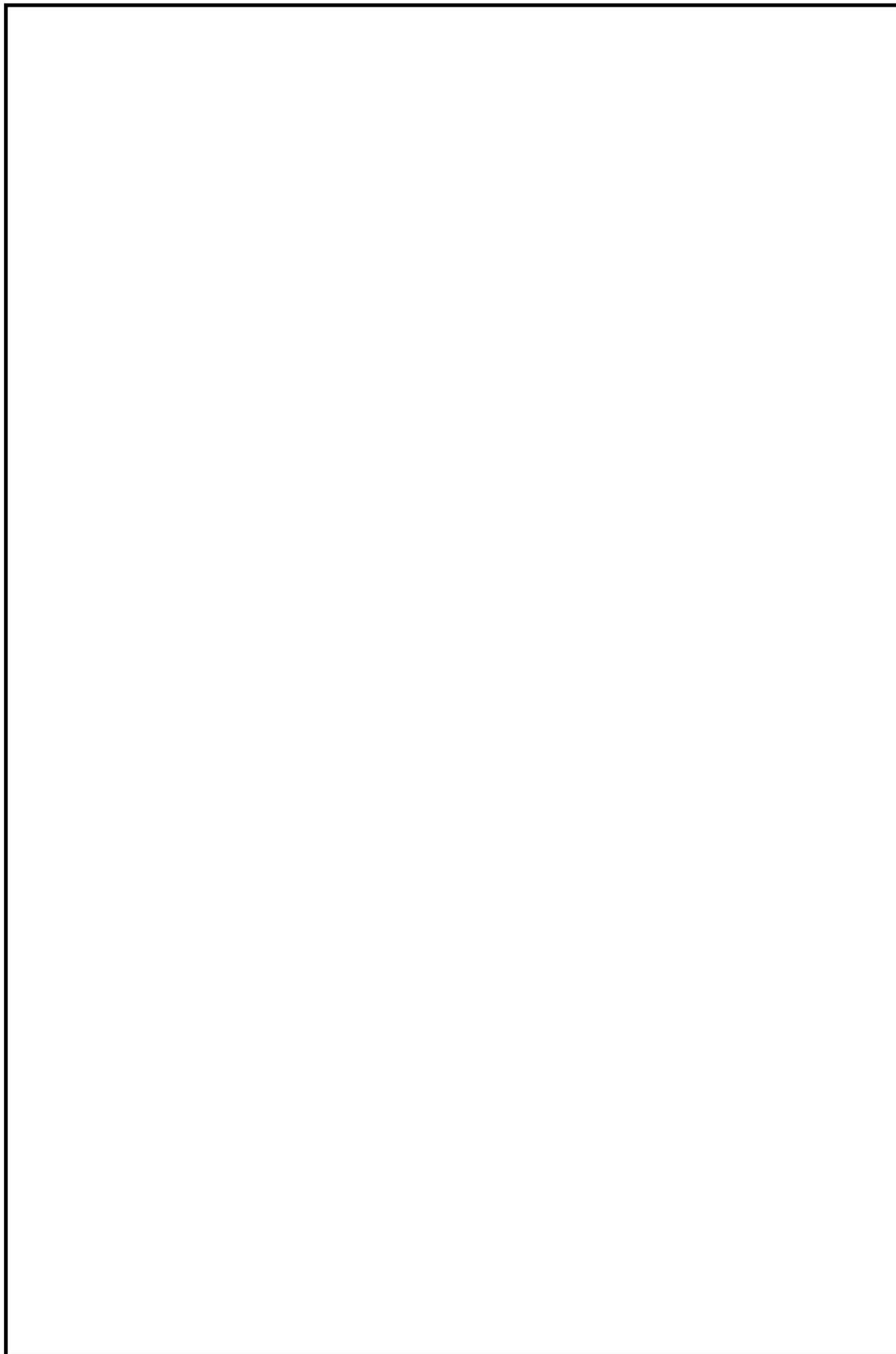




## **FINANCIAL STATEMENTS**

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

**YEAR ENDED  
30 JUNE 2010**



# URALLA SHIRE COUNCIL

## General Purpose Financial Statements for the year ended 30th June 2010

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# URALLA SHIRE COUNCIL

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

### 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 Local Government Code of Accounting Practice and Financial Reporting
- The Australian Accounting Standards and professional pronouncements

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

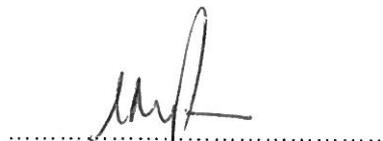
We are not aware of any matter that would render the reports false or misleading in any way.

Signed in accordance with a resolution of Council made on Monday 18 October 2010



Councillor Kevin Stanley Ward

**MAYOR**



Councillor Michael Pearce

**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 2010

Budget 2010 \$'000		Notes	Actual 2010 \$'000	Actual 2009 \$'000
<b>INCOME</b>				
<i><b>Revenue:</b></i>				
4,702	Rates and Annual Charges	3	4,542	4,243
1,444	User Charges and Fees	3	1,738	1,374
182	Investment Revenues	3	-	197
278	Other Revenues	3	315	346
7,382	Grants and Contributions - Operating	3	7,549	8,230
461	Grants and Contributions - Capital	3	759	1,256
<u>371</u>	<i><b>Other Income:</b></i> Profit from Disposal of Assets	5	<u>128</u>	<u>457</u>
14,820	<b>Total Income from Continuing Operations</b>		<b>15,031</b>	16,103
<b>EXPENSES</b>				
6,134	Employee Costs	4	6,842	6,219
4,616	Materials and Contracts	4	4,370	4,127
120	Borrowing Costs	4	179	153
1,952	Depreciation and Amortisation	4	2,974	1,505
-	Impairment	4	-	-
879	Other Expenses	4	1,153	1,071
<u>-</u>	Interest and investment losses	3	<u>19</u>	<u>-</u>
<u>13,701</u>	<b>Total expenses from Continuing Operations</b>		<u>15,537</u>	<u>13,075</u>
<u>1,119</u>	<b>NET OPERATING RESULT FOR YEAR</b>		<u>(506)</u>	<u>3,028</u>
Attributable to:				
<u>1,119</u>	URALLA SHIRE COUNCIL		<u>(506)</u>	<u>3,028</u>
<u>1,119</u>			<u>\$ (506)</u>	<u>\$ 3,028</u>
<u>658</u>	<b>Net operating result before capital grants and contributions</b>		<u>\$ (1,265)</u>	<u>\$ 1,772</u>

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

# URALLA SHIRE COUNCIL

## STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30th June 2010

	Notes	Actual 2010 \$'000	Actual 2009 \$'000
<b>Net operating result for year</b>			
from Income Statement		(506)	3,028
<b>Other comprehensive income</b>			
Revaluation of infrastructure, property, plant and equipment		19,586	184,941
<b>Total other comprehensive income</b>		<u>19,586</u>	<u>184,941</u>
<b>TOTAL COMPREHENSIVE INCOME</b>		<u>19,080</u>	<u>187,969</u>
Attributable to:			
URALLA SHIRE COUNCIL		<u>19,080</u>	<u>187,969</u>
		<u>\$ 19,080</u>	<u>\$ 187,969</u>

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

# URALLA SHIRE COUNCIL

## BALANCE SHEET as at 30th June 2010

	<u>Notes</u>	<b>2010 \$'000</b>	2009 \$'000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6	1,586	1,454
Investments	6	4,500	5,412
Receivables	7	1,123	1,397
Inventories	8	185	187
Other	8	-	106
<b>TOTAL CURRENT ASSETS</b>		<b>7,394</b>	<b>8,556</b>
<b>NON-CURRENT ASSETS</b>			
Infrastructure, Property, Plant and Equipment	9	296,289	276,250
<b>TOTAL NON-CURRENT ASSETS</b>		<b>296,289</b>	<b>276,250</b>
<b>TOTAL ASSETS</b>		<b>303,683</b>	<b>284,806</b>
<b>CURRENT LIABILITIES</b>			
Payables	10	3,203	3,191
Borrowings	10	122	209
Provisions	10	1,219	1,159
<b>TOTAL CURRENT LIABILITIES</b>		<b>4,544</b>	<b>4,559</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	10	1,694	1,816
Provisions	10	936	1,003
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>2,630</b>	<b>2,819</b>
<b>TOTAL LIABILITIES</b>		<b>7,174</b>	<b>7,378</b>
<b>NET ASSETS</b>		<b>\$ 296,509</b>	<b>277,428</b>
<b>EQUITY</b>			
Accumulated Surplus	20	66,037	66,543
Revaluation Reserves	20	230,472	210,886
<b>TOTAL EQUITY</b>		<b>\$ 296,509</b>	<b>277,429</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 2010

2010	Retained Earnings	Asset Reval. Reserve	Total
	Note \$'000		
Balance at end of previous reporting period	66,543	210,886	277,429
<b>Net Operating Result for the year</b>	<b>(506)</b>	-	<b>(506)</b>
Other comprehensive income			
Revaluation of infrastructure, property, plant and equipment	-	19,586	19,586
<b>Total other comprehensive income</b>	-	19,586	19,586
<b>Balance at end of the reporting period</b>	<b>66,037</b>	<b>230,472</b>	<b>296,509</b>

2009	Retained Earnings	Asset Reval. Reserve	Total
	Note \$'000		
Balance at end of previous reporting period	77,132	25,945	103,077
Effect of correction of errors in previous years on retained earnings	<b>(13,617)</b>	-	<b>(13,617)</b>
Restated opening balance	63,515	25,945	89,460
<b>Net Operating Result for the year</b>	<b>3,028</b>	-	<b>3,028</b>
Other comprehensive income			
Revaluation of infrastructure, property, plant and equipment	-	184,941	184,941
<b>Total other comprehensive income</b>	-	184,941	184,941
<b>Balance at end of the reporting period</b>	<b>66,543</b>	<b>210,886</b>	<b>277,429</b>

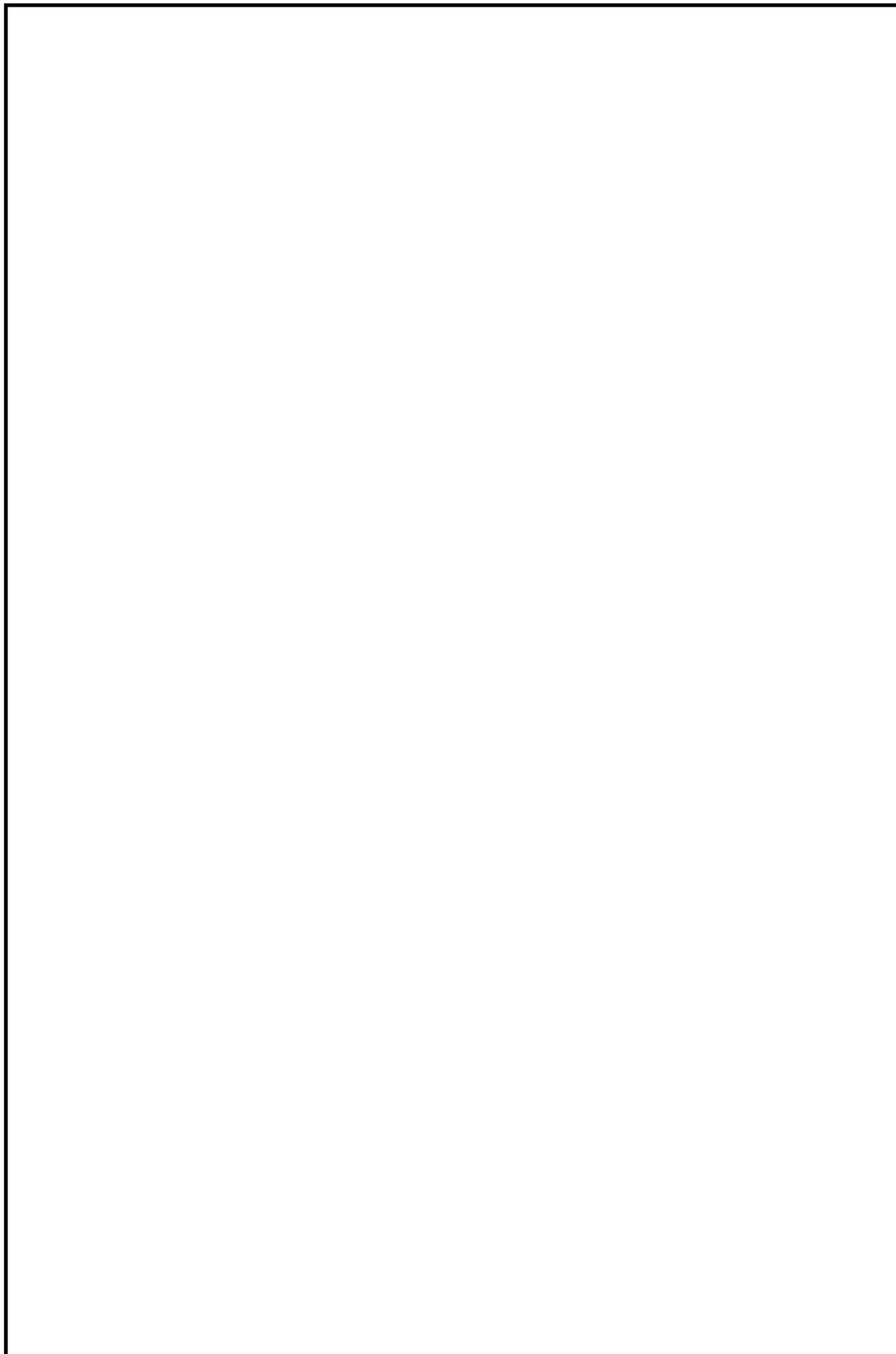
This Statement is to be read in conjunction with the attached Notes.

# URALLA SHIRE COUNCIL

## STATEMENT OF CASH FLOW for the year ended 30th June 2010

Budget 2010 \$'000		Notes	Actual 2010 \$'000	Actual 2009 \$'000
	<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
	<u>Receipts</u>			
4,068	Rates and Annual Charges		4,399	3,805
1,980	User Charges and Fees		2,075	2,150
232	Investments Income		338	228
8,217	Grants and Contributions		8,821	9,854
419	Other operating receipts		760	379
	<u>Payments</u>			
(6,094)	Employee Costs		(6,854)	(6,217)
(5,121)	Materials and Contracts		(5,018)	(3,970)
(120)	Borrowing Costs		(129)	(120)
(1,155)	Other operating payments		(1,534)	(1,628)
2,426	<b>Net Cash provided by (or used in) Operating Activities</b>	11	<b>2,858</b>	4,481
	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
	<u>Receipts</u>			
371	Proceeds from sale of Infrastructure, Property, Plant and Equipment		237	415
327	Proceeds from sale of Investment Securities		1,142	200
	<u>Payments</u>			
(2,914)	Purchase of Infrastructure, Property, Plant and Equipment		(3,536)	(3,562)
(416)	Purchase of Investment Securities		(558)	(2,625)
(2,632)	<b>Net Cash provided by (or used in) Investing Activities</b>		<b>(2,715)</b>	(5,572)
	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
	<u>Receipts</u>			
	Proceeds from Borrowings and Advances		-	310
	Proceeds from Retirement Home Contributions		400	453
	<u>Payments</u>			
(134)	Repayments of Borrowings and Advances		(209)	(177)
	Repayment of Finance Lease Liabilities		-	
	Repayment of Retirement Home Contributions		(202)	(257)
(134)	<b>Net Cash provided by (or used in) Financing Activities</b>		<b>(11)</b>	329
(340)	<b>Net Increase (Decrease) in cash held</b>		<b>132</b>	(762)
1,454	Cash Assets at beginning of reporting period	11	1,454	2,216
	Change in associated entities recognised	1	-	-
1,114	<b>Cash Assets at end of reporting period</b>	11	<b>1,586</b>	1,454

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



**URALLA SHIRE COUNCIL**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2010

### Note 1 - SIGNIFICANT ACCOUNTING POLICIES

#### 1. Basis of Preparation

##### 1.1 *Compliance with Australian equivalents to International Financial Reporting Standards*

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group (UIG) interpretations, the Local Government Act (1993) and Regulation and the Local Government Code of Accounting Practice and Financial Reporting.

##### 1.2 *Historical Cost Convention*

The financial report has 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 and loss, infrastructure assets and property that have been re-valued under the staged implementation advised by the Division of Local Government (refer to section 6.4 within this note).

##### 1.3 *Critical Accounting Estimates*

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

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). The Uralla Shire Council has determined that their holding of CDOs has no value and the cost of acquiring the financial instruments has now been fully written off because, even though some of the instruments continue to return interest, the likelihood of the principal being returned at maturity dates in the future is remote and there is no reliable current market.

##### 1.3 *Financial statement presentation*

The Uralla Shire Council has applied the revised AASB101 Presentation of Financial Statements which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, Council had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

#### 2. REVENUE RECOGNITION

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Council's activities as described herein. Council bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

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

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

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2010

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

**2. REVENUE RECOGNITION (Continued)**

**2.1 Rates, annual charges, grants and contributions (Continued)**

Control over granted assets is obtained upon early notification that a grant has been secured, receipt of the funds or upon acquittal, whichever is the declared method from the granting authority and are valued at their fair value at the date of transfer. 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 Note 3 (page N19). Also disclosed are the amounts 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.

Income is recognised when Council obtains control of the contribution, 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 reliably measured.

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.

**2.2 User charges and fees**

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

**2.3 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.

**2.4 Interest and rents**

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

**3. 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.

**3.1 The Consolidated Fund**

In accordance with the provisions of Section 409(1) of the Local Government Act 1993 (as amended), all money and property received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund. The consolidated fund and other entities through which Council controls resources to carry on its functions have been included in the financial statements forming part of this report.

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

- Uralla Shire Council general purpose operations
- Uralla and Bundarra Joint Water Fund
- Uralla Local Sewer Sewerage Fund
- McMaugh Garden Aged Care

The following Committees, the transactions of which are considered immaterial by either amount or nature, have been excluded:

- Uralla Events Management Committee
- Bundarra School of Arts Hall, Caravan Park and Rural Transaction Centre Management Committee

Total revenues and expenditures of the excluded Committees are as follows:

Total revenues (other than Council contributions)	\$12,000
Total expenditures	\$29,000

Note: For the Bundarra School of Arts Hall, Caravan Park and Rural Transaction Centre Management Committee, where the actual figures are not known, the best estimate has been applied.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2010

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

**3.2 The Trust Fund**

In accordance with the provisions of Section 411 of the Local Government Act 1993 (as amended), a separate and distinct Trust Fund is maintained to account for all 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

**3.3 Joint Ventures, Jointly controlled entities or operations**

The Uralla Shire Council is not involved in any joint ventures, jointly controlled entities or jointly controlled operations, at this time. However, when such activities are entered into; the proportional interests in the assets, liabilities and expenses for the joint venture activity, the equity share for jointly controlled entities, or the share of income and expenditures as well as assets controlled and liabilities incurred by Council for jointly controlled operations; would be incorporated in the financial statements under the appropriate headings.

**3.4 County Council**

The Uralla Shire Council is a member of the New England Noxious Weeds County Council, a body established under the Local Government Act to control weeds in the New England Region. Council; along with its other member councils, Armidale Dumaresq, Guyra Shire and Walcha Shire Councils; neither controls nor significantly influences the County Council. Accordingly, the New England Noxious Weeds County Council has not been consolidated or otherwise included in the financial statements.

**4 ACCOUNTING PRINCIPLES**

**4.1 Leases**

Leases of property, plant and equipment where Council, as the lessee, has substantially all of the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short term and long term payables. Each lease payment is allocated between the liability and the finance cost.

The Uralla Shire Council does not, as a matter of principle, engage in finance leases, and therefore does not have any finance leases.

