

Uralla Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

*“...committed to creating a unique environment
which offers an excellent quality of life and
economic opportunities for its people”*



Uralla Shire Council

General Purpose Financial Statements for the year ended 30 June 2018

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Overview

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

32 Salisbury Street
Uralla NSW 2358

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

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

A description of the nature of Council's operations and its principal activities are provided in Note 2(b).

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

Uralla Shire Council

General Purpose Financial Statements for the year ended 30 June 2018

Understanding Council's financial statements

Introduction

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

What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2018.

The format of the financial statements is standard across all NSW Councils and complies with both the accounting and reporting requirements of Australian Accounting Standards and requirements as set down by the Office of Local Government.

About the Councillor/Management Statement

The financial statements must be certified by senior staff as 'presenting fairly' the Council's financial results for the year and are required to be adopted by Council – ensuring both responsibility for and ownership of the financial statements.

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

Summarises Council's financial performance for the year, listing all income and expenses.

This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

2. The Statement of Comprehensive Income

Primarily records changes in the fair value of Council's Infrastructure, Property, Plant and Equipment.

3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its assets, liabilities and "net wealth".

4. The Statement of Changes in Equity

The overall change for the year (in dollars) of Council's "net wealth".

5. The Statement of Cash Flows

Indicates where Council's cash came from and where it was spent. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the five primary financial statements.

About the Auditor's Reports

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

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

Who uses the financial statements?

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

The public can make submissions to Council up to seven days subsequent to the public presentation of the financial statements.

Council is required to forward an audited set of financial statements to the Office of Local Government.

Uralla Shire Council

General Purpose Financial Statements for the year ended 30 June 2018

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

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

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

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

- present fairly the Council's operating result and financial position for the year,
- accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 18 October 2018.



Cr M Pearce
Mayor
18 October 2018



Cr R Crouch
Councillor
18 October 2018



Mr Andrew Hopkins
General Manager
18 October 2018



Mr Simon Paul
Responsible Accounting Officer
18 October 2018

Uralla Shire Council

Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Income from continuing operations				
<i>Revenue:</i>				
6,265	Rates and annual charges	3a	6,159	5,938
4,641	User charges and fees	3b	4,856	4,890
249	Interest and investment revenue	3c	398	331
761	Other revenues	3d	630	756
7,485	Grants and contributions provided for operating purposes	3e,f	7,761	8,808
593	Grants and contributions provided for capital purposes	3e,f	1,552	16
19,994	Total income from continuing operations		21,356	20,739
Expenses from continuing operations				
9,470	Employee benefits and on-costs	4a	9,424	8,975
163	Borrowing costs	4b	167	190
4,035	Materials and contracts	4c	3,892	3,699
3,932	Depreciation and amortisation	4d	4,270	3,958
–	Impairment of investments	4d	–	(6)
1,632	Other expenses	4e	1,623	1,508
–	Net losses from the disposal of assets	5	84	518
19,232	Total expenses from continuing operations		19,460	18,842
762	Operating result from continuing operations		1,896	1,897
762	Net operating result for the year		1,896	1,897
762	Net operating result attributable to Council		1,896	1,897
169	Net operating result for the year before grants and contributions provided for capital purposes		344	1,881

Uralla Shire Council

Statement of Comprehensive Income for the year ended 30 June 2018

\$ '000	Notes	2018	2017
Net operating result for the year (as per Income Statement)		1,896	1,897
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9	(2,819)	2,306
Total items which will not be reclassified subsequently to the operating result		(2,819)	2,306
Total other comprehensive income for the year		(2,819)	2,306
Total comprehensive income for the year		(923)	4,203
Total comprehensive income attributable to Council		(923)	4,203

Uralla Shire Council

Statement of Financial Position as at 30 June 2018

\$ '000	Notes	2018	2017
ASSETS			
Current assets			
Cash and cash equivalents	6a	1,443	4,782
Investments	6b	13,550	9,650
Receivables	7	2,065	936
Inventories	8	213	178
Other	8	54	75
Total current assets		17,325	15,621
Non-current assets			
Infrastructure, property, plant and equipment	9	231,289	232,423
Total non-current assets		231,289	232,423
TOTAL ASSETS		248,614	248,044
LIABILITIES			
Current liabilities			
Payables	10	3,836	3,515
Income received in advance	10	475	393
Borrowings	10	221	213
Provisions	11	2,351	2,386
Total current liabilities		6,883	6,507
Non-current liabilities			
Borrowings	10	2,423	2,633
Provisions	11	2,241	914
Total non-current liabilities		4,664	3,547
TOTAL LIABILITIES		11,547	10,054
Net assets		237,067	237,990
EQUITY			
Accumulated surplus	12	72,961	71,065
Revaluation reserves	12	164,106	166,925
Total equity		237,067	237,990

Uralla Shire Council

Statement of Changes in Equity

for the year ended 30 June 2018

\$ '000	Notes	2018			2017		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		71,065	166,925	237,990	69,168	164,619	233,787
Net operating result for the year prior to correction of errors and changes in accounting policies		1,896	–	1,896	1,897	–	1,897
Net operating result for the year		1,896	–	1,896	1,897	–	1,897
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	9	–	(2,819)	(2,819)	–	2,306	2,306
Other comprehensive income		–	(2,819)	(2,819)	–	2,306	2,306
Total comprehensive income (c&d)		1,896	(2,819)	(923)	1,897	2,306	4,203
Equity – balance at end of the reporting period		72,961	164,106	237,067	71,065	166,925	237,990

Uralla Shire Council

Statement of Cash Flows for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Cash flows from operating activities				
Receipts:				
6,265	Rates and annual charges		6,087	5,897
7,015	User charges and fees		4,995	5,274
249	Investment and interest revenue received		366	277
5,704	Grants and contributions		8,807	8,815
761	Other		1,369	1,544
Payments:				
(9,469)	Employee benefits and on-costs		(9,467)	(8,919)
(3,990)	Materials and contracts		(4,347)	(4,261)
(163)	Borrowing costs		(147)	(156)
(1,678)	Other		(1,966)	(1,559)
4,694	Net cash provided (or used in) operating activities	13b	5,697	6,912
Cash flows from investing activities				
Receipts:				
800	Sale of investment securities		17,850	15,800
186	Sale of infrastructure, property, plant and equipment		351	185
Payments:				
–	Purchase of investment securities		(21,750)	(18,294)
(5,986)	Purchase of infrastructure, property, plant and equipment		(4,943)	(3,261)
(5,000)	Net cash provided (or used in) investing activities		(8,492)	(5,570)
Cash flows from financing activities				
Receipts:				
1,000	Proceeds from borrowings and advances		–	–
–	Proceeds from retirement home contributions		1,058	1,777
Payments:				
(214)	Repayment of borrowings and advances		(202)	(201)
–	Repayment of retirement home contributions		(1,400)	(1,336)
(1,000)	Other financing activity payments		–	–
(214)	Net cash flow provided (used in) financing activities		(544)	240
(520)	Net increase/(decrease) in cash and cash equivalents		(3,339)	1,582
5,975	Plus: cash and cash equivalents – beginning of year	13a	4,782	3,200
5,455	Cash and cash equivalents – end of the year	13a	1,443	4,782
Additional Information:				
	plus: Investments on hand – end of year	6b	13,550	9,650
	Total cash, cash equivalents and investments		14,993	14,432

Uralla Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

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Notes to the Financial Statements for the year ended 30 June 2018

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 18 October 2018.

Council has the power to amend and reissue these financial statements.

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

Basis of preparation

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

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

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts.

Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

- Income statement
- Statement of cash flows
- Note 17 – Material budget variations

and are clearly marked.

(a) New and amended standards adopted by Council

There have been no new (or amended) accounting standards adopted by Council in this year's financial statements which have had any material impact on reported financial position, performance or cash flows.

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Council and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

Uralla Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 9,
- (ii) estimated tip remediation provisions – refer Note 11,
- (iii) employee benefit provisions – refer Note 11.

Significant judgements in applying the Council's accounting policies

- (iv) Impairment of receivables

Council has made a significant judgement about the impairment of a number of its receivables in Note 7.

Monies and other assets received by Council

(a) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the *Local Government Act 1993 (NSW)*, all money and other assets received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

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

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

(b) The Trust Fund

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

Goods and Services Tax (GST)

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

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

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

Uralla Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

New accounting standards and interpretations issued not yet effective

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

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

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

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 2(a). Council functions/activities – financial information

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).									
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Our Society	6,998	6,841	7,453	7,524	(455)	(683)	299	40	13,062	13,557
Our Economy	4,698	3,513	6,322	6,128	(1,624)	(2,615)	2,912	2,022	194,705	193,075
Our Environment	3,943	3,501	3,915	3,588	28	(87)	200	82	33,362	35,080
Our Leadership	5,717	6,884	1,770	1,602	3,947	5,282	1,708	2,676	7,485	6,332
Total functions and activities	21,356	20,739	19,460	18,842	1,896	1,897	5,119	4,820	248,614	248,044

Uralla Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 2(b). Council functions/activities – component descriptions

Details relating to the Council's functions/activities as reported in Note 2(a) are as follows:

Our Society

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

Our Economy

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

Our Environment

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

Our Leadership

Includes costs relating to Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of Council and policy-making committees, public disclosure (e.g. GIPA), and legislative compliance. Also includes all administrative costs such as finance, human resources, information technology, governance and customer support. Also includes camping areas and caravan parks.

Uralla Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 3. Income from continuing operations

\$ '000	2018	2017
(a) Rates and annual charges		
Ordinary rates		
Residential	1,482	1,474
Farmland	2,013	1,970
Business	101	107
Total ordinary rates	3,596	3,551
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	529	505
Stormwater management services	29	29
Water supply services	388	390
Sewerage services	710	584
Waste management services (non-domestic)	40	41
Environmental	867	838
Total annual charges	2,563	2,387
TOTAL RATES AND ANNUAL CHARGES	6,159	5,938

Council has used 2016 year valuations provided by the NSW Valuer General in calculating its rates.

Accounting policy for rates and annual charges

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

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

(b) User charges and fees

Specific user charges (per s.502 – specific 'actual use' charges)		
Water supply services	604	534
Sewerage services	5	6
Waste management services (non-domestic)	154	170
Total specific user charges	763	710
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Inspection services	37	22
Private works – section 67	75	176
Registration fees	10	8
Section 149 certificates (EPA Act)	21	22
Section 603 certificates	12	11
Town planning	85	81
Total fees and charges – statutory/regulatory	240	320

Uralla Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(b) User charges and fees (continued)		
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aged care	951	726
Bundarra neighbour aid	–	4
Caravan park	6	14
Cemeteries	25	21
Community centres	2	16
Kamillaroi aged and disability services – contract service fees	110	387
Lease rentals	–	5
Scrap metal sales	60	31
Sundry sales	83	72
Swimming centres	21	20
Tablelands community support options – client contributions	254	597
Tablelands community support options – contract service fees	2,267	1,877
Tablelands community transport	10	20
Waste disposal tipping fees	56	62
Water and sewer connection fees	8	8
Total fees and charges – other	3,853	3,860
TOTAL USER CHARGES AND FEES	4,856	4,890

Accounting policy for user charges and fees

User charges and fees are recognised as revenue when the service has been provided.

(c) Interest and investment revenue (including losses)

Interest

– Overdue rates and annual charges (incl. special purpose rates)	50	27
– Cash and investments	348	304
TOTAL INTEREST AND INVESTMENT REVENUE	398	331

Interest revenue is attributable to:

Unrestricted investments/financial assets:

Overdue rates and annual charges (general fund)	37	16
General Council cash and investments	227	188

Restricted investments/funds – external:

Development contributions		
– Section 7.11	14	14
Water fund operations	66	64
Sewerage fund operations	54	49
Total interest and investment revenue recognised	398	331

Accounting policy for interest and investment revenue

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

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018	2017
(d) Other revenues			
Rental income – other council properties		140	143
Fines		6	3
Legal fees recovery – rates and charges (extra charges)		10	2
Commissions and agency fees		9	6
Diesel rebate		85	87
Donations received		4	25
Insurance claim recoveries		93	73
Other reimbursements		80	88
Other sundry income		80	36
Prior year creditor reversal		–	82
Prior year purchases adjustment		–	70
Recycling income (non-domestic)		57	82
Sales – general		46	34
Staff FBT contributions		20	25
<u>TOTAL OTHER REVENUE</u>		<u>630</u>	<u>756</u>

Accounting policy for other revenue

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

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

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

Miscellaneous sales are recognised when physical possession has transferred to the customer which is deemed to be the point of transfer of risks and rewards.

