>
15a. Operating Result before Grants for Acquisition of Assets	<u>(120)</u>	<u>(337)</u>

# **URALLA SHIRE COUNCIL**

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

	2009 \$'000	2008 \$'000
<b><u>B. CAPITAL TRANSACTIONS</u></b>		
<b><u>Non - Operating Expenditure</u></b>		
16 Acquisition of Fixed Assets		
a. - Subsidised Scheme	-	-
b. - Other New System Assets	-	-
c. - Renewals	30	4
d. - Plant & Equipment	-	-
17 Repayment of Debt		
a. - Loans	-	-
b. - Advances	-	-
c. - Finance Leases	-	-
18 Transfers to Sinking Funds	-	-
19 <b>Total Non-Operating Expenditure</b>	<b>30</b>	<b>4</b>
<b><u>Non-Operating Funds Employed</u></b>		
20 Proceeds from Disposal of Assets	-	-
21 Borrowings Utilised		
a. - Loans	-	-
b. - Advances	-	-
c. - Finance Leases	-	-
22 Transfers from Sinking Funds	-	-
23 <b>Total Non-Operating Funds Employed</b>	<b>-</b>	<b>-</b>
<b><u>C. RATES &amp; CHARGES</u></b>		
24 Number of Assessments		
a. - Residential (occupied)	1231	
b. - Residential (unoccupied)	168	
c. - Non-Residential (occupied)	116	
d. - Non-Residential (unoccupied)	41	
25 Number of ETs for which Developer Charges were	ET	
26 Total Amount of Pensioner Rebates	25 \$'000	
<b><u>D. BEST PRACTICE ANNUAL CHARGES &amp; DEVELOPER CHARGES</u></b>		
27 <b>Annual Charges</b>		
a Does Council have best-practice water supply annual charges and usage charges? <input checked="" type="checkbox"/> YES		
If Yes, go to 28a.		
If No, has Council removed <b>land value</b> from access charges (i.e. rates) <input type="checkbox"/>		
b Cross subsidy <b>from</b> residential customers using less than allowance		0
c Cross subsidy <b>to</b> non-residential customers		0
d Cross subsidy <b>to</b> large connections in unmetered supplies		0
28 <b>Developer Charges</b>		
a Has Council completed a water supply Development Servicing Plan? <input checked="" type="checkbox"/> NO		
b Total cross-subsidy in water supply developer charges		0
29 <b>TOTAL OF CROSS SUBSIDIES</b>		<b>-</b>

Councils which have not yet implemented best practice water supply pricing should disclose cross subsidies in items 27b, 27c and 27d above. However, disclosure of cross-subsidies is NOT required where a Council has implemented best practice pricing and is phasing in such pricing over a period of 3 years.

# **URALLA SHIRE COUNCIL**

## **SPECIAL SCHEDULE NO 4** **WATER SUPPLY - NET ASSETS COMMITTED** (Gross including Internal Transactions) for the year ended 30th June 2009

	<u>Current</u> \$'000	<u>Non-Current</u> \$'000	<u>Total</u> \$'000
<b><u>ASSETS</u></b>			
30 Cash and Investments			
a. - Developer Charges	-	-	-
b. - Specific Purpose Grants	-	-	-
c. - Accrued Leave	-	-	-
d. - Unexpended Loans	-	-	-
e. - Sinking Funds	-	-	-
f. - Other	408	-	408
31 Receivables			
a. - Specific Purpose Grants	-	-	-
b. - Rates & Availability Charges	53	-	53
c. - Other	153	109	262
32 Inventories	-	-	-
33 Property, Plant & Equipment			
a. - System Assets		16,356	16,356
b. - Plant & Equipment		552	552
34 Other	-	-	-
35 <b>Total Assets</b>	<u>614</u>	<u>17,017</u>	<u>17,631</u>
<b><u>LIABILITIES</u></b>			
36 Bank Overdraft	-	-	-
37 Creditors	4	-	4
38 Borrowings			
a. - Loans	-	-	-
b. - Advances	-	-	-
c. - Finance Leases	-	-	-
39 Provisions			
- Tax Equivalents	-	-	-
a. - Dividend	-	-	-
b. - Other	-	-	-
40 <b>Total Liabilities</b>	<u>4</u>	<u>-</u>	<u>4</u>
41 <b>NET ASSETS COMMITTED</b>	<u>610</u>	<u>17,017</u>	<u>17,627</u>
<b><u>EQUITY</u></b>			
42 Accumulated Surplus			8,367
43 Asset Revaluation Reserve			9,260
44 <b>Total Equity</b>			<u>17,627</u>
45 Current Replacement Cost of System Assets			22,942
46 Accumulated Current Cost Depreciation of System Assets			7,515
47 Written Down Current Cost of System Assets			<u>15,427</u>