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

Lease income from operating leases where Council is the lessor is recognised as income on a straight-line basis over the term of the lease, as outlined in section 2.4 of this note.

**4.2 Acquisition of assets**

The purchase method of accounting is used to account for all acquisitions of assets. Cost is measured as the fair value of the asset given, plus cost directly attributed to the acquisition

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2010

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

**4.3 Impairment of assets**

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

**4.4. Cash and cash equivalents**

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in the current liabilities on the balance sheet.

**4.5 Receivables**

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

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payment (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect is immaterial.

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

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.

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

**4.6 Inventories**

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**4.7 Payables**

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2010

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

**4.8 Borrowings**

Borrowings are initially recognised at fair value, net of transaction cost 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 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 liabilities for at least 12 months after the reporting date.

**4.9 Borrowings Costs**

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed

**4.10 Provisions - Generally**

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

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and risks specific with the liability. The increase in the provision due to the passage of time is recognised as interest expense.

**4.11 Provision for Sick Leave**

No accrual, or provision, is made for sick leave, other than an amount to cover those Council employees from pre 15 February 1993 who are entitled to payment of 50% of their unpaid sick leave to a maximum of 4 weeks on their resignation or retirement. Council's experience indicates that, on average, sick leave taken in each reporting period is less than the entitlement accruing in that period, and this experience is expected to recur in future reporting periods

**4.12 Provision for the close down and restoration and for environmental clean-up costs – Tips**

*(i) Restoration*

Close down and restoration costs; include the dismantling and demolition of infrastructure, the removal of residual materials and the remediation of disturbed areas. Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based upon the net present value of the estimated future cost. Provision for close down and restoration costs do not include any additional obligations which may be expected to arise from future disturbances. The costs are estimated on the basis of the anticipated life of the operation under current conditions and a closure plan. The cost estimates are calculated annually to reflect known (and accepted) developments and are subject to regular formal reviews.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2010

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

**4.12 Provision for the close down and restoration and for environmental clean-up costs – Tips (Continued)**

*(i) Restoration (Continued)*

Close down and restoration costs are the normal consequence of tip and quarry operations. The majority of close down and restoration expenditure is incurred at the end of the life of the operation. However council is negotiating with the Department of the Environment, Climate Change and Water (DECCW) for a progressive rehabilitation of the disturbed areas of the Uralla landfill site utilising a new process, which could reduce substantially the end of life expenditure and replacing this with smaller annual expenditures. The current provision is based upon rehabilitation and restoration of landfill sites, current engineering studies using current restoration standards and techniques.

The amortisation or “unwinding” of the discount 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 provision for the close down and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the estimated life of the operation and revision to discount rates are capitalised within the property carrying amount in Infrastructure, Property Plant and Equipment (IPPE). The costs are then depreciated over the lives of the assets to which they relate.

*(ii) Rehabilitation*

When rehabilitation begins systematically over the life of the operation, rather than at the closure of the operation, the provision will be made for the estimated outstanding continuous rehabilitation work at each balance sheet date and the cost will be charged to the income statement.

Provision will be made for the estimated present value of the cost of environmental clean up obligations outstanding at the balance date. The costs will be charged to the income statement, reducing the current “unwinding” of the discount in establishing the net present value of provision for Restoration. Movements in the environmental clean up provisions will be an operating cost, except for the reduced “unwinding” of the discount, which will continue to be a borrowing cost.

Remediation procedures generally commence soon after the time of the disturbance, remediation costs therefore are more accurately known, however they works may continue for many years depending upon the nature of the disturbance and the remediation process.

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

**4.13 Payments Received in Advance and 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 may be the case.

**4.14 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.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2010

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

**4.15 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

**4.16 Rounding**

In accordance with the Code of Accounting Practice all amounts shown in the financial statements are in Australian currency and unless otherwise indicated, the amounts have been rounded to the nearest thousand dollars

**5 INVESTMENTS AND OTHER FINANCIAL ASSETS.**

**5.1 Classification**

Council 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.

**5.2 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.

**5.3 Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They 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 other receivables (Note 8) and receivables (Note 7) in the balance sheet.

**5.4 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.

**5.5 Available-for-sale financial assets**

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2010

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

**5.6 Financial assets – reclassification**

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

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, Council may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if it has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

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

**5.7 Recognition and de-recognition**

Regular purchases and sales of financial assets are recognised on trade-date - the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is 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.

**5.8 Subsequent measure**

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.

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

**5.9 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.

If there is evidence of impairment for any of Council's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial assets effective interest rate. The loss is recognised in the income statement.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2010

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

**5.10 Investment Policy**

Council has an approved investment policy complying with Section 625 of the Local Government Act and S212 of the LG (General) Regulations 2005. Council's policy is conservative with a very low risk profile. 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 following revisions to the Investment Order arising from the Cole Inquiry recommendations. Certain investments the Council holds are no longer prescribed – for example its Collateralised Debt Obligations (CDOs) – however they have been retained, at no value, under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council or on maturity.

**5.11 Fair Value Estimation**

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

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.

**6 INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT (IPPE)**

**6.1 Transitional Provisions**

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051. Any land under roads that were recognised before 1 July 2008 was de-recognised at 1 July 2008 against the opening balance of retained earnings. Land 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 and median strips.

**6.2 Recognition**

All non-current assets purchased or constructed are capitalised as the expenditure is incurred and assets are depreciated from the first full year of use.

Crown reserves, and improvements thereon, under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated. Improvements on Crown Reserves are also recorded as assets, while maintenance cost incurred by Council and revenues relating to the reserves are recognised with Council's Income Statement. Representations from both State and Local Government are being sought to develop a consistent accounting treatment for Crown Reserves across both tiers of government

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2010

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

**6.2 Recognition (Continued)**

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 recognise rural fire services assets; including land buildings, plant vehicles and some equipment as a Council asset. 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 management of the Regional Rural Fire Services to enable that Department to provide the bushfire protection defences as set out in their Service Level Agreement with Council. In accordance with normal Rural Fire Service funding arrangements, Council continues to contribute to the costs of maintenance of this equipment

**6.3 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 as follows:

Office furniture and equipment	\$250
Plant and equipment	\$300
Park furniture and equipment	\$1,000
New Construction on buildings, Water and Sewer Infrastructure	\$2,000

**6.4 Valuation**

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

Operational Land	External Valuation
Buildings Non Specialised	External Valuation
Buildings specialised (large)	External Valuation
Buildings (other)	External and internal Valuation
Water / Sewer Networks	New England Strategic Alliance of Council staff
Sealed Road Surface, footpaths, Kerb and Guttering and Street Furniture	External Valuation
Unsealed Roads	Internal Valuation
Bulk Earthworks	Internal Valuation
Bridges	Internal Valuation
Stormwater Drainage	Internal Valuation

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

Community land and improvements	2010/2011
Other Structures and other assets	2010/2011

Water and Sewer network assets are indexed annually between full revaluations in accordance with the latest indices provided by the NSW Office of Water – Rates Reference Manual. Council applies a similar methodology, to that applied to Water and Sewer Assets for all other assets (that have been previously re-valued), to maintain a consistent review of the fair value of Council's infrastructure assets; except for plant and equipment, office equipment and furniture and fittings. These annual incremental increases in Valuation and Accumulated Depreciation will reduce the impact of the incremental increases emerging from the full revaluation when undertaken next on the 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.

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.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2010

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

**6.5 Depreciation of Non-Current Assets**

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 and Reservoirs	100 years
Trucks and Utilities	5 - 10 years	Water Mains	80 – 100 years
Dozers, Graders, Rollers	10 years	Water Treatment Plant	70 – 100 years
Tractors, Backhoes, Loaders	10 years	Meters and Water Plant	10 years
Office Equipment	5 - 20 years	Sewer Treatment Plant	50 - 100 years
Furniture and Fittings	5 - 20 years	Sewer Mains	70 - 100 years
Library Books	5 years	Sewer Pump Stations	70 - 100 years
Buildings - masonry	50 - 100 years	Unsealed roads formation	6 – 36 years
Buildings – other construction	20 – 40 years	Sealed roads surface	25 - 50 years
Playground equipment	5 - 15 years	Sealed roads base	70 – 80 years
Benches seats	10 – 20 years	Concrete roads surface	60 years
Stormwater Drainage	60 years	Timber Bridges	40 years
Culverts	80 years	Concrete/Steel Bridges	120 years

The assets' residual values and useful lives are reviewed at each balance date. The Council's infrastructure assets are subject to the valuation incremental adjustment, referred to in Section 6.4 above. 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, gains and losses are included in the income statement

Land, other than land under roads, is classified as either operational or community in accordance with Part 2 of Chapter 6 of the Local Government Act (1993).

**6.6 Investment Property**

The Uralla Shire Council does not hold any investment property. Investment property principally comprises of freehold building, including building under construction, held for long term rental yields and not occupied or to be occupied by Council.

**7. EMPLOYEE BENEFITS**

**7.1 Short-term Employee Benefit Obligations**

Liabilities for wages and salaries, including non-monetary benefits, annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

**7.2 Other Long-term Employee Benefit Obligations**

Liabilities for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by the employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2010

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

**7.3 Retirement *Benefit Obligations***

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

A liability or asset in respect to defined benefits superannuation plans would ordinarily be recognised in the balance sheet and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments, which arise from membership of the fund, to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. However, when this information is not readily available Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans (see below).

The Local Government Superannuation Scheme has advised member councils that, as a result of the global financial crisis, it has a significant deficit of assets over liabilities. As a result, they have asked for significant contributions 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 future payments is available.

**8. BUDGET INFORMATION**

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2010

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

**9. NEW ACCOUNTING STANDARDS AND URGENT ISSUES GROUP (UIG) INTERPRETATIONS**

Certain new accounting standards and UIG interpretations have been published that are not mandatory for the 30 June 2010 reporting period. Council's assessment of the impact of these new standards and interpretations is set out below:

*AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions [AASB 2] (effective from 1 January 2010)*

The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a group share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the group settles the transaction or whether the transaction is settled in shares or cash. They also clarify how a group share-based payment arrangement should be measured, that is, whether it is measured as an equity- or a cash-settled transaction. **This has no impact on Council.**

*AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132] (effective from 1 February 2010)*

In October 2009 the AASB issued an amendment to AASB 132 *Financial Instruments: Presentation* which addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment must be applied retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. **This has no impact on Council.**

*AASB 9 Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 (effective from 1 January 2013)*

AASB *Financial Instruments* addresses the clarification and measurement of financial assets and is likely to affect Council's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. **Council is yet to assess its full impact; however, initial indications are that it may affect Council's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.**

*AASB 124: Related Party Disclosures and AASB 2009-12: Amendments to Australian Accounting Standards (effective from 1 January 2011)*

In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment removes the requirement for government related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party. **This has no impact on Council.**

*AASB Interpretation 19 124: Extinguishing financial liabilities with equity instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19 (effective from 1 July 2010)*

AASB Interpretation 19 clarifies the accounting when an entity renegotiates the term of its debt with the result that a liability is extinguished by the debtor issuing its own equity instrument to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. **This has no impact on Council.**

*AASB 2009 14: Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement (effective from 1 January 2011)*

In December 2009, the AASB made an amendment to Interpretation 14 the Time Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme. It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements. **Council does not make any such payments therefore the amendment is not expected to have any impact on Council.**

## URALLA SHIRE COUNCIL

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2010

#### 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	ACTUAL	ACTUAL	2010	2009	2010	2009	
2010 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	
GOVERNANCE	-	-	418	565	376	(418)	(565)	(376)	-	-	-	-	
ADMINISTRATION	478	333	692	333	(357)	426	-	1,049	30	23	11,433	18,309	
PUBLIC ORDER & SAFETY	178	(7)	127	244	256	(91)	(251)	(129)	(13)	116	871	804	
HEALTH	6	1	2	98	73	(70)	(97)	(71)	-	-	-	-	
ENVIRONMENT	956	1,067	-	1,453	-	(122)	(386)	-	2	-	-	-	
COMMUNITY SERVICES & EDUCATION	4,880	5,183	5,181	4,984	4,885	(190)	199	296	4,238	4,166	8,567	10,647	
HOUSING & COMMUNITY AMENITIES	127	127	1,082	455	1,369	(259)	(328)	(287)	103	15	4,655	2,380	
WATER SUPPLIES	723	520	532	653	662	55	(133)	(130)	17	-	18,062	17,631	
SEWERAGE SERVICES	484	349	410	350	368	159	(1)	42	13	-	8,285	8,078	
RECREATION & CULTURE	67	156	258	736	569	(543)	(580)	(311)	30	229	5,206	5,047	
MINING, MANUFACTURING & CONSTRUCTION	-	-	-	8	2	(8)	(2)	(2)	-	-	10	11	
TRANSPORT & COMMUNICATION	1,573	1,751	2,211	4,345	5,065	4,238	(2,772)	(3,314)	(2,027)	441	1,159	245,792	221,107
ECONOMIC AFFAIRS	287	464	321	396	599	634	(109)	(135)	(313)	-	802	793	
<b>TOTALS - FUNCTIONS</b>	<b>9,759</b>	<b>9,944</b>	<b>10,816</b>	<b>13,701</b>	<b>15,537</b>	<b>13,075</b>	<b>(3,942)</b>	<b>(5,593)</b>	<b>(2,259)</b>	<b>4,861</b>	<b>5,708</b>	<b>303,683</b>	<b>284,807</b>
GENERAL PURPOSE REVENUES	5,061	5,087	5,287	-	-	-	5,061	5,287	2,010	2,491	-	-	
<b>TOTALS</b>	<b>14,820</b>	<b>15,031</b>	<b>16,103</b>	<b>13,701</b>	<b>15,537</b>	<b>13,075</b>	<b>1,119</b>	<b>(506)</b>	<b>3,028</b>	<b>8,199</b>	<b>303,683</b>	<b>284,807</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 2010

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

The activities relating to Council functions are as follows:

#### **Administration**

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, costs not otherwise attributed to functions.

#### **Public Order and Safety**

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

#### **Health**

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

#### **Environment**

Noxious plants, insect and vermin control, environmental protection, solid waste management, street cleaning, drainage, stormwater management.

#### **Community Services and Education**

Administration, Aged Care Centres, Auspiced Aged and Disabled Community (including specifically Aboriginal) Care and Services, family day care, child-care, youth services, other services to families and children, other community services.

#### **Housing and Community Amenities**

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

#### **Water Supplies**

#### **Sewerage Services**

#### **Recreation and Culture**

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

#### **Mining, Manufacturing and Construction**

Quarries, other.

#### **Transport and Communication**

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

#### **Economic Affairs**

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

# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2010

### Note 3 - INCOME

RATES AND ANNUAL CHARGES	2010 \$'000	2009 \$'000
<u>Ordinary Rates</u>		
Residential	979	918
Farmland	1,873	1,810
Business	72	30
	<u>2,924</u>	<u>2,758</u>
 <u>Annual Charges</u>		
Domestic Waste Management	275	264
Water Supply	367	323
Sewerage Services	429	421
Stormwater Management	29	27
Other Waste Management	518	450
	<u>1,618</u>	<u>1,485</u>
<b>Total Rates and Annual Charges</b>	<u><b>4,542</b></u>	<u><b>4,243</b></u>
 <b>USER CHARGES AND FEES</b>		
<u>User Charges</u>		
Water Supply	242	229
Sewerage Services	20	24
Other Waste Management	71	17
Other	34	3
	<u>367</u>	<u>273</u>
 <u>Fees</u>		
Private Works	438	218
Tablelands Community Transport	14	17
Sale of Scrap Metal	43	-
Swimming Pool	20	14
Aged Care	578	546
Town Planning	91	96
Building Services		
Tablelands Community Support Options	151	161
Cemeteries	9	16
Sport Stadium		
Other	27	33
	<u>1,371</u>	<u>1,101</u>
<b>Total User Charges and Fees</b>	<u><b>1,738</b></u>	<u><b>1,374</b></u>

## URALLA SHIRE COUNCIL

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2010

#### Note 3 - INCOME (continued)

	2010 \$'000	2009 \$'000
<b>INVESTMENT REVENUES</b>		
Interest receivable		
- overdue rates and charges	-	32
- cash and investments	309	448
Fair value adjustments - investments		
- other	<u>(328)</u>	<u>(283)</u>
<b>Gross Investment Revenues</b>	<u>(19)</u>	<u>197</u>
Less: Interest deducted from capitalised borrowing costs	-	-
<b>Total Investment Revenues</b>	<u><u>(19)</u></u>	<u><u>197</u></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	4	1
Rental income - Investment Property	-	-
- Other property	85	70
Insurance Claims	32	36
Commissions and Agency Fees	6	2
Legal Fees Recovered	1	18
Miscellaneous sales	31	103
Other	<u>156</u>	<u>116</u>
<b>Total Other Revenues</b>	<u><u>315</u></u>	<u><u>346</u></u>

# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2010

### Note 3 - INCOME (continued)

	Notes	OPERATING		CAPITAL	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>GRANTS</b>					
General Purpose (Untied)					
Financial Assistance		1,432	1,912	-	-
Individually significant item					
- additional Grants Commission payment	see below	507	484	-	-
Pensioner Rates Subsidies (General)		71	52	-	-
Specific Purpose					
Pensioner Rates Subsidies				-	-
Water Supplies		17	13	-	-
Sewerage Services		13	19	-	-
Domestic Waste Management		-	11	-	-
Aged Care Facilities		1,265	1,322	-	-
Other Frail Aged and Disabled Services		887	566	-	-
Library		28	28	-	-
Street Lighting		6	-	-	-
Roads and Bridges		-	101	383	1,139
Employment and Training Programs		30	15	-	-
Tablelands Community Support Options		1,739	1,851	-	-
Tablelands Community Transport		257	217	8	-
Community Care		54	47	26	-
Bushfire and Emergency Services		(13)	26	-	90
Other		109	306	52	-
<b>Total Grants and Subsidies</b>		<b>6,402</b>	<b>6,970</b>	<b>469</b>	<b>1,229</b>
<b>Comprising:</b>					
- Commonwealth funding		4,981	4,419	-	-
- State funding		1,421	2,551	469	1,229
		<b>6,402</b>	<b>6,970</b>	<b>469</b>	<b>1,229</b>
<b>Individually significant item</b>					
On 24 June 2010, Council received payment of the first quarter instalment of the 2010/2011 Grant Commission (FAG) grant. This has a relative evening out of the Financial Assistance Grant for 2009/2010, however will have a significant reduction in the 2010/2011 financial year.					
		507	484	-	-
<b>CONTRIBUTIONS AND DONATIONS</b>					
Developer Contributions					
Section 94	17	-	-	15	27
RTA Contributions		1,092	1,050	275	-
Other Councils - Joint Works		-	129	-	-
Other		55	81	-	-
<b>Total Contributions and Donations</b>		<b>1,147</b>	<b>1,260</b>	<b>290</b>	<b>27</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>		<b>7,549</b>	<b>8,230</b>	<b>759</b>	<b>1,256</b>

# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2010

### Note 3 - INCOME (continued)

#### CONDITIONS OVER GRANTS AND 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:

	2010 \$'000		2009 \$'000	
	<u>Grants</u>	<u>Contrib</u>	<u>Grants</u>	<u>Contrib</u>
<i>Unexpended at the close of the previous reporting period</i>	724	225	824	231
<i>Less: expended during the current period from revenues recognised in previous reporting periods</i>				
Section 94/64 Developer Contributions	0	0	0	40
Roads Infrastructure	395	0	338	0
Heritage and Cultural Services	19	0	44	0
Community Care Services	275	0	190	0
Other				
<i>Subtotal</i>	<u>689</u>	<u>0</u>	<u>572</u>	<u>40</u>
<i>Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions</i>				
Section 94/64 Developer Contributions	0	15	0	34
Roads Infrastructure	36	0	395	0
Heritage and Cultural Services	149	0	60	0
Community Care Services	0	0	17	0
<i>Subtotal</i>	<u>185</u>	<u>15</u>	<u>472</u>	<u>34</u>
<i>Unexpended at the close of this reporting period and held as restricted assets</i>	<u>220</u>	<u>240</u>	<u>724</u>	<u>225</u>
<i>Net increase (decrease) in restricted assets in the current</i>	<u><b>-504</b></u>	<u><b>15</b></u>	<u><b>-100</b></u>	<u><b>-6</b></u>

# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2010

### Note 4 - EXPENSES

	2010 \$'000	2009 \$'000
<b>EMPLOYEE COSTS</b>		
Salaries and Wages	5,142	4,942
Travelling	98	27
Employee Leave Entitlements	863	743
Superannuation - defined contribution plan contributions	392	400
Superannuation - defined benefit plan contributions	347	147
Workers' Compensation Insurance	387	169
Fringe Benefits Tax	27	12
Training Costs (excluding Salaries)	58	72
Other	3	43
Less: Capitalised and distributed costs	(475)	(336)
<b>Total Operating Employee Costs</b>	<u>6,842</u>	<u>6,219</u>
 <b>Total Number of Employees</b>	 104	 115
<i>(Full time equivalent at end of reporting period)</i>		
 <b>BORROWING COSTS</b>		
Interest on Loans	129	120
Unwinding of present value discounts and premiums	50	33
<b>Total Interest Charges</b>	<u>179</u>	<u>153</u>
 <b>MATERIALS AND CONTRACTS</b>		
Raw materials and consumables	2,972	3,057
Contractor and consultancy costs	1,347	1,010
Auditor's Remuneration		
- Audit Services	18	20
Legal Expenses		
- Planning and Development	-	-
- Other Legal Expenses	33	40
<b>Total Materials and Contracts</b>	<u>4,370</u>	<u>4,127</u>

# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2010

<b>Note 4 - EXPENSES (continued)</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>DEPRECIATION AND AMORTISATION</b>		
Intangible Assets (Note 25)		
Plant and Equipment	<b>684</b>	650
Office Equipment	<b>31</b>	28
Furniture and Fittings	<b>49</b>	50
Buildings	<b>80</b>	76
Other Structures	<b>92</b>	75
Infrastructure		
- roads, bridges and footpaths	<b>2,093</b>	715
- stormwater drainage	<b>15</b>	15
- water supply network not elsewhere included	<b>54</b>	52
- sewerage network not elsewhere included	<b>13</b>	13
Other assets		
- heritage collections	<b>-</b>	1
- other	<b>1</b>	1
Future Reinstatement Costs		
- Tips	<b>10</b>	17
Less: Capitalised and distributed costs	<b>(148)</b>	<b>(188)</b>
<b>Total Depreciation and Amortisation</b>	<b><u>2,974</u></b>	<b><u>1,505</u></b>
<b>OTHER EXPENSES</b>		
Bad and Doubtful Debts	<b>17</b>	-
Mayoral fee	<b>14</b>	13
Councillors' Fees and Allowances	<b>81</b>	80
Councillors' (including Mayoral) Expenses	<b>17</b>	18
Insurances	<b>311</b>	230
Street Lighting	<b>36</b>	66
Light, Power and Heating	<b>204</b>	240
Telephone and Communications	<b>111</b>	92
Donations and Contributions to Local and Regional Bodies	<b>269</b>	246
Advertising	<b>25</b>	13
Election Expenses	<b>-</b>	16
Subscriptions and Publications	<b>68</b>	57
<b>Total Other Expenses</b>	<b><u>1,153</u></b>	<b><u>1,071</u></b>

***Individually Significant Items***

Nil

# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2010

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

	2010 \$'000	2009 \$'000
<b>DISPOSAL OF INFRASTRUCTURE, PLANT AND EQUIPMENT</b>		
Proceeds from disposal	237	415
Less: Carrying amount of assets sold	<u>109</u>	<u>150</u>
<b>Gain (Loss) on disposal</b>	<b><u>128</u></b>	<b><u>265</u></b>
 <b>DISPOSAL OF FINANCIAL INSTRUMENTS</b>		
Proceeds from disposal	1,142	200
Less: Carrying amount of assets sold	<u>1,142</u>	<u>8</u>
<b>Gain (Loss) on disposal</b>	<b><u>-</u></b>	<b><u>192</u></b>
 <b>TOTAL GAIN (LOSS) ON DISPOSAL OF ASSETS</b>		
	<b><u>128</u></b>	<b><u>457</u></b>

# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2010

### Note 6 - CASH ASSETS AND INVESTMENT SECURITIES

	2010		2009	
	\$'000		\$'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	182	-	953	-
Deposits at Call	1,404	-	501	-
<b>Total Cash Assets</b>	<u>1,586</u>	<u>-</u>	<u>1,454</u>	<u>-</u>

*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.*

#### INVESTMENT SECURITIES

##### Summary

Financial assets at fair value through profit and loss - held for trading	-	-	828	-
Held to maturity investments	4,500	-	4,584	-
<b>Total</b>	<u>4,500</u>	<u>-</u>	<u>5,412</u>	<u>-</u>

##### Financial assets at fair value through profit and loss - held for trading

At beginning of year	828	-	1,119	-
Revaluation to Income Statement	(328)	-	(283)	-
Disposals	(500)	-	(8)	-
At end of year	<u>-</u>	<u>-</u>	<u>828</u>	<u>-</u>
Held for trading:				
- CDOs	-	-	328	-
- FRNs	-	-	500	-
	<u>-</u>	<u>-</u>	<u>828</u>	<u>-</u>

##### Held to Maturity Investments

At beginning of year	4,584	-	1,959	-
Additions	558	-	5,784	-
Disposals	(642)	-	(3,159)	-
At end of year	<u>4,500</u>	<u>-</u>	<u>4,584</u>	<u>-</u>
Comprising:				
- Term Deposits	4,500	-	4,584	-
	<u>4,500</u>	<u>-</u>	<u>4,584</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 3.35% and 8.30% (2009 - 2% and 6%). CDOs and FRNs are all with organisations with credit ratings that complied with the Minister's Order at the time of acquisition and bear various rates of rates of return between 4.69% and 6.41% (2009 - 4% and 9%). For further information refer to Note 15.*

# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2010

### Note 6 - CASH ASSETS AND INVESTMENT SECURITIES (continued)

#### RESTRICTED CASH ASSETS AND INVESTMENT SECURITIES

	2010		2009	
	\$'000		\$'000	
	Current	Non-Current	Current	Non-Current
Cash and Cash Equivalent Assets	1,586	-	1,454	-
Investment Securities	4,500	-	5,412	-
<b>TOTAL CASH AND INVESTMENT SECURITIES</b>	<b>6,086</b>	<b>-</b>	<b>6,866</b>	<b>-</b>
<b>External Restrictions</b>	<b>2,457</b>	<b>-</b>	<b>3,814</b>	<b>-</b>
<b>Internal Restrictions</b>	<b>2,329</b>	<b>-</b>	<b>1,604</b>	<b>-</b>
<b>Unrestricted</b>	<b>1,300</b>	<b>-</b>	<b>1,448</b>	<b>-</b>
	<b>6,086</b>	<b>-</b>	<b>6,866</b>	<b>-</b>

#### DETAILS OF MOVEMENTS OF RESTRICTED CASH ASSETS AND INVESTMENT SECURITIES

	Notes	Movements		Closing Balance 30 June 2010 \$'000	
		Opening Balance 30 June 2009 \$'000	Transfers To Restriction \$'000		Transfers From Restriction \$'000
<b>EXTERNAL RESTRICTIONS</b>					
<b>Included in liabilities</b>					
Unexpended Loans		300	-	300	
Aged Care Bonds		1,275	-	1,275	
McMaugh Gardens Aged Care		129	-	129	
		<b>1,704</b>	<b>-</b>	<b>1,704</b>	
<b>Other</b>					
Developer Contributions	17	225	15	-	
Unexpended Grants		724	185	689	
Water Supply funds		408	72	-	
Sewerage funds		725	39	15	
Domestic Waste Management		28	-	28	
McMaugh Gardens Aged Care		-	768	-	
		<b>2,110</b>	<b>1,079</b>	<b>732</b>	
<b>Total External Restrictions</b>		<b>3,814</b>	<b>1,079</b>	<b>2,436</b>	
				<b>2,457</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 (Water and Sewer) or for Domestic Waste Management may only be used for those purposes.*

#### INTERNAL RESTRICTIONS

Employee Leave Entitlements	473	27	-	500
Plant replacement	300	-	-	300
Carry-over works	245	72	-	317
FA Grant in advance	484	507	484	507
Strategic Alliance	77	-	77	-
Gravel Pit Restoration	18	-	18	-
Kentucky Hall	4	-	4	-
Arding Hall	3	-	3	-
Accommodation Bond Guarantee	-	705	-	705
<b>Total Internal Restrictions</b>	<b>1,604</b>	<b>1,311</b>	<b>586</b>	<b>2,329</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 2010

### Note 7 - RECEIVABLES

	2010 \$'000		2009 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
Rates and Annual Charges	466	-	322	-
Interest and Extra Charges	26	-	72	-
User Charges and Fees	74	-	156	-
Accrued Revenues	261	-	444	-
Other levels of Government	114	-	165	-
Other	193	-	240	-
<b>Total</b>	<b>1,134</b>	<b>-</b>	<b>1,399</b>	<b>-</b>
Less: Allowance for Doubtful Debts				
Rates and Annual Charges	11	-	-	-
User Charges and Fees	-	-	2	-
	<b>1,123</b>	<b>-</b>	<b>1,397</b>	<b>-</b>

#### **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 9.00% (2009: 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.

#### **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.

#### **RESTRICTED RECEIVABLES**

Water Supply	186	-	206	-
Sewerage Services	69	-	59	-
Domestic Waste Management	-	-	42	-
<b>Total Restrictions</b>	<b>255</b>	<b>-</b>	<b>307</b>	<b>-</b>
Unrestricted Receivables	868	-	1,090	-
<b>Total Receivables</b>	<b>1,123</b>	<b>-</b>	<b>1,397</b>	<b>-</b>

# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2010

### Note 8 - INVENTORIES AND OTHER ASSETS

	2010 \$'000		2009 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
<b>INVENTORIES</b>				
Stores and Materials	185	-	187	-
<b>Total Inventories</b>	<b>185</b>	<b>-</b>	<b>187</b>	<b>-</b>
<i>Inventories not expected to be realised within the next 12 months.</i>	-	-	-	-
 <b>OTHER ASSETS</b>				
Prepayments	-	-	106	-
<b>Total Other Assets</b>	<b>-</b>	<b>-</b>	<b>106</b>	<b>-</b>

## URALLA SHIRE COUNCIL

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2010

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

	2009 \$'000				CARRYING AMOUNT MOVEMENTS DURING YEAR \$'000						2010 \$'000			
	AT COST	AT FAIR VALUE	ACCUM DEPN	CARRYING AMOUNT	Asset Purchases	Asset Disposals	Depreciation	Impairment	Transfers, etc.	Net Revaluation	AT COST	AT FAIR VALUE	ACCUM DEPN	CARRYING AMOUNT
Capital Work-in-progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant and Equipment	-	7,435	(3,929)	3,506	907	(109)	(684)	-	-	-	-	7,116	(3,496)	3,620
Office Equipment	-	679	(578)	101	41	-	(31)	-	-	-	-	721	(610)	111
Furniture and Fittings	-	883	(603)	280	48	-	(49)	-	-	-	-	931	(652)	279
Leased Plant and Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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
Land Improvements - depreciable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings - non-specialised	-	15,693	(759)	14,934	292	-	(80)	-	-	499	-	16,435	(790)	15,645
Buildings - specialised	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Structures	-	2,085	(1,157)	928	107	-	(92)	-	-	-	-	2,193	(1,250)	943
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Roads, bridges, footpaths	14,767	84,038	(26,282)	72,523	2,194	-	(2,093)	-	-	10,151	-	109,861	(27,086)	82,775
- Bulk earthworks (non-deprec.)	-	155,933	-	155,933	-	-	-	-	-	6,819	-	162,752	-	162,752
- Stormwater drainage	889	-	(285)	604	2	-	(15)	-	-	1,427	-	2,542	(524)	2,018
- Water Supply Network	-	17,087	(732)	16,355	54	-	(54)	-	-	480	-	17,644	(809)	16,835
- Sewerage Network	-	7,731	(772)	6,959	39	-	(13)	-	-	210	-	8,003	(808)	7,195
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Heritage Collections	35	-	(7)	28	-	-	-	-	-	-	-	35	(7)	28
- Library Books	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Other	18	-	(7)	11	-	-	(1)	-	-	-	-	18	(8)	10
Future Reinstatement Costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Tips	456	-	(153)	303	-	-	(10)	-	-	-	-	455	(162)	293
- Quarries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Totals</b>	<b>16,165</b>	<b>295,349</b>	<b>(35,264)</b>	<b>276,250</b>	<b>3,684</b>	<b>(109)</b>	<b>(3,122)</b>	<b>-</b>	<b>-</b>	<b>19,586</b>	<b>-</b>	<b>332,491</b>	<b>(36,202)</b>	<b>296,289</b>

Asset acquisitions were apportioned between:

Building and Infrastructure Renewals	2,376
Building and Infrastructure New Assets	205
Other Assets	1,103

## URALLA SHIRE COUNCIL

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2010

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

	2010 \$'000				2009 \$'000			
	AT COST	AT VALUATION	ACCUMULATED DEPRECIATION	CARRYING AMOUNT	AT COST	AT VALUATION	ACCUMULATED DEPRECIATION	CARRYING AMOUNT
<b>Water Supply</b>								
Plant and Equipment	9	-	(5)	4	5	-	(5)	-
Land								
- Operational		234		234		234	-	234
- non depreciable land improvements		-				1	-	1
Buildings		345	(26)	319		335	(22)	313
Water Supply Infrastructure		17,644	(809)	16,835		17,088	(732)	16,356
- Other	7	-	(2)	5	7	-	(2)	5
<b>Total Water Supply</b>	<b>16</b>	<b>18,223</b>	<b>(842)</b>	<b>17,397</b>	<b>12</b>	<b>17,658</b>	<b>(761)</b>	<b>16,909</b>
<b>Sewerage Services</b>								
Land								
- Operational		169		169		169	-	169
- non depreciable land improvements		6		6		6	-	6
Buildings		103	(3)	100		100	(2)	98
Other Structures	40	-	(17)	23	40	-	(16)	24
Sewerage Infrastructure		8,003	(808)	7,195		7,731	(772)	6,959
- Roads, bridges, footpaths		44	(5)	39	42	-	(4)	38
<b>Total Sewerage Services</b>	<b>40</b>	<b>8,325</b>	<b>(833)</b>	<b>7,532</b>	<b>82</b>	<b>8,006</b>	<b>(794)</b>	<b>7,294</b>
<b>Domestic Waste Management</b>								
Plant and Equipment		101	(36)	65		101	(3)	98
Land								
- Operational		228		228		228	-	228
Other Structures	147	-	(106)	41	147	-	(100)	47
- Other	25	-	(16)	9	25	-	(16)	9
<b>Total Domestic Waste</b>	<b>172</b>	<b>329</b>	<b>(158)</b>	<b>343</b>	<b>172</b>	<b>329</b>	<b>(119)</b>	<b>382</b>
<b>McMaugh Gardens Aged Care Centre</b>								
Plant and Equipment	46	-	(44)	2	46	-	(42)	4
Office Equipment	25	-	(23)	2	24	-	(22)	2
Furniture and Fittings	529	-	(342)	187	501	-	(308)	193
Council owned Land (freehold)	-	155	-	155	-	155	-	155
Buildings	-	4,147	(99)	4,048	-	4,027	(84)	3,943
Other Structures	25	-	(15)	10	25	-	(14)	11
Roads, Parking and footpaths	36	-	(3)	33				
<b>Total</b>	<b>661</b>	<b>4,302</b>	<b>(526)</b>	<b>4,437</b>	<b>596</b>	<b>4,182</b>	<b>(470)</b>	<b>4,308</b>
<b>TOTAL RESTRICTIONS</b>	<b>889</b>	<b>31,179</b>	<b>(2,359)</b>	<b>29,709</b>	<b>862</b>	<b>30,175</b>	<b>(2,144)</b>	<b>28,893</b>

# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2010

### Note 10 - LIABILITIES

	2010 \$'000		2009 \$'000	
	Current	Non-Current	Current	Non-Current
<b>PAYABLES</b>				
Goods and Services	1,034	-	1,049	-
Payments received in advance	12	-	64	-
Accrued salaries and wages	183	-	115	-
Accrued expenses - other	79	-	186	-
Alliance Private Works	422	-	472	-
Retirement Home Contributions	1,473	-	1,275	-
Deposits, Retentions and Bonds	-	-	30	-
<b>Total Payables</b>	<b>3,203</b>	<b>-</b>	<b>3,191</b>	<b>-</b>

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

1,171

886

#### **BORROWINGS**

Loans				
- Secured	122	1,694	209	1,816
<b>Total Borrowings</b>	<b>122</b>	<b>1,694</b>	<b>209</b>	<b>1,816</b>

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

#### **PROVISIONS**

Employee benefits - annual leave	497	-	595	-
- sick leave	62	-	76	-
- long service leave	633	302	461	419
- other	27	-	27	-
Reinstatement, Remediation, etc. (see also Note 26)	-	634	-	584
<b>Total Provisions</b>	<b>1,219</b>	<b>936</b>	<b>1,159</b>	<b>1,003</b>

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

742

1,033

#### **Movements in Provisions**

	Employee Benefits	Reinstatement, etc.
	2010 \$'000	2010 \$'000
Opening Balance	1,578	584
Add Additional amounts recognised	863	-
Unwinding of present value discounts	-	50
(Less) Payments	(920)	-
Closing Balance	<b>1,521</b>	<b>634</b>

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

Council is required by law to reinstate/ rehabilitate the areas of waste landfill sites 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.

# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2010

### NOTE 10 - LIABILITIES (continued)

	2010		2009	
	\$'000		\$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
<b>AGGREGATE LIABILITY ARISING FROM EMPLOYEE BENEFITS</b>				
	<b>1,402</b>	<b>302</b>	<b>1,274</b>	<b>419</b>
<b>LIABILITIES relating to RESTRICTED ASSETS</b>				
<i><u>Domestic Waste Management</u></i>				
<i>Payables</i>	-	-	4	-
<i>Subtotal</i>	-	-	4	-
<i><u>Water Supplies</u></i>				
<i>Payables</i>	118	-	47	-
<i>Interest Bearing Liabilities</i>	-	-	12	-
<i>Subtotal</i>	118	-	59	-
<i><u>Sewerage Services</u></i>				
<i>Payables</i>	116	-	1,275	-
<i>Interest Bearing Liabilities</i>	-	-	3	-
<i>Provisions</i>	-	-	74	-
<i>Subtotal</i>	116	-	1,352	-
<i><u>McMaugh Gardens Aged Care Centre</u></i>				
<i>Payables</i>	1,473	-	1,275	-
<i>Interest Bearing Liabilities</i>	3	80	3	83
<i>Provisions</i>	-	-	74	62
<i>Subtotal</i>	1,476	80	1,352	145
<b>TOTAL</b>	<b>1,710</b>	<b>80</b>	<b>2,767</b>	<b>145</b>

# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2010

### 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:

	2010 \$'000	2009 \$'000
Total Cash Assets (Note 6)	<u>1,586</u>	<u>1,454</u>
Balances per Statement of Cash Flows	<u>1,586</u>	<u>1,454</u>

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

Net Operating Result from Income Statement	<b>(506)</b>	3,028
Add: Depreciation, Amortisation and Impairment	2,974	1,693
Unwinding of present value discounts and premiums	73	33
Investments - impairment and fair value adjustments	328	283
Increase in provision for doubtful debts	9	-
Increase in employee benefits provisions	-	2
Decrease in receivables	265	-
Decrease in inventories	2	-
Decrease in other assets	106	-
Increase in trade creditors and other accruals	-	372
	<u>3,251</u>	<u>5,411</u>
Less: Decrease in employee benefits provisions	80	-
Increase in receivables	-	229
Increase in inventories	-	19
Increase in other assets	-	14
Decrease in trade creditors and other accruals	106	-
Decrease in other payables	79	121
Gain on Sale of Assets	128	457
Non-cash Capital Grants and Contributions	-	90
<b>Net Cash provided by (or used in) operations</b>	<u><b>2,858</b></u>	<u><b>4,481</b></u>

**(c) Non-Cash Financing and Investing Activities**

Acquisition of assets by means of:

- Bushfire Grants	-	90
	<u>-</u>	<u>90</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	41

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 2010

### Note 12 - COMMITMENTS FOR EXPENDITURE

	2010 \$'000	2009 \$'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>-</u>	<u>215</u>
These expenditures are payable:		
Not later than one year	-	215
	<u>-</u>	<u>215</u>
 <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	83	102
Library Services	339	115
Tourism	-	78
Civica IT Managed Service and other IT Services	1,191	-
	<u>1,613</u>	<u>295</u>
These expenditures are payable:		
Not later than one year	339	153
Later than one year and not later than 5 years	1,274	142
	<u>1,613</u>	<u>295</u>
 <b>(e) 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	159	145
Later than one year and not later than 5 years	164	302
Later than 5 years	<u>323</u>	<u>447</u>

# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2010

### Note 13 - STATEMENT OF PERFORMANCE MEASUREMENT

INDICATORS - CONSOLIDATED				
	<u>Amounts</u>	<u>2010 Indicators</u>	2009	2008
<b>Unrestricted Current Ratio</b>				
<u>Unrestricted Current Assets</u>	\$4,682	<b>5.08:1</b>	3.62:1	1.24:1
Current Liabilities not relating to Restricted Assets	\$921			
<b>Debt Service Ratio</b>				
<u>Net Debt Service Cost</u>	\$338	<b>0.02:1</b>	0.03:1	0.06:1
Operating Revenue	\$14,272			
<b>Rate and Annual Charges Coverage Ratio</b>				
<u>Rates and Annual Charges Revenues</u>	\$4,542	<b>0.3:1</b>	0.23:1	0.26:1
Revenue from continuing operations	\$15,031			
<b>Rates and Annual Charges Outstanding Percentage</b>				
<u>Rates and Annual Charges Outstanding</u>	\$481	<b>9.74%</b>	9.33%	11.19%
Rates and Annual Charges Collectible	\$4,936			
<b>Building and Infrastructure Renewals Ratio</b>				
<u>Asset renewals</u>	\$2,376	<b>1.06:1</b>	1.2:1	0.59:1
Depreciation, Amortisation, Impairment	\$2,244			

INDICATORS - BY FUND			
	Current Year Indicators		
	General	Water	Sewer
<b>Unrestricted Current Ratio</b>			
<u>Unrestricted Current Assets</u>	<b>4.66:1</b>	<b>5.64:1</b>	<b>7.05:1</b>
Current Liabilities not relating to Restricted Assets			
<b>Debt Service Ratio</b>			
<u>Net Debt Service Cost</u>	<b>0.02:1</b>	<b>0:1</b>	<b>0.03:1</b>
Operating Revenue			
<b>Rate and Annual Charges Coverage Ratio</b>			
<u>Rates and Annual Charges Revenues</u>	<b>0.25:1</b>	<b>1.17:1</b>	<b>1.23:1</b>
Revenue from continuing operations			
<b>Rates and Annual Charges Outstanding Percentage</b>			
<u>Rates and Annual Charges Outstanding</u>	<b>6.70%</b>	<b>24.79%</b>	<b>16.08%</b>
Rates and Annual Charges Collectible			
<b>Building and Infrastructure Renewals Ratio</b>			
<u>Asset renewals</u>	<b>1.09:1</b>	<b>0:1</b>	<b>0:1</b>
Depreciation, Amortisation, Impairment			

**URALLA SHIRE COUNCIL**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
for the year ended 30th June 2010**

**Note 14 - INVESTMENT PROPERTY**

**THE COUNCIL DOES NOT HOLD INVESTMENT PROPERTIES**

# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2010

### 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.

Financial risk management is carried out by Finance section in accordance with policies approved by Council and in accordance with statutory requirements, and seeks to maximise revenue while protecting the corpus of the funds invested.

Council held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>Financial Assets</b>				
Cash and Cash Equivalents	1,586	1,454	1,586	1,454
Receivables	1,123	1,397	1,123	1,397
Financial assets at fair value through profit and loss	-	828	-	828
Available-for-sale financial assets	-	-	-	-
Held-to-maturity investments	4,500	4,584	4,500	4,584
	<u>7,209</u>	<u>8,263</u>	<u>7,209</u>	<u>8,263</u>
<b>Financial Liabilities</b>				
Payables	3,203	3,191	3,203	3,191
Borrowings	1,816	2,025	1,816	2,025
	<u>5,019</u>	<u>5,216</u>	<u>5,019</u>	<u>5,216</u>

Fair value is estimated as follows:

\* Cash and equivalents, receivables and 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 and 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 and 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 investment portfolio is managed in accordance with Council's policy (which complies with the *Local Government Act and Regulations*), and the Minister's Order. The investment policy is reviewed regularly, and a report in accordance with section 625 of the Act provided to Council monthly and also Manex on a weekly basis.

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.

Council's portfolio invested in products that are subject to price risk namely Collateralised Debt Obligations (CDOs) are held at no value. Council views the loss in market value - which has been recognised in these and prior reports - as deriving principally from the fact that Lehman Brothers are in liquidation, there is legal action and there is a very high risk of default in each of the financial products. Council has now determined to retain these financial instruments on a long term basis and has reviewed its liquidity projections to confirm that it will be able to do so. With two CDOs ceasing to make interest payments, Council is not able to determine that payments of principal will be received in the future.

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.

# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2010

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

Interest Sensitivity Analysis	2010 \$'000	2009 \$'000
Impact of a 10% movement in price of investments (for assets subject to price risk only)		
- Equity	-	83
- Income Statement	-	83
 Impact of a 1% change in interest rates on cash and investments		
- Equity	60	54
- Income Statement	60	54

#### 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.

	2010 \$'000	2009 \$'000
Percentage of Rates and Annual Charges		
- Current	65%	72%
- Overdue	35%	28%

#### 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:

	2010 '000	Due			Total Contractual I	Carrying Value
		≤ 1 year	2 - 5 years	> 5 years		
<b>Payables</b>		2,032	1,171	-	3,203	3,203
<b>Borrowings</b>		117	448	1,251	1,816	1,816
		<u>2,149</u>	<u>1,619</u>	<u>1,251</u>	<u>5,019</u>	<u>5,019</u>
	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	459	1,357	2,025	2,025
		<u>2,514</u>	<u>1,345</u>	<u>1,357</u>	<u>5,216</u>	<u>5,216</u>

# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2010

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

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:

	2010		2009	
	Wtd ave interest rate	Balance	Wtd ave interest rate	Balance
Overdraft	1.25%	-	1.25%	-
Loans - fixed interest rate	7.07%	<u>1,816</u>	6.35%	<u>2,025</u>
		<u>1,816</u>		<u>2,025</u>

# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2010

### Note 16 – MATERIAL BUDGET VARIATIONS

Council's original budget comprised part of the Management Plan adopted by Council on Monday 29 June 2009. 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.

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

#### 1 INCOME STATEMENT

##### 1.1 General Overview

The budget set on Monday 29 June 2009 aimed for a surplus from all funds, after capital grants of \$1,119,005. The actual result, after capital grants is a deficit of \$506,517; a variation of \$1,625,522. The three principal reasons for this variation (totalling \$1,624,813) are additional depreciation of \$1,021,979.86 (actual \$2,974,223.86 – budget \$1,952,244), the \$327,500 write down of the carrying amount of CDOs from 1 July 2009 of \$327,500 (face value \$1,150,000) and \$275,333 of operational community services grants from prior years utilised in 2009/2010.

The additional depreciation is entirely due to the revaluation of the road assets at 1 July 2009. This revaluation was not completed until after the budget had been adopted resulting in an actual depreciation for road assets of \$2,111,356.95 against the budget of \$715,958, an additional \$1,395,397.95.

##### 1.2 Employee Costs Unfavourable \$708k 11.5%

The staff costs were estimated in the budget at \$6,134,387 and the actual cost was \$6,840,589.57 an increase of 11.5%. Even though the full time equivalents reduced from 115 at 30 June 2009 to 104 at 30 June 2010, Council had varied its mix of permanent and casual staff during the year to meet the additional community services; notably Tablelands Community Support Options Program and McMaugh Gardens. The problems experienced by Local Government Superannuation with the defined benefits plan contributed to the \$201,787.11 (37.6%) increase in superannuation over budget. Another, although small contributing factor was an increase in training cost of \$41,049.36 over the budget of \$17,230.

##### 1.3 Interest Charges Unfavourable \$59k 49.2%

The unwinding of the net present value of the tip remediation of \$49,540 was not budgeted for in the original budget.

##### 1.4 Depreciation Unfavourable \$1,022k 52.4%

The depreciation in the budget for 2009/2010 was set at \$1,952,244 whereas the actual depreciation when allowing for the re-valued and re-assessed road assets at 30 June 2009 was \$3,221,222.24, less \$147,998.38 capitalised, an additional \$1,021,979.86. The road assets re-valuation was not completed before the 2009/2010 budget was set on 29 June 2009 and the budget was based upon the historical depreciation value of \$715,958 whereas the new depreciation value was \$2,111,356.95 an additional \$1,395,397.95.

##### 1.5 Other Operating Expenses Unfavourable \$274k 31.1%

The budget was significantly affected by increases in the cost of insurance and utilities as follows:

Item	Actual Cost	Budget	Variance
Insurance	\$311,254.38	\$206,230.00	\$105,024.38
Light and Power	\$203,651.76	\$121,760.00	\$81,891.76
Telephone	\$110,722.79	\$77,245.79	\$33,477.00

The total expenditure at \$15,537k is 13.4% above the budget of \$13,701

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2010

**Note 1 – Material Budget Variations (cont)**

- 1.6 User Charges and Fees** **Favourable \$294k** **20.3%**  
The increase over budget for user charges and fees is the result of additional private works of \$188,164.69 (actual \$438,164.69 to budget of \$250,000) and \$97,974.69 of McMaugh Aged Care Centre fees (actual \$577,974.69 to budget of \$480,000).

Neither of these two income sources can be reliably predicted as private works is dependent upon demand and availability of resources and the aged care fees is dependent upon the mix of categories of residents in the aged care facility.

- 1.7 Interest Received** **Unfavourable \$207k** **113.7%**  
The budgeted income from investment was \$181,171. This was exceeded by \$127,360.92 due to increased interest rates and longer terms of investments with \$309,360.02 being received for interest.

The unfavourable comparison to budget has emerged from the decision of Council to write off the carrying amount of \$327,500 for the Collateralised Debt Obligations (CDOs) because the future cash flow is uncertain and there is no reliable market for this type of financial instrument.

- 1.8 Grants and Contributions Received – Operating and Capital**
- |   |                          |              |
|---|--------------------------|--------------|
| <b>Capital Grants and Contributions</b>   | <b>Favourable \$298k</b> | <b>21.7%</b> |
| <b>Operating Grants and Contributions</b> | <b>Favourable \$167k</b> | <b>2.3%</b>  |

While budgets are prepared with most of the grants, particularly the Community Services auspiced contracted allocations, known there are some that are not known until well after the budget has been adopted. This is particularly the case with respect to works for the Roads and Traffic Authority in respect to construction and maintenance of regional classified roads. This year Council has received additional contributions from the Roads and Traffic Authority for:

	Actual	Budget	Additional
Capital Contribution	\$275,000.03	\$0.00	\$275,000.03
Operational Contribution	\$1,092,000.05	\$721,000.00	\$371,000.05

**2 CASH FLOW STATEMENT**

- 2.1 General Overview**  
The Budgeted Cash Flow provided for \$2,426k from "Net Cash from Operating Activities". The actual net cash emerging from operating activities was \$2,529k or 4.2% above budget. The cash utilised in investing activities (principally infrastructure spending of \$3,536). The net result for the year was a small increase in cash assets at the end of the year of \$132k compared to the budgeted decrease of \$340k. This \$472k variation is almost entirely due to the unexpected return of the \$500k Forward Rate Note.

- 2.2 Other Operating Payments** **Unfavourable \$379k** **32.8%**  
As noted in the Other Operating Payments, in the Income Statement item 1.5 the costs of insurance and utilities far exceeded the budget estimates

- 2.3 Infrastructure, Property, Plant and Equipment** **Unfavourable \$622k** **21.3%**  
The Maitland Point Bridge Replacement was budgeted for in the 2008/2009 year. However delays in the construction prevented the bridge from being completed in that period so \$315,597 (\$140,597 Timber Bridge Replacement Grant and \$175,000 Road Allocation) were revoted into the 2009/2010 year. During the year, after the new depreciation rates were established, \$366,830 of rehabilitation rather than maintenance work was undertaken

- 2.4 Proceeds from sale of investment** **Favourable \$173k** **52.9%**  
The budget was formed with the cash flow from the return of the \$327,500 Collateralised Debt Obligation principal. These funds were not receive, however the \$500,000 Forward Rate Note issued by Elders Rural Bank was returned in March 2010.

The net increase in cash asset at \$131k is a 138.5% improvement over the anticipated reduction in net cash assets of \$340.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2010

**Note 1 – Material Budget Variations (cont)**

**3 NOTE 2 - FUNCTIONS**

**3.1 General Overview**

As stated in the Income Statement overview, the budget set on Monday 29 June 2009 aimed for a surplus from all activities, after capital grants, of \$1,119,005. The actual result, after capital grants, is a deficit of \$506,517; a variation of \$1,625,522. . The three principal reasons for this variation (totalling \$1,624,813) are additional depreciation of \$1,021,979.86 (actual \$2,974,223.86 – budget \$1,952,244), the \$327,500 write down of the carrying amount of CDOs from 1 July 2009 of \$327,500 (face value \$1,150,000) and \$275,333 of operational community services grants from prior years utilised in 2009/2010.

The additional depreciation is entirely due to the revaluation of the road assets at 1 July 2009, which affects the Transport and Communication Activity. The re-valuation was not completed until after the budget had been adopted resulting in an actual depreciation for road assets of \$2,111,356.95 against the budget of \$715,958, an additional \$1,395,397.95.

The total income for the Principal Activities was \$15,031k which is 1.4% above budget.

The expenditure for the Principal Activities was \$15,537k which is 13.4% above budget.

- |  |                            |              |
|--|----------------------------|--------------|
| <b>3.2 Governance</b>  | <b>Unfavourable \$147k</b> | <b>35.2%</b> |
| The cost of Governance has been substantially affected by the Kibble Review of the Alliance and the Minister's Proposal to amalgamate the Uralla Shire Council with Armidale Dumaresq and Guyra Shire Councils.                |                            |              |
| <b>3.3 Environment</b>   | <b>Unfavourable \$375k</b> | <b>34.8%</b> |
| This is a new Principal Activity for the Uralla Shire Council and costs which previously have been allocated to Housing and Community and to Transport and Communication are now allocated to Environment.                     |                            |              |
| <b>3.4 Transport and Communication</b>   | <b>Unfavourable \$720k</b> | <b>16.6%</b> |
| The depreciation budgeted in Transport and Communication for 2009/2010 was \$716k. Following the re-valuation of the road asset, the depreciation charged to Transport and Communication was \$2,111k an increase of \$1,395k. |                            |              |

# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2010

### Note 17 - STATEMENT OF CONTRIBUTION PLANS

#### SUMMARY OF CONTRIBUTIONS

PURPOSE	OPENING BALANCE	CONTRIBUTIONS RECEIVED DURING YEAR		INTEREST EARNED DURING YEAR	EXPENDE D DURING YEAR	INTERNAL BORROW- INGS (to)/from	HELD AS RESTR- ICTED ASSET	EST. FUTURE CONTRIBS	EST. WORKS OUT- STANDING	EST. OVER/ (UNDER) FUNDING	BALANCE INTERNAL BORROW- INGS
		CASH	NON-CASH								
		\$'000	\$'000								
Roads	162	6	0	0	0	0	168		168	0	0
Traffic Facilities	5	4	0	0	0	0	9		9	0	0
Community facilities	42	2	0	0	0	0	44	60	104	0	0
Other	16	3	0	0	0	0	19		19	0	0
<b>Total Contributions</b>	<b>225</b>	<b>15</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>240</b>	<b>60</b>	<b>300</b>	<b>0</b>	<b>0</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	EXPENDE D DURING YEAR	INTERNAL BORROW- INGS (to)/from	HELD AS RESTR- ICTED ASSET	EST. FUTURE CONTRIBS	EST. WORKS OUT- STANDING	EST. OVER/ (UNDER) FUNDING	BALANCE INTERNAL BORROW- INGS
		CASH	NON-CASH								
		\$'000	\$'000								
Roads	17	6	0	0	0	0	23		23	0	0
Traffic Facilities	5	4	0	0	0	0	9		9	0	0
Community facilities	42	2	0	0	0	0	44	60	104	0	0
Other	11	3	0	0	0	0	14		14	0	0
<b>Total</b>	<b>75</b>	<b>15</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>90</b>	<b>60</b>	<b>150</b>	<b>0</b>	<b>0</b>

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

PURPOSE	OPENING BALANCE	CONTRIBUTIONS RECEIVED DURING YEAR		INTEREST EARNED DURING YEAR	EXPENDE D DURING YEAR	INTERNAL BORROW- INGS (to)/from	HELD AS RESTR- ICTED ASSET	EST. FUTURE CONTRIBS	EST. WORKS OUT- STANDING	EST. OVER/ (UNDER) FUNDING	BALANCE INTERNAL BORROW- INGS
		CASH	NON-CASH								
		\$'000	\$'000								
Other	5	0	0	0	0	0	5	0	5	0	0
<b>Total</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>0</b>	<b>5</b>	<b>0</b>	<b>0</b>

#### CONTRIBUTION PLAN - DCP ROAD MAINTENANCE ROYALTIES

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

# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2010

### Note 18 - CONTINGENCIES, ASSETS AND LIABILITIES NOT RECOGNISED IN THE BALANCE SHEET

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

Council contributes to the Local Government Superannuation Scheme which has a closed section where a portion of member entitlements are defined as a multiple of salary. Member councils bear the responsibility of ensuring there are sufficient monies available to pay out benefits as these members cease employment.

The Scheme has a deficit of assets over liabilities and its administrators have advised all Councils that they will need to make significantly higher contributions to help reverse this deficit. However, the Trustees may also call upon Councils to make an immediate payment sufficient to offset all or part of this deficit at any time. There is no current indication that such action will be necessary.

As the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils, the amount of such a payment is not able to be reliably quantified.

#### 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 losses in relation to prior years, but that they are confident of recouping these in future years trading. 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.

Details of an agreement between the Commonwealth and State Governments for the partial reimbursement of losses incurred were advised on 22 June 2004. Statewide Mutual is complying with the specified procedures but has not yet been advised whether its claim has been accepted.