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

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	1,558	2,602	–	–
Financial assistance – local roads component	910	906	–	–
Other				
Pensioners' rates subsidies – general component	62	73	–	–
Total general purpose	2,530	3,581	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	19	16	–	–
– Sewerage	17	12	–	–
– Domestic waste management	22	13	–	–
Sewerage services	–	–	98	–
Community centres	1	–	–	–
Employment and training programs	13	3	–	–
Heritage and cultural	–	9	–	–
Library	40	41	–	–
Recreation and culture	–	–	258	–
Street lighting	14	14	–	–
Transport (roads to recovery)	864	1,115	–	–
Transport (other roads and bridges funding)	–	–	1,168	16
Innovation Fund	75	–	–	–
Total specific purpose	1,065	1,223	1,524	16
Total grants	3,595	4,804	1,524	16
Grant revenue is attributable to:				
– Commonwealth funding	3,345	4,624	600	–
– State funding	250	180	924	16
	3,595	4,804	1,524	16
(f) Contributions				
Developer contributions:				
(s7.4 & s7.11 – EP&A Act, s64 of the LGA):				
Cash contributions				
S 7.11 – contributions towards amenities/services	90	7	–	–
Total developer contributions – cash	90	7	–	–
Total developer contributions	90	7	–	–

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(f) Contributions (continued)				
Other contributions:				
Cash contributions				
McMaugh gardens aged care – subsidies	2,203	2,284	–	–
RMS contributions (regional roads, block grant)	1,287	1,126	28	–
Tablelands community transport – subsidies	586	587	–	–
Total other contributions – cash	4,076	3,997	28	–
Total other contributions	4,076	3,997	28	–
Total contributions	4,166	4,004	28	–
TOTAL GRANTS AND CONTRIBUTIONS	7,761	8,808	1,552	16

Accounting policy for contributions

Control over grants and contributions is normally obtained upon their receipt (or acquittal) and is valued at the fair value of the granted or contributed asset at the date of transfer.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed below.

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

(g) Unspent grants and contributions

Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:

	2018	2017
Operating grants		
Unexpended at the close of the previous reporting period	1,586	909
Add: operating grants recognised in the current period but not yet spent	863	702
Less: operating grants recognised in a previous reporting period now spent	(935)	(25)
Unexpended and held as restricted assets (operating grants)	1,514	1,586
Capital grants		
Unexpended at the close of the previous reporting period	292	166
Add: capital grants recognised in the current period but not yet spent	–	128
Less: capital grants recognised in a previous reporting period now spent	(162)	(2)
Unexpended and held as restricted assets (capital grants)	130	292
Contributions		
Unexpended at the close of the previous reporting period	512	491
Add: contributions recognised in the current period but not yet spent	104	21
Unexpended and held as restricted assets (contributions)	616	512

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations

\$ '000	2018	2017
(a) Employee benefits and on-costs		
Salaries and wages	7,540	7,224
Travel expenses	26	95
Employee leave entitlements (ELE)	1,371	1,171
Superannuation – defined contribution plans	852	797
Superannuation – defined benefit plans	84	77
Workers' compensation insurance	324	276
Fringe benefit tax (FBT)	2	48
Training costs (other than salaries and wages)	77	38
Other	11	44
Total employee costs	10,287	9,770
Less: capitalised costs	(863)	(795)
TOTAL EMPLOYEE COSTS EXPENSED	9,424	8,975
Number of 'full-time equivalent' employees (FTE) at year end	136	120
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	140	126

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

Council participates in a Defined Benefit Plan under the Local Government Superannuation Scheme, however, when sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 15 for more information.

(b) Borrowing costs

(i) Interest bearing liability costs

Interest on loans	142	165
Total interest bearing liability costs expensed	142	165

(ii) Other borrowing costs

Discount adjustments relating to movements in provisions (other than ELE)		
– Remediation liabilities	25	25
Total other borrowing costs	25	25
TOTAL BORROWING COSTS EXPENSED	167	190

Accounting policy for borrowing costs

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

Uralla Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(c) Materials and contracts		
Raw materials and consumables	5,261	5,486
Contractor and consultancy costs	2,891	1,903
Auditors remuneration ⁽²⁾	55	47
Legal expenses:		
– Legal expenses: debt recovery	10	9
– Legal expenses: other	19	34
Operating leases:		
– Operating lease rentals: minimum lease payments ⁽¹⁾	53	53
Total materials and contracts	8,289	7,532
Less: capitalised costs	(4,397)	(3,833)
TOTAL MATERIALS AND CONTRACTS	3,892	3,699
Operating 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 incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.		
1. Operating lease payments are attributable to:		
Other	53	53
	53	53
2. Auditor remuneration		
During the year the following fees were paid or payable for services provided by the auditor of Council, related practices and non-related audit firms		
Auditors of the Council – NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements	53	38
Remuneration for audit and other assurance services	53	38
Total Auditor-General remuneration	53	38
Non NSW Auditor-General audit firms:		
(i) Audit and other assurance services		
Audit and review of financial statements	–	9
Other audit and assurance services	2	–
Remuneration for audit and other assurance services	2	9
Total remuneration of non NSW Auditor-General audit firms	2	9
Total Auditor remuneration	55	47

Uralla Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	2017
(d) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment		556	532
Office equipment		73	91
Furniture and fittings		55	76
Infrastructure:			
– Buildings – non-specialised		409	370
– Other structures		44	29
– Sealed roads structure		1,428	1,376
– Unsealed roads		554	550
– Bridges		320	323
– Footpaths		45	43
– Stormwater drainage		24	23
– Water supply network		453	246
– Sewerage network		223	203
– Swimming pools		15	14
– Other open space/recreational assets		28	39
Other assets:			
– Other		4	4
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	9 & 11	39	39
Total depreciation and amortisation costs		<u>4,270</u>	<u>3,958</u>
Impairment of investments			
– Investments other than available for sale		–	(6)
Total investment impairment costs / (reversals)		–	(6)
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED			
		<u>4,270</u>	<u>3,952</u>

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

Accounting policy for depreciation, amortisation and impairment expenses

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 9 for IPPE assets.

Impairment of non-financial assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

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

Impairment of financial assets

Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Uralla Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(e) Other expenses		
Advertising	18	29
Bad and doubtful debts	–	59
Bank charges	27	24
Computer software charges	2	5
Contributions/levies to other levels of government	6	–
Councillor expenses – mayoral fee	19	19
Councillor expenses – councillors' fees	101	89
Councillors' expenses (incl. mayor) – other (excluding fees above)	8	10
Donations, contributions and assistance to other organisations (Section 356)	466	344
Electricity and heating	209	180
Insurance	316	311
Internet and other communication	8	25
Licences	41	46
Motor vehicle registration fees	46	14
Other fees and charges	19	5
Postage	36	32
Printing and stationery	37	57
Street lighting	57	47
Subscriptions and publications	74	79
Sundry expenses	3	3
Telephone and communications	127	128
Valuation fees	2	–
Volunteer reimbursements	1	2
Total other expenses	1,623	1,508
<u>TOTAL OTHER EXPENSES</u>	<u>1,623</u>	<u>1,508</u>

Accounting policy for other expenses

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

Uralla Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	2018	2017
Property (excl. investment property)	9		
Proceeds from disposal – property		–	7
Less: carrying amount of property assets sold/written off		–	(5)
Net gain/(loss) on disposal		–	2
Plant and equipment	9		
Proceeds from disposal – plant and equipment		470	178
Less: carrying amount of plant and equipment assets sold/written off		(527)	(185)
Net gain/(loss) on disposal		(57)	(7)
Infrastructure	9		
Less: carrying amount of infrastructure assets sold/written off		(27)	(513)
Net gain/(loss) on disposal		(27)	(513)
Financial assets ⁽¹⁾	6		
Proceeds from disposal/redemptions/maturities – financial assets		17,850	15,800
Less: carrying amount of financial assets sold/redeemed/matured		(17,850)	(15,800)
Net gain/(loss) on disposal		–	–
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>(84)</u>	<u>(518)</u>

Accounting policy for disposal of assets

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

Note 6(a). Cash and cash equivalent assets

Cash and cash equivalents			
Cash on hand and at bank		97	100
Cash-equivalent assets			
– Deposits at call		1,346	4,682
Total cash and cash equivalents		<u>1,443</u>	<u>4,782</u>

Accounting policy for cash and cash equivalents

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

Uralla Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 6(b). Investments

\$ '000	2018	2018	2017	2017
	Current	Non-current	Current	Non-current
Investments				
a. 'Held to maturity'	13,550	–	9,650	–
Total investments	13,550	–	9,650	–
<u>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</u>	<u>14,993</u>	<u>–</u>	<u>14,432</u>	<u>–</u>
Held to maturity investments				
Long term deposits	13,550	–	9,650	–
Total	13,550	–	9,650	–

Accounting policy for investments

Classification

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

Held to maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. Assets in this category are measured at amortised cost.

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.

Uralla Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

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

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	14,993	–	14,432	–
attributable to:				
External restrictions (refer below)	9,050	–	9,098	–
Internal restrictions (refer below)	4,894	–	3,165	–
Unrestricted	1,049	–	2,169	–
	14,993	–	14,432	–

\$ '000	2018	2017
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended loans – general	603	619
McMaugh gardens resident bonds	1,870	2,089
External restrictions – included in liabilities	2,473	2,708

External restrictions – other

Developer contributions – general	616	512
Specific purpose unexpended grants	1,644	1,878
Water supplies	2,275	2,170
Sewerage services	2,042	1,830
External restrictions – other	6,577	6,390
Total external restrictions	9,050	9,098

Internal restrictions

Plant and vehicle replacement	1,517	833
Employees leave entitlement	970	1,014
Carry over works	619	998
Strategic development	440	320
FAGS Received in advance	1,251	–
Tip Remediation	97	–
Total internal restrictions	4,894	3,165

TOTAL RESTRICTIONS

13,944	12,263
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Uralla Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Purpose				
Rates and annual charges	305	–	233	–
Interest and extra charges	44	–	36	–
User charges and fees	408	–	380	–
Private works	10	–	52	–
Capital debtors (being sale of assets)				
– Other asset sales	119	–	–	–
Accrued revenues				
– Interest on investments	150	–	126	–
– Other income accruals	102	–	8	–
Amounts due from other councils	47	–	50	–
Government grants and subsidies	664	–	79	–
Net GST receivable	159	–	25	–
Resident contributions	105	–	–	–
Other debtors	21	–	16	–
Total	2,134	–	1,005	–
Less: provision for impairment				
Other debtors	(69)	–	(69)	–
Total provision for impairment – receivables	(69)	–	(69)	–
<u>TOTAL NET RECEIVABLES</u>	<u>2,065</u>	<u>–</u>	<u>936</u>	<u>–</u>
Externally restricted receivables				
Water supply				
– Rates and availability charges	35	–	29	–
– Other	339	–	233	–
Sewerage services				
– Rates and availability charges	58	–	39	–
– Other	7	–	5	–
Other				
– Unexpended grants	–	–	58	–
Total external restrictions	439	–	364	–
Unrestricted receivables	1,626	–	572	–
<u>TOTAL NET RECEIVABLES</u>	<u>2,065</u>	<u>–</u>	<u>936</u>	<u>–</u>
Movement in provision for impairment of receivables			2018	2017
Balance at the beginning of the year			69	10
+ new provisions recognised during the year			–	60
– amounts provided for but recovered during the year			–	(1)
Balance at the end of the year			69	69

Uralla Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 7. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in receivables (Note 7) in the Statement of Financial Position. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

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

Impairment

For loans and receivables the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

Collectability of receivables is reviewed on an on-going basis. Debts that are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. 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.

Uralla Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
(a) Inventories				
Inventories at cost				
Stores and materials	213	–	178	–
Total inventories at cost	213	–	178	–
<u>TOTAL INVENTORIES</u>	<u>213</u>	<u>–</u>	<u>178</u>	<u>–</u>
(b) Other assets				
Prepayments	54	–	75	–
<u>TOTAL OTHER ASSETS</u>	<u>54</u>	<u>–</u>	<u>75</u>	<u>–</u>

Externally restricted assets

There are no restrictions applicable to the above assets.

Accounting policy

Raw materials and stores

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

Uralla Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 9. Infrastructure, property, plant and equipment

Asset class \$ '000	as at 30/6/2017			Asset movements during the reporting period							as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	393	–	393	1,574	–	–	–	–	–	–	1,967	–	1,967
Plant and equipment	7,345	3,256	4,089	707	43	(527)	(556)	–	–	–	7,079	3,323	3,756
Office equipment	561	450	111	52	–	–	(73)	–	–	–	613	523	90
Furniture and fittings	1,153	616	537	28	17	–	(55)	(183)	–	–	1,003	659	344
Land:													
– Operational land	1,736	–	1,736	–	36	–	–	–	–	49	1,821	–	1,821
– Community land	3,532	–	3,532	–	–	–	–	–	–	401	3,933	–	3,933
Land improvements – non-depreciable	17	–	17	–	–	–	–	–	–	–	17	–	17
Infrastructure:													
– Buildings – non-specialised	24,026	7,295	16,731	70	289	–	(409)	619	(3,722)	–	25,668	12,090	13,578
– Other structures	1,308	770	538	–	–	–	(44)	–	–	–	1,308	814	494
– Sealed roads structure	100,471	26,278	74,193	1,278	140	(27)	(1,428)	–	–	–	101,914	27,758	74,156
– Unsealed roads	17,423	11,817	5,606	195	–	–	(554)	–	–	–	17,559	12,312	5,247
– Bridges	31,916	11,098	20,818	16	–	–	(320)	1	–	–	31,933	11,418	20,515
– Footpaths	1,791	269	1,522	–	96	–	(45)	1	–	–	1,888	314	1,574
– Bulk earthworks (non-depreciable)	76,786	–	76,786	648	–	–	–	(2)	–	–	77,432	–	77,432
– Stormwater drainage	2,479	565	1,914	–	–	–	(24)	–	–	–	2,479	589	1,890
– Water supply network	27,543	13,629	13,914	15	–	–	(453)	–	–	284	28,137	14,377	13,760
– Sewerage network	13,881	5,232	8,649	6	–	–	(223)	(400)	–	169	13,682	5,481	8,201
– Swimming pools	750	580	170	–	–	–	(15)	–	–	–	750	595	155
– Other open space/recreational assets	791	339	452	18	63	–	(28)	(37)	–	–	668	200	468
Other assets:													
– Heritage collections	90	–	90	–	–	–	–	–	–	–	90	–	90
– Other	84	26	58	–	–	–	(4)	–	–	–	84	30	54
Reinstatement, rehabilitation and restoration assets (refer Note 11):													
– Tip assets	787	220	567	–	–	–	(39)	1,219	–	–	2,006	259	1,747
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	314,863	82,440	232,423	4,607	684	(554)	(4,270)	1,218	(3,722)	903	322,031	90,742	231,289

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

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 9. Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

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

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Crown Lands and Water (CLAW).

