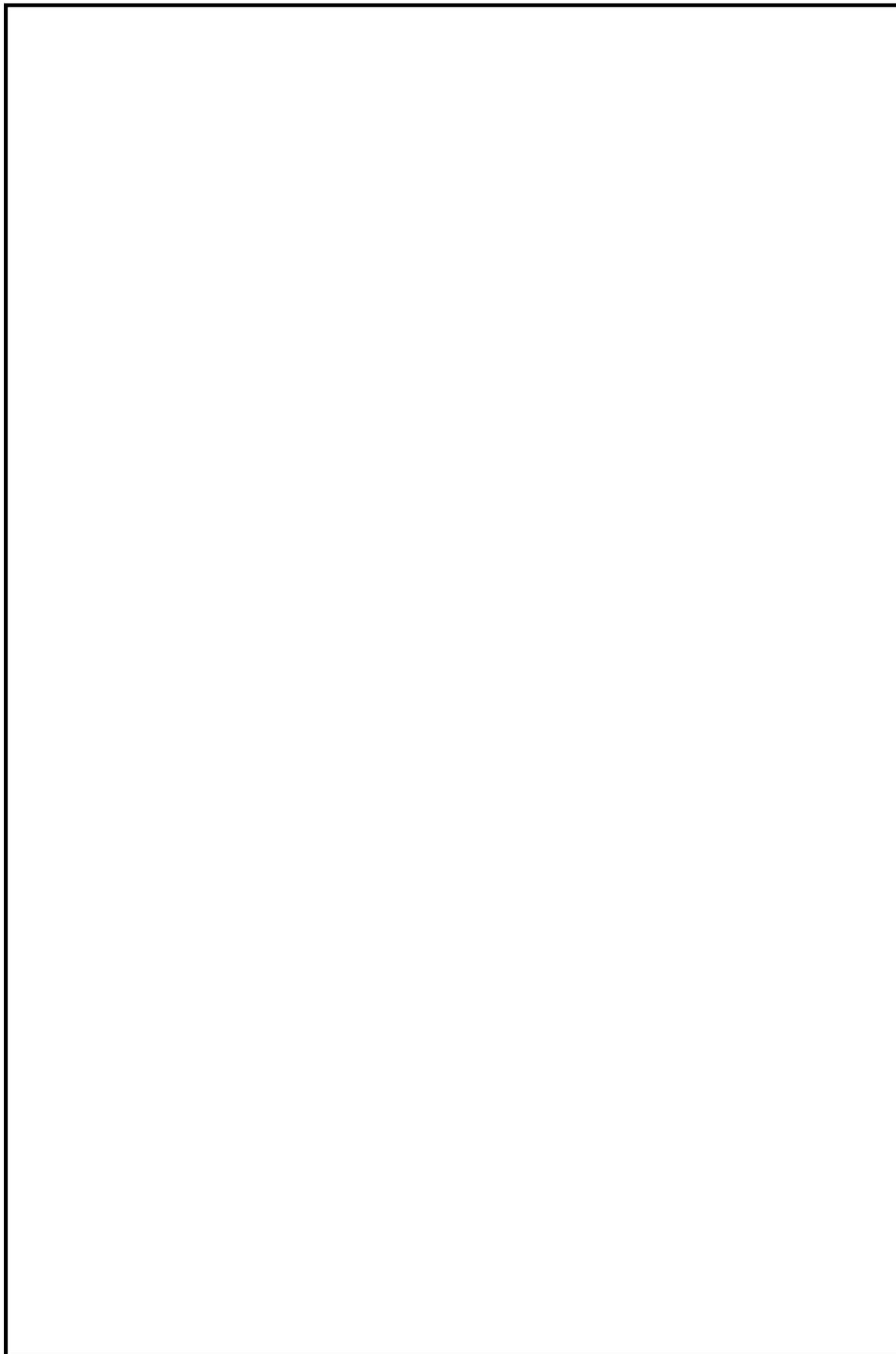




**ANNUAL
FINANCIAL STATEMENTS**

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

**YEAR ENDED
30 JUNE 2011**



URALLA SHIRE COUNCIL

General Purpose Financial Reports for the year ended 30th June 2011

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URALLA SHIRE COUNCIL

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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

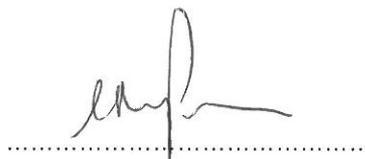
We are not aware of any matter that would render the reports false or misleading in any way.

Signed in accordance with a resolution of Council made on Thursday 1 September 2011



Councillor Kevin Stanley Ward

MAYOR



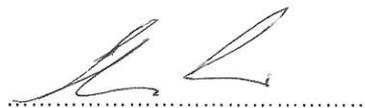
Councillor Michael Pearce

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 2011

Budget 2011 \$'000		Notes	Actual 2011 \$'000	Actual 2010 \$'000
	INCOME			
	<i>Revenue:</i>			
4,579	Rates and Annual Charges	3	4,475	4,542
1,205	User Charges and Fees	3	1,843	1,738
508	Investment Revenues	3	848	-
711	Other Revenues	3	390	315
8,880	Grants and Contributions - Operating	3	7,832	7,549
6	Grants and Contributions - Capital	3	914	759
<u>202</u>	<i>Other Income:</i> Profit from Disposal of Assets	5	<u>8</u>	<u>128</u>
16,091	Total Income from Continuing Operations		16,310	15,031
	EXPENSES			
6,161	Employee Benefits and oncosts	4	6,652	6,842
3,760	Materials and Contracts	4	4,223	4,370
134	Borrowing Costs	4	183	179
3,424	Depreciation and Amortisation	4	3,006	2,974
-	Impairment	4	-	-
939	Other Expenses	4	980	1,153
<u>-</u>	Interest and investment losses	3	<u>-</u>	<u>19</u>
<u>14,418</u>	Total expenses from Continuing Operations		<u>15,044</u>	<u>15,537</u>
1,673	OPERATING RESULT FROM CONTINUING OPERATIONS		1,266	(506)
	Operating result from discontinued operations	24		
<u>1,673</u>	NET OPERATING RESULT FOR YEAR		<u>1,266</u>	<u>(506)</u>
	Attributable to:			
<u>1,673</u>	URALLA SHIRE COUNCIL		<u>1,266</u>	<u>(506)</u>
<u>1,673</u>			<u>\$ 1,266</u>	<u>\$ (506)</u>
<u>1,667</u>	Net operating result before capital grants and contributions		<u>\$ 352</u>	<u>\$ (1,265)</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 2011

	Notes	Actual 2011 \$'000	Actual 2010 \$'000
Net operating result for year			
from Income Statement		1,266	(506)
Other comprehensive income			
Revaluation of infrastructure, property, plant and equipment	20	3,270	19,586
Total other comprehensive income		<u>3,270</u>	<u>19,586</u>
TOTAL COMPREHENSIVE INCOME		<u>4,536</u>	<u>19,080</u>
Attributable to:			
URALLA SHIRE COUNCIL		<u>4,536</u>	<u>19,080</u>
		<u>\$ 4,536</u>	<u>\$ 19,080</u>

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

URALLA SHIRE COUNCIL

BALANCE SHEET as at 30th June 2011

	<u>Notes</u>	2011 \$'000	2010 \$'000
CURRENT ASSETS			
Cash and Cash equivalents	6	826	1,586
Investments	6	5,312	4,500
Receivables	7	1,535	1,123
Inventories	8	169	185
Other	8	85	-
TOTAL CURRENT ASSETS		<u>7,927</u>	<u>7,394</u>
NON-CURRENT ASSETS			
Infrastructure, Property, Plant and Equipment	9	299,621	296,289
TOTAL NON-CURRENT ASSETS		<u>299,621</u>	<u>296,289</u>
TOTAL ASSETS		<u>307,548</u>	<u>303,683</u>
CURRENT LIABILITIES			
Payables	10	2,608	3,203
Borrowings	10	130	122
Provisions	10	1,282	1,219
TOTAL CURRENT LIABILITIES		<u>4,020</u>	<u>4,544</u>
NON-CURRENT LIABILITIES			
Borrowings	10	1,563	1,694
Provisions	10	920	936
TOTAL NON CURRENT LIABILITIES		<u>2,483</u>	<u>2,630</u>
TOTAL LIABILITIES		<u>6,503</u>	<u>7,174</u>
NET ASSETS		<u>\$ 301,045</u>	<u>296,509</u>
EQUITY			
Accumulated Surplus	20	67,303	66,037
Revaluation Reserves	20	233,742	230,472
TOTAL EQUITY		<u>\$ 301,045</u>	<u>296,509</u>

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 2011

2011

Balance at end of previous reporting period

Net Operating Result for the year

Other comprehensive income

Revaluation of infrastructure, property, plant and equipment

Total other comprehensive income

Balance at end of the reporting period

Retained Earnings	Asset Reval. Reserve	Total
\$'000		
66,037	230,472	296,509
1,266	-	1,266
-	3,270	3,270
-	3,270	3,270
67,303	233,742	301,045

Note

20

2010

Balance at end of previous reporting period

Net Operating Result for the year

Other comprehensive income

Revaluation of infrastructure, property, plant & equipment

Balance at end of the reporting period

Retained Earnings	Asset Reval. Reserve	Total
\$'000		
66,543	210,886	277,429
(506)	-	(506)
-	19,586	19,586
66,037	230,472	296,509

Note

20

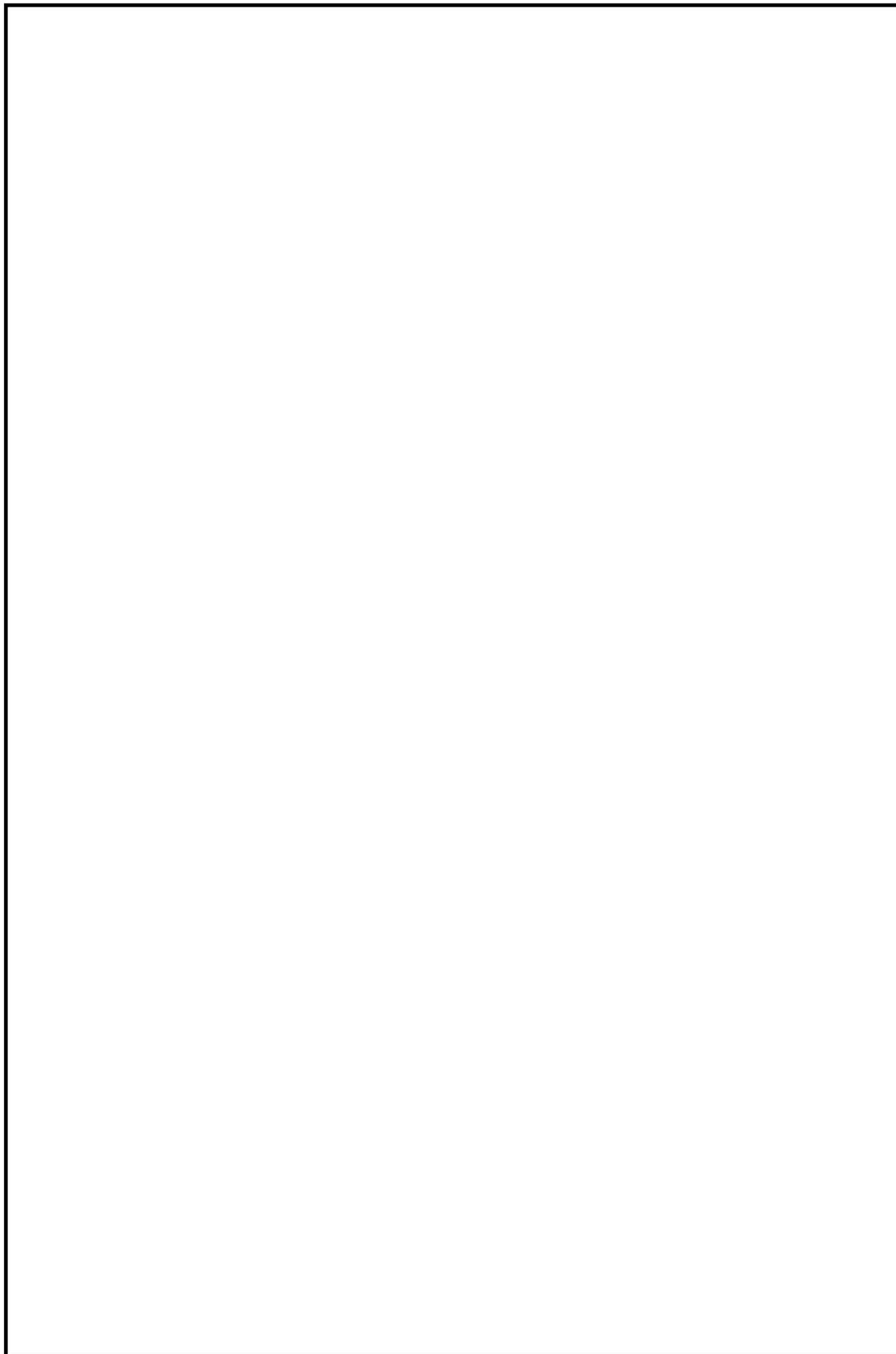
This Statement is to be read in conjunction with the attached Notes

URALLA SHIRE COUNCIL

CASH FLOW STATEMENT for the year ended 30th June 2011

Budget 2011 \$'000		Notes	Actual 2011 \$'000	Actual 2010 \$'000
	CASH FLOWS FROM OPERATING ACTIVITIES			
	<u>Receipts</u>			
4,579	Rates and Annual Charges		4,548	4,399
1,205	User Charges and Fees		1,537	2,075
508	Investment Income		289	338
8,886	Grants and Contributions		9,250	8,821
711	Other operating receipts		169	760
	<u>Payments</u>			
(6,161)	Employee Benefits and oncosts		(6,605)	(6,854)
(5,374)	Materials and Contracts		(5,019)	(5,018)
(134)	Borrowing Costs		(133)	(129)
(939)	Other operating payments		(1,402)	(1,534)
3,281	Net Cash provided by (or used in) Operating Activities	11	2,634	2,858
	CASH FLOWS FROM INVESTING ACTIVITIES			
	<u>Receipts</u>			
202	Proceeds from sale of Infrastructure, Property, Plant and Equipment		164	237
	Proceeds from sale of Investment Property			
	Proceeds from sale of Real Estate		-	
3,000	Proceeds from sale of Investment Securities		3,695	1,142
	Repayments from Deferred Debtors		-	
	Contributions to joint ventures by minority interests	19	-	
	Distribution received from associated entities	19	-	
	<u>Payments</u>			
(4,170)	Purchase of Infrastructure, Property, Plant and Equipment		(3,223)	(3,536)
	Purchase of Investment Property			
	Purchase of Real Estate		-	
(3,300)	Purchase of Investment Securities		(4,095)	(558)
	Loans to Deferred Debtors		-	
	Distributions from joint ventures to minority interests	19	-	
	Capital contributed to associated entities	19	-	
(4,268)	Net Cash provided by (or used in) Investing Activities		(3,459)	(2,715)
	CASH FLOWS FROM FINANCING ACTIVITIES			
	<u>Receipts</u>			
	Proceeds from Borrowings and Advances		-	
-	Proceeds from Retirement Home Contributions		534	400
	<u>Payments</u>			
(152)	Repayments of Borrowings and Advances		(123)	(209)
	Repayment of Finance Lease Liabilities		-	
(291)	Repayment of Retirement Home Contributions		(346)	(202)
(443)	Net Cash provided by (or used in) Financing Activities		65	(11)
(1,430)	Net Increase (Decrease) in cash held		(760)	132
1,586	Cash Assets at beginning of reporting period	11	1,586	1,454
-	Change in associated entities recognised	1	-	-
	Adjustment to Cash arising from Council restructure	26		
156	Cash Assets at end of reporting period	11	826	1,586

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 2011

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) were 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, which had no value at 30 June 2010 now have a limited market with one holding maturing within the next financial year, are able to be valued.