#### 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 call has 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 2010

**Note 18 – Contingencies and Assets and Liabilities not Recognised in the Balance Sheet (cont)**

**4. LEGAL EXPENSES**

Council is the planning consent authority for its area under the Environmental Planning and Assessment Act (as amended). Pursuant to that Act, certain persons aggrieved by a planning decision of the Council may appeal to the Land and 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 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. FINANCIAL ASSETS – COLLATERAL DEBT OBLIGATIONS (CDOs)**

Council, together with a number of other local government authorities, is a party to a legal action funded by litigation funder IMF, against Lehman Brothers, the vendors / promoters of certain CDOs acquired by Council in previous years. These have been written down to a zero carrying values and reported in Notes 6 and 15.

The basis of the action is breach of fiduciary duty by Lehman Brothers directly leading to the losses incurred by Council.

As Lehman Australia has been placed in liquidation, and there are other legal actions pending against the company and its international holding company, the amount of Council's recovery, if any, cannot be estimated.

**7. 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, administered by the Tamworth Regional Council on behalf of the six members, and renewed from 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 2010 were not available. Council expects the net assets of the library to be in line with the previous year's results (\$780,289 – 2009) 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 2010**

**Note 19 - JOINT VENTURES AND 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 2010

### Note 20 - RETAINED EARNINGS AND REVALUATION RESERVES

<b>RETAINED EARNINGS</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
Balance at end of previous reporting period	66,543	77,132
Effect of correction of errors in previous years (see below)	-	(13,617)
Restated opening balance	66,543	63,515
<b>Net operating result for the year</b>	<b>(506)</b>	<b>3,028</b>
<b>Balance at end of the reporting period</b>	<b><u>66,037</u></b>	<b><u>66,543</u></b>

### REVALUATION RESERVES

#### *Infrastructure, Property, Plant and Equipment*

Balance at end of previous reporting period	210,886	25,945
Revaluation of infrastructure, property, plant and equipment	19,586	184,941
<b>Balance at end of reporting period</b>	<b><u>230,472</u></b>	<b><u>210,886</u></b>

At the end of the reporting period, the amount held in the reserve related to the following asset classes:

Land		
- Operational Land	2,084	2,084
Buildings	12,803	12,304
Infrastructure		
- Roads, bridges, footpaths	201,235	184,264
- Stormwater drainage	1,426	-
- Water Supply Network	9,749	9,269
- Sewerage Network	3,175	2,965
<b>Balance at end of reporting period</b>	<b><u>230,472</u></b>	<b><u>210,886</u></b>

As at 1 July 2008, Council determined 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 2010

### NOTE 21 - RESULTS BY FUND

Moneys raised pursuant to certain sections of the Local Government Act, and of certain other Acts, may not be used for the general purposes of the Council, or must be held as cash or authorised investments until expended for the purposes they were raised. This Note identifies the operating result and net assets of the general purposes operations of the Council, and of the principal special purpose operations.

Amounts are shown on a gross basis - before consolidation eliminations - and do NOT reconcile to the principal statements, and are shown for the current year only.

<b>INCOME STATEMENT</b>	<b>GENERAL FUND</b>	<b>WATER SUPPLY</b>	<b>SEWER</b>
	\$'000	\$'000	\$'000
<b>INCOME</b>			
Rates and Annual Charges	3,746	367	429
User Charges and Fees	1,475	243	20
Investment Revenues	201	0	0
Other Revenues	315	0	0
Grants and Contributions - Operating	7,519	17	13
Grants and Contributions - Capital	759	0	0
Profit from Disposal of Assets	128	0	0
<b>Total Income from Continuing Operations</b>	<u>14,143</u>	<u>627</u>	<u>462</u>
<b>EXPENSES</b>			
Employee Costs	6,283	364	195
Materials and Contracts	4,013	233	124
Borrowing Costs	179	0	0
Depreciation and Amortisation	2,902	56	16
Other Expenses	1,138	0	15
Interest and investment losses	0	107	113
<b>Total expenses from Continuing Operations</b>	<u>14,515</u>	<u>760</u>	<u>463</u>
<b>OPERATING RESULT FROM CONTINUING OPERATIONS</b>	<b>(372)</b>	<b>(133)</b>	<b>(1)</b>
Operating result from discontinued operations	0	0	0
<b>NET OPERATING RESULT FOR YEAR</b>	<u><b>(372)</b></u>	<u><b>(133)</b></u>	<u><b>(1)</b></u>
<i>Net operating result before capital grants and contributions</i>	<i>(1,131)</i>	<i>(133)</i>	<i>(1)</i>

## URALLA SHIRE COUNCIL

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2010

#### Note 21 - Results by Fund (cont)

	<b>GENERAL FUND</b>	<b>WATER SUPPLY</b>	<b>SEWER</b>
	\$'000	\$'000	\$'000
<b>BALANCE SHEET</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	357	480	749
Investments	4,500	0	0
Receivables	868	186	69
Inventories	185	0	0
<b>TOTAL CURRENT ASSETS</b>	<u>5,910</u>	<u>666</u>	<u>818</u>
<b>NON-CURRENT ASSETS</b>			
Receivables	(40)	40	0
Infrastructure, Property, Plant and Equipment	270,194	17,397	7,531
<b>TOTAL NON-CURRENT ASSETS</b>	<u>270,154</u>	<u>17,437</u>	<u>7,531</u>
<b>TOTAL ASSETS</b>	<u>276,064</u>	<u>18,103</u>	<u>8,349</u>
<b>CURRENT LIABILITIES</b>			
Payables	2,969	118	116
Borrowings	122	0	0
Provisions	1,219	0	0
<b>TOTAL CURRENT LIABILITIES</b>	<u>4,310</u>	<u>118</u>	<u>116</u>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	1,694	0	0
Provisions	936	0	0
<b>TOTAL NON CURRENT LIABILITIES</b>	<u>2,630</u>	<u>0</u>	<u>0</u>
<b>TOTAL LIABILITIES</b>	<u>6,940</u>	<u>118</u>	<u>116</u>
<b>NET ASSETS</b>	<u>269,124</u>	<u>17,985</u>	<u>8,233</u>
<b>EQUITY</b>			
Accumulated Surplus	52,743	8,236	5,058
Revaluation Reserves	216,381	9,749	3,175
<b>TOTAL EQUITY</b>	<u>269,124</u>	<u>17,985</u>	<u>8,233</u>

# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2010

### Note 23 - EVENTS OCCURRING AFTER BALANCE DATE

#### 1. THE MINISTER'S FOR LOCAL GOVERNMENT PROPOSAL FOR THE FORCED AMALGAMATION OF URALLA SHIRE COUNCIL INTO A NEW ENGLAND REGIONAL COUNCIL WITH ARMIDALE DUMARESQUE AND GUYRA SHIRE COUNCILS

On 21 January 2010 the Minister for Local Government, Hon Barbara Perry, announced the appointment of Mrs Gabriele Kibble AO as the facilitator to carry out a review of the delivery of local government services in the New England area, following the collapse of the New England Strategic Alliance of Councils (NESAC); of which the Uralla Shire Council was a foundation member and active participant.

Mrs Kibble was requested under the Terms of Reference to report back to the Minister on the matters in the Terms of Reference by Monday, 31 May 2010. The report, which included a recommendation (Recommendation 1) that "*The existing areas of Armidale Dumaresque, Guyra Shire and Uralla Shire Councils should be amalgamated*"; was delivered to the Minister within the timeframe of the Terms of Reference.

The Report on the "Review of Local Government Service Delivery in the New England Area" became the basis, with changes to the cover page and page (ii) from Mrs. Kibble's "INTRODUCTION" to "DESCRIPTION OF THE PROPOSAL", became the "PROPOSAL FOR THE CREATION OF A NEW ENGLAND REGIONAL COUNCIL". The proposal which then became the Minister's Proposal was made pursuant to the provisions of sections 218E (1) and 218F (1) of the Local Government Act 1993.

The Minister referred her proposal for the forced amalgamation of the existing local government areas of Armidale Dumaresque, Guyra Shire and Uralla Shire Councils to the Local Government Boundaries Commission on Thursday 10 June 2010. The Boundaries Commission was requested by the Minister to examine the Minister's Proposal and report in accordance with section 263 of the Act, with particular attention to Section 263 (3).

The Local Government Boundaries Commission listed the notice of the inquiry and the calling for submissions on the Local Government Boundaries Commission web-page within the Division of Local Government Website on Friday 16 July 2010 and in an advertisement on page 5 of the Armidale Express on Monday 19 July 2010. Submissions closed on Saturday 14 August 2010. Public hearings were held in Armidale on Monday 23<sup>rd</sup> and Tuesday 24<sup>th</sup> August 2010. The Commission is still considering the written and verbal submissions provided by the Councils and their community members.

The community and council of the Uralla Shire Council area have strenuously, and with forceful argument, overwhelmingly rejected the proposal and have shown by the numbers turning up to the information night with Mrs. Kibble and the submissions to the Local Government Boundaries Commission that it is not in the best interest of the Uralla Shire Community to lose its autonomous rural based local authority.

The formation of a New England Regional Council, which includes the area of the Uralla Shire Council, would mean that the Uralla Shire Council would cease to exist.

# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2010

### 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 2040, although it is planned to stage the rehabilitation of the current disturbed area over the next 15 years. The projected cost of this restoration at 30 June 2010 is \$634K, based on feasibility and engineering studies and has been discounted to its present value at 4% per annum being the estimated consumer price index.

	2010 \$'000	2009 \$'000
At beginning of year	584	551
Amounts capitalised to Tip asset	-	-
Amortised of discount - expensed to borrowing costs	50	33
At end of year	<u>634</u>	<u>584</u>

**INDEPENDENT AUDIT REPORT**  
**Report on the general purpose financial statements**

**To Uralla Shire Council**

**SCOPE**

The financial statements comprises the income statement, statement of comprehensive income, balance sheet, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the Statement by Councillors and Management in the approved form as required by Section 413(2)(C) of the Local Government Act 1993 for Uralla Shire Council (the Council), for the year ended 30<sup>th</sup> June 2010.

***Councils' responsibility for the financial statements***

The Council is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the Local Government Act 1993 and regulations and the Local Government Code of Accounting Practice and Financial Reporting. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free of material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

***Auditor's responsibility***

Our responsibility is to express an opinion on the financial statements to the Council based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Audit Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements is free from material misstatement. Our audit responsibility does not extend to the Original Budget figures included in the Income Statement and Cash Flow Statement and the Original Budget disclosures in Notes 2(a) and 16 or to the non-mandatory disclosures in Note 13b and 21 to the financial statements and accordingly, we express no opinion on them.

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

**Knowledge with integrity**

Liability limited by a scheme approved under the Professional Standards Legislation

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

- (a) The accounting records of the Council have been kept in accordance with the requirements of Division 2 of Part 3 of the Local Government Act, 1993:
- (b) the general purpose financial statements:
  - (i) has been prepared in accordance with the requirements of Division 2 of Part 3 of the Local Government Act, 1993;
  - (ii) is consistent with the Council's accounting records; and
  - (iii) presents fairly, in all material respects, the Council's financial position as at 30 June 2010 and the results of its operations for the year then ended; and
- (c) we have been able to obtain all information relevant to the conduct of our audit; and
- (d) no material deficiencies in the records or the financial statements were detected in the course of the audit.

Forsyths

***Forsyths Business Services Pty Ltd***



**Paul Cornall**

Principal

31 October 2010

92 Rusden Street Armidale

31 October 2010

The Mayor  
Uralla Shire Council  
PO Box 106  
URALLA 2358

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Dear Sir

Forsyths Business Services Pty Ltd  
ABN 66 182 781 401

**AUDIT OF ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2010**

We are pleased to report that we have completed the audit of Council's records for the year ended 30th June 2010 and have reported on the general purpose financial statements and special purpose financial statements as required by the provisions of Section 417(2) of the Local Government Act 1993.

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

***Council's responsibilities***

The Council is responsible for preparing a financial statements that give a true and fair view of the financial position and performance of the Council, and 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 statements.

***Audit Objectives***

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

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

***Scope of the Audit***

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.



We conducted an independent audit of the financial statements in order to express an opinion on them to the Council. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our audit responsibility does not extend to the Original Budget figures included in the Income Statement, Statement of Cash Flows and the Original Budget disclosures in Notes 2(a) and 16 or to the non-mandatory disclosures in Note 21 and 13(b) 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 statements present fairly, in accordance with the Local Government Act 1993, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Council's financial position, and its performance as represented by the results of its operations and cash flows.

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

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

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

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

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

### ***Matters Relating to the Electronic Presentation of the Audited Financial Statements***

This auditor's report relates to the financial statements of Uralla Shire Council for the year ended 30 June 2010 included on Council's web site. Council is responsible for the integrity of the Council's web site. We have not been engaged to report on the integrity of the Council's web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.

**Additional Reporting Requirements**

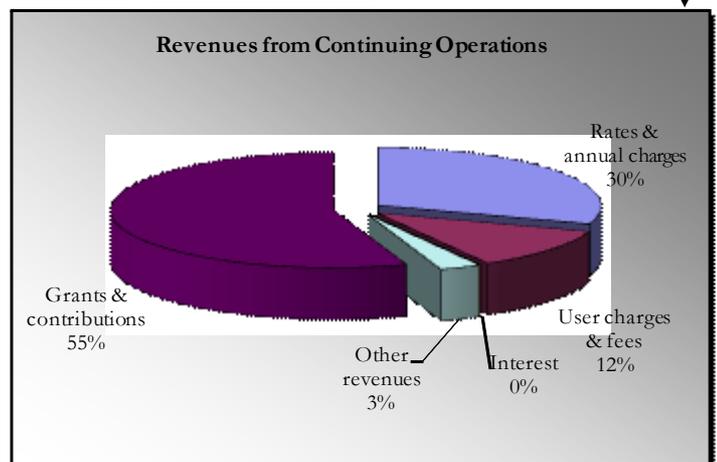
In accordance with Section 417(3) of the Local Government Act we make the following comments in relation to the results and financial trends.

The Income Statement for the year ended 30th June 2010 discloses the following operating result:

INCOME STATEMENT	Budget	Actual	Actual	Variance	
	2010	2010	2009	Actual	Budget
	\$'000	\$'000	\$'000	%	
<b>INCOME FROM CONTINUING OPERATIONS</b>					
Rates & annual charges	4,702	4,542	4,243	7.0%	-3.4%
User charges & fees	1,444	1,738	1,374	26.5%	20.4%
Interest	182	0	197	0.0%	0.0%
Other revenues from ordinary activities	278	315	346	-9.0%	13.3%
Grants & contributions for operating purposes	7,382	7,549	8,230	-8.3%	2.3%
Grants & contributions For capital purposes	461	759	1,256	-39.6%	64.6%
Gain from sale of assets	371	128	457	-72.0%	-65.5%
<b>Total income from continuing operations</b>	<b>14,820</b>	<b>15,031</b>	<b>16,103</b>	<b>-6.7%</b>	<b>1.4%</b>
<b>EXPENSES FROM CONTINUING OPERATIONS</b>					
Employee benefits & oncosts	6,134	6,842	6,219	10.0%	11.5%
Borrowing costs	120	179	153	17.0%	49.2%
Materials and contracts	4,616	4,370	4,127	5.9%	-5.3%
Depreciation & amortisation	1,952	2,974	1,505	7.7%	52.4%
Other expenses from ordinary activities	879	1,153	1,071	97.6%	31.2%
Investment losses	0	19	0	0.0%	0.0%
<b>Total Expenses from continuing operations</b>	<b>13,701</b>	<b>15,537</b>	<b>13,075</b>	<b>18.8%</b>	<b>13.4%</b>
<b>OPERATING RESULT FROM CONTINUING OPERATIONS</b>	<b>1,119</b>	<b>(506)</b>	<b>3,028</b>	<b>-116.7%</b>	<b>-145.2%</b>
<b>NET OPERATING RESULT BEFORE CAPITAL GRANTS AND CONTRIBUTIONS</b>	<b>658</b>	<b>(1,265)</b>	<b>1,772</b>	<b>-171.4%</b>	<b>-292.2%</b>

Council achieved a deficit **before** capital amounts of \$0.5m compared to the surplus in 2009 of \$3m.

Operating revenue decreased mainly as a result of lower grants and contributions for operating and capital purposes and reduced gains from sale of assets. Grants and contributions have decreased as a result of 2009 including the receipt of five instalments of financial assistance grants compared to four in 2010 as well as higher road and bridge grants for construction in 2009. Sale of assets for 2009 included better returns on the sale of plant and the unexpected return of full value of the Council's FRN investment..



The \$2.5m increase in expenses as a result of higher:

- Materials and contracts costs - increased maintenance activity and additional computer costs with the change-over of accounting software in 2010;
- Depreciation - impact of revaluations of infrastructure assets over the past three years, especially roads in 2009; and
- Employee costs - higher workers compensation insurance due recent claims history, higher superannuation costs (end of LGSS contribution holiday) and change in mix of permanent and casual staff.

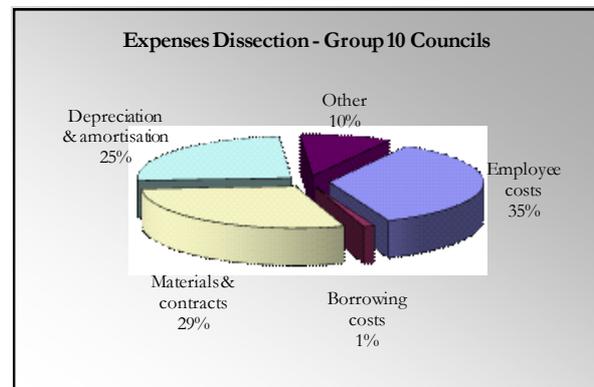
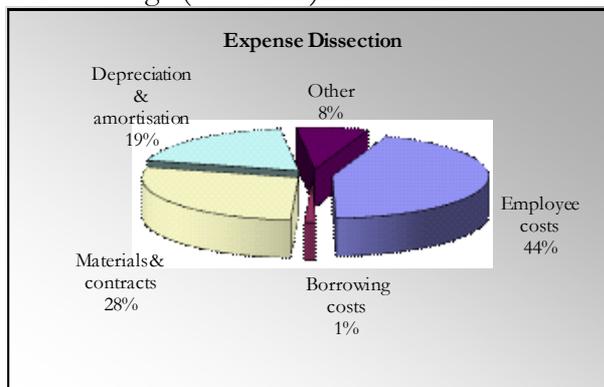
The global credit crisis has continued to have a major impact on credit linked products such as CDO's. Council is expected to hold these investments until maturity but events during the 2010 year (see comments under general section of this report) have ensured the risk of CDO investment default is high, which resulted in the write down in the remaining value of CDO investments of \$0.3m.

The 2009 income statement comparatives have been modified with the main change being the reclassification of waste management fees of \$450 from user charges and fees to rates and annual charges. The net result has remained unchanged.

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 deficit for the year of \$0.5m compares with the original budget surplus of \$1.1m. The major variations between the actual results and the original budget are as follows:

- Investment income – (unfavourable \$0.2m) - as a result of the write down of the remaining CDO investments, see above.
- Grants and contributions capital and operating (favourable \$0.5m) – Council obtained additional RTA contributions for regional roads.
- Employee costs (unfavourable \$0.7m) – Council varied the mix of permanent and casual staff to meet additional community services and LGSS contributions were higher than budget.
- Depreciation and amortisation (unfavourable \$1m) – this is attributable to revaluation of infrastructure assets which has changed the amount of depreciation charged.

Below is a comparison of expense dissections for the Council for 2010 compared to the Group 10 council average (2009 data).