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

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

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:

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

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 9. Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income statement.

Land under roads

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

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

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

Crown reserves

Crown Reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated. Improvements on Crown Reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

Rural Fire Service assets

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

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

Uralla Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 10. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Payables				
Goods and services – operating expenditure	114	–	334	–
Goods and services – capital expenditure	348	–	–	–
Accrued expenses:				
– Borrowings	14	–	19	–
– Salaries and wages	167	–	229	–
– Other expenditure accruals	696	–	593	–
ATO – net GST payable	–	–	(10)	–
Retirement home contributions	2,000	–	2,350	–
TCS Funding	397	–	–	–
TCT Funding	100	–	–	–
Total payables	3,836	–	3,515	–
Income received in advance				
Payments received in advance	475	–	393	–
Total income received in advance	475	–	393	–
Borrowings				
Loans – secured ¹	221	2,423	213	2,633
Total borrowings	221	2,423	213	2,633
TOTAL PAYABLES AND BORROWINGS	4,532	2,423	4,121	2,633

(a) Payables and borrowings relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Resident Bonds	1,870	–	2,089	–
McMaugh garden (interest bearing liabilities)	5	49	5	54
Payables and borrowings relating to externally restricted assets	1,875	49	2,094	54
Total payables and borrowings relating to restricted assets	1,875	49	2,094	54
Total payables and borrowings relating to unrestricted assets	2,657	2,374	2,027	2,579
TOTAL PAYABLES AND BORROWINGS	4,532	2,423	4,121	2,633

¹ Loans are secured over the general rating income of Council

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 16.

Uralla Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 10. Payables and borrowings (continued)

\$ '000	2018	2017
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(b) Current payables and borrowings not anticipated to be settled within the next twelve months

The following payables and borrowings, even though classified as current, are not expected to be settled in the next 12 months.

Retirement home contributions	785	1,187
	785	1,187

(c) Changes in liabilities arising from financing activities

Class of borrowings	2017		Non-cash changes			2018
	Opening balance as at 1/7/17	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance as at 30/6/18
Loans – secured	2,846	(202)	–	–	–	2,644
TOTAL	2,846	(202)	–	–	–	2,644

\$ '000	2018	2017
---------	------	------

(d) Financing arrangements

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

Bank overdraft facilities ⁽¹⁾	100	100
Credit cards/purchase cards	35	35
Total financing arrangements	135	135
Drawn facilities as at balance date:		
– Credit cards/purchase cards	10	7
Total drawn financing arrangements	10	7
Undrawn facilities as at balance date:		
– Bank overdraft facilities	100	100
– Credit cards/purchase cards	25	28
Total undrawn financing arrangements	125	128

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

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 10. Payables and borrowings (continued)

Accounting policy for payables and borrowings

Payables

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

Borrowings

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

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

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

Uralla Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 11. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits:				
Annual leave	739	–	708	–
Sick leave	71	–	74	–
Long service leave	1,492	116	1,549	32
Other leave	49	–	55	–
Sub-total – aggregate employee benefits	2,351	116	2,386	32
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	2,125	–	882
Sub-total – asset remediation/restoration	–	2,125	–	882
<u>TOTAL PROVISIONS</u>	<u>2,351</u>	<u>2,241</u>	<u>2,386</u>	<u>914</u>

(a) Provisions relating to restricted assets

There are no restricted assets (external or internal) applicable to the above provisions

\$ '000	2018	2017
---------	------	------

(b) Current provisions not anticipated to be settled within the next twelve months

The following provisions, even though classified as current, are not expected to be settled in the next 12 months.

Provisions – employees benefits	1,525	1,443
	1,525	1,443

Uralla Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 11. Provisions (continued)

\$ '000

(c) Description of and movements in provisions

2018	ELE provisions					Total
	Annual leave	Sick leave	Long service leave	ELE on-costs	Other employee benefits	
At beginning of year	708	74	1,581	–	55	2,418
Additional provisions	518	(3)	144	–	81	740
Amounts used (payments)	(487)	–	(117)	–	(87)	(691)
Total ELE provisions at end of year	739	71	1,608	–	49	2,467

2017	ELE provisions					Total
	Annual leave	Sick leave	Long service leave	ELE on-costs	Other employee benefits	
At beginning of year	670	75	1,595	–	49	2,389
Additional provisions	439	(1)	54	–	78	570
Amounts used (payments)	(401)	–	(68)	–	(72)	(541)
Total ELE provisions at end of year	708	74	1,581	–	55	2,418

2018	Other provisions	
	Asset remediation	Total
At beginning of year	882	882
Changes to provision:		
Revised costs	1,218	1,218
Unwinding of discount	25	25
Total other provisions at end of year	2,125	2,125

2017	Other provisions	
	Asset remediation	Total
At beginning of year	857	857
Changes to provision:		
Unwinding of discount	25	25
Total other provisions at end of year	882	882

Nature and purpose of non-employee benefit provisions

Asset remediation

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

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Provisions (continued)

Accounting policy for provisions

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

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

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

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

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

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

Provisions for close-down and restoration, and environmental clean-up costs – tips and quarries

Restoration

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, eg updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Provisions (continued)

Accounting policy for provisions (continued)

Rehabilitation

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

Provision is made for the estimated present value of the costs of environmental clean up obligations outstanding at the reporting date. These costs are charged to the Income Statement. Movements in the environmental clean up provisions are presented as an operating cost, except for the unwinding of the discount which is shown as a borrowing cost.

Remediation procedures generally commence soon after the time the damage, remediation process and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

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

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

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

Note 12. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	1,443	4,782
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		1,443	4,782
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		1,896	1,897
Adjust for non-cash items:			
Depreciation and amortisation		4,270	3,958
Net losses/(gains) on disposal of assets		84	518
Impairment losses recognition/(prior period reversals) – financial investments		–	(6)
Unwinding of discount rates on reinstatement provisions		25	25
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(1,010)	394
Increase/(decrease) in provision for doubtful debts		–	59
Decrease/(increase) in inventories		(35)	(3)
Decrease/(increase) in other assets		21	(23)
Increase/(decrease) in payables		(220)	(61)
Increase/(decrease) in accrued interest payable		(5)	9
Increase/(decrease) in other accrued expenses payable		41	(254)
Increase/(decrease) in other liabilities		581	370
Increase/(decrease) in employee leave entitlements		49	29
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		5,697	6,912

Uralla Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 14. Commitments for expenditure

\$ '000	2018	2017
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Plant and equipment	96	–
Bridges	–	741
Land	–	30
Bundarra Sewer Scheme	540	182
Pioneer Park Project	15	–
Total commitments	651	953
These expenditures are payable as follows:		
Within the next year	651	953
Total payable	651	953
Sources for funding of capital commitments:		
Future grants and contributions	540	–
Unexpended grants	–	741
Externally restricted reserves	15	212
Internally restricted reserves	96	–
Total sources of funding	651	953

(b) Operating lease commitments (non-cancellable)

a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:

Within the next year	10	49
Later than one year and not later than 5 years	22	4
Total non-cancellable operating lease commitments	32	53

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

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

A further operating lease relates to rental of a photocopier.

Conditions relating to operating leases:

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

Uralla Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 15. Contingencies and other liabilities/assets not recognised

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of its share of the net deficit and accordingly Council has not recorded any net liability from its defined benefit scheme obligations in accordance with AASB 119.

Future contributions made to the defined benefit scheme to rectify the net deficit position will be recognised as an expense when they become payable – similar to the accounting for defined contributions plans.

The Local Government Superannuation Scheme - Pool B (the Scheme) is a defined benefit plan that has been deemed to be a "multi-employer fund" for purposes of AASB119. Sufficient information under AASB119 is not available to account for the Scheme as a defined benefit plan, because the assets to the Scheme are pooled together for all employers.

Council is required to pay standard employer contributions and additional lump sum contributions to the Fund.

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

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40.0 million per annum from 1 July 2017 for 4 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities at 30 June 2016. Council's share of the deficit is 0.16%. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2017.

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

Uralla Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 15. Contingencies and other liabilities/assets not recognised (continued)

LIABILITIES NOT RECOGNISED (continued):**1. Guarantees** (continued)**(i) Defined benefit superannuation contribution plans** (continued)

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

However, there is no relief under the Fund's trust deed for employers to walk away from their defined benefit obligations. Under limited circumstances, an employer may withdraw from the plan when there are no active members, on full payment of outstanding additional contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the entity.

There are no specific provisions under the Fund's trust deed dealing with deficits or surplus on wind-up. There is no provision for allocation of any surplus which may be present at the date of withdrawal of an employer. The plan is a defined benefit plan.

The expected contributions to the Fund by Council for the next annual reporting period is \$148,704.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2018 is:

		<i>Coverage</i>
Assets	\$1,817.8 million	
Vested Benefits	\$1,778.0 million	102.2%

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

Investment return	6.0% p.a.
Salary inflation	3.5% p.a.
Increase in CPI	2.5% p.a.

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

(ii) Statewide Limited

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

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

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

Uralla Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 15. Contingencies and other liabilities/assets not recognised (continued)

1. Guarantees (continued)

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

(ii) Potential land acquisitions due to planning restrictions imposed by Council

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

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

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

ASSETS NOT RECOGNISED:

(i) Land under roads

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

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 15. Contingencies and other liabilities/assets not recognised (continued)

ASSETS NOT RECOGNISED (continued):

(ii) Infringement notices/fines

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

Council's revenue recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at year end, there is a potential asset due to Council representing issued but unpaid infringement notices.

Due to the limited information available on the status, value and duration of outstanding notices, Council is unable to determine the value of outstanding income.

(iii) Central Northern Libraries

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

From 1 July 2012, the Gwydir Shire Council has been admitted as a member of the Central Northern Regional Libraries. The Gwydir Shire Council will not be entitled to share in reserves which existed at 30 June 2012 (Clause 2 of the Variation of Central Northern Regional Library Regional Library Agreement 2012).

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

Clause 7.3 states: "Upon the termination of this agreement, a proportion of the assets identified in the asset register shall be distributed to the Delegating Councils. The method for determining the asset distribution to each Delegating Council is specified in Schedule 4 of this Agreement."

Schedule 4 determines that the distribution of the net assets shall be apportioned in the ratio of the contributions made in the three preceding years or the current life of the existing agreement.

The net assets of the Central Northern Regional Library at 30 June 2018 were \$1,586,151 with a Surplus from Ordinary Activities of \$321,781 for the 2017/2018 year.

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

(iv) Rural Fire Fighting Assets

Council has title to, and is the registered owner of vehicles including category 1 and 2 rural fire appliances and associated rural fire fighting equipment.

These assets are under the control of the Rural Fire Services to enable that authority to provide the bushfire protection defences set out in their Service Level Agreement with Council, and accordingly have been recognised in these reports as assets (Note 10a Accounting policy for infrastructure, property, plant and equipment).

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 the Financial Statements for the year ended 30 June 2018

Note 16. Financial risk management

\$ '000

Risk management

Council's activities expose it to a variety of financial risks including **(1)** price risk, **(2)** credit risk, **(3)** liquidity risk and **(4)** interest rate risk.

The Council's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Council.

Council does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk.

Financial risk management is carried out by Council's finance section under policies approved by the Council.

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

Fair value is determined as follows:

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

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. Financial risk management (continued)

\$ '000

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

Council's finance area manages the cash and Investments portfolio.

Council has an investment policy which complies with the *Local Government Act 1993* and Ministerial Investment Order 625. This policy is regularly reviewed by Council and its staff and a monthly Investment report is provided to Council setting out the make-up and performance of the portfolio as required by Local Government regulations.

The risks associated with the investments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether there changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

Council manages these risks (amongst other measures) by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees.

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2018				
Possible impact of a 1% movement in interest rates	140	140	(140)	(140)
2017				
Possible impact of a 1% movement in interest rates	113	113	(113)	(113)

Uralla Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 16. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures. It also encourages ratepayers to pay their rates by the due date through incentives.