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.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

Note 1 - Significant Accounting Policies (continued)

2. REVENUE RECOGNITION (Continued)

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

Revenue 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)	\$14,000
Total expenditures	\$22,000

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.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

Note 1 - Significant Accounting Policies (continued)

3.2 The Trust Fund (Continued)

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 2011

Note 1 - Significant Accounting Policies (continued)

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 2011

Note 1 - Significant Accounting Policies (continued)

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 2011

Note 1 - Significant Accounting Policies (continued)

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 the 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 2011

Note 1 - Significant Accounting Policies (continued)

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 2011

Note 1 - Significant Accounting Policies (continued)

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 2011

Note 1 - Significant Accounting Policies (continued)

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 Ministerial 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 Ministerial Local Government 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 valuation, 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 2011

Note 1 - Significant Accounting Policies (continued)

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 16 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 have been 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
Community Land	Internal 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 Structures and other assets	as approximated by depreciated historical cost
Artwork	External Valuation

Water and Sewer network assets are indexed annually between full revaluations in accordance with the latest indices provided by the NSW Office of Water – Reference Rates 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 2011

Note 1 - Significant Accounting Policies (continued)

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	5 – 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, and adjusted if appropriate, at each balance sheet 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). This classification is made in Note 9 (a).

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 2011

Note 1 - Significant Accounting Policies (continued)

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 (Item 2) 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 2011

Note 1 - Significant Accounting Policies (continued)

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 2011 reporting period. Council's assessment of the impact of these new standards and interpretations is set out below:

AASB 9 Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010 (effective from 1 January 2013))

AASB *Financial Instruments* addresses the clarification, measurement and de-recognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. When adopted, the standard will affect the Council's accounting for 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 and loss. **Council has assessed that there will be no impact on its accounting for financial assets, as the new requirement only affect the accounting for financial liabilities that are designated at fair value through profit and loss and Council does not have any such liabilities. The de-recognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed.**

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 clarifies and simplifies the definition of a related party and 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 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.**

AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (effective from 1 July 2013).

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. **Uralla Shire Council is a local government entity and, as a result, is not eligible to adopt the new Australian Accounting Standard – Reduced Disclosure Requirements. The two standards will therefore have no impact on the financial statements of Council.**

AASB 2010-6: Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets (effective for annual reporting periods beginning on or after 1 July 2011).

Amendments made to AASB 7 *Financial Instruments: Disclosures* in November 2010 introduce additional disclosures in respect to risk exposures arising from transferred financial assets. The amendments will affect those entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. **Council does not make any such transactions therefore the amendments are is not expected to have any impact on Council's disclosures.**

AASB 2010-8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets (effective from 1 January 2012).

In December 2010, the AASB amended AASB 112 *Income Taxes* to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities that is through use or through sale. The amendment introduces a rebuttable presumption that investment property, which is measured at fair value, is recovered entirely by sale. **This has no impact on Council.**

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2011

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	2011	2010	2011	2010
2011 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2011 \$'000	2010 \$'000	\$'000	\$'000	\$'000	\$'000
GOVERNANCE	-	0	-	411	407	565	(411)	(406)	(565)	-	-	-
ADMINISTRATION	369	346	333	318	452	333	51	(106)	-	99	30	11,359
PUBLIC ORDER AND SAFETY	63	214	(7)	250	272	244	(187)	(58)	(251)	180	(13)	835
HEALTH	5	0	1	95	107	98	(90)	(107)	(97)	-	-	-
ENVIRONMENT	1,021	1,104	1,067	1,075	1,506	1,453	(54)	(402)	(386)	15	2	7,902
COMMUNITY SERVICES AND EDUCATION	5,053	5,693	5,183	4,842	4,915	4,984	211	778	199	4,431	4,238	5,334
HOUSING AND COMMUNITY AMENITIES	155	181	127	460	449	455	(305)	(268)	(328)	109	103	17,970
WATER SUPPLIES	714	965	520	577	565	653	137	399	(133)	36	17	8,828
SEWERAGE SERVICES	480	677	349	356	353	350	124	325	(1)	-	13	6,291
RECREATION AND CULTURE	98	100	156	609	635	736	(511)	(535)	(580)	60	30	-
MINING, MANUFACTURING AND CONSTRUCTION	-	-	-	7	1	2	(7)	(1)	(2)	-	-	247,513
TRANSPORT AND COMMUNICATION	2,712	1,630	1,751	5,120	5,077	5,065	(2,408)	(3,447)	(3,314)	587	441	1,506
ECONOMIC AFFAIRS	23	72	464	298	305	599	(275)	(233)	(135)	50	-	802
TOTALS - FUNCTIONS	10,693	10,982	9,944	14,418	15,044	15,537	(3,725)	(4,062)	(5,593)	5,567	4,861	307,548
GENERAL PURPOSE REVENUES	5,398	5,328	5,087				5,398	5,328	5,087	2,060	2,010	
TOTALS	16,091	16,310	15,031	14,418	15,044	15,537	1,673	1,266	(506)	7,627	6,871	307,548

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 2011

Note 2 (continued) - COMPONENTS OF FUNCTIONS

The activities relating to Council functions are as follows:

Governance

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

Administration

Administration costs; including finance, IT, Human Resource management, records and overall engineering management; less costs allocated to other 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 2011

Note 3 - INCOME

RATES AND ANNUAL CHARGES	2011 \$'000	2010 \$'000
<u>Ordinary Rates</u>		
Residential	979	979
Farmland	1,916	1,873
Business	74	72
	2,969	2,924
<u>Annual Charges</u>		
Domestic Waste Management	208	275
Water Supply	332	367
Sewerage Services	459	429
Stormwater Management	29	29
Other Waste Management	478	518
	1,506	1,618
Total Rates and Annual Charges	4,475	4,542
 USER CHARGES AND FEES		
<u>User Charges</u>		
Domestic Waste Management	186	-
Water Supply	389	242
Sewerage Services	20	20
Other Waste Management	20	71
Other	-	34
	615	367
<u>Fees</u>		
Private Works	156	438
Tablelands Community Transport	9	14
Scrap Metal Sales	73	43
Town Planning	77	91
Inspection fees	17	-
Section 603 certificate fees	8	-
Swimming Pool	16	20
Caravan Parks	1	-
Community Centres and Public Halls	8	-
Tablelands Community Support Options	137	151
Aged Care	686	578
Cemeteries	19	9
Bundarra Neighbourhood Aid	11	-
Other	10	27
	1,228	1,371
Total User Charges & Fees	1,843	1,738

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2011

Note 3 - REVENUES (cont)

	2011 \$'000	2010 \$'000
INVESTMENT REVENUES		
Interest receivable		
- overdue rates and charges	43	-
- cash and investments	393	309
Fair value adjustments - investments		
- other	412	(328)
Gross Investment Revenues	848	(19)
Less: Interest deducted from capitalised borrowing costs	-	-
Total Investment Revenues	848	(19)

Council's net return on investments during both reporting periods has been materially affected by the potential loss in value of certain financial instruments in 2010 and the recovery of value during 2011, full details of which have been provided in Note 15.

OTHER REVENUES

Other Fines	1	4
Rental income - Investment Property	-	-
- Other property	64	85
Insurance Claims	32	32
Commissions and Agency Fees	4	6
Legal Fees Recovered	1	1
Miscellaneous sales	59	31
Other	229	156
Total Other Revenues	390	315

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2011

Note 3 - INCOME (continued)

	Notes	OPERATING		CAPITAL	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
GRANTS					
General Purpose (Untied)					
Financial Assistance		1,535	1,432	-	-
Individually significant item	see below	525	507	-	-
- additional Grants Commission payment				-	-
Pensioner Rates Subsidies (General)		74	71	-	-
Specific Purpose					
Pensioner Rates Subsidies					
Water Supplies		36	17	-	-
Sewerage Services		-	13	-	-
Domestic Waste Management		51	-	-	-
Aged Care Facilities		1,247	1,265	30	-
Kamilaroi Ageing and Disability Services		1,049	887	95	-
Library		29	28	-	-
Street Lighting		6	6	-	-
Roads and Bridges		-	-	714	383
Employment and Training Programs		43	30	-	-
Tablelands Community Support Options		1,720	1,739	-	-
Tablelands Community Transport		232	257	-	8
Bundarra Neighbourhood Aid		48	54	-	26
Bushfire and Emergency Services		182	(13)	-	-
Other		68	109	75	52
Total Grants and Subsidies		6,845	6,402	914	469
Comprising:					
- Commonwealth funding		4,761	4,981	-	-
- State funding		1,853	1,421	-	-
- Other funding		231	-	914	469
		6,845	6,402	914	469
Financial Assistance Grant received in advance		525	507	-	-
Individually significant item					
<i>On 26 June 2010, Council received payment of the first quarter instalment of the 2010/11 Grant Commission (FAG) grant. Similarly, on 28 June 2011 Council received payment of the first instalment of the 2011/12 grant. It is not known when the timing of these grant payments will return to normal schedule.</i>					
CONTRIBUTIONS AND DONATIONS					
Developer Contributions					
Section 94	17	11	-	-	15
Section 94A levies	17	2	-	-	-
RTA Contributions		906	1,092	-	275
Other Councils - Joint Works		-	-	-	-
Other		68	55	-	-
Total Contributions and Donations		987	1,147	-	290
TOTAL GRANTS AND CONTRIBUTIONS		7,832	7,549	914	759

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2011

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:

	2011 \$'000		2010 \$'000	
	<u>Grants</u>	<u>Contrib</u>	<u>Grants</u>	<u>Contrib</u>
<i>Unexpended at the close of the previous reporting period</i>	220	240	724	225
<i>Less: expended during the current period from revenues recognised in previous reporting periods</i>				
<i>Section 94/64 Developer Contributions</i>	-	30	-	-
<i>Roads Infrastructure</i>	36	-	395	-
<i>Heritage and Cultural Services</i>	5	-	19	-
<i>Community Care Services</i>	37	-	275	-
<i>Other</i>	-	-	-	-
<i>Subtotal</i>	<u>78</u>	<u>30</u>	<u>689</u>	<u>-</u>
<i>Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions</i>				
<i>Section 94/64 Developer Contributions</i>	-	15	-	15
<i>Roads Infrastructure</i>	119	-	36	-
<i>Heritage and Cultural Services</i>	279	-	149	-
<i>Community Care Services</i>	-	-	-	-
<i>Subtotal</i>	<u>398</u>	<u>15</u>	<u>185</u>	<u>15</u>
<i>Unexpended at the close of this reporting period and held as restricted assets</i>	<u>540</u>	<u>225</u>	<u>220</u>	<u>240</u>
<i>Net increase (decrease) in restricted assets in the current</i>	<u>320</u>	<u>-15</u>	<u>-504</u>	<u>15</u>

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2011

Note 4 - EXPENSES

	2011 \$'000	2010 \$'000
EMPLOYEE BENEFITS AND ONCOSTS		
Salaries and Wages	5,277	5,142
Travelling	10	98
Employee Leave Entitlements	922	863
Superannuation - defined contribution plan contributions	493	392
Superannuation - defined benefit plan contributions	270	347
Workers' Compensation Insurance	250	387
Fringe Benefits Tax	20	27
Training Costs (excluding Salaries)	30	58
Other	1	3
Less: Capitalised and distributed costs	(621)	(475)
Total Operating Employee Costs	<u>6,652</u>	<u>6,842</u>
 Total Number of Employees	 104	 104
<i>(Full time equivalent at end of reporting period)</i>		
 BORROWING COSTS		
Interest on Loans	133	129
Unwinding of present value discounts and premiums	50	50
Gross Interest Charges	<u>183</u>	<u>179</u>
 MATERIALS & CONTRACTS		
Raw materials and consumables	1,896	2,972
Contractor and consultancy costs	2,290	1,347
Auditor's Remuneration		
- Audit Services	25	18
- Other Services	-	-
Legal Expenses		
- Planning and Development	-	-
- Other Legal Expenses	12	33
Total Materials & Contracts	<u>4,223</u>	<u>4,370</u>

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2011

Note 4 - EXPENSES (continued)	2011 \$'000	2010 \$'000
DEPRECIATION AND AMORTISATION		
Plant and Equipment	699	684
Office Equipment	35	31
Furniture and Fittings	48	49
Buildings	79	80
Other Structures	93	92
Infrastructure		
- roads, bridges and footpaths	2,178	2,093
- bulk earthworks	-	
- stormwater drainage	8	15
- water supply network not elsewhere included	54	54
- sewerage network not elsewhere included	13	13
Other assets		
- heritage collections	(7)	-
- other	1	1
Future Reinstatement Costs		
- Tips	10	10
Less: Capitalised and distributed costs	(205)	(148)
Total Depreciation and Amortisation	3,006	2,974
 OTHER EXPENSES		
Bad and Doubtful Debts	1	17
Mayoral fee	14	14
Councillors' Fees and Allowances	83	81
Councillors' (incl. Mayor) Expenses	29	17
Insurances	143	311
Street Lighting	46	36
Light, Power and Heating	204	204
Telephone and Communications	91	111
Donations and Contributions to Local and Regional Bodies	296	269
Advertising	46	25
Election Expenses	-	-
Subscriptions and Publications	27	68
Total Other Expenses	980	1,153

Individually Significant Item

Nil

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2011

Note 5 - GAIN OR LOSS ON DISPOSAL OF ASSETS

	2011 \$'000	2010 \$'000
DISPOSAL OF INFRASTRUCTURE, PLANT AND EQUIPMENT		
Proceeds from disposal	164	237
Less: Carrying amount of assets sold	<u>156</u>	<u>109</u>
Gain (Loss) on disposal	<u>8</u>	<u>128</u>
DISPOSAL OF FINANCIAL INSTRUMENTS		
Proceeds from disposal	3,695	1,142
Less: Carrying amount of assets sold	<u>3,695</u>	<u>1,142</u>
Gain (Loss) on disposal	<u>-</u>	<u>-</u>
TOTAL GAIN (LOSS) ON DISPOSAL OF ASSETS	<u>8</u>	<u>128</u>

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2011

Note 6 - CASH ASSETS AND INVESTMENT SECURITIES

	2011		2010	
	\$'000		\$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
CASH ASSETS				
Cash on Hand and at Bank	173		182	
Deposits at Call	653		1,404	
Total Cash Assets	<u>826</u>		<u>1,586</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	412	-	-	-
Held to maturity investments	4,900	-	4,500	-
Total	<u>5,312</u>	<u>-</u>	<u>4,500</u>	<u>-</u>

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

At beginning of year	-	-	828	-
Revaluation to Income Statement	412	-	(328)	-
Disposals	-	-	(500)	-
At end of year	<u>412</u>	<u>-</u>	<u>-</u>	<u>-</u>

Held for trading:

- CDOs	412	-	-	-
	<u>412</u>	<u>-</u>	<u>-</u>	<u>-</u>

Fair values for financial assets at fair value through profit or loss -held for trading are determined by quoted prices in active markets for identical investments.

Held to Maturity Investments

At beginning of year	4,500	-	4,584	-
Additions	4,095	-	558	-
Disposals	(3,695)	-	(642)	-
At end of year	<u>4,900</u>	<u>-</u>	<u>4,500</u>	<u>-</u>

Comprising:

- Term Deposits	4,900	-	4,500	-
	<u>4,900</u>	<u>-</u>	<u>4,500</u>	<u>-</u>

Fair values for available-for-sale financial instruments are determined in accordance with a valuation report from the independent source Structed Credit Research & Advisory Pty Ltd at the 30th June 2011.

The permitted forms of investment in financial instruments of the Council are defined in the Ministerial Local Government Investment Order of 12 January 2011, 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 4% and 6.12% (2010- 3.35% and 8.30%). CDOs are with organisations with credit ratings that complied with the Ministerial Local Government Investment Order at the time of acquisition and bear various rates of rates of return between 5.79% and 6.52% (2010 - 4.69% and 6.41%).