# URALLA SHIRE COUNCIL

## SPECIAL SCHEDULE NO 5 SEWERAGE SERVICE OPERATIONS (Gross including Internal Transactions) for the year ended 30th June 2009

<b>A. EXPENSES &amp; REVENUES</b>	<b>2009</b>	<b>2008</b>
<b>EXPENSES</b>	<b>\$'000</b>	<b>\$'000</b>
1.a. Management - Administration	124	104
b. - Engineering & Supervision	3	64
2 Operations & Maintenance Expenses		
a. -Mains - Operation Expenses	-	-
b. -Maintenance Expenses	30	40
c. - Pumping Stations - Operation Expenses	-	-
d. - Energy Costs	2	2
e. - Maintenance Expenses	8	15
f. - Treatment - Operation Expenses	-	-
g. - Chemical Costs	11	7
h. - Energy Costs	41	36
i. - Effluent Management	-	-
j. - Biosolids Management	19	1
k. - Maintenance Expenses	118	137
l. - Other - Operation Expenses	-	-
m. - Maintenance Expenses	-	-
3.a. Depreciation - System Assets	14	16
b. - Plant & Equipment	-	-
4.a. Miscellaneous - Interest	2	-
- Revaluation decrements	119	327
b. - Other	-	-
- NCP Tax & Other Equivalents	-	-
<b>5 Total Expenses</b>	<b>491</b>	<b>749</b>
<b>REVENUE</b>		
6 Residential Charges (including rates)	423	405
7 Non-Residential Charges		
a Access (including rates)	-	-
b User Charges	14	28
8 Trade Waste Charges		
a Annual Fees	-	-
b User Charges	10	12
c. Excess Mass Charges & Re-Inspection Fees	-	-
9 Extra Charges	4	4
10 Interest	-	64
11 Other Income	-	-
12.a. Grants - Acquisition of Assets	-	-
b. - Pensioner Rebates	19	19
c. - Other	-	-
13.a Contributions - Developer Charges	-	-
b. - Developer Provided Assets	-	-
c. - Other Contributions	-	-
<b>14 Total Revenues</b>	<b>470</b>	<b>532</b>
15 Gain (Loss) on Disposal of Assets	81	
<b>16 OPERATING RESULT</b>	<b>60</b>	<b>(217)</b>
16.a. Operating Result before Grants for Acquisition of Assets	60	(217)



# **URALLA SHIRE COUNCIL**

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

	2009 \$'000	2008 \$'000
<b>B. CAPITAL TRANSACTIONS</b>		
<b><u>Non - Operating Expenditure</u></b>		
17 Acquisition of Fixed Assets		
a. - Subsidised Scheme	-	-
b. - Other New System Assets	51	30
c. - Renewals	-	-
d. - Plant & Equipment	-	-
18 Repayment of Debt		
a. - Loans	-	-
b. - Advances	-	-
c. - Finance Leases	-	-
19 Transfers to Sinking Funds	-	-
20 <b>Total Non-Operating Expenditure</b>	<u>51</u>	<u>30</u>
<b><u>Non-Operating Funds Employed</u></b>		
21 Proceeds of Disposal of Assets	-	-
22 Borrowings Utilised		
a. - Loans	-	-
b. - Advances	-	-
c. - Finance Leases	-	-
23 Transfers from Sinking Funds	-	-
24 <b>Total Non-Operating Funds Employed</b>	<u>-</u>	<u>-</u>
<b>C. RATES AND CHARGES</b>		
25 Number of Assessments		
a. - Residential (occupied)	856	
b. - Residential (unoccupied)	36	
c. - Non-Residential (occupied)	112	
d. - Non-Residential (unoccupied)	12	
26 Number of ETs for which Developer Charges were	ET	
27 Total Amount of Pensioner Rebates	37 \$'000	
<b>D. BEST PRACTICE ANNUAL CHARGES &amp; DEVELOPER CHARGES</b>		
28 <b>Annual Charges</b>		
Does Council have best-practice sewerage annual charges, usage	<input type="checkbox"/> YES	
a charges and trade waste fees and charges?		
If Yes, go to 29a.		
If No, has Council removed <u>land value</u> from access charges (i.e. rates)	<input type="checkbox"/>	
b Cross subsidy <u>to</u> non-residential customers		<u>0</u>
c Cross subsidy <u>to</u> trade waste dischargers		<u>0</u>
29 <b>Developer Charges</b>		
a Has Council completed a sewerage Development Servicing Plan?	<input type="checkbox"/> NO	
b Total cross-subsidy in sewerage developer charges		<u>0</u>
30 <b>TOTAL OF CROSS SUBSIDIES</b>		<u>-</u>