Credit risk on rates and annual charges is minimised by the ability of Council to secure a charge over the land relating to the debts – that is, the land can be sold to recover the debt. Council is also able to charge interest on overdue rates and annual charges at higher than market rates which further encourages the payment of debt.

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

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

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

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

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

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	78%	87%	74%	66%
Overdue	22%	13%	26%	34%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

(ii) Ageing of receivables – value

Rates and annual charges

	2018	2017
Current	275	174
< 1 year overdue	5	15
1 – 2 years overdue	5	27
2 – 5 years overdue	20	17
	<u>305</u>	<u>233</u>

Other receivables

Current	1,573	520
> 91 days overdue	256	252
	<u>1,829</u>	<u>772</u>

Uralla Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 16. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk by borrowing long term and fixing the interest rate on a 4-year renewal basis. The Finance Section regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

The contractual undiscounted cash outflows (ie. principal and interest) of Council's payables and borrowings are set out in the maturity table below:

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 – 5 Years	> 5 Years		
2018							
Trade/other payables	0.00%	2,000	1,836	-	-	3,836	3,836
Loans and advances	4.92%	-	352	1,305	1,465	3,122	2,644
Total financial liabilities		2,000	2,188	1,305	1,465	6,958	6,480
2017							
Trade/other payables	0.00%	2,350	1,165	-	-	3,515	3,515
Loans and advances	4.97%	-	352	1,341	1,986	3,679	2,846
Total financial liabilities		2,350	1,517	1,341	1,986	7,194	6,361

Uralla Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 17. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 26 June 2018 and is not required to be audited.

While the Income Statement included in this General Purpose Financial Report must disclose the original budget adopted by Council, the *Local Government Act 1993* requires Council to review its financial budget on a quarterly basis, so that it is able to manage the various variations between actuals versus budget that invariably occur throughout the year.

This note sets out the details of **material variations** between Council's original budget and its actual results for the year as per the Income Statement – even though such variations may have been adjusted for during each quarterly budget review.

Note that for variations* of budget to actual :

Material variations represent those variances that amount to **10%** or more of the original budgeted figure.

F = Favourable budget variation, **U** = Unfavourable budget variation

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
REVENUES					
Rates and annual charges	6,265	6,159	(106)	(2%)	U
User charges and fees	4,641	4,856	215	5%	F
Interest and investment revenue	249	398	149	60%	F
Budget variations arose due to higher cash reserves being held throughout the year.					
Other revenues	761	630	(131)	(17%)	U
The major variation to budget relates to reduced income from private works.					
Operating grants and contributions	7,485	7,761	276	4%	F
Capital grants and contributions	593	1,552	959	162%	F
The major variations in capital grants relate to the receipt of unbudgeted grants for the Pioneer Park upgrade and the receipt of the final instalment of RDAF, the receipt of a special capital grant for Munsie Bridge that had been treated as operational together with a shortfall in funding grants for the Bundarra Sewer project which is only a timing issue.					

Uralla Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 17. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
EXPENSES					
Employee benefits and on-costs	9,470	9,424	46	0%	F
Borrowing costs	163	167	(4)	(2%)	U
Materials and contracts	4,035	3,892	143	4%	F
Depreciation and amortisation	3,932	4,270	(338)	(9%)	U
The major variation in budgeted depreciation arose due to the finalisation of revaluations of water and sewer assets in June 2017. As this was after the preparation of the 2017-18 budget had been completed, it was not possible to include the adjusted depreciation amounts in the original budget.					
Other expenses	1,632	1,623	9	1%	F
Net losses from disposal of assets	-	84	(84)	0%	U
The major variation to budget relates to the disposal of plant and equipment below carrying value which was not included in the original budget.					

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

Cash flows from operating activities	4,694	5,697	1,003	21.4%	F
The major variations in operating activity cash flows relate to increased inflows from capital grants, interest income, section 94 contributions and McMaugh Gardens resident fees.					
Cash flows from investing activities	(5,000)	(8,492)	(3,492)	69.8%	U
This variation arises due to the purchase of additional term deposits as a consequence of holding additional cash.					
Cash flows from financing activities	(214)	(544)	(330)	154.2%	U
The major variation here relates to the repayment of retirement home contributions in excess of new contributions received.					

Uralla Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 18. Fair value measurement

\$ '000

The Council measures the following asset and liability classes at fair value on a recurring basis:

– Infrastructure, property, plant and equipment

The fair value of assets and liabilities must be estimated in accordance with various accounting standards for either recognition and measurement requirements or for disclosure purposes.

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a 'level' in the fair value hierarchy as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

2018	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/18	–	–	3,756	3,756
Office equipment	30/06/18	–	–	90	90
Furniture and fittings	30/06/18	–	–	344	344
Operational land	30/06/18	–	–	1,821	1,821
Community land	30/06/18	–	–	3,933	3,933
Land improvements – non-depreciable	30/06/14	–	–	17	17
Buildings – non-specialised	30/06/18	–	–	13,578	13,578
Other structures	30/06/14	–	–	494	494
Sealed road structure	30/06/15	–	–	74,156	74,156
Unsealed roads	30/06/15	–	–	5,247	5,247
Bridges	30/06/15	–	–	20,515	20,515
Footpaths	30/06/15	–	–	1,574	1,574
Bulk earthworks	30/06/15	–	–	77,432	77,432
Stormwater drainage	30/06/15	–	–	1,890	1,890
Water supply network	30/06/18	–	–	13,760	13,760
Sewerage network	30/06/18	–	–	8,201	8,201
Heritage collection	30/06/14	–	–	90	90
Other assets	30/06/14	–	–	54	54
Tip assets	30/06/14	–	–	1,747	1,747
Other open space / recreational assets	30/06/14	–	–	468	468
Swimming pools	30/06/14	–	–	155	155
Total infrastructure, property, plant and equipment		–	–	229,322	229,322

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Fair value measurement (continued)

\$ '000

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

2017	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/17	–	–	4,089	4,089
Office equipment	30/06/17	–	–	111	111
Furniture and fittings	30/06/17	–	–	537	537
Operational land	30/06/16	–	–	1,736	1,736
Community land	30/06/16	–	–	3,532	3,532
Land improvements – non-depreciable	30/06/14	–	–	17	17
Buildings – non-specialised	30/06/14	–	–	16,731	16,731
Other structures	30/06/14	–	–	604	604
Sealed road structure	30/06/15	–	–	74,193	74,193
Unsealed roads	30/06/15	–	–	5,606	5,606
Bridges	30/06/15	–	–	20,818	20,818
Footpaths	30/06/15	–	–	1,522	1,522
Bulk earthworks	30/06/15	–	–	76,786	76,786
Stormwater drainage	30/06/15	–	–	1,914	1,914
Water supply network	30/06/17	–	–	13,914	13,914
Sewerage network	30/06/17	–	–	8,649	8,649
Heritage collection	30/06/14	–	–	90	90
Other assets	30/06/14	–	–	58	58
Tip assets	30/06/14	–	–	567	567
Other open space / recreational assets	30/06/14	–	–	386	386
Swimming pools	30/06/14	–	–	170	170
Total infrastructure, property, plant and equipment		–	–	232,030	232,030

(2) Transfers between level 1 and level 2 fair value hierarchies

During the year, there were no transfers between level 1 and level 2 fair value hierarchies for recurring fair value measurements.

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Fair value measurement (continued)

\$ '000

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

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

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

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

Councils Plant & Equipment, Furniture and Fittings incorporates:

Major Plant - trucks, tractors, graders, rollers and excavators

Fleet Vehicles - cars, vans, utes etc.

Minor Plant - chainsaw, brush cutters, mowers, concrete mixers.

Furniture and Fittings - desks, chairs, display system.

Office Equipment - computers, monitors, projectors, laptops

Plant equipment, office equipment and furniture & fittings are valued at cost but are disclosed at fair value in the notes. The carrying amount reflects the fair value of the asset due to the nature of the items as shown above

The unobservable Level 3 inputs used include:

Pattern of Consumption

Useful Life

Asset Condition

Residual Value

Gross Replacement Cost

There has been no change to the valuation process during the reporting period.

Land - Operational Land

Council's "Operational" land by definition has no special restriction other than those that may apply to any parcel of land. Fair value for operational land is obtained from an external valuer every 5 years.

Last valuation was conducted in 2018 using Level 3 Inputs

Generally, fair value is the most advantageous price reasonably obtained by the seller and the most advantageous price reasonably obtained by buyer. This is not necessarily the market selling price of the asset rather, the maximum value that Council would rationally pay to acquire the asset, taking into account quoted market price in an active and liquid market, current market price of similar asset, cost of replacing an asset.

Criteria for this include: Land description and dimensions, planning and other constraints on development and the potential for alternative use (Valued by AssetVal in March 2018).

The unobservable Level 3 inputs used include:

Rates per Square Metre

Description of Land

The 'Market Approach' is used to value operational land. There has been no change to the valuation process during the reporting period.

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Fair value measurement (continued)

\$ '000

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

Land Improvements

Land Improvement are repairs to the dam located at The Glen on New England Highway and a small piece of land at the Sewerage Works. Values are determined based on actual cost of construction and maintenance.

Any infrastructure constructed on improved land is separately valued.

Council carries fair value of land reserves using Level 3 Inputs

The unobservable Level 3 inputs used include:

- Useful Life
- Asset Condition
- Asset Condition

The cost approach is used to value the land improvements. There has been no change to the valuation process during the reporting period.

Land - Community Land

Council's "Community" Land (including owned by Council, The Crown and various other Government Agencies that is managed by Council) by definition is land intended for public access and use or where other restrictions applying to the land create some obligation to maintain public access (such as a trust deed or dedication under section 94 of the EPA Act 1979). This gives rise to the restriction in the Act, intended to preserve the qualities of the land. Community land is valued at Valuer General unimproved capital value (UCV) which takes into account highest and best use values. This land was revalued in 2018.

Community Land:

Cannot be sold

Cannot be leased, licensed, or any other estate granted over the land for more than 21 years

Must have a plan of management for it.

Buildings - Non Specialised

Council buildings includes Libraries, Public Amenities, Sporting Club, Kiosks and Amenities, Depot Building and Workshops, McMaugh's Aged Care Centre, Community Centre, Visitor Information Centre, Pre School, SES Shelter and others. Council carries fair value buildings using level 3 inputs. Valuations were carried out by external valuers - AssetVAL in March 2018 using the cost approach.

This approach estimates the replacement cost for each building by componentising the building into significant parts with different useful life and taking into account a range of factors.

Buildings are valued by applying a unit rate to a structure or a square metre rate to a building, based on its current replacement cost. These rates are derived from substantial analysis of construction costs by Council's valuer (Valued by AssetVal in March 2018). Each building is assigned a residual value. Further improvements could be achieved by componentising buildings.

The unobservable Level 3 inputs used include:

- | | |
|------------------------|-------------------------|
| Pattern of Consumption | Future Economic Benefit |
| Useful Life | Residual Value |
| Asset Condition | Remaining useful life |

The cost approach is used to value the Buildings. There has been no change to the valuation process during the reporting period.

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Fair value measurement (continued)

\$ '000

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

Infrastructure - Roads

This asset class comprises the Road Carriageway, Bus Shelter, Car Parks, Guardrails, Kerb and Gutter, Suburb Markers, and Traffic Facilities.

The road carriageway is defined as the trafficable portion of a road, between but not including the kerb and gutter and would include any paved markers parking places along roadside.

Council's Asset Management System include condition assessment data for a 5 year cycle on sealed roads and routine inspections of unsealed roads. An asset condition assessment was carried out by council staff during 2015.

To determine the unit cost of seals, Council has researched actual costs for a range of sealing works on different road types carried out in 2013/14 and 2014/15. These costs were then averaged on a per square metre basis. The average costs were then indexed by 3% per annum in order to estimate current unit rates. For the costs of both sealed and unsealed pavement works, separate estimates have been prepared from first principles using actual 2015 plant and labour rates and applying appropriate contingency factors. The rates were calculated on a volume basis by taking into account the pavement thickness and then compared to recently completed works as a final check. Roads are componentised into road pavement and road seal assets, with pavements split into sealed and unsealed road pavements. A distinction is also made between road pavements on various soil types. Council has increased significantly the amount of available information on its road network but still lacks some historical information such as rehabilitation dates for components such as road seals and pavements. Other information that is currently being sourced includes traffic volumes, more accurate dimensions and topography information, and better information on soil types.

Council fair values road infrastructure assets using Level 3 inputs at a component level.

The Cost Approach is used to value roads by componentising the assets into significant parts and then rolling up these component values to provide an overall road valuation (for each road segment) within Council Asset System.

The unobservable Level 3 inputs used include:

Pattern of Consumption	Asset Condition	Remaining useful life
Useful Life and Residual Value	Gross Replacement Cost	

The cost approach is used to value the Roads (Sealed and Unsealed). There has been no change in valuation technique from prior year

Infrastructure- Footpaths

A footpath is defined as all footways (including those shared with a cycleway) sealed or non-sealed. Council has specification for dimensions of cycleway and pathways. A full assessment was conducted in 2015 by council staff. These inspections were carried out to comply with insurance protocols and to provide data for the revaluation that occurred this year. Current replacement costs are based on recent works in King and Bridge Streets, Uralla and Bendemeer Street, Bundarra.