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 2011

Note 6 - CASH ASSETS AND INVESTMENT SECURITIES (cont)

RESTRICTED CASH ASSETS AND INVESTMENT SECURITIES

	2011 \$'000		2010 \$'000	
	Current	Non-Current	Current	Non-Current
Cash and Cash Equivalent Assets	826	-	1,586	-
Investment Securities	5,312	-	4,500	-
TOTAL CASH AND INVESTMENT SECURITIES	6,138	-	6,086	-
External Restrictions	3,125	-	2,457	-
Internal Restrictions	2,879	-	2,329	-
Unrestricted	134	-	1,300	-
	6,138	-	6,086	-

DETAILS OF MOVEMENTS OF RESTRICTED CASH ASSETS AND INVESTMENT SECURITIES

	Notes	Opening Balance 30 June 2010	Movements		Closing Balance 30 June 2011
		\$'000	Transfers To Restriction \$'000	Transfers From Restriction \$'000	\$'000
<u>External Restrictions</u>					
Other					
Developer Contributions	17	240	15	30	225
Unexpended Grants		220	398	78	540
Water Supply funds		480	304	133	651
Sewerage funds		749	228	117	860
McMaugh Gardens Aged Care		768	231	150	849
		2,457	1,176	508	3,125
Total External Restrictions		2,457	1,176	508	3,125

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) and certain annual charges may only be used for those purposes.

Internal Restrictions

Employee Leave Entitlements	500	91	-	591
Plant replacement	300	25	-	325
Carry-over works	317	572	-	889
FA Grants in Advance	507	525	507	525
Accommodation Bond Guarantee	705	-	156	549
Total Internal Restrictions	2,329	1,213	663	2,879

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 from works not completed in the current year and for those 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 2011

Note 7 - RECEIVABLES

	2011 \$'000		2010 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
Rates and Annual Charges	393	-	466	-
Interest and Extra Charges	26	-	26	-
User Charges and Fees	60	-	74	-
Accrued Revenues	408	-	261	-
Deferred Debtors	-	-	-	-
Other Levels of Government	179	-	114	-
Other	477	-	193	-
Total	1,543	-	1,134	-
Less: Allowance for Doubtful Debts				
Rates and Annual Charges	8	-	11	-
	<u>1,535</u>	<u>-</u>	<u>1,123</u>	<u>-</u>

Rates, Annual Charges, Interest & Extra Charges

Overdue rates and annual charges (being amounts not paid on or before the due date determined in accordance with the Local Government Act) are secured over the relevant land and are subject to simple interest at a rate of 9.00% (2010: 9.00%). 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	281	29	186	-
Sewerage Services	62	-	69	-
Domestic Waste Management	-	-	-	-
Total Restrictions	343	29	255	-
Unrestricted Receivables	1,192	(29)	868	-
Total Receivables	1,535	-	1,123	-

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2011

Note 8 - INVENTORIES AND OTHER ASSETS

	2011 \$'000		2010 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
INVENTORIES				
Stores and Materials	169	-	185	-
Total Inventories	169	-	185	-

Inventories not expected to be realised within the next 12 months.

	-	-	-	-
--	---	---	---	---

Aggregate write-downs and other losses which were recognised as an expense, and reversals of these, were not material in amount in either year. All such reversals occurred principally as a result of clerical inaccuracies during stores operations.

OTHER ASSETS

Prepayments	85	-	-	-
Total Other Assets	85	-	-	-

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2011

Note 9 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	2010 \$'000				CARRYING AMOUNT MOVEMENTS DURING YEAR \$'000						2011 \$'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 & Equipment	-	7,116	(3,496)	3,620	954	(156)	(699)	-	-	-	-	7,721	(4,002)	3,719
Office Equipment	-	720	(609)	111	29	-	(35)	-	-	-	-	749	(644)	105
Furniture and Fittings	-	932	(652)	280	134	-	(48)	-	4	-	-	1,069	(699)	370
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	-	16,435	(790)	15,645	89	-	(79)	-	-	-	-	16,524	(869)	15,655
Other Structures	-	2,114	(1,175)	939	232	-	(93)	-	-	-	-	2,346	(1,268)	1,078
Infrastructure														
- Roads, bridges, footpaths	-	109,849	(27,073)	82,776	767	-	(2,178)	-	(308)	2,857	-	114,317	(30,403)	83,914
- Bulk earthworks (non-deprec.)	-	162,752	-	162,752	980	-	-	-	304	(497)	-	163,539	-	163,539
- Stormwater drainage	2,542	-	(524)	2,018	1	-	(8)	-	-	80	-	2,639	(548)	2,091
- Water Supply Network	-	17,644	(809)	16,835	92	-	(54)	-	-	538	-	18,301	(890)	17,411
- Sewerage Network	-	8,003	(808)	7,195	151	-	(13)	-	-	237	-	8,418	(848)	7,570
Other Assets														
- Heritage Collections	35	-	(7)	28	-	-	7	-	-	55	-	90	-	90
- Other	19	-	(8)	11	-	-	(1)	-	-	-	-	19	(9)	10
Future Reinstatement Costs														
- Tips	456	-	(162)	294	-	-	(10)	-	-	-	-	456	(172)	284
Totals	3,052	329,350	(36,113)	296,289	3,429	(156)	(3,211)	-	-	3,270	-	339,973	(40,352)	299,621

Asset acquisitions were apportioned between:

Building & Infrastructure Renewals	1,656
Building & Infrastructure New Assets	424
Other Assets	1,349

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2011

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

	2011 \$'000				2010 \$'000			
	AT COST	AT VALUATION	ACCUM DEPN	CARRYING AMOUNT	AT COST	AT VALUATION	ACCUM DEPN	CARRYING AMOUNT
Water Supply								
Plant and Equipment	9	-	(6)	3	9	-	(5)	4
Land								
- Operational	-	234	-	234	-	234	-	234
- non depreciable land improv	-	-	-	-	-	-	-	-
Buildings	-	344	(26)	318	-	345	(26)	319
Water Supply Infrastructure	-	18,301	(890)	17,411	-	17,644	(809)	16,835
- Other	-	7	(3)	4	7	-	(2)	5
Total Water Supply	9	18,886	(925)	17,970	16	18,223	(842)	17,397
Sewerage Services								
Land								
- Operational	-	169	-	169	-	169	-	169
- non depreciable land improv	-	-	-	-	-	6	-	6
Buildings	-	103	(3)	100	-	103	(3)	100
Other Structures	-	40	(19)	21	40	-	(17)	23
Sewerage Infrastructure	-	8,418	(848)	7,570	-	8,003	(808)	7,195
- Roads, bridges, footpaths	-	45	(6)	39	-	44	(5)	39
Total Sewerage Services	-	8,781	(876)	7,905	40	8,325	(833)	7,532
Domestic Waste Management								
Plant and Equipment		229	(32)	197	-	101	(36)	65
Land								
- Operational		228	-	228		228	-	228
Buildings								
Other Structures	170		(120)	50	147		(106)	41
- Other	25		(4)	21	25		(16)	9
Total Domestic Waste	195	457	(156)	496	172	329	(158)	343
McMaugh Gardens Aged Care								
Plant and Equipment	46	-	(45)	1	46	-	(44)	2
Office Equipment	28	-	(24)	4	25	-	(23)	2
Furniture and Fittings	569	-	(376)	193	529	-	(342)	187
Land								
- Council owned (freehold)		155	-	155		155	-	155
Roads, Parking and Footpaths	-	37	(3)	34	36	-	(3)	33
Buildings	-	4,147	(112)	4,035	-	4,147	(99)	4,048
Other Structures	-	124	(17)	107	25	-	(15)	10
Total	643	4,463	(577)	4,529	661	4,302	(526)	4,437
TOTAL RESTRICTIONS	847	32,587	(2,534)	30,900	889	31,179	(2,359)	29,709

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2011

Note 10 - LIABILITIES

	2011 \$'000		2010 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
PAYABLES				
Goods and Services	627	-	1,034	-
Payments received in advance	-	-	12	-
Accrued Salaries and Wages	250	-	183	-
Accrued expenses - other	70	-	79	-
Alliance Private Works	-	-	422	-
Retirement Home Contributions	1,661	-	1,473	-
Deposits, Retentions and Bonds	-	-	-	-
Total Payables	2,608	-	3,203	-

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

1,281

1,171

Retirement Home Contributions

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

BORROWINGS

Loans				
- Secured	130	1,563	122	1,694
Total Borrowings	130	1,563	122	1,694

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

PROVISIONS

Employee benefits - annual leave	497	-	497	-
- sick leave	70	-	62	-
- long service leave	715	236	633	302
- Other	-	-	27	-
Reinstatement, Remediation, etc. (see also Note 21)	-	684	-	634
Total Provisions	1,282	920	1,219	936

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

945

742

Movements in Provisions

	Employee Benefits	Reinstatement, etc.
	2011 \$'000	2011 \$'000
Opening Balance	1,521	634
Add Additional amounts recognised	651	
Unwinding of present value discounts		50
(Less) Payments	(654)	-
Closing Balance	1,518	684

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2011

NOTE 10 - LIABILITIES (continued)

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.

	2011 \$'000		2010 \$'000	
	Current	Non-Current	Current	Non-Current
AGGREGATE LIABILITY ARISING FROM EMPLOYEE BENEFITS	1,532	236	1,402	302
LIABILITIES relating to RESTRICTED ASSETS				
<i><u>Domestic Waste Management</u></i>				
Payables	-	-	-	-
Subtotal	-	-	-	-
<i><u>Water Supplies</u></i>				
Payables	-	-	118	-
Subtotal	-	-	118	-
<i><u>Sewerage Services</u></i>				
Payables	47	-	116	-
Subtotal	47	-	116	-
<i><u>McMaugh Gardens Aged Care</u></i>				
Payables	1,661	-	1,473	-
Interest Bearing Liabilities	3	77	3	80
Subtotal	1,664	77	1,476	80
TOTAL	1,711	77	1,710	80

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2011

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:

	2011 \$'000	2010 \$'000
Total Cash Assets (Note 6)	<u>826</u>	<u>1,586</u>
Balances per Statement of Cash Flows	<u>826</u>	<u>1,586</u>

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

Net Operating Result from Income Statement	1,266	(506)
Add: Depreciation, Amortisation and Impairment	3,006	2,974
Unwinding of present value discounts and premiums	67	73
Investments - impairment and fair value adjustments	(412)	328
Increase in provision for doubtful debts	-	9
Increase in employee benefits provisions	-	-
Decrease in receivables	-	265
Decrease in inventories	16	2
Decrease in other assets	-	106
Increase in trade creditors & other accruals	-	-
	<u>3,943</u>	<u>3,251</u>
Less: Decrease in provision for doubtful debts	3	-
Decrease in employee benefits provisions	20	80
Increase in receivables	410	-
Increase in other assets	85	-
Decrease in trade creditors and other accruals	361	106
Decrease in other payables	422	79
Gain on Sale of Assets	8	128
Net Cash provided by (or used in) operations	<u>2,634</u>	<u>2,858</u>

(c) Non-Cash Financing and Investing Activities

Acquisition of assets by means of:

- Bushfire Grants	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</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	40	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 2011

Note 12 - COMMITMENTS FOR EXPENDITURE

	2011 \$'000	2010 \$'000
(a) Capital Commitments		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Land	-	-
Buildings	-	-
Plant and Equipment	-	-
	-	-

(b) Other Expenditure Commitments		
Other expenditure committed for (excluding inventories) at the reporting date but not recognised in the financial statements as liabilities:		
Audit Services	146	83
Library Services	531	339
Other	880	1,191
	1,557	1,613
These expenditures are payable:		
Not later than one year	378	339
Later than one year and not later than 5 years	1,179	1,274
	1,557	1,613

Commitments for other Expenditures relating to Joint Ventures and Partnerships are set out in Note 19.

(e) Remuneration Commitments		
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	168	159
Later than one year and not later than 5 years	7	164
	175	323

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2011

Note 13 - STATEMENT OF PERFORMANCE MEASUREMENT

INDICATORS - CONSOLIDATED

	<u>Amounts</u>	2011	2010	2009
		<u>Indicators</u>		
Unrestricted Current Ratio				
<u>Unrestricted Current Assets*</u>	\$4,459	3.27:1	5.08:1	3.62:1
Current Liabilities not relating to Restricted Assets	\$1,364			
Debt Service Ratio				
<u>Net Debt Service Cost*</u>	\$256	0.03:1	0.02:1	0.03:1
Operating Revenue*	\$9,698			
Rate & Annual Charges Coverage Ratio				
<u>Rates and Annual Charges Revenues</u>	\$4,475	0.27:1	0.3:1	0.23:1
Revenue from continuing operations	\$16,310			
Rates and Annual Charges Outstanding Percentage				
<u>Rates and Annual Charges Outstanding</u>	\$411	8.22%	9.74%	9.33%
Rates and Annual Charges Collectible	\$4,999			
Building and Infrastructure Renewals Ratio				
<u>Asset renewals*</u>	\$1,656	0.71:1	1.06:1	1.2:1
Depreciation, Amortisation, Impairment	\$2,332			

INDICATORS - BY FUND

	Current Year Indicators		
	General	Water	Sewer
Unrestricted Current Ratio			
<u>Unrestricted Current Assets*</u>	1.49:1	0:1	19.62:1
Current Liabilities not relating to Restricted Assets			
Debt Service Ratio			
<u>Net Debt Service Cost*</u>	0.03:1	0:1	0:1
Operating Revenue*			
Rate and Annual Charges Coverage Ratio			
<u>Rates and Annual Charges Revenues</u>	0.22:1	0.76:1	0.69:1
Revenue from continuing operations			
Rates and Annual Charges Outstanding Percentage			
<u>Rates and Annual Charges Outstanding</u>	6.05%	16.28%	13.36%
Rates and Annual Charges Collectible			
Building and Infrastructure Renewals Ratio			
<u>Asset renewals*</u>	0.73:1	0:1	0:1
Depreciation, Amortisation, Impairment			

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

URALLA SHIRE COUNCIL

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2011**

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 2011

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	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Financial Assets				
Cash and Cash Equivalents	826	1,586	826	1,586
Receivables	1,535	1,123	1,535	1,123
Financial assets at fair value through profit and loss	412	-	412	-
Held-to-maturity investments	4,900	4,500	4,900	4,500
	<u>7,673</u>	<u>7,209</u>	<u>7,673</u>	<u>7,209</u>
Financial Liabilities				
Payables	2,608	3,203	2,608	3,203
Borrowings	1,693	1,816	1,693	1,816
	<u>4,301</u>	<u>5,019</u>	<u>4,301</u>	<u>5,019</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 an independent valuation.

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 Ministerial Local Government Investment Order. The investment policy is reviewed regularly, and a report in accordance with section 625 of the Act provided to Council monthly.

The investment portfolio is managed so as to provide adequate liquidity at all times, particularly during the periods between the quarterly receipt of rates instalments and grants. In addition, Council has access to overdraft facilities set out in Note 11.

Less than 6% of Council's financial assets is invested in products that are subject to price risk, principally CDOs. Council views the loss in market value - which has been recognised in these and previous reports - as deriving principally from a lack of liquidity in the market. Council has now determined to sell \$100,000 face value, at \$59,000, retain \$350,000 face value until maturity in March 2012 and retain the balance \$700,000 face value of these financial instruments on a long term basis, and has reviewed its liquidity projections to confirm that it will be able to do so. Council expects to recoup the valuation amount of CDO over the life of the investment, and has not received any information that would indicate to the contrary. However, the balance of the CDOs are held at nil value because of the uncertainty of recovery and the legal action against Lehman Brothers - refer Note 18.

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 2011

Note 15 - FINANCIAL RISK MANAGEMENT (continued)

Interest Sensitivity Analysis	2011 \$'000	2010 \$'000
Impact of a 10% movement in price of investments (for assets subject to price risk only)		
- Equity	41	-
- Income Statement	41	-
Impact of a 1% change in interest rates on cash and investments		
- Equity	53	60
- Income Statement	53	60

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.