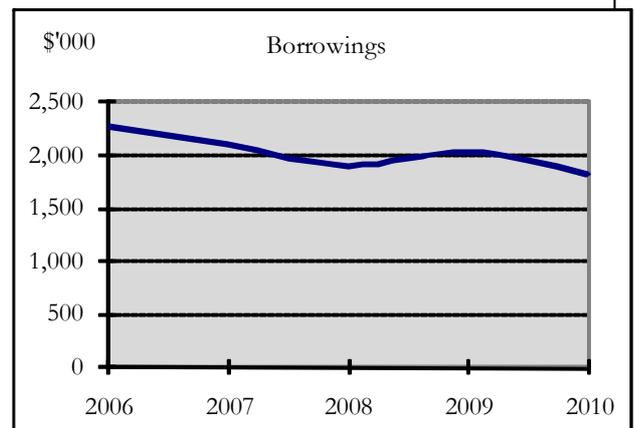
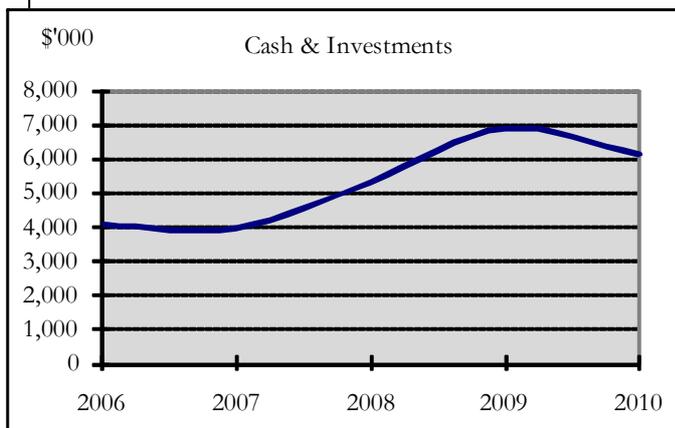


There is a significant variation in the levels of employee costs and depreciation compared to the Group 10 average. We believe this is due to Council having a lower level of depreciation expense than other Councils in the group (as it has a smaller level of infrastructure compared to the other Group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



The following schedule of assets and liabilities has been extracted from the Balance Sheet as at 30th June 2010. This schedule discloses the consolidated assets and liabilities of all functions.

<b>SCHEDULE OF ASSETS &amp; LIABILITIES</b>			
	<b>2010</b>	<b>2009</b>	<b>Variance</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>%</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	1,586	1,454	9.1%
Investments	4,500	5,412	-16.9%
Receivables	1,123	1,397	-19.6%
Inventories	185	187	-1.1%
Other	-	106	0.0%
<b>TOTAL CURRENT ASSETS</b>	<b>7,394</b>	<b>8,556</b>	<b>-13.6%</b>
<b>CURRENT LIABILITIES</b>			
Payables	3,203	3,191	0.4%
Borrowings	122	209	-41.6%
Provisions	1,219	1,159	5.2%
<b>TOTAL CURRENT LIABILITIES</b>	<b>4,544</b>	<b>4,559</b>	<b>-0.3%</b>
<b>NET CURRENT ASSETS</b>	<b>2,850</b>	<b>3,997</b>	<b>-28.7%</b>
<b>NON-CURRENT ASSETS</b>			
Infrastructure, Property Plant & Equipment	296,289	276,251	7.3%
<b>TOTAL NON-CURRENT ASSETS</b>	<b>296,289</b>	<b>276,251</b>	<b>7.3%</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	936	1,003	-6.7%
Borrowings	1,694	1,816	-6.7%
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>2,630</b>	<b>2,819</b>	<b>-6.7%</b>
<b>NET ASSETS</b>	<b>296,509</b>	<b>277,429</b>	<b>6.9%</b>



Cash and investments at 30<sup>th</sup> June 2010 were \$6.1m compared to \$6.9m as at 2009. The reduction is a result of the sale of investments and write down on CDO's in 2010.

Borrowings have reduced by \$0.2m due to scheduled repayments.



The increase in infrastructure, property, plant and equipment of \$20m is mainly due to the revaluation of bridges and drainage assets in 2010. The revaluation process ensures that asset condition and replacement values are assessed, which will then improve the depreciation methodology for infrastructure assets in future years. This will provide improved financial reporting regarding Council's ability to fund the deterioration in infrastructure assets reflected by depreciation each year. Council has now revalued a majority of its infrastructure assets, excluding community land and other structures.

**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.

	Water \$'000	Sewerage \$'000	Dom Waste \$'000	McMaugh Gardens	General \$'000	Total \$'000
Current Assets	666	818	-	768	5,142	7,394
Current Liabilities	118	116	-	1,476	2,834	4,544
<b>Net Current Assets</b>	<b>548</b>	<b>702</b>	<b>-</b>	<b>(708)</b>	<b>2,308</b>	<b>2,850</b>
Add Liabilities > 12 Months	-	-	-	1,171	742	1,913
<b>Total Funds before Restrictions</b>	<b>548</b>	<b>702</b>	<b>-</b>	<b>463</b>	<b>3,050</b>	<b>4,763</b>
<b>LESS: Restricted Cash &amp; Investments</b> (Included in Revenue)						
Developer Contributions	-	-	-	-	240	240
Specific Purpose Grants & Contributions	-	-	-	-	220	220
	-	-	-	-	460	460
<b>NET FUNDS AVAILABLE</b>	<b>548</b>	<b>702</b>	<b>-</b>	<b>463</b>	<b>2,590</b>	<b>4,303</b>
<b>LESS Internal Restrictions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,329</b>	<b>2,329</b>
<b>Net Funds After All Restrictions</b>	<b>548</b>	<b>702</b>	<b>-</b>	<b>463</b>	<b>261</b>	<b>1,974</b>

<b>INTERNAL RESTRICTIONS</b>	<b>Opening \$'000</b>	<b>Transfer to \$'000</b>	<b>Transfer from \$'000</b>	<b>Closing \$'000</b>
Employee leave entitlements	473	27	-	500
Plant replacement	300	-	-	300
Carry-over works	245	72	-	317
FAG in advance	484	507	484	507
Strategic Alliance	77	-	77	-
Gravel Pit Restoration	18	-	18	-
Kentucky Hall	4	-	4	-
Arding Hall	3	-	3	-
Accommodation bond guarantee	-	705	-	705
	<b>1,604</b>	<b>1,311</b>	<b>586</b>	<b>2,329</b>

The above table demonstrates that after excluding McMaugh Gardens Hostel, the general function working capital balance is in surplus and able to support the internal restrictions it has created as at 30 June 2010. McMaugh Gardens Aged Care net current assets is in deficit due to accommodation bonds required to be shown as current liabilities. After adjusting for bonds not expected to be repaid in the normal course of operations, McMaugh Gardens Aged Care has sufficient cash reserves.



Council has restricted \$2.3m in cash to partly fund plant replacements, carry-over projects, accommodation bond requirements and employee entitlements provisions. There is a surplus in unrestricted current assets of \$0.3m to fund working capital needs. We believe however, that Council should have a positive unrestricted working funds balance in the general function of at least \$500,000.

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	2010	2009	2008	2007
UNRESTRICTED RATIO	To assess the adequacy of working capital after excluding all restricted assets and liabilities.	5.08	3.62	1.24	0.64
DEBT SERVICE RATIO	To assess the degree to which revenues are committed to the repayment of debt.	2.0%	3.0%	2.0%	3.0%
RATE COVERAGE RATIO	To assess the degree of dependence upon revenues from rates and annual charges.	30.0%	23.0%	26.0%	29.0%
OUTSTANDING RATES %	To assess the impact of uncollected rates and charges on liquidity and the adequacy of recovery efforts.	9.7%	9.3%	11.2%	6.5%
ASSET RENEWALS RATIO	To assess the rate at which assets are being renewed against the rate they are being depreciated	1.06	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 5.08 indicates that for every \$1 of current liabilities as at 30 June 2010, which is expected to be paid out within the following twelve months, Council has \$5.08 to meet this commitment. As a comparison, Category 10 Councils in 2009 had an average unrestricted ratio of 3.52.

The debt service ratio of 2% is better than the average for Group 10 Councils of 2.3% (2009 data). The low ratio reflects an ability for Council to increase its borrowings to fund infrastructure needs if required.

The rate coverage ratio of 30% exceeds the Group 10 average of 28%. Grants and contributions contribute 55% to council’s revenue. We note that half of these grants are “contested” grants and if they were not renewed, Council would correspondingly reduce expenses fully funded by these projects. However, Council is still dependent on various government grants and other funding to provide support to general expenditure overheads.

The outstanding rates ratio increased compared to prior years and is higher than the Group 10 average of 7.7%. We believe a ratio of 5% is where Council should aim as part of its operating targets. It will be important for Council to monitor the level of rates collections given the slower collection trend in the past three years.



The asset renewals ratio was established by the Division of Local Government from the 2007 year. The ratio is designed 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).

The ratio for 2010 highlights that Council expended the same on renewal of infrastructure assets compared to the estimated asset deterioration in the period. With the significant increase in infrastructure values in the past four years there will be pressure on Council to match capital expenditure compared to depreciation. Council needs in the long term to continue to focus on improving infrastructure to reduce the impacts of "wear and tear" on these assets.

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

The decrease in overall cash and investments reflected in the Balance Sheet is also evident in the following table extracted from the Statement of Cash Flows.

CASH MOVEMENTS	Actual 2010	Actual 2009	Variance
	\$'000	\$'000	%
<b>CASH INFLOWS</b>			
Operating Receipts	16,393	16,416	-0.1%
Proceeds from Assets Sales	237	415	-42.9%
Net receipt of retirement home bonds	400	453	-11.7%
Proceeds from investments	1,142	200	471.0%
Proceeds from Borrowings	0	310	0.0%
<b>TOTAL RECEIPTS</b>	<b>18,172</b>	<b>17,794</b>	<b>2.1%</b>
<b>CASH OUTFLOWS</b>			
Operating Payments	13,535	11,935	13.4%
Purchase of investments	558	2,625	-78.7%
Purchase of Assets	3,536	3,562	-0.7%
Repayment of Loans	209	177	18.1%
Net repayment of retirement home bonds	202	257	-21.4%
<b>TOTAL PAYMENTS</b>	<b>18,040</b>	<b>18,556</b>	<b>-2.8%</b>
<b>TOTAL CASH MOVEMENT</b>	<b>132</b>	<b>(762)</b>	<b>-117.3%</b>
Cash and equivalents	1,586	1,454	3.0%
Investments	4,500	5,412	3.0%
<b>Total Cash &amp; Investments on Hand</b>	<b>6,086</b>	<b>6,866</b>	<b>-11.4%</b>

Cash and investments decreased by \$0.8m due to the write off of remaining CDO's of \$0.3m and operating cash surpluses being used to fund asset purchases.

Cash outflows for Purchase of Assets of \$3.5m included road and bridge construction totalling \$2.2m. This compares to the \$2.1m 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 \$3.2m.

The remaining asset purchases included purchases for plant and equipment of \$0.9m and buildings of \$0.3m.



## **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 \$133,000 after allowing for depreciation of \$56,000.

The Net Current Asset position records a positive balance of \$548,000. 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 deficit (before capital funding) of \$1,000 after allowing for depreciation of \$16,000.

The Net Current Assets position show a surplus of \$702,000. 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.

### **MCMAUGH GARDENS HOSTEL**

The Special Purpose Financial Reports disclose that McMaugh Gardens Hostel recorded an operating surplus of \$86,000 for the 2010 year compared to \$180,000 in the previous year. This result is after depreciation expense of \$48,000.

The net current asset position is a deficit of \$708,000 after allowing for resident’s bonds amounting to \$1,473,000. The deficit is a result of accommodation bonds being required to be shown as current despite usual annual bond repayments. When this is taken into account the Hostel has reserves of \$463,000. 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.

Please also note that 2009 comparatives have been amended to adjust for errors in recording of infrastructure assets, provisions and cash balances in the accounting ledgers. This has been explained in the notes to the special purpose financial statements.

## **GENERAL**

### ***Investment valuations as at 30 June 2010***

In the 2008 and 2009 audit reports we qualified our audit opinion with regard to Collateralised Debt Obligations (CDOs) investments held by Council as we were unable to obtain sufficient audit evidence to verify the market value of these investments at reporting date.



This was due to the global financial credit crisis impacting on financial markets thus leading to a period of high volatility led by events in the US housing market, particularly subprime loans, which has impacted the value, recoverability, liquidity, cash flows and rates of return of many financial assets, especially Collateralised Debt Obligations (CDOs).

Two years on the value of the investments where we have been unable to get sufficient audit evidence to support market values, has been reduced due to a write off the remaining CDO values of \$0.3m and we have removed our qualification.

At 30 June 2010 there is only approximately \$0.3m of terminated CDO monies held in trust by the Bank of New York Mellon that do not have market values which are independently quoted and they are not widely traded. These monies held in trust are also subject to legal action with Lehman Brothers as outlined in Note 18 of the financials statements. The amount of recovery on these monies held in trust is therefore subjected to the uncertainty of the success of this legal action. Therefore, Council has prudently written the values to \$Nil as at 30 June 2010.

### ***Subsequent events disclosure***

Note 23 discloses that New England Strategic Alliance of Councils (NESAC) disbanded in the 2010 year and the Division of Local Government has recommended the amalgamation of Guyra, Armidale Dumaresq and Uralla Councils. A decision by the Boundary Commission is pending regarding this recommendation. If amalgamation occurs this will cause the transfer of Uralla Shire Council's operations into a new Council entity in the 2011 financial year.

### ***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 purple ink that reads 'P.R. Cornall'.

**Paul R Cornall**  
Principal

**URALLA SHIRE COUNCIL**  
**Special Purpose Financial Statements**  
**for the year ended 30th June 2010**

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# URALLA SHIRE COUNCIL

## SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

### 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 NSW Office of Water, Department of Environment, Climate Change and Water "*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

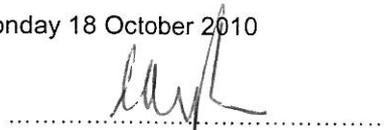
We are not aware of any matter that would render the reports false or misleading in any way.

Signed in accordance with a resolution of Council made on Monday 18 October 2010



Councillor Kevin Stanley Ward

**MAYOR**



Councillor Michael Pearce

**DEPUTY MAYOR**



Mr Thomas Patrick O'Connor

**GENERAL MANAGER**



Mr Thomas Patrick O'Connor

**RESPONSIBLE ACCOUNTING OFFICER**

**URALLA SHIRE COUNCIL**  
**INCOME STATEMENT**  
**WATER SUPPLY BUSINESS ACTIVITY**  
for the year ended 30th June 2010

	Notes	2010 '000	2009 '000	2008 '000
<b>INCOME FROM CONTINUING OPERATIONS</b>				
Access Charges		367	328	313
User Charges		242	231	262
Fees		1	-	-
Interest Received		(107)	15	83
Grants and Contributions - Operating		17	13	13
Gain on Disposal of Assets		-	81	-
<b>TOTAL</b>		<u>520</u>	<u>668</u>	<u>671</u>
<b>EXPENSES FROM CONTINUING OPERATIONS</b>				
Employee Costs		364	376	376
Materials and Contracts		233	241	254
Depreciation and Amortisation		56	52	50
Loss on Investments	1	-	-	328
Other Operating Expenses		-	119	-
<b>TOTAL</b>		<u>653</u>	<u>788</u>	<u>1,008</u>
<b>SURPLUS (DEFICIT) BEFORE TAX</b>				
		<u>(133)</u>	<u>(120)</u>	<u>(337)</u>
Corporate Taxation Equivalent	1	-	-	-
<b>SURPLUS (DEFICIT) FOR YEAR</b>				
		<u>(133)</u>	<u>(120)</u>	<u>(337)</u>
Add: Accumulated Surplus brought forward		8,369	8,489	8,736
<i>Adjustments for amounts unpaid</i>				
Fair Value Adjustments	1	-	-	86
<b>ACCUMULATED SURPLUS</b>				
		<u>8,236</u>	<u>8,369</u>	<u>8,489</u>
<i>RATE OF RETURN ON CAPITAL</i>	1	<b>NIL</b>	<i>Nil</i>	<i>Nil</i>
<i>NOTIONAL SUBSIDY FROM COUNCIL</i>	1	<b>N/A</b>	<i>N/A</i>	<i>N/A</i>
<i>Calculation of Dividend Payable during next financial year</i>				
<i>Surplus after tax</i>		<b>-133</b>	<b>-120</b>	<b>-337</b>
<i>Less: Capital grants and contribs from LWUs</i>		<u>17</u>	<u>13</u>	<u>13</u>
<i>Surplus for dividend calculation purposes</i>		<u>0</u>	<u>0</u>	<u>0</u>
<i>Dividend calculated from surplus</i>		<b>0</b>	<b>0</b>	<b>0</b>

**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 2010

	Notes	2010 '000	2009 '000	2008 '000
<b>INCOME FROM CONTINUING OPERATIONS</b>				
Access Charges		429	423	405
User Charges		17	14	28
Liquid Trade Waste Charges		3	10	12
Interest Received		(113)	4	68
Grants and Contributions - Operating		13	19	19
Gain on Disposal of Assets		-	81	-
<b>TOTAL</b>		<b>349</b>	<b>551</b>	<b>532</b>
<b>EXPENSES FROM CONTINUING OPERATIONS</b>				
Employee Costs		195	217	242
Materials and Contracts		124	139	164
Borrowing Costs		-	2	-
Depreciation and Amortisation		16	14	16
Loss on Investments		-	-	327
Other Operating Expenses		15	119	-
<b>TOTAL</b>		<b>350</b>	<b>491</b>	<b>749</b>
Corporate Taxation Equivalent	1	-	18	-
<b>SURPLUS (DEFICIT) FOR YEAR</b>		<b>(1)</b>	<b>42</b>	<b>(217)</b>
Add: Accumulated Profits brought forward		5,059	4,997	5,214
Fair Value Adjustment	1	-	-	-
Debt Guarantee Fee retained		-	-	-
Corporate Tax Equivalent retained		-	18	-
Less: Dividends Paid	1	-	-	-
<b>ACCUMULATED SURPLUS</b>		<b>5,058</b>	<b>5,058</b>	<b>4,997</b>
<i>RATE OF RETURN ON CAPITAL</i>	1	<i>NIL</i>	0.85%	Nil
<i>NOTIONAL SUBSIDY FROM COUNCIL</i>	1	<i>N/A</i>	N/A	N/A
<i>Calculation of Dividend Payable during next financial year</i>				
Surplus after tax		-1	42	-217
Less: Capital grants and contribs from LWUs		13	19	19
Surplus for dividend calculation purposes		0	23	0
Dividend calculated from surplus		0	12	0

**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 2010**

		<b>BUSINESS ACTIVITIES</b>			
		<b>PRIVATE WORKS</b>		<b>MCMAUGH GARDENS</b>	
		'000		'000	
		<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	Notes				
<b>REVENUE FROM CONTINUING OPERATIONS</b>					
User Charges and Fees		438	166	578	556
Interest Received		-	-	28	28
Grants and Contributions - Operating		-	130	1,269	1,387
Gain on Disposal of Assets		-	-	-	27
Other Operating Revenues		-	-	65	30
<b>TOTAL</b>		<b>438</b>	<b>296</b>	<b>1,940</b>	<b>2,028</b>
<b>EXPENSES FROM CONTINUING OPERATIONS</b>					
Employee Costs		134	159	1,311	1,282
Materials and Contracts		264	207	389	428
Borrowing Costs		-	-	5	6
Depreciation and Amortisation		-	-	48	44
Other Operating Expenses		-	-	101	88
<b>TOTAL</b>		<b>398</b>	<b>366</b>	<b>1,854</b>	<b>1,848</b>
<b>SURPLUS (DEFICIT) BEFORE TAX</b>		<b>40</b>	<b>(70)</b>	<b>86</b>	<b>180</b>
Corporate Taxation Equivalent	2			26	54
<b>SURPLUS (DEFICIT) FOR YEAR</b>				<b>60</b>	<b>126</b>
Add: Accumulated Profits brought forward				2,367	2,187
Corporate Tax Equivalent	1			26	54
<b>ACCUMULATED SURPLUS</b>				<b>2,453</b>	<b>2,367</b>
RATE OF RETURN ON CAPITAL	2			2.05%	5.26%
NOTIONAL SUBSIDY FROM COUNCIL	2			N/A	N/A