Councils fair values, footpaths, (non componentised) using Level 3 inputs

Pattern of Consumption
Useful Life
Asset Condition
Future Economic Benefit
Remaining useful life

The cost approach is used to value the Footpaths. There has been no change to the valuation process during the reporting period.

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Fair value measurement (continued)

\$ '000

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

Infrastructure - Stormwater Drainage

Council's Drainage Assets comprises pits, culverts, open channels, headwalls and various type of water quality devices used to collect, store and remove stormwater. The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. Council has adopted useful life of between 75 and 125 years for its stormwater drainage assets.

Condition assessment for all stormwater drainage was carried out in 2015, additionally physical inspection of one of council's major lines in Plane Avenue, Uralla was carried out in 2015 by the Bridge/Culvert work gang. All systems have been assessed as being satisfactory or better. Council carries fair value drainage assets (non-componentised) using Level 3 inputs.

The unobservable Level 3 inputs used include:

- Pattern of Consumption
- Useful Life and Residual Value
- Asset Condition
- Gross Replacement Cost
- Remaining useful life

The cost approach is used to value the Stormwater Drainage. There has been no change in valuation technique from prior year.

Infrastructure-Sewerage Network

Council's Sewerage Network consist of Sewer pipes, pump stations, treatment plant, telemetry system, manholes. Council carries fair values Sewerage Network Assets (non - componentised) using Level 3 inputs.

Current replacement costs for sewer assets have been derived by utilizing Rawlinson Rates and NSW Office of Water Revenue rates, unit costs and lump sums. Council engaged a highly qualified and experienced engineer to undertake a revaluation of its sewer assets in 2017. 100% of above ground infrastructure was inspected. Council identifies 10 critical mains section each year for inspection; selection is based on the log of overflows, leakages or complaints. Data limitations therefore exist based upon sampling of inspections, lack of historical maintenance and complaint data. All asset components were assigned a residual value, useful life and remaining useful life, and were conditioned rated at time of valuation, with the condition rating determining the remaining useful life. A physical inspection of ground level assets was conducted and photographic evidence, including use of video, was collected of manholes and mains to support condition assessments.

The unobservable Level 3 inputs used include:

- Useful Life
- Asset Condition
- Future Economic Benefit
- Remaining useful life

The cost approach is used to value the Sewerage Network. There has been no change to the valuation process during the reporting period.

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Fair value measurement (continued)

\$ '000

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

Other Assets

Council's other assets comprise of Heritage Collections - Thunderbolts Painting and other miscellaneous assets. A valuation of the collection of Thunderbolts paintings was undertaken by A.N.G Art Consulting in August 2011 providing a reasonable estimate of the replacement value of each work based on current market prices for similar works by the same artist. Other infrastructure assets were revalued during 2016 including the swimming pool which has now been recognised separately in note 9a. Council carries fair values of other assets using level 3 inputs.

The unobservable Level 3 inputs used include:

- Pattern of Consumption
 - Useful Life and Residual Value
 - Asset Condition
 - Gross Replacement Cost
 - Remaining useful life

The cost approach is used to value the Other Assets. There has been no change in valuation technique from prior year.

Landfills Assets - Reinstatement, Rehabilitation and Restoration Liabilities

See note 12 for details of Uralla Landfill asset.

Values are estimates of rehabilitation costs, and these included capping of landfill, revegetation, safety fencing and other associated restoration works. The forecast increase in cost of remediation of landfill have been based on independent assessment.

Unobservable Level 3 inputs include:

- Unit rates
- Useful Life
- Asset Condition - dimensions and specifications
- Future Economic Benefit

Infrastructure- Bridges

Council has 50 bridges/major culverts on local roads and 30 bridges/major culverts on regional roads. Of these, two bridges were replaced in 2017/18 with some additional work to be finalised in 2018/19.

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

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

The replacement costs have been upgraded utilising unit costs from the replacement of Abington and Emu Crossing bridges.

Bridges are componentised into bridges and major culverts, and culverts and drainage assets include both pits and pipes. All asset components are assigned residual values at the time of valuation conducted by AST roads assessment in 2014.

The unobservable Level 3 inputs used include:

- Pattern of Consumption
- Useful Life and Residual Value

The cost approach is used to value the Bridges. There has been no change in valuation technique from previous years.

Uralla Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 18. Fair value measurement (continued)

\$ '000

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

Infrastructure- Bulk Earthworks

Council Bulk Earthworks consists of cuttings, fill and levelling of earth and rocks.
Last valuation conducted by council staff.
Currently using unit rate estimated from first principles using current internal rates.

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

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

Infrastructure- Water Supply Network

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

Current replacement costs for water assets have been derived by utilizing Rawlinson Rates and NSW Office of Water references rates, unit costs and lump sum. Council engaged an engineer to undertake a revaluation of water assets in 2017. Physical inspections were carried out with photographic evidence collected to support condition ratings. 100% of above ground infrastructure was inspected. Council identifies 10 critical mains sections each year for inspection; selection is based on the log of overflows, leakages or complaints. Data limitations therefore exist due to lack of records of historical maintenance and inspection and sampling of inspections. All asset components are assigned a residual value, useful life and remaining useful life, and were conditioned rated at time of revaluation, with the condition rating determining the useful life.

The unobservable Level 3 inputs used include:
Pattern of Consumption
Useful Life

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

Uralla Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 18. Fair value measurement (continued)

\$ '000

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

a. The following tables present the changes in level 3 fair value asset classes.

	Operational land	Community land	Land improve- ments	Buildings and other infrastructure	Total
Opening balance – 1/7/16	1,741	3,532	17	17,792	23,082
Purchases (GBV)	–	–	–	367	367
Disposals (WDV)	(5)	–	–	–	(5)
Depreciation and impairment	–	–	–	(438)	(438)
Closing balance – 30/6/17	1,736	3,532	17	17,721	23,006
Transfers from/(to) another asset class	–	–	–	582	582
Purchases (GBV)	36	–	–	440	476
Depreciation and impairment	–	–	–	(481)	(481)
FV gains – other comprehensive income	49	401	–	(3,722)	(3,272)
Closing balance – 30/6/18	1,821	3,933	17	14,540	20,311

¹ FV gains recognised in the Income Statement relating to assets still on hand at year end total:

YE 17/18	49	401	–	(3,722)	(3,272)
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	Sealed roads	Unsealed roads	Bridges	Footpaths	Total
Opening balance – 1/7/16	74,568	5,987	21,142	1,506	103,203
Purchases (GBV)	1,433	220	21	59	1,733
Disposals (WDV)	(432)	(51)	(22)	–	(505)
Depreciation and impairment	(1,376)	(550)	(323)	(43)	(2,292)
Closing balance – 30/6/17	74,193	5,606	20,818	1,522	102,139
Transfers from/(to) another asset class	–	–	1	1	2
Purchases (GBV)	1,418	195	16	96	1,725
Disposals (WDV)	(27)	–	–	–	(27)
Depreciation and impairment	(1,428)	(554)	(320)	(45)	(2,347)
Closing balance – 30/6/18	74,156	5,247	20,515	1,574	101,492

Uralla Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 18. Fair value measurement (continued)

\$ '000

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

a. The following tables present the changes in level 3 fair value asset classes. (continued)

	Bulk earhworks non-depreciable	Stormwater Drainage	Water Supply Network	Sewerage Network	Total
Opening balance – 1/7/16	75,897	1,937	14,461	6,201	98,496
Purchases (GBV)	897	–	4	40	941
Disposals (WDV)	(8)	–	–	–	(8)
Depreciation and impairment	–	(23)	(246)	(203)	(472)
FV gains – other comprehensive income	–	–	(305)	2,611	2,306
Closing balance – 30/6/17	76,786	1,914	13,914	8,649	101,263
Transfers from/(to) another asset class	(2)	–	–	(400)	(402)
Purchases (GBV)	648	–	15	6	669
Depreciation and impairment	–	(24)	(453)	(223)	(700)
FV gains – other comprehensive income	–	–	284	169	453
Closing balance – 30/6/18	77,432	1,890	13,760	8,201	101,283
¹ FV gains recognised in the Income Statement relating to assets still on hand at year end total:					
YE 17/18	–	–	283	169	452

	Other assets	Tip assets	Plant and equipment	Total
Opening balance – 1/7/16	303	606	4,736	5,645
Purchases (GBV)	33	–	886	919
Disposals (WDV)	–	–	(352)	(352)
Depreciation and impairment	(18)	(39)	(533)	(590)
Closing balance – 30/6/17	318	567	4,737	5,622
Transfers from/(to) another asset class	–	1	(183)	(182)
Purchases (GBV)	–	–	847	847
Disposals (WDV)	–	–	(527)	(527)
Depreciation and impairment	(19)	(39)	(684)	(742)
Adjustment for rehabilitation costs	–	1,218	–	1,218
Closing balance – 30/6/18	299	1,747	4,190	6,236

Uralla Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 18. Fair value measurement (continued)

\$ '000

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

b. The valuation process for level 3 fair value measurements

The valuation techniques prescribed by AASB 13 can be summarised as:

Cost approach - Valuation technique that reflects the amount what would be required to replace the service capacity of an asset (current replacement cost).

Income approach - Valuation technique that converts future amounts (cash inflow /outflows) to signal the current (i.e. discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about these future amounts.

Market approach - Valuation technique that uses prices and other relevant information, generated by market transactions involving identical or comparable (similar) assets, liabilities or a group of assets and liabilities such as a business.

For the purpose of level 3 fair value measurement a Cost Approach was used for most assets except Land - Operational and Community where a market approach is required. The inputs used for this technique are:

- Pattern of consumption
- Residual Value
- Asset Condition
- Useful Life
- Unit Rates

(5). Highest and best use

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

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Related party transactions

\$ '000

a. Key management personnel

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

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

Compensation:	2018	2017
Short-term benefits	729	728
Post-employment benefits	80	81
Total	809	809

b. Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council as part of Council delivering a public service objective (e.g. access to library or Council swimming pool by KMP) will not be disclosed.

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

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Statement of developer contributions

\$ '000

Under the *Environmental Planning and Assessment Act 1979*, Council has significant obligations to provide Section 7.11 (contributions towards provision or improvement of amenities or services) infrastructure in new release areas.

It is possible that the funds contributed may be less than the cost of this infrastructure, requiring Council to borrow or use general revenue to fund the difference.

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	379	81	–	11	–	–	471	–
Traffic facilities	16	2	–	–	–	–	18	–
Community facilities	71	3	–	2	–	–	76	–
Other	47	4	–	1	–	–	52	–
S7.11 contributions – under a plan	512	90	–	14	–	–	616	–
Total S7.11 and S7.12 revenue under plans	512	90	–	14	–	–	616	–
Total contributions	512	90	–	14	–	–	616	–

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN - RURAL INVERGOWRIE

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	75	9	–	2	–	–	86	–
Traffic facilities	16	2	–	–	–	–	18	–
Community facilities	71	3	–	2	–	–	76	–
Other	42	4	–	1	–	–	47	–
Total	203	18	–	5	–	–	226	–

CONTRIBUTION PLAN - RURAL

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Other	5	–	–	–	–	–	5	–
Total	5	–	–	–	–	–	5	–

CONTRIBUTION PLAN - DCP ROAD MAINTENANCE ROYALTIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	304	72	–	9	–	–	385	–
Total	304	72	–	9	–	–	385	–

Uralla Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 21. Financial result and financial position by fund

Income Statement by fund	2018	2018	2018
\$ '000			
Continuing operations	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	388	708	5,063
User charges and fees	604	9	4,243
Interest and investment revenue	66	54	278
Other revenues	7	–	623
Grants and contributions provided for operating purposes	18	16	7,727
Grants and contributions provided for capital purposes	–	98	1,454
Total income from continuing operations	1,083	885	19,388
Expenses from continuing operations			
Employee benefits and on-costs	457	290	8,677
Borrowing costs	–	–	167
Materials and contracts	349	193	3,350
Depreciation and amortisation	485	235	3,550
Other expenses	–	4	1,619
Net losses from the disposal of assets	–	–	84
Total expenses from continuing operations	1,291	722	17,447
Operating result from continuing operations	(208)	163	1,941
Net operating result attributable to each council fund	(208)	163	1,941
Net operating result for the year before grants and contributions provided for capital purposes	(208)	65	487

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

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

Uralla Shire Council

Notes to the Financial Statements as at 30 June 2018

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

Statement of Financial Position by fund			
\$ '000	2018	2018	2018
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	775	542	126
Investments	1,500	1,500	10,550
Receivables	374	65	1,626
Inventories	–	–	213
Other	–	–	54
Total current assets	2,649	2,107	12,569
Non-current assets			
Infrastructure, property, plant and equipment	14,614	8,924	207,751
Total non-current assets	14,614	8,924	207,751
TOTAL ASSETS	17,263	11,031	220,320
LIABILITIES			
Current liabilities			
Payables	–	–	3,836
Income received in advance	–	–	475
Borrowings	–	–	221
Provisions	–	–	2,351
Total current liabilities	–	–	6,883
Non-current liabilities			
Borrowings	–	–	2,423
Provisions	–	–	2,241
Total non-current liabilities	–	–	4,664
TOTAL LIABILITIES	–	–	11,547
Net assets	17,263	11,031	208,773
EQUITY			
Accumulated surplus	8,641	5,499	58,821
Revaluation reserves	8,622	5,532	149,952
Total equity	17,263	11,031	208,773

¹ General Fund refers to all Council's activities other than Water and Sewer.
NB. All amounts disclosed above are gross – that is, they include internal receivables and payables between the funds.