	2011 \$'000	2010 \$'000
Percentage of Rates and Annual Charges		
- Current	54%	65%
- Overdue	46%	35%

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:

	2011 '000	Due			Total Contractual Cash	Carrying Value
		≤ 1 year	2 - 5 years	> 5 years		
Payables		1,327	1,281	-	2,608	2,608
Borrowings		140	438	1,115	1,693	1,693
		1,467	1,719	1,115	4,301	4,301
	2010 '000	Due			Total Contractual Cash Flows	Carrying Value
		≤ 1 year	2 - 5 years	> 5 years		
Payables		2,032	1,171	-	3,203	3,203
Borrowings		117	448	1,251	1,816	1,816
		2,149	1,619	1,251	5,019	5,019

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2011

Note 15 - FINANCIAL RISK MANAGEMENT (continued)

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 at rates fixed for the duration of the loan. Bank overdraft, if utilises, is 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:

	2011		2010	
	Wtd ave interest rate	Balance	Wtd ave interest rate	Balance
Overdraft	1.25%	-	1.25%	-
Loans - fixed interest rate	7.58%	<u>1,693</u>	7.07%	<u>1,816</u>
		<u>1,693</u>		<u>1,816</u>

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2011

Note 16 – MATERIAL BUDGET VARIATIONS

Council's original budget comprised part of the Management Plan adopted by Council on Monday 28 June 2010 (Resolution 220/10). 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 28 June 2010 aimed for a surplus from all funds, after capital grants of \$1,673,183. The actual result, after capital grants is a surplus of \$1,266,073 a variation of \$407,110 (24.3%).

1.2 User Charges and Fees Other Revenues

Favourable \$638k **52.3%**
Unfavourable \$321k **45.1%**

The increase over budget for user charges and fees is the result of additional income over budget from McMaugh Gardens Residents contributions \$185,301, Domestic Waste Landfill operation (recycling products) \$147,487 and sale of metal \$73,287, Tablelands Community Support Options Client Contributions \$66,158 together with \$103,884 June 2010 water reading not accrued in 2009/2010; these total \$576,117 of the additional income over budget.

The landfill operation additional income has been as a result of increased recycling effort and reclassification of income from Other Revenues, the aged care fees are dependent upon the mix of categories of residents in the aged care facility and the catch-up of the water reading is a once off increase.

1.3 Interest Received

Favourable \$340k **66.9%**

The budgeted income from investment was \$508,378. This was exceeded by \$304,047 due to principally to the recovery in the value of the Collateralised Debt Obligations CDOs of \$411,500.

1.4 Materials and Contracts

Unfavourable \$463k **12.3%**

The 2010/2011 budget was adopted with the construction of the Abington Bridge with an allocation for Materials and Consumables \$1,049,940, within a capital budget of \$4,904,355. The Abington Bridge capital construction was dependent upon the receipt of \$612,500 from the Timber Bridge Replacement Partnership with the State Government. The capital programme was therefore reduced to the actual \$3,428,405, which is \$1,475,950 less than budget. In place of the capital expenditure the net funding and resources were applied to recurrent expenditure.

1.5 Interest Charges

Unfavourable \$49k **36.6%**

The unwinding of the net present value of the tip remediation of \$50,382 was not budgeted for in the original budget.

1.6 Depreciation

Favourable \$418k **12.2%**

The depreciation in the budget for 2010/2011 was set at \$3,423,539 and the actual depreciation is \$3,211,259 a variation of \$6.2%. The deduction due to capitalisation of the depreciation of Council's plant used in capital projects; roads, bridges, sewer extensions and other minor works; was \$205,431 and represents 49% of the variation.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

Note 16 – Material Budget Variations (continued)

2 CASH FLOW STATEMENT

2.1 General Overview

The Budgeted Cash Flow provided for \$4,268k from “Net Cash from Operating Activities”. The actual net cash emerging from operating activities was \$3,060k or \$1,208k (28.4%) below budget. The cash shortfall from operation was due to the transfer of effort from capital works (Abington Bridge Replacement of \$1,256k) to recurrent expenditure.

The decrease in Net cash provided by Operating Activities of \$1,208k is offset by a decrease in the Purchase of Infrastructure, Property, Plant and Equipment of \$1,374k. While the purchase and sale of Investment Securities are \$795 and \$695 respectively more than the budgeted expenditure the net difference is \$100k additional investment purchase

2.2 User Charges and Fees	Favourable \$332k	52.3%
Other Operating Receipts	Unfavourable \$581k	45.1%

As stated in the Income Statement review, the increase over budget for user charges and fees is the result of additional income over budget from McMaugh Gardens Residents contributions \$185,301, Domestic Waste Landfill operation (recycling products) \$147,487 and sale of metal \$73,287, Tablelands Community Support Options Client Contributions \$66,158 together with \$103,884 June 2010 water reading not accrued in 2009/2010; these total \$576,117 of the additional income over budget. The landfill operation additional income has been as a result of increased recycling effort, the aged care fees are dependent upon the mix of categories of residents in the aged care facility and the catch-up of the water reading is an once off increase.

2.3 Investment Income	Unfavourable \$219k	43.1%
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The interest rate and the working capital surplus during the year was not as high as estimated resulting in a lower rate of investment income than budgeted for in the cash flow statement.

2.4 Infrastructure, Property, Plant and Equipment	Favourable \$1,346k	32.3%
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The Abington Bridge with an allocation of \$1,256,000, within a capital budget of \$4,904,355 (including \$734,331 of internal plant hire charges not included in the Cash Flow Statement) was dependent upon the receipt of \$612,500 from the Timber Bridge Replacement Partnership with the State Government. When this grant was not forthcoming the capital programme was reduced and funds were allocated to recurrent rather than capital expenditure.

3 NOTE 2 - FUNCTIONS

3.1 General Overview

As stated in the Income Statement overview, the budget set on Monday 28 June 2010 aimed for a surplus from all activities, after capital grants, of \$1,673,183. The actual result, after capital grants, is a surplus of deficit of \$1,266,073; a variation of \$407,110 (24.3%).

The total income for the Principal Activities was \$16,310k which is 2.7% above budget.

The expenditure for the Principal Activities was \$15,044k which is 5.9% above budget.

3.2 Public Order and Safety	Favourable \$129k	69.0%
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Council recovered refunds for years 2006/2007 to 200/2009 from Armidale Dumaresq Council, who had received the refunds from the Rural Fire Service. These refunds resulted in an increase in income of \$151,838 over budget for 2010/2011.

3.3 Environment	Unfavourable \$375k	34.8%
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Domestic and other Waste Management had a total expenditure of \$1,235,808 and income of \$1,060,235 a net cost of \$175,573 against the budget expenditure of \$750,404 and income of \$992,382 a projected surplus of \$241,928 (a variation of \$471,551). The delay in the introduction of the automated system involved additional costs that increased the transitional costs in introducing a new waste and recycling system.

3.4 Transport and Communication	Unfavourable \$1,0390k	43.1%
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The transfer of effort from capital to recurrent expenditure outlined in 2.4 above and the wet winter has resulted in the additional expenditure on road maintenance of \$308,117 and a reduction of the Timber Bridge Replacement Grant of \$612,500 a total of \$920,617.

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2011

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	168	11	-	-	(30)	-	149	-	149	-	-
Traffic Facilities	9	-	-	-	-	-	9	-	9	-	-
Community Facilities	44	2	-	-	-	-	46	55	101	-	-
Other	19	2	-	-	-	-	21	-	21	-	-
Total Contributions	240	15	-	-	(30)	-	225	55	280	-	-

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	23	-	-	-	-	-	23	-	23	-	-
Traffic Facilities	9	-	-	-	-	-	9	-	9	-	-
Community Facilities	44	2	-	-	-	-	46	55	101	-	-
Other	14	2	-	-	-	-	16	-	16	-	-
Total	90	4	-	-	-	-	94	55	149	-	-

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	-	-	-	-	-	5	-	5	-	-
Total	5	-	-	-	-	-	5	-	5	-	-

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	11	-	-	(30)	-	126	-	126	-	-
Total	145	11	-	-	(30)	-	126	-	126	-	-

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2011

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. 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.

2. DEFINED BENEFIT SUPERANNUATION PLAN

Council contributes to The Local Government Superannuation Scheme – Pool B (The Scheme), which is the closed section of The Local Government Superannuation Scheme, 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.

Council makes employer contributions to the defined benefits categories of the Scheme at rates determined by the Scheme's Trustee. The rate since 1 July 2009 has been 190% of member's contributions plus 1.25% of superable salary. Employees also make contributions to the Fund.

Assets accumulate in the Fund to meet the member's benefit, as defined in the Trust Deed, as they accrue. Favourable or unfavourable variations may arise should the experience of the Scheme differ from the assumptions made by the Scheme's actuary in estimating the Scheme's accrued benefits liability. The Scheme's liability for accrued benefits is determined by reference to expected future salary levels and by application of a market-based risk-adjusted discount rate and relevant actuarial assumptions.

The Scheme is a defined benefit plan that has been deemed to be a 'multi-employer fund' for the purpose of AASB 119. Sufficient information under AASB 119 is not available to account for the scheme as a defined benefit plan because the assets to the Scheme are pooled together for all Councils.

The amount of employer contributions recognised as an expense for the year ending 30 June 2011 was \$269,727.48. The last valuation of the Scheme was performed by Mr Martin Stevenson BSc, FIA, FIAA on 16 February 2010 and covers the period ended 30 June 2009. The financial position is monitored annually and the Actuary estimated that, at 30 June 2011, a deficit still exists. From 1 July 2009, employer councils were required to contribute at twice (190% of the employees' contribution) the "notional" or long term cost (9% of employees' contribution) for a period of up to ten years in order to rectify the deficit. The share of this deficit that can be broadly attributed to council as the employer was estimated to be in the order of \$499,911 as at 30 June 2011.

As the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils, the amount of \$499,911 is not able to be reliably quantified.

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. The total equity of StateCover Mutual Limited at 30 June 2010 was \$53,985,333. 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 \$41,217.52 (2007: \$41,217.52, 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 since 1 July 2007 or 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
(continued)

4. 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.

4.1. 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 had accumulated surpluses at 30 June 2010 in all funds; Fidelity Guarantee Fund (\$1,453,792), Liability fund (\$18,842,098), and the Property Fund (\$14,101,979).

5. FINANCIAL ASSETS – COLLATERALISED DEBT OBLIGATIONS (CDOs)

Council, together with a number of other local government authorities, is a party to a legal action funded by litigation funder IMF (Australia) Ltd, against Lehman Brothers Australia, the vendors / promoters of certain CDOs acquired by Council in previous years. Council has a claim for losses of \$576,067.77 on Council's holdings of \$1,150,000 face value of Collateralised Debt Obligations. The basis of the action is breach of fiduciary duty by Lehman Brothers Australia directly leading to the losses incurred by Council.

The court case against Lehman Brothers Australia in the Australian courts commenced on 28 February 2011 and concluded in early June. The Court's decision is expected with three to six months. The funding of the court action is under a funding agreement with the litigation funder, IMF (Australia) Ltd, who will receive 35% of the Resolution Sum less a sum for the notional admitted claim. The notional admitted claim is a calculated amount that Council would have received under the Deed of Corporation Arrangement (DOCA) for the distribution of \$42 million to claimants that was offered by the liquidators of Lehman Brothers Australia and refused in place of taking court action to recover the whole claim, Council's notional admitted claim is \$58,585.09.

The outcome of the Australian Court case and the return, if any to Council, can not be estimated.

With the collapse of Lehman Brothers International, the subsidiary Lehman Brothers Special Financing (LBSF) defaulted and a number of Swap Counterparty Securities were returned to the Trustees, Bank New York Mellon. In the normal course these amounts would have returned to the note-holders; as was the case for the Federation CDO in October 2008. However, because court cases in the United Kingdom and the United States of America have different outcomes, the Trustees has held the securities for CDOs organised by LBSF until the differences have been resolved.

Council had two CDOs affected by the Trustee holding the LBSF Swap Counter Party Securities. One was Global Bank Note – Beryl Finance Limited with a face value of \$100,000 which was sold in late June 2011 for \$59,000 and settled on July 2011. The second CDO is, Coolangatta – Zircon Finance Ltd, with a face value of \$250,000 that is being held by Council awaiting the outcome of the Court Cases. The valuation provided by Structured Credit Research and Advisory Pty Ltd for Council's holding in Coolangatta is \$235,000; however the amount which may be received could be between zero and \$277,500.

The outcome of the United Kingdom and United States of America Court cases and the return, if any to Council, can not be estimated.

The outcomes of the court cases in Australia, United Kingdom and United States of America and other legal actions pending against the company and its international holding company are not known, therefore the total amount of Council's recovery, if any, cannot be estimated.

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
(continued)

6. CENTRAL NORTHERN LIBRARIES

The Uralla Shire Council is a member of the Central Northern Libraries Group. This group operates under the Central Northern Library Regional Library Agreement renewed from 1 July 2010, administered by the Tamworth Regional Council on behalf of the six members.

Clause 7.1 of the Agreement states "Tamworth Regional Council shall own the assets acquired from Central Northern Regional Library's budget subject to the 'reimbursement rights' held by each of the Delegating Councils as provided by this clause."

Clause 7.3 states "Upon the termination of this agreement, a proportion of the assets identified in the asset register shall be distributed to the Delegating Councils. The method for determining the asset distribution to each Delegating Council is specified in Schedule 4 of this Agreement." Schedule 4 determines that the distribution of the net assets shall be apportioned in the ratio of the contributions made in the three preceding years or the current life of the existing agreement. The net assets of the Central Northern Regional Library at 30 June 2011 were not available. Council expects the net assets of the library to be in line with the previous year's results \$736,623 (\$780,289 – 2009) and the percentage of contribution by the Uralla Shire Council is 7.2%.

7. RURAL FIRE FIGHTING ASSETS

Council has title to, and is the registered owner of 21 vehicles including 6 category 1 and 2 rural fire appliances and associated rural fire fighting equipment. These assets are under the control of the Rural Fire Services to enable that authority to provide the bushfire protection defences set out in their Service Level Agreement with Council, and accordingly have been recognised in these reports as assets (Significant Accounting Policy 6.2 – Note 1).

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

URALLA SHIRE COUNCIL

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2011**

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 2011

Note 20 - RETAINED EARNINGS AND REVALUATION RESERVES

RETAINED EARNINGS	2011	2010
	\$'000	\$'000
Balance at end of previous reporting period	66,037	66,543
Net operating result for the year	1,266	(506)
Balance at end of the reporting period	<u>67,303</u>	<u>66,037</u>
REVALUATION RESERVES		
<i>Infrastructure, Property, Plant and Equipment</i>		
Balance at end of previous reporting period	230,472	210,886
Revaluation of infrastructure, property, plant & equipment	3,270	19,586
Balance at end of reporting period	<u>233,742</u>	<u>230,472</u>
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	12,803
Infrastructure		
- Roads, bridges, footpaths	204,092	201,235
- Bulk earthworks (non-depreciable)	(497)	-
- Stormwater drainage	1,506	1,426
- Water Supply Network	10,287	9,749
- Sewerage Network	3,412	3,175
Other Assets		
- Heritage Collections	55	-
Balance at end of reporting period	<u>233,742</u>	<u>230,472</u>

Commencement of AASB 1051 - Land under roads

As at 1 July 2008, Council determined that it was of the opinion that it was not possible to reliably measure the fair value of land under roads previously acquired, and that it was impracticable to determine the original cost of acquisition.

In accordance with AASB 1051.9, the carrying value of land under roads previously recognised has been made against the opening balance of retained earnings.

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2011

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.