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

**URALLA SHIRE COUNCIL**  
**BALANCE SHEET**  
**WATER SUPPLY BUSINESS ACTIVITY**  
**As at 30 June 2010**

	Notes	2010 '000	2009 '000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		480	408
Receivables		186	206
<b>TOTAL CURRENT ASSETS</b>		<u>666</u>	<u>614</u>
<b>NON-CURRENT ASSETS</b>			
Receivables		40	109
Infrastructure, Property, Plant and Equipment		17,397	16,908
<b>TOTAL NON-CURRENT ASSETS</b>		<u>17,437</u>	<u>17,017</u>
<b>TOTAL ASSETS</b>		<u>18,103</u>	<u>17,631</u>
<b>CURRENT LIABILITIES</b>			
Payables		118	4
<b>TOTAL CURRENT LIABILITIES</b>		<u>118</u>	<u>4</u>
<b>TOTAL LIABILITIES</b>		<u>118</u>	<u>4</u>
<b>NET ASSETS</b>		<u>\$ 17,985</u>	<u>17,627</u>
<b>EQUITY</b>			
Accumulated Surplus		8,236	8,367
Asset Revaluation Reserve		9,749	9,260
<b>TOTAL EQUITY</b>		<u>\$ 17,985</u>	<u>17,627</u>

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

## URALLA SHIRE COUNCIL

### BALANCE SHEET SEWERAGE BUSINESS ACTIVITY As at 30 June 2010

	Notes	2010 '000	2009 '000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		749	725
Receivables		69	59
<b>TOTAL CURRENT ASSETS</b>		<u>818</u>	<u>784</u>
<b>NON-CURRENT ASSETS</b>			
Infrastructure, Property, Plant and Equipment		7,531	7,294
<b>TOTAL NON-CURRENT ASSETS</b>		<u>7,531</u>	<u>7,294</u>
<b>TOTAL ASSETS</b>		<u>8,349</u>	<u>8,078</u>
<b>CURRENT LIABILITIES</b>			
Payables		116	47
Interest bearing liabilities		-	12
<b>TOTAL CURRENT LIABILITIES</b>		<u>116</u>	<u>59</u>
<b>TOTAL LIABILITIES</b>		<u>116</u>	<u>59</u>
<b>NET ASSETS</b>		<u>\$ 8,233</u>	<u>8,019</u>
<b>EQUITY</b>			
Accumulated Surplus		5,058	5,058
Asset Revaluation Reserve		3,175	2,961
<b>TOTAL EQUITY</b>		<u>\$ 8,233</u>	<u>8,019</u>

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

## URALLA SHIRE COUNCIL

BALANCE SHEET by BUSINESS ACTIVITIES  
As at 30 June 2010

		BUSINESS ACTIVITIES			
		PRIVATE WORKS '000		MCMAUGH GARDENS '000	
		2010	2009	2010	2009
	Notes				
<b>CURRENT ASSETS</b>					
Investments		-	-	768	465
	<b>TOTAL CURRENT ASSETS</b>	-	-	<b>768</b>	465
<b>NON-CURRENT ASSETS</b>					
Property, Plant and Equipment		-	-	4,437	4,341
	<b>TOTAL NON-CURRENT ASSETS</b>	-	-	<b>4,437</b>	4,341
	<b>TOTAL ASSETS</b>	-	-	<b>5,205</b>	4,806
<b>CURRENT LIABILITIES</b>					
Payables		-	-	1,473	1,275
Interest bearing liabilities		-	-	3	3
Provisions		-	-	-	-
	<b>TOTAL CURRENT LIABILITIES</b>	-	-	<b>1,476</b>	1,278
<b>NON-CURRENT LIABILITIES</b>					
Payables		-	-	-	-
Interest bearing liabilities		-	-	80	83
Provisions		-	-	-	-
	<b>TOTAL NON CURRENT LIABILITIES</b>	-	-	<b>80</b>	83
	<b>TOTAL LIABILITIES</b>	-	-	<b>1,556</b>	1,361
<b>NET ASSETS</b>		\$ -	-	<b>3,649</b>	3,445
<b>EQUITY</b>					
Accumulated Surplus		-	-	2,453	2,367
Asset Revaluation Reserve		-	-	1,196	1,078
<b>TOTAL EQUITY</b>		\$ -	-	<b>3,649</b>	3,445

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 STATEMENTS**

# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2010

### 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 Division of Local Government, and the NSW Office of Water, Department of Environment, Climate Change and Water. 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 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 and Costing for Council Businesses: A Guide to Competitive Neutrality"* and the NSW Office of Water, Department of Environment, Climate Change and Water 2007 guidelines *"Best-Practice Management of Water Supply and Sewerage"*.

Except where directed to the contrary by the above documents, the financial statements also comply with all applicable Australian Accounting Standards and professional pronouncements, and are 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 Council Combined Water Supplies

Comprising the whole of the operations and assets of the water supply systems servicing the towns of Uralla and Bundarra, each of which were established as separate Special Rate Funds (see item 4 below). As the total annual operating revenues are less than \$2,000,000, it is defined as a "Category 2" Business Unit.

##### Uralla Local Sewerage Fund

Comprising the whole of the operations and assets of the sewerage reticulation and treatment system servicing the town of Uralla which is established as a Special Rate Fund (see item 4 below). As the total annual operating revenues are less than \$2,000,000, it is defined as a "Category 2" Business Unit.

**NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2010**

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

**McMaugh Aged Care Centre**

Comprising the whole of the operations and assets of the 36 bed aged care facility in King Street, Uralla titled the "McMaugh Aged Care Centre", and is defined as a "Category 2" Business Unit. The Division of Local Government's July 1997 guidelines "*Pricing and 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, council subsidies, rate of return on investments in business units and dividends paid. The NSW Office of Water, Department of Environment, Climate Change and Water's 2007 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. The NSW Office of Water, Department of Environment, Climate Change and Water's 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 and 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 and 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.

**NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2010**

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

**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 and Equipment at the reporting date.

**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. The Employee Leave Entitlements are charged to the Water, Sewer and McMaugh Gardens Funds as an on-cost of wages and salaries and the liability for unpaid Employee Leave Entitlements is therefore carried as a provision by the General Fund.

**6. Fund 4 – McMaugh Gardens Aged Care Centre**

Until 30 June 2009, Council operated the McMaugh Gardens Aged Care Centre as a business Unit within the Community Services activity of Council. From 1 July 2009 the operations, assets and liabilities of McMaugh Gardens Aged Care Centre became Fund 4. The comparative figures for 2009 are therefore the opening entry for Fund 4 and vary from the 30 June 2009 balances of the business unit, particularly the Property, Plant and Equipment, which has increased by \$803k, and the Employee Leave Provisions of \$136k. The effect of creating the Fund has been to convert the funds in excess of Accumulated Surplus into the current asset investment. This resulted in a difference between the Accommodation Bonds liability and the investment funds available. This difference is guaranteed by an internal restriction on the General Fund cash and investments in Note 6 of the General Purpose Financial Statements.

**7. Rounding**

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

**8. National Competition Policy Notional Payments**

The table forming part of this Note immediately follows.

## URALLA SHIRE COUNCIL

## 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 2010

BUSINESS ACTIVITIES							
WATER		SEWER		PRIVATE WORKS		MCMAUGH GARDENS	
2010	2009	2010	2009	2010	2009	2010	2009

<i>Category</i>							
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**TAXATION EQUIVALENT PAYMENTS**Payroll Tax  
Fringe Benefits Tax

<i>Rate</i> <b>Applies</b>	<i>Rate</i> Applies	<i>Rate</i> <b>Applies</b>	<i>Rate</i> Applies	<i>Rate</i> <b>Applies</b>	<i>Rate</i> Applies	<i>Rate</i> <b>Applies</b>	<i>Rate</i> Applies
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**COUNCIL RATES, CHARGES & FEES**

See Note 1, Item 3.2

**LOAN & DEBT GUARANTEE FEES**

<b>3.00%</b>	3.00%	<b>3.00%</b>	3.00%	<b>3.00%</b>	3.00%	<b>3.00%</b>	30.00%
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**CORPORATE TAXATION EQUIVALENT**

<b>30%</b>	30%	<b>30%</b>	30%	<b>30%</b>	30%	<b>30%</b>	30%
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**DIVIDENDS PAID**

<b>0.00%</b>	N/A	<b>0.00%</b>	0.00%	<b>N/A</b>	N/A	<b>N/A</b>	N/A
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**RATE OF RETURN ON CAPITAL**Required Rate of Return  
Actual Rate of Return

<b>NIL</b>	Nil	<b>0.19%</b>	0.85%	<b>Nil</b>	NIL	<b>2.07%</b>	5.26%
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# URALLA SHIRE COUNCIL

## NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE STATEMENTS for the year ended 30th June 2010

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

2010

*Values shown in this Note are expressed in WHOLE DOLLARS*

#### Calculation and Payment of Tax-Equivalents

(i)	Calculated Tax Equivalents	\$0
(ii)	No of assessments multiplied by \$3/assessment	\$4,158
(iii)	Amounts payable for Tax Equivalents	\$0
(iv)	Tax Equivalents paid	\$0

#### Dividend from Surplus

(i)	50% of Surplus before Dividends	\$0
	<i>(Calculated in accordance with Best Practice Management for Water Supply and Sewerage guidelines.)</i>	
(ii)	No of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	\$41,580
(iii)	Cumulative Surplus before Dividends for 3 years to 30 June 2010, less cumulative dividends paid for 2 years to 30 June 2009	
(iv)	Maximum Dividend from Surplus	
(v)	(least of (i), (ii) and (iii) )	\$0
(v)	Dividend paid from Surplus	

#### 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 <i>(Item 2(a) in Table 1 on page 22 of Best Practice guidelines)</i>	No
	Complying charges <i>(Item 2(b) in Table 1)</i>	Yes
	DSP with Commercial Developer Charges <i>(Item 2(e) in Table 1)</i>	No
	If Dual Water Supplies, Complying Charges <i>(Item 2(g) in Table 1)</i>	Yes
(iii)	Sound Water Conservation and Demand Management Implemented	Yes
(iv)	Sound Drought Management implemented	Yes
(v)	Complete Performance Reporting Form (by 15 September each year)	Yes
(vi)	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	\$627
NWI F4 Residential Revenue from Usage Charges (Water)	%	39.74%
NWI F9 Written Down Replacement Cost of Fixed Assets (Water)	\$'000	\$16,835
NWI F11 Operating Cost (OMA) (Water)	\$'000	\$597
NWI F14 Capital Expenditure (Water)	\$'000	\$57
NWI F17 Economic Real Rate of Return (Water)	%	-0.15%
NWI F20 Capital Works Grants (Water)	\$'000	\$0

## URALLA SHIRE COUNCIL

### NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE STATEMENTS for the year ended 30th June 2010

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

2010

*Values shown in this Note are expressed in WHOLE DOLLARS*

#### Calculation and Payment of Tax-Equivalents

(i)	Calculated Tax Equivalents	
(ii)	No of assessments multiplied by \$3/assessment	\$3,252
(iii)	Amounts payable for Tax Equivalents	\$3,252
	(lesser of (i) and (iii) )	
(iv)	Tax Equivalents paid	\$3,252

#### Dividend from Surplus

(i)	50% of Surplus before Dividends	\$5
	<i>(Calculated in accordance with Best Practice Management for Water Supply and Sewerage guidelines.)</i>	
(ii)	No of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	\$29,268
(iii)	Cumulative Surplus before Dividends for 3 years to 30 June 2010, less cumulative dividends paid for 2 years to 30 June 2009	\$0
(iv)	Maximum Dividend from Surplus	\$0
	(least of (i), (ii) and (iii) )	
(v)	Dividend paid from Surplus	\$0

#### Required Outcomes for 4 Criteria

(i)	Complete current 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 and Policy (Item 2(f) in Table 1)	No
(iii)	Complete Performance Reporting Form (by 15 September each year)	Yes
(iv) a.	Complete Integrated Water Cycle Management Evaluation	No
(iv) b.	Complete and implement Integrated Water Cycle Management Strategy	No

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

NWI F2 Total Revenue (Sewerage)	\$'000	\$462
NWI F1C Written Down Replacement Cost of Fixed Assets (Sewerage)	\$'000	\$7,195
NWI F12 Operating Cost (Sewerage)	\$'000	\$319
NWI F1E Capital Expenditure (Sewerage)	\$'000	\$39
NWI F1E Economic Real Rate of Return (Sewerage)	%	1.69%
NWI F27 Capital Works Grants (Sewer)	\$'000	\$0
NWI F3 Total Income (Water and Sewerage)	\$'000	\$1,089
NWI F5 Revenue from Community Service Obligations (Water and Sewerage)	%	2.75%
NWI F1E Capital Expenditure (Water and Sewerage)	\$'000	\$96
NWI F1E Economic Real Rate of Return (Water and Sewerage)	%	0.41%
NWI F2C Dividend (Water and Sewerage)	\$'000	\$0
NWI F21 Dividend Payout Ratio (Water and Sewerage)	%	0.00%
NWI F22 Net Debt to Equity (Water and Sewerage)	%	-4.74%
NWI F23 Interest Cover (Water and Sewerage)	times	0
NWI F24 Net Profit after Tax (Water and Sewerage)	\$'000	-\$122
NWI F2E Community Service Obligations (Water and Sewerage)	\$'000	\$30

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Forsyths Business Services Pty Ltd  
ABN 66 182 781 401

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

**To Uralla Shire Council**

**SCOPE**

We have audited the special purpose financial statements of Uralla Shire Council for the year ended 30<sup>th</sup> June 2010 comprising the Statement by Councillors and Management, Income Statement of Business Activities, Balance Sheet by Business Activities, and Note 1 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 statements***

The Council is responsible for the preparation and fair presentation of the financial statements and have determined that the accounting policies described in Note 1 to the financial statements, which form part of the financial statements, are appropriate to meet the requirements of the 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 statements that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

***Auditor's responsibility***

Our responsibility is to express an opinion on the financial statements based on our audit. No opinion is expressed as to whether the accounting policies used, as described in Note 1, are appropriate to meet the needs of the Council or the 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 statements is free from material misstatement.

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

**Knowledge with integrity**

Liability limited by a scheme approved under the Professional Standards Legislation

The special purpose financial statements 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 Statements of the Uralla Shire Council for the year ended 30<sup>th</sup> June 2010 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.

*Forsyth's*

***Forsyth's Business Services Pty Ltd***

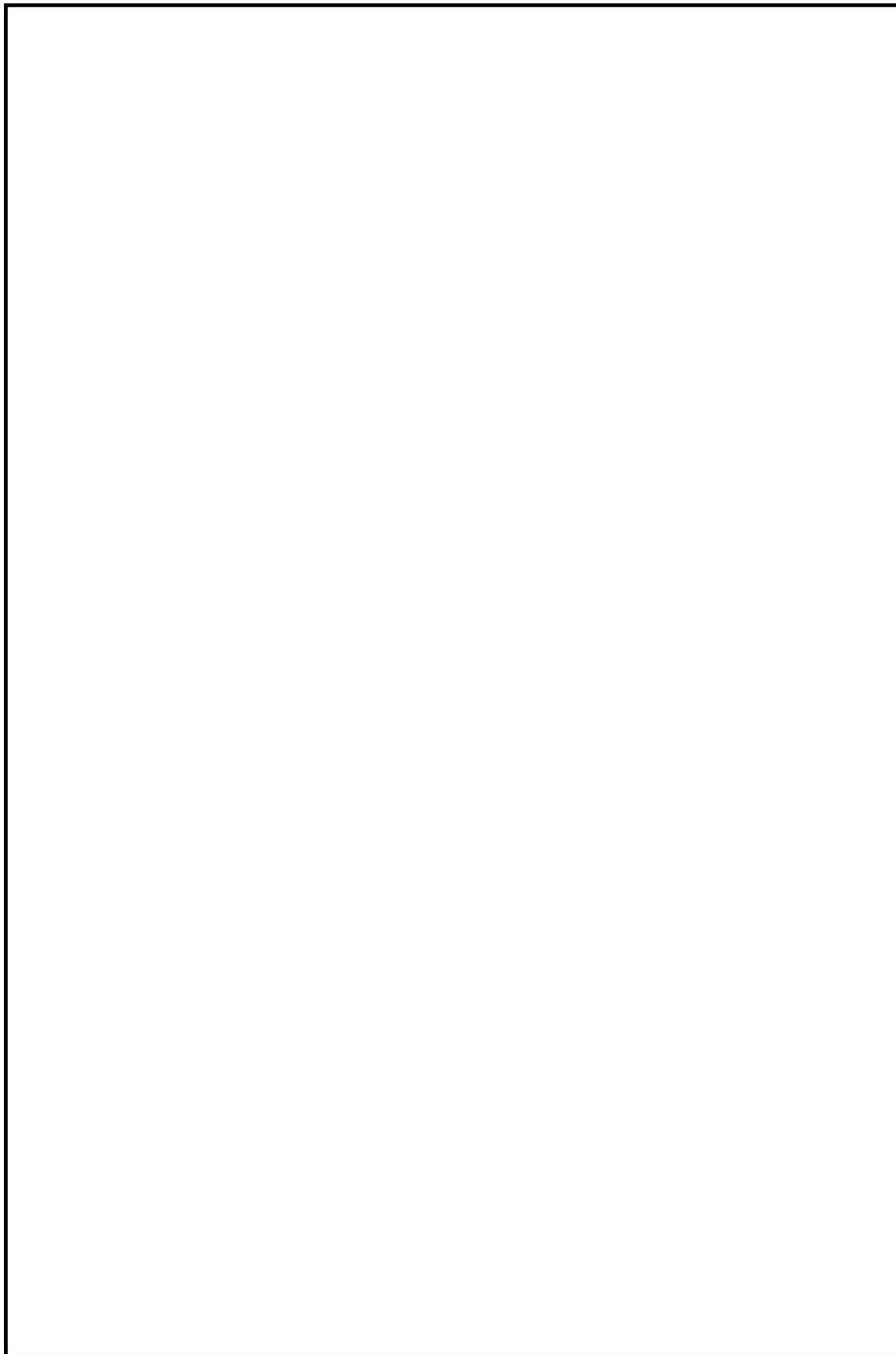
*P.R. Cornall*

**Paul Cornall**

Principal

31 October 2010

92 Rusden Street Armidale



# URALLA SHIRE COUNCIL

## Special Schedules

for the year ended 30th June 2010

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**URALLA SHIRE COUNCIL**  
**SPECIAL SCHEDULE NO 1**  
**NET COST OF SERVICES**  
for the year ended 30th June 2010