Uralla Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 22(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>428</u>	2.16%	11.57%	-1.45%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>19,804</u>				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>14,832</u>	69.45%	71.30%	68.24%	> 60.00%
Total continuing operating revenue ⁽¹⁾	<u>21,356</u>				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	<u>7,836</u>	2.25x	2.07x	1.48x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>3,483</u>				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>4,865</u>	13.18x	16.74x	10.28x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>369</u>				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	<u>349</u>	5.38%	4.33%	4.20%	< 10% regional & rural
Rates, annual and extra charges collectible	<u>6,488</u>				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	<u>14,993</u>	10.26 mths	10.5 mths	6.9 mths	> 3 mths
Payments from cash flow of operating and financing activities	<u>1,461</u>				

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

⁽³⁾ Refer to Notes 10 and 11.

⁽⁴⁾ Refer to Note 10(b) and 11(b) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22(b). Statement of performance measures – by fund

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund							
1. Operating performance ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	3.18%	12.80%	-19.21%	0.89%	8.26%	-7.80%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
2. Own source operating revenue ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	67.03%	68.95%	98.34%	98.41%	87.12%	98.17%	> 60.00%
Total continuing operating revenue ⁽¹⁾							
3. Unrestricted current ratio							
Current assets less all external restrictions ⁽²⁾	2.25x	2.07x	No liabilities	No liabilities	No liabilities	No liabilities	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)							

Notes

(1) - (4) Refer to Notes at Note 22a above.

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

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22(b). Statement of performance measures – by fund (continued)

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund (continued)							
4. Debt service cover ratio							
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	11.62x	15.62x	0.00x	0.00x	0.00x	0.00x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	4.75%	3.83%	9.02%	7.44%	8.19%	6.69%	< 10% Regional & Rural
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	10.11	8.23	11.48	36.07	13.25	43.92	> 3 months
Payments from cash flow of operating and financing activities	months	months	months	months	months	months	

Notes

(1) Refer to Notes at Note 22a above.

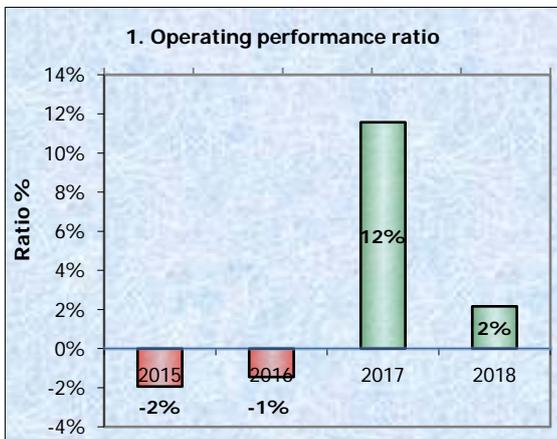
(5) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

END OF AUDITED FINANCIAL STATEMENTS

Uralla Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 22(c). Statement of performance measures – consolidated results (graphs)



Purpose of operating performance ratio

This ratio measures Council's achievement of containing operating expenditure within operating revenue.

Commentary on 2017/18 result

2017/18 ratio 2.16%

Council has achieved another positive operating performance as a result of increased operating revenue. The performance in 2017 is artificially inflated by the advance payment of the financial assistance grant.

Benchmark: Minimum $\geq 0.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of own source operating revenue ratio

This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.

Commentary on 2017/18 result

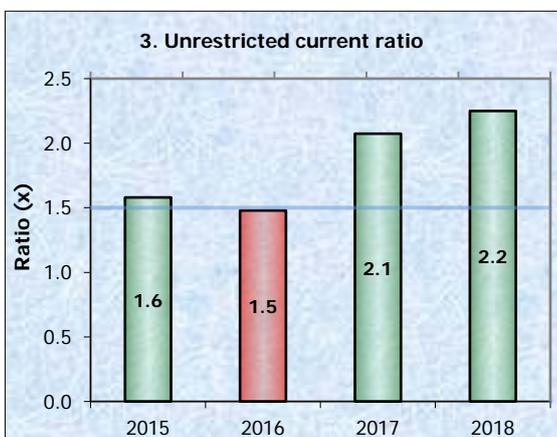
2017/18 ratio 69.45%

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

Benchmark: Minimum $\geq 60.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of unrestricted current ratio

To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.

Commentary on 2017/18 result

2017/18 ratio 2.25x

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

Benchmark: Minimum ≥ 1.50

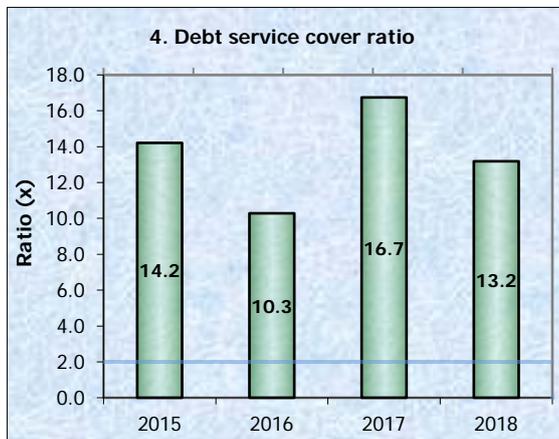
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
 Ratio is outside benchmark

Uralla Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 22(c). Statement of performance measures – consolidated results (graphs)



Purpose of debt service cover ratio

This ratio measures the availability of operating cash to service debt including interest, principal and lease payments

Commentary on 2017/18 result

2017/18 ratio 13.18x

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

Benchmark: ——— Minimum ≥ 2.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of rates and annual charges outstanding ratio

To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.

Commentary on 2017/18 result

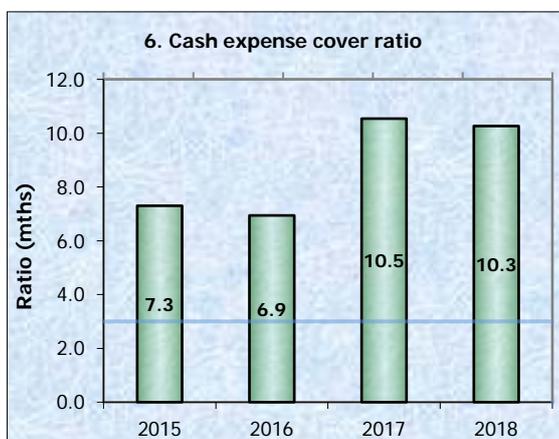
2017/18 ratio 5.38%

Close monitoring of outstanding rates has ensured Council remains within the boundaries of the benchmarking limits. The slight increase this year was a reflection of the late issue of water user charges in June instead of May.

Benchmark: ——— Maximum $< 10.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio is within Benchmark
 Ratio is outside Benchmark



Purpose of cash expense cover ratio

This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.

Commentary on 2017/18 result

2017/18 ratio 10.26 mths

Council continues to hold sufficient cash to pay for immediate expenses without the need for additional cash inflow.

Benchmark: ——— Minimum ≥ 3.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
 Ratio is outside benchmark

Uralla Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 23. Council information and contact details

Principal place of business:

32 Salisbury Street
Uralla NSW 2358

Contact details

Mailing address:

PO Box 106
Uralla NSW 2358

Opening hours:

Monday - Friday 8.30am to 4.30pm

Telephone: 02 6778 6300

Facsimile: 02 6778 6349

Internet: <http://www.uralla.nsw.gov.au/>

Email: council@uralla.nsw.gov.au

Officers

GENERAL MANAGER

Mr Andrew Hopkins

Elected members

MAYOR

Cr M Pearce

RESPONSIBLE ACCOUNTING OFFICER

Mr Simon Paul

AUDITORS

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

Other information

ABN: 55 868 272 018



INDEPENDENT AUDITOR'S REPORT
Report on the general purpose financial report
Uralla Shire Council

To the Councillors of the Uralla Shire Council

Opinion

I have audited the accompanying financial report of Uralla Shire Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial report:
 - has been presented, in all material respects, in accordance with the requirements of this Division
 - is consistent with the Council's accounting records
 - presents fairly, in all material respects, the financial position of the Council as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial report have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the financial report and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial report does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the special purpose financial statements and Special Schedule 2 - Permissible income for general rates.

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

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

In preparing the financial report, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting except where the Council will be dissolved or amalgamated by an Act of Parliament, or otherwise cease operations.

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 17 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule 2 - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.

A handwritten signature in black ink that reads "James Sugumar". The signature is written in a cursive style with a large initial 'J' and a long, sweeping underline.

James Sugumar
Director, Financial Audit Services

19 October 2018
SYDNEY

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

Contact: James Sugumar
Phone no: (02) 9275 7288
Our ref: D1822229/1798

19 October 2018

Dear Mayor Pearce

Report on the Conduct of the Audit
Uralla Shire Council
Audit for the year ended 30 June 2018

I issued an unmodified audit opinion in my Independent Auditor's Report for the general purpose financial statements of Uralla Shire Council (the Council) for the year ended 30 June 2018.

The audit was conducted in accordance with section 415 of the *Local Government Act 1993* (the Act).

This Report on the Conduct of the Audit is issued in accordance with section 417 of the Act and should be read in conjunction with my audit opinion issued under section 417(2) of the Act.

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

I did not identify any significant audit issues or observations during my audit of the Council's general purpose financial statements.

FINANCIAL RESULTS

INCOME STATEMENT

	2018 \$m	2017 \$m	Variation \$m	Variation %
Rates and annual charges revenue	6.1	5.9	+0.2	 3.4
Grants and contributions revenue	9.3	8.8	+0.5	 5.7
TOTAL INCOME	21.3	20.7	+0.6	 2.9
TOTAL EXPENSES	19.4	18.8	+0.6	 3.2
Operating result for the year	1.9	1.9	0.0	--

The increase of \$0.2 million in rates and annual charges revenue was mainly due to the introduction of a charge for the Bundarra sewer system.

The grants and contributions revenue increased by \$0.5 million primarily due to \$1.5 million receipt of road, bridges and local infrastructure grants, offset by a reduction in the financial assistance grant. The early receipt of the financial assistance grant last year, decreased the current year's grant revenue by \$1.0 million.

The movement in the total income was consistent with the increase in grants and contribution revenue.

Total expenses rose by \$0.6 million mainly due to an increase in employee benefits expense of \$0.4 million.

The operating result for the year remained consistent with the previous year.

BALANCE SHEET

	2018 \$m	2017 \$m	Variation \$m	Variation %
Current assets	17.3	15.6	+1.7	↑ 10.9
Non-current assets	231.3	232.4	-1.1	↓ 0.5
TOTAL ASSETS	248.6	248.0	+0.6	↑ 0.2
TOTAL LIABILITIES	11.5	10.0	+1.5	↑ 15.0
NET ASSETS	237.1	238.0	-0.9	↓ 0.4

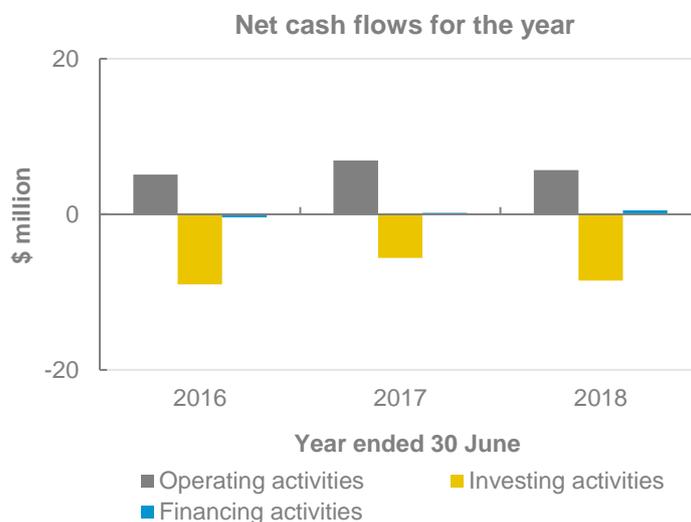
Council's current assets rose by \$1.7 million due to increases of \$0.6 million cash and investments and \$1.1 million receivables from positive operating results.

Non-current assets decreased by \$1.1 million largely due to increase in depreciation expenses.

Total liabilities increased by \$1.5 million mainly due to additional rehabilitation provision for landfill sites.

CASH FLOWS

- The Council reported positive operating cash flows in the past three years.
- Increased investing cash outflows represents the acquisition of \$4.9 million infrastructure assets and \$3.9 million investment securities.