INCOME STATEMENT	GENERAL FUND	WATER SUPPLY	SEWER
	\$'000	\$'000	\$'000
INCOME			
Rates & Annual Charges	3,669	342	464
User Charges & Fees	1,434	389	20
Investment Revenues	457	198	193
Other Revenues	390	-	-
Grants & Contributions - Operating	7,796	36	-
Grants & Contributions - Capital	914	-	-
Profit from Disposal of Assets	8	-	-
Total Income from Continuing Operations	<u>14,668</u>	<u>965</u>	<u>677</u>
EXPENSES			
Employee Costs	6,153	300	199
Materials & Contracts	4,274	209	139
Borrowing Costs	183	-	-
Depreciation & Amortisation	2,536	56	15
Other Expenses	980	-	-
Interest and investment losses	-	-	-
Loss from Disposal of Assets	-	-	-
Total expenses from Continuing Operations	<u>14,126</u>	<u>565</u>	<u>353</u>
OPERATING RESULT FROM CONTINUING OPERATIONS	542	400	324
Operating result from discontinued operations	-	-	-
NET OPERATING RESULT FOR YEAR	<u>542</u>	<u>400</u>	<u>324</u>
Attributable to:			
URALLA SHIRE COUNCIL	<u>542</u>	<u>400</u>	<u>324</u>
	<u>542</u>	<u>400</u>	<u>324</u>
<i>Net operating result before capital grants and contributions</i>	(372)	400	324

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2011

Note 21 - Results by Fund (cont)

BALANCE SHEET	GENERAL FUND	WATER SUPPLY	SEWER
	\$'000	\$'000	\$'000
CURRENT ASSETS			
Cash & cash equivalents	(685)	651	860
Investments	5,312	-	-
Receivables	1,192	281	62
Inventories	169	-	-
Other	85	-	-
Non-current assets held for sale	0	-	-
TOTAL CURRENT ASSETS	<u>6,073</u>	<u>932</u>	<u>922</u>
NON-CURRENT ASSETS			
Receivables	(29)	29	-
Infrastructure, Property, Plant & Equipment	274,082	17,969	7,570
Other	(335)	-	335
TOTAL NON-CURRENT ASSETS	<u>273,718</u>	<u>17,998</u>	<u>7,905</u>
TOTAL ASSETS	<u>279,791</u>	<u>18,930</u>	<u>8,827</u>
CURRENT LIABILITIES			
Payables	2,561	-	47
Borrowings	130	-	-
Provisions	1,282	-	-
TOTAL CURRENT LIABILITIES	<u>3,973</u>	<u>-</u>	<u>47</u>
NON-CURRENT LIABILITIES			
Payables	0	-	-
Borrowings	1,563	-	-
Provisions	920	-	-
TOTAL NON CURRENT LIABILITIES	<u>2,483</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>6,456</u>	<u>-</u>	<u>47</u>
NET ASSETS	<u>273,335</u>	<u>18,930</u>	<u>8,780</u>
EQUITY			
Accumulated Surplus	53,286	8,635	5,382
Revaluation Reserves	220,049	10,295	3,398
TOTAL EQUITY	<u>273,335</u>	<u>18,930</u>	<u>8,780</u>

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2011

Note 23 - EVENTS OCCURRING AFTER BALANCE DATE

1. DAMAGE TO COUNCIL LOCAL ROADS

On 18 August 2011, just after noon, a major vehicle accident closed the New England Highway, just south of the Armidale Regional Airport for approximately ten hours. The highway traffic was initially detoured around the accident along Platform Road in the Armidale Dumaresq Council area. Because of the inclement weather the unformed surface of that road was not able to withstand the pressure of highway volume traffic. The traffic was then diverted by the authorities to Bundarra Road.

The Uralla Shire Council has agreed to and signed an Incident Management Plan prepared by the Roads and Traffic Authority for diversion routes along the New England Highway. The Plan has established a protocol for traffic diversion for accidents blocking the highway between the Northern boundary of the Uralla Township and the southern round-a-bout for Armidale. This protocol was for the diversion of southbound traffic from Armidale to be along the regional road, Bundarra Road (MR 124) to the junction with the regional road, Thunderbolts Way (MR 173) at Yarrowyck and then onto Uralla. North bound traffic would be diverted at Uralla along Thunderbolts Way to Bundarra Road and onto Armidale.

On the 18 August 2011 the Incident Management Plan was not put into place and southbound traffic was diverted from the regional road, Bundarra Road at Barbados Corner onto Uralla Shire Council local roads, Pine Grove Road, Mt Butler and then Arding Road, back to the New England Highway. North bound traffic was not diverted at Uralla but allowed to travel on the New England Highway to Arding Road before being diverted.

The Uralla Shire Council was not contacted about this modification to the Incident Management Plan.

As a consequence of this action the three local roads, Pine Grove Road, Mt Butler and Arding Road, that were already stressed, now need approximately three kilometres to be fully rehabilitated. The severe damage resulted from the combination of the heavy highway traffic volume and weight and the saturated soils from several days of rain. Council is seeking an explanation for the non-adherence to the RTA Incident Management Plan and areas of compensation.

The Special Schedule 7 which provides an estimate of the estimated cost to bring Council's Infrastructure Assets to a satisfactory standard has been modified from the estimates at 30 June 2011 to include the estimate to bring Pine Grove and Arding Roads to a satisfactory standard. The estimate to bring sealed roads to a satisfactory standard is \$2,100,000 for 2011 compared to \$1,140,000 for 30 June 2010, after allowing \$500,000 to rehabilitate Pine Grove and Arding Roads.

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2011

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 2011 is \$684K, based on feasibility and engineering studies increased by estimated costs in engineering index of 5% for the first two years and 5.25% thereafter and has been discounted to its present value at 7.95% per year being the risk free investment rate.

	2011 \$'000	2010 \$'000
At beginning of year	634	584
Amounts capitalised to Tip asset	-	-
Amortised of discount - expensed to borrowing costs	<u>50</u>	<u>50</u>
At end of year	<u><u>684</u></u>	<u><u>634</u></u>

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

INDEPENDENT AUDIT REPORT
Report on the general purpose financial statements

To Uralla Shire Council

SCOPE

The financial statements comprise the Income statement, statement of comprehensive income, statement of financial position, 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 30th June 2011.

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 is free of material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

Knowledge with integrity

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 30th June 2011 and the results of its operations for the year then ended;
- (c) we have been able to obtain all information relevant to the conduct of our audit; and
- (d) no material deficiencies in the records or the financial statements were detected in the course of the audit.

Forsyths

Forsyths Business Services Pty Ltd

P.R. Cornall

Paul Cornall
Principal

23rd September 2011
92 Rusden Street Armidale

23 September 2011

The Mayor
Uralla Shire Council
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Forsyths Business Services Pty Ltd
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Dear Sir

AUDIT OF ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2011

We are pleased to report that we have completed the audit of Council's records for the year ended 30 June 2011 and have reported on the general purpose financial statements and special purpose financial statements as required by the provisions of Section 417(2) of the *Local Government Act 1993*.

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

Council's responsibilities

The Council is responsible for preparing 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 and responsibilities

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 and 16 and accordingly, we express no opinion on them.

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

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

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

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

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

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

We have issued our unqualified audit opinion on the basis of the foregoing comments.

Matters Relating to the Electronic Presentation of the Audited Financial Statements

This auditor's report relates to the financial statements of Uralla Shire Council for the year ended 30 June 2011 included on Council's web site. Council is responsible for the integrity of its web site. We have not been engaged to report on the integrity of the Council's web site. The auditor's report refers only to the 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

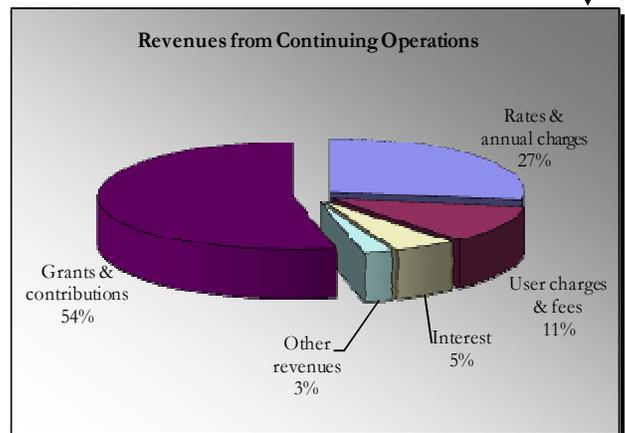
In accordance with Section 417(3) of the *Local Government Act 1993* we make the following comments in relation to the results and financial trends.

The Income Statement for the year ended 30 June 2011 discloses the following operating result:

INCOME STATEMENT	Budget	Actual	Actual	Variance	
	2011	2011	2010	Actual	Budget
	\$'000	\$'000	\$'000	%	
INCOME FROM CONTINUING OPERATIONS					
Rates & annual charges	4,579	4,475	4,542	-1.5%	-2.3%
User charges & fees	1,205	1,843	1,738	6.0%	52.9%
Interest	508	848	0	0.0%	66.9%
Other revenues from ordinary activities	711	390	315	23.8%	-45.1%
Grants & contributions for operating purposes	8,880	7,832	7,549	3.7%	-11.8%
Grants & contributions For capital purposes	6	914	759	20.4%	15133.3%
Gain from sale of assets	202	8	128	-93.8%	-96.0%
Total income from continuing operations	16,091	16,310	15,031	8.5%	1.4%
EXPENSES FROM CONTINUING OPERATIONS					
Employee benefits & oncosts	6,161	6,652	6,842	-2.8%	8.0%
Borrowing costs	134	183	179	2.2%	36.6%
Materials and contracts	3,760	4,223	4,370	-3.4%	12.3%
Depreciation & amortisation	3,424	3,006	2,974	1.1%	-12.2%
Other expenses from ordinary activities	939	980	1,153	-15.0%	4.4%
Investment losses	0	0	19	0.0%	0.0%
Total Expenses from continuing operations	14,418	15,044	15,537	-3.2%	4.3%
OPERATING RESULT FROM CONTINUING OPERATIONS	1,673	1,266	(506)	-350.2%	-24.3%
NET OPERATING RESULT BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	1,667	352	(1,265)	-127.8%	-78.9%

Council achieved a surplus **before** capital income of \$0.3m compared to a deficit of \$1.3m for 2010.

Operating revenue increased by \$1.3m or 8.5% compared to 2010 mainly as a result of higher grants and contributions for operating and capital purposes, user charges and fees and interest income. Grants and contributions increased as a result of higher capital grants for roads and bridges and improved financial assistance grant incomes. User charges and fees increased due to higher recycling income from the landfill operation and a correction of a water billing accrual timing error in 2010 (shown as income in 2011 year). Interest income was \$0.8m compared to a net loss of \$19,000 in 2010 due to an improvement in the market value of Council's CDO investments as they near maturity. The net investment loss in 2010 included a loss of \$0.3m due to a write down of its Lehman Brothers related CDO investments. This was due to the liquidation proceedings on this investment broker and uncertainty of recovery from the legal action taken against Lehman Brothers.



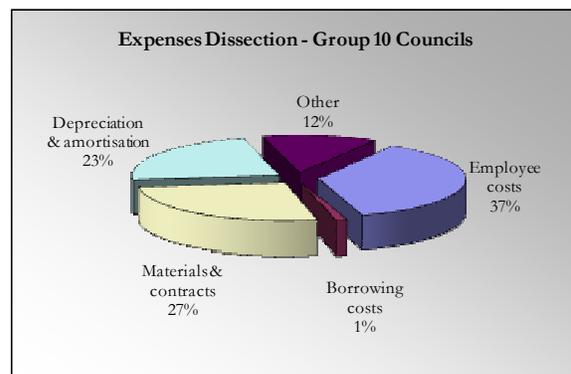
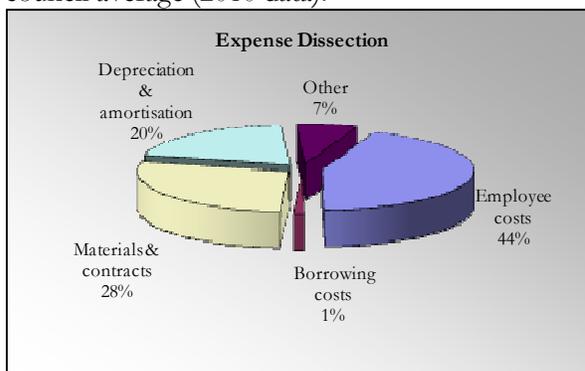


Expenditure fell by \$0.5m or 3.2% due to lower Other Costs (insurance costs fell compared to the 2010 year) and small reductions in Employee Costs, as well as Materials and Contracts. In the 2011 year there was higher levels of internally constructed capital works compared to infrastructure maintenance compared to 2010, which resulted in Employee Costs and Materials and Contract costs being capitalised rather than expensed. Further, in the 2010 year one-off computer contract installation costs arising from the change-over of accounting software, were expensed.

The budget amounts included above are those adopted in the original budget and exclude re-votes from the previous year and variations to the budget during the year. The actual operating surplus for the year of \$1.2m is lower than the original budget surplus of \$1.7m. The major variations between the actual results and the original budget are as follows:

- Investment income (favourable \$0.3m) - as a result of the improvement in CDO investments not invested through Lehman Brothers, as they near maturity.
- User charges and fees (favourable \$0.6m) – There was a reclassification of income from other revenues compared to the original budget. Further, Council had better contributions from the McMaugh Gardens Aged Care facility, higher recycling revenues from the landfill operation and one-off revenue increase from water usage meter reading accruals recorded in the 2011 year, which were not taken up in the 2010 financial year.
- Other revenues (unfavourable \$0.3m) – This was due to the reclassification of income to user charges and fees compared to the original budget allocation. The overall favourable increase of \$0.3m for both user charges and fees and other revenues was due to the factors outlined in the user charges and fees commentary.
- Profit on disposal of assets (unfavourable \$0.2m) – Council was unable to achieve profits on sale of plant and equipment compared to budget expectations.
- Materials and Contracts (unfavourable \$0.4m) and Employee Costs (unfavourable \$0.5m) – The original budget planned on the construction of the Abington Bridge however Council was unable to get capital grant funding to assist with this project. Therefore, instead of certain Materials and Contract costs being used on the Abington Bridge, these funds were redirected to recurrent infrastructure maintenance works.
- Depreciation and amortisation (favourable \$0.4m) – this is attributable to revaluation of infrastructure assets. The revaluation process identified that the condition of its infrastructure assets were better than expected, which resulted in higher useful lives and therefore lower annual depreciation charges.

Below is a comparison of expense dissections for the Council for 2011 compared to the Group 10 council average (2010 data).



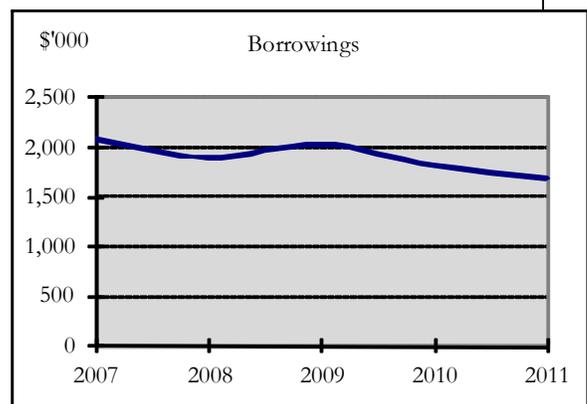
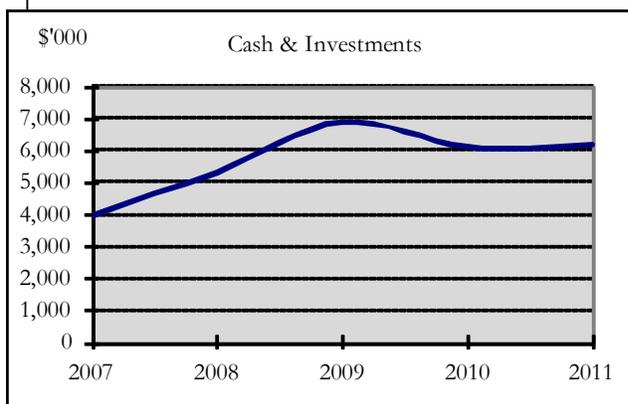
There is a significant variation in the levels of employee costs, depreciation and other expenditure compared to the Group 10 average. This is considered reasonable as Council has a lower level of depreciation expense compared to other Councils in the group as it has a smaller level of



infrastructure compared to the other Group 10 Councils. Further, employee costs and other expenses are higher compared to the Group 10 average due to the additional costs associated with supporting Community Service activities including McMaugh Gardens Aged Care, which are labour intensive activities.