**\$'000**

Function or Activity	Expenses from continuing operations	Income from continuing operations (non-capital)	Income from continuing operations (capital)	NET COST OF SERVICES
<b>ADMINISTRATION</b>	898	333	-	565
<b>PUBLIC ORDER AND SAFETY</b>				
Fire Service Levy, Fire Protection, Emergency Services	217	(13)	-	230
Enforcement of Local Govt Regulations	-	-	-	-
Animal Control	27	6	-	21
<b>Total Public Order and Safety</b>	244	(7)	-	251
<b>HEALTH</b>	98	1	-	97
<b>ENVIRONMENT</b>				
Noxious Plants and Insect / Vermin Control	67	-	-	67
Other Environmental Protection	163	9	-	154
Solid Waste Management	1,092	1,029	-	63
Street Cleaning	76	-	-	76
Stormwater Management	55	29	-	26
<b>Total Environment</b>	1,453	1,067	-	386
<b>COMMUNITY SERVICES AND EDUCATION</b>				
Social Protection (welfare)	941	1,089	-	(148)
Aged Persons and Disabled	3,993	4,058	8	(73)
Childrens Services	50	2	26	22
<b>Total Community Services and Education</b>	4,984	5,149	34	(199)
<b>HOUSING AND COMMUNITY AMENITIES</b>				
Public Cemeteries	41	14	-	27
Public Conveniences	76	-	-	76
Street Lighting	43	6	-	37
Town Planning	284	89	-	195
Other Community Amenities	11	3	15	(7)
<b>Total Housing and Community Amenities</b>	455	112	15	328
<b>WATER SUPPLIES</b>	653	520	-	133
<b>SEWERAGE SERVICES</b>	350	349	-	1

## URALLA SHIRE COUNCIL

### SPECIAL SCHEDULE NO 1 - NET COST OF SERVICES (cont) for the year ended 30th June 2010

**\$'000**

Function or Activity	Expenses from continuing operations	Income from continuing operations (non-capital)	Income from continuing operations (capital)	NET COST OF SERVICES
<b>RECREATION AND CULTURE</b>				
Public Libraries	235	28	2	205
Community Centres and Halls	79	37	13	29
Sporting Grounds	21	-	-	21
Swimming Pools	154	31	8	115
Parks and Gardens, Lakes	211	3	29	179
Other Sport and Recreation	36	5	-	31
<b>Total Recreation and Culture</b>	<b>736</b>	<b>104</b>	<b>52</b>	<b>580</b>
<b>MINING, MANUFACTURING AND CONSTRUCTION</b>				
Other Mining Manufacturing and Construction	2	-	-	2
<b>Total Mining Manufacturing and Construction</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>2</b>
<b>TRANSPORT AND COMMUNICATION</b>				
Urban Roads: Local	160	-	-	160
Urban Roads: Regional	19	-	-	19
Sealed Rural Roads: Local	1,192	1,031	420	(259)
Sealed Rural Roads: Regional	1,572	-	-	1,572
Unsealed Rural Roads: Local	1,256	-	-	1,256
Unsealed Rural Roads: Regional	74	20	-	54
Bridges - Sealed Rural Roads: Local	471	6	238	227
Parking Areas	42	-	-	42
Footpaths	95	-	-	95
Other Transport and Communication	184	36	-	148
<b>Total Transport and Communication</b>	<b>5,065</b>	<b>1,093</b>	<b>658</b>	<b>3,314</b>
<b>ECONOMIC AFFAIRS</b>				
Camping Areas and Caravan Parks	4	11	-	(7)
Other Economic Affairs	595	453	-	142
<b>Total Economic Affairs</b>	<b>599</b>	<b>464</b>	<b>-</b>	<b>135</b>
<b>TOTALS - FUNCTIONS</b>				
	<b>15,537</b>	<b>9,185</b>	<b>759</b>	<b>5,593</b>
<b>General Purpose Revenues</b>				5,087
<b>Equity accounted income (loss)</b>				-
				5,087
<b>NET OPERATING RESULT FOR YEAR</b>				<b>(506)</b>

**URALLA SHIRE COUNCIL**  
**SPECIAL SCHEDULE NO 2 (1)**  
**STATEMENT OF LONG TERM DEBT (ALL PURPOSE)**  
**for the year ended 30th June 2010**

**\$'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	Total		From Revenue	Sinking Funds			Current	Non-Current	Total
<b>LOANS (by source)</b>											
Commonwealth Government			-								-
Treasury Corporation			-								-
Other State Government			-								-
Public Subscription			-								-
Financial Institutions	142	1,816	1,958		142			129	122	1,694	1,816
Other	67		67		67						-
<b>Total Loans</b>	<b>209</b>	<b>1,816</b>	<b>2,025</b>	-	<b>209</b>	-	-	<b>129</b>	<b>122</b>	<b>1,694</b>	<b>1,816</b>
<b>OTHER LONG TERM DEBT</b>											
Ratepayers' Advances			-								-
Government Advances			-								-
Finance Leases			-								-
Deferred Payment			-								-
Other			-								-
<b>Total Other Long Term Debt</b>	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL LONG TERM DEBT</b>	<b>209</b>	<b>1,816</b>	<b>2,025</b>	-	<b>209</b>	-	-	<b>129</b>	<b>122</b>	<b>1,694</b>	<b>1,816</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 2010**

**\$'000**

**SUMMARY OF INTERNAL LOANS**

Borrower (by purpose)	Amount Originally Raised	Total Repaid During Year Principal and Interest	Principal Outstanding at End of Year
General	282	41	76
Water			
Sewerage			
Domestic Waste Management			
Gas			
Other			
<b>Totals</b>	<b>282</b>	<b>41</b>	<b>76</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	7	8
General Fund (Loan 170)	Water	4/10/2002	30/06/2003	12	30/06/2015	6.50%	88	11	45
General Fund (Loan 174)	Water	4/10/2002	30/06/2003	8	30/06/2011	6.50%	102	16	16
General Fund (Loan 175)	Water	4/10/2002	30/06/2003	8	30/06/2011	6.50%	44	7	7
<b>Totals</b>							<b>282</b>	<b>41</b>	<b>76</b>

**URALLA SHIRE COUNCIL**

**SPECIAL SCHEDULE NO 3  
WATER SUPPLY OPERATIONS  
(Gross including Internal Transactions)  
for the year ended 30th June 2010**

<b><u>A. EXPENSES AND REVENUES</u></b>	<b>2010</b>	<b>2009</b>
<b><u>EXPENSES</u></b>	<b>\$'000</b>	<b>\$'000</b>
1.a. Management - Administration	139	126
b. - Engineering and Supervision	69	76
2 Operations		
a. - Dams and Weirs - Operation Expenses		
b. - Maintenance Expenses	35	7
c. - Mains - Operation Expenses		
d. -Maintenance Expenses	93	86
e. - Reservoirs - Operation Expenses		
f. - Maintenance Expenses	5	11
g. - Pumping Stations - Operation Expenses		
h. - Energy Costs	24	5
i. - Maintenance Expenses		8
j. - Treatment - Operation Expenses		
k. - Chemical Costs	80	54
l. - Maintenance Expenses	152	238
m. - Other - Operation Expenses		
n. - Maintenance Expenses	-	6
o. - Purchase of Water		
3.a. Depreciation - System Assets	56	52
b. - Plant and Equipment		
4.a. Miscellaneous - Interest		
b. - Revaluation decrements	-	119
c. - Other	-	
c. - NCP Tax and Other Equivalentents	-	
<b>5 Total Expenses</b>	<b><u>653</u></b>	<b><u>788</u></b>
 <b><u>REVENUE</u></b>		
6 Residential Charges		
a. - Access (including rates)	367	328
b. - User Charges	242	231
7 Non-Residential Charges		
a. - Access (including rates)		
b. - User Charges		
8 Extra Charges		6
9 Interest	(107)	9
10 Other Income	1	
11.a. Grants - Acquisition of Assets		
b. - Pensioner Rebates	17	13
c. - Other		
12.a. Contributions - Developer Charges		
b. - Developer Provided Assets		
c. - Other Contributions		
<b>13 Total Revenues</b>	<b><u>520</u></b>	<b><u>587</u></b>
 14 Gain (Loss) on Disposal of Assets		81
<b>15 OPERATING RESULT</b>	<b><u>(133)</u></b>	<b><u>(120)</u></b>
 15a. Operating Result before Grants for Acquisition of Assets	<b><u>(133)</u></b>	<b><u>(120)</u></b>

# URALLA SHIRE COUNCIL

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

	2010 \$'000	2009 \$'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	57	30
c. - Renewals		
d. - Plant and Equipment		
17 Repayment of Debt		
a. - Loans		
b. - Advances		
c. - Finance Leases		
18 Transfers to Sinking Funds		
19 <b>Total Non-Operating Expenditure</b>	57	30
<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><u>C. RATES and CHARGES</u></b>		
24 Number of Assessments		
a. - Residential (occupied)	1139	
b. - Residential (unoccupied - vacant land)	225	
c. - Non-Residential (occupied)	16	
d. - Non -Residential (unoccupied - vacant land)	6	
25 Number of ETs for which Developer Charges were received	Nil ET	
26 Total Amount of Pensioner Rebates in \$'000	\$31	
<b><u>D. BEST PRACTICE ANNUAL CHARGES AND DEVELOPER CHARGES</u></b>		
<b>27 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	_____
c	Cross subsidy <b>to</b> non-residential customers	_____
d	Cross subsidy <b>to</b> large connections in unmetered supplies	_____
<b>28 Developer Charges</b>		
a	Has Council completed a water supply Development Servicing Plan?	<input type="checkbox"/> NO
b	Total cross-subsidy in water supply developer charges	_____ \$0
29 <b>TOTAL OF CROSS SUBSIDIES</b>		<b>\$0</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 2010**

	<u>Current</u> \$'000	<u>Non-Current</u> \$'000	<u>Total</u> \$'000
<b><u>ASSETS</u></b>			
30 Cash and Investments			
f. - Other	480	-	480
31 Receivables			
b. - Rates & Availability Charges	151	-	151
c. - Other	35	40	75
32 Inventories			
a. - System Assets	-	16,835	16,835
b. - Plant & Equipment	-	562	562
34 Other			-
35 <b>Total Assets</b>	<u>666</u>	<u>17,437</u>	<u>18,103</u>
<b><u>LIABILITIES</u></b>			
36 Bank Overdraft	-	-	-
37 Creditors	118	-	118
40 <b>Total Liabilities</b>	<u>118</u>	<u>-</u>	<u>118</u>
41 <b>NET ASSETS COMMITTED</b>	<u>548</u>	<u>17,437</u>	<u>17,985</u>
<b><u>EQUITY</u></b>			
42 Accumulated Surplus			8,236
43 Asset Revaluation Reserve			<u>9,749</u>
44 <b>Total Equity</b>			<u>17,985</u>
45 Current Replacement Cost of System Assets			17,644
46 Accumulated Current Cost Depreciation of System Assets			809
47 Written Down Current Cost of System Assets			<u>16,835</u>

**URALLA SHIRE COUNCIL**

**SPECIAL SCHEDULE NO 5  
SEWERAGE SERVICE OPERATIONS  
(Gross including Internal Transactions)  
for the year ended 30th June 2010**

<b><u>A. EXPENSES AND REVENUES</u></b>	<b>2010</b>	<b>2009</b>
<b><u>EXPENSES</u></b>	<b>\$'000</b>	<b>\$'000</b>
1.a. Management - Administration	48	124
b. - Engineering and Supervision	62	3
2 Operations and Maintenance Expenses		
a. -Mains - Operation Expenses		
b. -Maintenance Expenses	37	30
c. - Pumping Stations - Operation Expenses		
d. - Energy Costs	6	2
e. - Maintenance Expenses	13	8
f. - Treatment - Operation Expenses		
g. - Chemical Costs	-	11
h. - Energy Costs	35	41
i. - Effluent Management		
j. - Biosolids Management	84	19
k. - Maintenance Expenses	34	118
l. - Other - Operation Expenses		
m. - Maintenance Expenses	-	-
3.a. Depreciation - System Assets	13	14
b. - Plant and Equipment	3	
4.a. Miscellaneous - Interest	-	2
b. - Revaluation decrements	-	119
5 <b>Total Expenses</b>	<b>350</b>	<b>491</b>
<b><u>REVENUE</u></b>		
6 Residential Charges (including rates)	429	423
7 Non-Residential Charges		
b. User Charges	17	14
8 Trade Waste Charges		
b. User Charges	3	10
9 Extra Charges	-	4
10 Interest	(113)	-
11 Other Income	-	-
12.a. Grants - Acquisition of Assets		
b. - Pensioner Rebates	13	19
14 <b>Total Revenues</b>	<b>349</b>	<b>470</b>
15 Gain (Loss) on Disposal of Assets	-	81
16 <b>OPERATING RESULT</b>	<b>(1)</b>	<b>60</b>
16.a. Operating Result before Grants for Acquisition of Assets	<b>(1)</b>	60

# URALLA SHIRE COUNCIL

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

	2010 \$'000	2009 \$'000
<b><u>B. CAPITAL TRANSACTIONS</u></b>		
<b><u>Non - Operating Expenditure</u></b>		
17 Acquisition of Fixed Assets		
b. - Other New System Assets	39	51
18 Repayment of Debt		
a. - Loans	12	1
20 <b>Total Non-Operating Expenditure</b>	<b>51</b>	<b>52</b>
<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>	<b>-</b>	<b>-</b>
<b><u>C. RATES AND CHARGES</u></b>		
25 Number of Assessments		
a. - Residential (occupied)	915	
b. - Residential (unoccupied - vacant land)	59	
c. - Non-Residential (occupied)	98	
d. - Non-Residential (unoccupied - vacant land)	12	
26 Number of ETs for which Developer Charges were	Nil ET	
27 Total Amount of Pensioner Rebates	24 \$'000	
<b><u>D. BEST PRACTICE ANNUAL CHARGES AND DEVELOPER CHARGES</u></b>		
<b>28 Annual Charges</b>		
a Does Council have best-practice sewerage annual charges, usage charges and trade waste fees and charges?	<input style="border: 1px solid black; padding: 2px 10px;" type="text" value="YES"/>	
If Yes, go to 29a.		
If No, has Council removed <b>land value</b> from access charges (i.e. rates)	<input style="border: 1px solid black; width: 50px; height: 15px;" type="text"/>	
b Cross subsidy <b>to</b> non-residential customers		_____
c Cross subsidy <b>to</b> trade waste dischargers		_____
<b>29 Developer Charges</b>		
a Has Council completed a sewerage Development Servicing Plan?	<input style="border: 1px solid black; padding: 2px 10px;" type="text" value="No"/>	
b Total cross-subsidy in sewerage developer charges		_____ \$0
<b>30 TOTAL OF CROSS SUBSIDIES</b>		<b>\$0</b>

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 2010**

	<u>Current</u> \$'000	<u>Non-Current</u> \$'000	<u>Total</u> \$'000
<b><u>ASSETS</u></b>			
31 Cash and Investments			
f. - Other	749	-	749
32 Receivables			
b. - Rates & Availability Charges	69	-	69
33 Inventories	-	-	-
34 Property, Plant & Equipment			
a. - System Assets	-	7,194	7,194
b. - Plant & Equipment	-	337	337
35 Other	-	-	-
36 <b>Total Assets</b>	<u>818</u>	<u>7,531</u>	<u>8,349</u>
 <b><u>LIABILITIES</u></b>			
38 Creditors	<u>116</u>	<u>-</u>	<u>116</u>
41 <b>Total Liabilities</b>	<u>116</u>	<u>-</u>	<u>116</u>
42 <b>NET ASSETS COMMITTED</b>	<u>702</u>	<u>7,531</u>	<u>8,233</u>
 <b><u>EQUITY</u></b>			
43 Accumulated Surplus			5,058
44 Asset Revaluation Reserve			<u>3,175</u>
45 <b>Total Equity</b>			<u>8,233</u>
46 Current Replacement Cost of System Assets			8,003
47 Accumulated Current Cost Depreciation of System Assets			808
48 Written Down Current Cost of System Assets			<u>7,195</u>

**URALLA SHIRE COUNCIL**  
**SPECIAL SCHEDULE NO 7**  
**CONDITION OF PUBLIC WORKS**  
**as at 30th June 2010**

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
	<i>References</i>	<i>Note 9</i>	<i>Note 4</i>		<i>Note 9</i>				<i>Local Govt. Act 1993, Section 428 (2d)</i>		
Public Buildings	Council Offices	1%	8		1,186	79	1,107	3	37	6	37
	Works Depot	2%	12		1,766	186	1,580	3	31	10	10
	Halls	1%	8		1,291	76	1,215	4	10	10	10
	Aged Accom	2%	24		5,979	170	5,809	2	150	21	150
	Community Centr	1%	4		738	25	713	3	4	4	4
	Recreation/VIC	1%	3		635	55	580	3	5	5	5
	Water/Sewer	1%	2		345	26	319	3	2	2	2
	Other	1%	11		2,700	105	2,595	3	5	5	5
	Library	3%	6		1,001	40	961	1	-	3	3
	RFS buildings	1%	1		375	9	366	3	5	5	5
	Amenities/Toilets	1%	1		419	19	400	2	8	8	8
	<b>Subtotal</b>		80	-	16,435	790	15,645		257	79	239
Public Roads	Sealed Roads	1%	1,510		153,576	13,811	139,765	4	1,140	1,580	1,580
	Unsealed Roads	1%	337		93,699	8,625	85,074	4	390	946	946
	Sealed Roads Structure	1%					-				
	Bridges	1%	182		20,831	2,999	17,832	4	1,545	92	315
	Footpaths	1%	15		918	264	654	4	35	25	25
	Kerb & Gutter	1%	47		3,455	1,340	2,115	3	65	35	35
	Road Furniture	1%	2		134	47	87	4	47	31	31
	<b>Subtotal</b>		2,093	-	272,613	27,086	245,527		3,222	2,709	2,932

*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 2010**

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
	<i>References</i>	<i>Note 9</i>	<i>Note 4</i>		<i>Note 9</i>				<i>Local Govt. Act 1993, Section 428 (2d)</i>		
Water	Treatment Plants	4%	44		6,269	634	5,635	2	45	30	30
	Reservoirs	1%	7		2,017	103	1,914	2	10	10	10
	Dams	1%	1		2,699	2	2,697	3	5	6	6
	Pipelines	1%	1		5,847	13	5,834	4	121	56	56
	Pump Stations	1%	1		811	57	754	3	8	5	8
	<b>Subtotal</b>		54	-	17,643	809	16,834		189	107	110
Sewerage	Pump Stations	1%	2		1,193	98	1,095	3	25	6	6
	Pipelines	1%	4		3,261	67	3,194	4	41	41	41
	Treatment Works	3%	7		3,549	643	2,906	2	5	5	5
	<b>Subtotal</b>		13	-	8,003	808	7,195		71	52	52
Drainage Works	Pipes, Retention	5%	15		2,394	376	2,018	3	18	18	18
	<b>Subtotal</b>		15	-	2,394	376	2,018		18	18	18
<b>Total Classes - All Assets</b>			2,255	-	317,088	29,869	287,219		3,757	2,965	3,351

*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 2010

#### "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. 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.

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

**URALLA SHIRE COUNCIL**

**SPECIAL SCHEDULE NO 8 - FINANCIAL PROJECTIONS  
as at 30th June 2010**

	2010 \$'m	2011 \$'m	2012 \$'m	2013 \$'m	2014 \$'m	2015 \$'m	2016 \$'m	2017 \$'m	2018 \$'m	2019 \$'m	2020 \$'m
<b>Recurrent Budget</b>											
Income from continuing operations	15	15	15	15	16	17	17	17	18	18	19
Expenses from continuing operations	16	15	15	15	16	16	17	17	18	18	19
Operating result from continuing operations	(1)	-	-	-	-	1	-	-	-	-	-
<b>Capital Budget</b>											
New Works		1		1	1	1	2	1	1	1	1
Replacement of existing assets	4	4	5	4	4	4	3	4	4	5	5
	4	5	5	5	5	5	5	5	5	6	6
<i>Funded by</i>											
- Asset Sales											
- Grants/Contributions	1		1	1	1	1	1	1	1	1	1
- Other (non cash item - Depreciation)	3	5	4	4	4	4	4	4	4	5	5
	4	5	5	5	5	5	5	5	5	6	6