CASH POSITION

Cash and Investments	2018 \$m	2017 \$m	Commentary
Externally restricted	9.0	9.1	The Council established a \$1.2 million internal restriction for the receipt of Financial Assistance Grants and increased the plant and vehicle replacement reserve by \$0.7 million.
Internally restricted	4.9	3.1	
Unrestricted	1.1	2.2	This reduced the unrestricted cash at 30 June 2018.
Cash and investments	15.0	14.4	

COUNCIL'S PERFORMANCE RATIOS FOR 30 JUNE 2018

I provide a summary of outcome and an analysis of the Councils key performance ratios for the year ended 30 June 2018 as below:

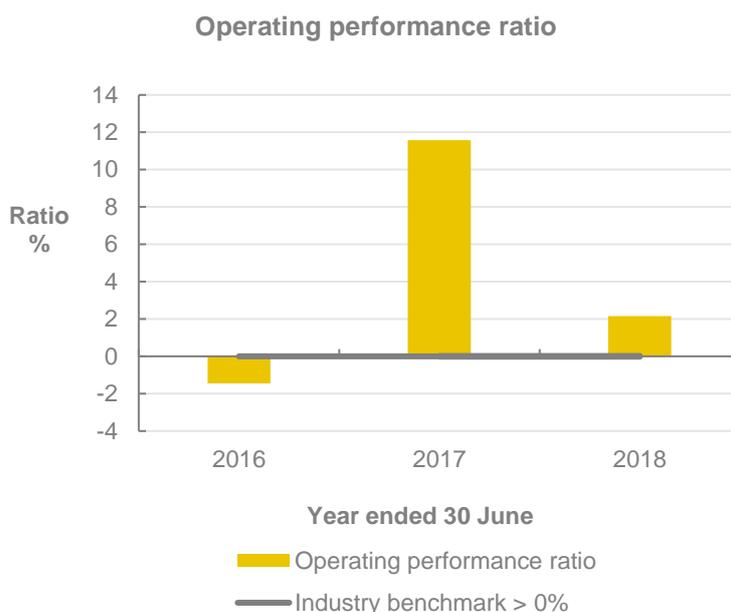
Performance ratio	Outcome	Reference
Operating performance ratio	Achieved	<u>1</u>
Own source operating revenue ratio	Achieved	<u>2</u>
Unrestricted current ratio	Achieved	<u>3</u>
Debt service cover ratio	Achieved	<u>4</u>
Rates and annual charges cover ratio	Achieved	<u>5</u>
Cash expense cover ratio	Achieved	<u>6</u>
Building and infrastructure renewals ratio	Not Achieved	<u>7</u>

The ratios and the definitions (except for the 'building and infrastructure renewals ratio') are reported in Note 22 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7 which has not been audited.

1. Operating performance ratio (operating margin to operating revenue)

Council achieved the benchmark and reported positive operating performance ratios in the past two years.

- A higher ratio of 11.57 for 2016–17 was due to the early receipt of Financial Assistance Grants of \$1.2 million.

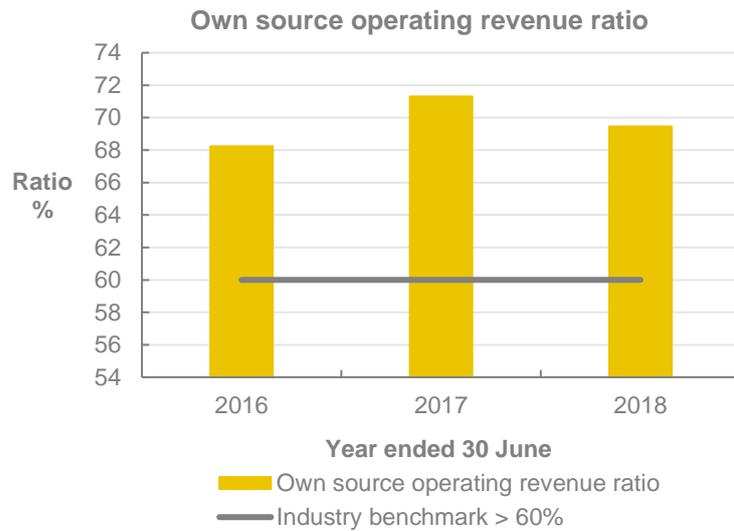


The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements).

The benchmark set by the Office of Local Government (OLG) is greater than zero per cent.

2. Own source operating revenue ratio (own funding to total funding)

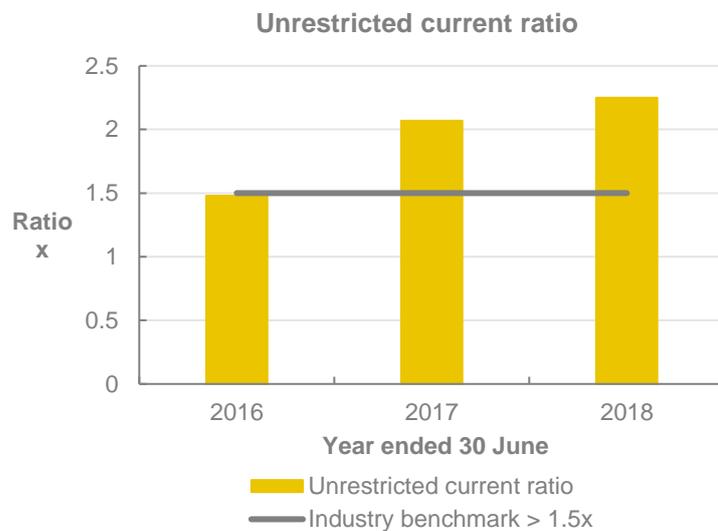
- Council achieved OLG's benchmark of 60 per cent.
- The own source operating revenue ratio has been above 60 per cent for the past three years.



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

3. Unrestricted current ratio (unrestricted cash to liabilities)

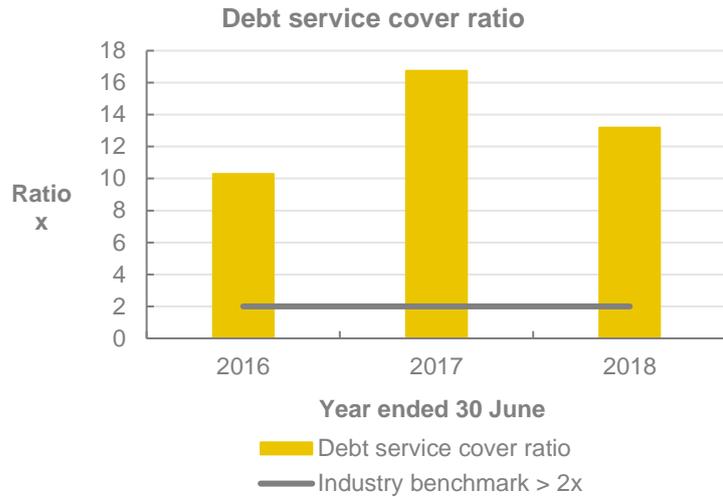
- Council continued to exceed the unrestricted current ratio benchmark for the past two years.
- The Council will be able to meet its short-term obligations as and when they fall due.



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

4. Debt service cover ratio (operating cash to loan obligations)

- Council continued to exceed by a good margin the debt service cover ratio benchmark for the past three years.
- The 2016–17 ratio was higher due to early receipt of Financial Assistance Grants of \$1.2 million.

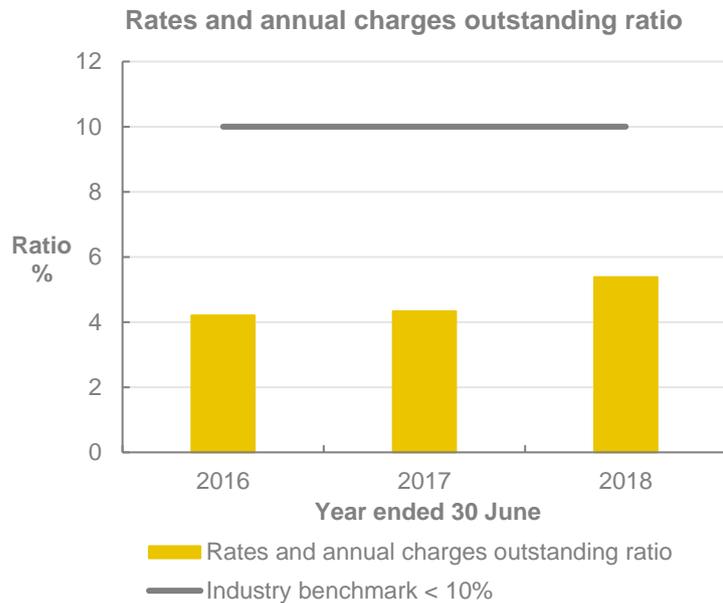


The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments.

The benchmark set by OLG is greater than two times.

5. Rates and annual charges outstanding ratio (uncollected rates to total rates)

- Council achieved the benchmark for outstanding rates and annual charges for the past three years.
- The collection procedures of the Council operated effectively to collect more than 95 per cent of the rates and annual charges revenue within the receivable dates.

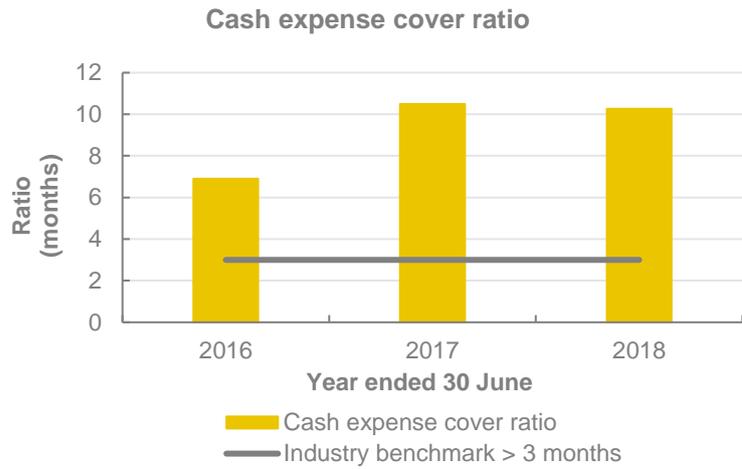


The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts.

The benchmark set by OLG is less than 10 per cent for regional and rural councils.

6. Cash expense cover ratio (cash balance to monthly outgoings)

- Council exceeded the benchmark of 3 months by a good margin for the past three years
- Council will be able to meet its immediate expenses for more than ten months without additional cash inflows.

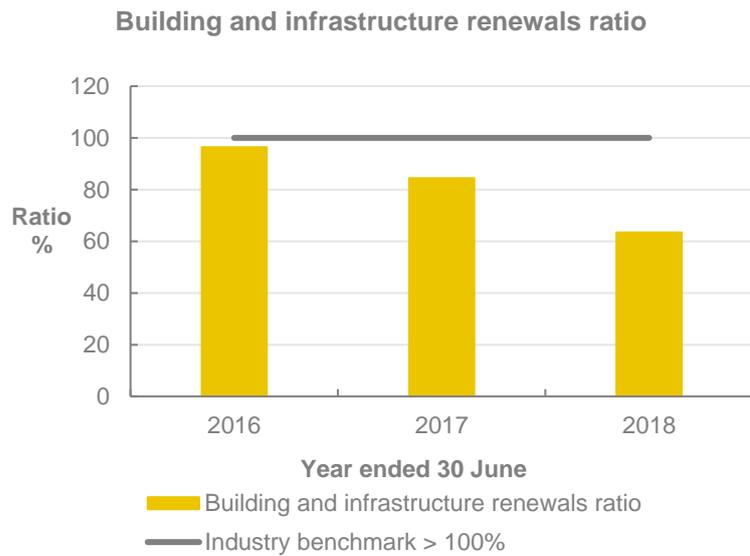


The cash expense cover ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow.

The benchmark set by OLG is greater than three months.

7. Building and infrastructure renewals ratio (unaudited)

- Council has not achieved the benchmark for this ratio in the past three years.
- The building and infrastructure renewals ratio declined in the last two years.



The 'building and infrastructure renewals ratio' assesses the rate at which these assets are being renewed against the rate at which they are depreciating.

The benchmark set by OLG is greater than 100 per cent.

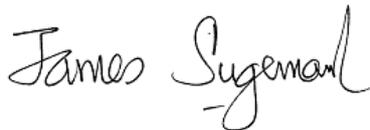
This ratio is sourced from council's Special Schedule 7 which has not been audited.

OTHER MATTERS

Legislative compliance

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

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



James Sugumar
Director, Financial Audit Services

cc: Mr Andrew Hopkins, General Manager
Mr Michael O'Connor, Chair of Audit, Risk and Improvement Committee
Mr Tim Hurst, Chief Executive, Office of Local Government

Uralla Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

*“...committed to creating a unique environment
which offers an excellent quality of life and
economic opportunities for its people”*



Uralla Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2018

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Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
 - (ii) The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.
 - (iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).
 - (iv) In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).
-

Uralla Shire Council

Special Purpose Financial Statements for the year ended 30 June 2018

Statement by Councillors and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

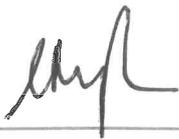
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,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

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

- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 18 October 2018.