The following schedule of assets and liabilities has been extracted from the Balance Sheet as at 30 June 2011. This schedule discloses the consolidated assets and liabilities of all functions.

SCHEDULE OF ASSETS & LIABILITIES	2011 \$'000	2010 \$'000	Variance %
CURRENT ASSETS			
Cash and cash equivalents	826	1,586	-47.9%
Investments	5,312	4,500	18.0%
Receivables	1,535	1,123	36.7%
Inventories	169	185	-8.6%
Other	85	-	100.0%
TOTAL CURRENT ASSETS	7,927	7,394	7.2%
CURRENT LIABILITIES			
Payables	2,608	3,203	-18.6%
Borrowings	130	122	6.6%
Provisions	1,282	1,219	5.2%
TOTAL CURRENT LIABILITIES	4,020	4,544	-11.5%
NET CURRENT ASSETS	3,907	2,850	37.1%
NON-CURRENT ASSETS			
Infrastructure, Property Plant & Equipment	299,621	296,289	1.1%
TOTAL NON-CURRENT ASSETS	299,621	296,289	1.1%
NON-CURRENT LIABILITIES			
Provisions	920	936	-1.7%
Borrowings	1,563	1,694	-7.7%
TOTAL NON-CURRENT LIABILITIES	2,483	2,630	-5.6%
NET ASSETS	301,045	296,509	1.5%



Total cash and investments were consistent with the prior year.



Borrowings have reduced by \$0.1m due to scheduled repayments.

Net current assets increased by \$1m or 37.1% due to higher receivables and lower payables at the end of 2011 compared to the previous year. Receivables for 2011 include an accrual for unbilled water meter readings, which was not taken up as at 30 June 2010. Payables reduced due to the repayment of the former NESAC net charges.

NET CURRENT ASSETS

The Net Current Asset position at year end is an important financial indicator as it discloses the working capital available to Council to fund day to day operations, infrastructure replacement and renewal and new community projects. The funding of restrictions should also be considered when evaluating funds available for working capital purposes. The following table provides a reconciliation of unrestricted assets:

	Water \$'000	Sewerage \$'000	McMaugh Gardens	General \$'000	Total \$'000
Current Assets	932	922	1,115	4,958	7,927
Current Liabilities	-	47	1,664	2,309	4,020
Net Current Assets	932	875	(549)	2,649	3,907
Adjustment for accomodation bond guarantee included in internal restrictions	-	-	(549)	549	-
Add Liabilities > 12 Months	-	-	1,281	945	2,226
Total Funds before Restrictions	932	875	183	4,143	6,133
LESS: Restricted Cash & Investments (Included in Revenue)					
Developer Contributions	-	-	-	225	225
Specific Purpose Grants & Contributions	-	-	-	540	540
	-	-	-	765	765
NET FUNDS AVAILABLE	932	875	183	3,378	5,368
LESS Internal Restrictions	-	-	-	2,879	2,879
Net Funds After All Restrictions	932	875	183	499	2,489

INTERNAL RESTRICTIONS	Opening \$'000	Transfer to \$'000	Transfer from \$'000	Closing \$'000
Employee leave entitlements	500	91	-	591
Plant replacement	300	25	-	325
Carry-over works	317	572	-	889
FAG in advance	507	525	507	525
Accomodation bond guarantee	705	-	156	549
	2,329	1,213	663	2,879

The above table shows that after excluding McMaugh Gardens Hostel, Water and Sewerage, the general function working capital balance is in surplus and able to support internal restrictions at 30 June 2011. McMaugh Gardens Aged Care net current assets is in deficit as accommodation bonds are 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 is considered to have sufficient cash reserves.



Council has internally restricted \$2.9m in cash for: plant replacements; carry-over projects; accommodation bond requirements and employee entitlements provisions. Council now has a positive unrestricted working funds balance in the general function of at least \$0.5m.

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	2011	2010	2009	2008	2007
UNRESTRICTED RATIO	To assess the adequacy of working capital after excluding all restricted assets and liabilities.	3.27	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.	3.0%	2.0%	3.0%	2.0%	3.0%
RATE COVERAGE RATIO	To assess the degree of dependence upon revenues from rates and annual charges.	27.0%	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.	8.2%	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	0.71	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 and contributions. This ratio is before setting aside cash to fund internal restrictions relative to the general function. An unrestricted ratio of 3.27 indicates that for every \$1 of current liabilities as at 30 June 2011, Council has \$3.27 to meet these commitments. As a comparison, Category 10 Councils in 2010 had a similar average unrestricted ratio of 3.49.

The debt service ratio of 3% (i.e. \$3 of every \$100 of revenue is used to fund interest and debt repayments) is similar to the average for Group 10 Councils of 3.2% (2010 data). The low ratio reflects an ability for Council to increase its borrowings to fund infrastructure needs if required.

The rate coverage ratio of 27% is below the Group 10 average of 30%. The ratio shows Council's dependence on grants and contributions, which contributes 54% to council's revenue. The lower ratio compared to the Group 10 average is due to the higher level of community service activities Council performs, including McMaugh Gardens Aged Care. We note that half of these grants are "contested" grants and if they were not renewed, Council would need to address the impact on its operations and reduce expenditure accordingly.

The outstanding rates ratio of 8.2% (i.e. 8.2% of all rates levied had not been received by year end) is the lowest in 4 years and better than the Group 10 average of 8.7%. This ratio is an indicator of Councils activity to collect outstanding rate revenues.



The asset renewals ratio outlines Council's performance with renewing its infrastructure assets against the level of estimated infrastructure asset deterioration (as represented by depreciation expense). For 2011 Council spent only \$0.71 for every \$1 in estimated asset deterioration. The Group 10 average for the asset renewal ratio was \$1.08 and the state average of \$0.84.

The current trend in the ratio highlights that Council expended less on asset renewals compared to the estimated reduction in asset condition over the past five years and therefore, based on this ratio, Council's overall infrastructure has deteriorated over that period.

Council should aim to ensure infrastructure spending keeps pace with "wear and tear" and Council should seek to improve asset condition.

Overall the financial indicators show that Council's financial standing is sound in the short to medium term. Infrastructure management will need to be a continued focus for Council in the long term and reflected in its Integrated Planning and Reporting.

The small increase 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 2011	Actual 2010	Variance
	\$'000	\$'000	%
CASH INFLOWS			
Operating Receipts	15,793	16,393	-3.7%
Proceeds from Assets Sales	164	237	-30.8%
Net receipt of retirement home bonds	534	400	33.5%
Proceeds from investments	3,695	1,142	223.6%
TOTAL RECEIPTS	20,186	18,172	11.1%
CASH OUTFLOWS			
Operating Payments	13,159	13,535	-2.8%
Purchase of investments	4,095	558	633.9%
Purchase of Assets	3,223	3,536	-8.9%
Repayment of Loans	123	209	-41.1%
Net repayment of retirement home bonds	346	202	71.3%
TOTAL PAYMENTS	20,946	18,040	16.1%
TOTAL CASH MOVEMENT	-760	132	-675.8%
Cash and equivalents	826	1,586	3.0%
Investments	5,312	4,500	3.0%
Total Cash & Investments on Hand	6,138	6,086	0.9%

Cash and investments overall increased by \$52,000 due to a decrease in cash of \$0.8m, which was offset by an increase in investments.

Cash outflows for Purchase of Assets of \$3.4m included road and bridge construction totalling \$0.8m. 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 \$5.3m.



The remaining asset purchases included purchases for plant and equipment of \$0.9m and bulk earthworks of \$1m.

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 surplus (before capital funding) of \$400,000 after allowing for depreciation of \$56,000.

The Net Current Asset position records a positive balance of \$932,000. This surplus plus the fact that it has no 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

The Special Purpose Financial Reports disclose that the sewerage function recorded an operating surplus (before capital funding) of \$324,000 after allowing for depreciation of \$15,000.

The Net Current Assets position show a surplus of \$875,000. Given the size of the operations, the fact that it has no 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 \$254,000 for the 2011 year compared to \$86,000 in the previous year. This result is after depreciation expense of \$50,000.

The net current asset position is a deficit of \$549,000 after allowing for resident’s bonds amounting to \$1,661,000. The deficit is a result of the requirement that accommodation bonds be shown as current liabilities even though the majority of accommodation bonds will not be repaid in the short term. When the expect timing of bond repayments are taken into account the Hostel as reserves of \$1,112,000.

GENERAL

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 well within the prescribed time provide for in Division 2 of the Local Government Act 1993.

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



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

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

Yours faithfully

Forsyths Business Services Pty Ltd

Paul R Cornall
Principal

URALLA SHIRE COUNCIL
Special Purpose Financial Reports
for the year ended 30th June 2011

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URALLA SHIRE COUNCIL

SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

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

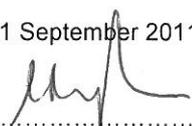
We are not aware of any matter that would render the reports false or misleading in any way.

Signed in accordance with a resolution of Council made on Thursday 1 September 2011



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 2011

	Notes	2011 '000	2010 '000	2009 '000
INCOME FROM CONTINUING OPERATIONS				
Access Charges		342	367	328
User Charges		389	242	231
Fees		-	1	-
Interest Received		198	(107)	15
Grants and Contributions - Operating		36	17	13
Gain on Disposal of Assets		-	-	81
TOTAL		<u>965</u>	<u>520</u>	<u>668</u>
EXPENSES FROM CONTINUING OPERATIONS				
Employee Costs		311	364	376
Materials and Contracts		198	233	241
Depreciation and Amortisation		56	56	52
Other Operating Expenses		-	-	119
TOTAL		<u>565</u>	<u>653</u>	<u>788</u>
SURPLUS (DEFICIT) BEFORE TAX				
		<u>400</u>	<u>(133)</u>	<u>(120)</u>
Corporate Taxation Equivalent	1	<u>120</u>	-	-
SURPLUS (DEFICIT) FOR YEAR				
		<u>280</u>	<u>(133)</u>	<u>(120)</u>
Add: Accumulated Surplus brought forward		8,235	8,368	8,488
Adjustments for amounts unpaid				
Corporate Tax Equivalent retained	1	<u>120</u>	-	-
ACCUMULATED SURPLUS				
		<u>8,635</u>	<u>8,235</u>	<u>8,368</u>
<i>RATE OF RETURN ON CAPITAL</i>	1	2.23%	NIL	NIL
<i>NOTIONAL SUBSIDY FROM COUNCIL</i>	1	N/A	N/A	N/A
<i>Calculation of Dividend Payable during next financial year</i>				
Surplus after tax		280	-133	-120
Less: Capital grants and contributions from LWUs		0	17	13
Surplus for dividend calculation purposes		<u>280</u>	<u>-</u>	<u>-</u>
Dividend calculated from surplus		140	-	-

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 2011

	Notes	2011 '000	2010 '000	2009 '000
INCOME FROM CONTINUING OPERATIONS				
Access Charges		464	429	423
User Charges		17	17	14
Liquid Trade Waste Charges		3	3	10
Interest Received		193	(113)	4
Grants and Contributions - Operating		-	13	19
Gain on Disposal of Assets		-	-	81
TOTAL		<u>677</u>	<u>349</u>	<u>551</u>
EXPENSES FROM CONTINUING OPERATIONS				
Employee Costs		207	195	217
Materials and Contracts		131	124	139
Borrowing Costs		-	-	2
Depreciation and Amortisation		15	16	14
Other Operating Expenses		-	15	119
TOTAL		<u>353</u>	<u>350</u>	<u>491</u>
SURPLUS (DEFICIT) BEFORE TAX		<u>324</u>	<u>(1)</u>	<u>60</u>
Corporate Taxation Equivalent	1	97	-	18
SURPLUS (DEFICIT) FOR YEAR		<u>227</u>	<u>(1)</u>	<u>42</u>
Add: Accumulated Profits brought forward		5,058	5,059	5,017
<i>Adjustments for amounts unpaid</i>				
Corporate Tax Equivalent retained		97	-	-
Less: Dividends Paid	1	-	-	-
ACCUMULATED SURPLUS		<u>5,382</u>	<u>5,058</u>	<u>5,059</u>
<i>RATE OF RETURN ON CAPITAL</i>	1	4.28%	NIL	0.85%
<i>NOTIONAL SUBSIDY FROM COUNCIL</i>	1	N/A	N/A	N/A
<i>Calculation of Dividend Payable during next financial year</i>				
Surplus after tax		227	-1	42
Less: Capital grants and contributions from LWUs		0	13	19
Surplus for dividend calculation purposes		<u>227</u>	<u>-</u>	<u>23</u>
Dividend calculated from surplus		114	-	12

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 2011

		BUSINESS ACTIVITIES			
		PRIVATE WORKS		MCMAUGH GARDENS	
		'000		'000	
		2011	2010	2011	2010
	Notes				
REVENUE FROM CONTINUING OPERATIONS					
User Charges & Fees		156	438	697	578
Interest Received		-	-	157	28
Grants and Contributions - Operating		-	-	1,255	1,269
Gain on Disposal of Assets		-	-	-	-
Other Operating Revenues		-	-	7	65
TOTAL		156	438	2,116	1,940
EXPENSES FROM CONTINUING OPERATIONS					
Employee Costs		41	134	1,300	1,311
Materials and Contracts		99	264	468	389
Borrowing Costs		-	-	5	5
Depreciation and Amortisation		-	-	50	48
Other Operating Expenses		-	-	39	101
Loss on Disposal of Assets		-	-	-	-
NCP Imputation Payments	2	-	-	-	-
TOTAL		140	398	1,862	1,854
SURPLUS (DEFICIT) BEFORE TAX		16	40	254	86
Corporate Taxation Equivalent	2			76	26
SURPLUS (DEFICIT) FOR YEAR				178	60
Add: Accumulated Profits brought forward				2,453	2,367
Corporate Taxation Equivalent	1			76	26
ACCUMULATED SURPLUS				2,707	2,453
RATE OF RETURN ON CAPITAL	2			5.72%	2.05%
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 2011

	Notes	2011 '000	2010 '000
CURRENT ASSETS			
Cash and cash equivalents		651	480
Receivables		281	186
TOTAL CURRENT ASSETS		<u>932</u>	<u>666</u>
NON-CURRENT ASSETS			
Receivables		29	40
Infrastructure, Property, Plant and Equipment		17,969	17,397
TOTAL NON-CURRENT ASSETS		<u>17,998</u>	<u>17,437</u>
TOTAL ASSETS		<u>18,930</u>	<u>18,103</u>
CURRENT LIABILITIES			
Payables		0	118
TOTAL CURRENT LIABILITIES		<u>0</u>	<u>118</u>
NET ASSETS		<u>\$ 18,930</u>	<u>17,985</u>
EQUITY			
Accumulated Surplus		8,635	8,236
Asset Revaluation Reserve		10,295	9,749
TOTAL EQUITY		<u>\$ 18,930</u>	<u>17,985</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 2011

	Notes	2011 '000	2010 '000
CURRENT ASSETS			
Cash and cash equivalents		860	749
Receivables		62	69
TOTAL CURRENT ASSETS		<u>922</u>	<u>818</u>
NON-CURRENT ASSETS			
Infrastructure, Property, Plant and Equipment		7,905	7,531
TOTAL NON-CURRENT ASSETS		<u>7,905</u>	<u>7,531</u>
TOTAL ASSETS		<u>8,827</u>	<u>8,349</u>
CURRENT LIABILITIES			
Payables		47	116
TOTAL CURRENT LIABILITIES		<u>47</u>	<u>116</u>
TOTAL LIABILITIES		<u>47</u>	<u>116</u>
NET ASSETS		<u>\$ 8,780</u>	<u>8,233</u>
EQUITY			
Accumulated Surplus		5,382	5,058
Asset Revaluation Reserve		3,398	3,175
TOTAL EQUITY		<u>\$ 8,780</u>	<u>8,233</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 2011

	Notes	BUSINESS ACTIVITIES			
		PRIVATE WORKS '000		MCMAUGH GARDENS '000	
		2011	2010	2011	2010
CURRENT ASSETS					
Cash & cash equivalents		-	-	849	768
Receivables		-	-	266	-
TOTAL CURRENT ASSETS		-	-	1,115	768
NON-CURRENT ASSETS					
Property, Plant & Equipment		-	-	4,530	4,437
TOTAL NON-CURRENT ASSETS		-	-	4,530	4,437
TOTAL ASSETS		-	-	5,645	5,205
CURRENT LIABILITIES					
Payables		-	-	1,661	1,473
Interest bearing liabilities		-	-	3	3
TOTAL CURRENT LIABILITIES		-	-	1,664	1,476
NON-CURRENT LIABILITIES					
Payables		-	-	77	80
TOTAL NON CURRENT LIABILITIES		-	-	77	80
TOTAL LIABILITIES		-	-	1,741	1,556
NET ASSETS					
		\$-	\$-	\$3,904	\$3,649
EQUITY					
Accumulated Surplus		-	-	2,707	2,453
Asset Revaluation Reserve		-	-	1,197	1,196
TOTAL EQUITY		\$-	\$-	\$3,904	\$3,649

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 2011

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 2011**

Note 1 - Significant Accounting Policies (continued)

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 2011

Note 1 - Significant Accounting Policies (continued)

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 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.