Councils which have not yet implemented best practice sewerage pricing and trade waste pricing should disclose cross subsidies in items 28b and 28c above. However, disclosure of cross-subsidies is NOT required where a Council has implemented best practice sewerage and liquid trade waste pricing and is phasing in such pricing over a period of 3 years

# **URALLA SHIRE COUNCIL**

## **SPECIAL SCHEDULE NO 6 SEWERAGE SERVICES - NET ASSETS COMMITTED**

(Gross including Internal Transactions)  
for the year ended 30th June 2009

	<u>Current</u>	<u>Non-Current</u>	<u>Total</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
<b><u>ASSETS</u></b>			
31 Cash and Investments			
a. - Developer Charges	-	-	-
b. - Specific Purpose Grants	-	-	-
c. - Accrued Leave	-	-	-
d. - Unexpended Loans	-	-	-
e. - Sinking Funds	-	-	-
f. - Other	725	-	725
32 Receivables			
a. - Specific Purpose Grants	-	-	-
b. - Rates & Availability Charges	56	-	56
c. - Other	3	-	3
33 Inventories	-	-	-
34 Property, Plant & Equipment			
a. - System Assets		6,959	6,959
b. - Plant & Equipment		335	335
35 Other	-	-	-
36 <b>Total Assets</b>	<u>784</u>	<u>7,294</u>	<u>8,078</u>
<b><u>LIABILITIES</u></b>			
37 Bank Overdraft	-	-	-
38 Creditors	47	-	47
39 Borrowings			
a. - Loans	12	-	12
b. - Advances	-	-	-
c. - Finance Leases	-	-	-
40 Provisions			
- Tax Equivalents	-	-	-
a. - Dividend	-	-	-
b. - Other	-	-	-
41 <b>Total Liabilities</b>	<u>59</u>	<u>-</u>	<u>59</u>
42 <b>NET ASSETS COMMITTED</b>	<u>725</u>	<u>7,294</u>	<u>8,019</u>
<b><u>EQUITY</u></b>			
43 Accumulated Surplus			5,057
44 Asset Revaluation Reserve			2,962
45 <b>Total Equity</b>			<u>8,019</u>
46 Current Replacement Cost of System Assets			7,731
47 Accumulated Current Cost Depreciation of System Assets			772
48 Written Down Current Cost of System Assets			<u>6,959</u>

# URALLA SHIRE COUNCIL

## SPECIAL SCHEDULE NO 7 CONDITION OF PUBLIC WORKS as at 30th June 2009

Asset Class	Asset Category	Depreciation Rate (%)	Depreciation Expense	Cost	Valuation	Accumulated Depreciation	Carrying Value	Asset Condition (see Notes attached)	Estimated Cost to bring to a Satisfactory Standard	Estimated Annual Maintenance Expense	Program Maintenance Works for current year
		Note 9	Note 4		Note 9				Local Govt. Act 1993, Section 428 (2d)		
Public Buildings	References										
	Council Offices	1%	7	-	1,123	68	1,055	3	36	6	6
	Works Depot	2%	3	-	1,744	161	1,583	3	30	10	10
	Halls	1%	2	-	1,209	61	1,148	4	15	15	15
	Aged accommodation	2%	25	-	5,816	183	5,633	2	5	20	20
	Community Centre	1%	8	-	678	24	654	3	5	5	5
	Visitor centre	1%	2	-	336	9	327	3	4	4	4
	Community Servit	1%	1	-	805	57	748	2	5	5	5
	Other	1%	20	-	2,200	134	2,066	3	5	5	5
	Library	3%	5	-	972	32	940	1	3	3	3
	RFS Buildings	1%	2	-	363	9	354	3	5	5	5
	Amenities/Toilets	1%	1	-	447	21	426	2	9	9	9
	<b>Subtotal</b>		<b>76</b>	<b>-</b>	<b>15,693</b>	<b>759</b>	<b>14,934</b>		<b>122</b>	<b>87</b>	<b>87</b>
Public Roads	Sealed Roads	1%	390	-	147,089	12,652	134,437	4	800	1,013	1,013
	Unsealed Roads	1%	92	-	88,511	7,888	80,623	4	460	820	820
	Sealed Roads								1,400	170	270
	Structure	1%	-	-	-	-	-	4	20	55	55
	Bridges	1%	169	14,767	-	4,110	10,657	4	35	25	25
	Footpaths	1%	22	-	892	256	636	4	60	35	35
	Kerb & Gutter	1%	28	-	3,357	1,323	2,034	4	45	30	30
	Road Furniture	1%	8	-	121	53	68	4			
	<b>Subtotal</b>		<b>711</b>	<b>14,767</b>	<b>239,970</b>	<b>26,282</b>	<b>228,455</b>		<b>2,820</b>	<b>2,148</b>	<b>2,248</b>

This Schedule is to be read in conjunction with the explanatory notes following.