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 2011**

BUSINESS ACTIVITIES							
WATER		SEWER		PRIVATE WORKS		MCMAUGH GARDENS	
2011	2010	2011	2010	2011	2010	2011	2010

<i>Category</i>							
-----------------	--	--	--	--	--	--	--

TAXATION EQUIVALENT PAYMENTS

Land Tax	<i>Rate</i>	<i>Rate</i>	<i>Rate</i>	<i>Rate</i>	<i>Rate</i>	<i>Rate</i>	<i>Rate</i>
Stamp Duty							
Payroll Tax	Applies	Applies	Applies	Applies		Applies	Applies
Fringe Benefits Tax	Applies	Applies	Applies	Applies	Applies	Applies	Applies

COUNCIL RATES, CHARGES & FEES

See Note 1, Item 3.2

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

CORPORATE TAXATION EQUIVALENT	30%	30%	30%	30%	30%	30%	30%	30%
--------------------------------------	------------	-----	------------	-----	------------	-----	------------	-----

DIVIDENDS PAID	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
-----------------------	------------	-----	------------	-----	------------	-----	------------	-----

RATE OF RETURN ON CAPITAL

Required Rate of Return								
Actual Rate of Return	2.23%	NIL	4.28%	0.85%	NIL	NIL	NIL	NIL

URALLA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE STATEMENTS for the year ended 30th June 2011

Note 2 - BEST PRACTICE MANAGEMENT DISCLOSURES - WATER SUPPLY

	2011
<i>Values shown in this Note are expressed in WHOLE DOLLARS</i>	\$
Calculation and Payment of Tax-Equivalents	
(i) Calculated Tax Equivalents	119,826
(ii) No of assessments multiplied by \$3/assessment	4,179
(iii) Amounts payable for Tax Equivalents	4,179
(iv) Tax Equivalents paid	4,179
Dividend from Surplus	
(i) 50% of Surplus before Dividends <i>(Calculated in accordance with Best Practice Management for Water Supply and Sewerage guidelines.)</i>	139,797
(ii) No of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	37,611
(iii) Cumulative Surplus before Dividends for 3 years to 30 June 2010, less cumulative dividends paid for 2 years to 30 June 2009	27,000
(iv) Maximum Dividend from Surplus <i>(least of (i), (ii) and (iii))</i>	27,000
(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>	Yes
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 & Demand Management Implemented	Yes
(iv) Sound Drought Management implemented	Yes
(v) Complete Performance Reporting Form <i>(by 15 September each year)</i>	Yes
(vi) Complete Integrated Water Cycle Management Evaluation	Yes
(vii) Complete and implement Integrated Water Cycle Management Strategy	Yes
National Water Initiative (NWI) Financial Performance Indicators	
NWI F1 Total Revenue (Water)	\$'000 767
NWI F4 Residential Revenue from Usage Charges (Water)	% 53.21
NWI F9 Written Down Replacement Cost of Fixed Assets (Water)	\$'000 17,410
NWI F11 Operating Cost (OMA) (Water)	\$'000 509
NWI F14 Capital Expenditure (Water)	\$'000 92
NWI F17 Economic Real Rate of Return (Water)	% 1.12
NWI F2C 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 2011

Note 3 - BEST PRACTICE MANAGEMENT DISCLOSURES - SEWERAGE

		2011
<i>Values shown in this Note are expressed in WHOLE DOLLARS</i>		\$
Calculation and Payment of Tax-Equivalents		
(i) Calculated Tax Equivalents		97,370
(ii) No of assessments multiplied by \$3/assessment		3,219
(iii) Amounts payable for Tax Equivalents		3,219
(lesser of (i) and (ii))		
(iv) Tax Equivalents paid		3,219
Dividend from Surplus		
(i) 50% of Surplus before Dividends		113,598
<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		28,971
(iii) Cumulative Surplus before Dividends for 3 years to 30 June 2010, less cumulative dividends paid for 2 years to 30 June 2009		383,000
(iv) Maximum Dividend from Surplus		28,971
(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		Yes
(Item 2(a) in Table 1 on page 18 of Best practice guidelines)		
Complying charges (a) Residential (Item 2(c) in Table 1)		Yes
(b) Non-Residential (Item 2(c) in Table 1)		Yes
(c) Trade Waste (Item 2(d) in Table 1)		Yes
DSP with Commercial Developer Charges (Item 2(e) in Table 1)		No
Liquid Trade Waste Approvals & Policy (Item 2(f) in Table 1)		No
(iii) Complete Performance Reporting Form (by 15 September each year)		Yes
(iv) a. Complete Integrated Water Cycle Management Evaluation		Yes
(iv) b. Complete and implement Integrated Water Cycle Management Strategy		Yes
National Water Initiative (NWI) Financial Performance Indicators		
NWI F2 Total Revenue (Sewerage)	\$'000	484
NWI F1C Written Down Replacement Cost of Fixed Assets (Sewerage)	\$'000	7,570
NWI F12 Operating Cost (Sewerage)	\$'000	338
NWI F1E Capital Expenditure (Sewerage)	\$'000	151
NWI F1E Economic Real Rate of Return (Sewerage)	%	1
NWI F27 Capital Works Grants (Sewer)	\$'000	0
NWI F3 Total Income (Water & Sewerage)	\$'000	1,251
NWI F5 Revenue from Community Service Obligations (Water & Sewerage)	%	0
NWI F1E Capital Expenditure (Water & Sewerage)	\$'000	243
NWI F1E Economic Real Rate of Return (Water & Sewerage)	%	1
NWI F2C Dividend (Water & Sewerage)	\$'000	0
NWI F21 Dividend Payout Ratio (Water & Sewerage)	%	0
NWI F22 Net Debt to Equity (Water & Sewerage)	%	-5
NWI F2C Interest Cover (Water & Sewerage)	times	>100
NWI F24 Net Profit after Tax (Water & Sewerage)	\$'000	717
NWI F2E Community Service Obligations (Water & Sewerage)	\$'000	0

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Forsyth's 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 30th June 2011 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 Division 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 Division 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 30th June 2011 are presented fairly, in all material respects, in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting.

BASIS OF ACCOUNTING

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

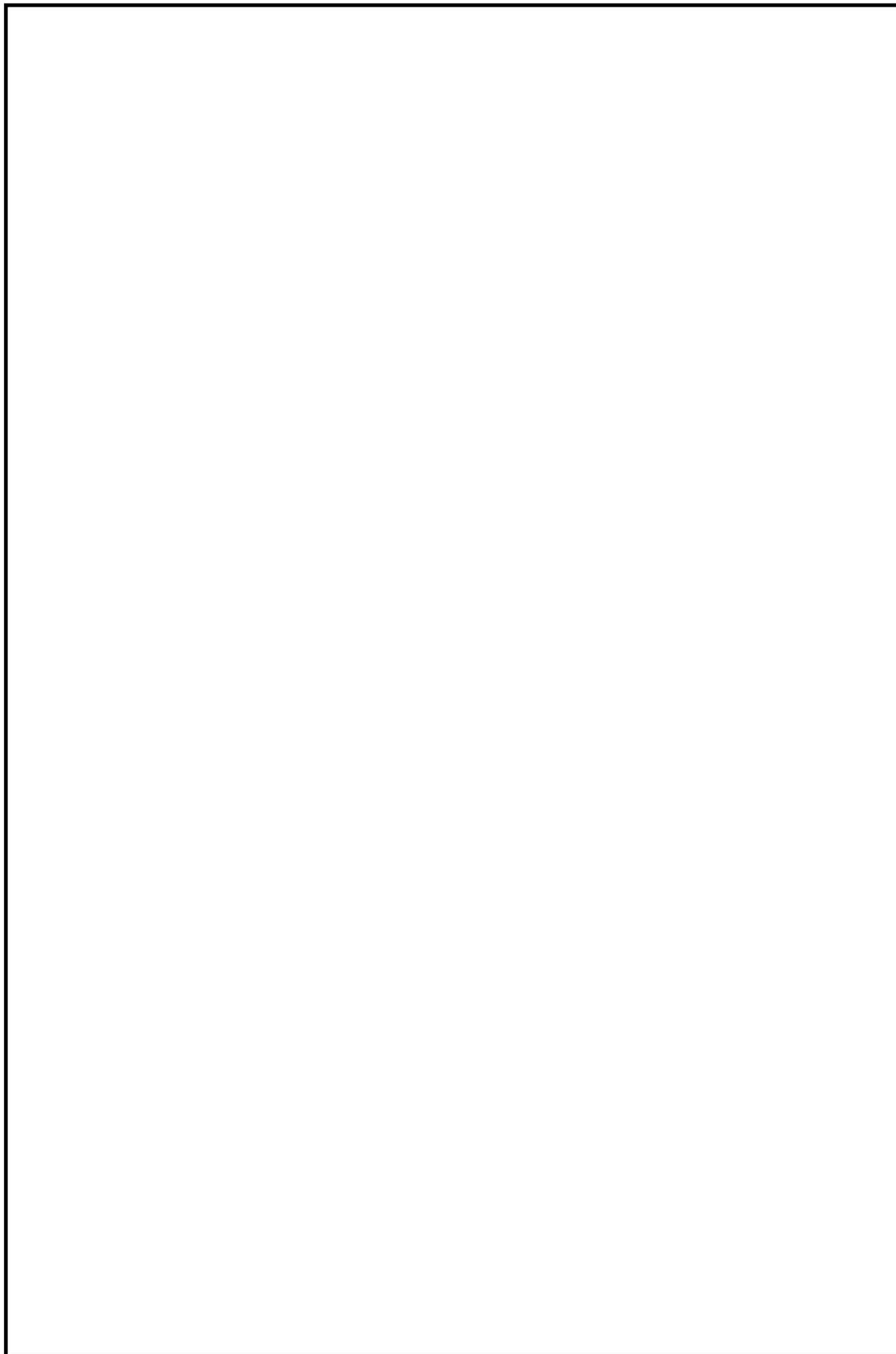
Forsyths

Forsyths Business Services Pty Ltd

P.R. Cornall

Paul Cornall
Principal

23rd September 2011
92 Rusden Street Armidale



URALLA SHIRE COUNCIL

Special Schedules

for the year ended 30th June 2011

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URALLA SHIRE COUNCIL
SPECIAL SCHEDULE NO 1
NET COST OF SERVICES
for the year ended 30th June 2011

\$'000

Function or Activity	Expenses from continuing operations	Income from continuing operations (non-capital)	Income from continuing operations (capital)	NET COST OF SERVICES
GOVERNANCE	407	0	-	406
ADMINISTRATION	452	346	-	106
PUBLIC ORDER AND SAFETY				
Fire Service Levy, Fire Protection, Emergency Services	231	208	-	23
Enforcement of Local Govt Regulations	-	-	-	-
Animal Control	41	5	-	35
Total Public Order and Safety	272	214	-	58
HEALTH	107	0	-	107
ENVIRONMENT				
Noxious Plants and Insect / Vermin Control	69	-	-	69
Other Environmental Protection	152	15	-	137
Solid Waste Management	1,236	1,060	-	176
Street Cleaning	38	-	-	38
Stormwater Management	11	29	-	(18)
Total Environment	1,506	1,104	-	402
COMMUNITY SERVICES AND EDUCATION				
Administration and Education	(119)	-	-	(119)
Social Protection (welfare)	2,098	2,253	95	(250)
Aged Persons and Disabled	2,889	3,255	30	(396)
Childrens Services	47	60	-	(13)
Total Community Services and Education	4,915	5,568	125	(778)
HOUSING & COMMUNITY AMENITIES				
Public Cemeteries	30	19	27	(16)
Public Conveniences	63	2	-	61
Street Lighting	55	6	-	49
Town Planning	227	128	-	99
Total Housing & Community Amenities	449	155	27	268
WATER SUPPLIES	565	965	-	(399)
SEWERAGE SERVICES	353	677	-	(325)

URALLA SHIRE COUNCIL

SPECIAL SCHEDULE NO 1 - NET COST OF SERVICES (cont) for the year ended 30th June 2011

\$'000

Function or Activity	Expenses from continuing operations	Income from continuing operations (non-capital)	Income from continuing operations (capital)	NET COST OF SERVICES
RECREATION AND CULTURE				
Public Libraries	236	29	-	208
Community Centres and Halls	70	13	-	57
Sporting Grounds	28	-	14	14
Swimming Pools	118	26	-	92
Parks & Gardens, Lakes	182	1	15	166
Other Sport and Recreation	2	4	-	(2)
Total Recreation and Culture	635	71	29	535
MINING, MANUFACTURING AND CONSTRUCTION				
Other Mining Manufacturing and Construction	1	-	-	1
Total Mining Manufacturing and Construction	1	-	-	1
TRANSPORT AND COMMUNICATION				
Urban Roads: Local	325	7	-	319
Urban Roads: Regional	-	-	-	-
Sealed Rural Roads: Local	1,092	119	-	973
Sealed Rural Roads: Regional	1,467	774	581	112
Unsealed Rural Roads: Local	1,508	40	-	1,468
Unsealed Rural Roads: Regional	36	46	-	(11)
Bridges - Sealed Rural Roads: Local	413	39	-	373
Parking Areas	19	-	-	19
Footpaths	98	15	-	83
Other Transport and Communication	119	9	-	110
Total Transport & Communication	5,077	1,049	581	3,447
ECONOMIC AFFAIRS				
Camping Areas and Caravan Parks	7	4	-	3
Other Economic Affairs	298	48	20	231
Total Economic Affairs	305	52	20	233
TOTALS - FUNCTIONS				
	15,044	10,201	781	4,062
General Purpose Revenues				5,328
Equity accounted income (loss)				-
				5,328
NET OPERATING RESULT FOR YEAR				1,266

URALLA SHIRE COUNCIL
SPECIAL SCHEDULE NO 2 (1)
STATEMENT OF LONG TERM DEBT (ALL PURPOSE)
for the year ended 30th June 2011

\$'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
LOANS (by source)											
Commonwealth Government	-	-	-	-	-	-	-	-	-	-	-
Treasury Corporation	-	-	-	-	-	-	-	-	-	-	-
Other State Government	-	-	-	-	-	-	-	-	-	-	-
Public Subscription	-	-	-	-	-	-	-	-	-	-	-
Financial Institutions	122	1,694	1,816	-	123	-	-	133	130	1,563	1,693
Other	-	-	-	-	-	-	-	-	-	-	-
Total Loans	122	1,694	1,816	-	123	-	-	133	130	1,563	1,693
OTHER LONG TERM DEBT											
Ratepayers' Advances	-	-	-	-	-	-	-	-	-	-	-
Government Advances	-	-	-	-	-	-	-	-	-	-	-
Finance Leases	-	-	-	-	-	-	-	-	-	-	-
Deferred Payment	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Total Other Long Term Debt	-	-	-	-	-	-	-	-	-	-	-
TOTAL LONG TERM DEBT	122	1,694	1,816	-	123	-	-	133	130	1,563	1,693

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 2011

\$'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	38
Water	-	-	-
Sewerage	-	-	-
Domestic Waste Management	-	-	-
Gas	-	-	-
Other	-	-	-
Totals	282	41	38

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 (Loan162)	Water	13/09/2001	30/09/2001	10	12/09/2011	6.46%	48	7	2
General Fund (Loan170)	Water	4/10/2002	30/06/2003	12	30/06/2015	6.50%	88	11	36
General Fund (Loan174)	Water	4/10/2002	30/06/2003	8	30/06/2011	6.50%	102	16	-
General Fund (Loan175)	Water	4/10/2002	30/06/2003	8	30/06/2011	6.50%	44	7	-
Totals							282	41	38

URALLA SHIRE COUNCIL

**SPECIAL SCHEDULE NO 3
WATER SUPPLY OPERATIONS
(Gross including Internal Transactions)
for the year ended 30th June 2011**

<u>A. EXPENSES AND REVENUES</u>	2011	2010
<u>EXPENSES</u>	\$'000	\$'000
1.a. Management - Administration	141	139
b. - Engineering and Supervision	57	69
2 Operations		
a. - Dams and Weirs - Operation Expenses	-	-
b. - Maintenance Expenses	5	35
c. - Mains - Operation Expenses	-	-
d. -Maintenance Expenses	61	93
e. - Reservoirs - Operation Expenses	-	-
f. - Maintenance Expenses	2	5
g. - Pumping Stations - Operation Expenses	-	-
h. - Energy Costs	7	24
i. - Maintenance Expenses	10	-
j. - Treatment - Operation Expenses	-	-
k. - Chemical Costs	90	80
l. - Maintenance Expenses	136	152
m. - Other - Operation Expenses	-	-
n. - Maintenance Expenses	-	-
o. - Purchase of Water	-	-
3.a. Depreciation - System Assets	54	56
b. - Plant and Equipment	2	-
4.a. Miscellaneous - Interest	-	-
b. - Revaluation decrements	-	-
c. - Other	-	-
c. - NCP Tax and Other Equivalentents	-	-
5 Total Expenses	<u>565</u>	<u>653</u>
<u>REVENUE</u>		
6 Residential Charges		
a. - Access (including rates)	342	367
b. - User Charges	389	242
7 Non-Residential Charges		
a. - Access (including rates)	-	-
b. - User Charges	-	-
8 Extra Charges	-	-
9 Interest	198	(107)
10 Other Income	-	1
11.a. Grants - Acquisition of Assets	-	-
b. - Pensioner Rebates	-	17
c. - Other	-	-
12.a. Contributions - Developer Charges	-	-
b. - Developer Provided Assets	-	-
c. - Other Contributions	36	-
13 Total Revenues	<u>965</u>	<u>520</u>
14 Gain (Loss) on Disposal of Assets	-	-
15 OPERATING RESULT	<u>400</u>	<u>(133)</u>
15a. Operating Result before Grants for Acquisition of Assets	<u>400</u>	<u>(133)</u>

URALLA SHIRE COUNCIL

SPECIAL SCHEDULE NO 3 - WATER SUPPLY OPERATIONS (continued)

	2011 \$'000	2010 \$'000
<u>B. CAPITAL TRANSACTIONS</u>		
<u>Non - Operating Expenditure</u>		
16 Acquisition of Fixed Assets		
a. - New assets for improved standards	-	-
b. - New assets for growth	92	57
c. - Renewals	-	-
d. - Plant and Equipment	-	-
17 Repayment of Debt		
a. - Loans	-	-
b. - Advances	-	-
c. - Finance Leases	-	-
18 Transfers to Sinking Funds	-	-
19 Total Non-Operating Expenditure	92	57
<u>Non-Operating Funds Employed</u>		
20 Proceeds from Disposal of Assets	-	-
21 Borrowings Utilised		
a. - Loans	-	-
b. - Advances	-	-
c. - Finance Leases	-	-
22 Transfers from Sinking Funds	-	-
23 Total Non-Operating Funds Employed	-	-
<u>C. RATES AND CHARGES</u>		
24 Number of Assessments		
a. - Residential (occupied)	1146	
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	Nil	ET
26 Total Amount of Pensioner Rebates	14	\$'000
<u>D. BEST PRACTICE ANNUAL CHARGES & DEVELOPER CHARGES</u>		
27 Annual Charges		
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 land value from access charges (i.e. rates)	<input type="checkbox"/>
b	Cross subsidy from residential customers using less than allowance	_____
c	Cross subsidy to non-residential customers	_____
d	Cross subsidy to large connections in unmetered supplies	_____
28 Developer Charges		
a	Has Council completed a water supply Development Servicing Plan?	<input checked="" type="checkbox"/> NO
b	Total cross-subsidy in water supply developer charges	_____
29 TOTAL OF CROSS SUBSIDIES		-

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 2011**

	<u>Current</u> \$'000	<u>Non-Current</u> \$'000	<u>Total</u> \$'000
<u>ASSETS</u>			
30 Cash and Investments			
f. - Other	651	-	651
31 Receivables			
a. - Specific Purpose Grants	-	-	-
b. - Rates and Availability Charges	119		119
c. - Other	162	29	191
32 Inventories	-	-	-
33 Property, Plant and Equipment			
a. - System Assets	-	17,410	17,410
b. - Plant and Equipment	-	559	559
34 Other	-	-	-
35 Total Assets	<u>932</u>	<u>17,998</u>	<u>18,930</u>
<u>LIABILITIES</u>			
36 Bank Overdraft	-		-
37 Creditors	-	-	-
38 Borrowings			
a. - Loans	-	-	-
b. - Advances	-	-	-
c. - Finance Leases	-	-	-
39 Provisions			
- Tax Equivalents	-		-
a. - Dividend	-		-
b. - Other	-	-	-
40 Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
41 NET ASSETS COMMITTED	<u>932</u>	<u>17,998</u>	<u>18,930</u>
<u>EQUITY</u>			
42 Accumulated Surplus			8,635
43 Asset Revaluation Reserve			<u>10,295</u>
44 Total Equity			<u>18,930</u>
45 Current Replacement Cost of System Assets			18,300
46 Accumulated Current Cost Depreciation of System Assets			890
47 Written Down Current Cost of System Assets			<u>17,410</u>

URALLA SHIRE COUNCIL

**SPECIAL SCHEDULE NO 5
SEWERAGE SERVICE OPERATIONS
(Gross including Internal Transactions)
for the year ended 30th June 2011**

<u>A. EXPENSES AND REVENUES</u>	2011	2010
<u>EXPENSES</u>	\$'000	\$'000
1.a. Management - Administration	109	48
b. - Engineering and Supervision	6	62
2 Operations and Maintenance Expenses		
a. -Mains - Operation Expenses	-	-
b. -Maintenance Expenses	32	37
c. - Pumping Stations - Operation Expenses	-	-
d. - Energy Costs	-	6
e. - Maintenance Expenses	12	13
f. - Treatment - Operation Expenses	-	-
g. - Chemical Costs	15	-
h. - Energy Costs	-	35
i. - Effluent Management	-	-
j. - Biosolids Management	70	84
k. - Maintenance Expenses	48	34
l. - Other - Operation Expenses	-	-
m. - Maintenance Expenses	46	-
3.a. Depreciation - System Assets	13	13
b. - Plant and Equipment	2	3
4.a. Miscellaneous - Interest	-	-
b. - Revaluation decrements	-	-
c. - Other	-	15
c. - NCP Tax and Other Equivalents	-	-
5 Total Expenses	<u>353</u>	<u>350</u>
<u>REVENUE</u>		
6 Residential Charges (including rates)	464	429
7 Non-Residential Charges		
a Access (including rates)	-	-
b User Charges	17	17
8 Trade Waste Charges		
a Annual Fees	-	-
b User Charges	3	3
c Excess Mass Charges	-	-
Re-inspection charges	-	-
9 Extra Charges	-	-
10 Interest	193	(113)
11 Other Income	-	-
12.a. Grants - Acquisition of Assets	-	-
b. - Pensioner Rebates	-	13
c. - Other	-	-
13.a Contributions - Developer Charges	-	-
b. - Developer Provided Assets	-	-
c. - Other Contributions	-	-
14 Total Revenues	<u>677</u>	<u>349</u>
15 Gain (Loss) on Disposal of Assets	-	-
16 OPERATING RESULT	<u>324</u>	<u>(1)</u>
16.a. Operating Result before Grants for Acquisition of Assets	<u>324</u>	<u>(1)</u>

URALLA SHIRE COUNCIL

SPECIAL SCHEDULE NO 5 - SEWERAGE SERVICE OPERATIONS (continued)

	2011 \$'000	2010 \$'000
<u>B. CAPITAL TRANSACTIONS</u>		
<u>Non - Operating Expenditure</u>		
17 Acquisition of Fixed Assets		
a. - New assets for improved standards	-	-
b. - New assets for growth	151	39
c. - Renewals	-	-
d. - Plant and Equipment	-	-
18 Repayment of Debt		
a. - Loans	-	-
b. - Advances	-	-
c. - Finance Leases	-	-
19 Transfers to Sinking Funds	-	-
20 Total Non-Operating Expenditure	151	39
<u>Non-Operating Funds Employed</u>		
21 Proceeds of Disposal of Assets	-	-
22 Borrowings Utilised		
a. - Loans	-	-
b. - Advances	-	-
c. - Finance Leases	-	-
23 Transfers from Sinking Funds	-	-
24 Total Non-Operating Funds Employed	-	-
<u>C. RATES AND CHARGES</u>		
25 Number of Assessments		
a. - Residential (occupied)	915	
b. - Residential (unoccupied - vacant land)	96	
c. - Non-Residential (occupied)	48	
d. - Non-Residential (unoccupied - vacant land)	14	
26 Number of ETs for which Developer Charges were	Nil	ET
27 Total Amount of Pensioner Rebates		10 \$'000
<u>D. BEST PRACTICE ANNUAL CHARGES & DEVELOPER CHARGES</u>		
28 Annual Charges		
a Does Council have best-practice sewerage annual charges, usage charges and trade waste fees and charges?		YES
If Yes, go to 29a.		
If No, has Council removed land value from access charges (i.e. rates)		
b Cross subsidy to non-residential customers		
c Cross subsidy to trade waste dischargers		
29 Developer Charges		
a Has Council completed a sewerage Development Servicing Plan?		No
b Total cross-subsidy in sewerage developer charges		
30 TOTAL OF CROSS SUBSIDIES		-

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 2011**

<u>ASSETS</u>	<u>Current</u> \$'000	<u>Non-Current</u> \$'000	<u>Total</u> \$'000
31 Cash and Investments			
f. - Other	860	-	860
32 Receivables			
b. - Rates and Availability Charges	62	-	62
33 Inventories	-	-	-
34 Property, Plant and Equipment			
a. - System Assets		7,570	7,570
b. - Plant and Equipment		335	335
36 Total Assets	<u>922</u>	<u>7,905</u>	<u>8,827</u>
<u>LIABILITIES</u>			
37 Bank Overdraft	-		-
38 Creditors	47	-	47
41 Total Liabilities	<u>47</u>	<u>-</u>	<u>47</u>
42 NET ASSETS COMMITTED	<u>875</u>	<u>7,905</u>	<u>8,780</u>
<u>EQUITY</u>			
43 Accumulated Surplus			5,382
44 Asset Revaluation Reserve			3,398
45 Total Equity			<u>8,780</u>
46 Current Replacement Cost of System Assets			8,418
47 Accumulated Current Cost Depreciation of System Assets			848
48 Written Down Current Cost of System Assets			<u>7,570</u>

URALLA SHIRE COUNCIL
SPECIAL SCHEDULE NO 7
CONDITION OF PUBLIC WORKS
as at 30th June 2011

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%	7	-	1,186	86	1,100	3	85	10	15
	Works Depot	2%	11	-	1,766	197	1,569	3	35	12	12
	Halls	1%	8	-	1,291	84	1,207	4	15	8	7
	Aged Accommodation	2%	24	-	5,979	194	5,785	2	65	27	65
	Community Centre	1%	4	-	738	29	709	3	5	5	5
	Recreation/VIC	1%	3	-	635	58	577	3	5	5	5
	Water/Sewer	1%	2	-	448	31	417	3	3	3	3
	Other	1%	12	-	2,687	113	2,574	3	-	-	-
	Library	3%	6	-	1,001	46	955	1	-	5	5
	RFS Building	1%	1	-	374	10	364	3	8	8	8
	Amenities/Toilets	1%	1	-	419	21	398	2	10	10	10
	Subtotal		79	-	16,524	869	15,655		231	93	135
Public Roads	Sealed Roads	1%	1,512	-	77,527	19,568	57,959	4	2,100	1,630	1,630
	Unsealed Roads	1%	344	-	10,418	5,764	4,654	4	1,510	960	960
	Bridges	1%	260	-	21,848	3,390	18,458	4	1,620	98	320
	Footpaths	1%	15	-	1,027	343	684	3	35	25	25
	Kerb & Gutter	1%	47	-	3,497	1,338	2,159	3	70	40	40
	Subtotal		2,178	-	114,317	30,403	83,914		5,335	2,753	2,975

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 2011

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	-	6,562	700	5,862	2	25	30	30
	Reservoirs	1%	7	-	2,082	114	1,968	2	10	10	10
	Dams	1%	1	-	2,785	3	2,782	3	5	7	7
	Pipelines	1%	1	-	6,034	14	6,020	4	140	100	100
	Pump Stations	1%	-	-	837	59	778	3	16	16	16
	Subtotal		53	-	18,300	890	17,410		196	163	163
Sewerage	Pump Stations	1%	2	-	1,231	103	1,128	3	30	8	10
	Pipelines	1%	4	-	3,374	74	3,300	4	45	42	42
	Treatment Works	3%	6	-	3,813	671	3,142	2	5	5	5
	Subtotal		12	-	8,418	848	7,570		80	55	57
Drainage Works	Pipes, Retention	5%	8	-	2,491	399	2,092	3	19	19	19
	Subtotal		8	-	2,491	399	2,092	0	19	19	19
Total Classes - All Assets			2,330	-	160,050	33,409	126,641		5,861	3,083	3,349

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 2011

"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 2011**

	2011 \$'m	2012 \$'m	2013 \$'m	2014 \$'m	2015 \$'m	2016 \$'m	2017 \$'m	2018 \$'m	2019 \$'m	2020 \$'m	2021 \$'m
Recurrent Budget											
Income from continuing operations	16	15	16	17	17	19	18	19	20	20	21
Expenses from continuing operations	15	14	15	16	16	17	17	18	19	19	20
Operating result from continuing operations	1	1	1	1	1	2	1	1	1	1	1
Capital Budget											
Grants/Contributions	1	1	1	1	1	1	1	1	1	1	1
Other (non cash item Depreciation)	3	4	4	5	5	6	5	5	6	5	6
	4	5	5	6	6	7	6	6	7	6	7