# URALLA SHIRE COUNCIL

## SPECIAL SCHEDULE NO 7 - CONDITION OF PUBLIC WORKS (cont) as at 30th June 2009

Asset Class	Asset Category	Depreciation Rate (%)	Depreciation Expense	Cost	Valuation	Accumulated Depreciation	Carrying Value	Asset Condition (see Notes attached)	Estimated Cost to bring to a Satisfactory Standard	Estimated Annual Maintenance Expense	Program Maintenance Works for current year
			'000	'000	'000	'000	'000		'000	'000	'000
Water	<i>References</i>	<i>Note 9</i>	<i>Note 4</i>		<i>Note 9</i>				<i>Local Govt. Act 1993, Section 428 (2d)</i>		
	Treatment Plants	4%	41		6,044	589	5,475	2	60	30	30
	Reservoirs	1%	7		1,959	92	1,867	2	14	5	14
	Dams	1%	1		2,621	3	2,618	3	5	6	6
	Pipelines	1%	1		5,676	11	5,665	4	77	35	35
	Pump Stations	1%	2		787	57	730	3	5	5	5
	<b>Subtotal</b>		<b>52</b>	<b>-</b>	<b>17,087</b>	<b>732</b>	<b>16,355</b>		<b>161</b>	<b>81</b>	<b>90</b>
Sewerage	Pump Stations	1%	2		1,159	93	1,066	3	30	4	4
	Pipelines	1%	4		3,174	61	3,113	4	22	12	12
	Treatment Works	3%	7		3,398	618	2,780	2	20	20	20
	<b>Subtotal</b>		<b>13</b>	<b>-</b>	<b>7,731</b>	<b>772</b>	<b>6,959</b>		<b>72</b>	<b>36</b>	<b>36</b>
Drainage Works	Retarding Basins	5%	15	889		285	604	2	2	2	2
	<b>Subtotal</b>		<b>15</b>	<b>889</b>	<b>-</b>	<b>285</b>	<b>604</b>		<b>2</b>	<b>2</b>	<b>2</b>
<b>Total Classes - All Assets</b>			<b>867</b>	<b>15,656</b>	<b>280,481</b>	<b>28,830</b>	<b>267,307</b>		<b>3,177</b>	<b>2,354</b>	<b>2,463</b>

This Schedule is to be read in conjunction with the explanatory notes following.

# **URALLA SHIRE COUNCIL**

## **SPECIAL SCHEDULE NO 7 - CONDITION OF PUBLIC WORKS (cont) as at 30th June 2009**

### **"SATISFACTORY" CONDITION OF PUBLIC ASSETS**

In assessing the condition of Public Assets Council has had regard to the condition, function and location of each asset, based on the original design standard. Changes in standards or proposed or potential enhancements to the existing asset design standard have been ignored (Code p A702). Assets within each Asset Category have been assessed on an overall basis, recognising that an average standard of "satisfactory" may be achieved even though certain assets may be above or below that standard on an individual basis.

Council recognises that the standard that it considers to be "satisfactory" may be different from that adopted by other Councils.

The information contained in this Schedule comprises accounting estimates formulated in accordance with the NSW Local Government Code of Accounting Practice and Financial Reporting. Nothing contained within this Schedule may be taken to be an admission of any liability to any person under any circumstance.

### **ASSET CONDITION**

The following condition codes have been used in this Schedule.

- |          |   |
|----------|---|
| <b>1</b> | Newly constructed   |
| <b>2</b> | Over 5 years old but fully maintained in "as new" condition |
| <b>3</b> | Good condition  |
| <b>4</b> | Average condition   |
| <b>5</b> | Partly worn - beyond 50% of economic life.                  |
| <b>6</b> | Worn but serviceable  |
| <b>7</b> | Poor - replacement required                                 |

# URALLA SHIRE COUNCIL

## SPECIAL SCHEDULE NO 8 - FINANCIAL PROJECTIONS as at 30th June 2009

	2009 \$'m	2010 \$'m	2011 \$'m	2012 \$'m	2013 \$'m	2014 \$'m	2015 \$'m
<b>Recurrent Budget</b>							
Income from continuing operations	16	15	15	15	16	16	17
Expenses from continuing operations	13	14	14	14	15	15	16
Operating result from continuing operations	3	1	1	1	1	1	1

<b>Capital Budget</b>							
New Works	-	-	-	-	-	-	-
Replacement of existing assets	2	2	2	2	2	2	2
	2	2	2	2	2	2	2

<b>Funded by</b>							
- Grants/Contributions	1	-	1	-	-	-	-
- Recurrent revenue	1	2	2	2	2	2	2
	2	2	3	2	2	2	2