Cr M Pearce
Mayor



Cr R Crouch
Councillor



Mr Andrew Hopkins
General Manager



Mr Simon Paul
Responsible Accounting Officer

Uralla Shire Council

Income Statement of Council's Water Supply Business Activity for the year ended 30 June 2018

\$ '000	2018	2017
Income from continuing operations		
Access charges	388	390
User charges	604	536
Interest	66	64
Grants and contributions provided for non-capital purposes	18	16
Other income	7	2
Total income from continuing operations	1,083	1,008
Expenses from continuing operations		
Employee benefits and on-costs	457	430
Materials and contracts	349	288
Depreciation, amortisation and impairment	485	277
Other expenses	–	4
Total expenses from continuing operations	1,291	999
Surplus (deficit) from continuing operations before capital amounts	(208)	9
Surplus (deficit) from continuing operations after capital amounts	(208)	9
Surplus (deficit) from all operations before tax	(208)	9
Less: corporate taxation equivalent (30%) [based on result before capital]	–	(3)
SURPLUS (DEFICIT) AFTER TAX	(208)	6
Plus opening retained profits	8,849	8,840
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	–	3
Closing retained profits	8,641	8,849
Return on capital %	-1.4%	0.0%
Subsidy from Council	592	420
Calculation of dividend payable:		
Surplus (deficit) after tax	(208)	6
Surplus for dividend calculation purposes	–	6
Potential dividend calculated from surplus	–	3

Uralla Shire Council

Income Statement of Council's Sewerage Business Activity for the year ended 30 June 2018

\$ '000	2018	2017
Income from continuing operations		
Access charges	708	583
User charges	9	10
Interest	54	49
Grants and contributions provided for non-capital purposes	16	12
Total income from continuing operations	787	654
Expenses from continuing operations		
Employee benefits and on-costs	290	278
Materials and contracts	193	213
Depreciation, amortisation and impairment	235	206
Other expenses	4	8
Total expenses from continuing operations	722	705
Surplus (deficit) from continuing operations before capital amounts	65	(51)
Grants and contributions provided for capital purposes	98	–
Surplus (deficit) from continuing operations after capital amounts	163	(51)
Surplus (deficit) from all operations before tax	163	(51)
Less: corporate taxation equivalent (30%) [based on result before capital]	(20)	–
SURPLUS (DEFICIT) AFTER TAX	144	(51)
Plus opening retained profits	5,336	5,387
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	20	–
Closing retained profits	5,499	5,336
Return on capital %	0.7%	-0.6%
Subsidy from Council	170	265
Calculation of dividend payable:		
Surplus (deficit) after tax	144	(51)
Less: capital grants and contributions (excluding developer contributions)	(98)	–
Surplus for dividend calculation purposes	46	–
Potential dividend calculated from surplus	23	–

Uralla Shire Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2018

	Private Works		McMaugh Gardens	
	Category 2		Category 2	
\$ '000	2018	2017	2018	2017
Income from continuing operations				
User charges	75	178	930	714
Fees	–	–	8	12
Interest	–	–	57	58
Grants and contributions provided for non-capital purposes	–	–	2,203	2,284
Profit from the sale of assets	–	–	4	–
Other income	–	–	4	22
Total income from continuing operations	75	178	3,206	3,090
Expenses from continuing operations				
Employee benefits and on-costs	12	11	2,105	2,062
Borrowing costs	–	–	11	10
Materials and contracts	27	28	743	821
Depreciation, amortisation and impairment	–	–	169	165
Other expenses	–	–	52	61
Total expenses from continuing operations	39	39	3,080	3,119
Surplus (deficit) from continuing operations before capital amounts	36	139	126	(29)
Surplus (deficit) from continuing operations after capital amounts	36	139	126	(29)
Surplus (deficit) from all operations before tax	36	139	126	(29)
Less: corporate taxation equivalent (30%) [based on result before capital]	(11)	(42)	(38)	–
SURPLUS (DEFICIT) AFTER TAX	25	97	88	(29)
Plus opening retained profits	–	–	2,900	2,929
Plus adjustments for amounts unpaid:				
– Corporate taxation equivalent	11	42	38	–
Less:				
– Dividend paid	(36)	(139)	–	–
Closing retained profits	–	–	3,026	2,900
Return on capital %	n/a	n/a	3.2%	-0.4%
Subsidy from Council	–	–	–	136

Uralla Shire Council

Statement of Financial Position – Council's Water Supply Business Activity as at 30 June 2018

\$ '000	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	775	2,170
Investments	1,500	–
Receivables	374	262
Total current assets	2,649	2,432
Non-current assets		
Infrastructure, property, plant and equipment	14,614	18,040
Total non-current assets	14,614	18,040
TOTAL ASSETS	17,263	20,472
LIABILITIES		
TOTAL LIABILITIES	–	–
NET ASSETS	17,263	20,472
EQUITY		
Accumulated surplus	8,641	8,850
Revaluation reserves	8,622	11,622
TOTAL EQUITY	17,263	20,472

Uralla Shire Council

Statement of Financial Position – Council's Sewerage Business Activity as at 30 June 2018

\$ '000	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	542	1,830
Investments	1,500	–
Receivables	65	44
Total current Assets	2,107	1,874
Non-current assets		
Infrastructure, property, plant and equipment	8,924	8,996
Total non-current assets	8,924	8,996
TOTAL ASSETS	11,031	10,870
LIABILITIES		
TOTAL LIABILITIES	–	–
NET ASSETS	11,031	10,870
EQUITY		
Accumulated surplus	5,499	5,336
Revaluation reserves	5,532	5,534
TOTAL EQUITY	11,031	10,870

Uralla Shire Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2018

\$ '000	Private Works		McMaugh Gardens	
	Category 2		Category 2	
	2018	2017	2018	2017
ASSETS				
Current assets				
Cash and cash equivalents	–	–	1,870	2,089
Receivables	–	–	105	–
Total Current Assets	–	–	1,975	2,089
Non-current assets				
Infrastructure, property, plant and equipment	–	–	4,300	4,910
Total non-current assets	–	–	4,300	4,910
TOTAL ASSETS	–	–	6,275	6,999
LIABILITIES				
Current liabilities				
Payables	–	–	2,005	2,354
Total current liabilities	–	–	2,005	2,354
Non-current liabilities				
Payables	–	–	49	54
Total non-current liabilities	–	–	49	54
TOTAL LIABILITIES	–	–	2,054	2,408
NET ASSETS	–	–	4,221	4,591
EQUITY				
Accumulated surplus	–	–	3,026	2,900
Revaluation reserves	–	–	1,195	1,691
TOTAL EQUITY	–	–	4,221	4,591

Uralla Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2018

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	10
2	Water Supply Business Best-Practice Management disclosure requirements	14
3	Sewerage Business Best-Practice Management disclosure requirements	16

Uralla Shire Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

Note 1. Significant accounting policies

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

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

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

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

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

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

National Competition Policy

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

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

The Pricing and Costing for Council Businesses, A Guide to Competitive Neutrality issued by the Office of Local Government in July 1997 has also been adopted.

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide a standard for disclosure requirements.

These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, return on investments (rate of return), and dividends paid.

Declared business activities

In accordance with *Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality*, Council has declared that the following are to be considered as business activities:

Category 1

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

(a) McMaugh Aged Care Centre

Comprising the operations and net assets of the 36 bed aged care facility "McMaugh Gardens Aged Care Centre" in King Street, Uralla.

Uralla Shire Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

Note 1. Significant accounting policies (continued)

Category 2

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

(b) Uralla Shire Council Combined Water Supplies

Comprising the operations and net assets of the water supply systems servicing the towns of Uralla and Bundarra, each of which were established as separate Special Rate Funds (see Item 4 Below).

(c) Uralla Local Sewerage Fund

Comprising the operations and net assets of the sewerage reticulation and treatment system servicing the town of Uralla which was established as a Special Rate Fund (see item 4 below).

Monetary amounts

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

As required by Crown Lands and Water (CLAW), the amounts shown in Note 2 and Note 3 are disclosed in whole dollars.

(i) Taxation-equivalent charges

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

However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in Special Purpose Financial Statements.

For the purposes of disclosing comparative information relevant to the private sector equivalent, the following taxation equivalents have been applied to all Council-nominated business activities (this does not include Council's non-business activities):

Notional rate applied (%)

Corporate income tax rate – 30%

Land tax – the first \$629,000 of combined land values attracts **0%**. For the combined land values in excess of \$629,001 up to \$3,846,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$3,846,000 a premium marginal rate of **2.0%** applies.

Payroll tax – 5.45% on the value of taxable salaries and wages in excess of \$750,000.

In accordance with Crown Lands and Water (CLAW), a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

The payment of taxation equivalent charges, referred to in the NSW Office of Water Guidelines to as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

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

Uralla Shire Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

Note 1. Significant accounting policies (continued)

Income tax

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

Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account in terms of assessing the rate of return required on capital invested.

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

Income tax is only applied where a gain/ (loss) from ordinary activities before capital amounts has been achieved.

Since the taxation equivalent is notional – that is, it is payable to Council as the 'owner' of business operations - it represents an internal payment and has no effect on the operations of the Council. Accordingly, there is no need for disclosure of internal charges in the SPFS.

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

Local government rates and charges

A calculation of the equivalent rates and charges payable on all category 1 businesses has been applied to all land assets owned or exclusively used by the business activity.

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

Subsidies occur when Council provides services on a less-than-cost-recovery basis. This option is exercised on a range of services in order for Council to meet its community service obligations.

Accordingly, 'subsidies disclosed' (in relation to National Competition Policy) represents the difference between revenue generated from 'rate of return' pricing and revenue generated from prices set by Council in any given financial year.

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

(iii) Return on investments (rate of return)

The NCP policy statement requires that councils with Category 1 businesses 'would be expected to generate a return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field'.

Uralla Shire Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

Note 1. Significant accounting policies (continued)

Such funds are subsequently available for meeting commitments or financing future investment strategies.

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

Written down value of I,PP&E as at 30 June

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.63% at 30 June 2018.

(iv) Dividends

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

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

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

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2018 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

END OF AUDITED SPECIAL PURPOSE FINANCIAL STATEMENTS

Uralla Shire Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

Note 2. Water supply business best-practice management disclosure requirements

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

2018

1. Calculation and payment of tax-equivalents

[all local government local water utilities must pay this dividend for tax equivalents]

(i)	Calculated tax equivalents	-
(ii)	Number of assessments multiplied by \$3/assessment	4,497
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	-
(iv)	Amounts actually paid for tax equivalents	4,338

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	-
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	44,970
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	(98,800)

2018 Surplus	(208,000)	2017 Surplus	6,300	2016 Surplus	102,900
		2017 Dividend	-	2016 Dividend	-

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

3. Required outcomes for 6 criteria

[to be eligible for the payment of a 'dividend from surplus', all the criteria below need a 'YES']

(i)	Completion of strategic business plan (including financial plan)	NO
(ii)	Full cost recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	– Complying charges [item 2 (b) in table 1]	YES
	– DSP with commercial developer charges [item 2 (e) in table 1]	YES
	– If dual water supplies, complying charges [item 2 (g) in table 1]	YES
(iii)	Sound water conservation and demand management implemented	YES
(iv)	Sound drought management implemented	YES
(v)	Complete performance reporting form (by 15 September each year)	YES
(vi)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	NO

Uralla Shire Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

Note 2. Water supply business best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2018

National Water Initiative (NWI) financial performance indicators

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	1,017
NWI F4	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	60.89%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	13,760
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	806
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	15
NWI F17	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	-1.88%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

- Notes:
1. References to w (e.g. w12) refer to item numbers within Special Schedules 3 and 4 of Council's Annual Financial Statements.
 2. The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
 - a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007

Uralla Shire Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

Note 3. Sewerage business best-practice management disclosure requirements

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

2018

1. Calculation and payment of tax-equivalents

[all local government local water utilities must pay this dividend for tax equivalents]

(i) Calculated tax equivalents	-
(ii) Number of assessments multiplied by \$3/assessment	4,056
(iii) Amounts payable for tax equivalents [lesser of (i) and (ii)]	-
(iv) Amounts actually paid for tax equivalents	3,402

2. Dividend from surplus

(i) 50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	22,750
(ii) Number of assessments x (\$30 less tax equivalent charges per assessment)	40,560
(iii) Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	30,200

2018 Surplus	45,500	2017 Surplus	(51,000)	2016 Surplus	35,700
		2017 Dividend	-	2016 Dividend	-

(iv) Maximum dividend from surplus [least of (i), (ii) and (iii) above]	22,750
(v) Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	-
(vi) Are the overhead reallocation charges to the sewer business fair and reasonable? ^a	YES

3. Required outcomes for 4 criteria

[to be eligible for the payment of a 'dividend from surplus', all the criteria below need a 'YES']

(i) Completion of strategic business plan (including financial plan)	NO
(ii) Pricing with full cost-recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
Complying charges (a) Residential [item 2 (c) in table 1]	YES
(b) Non-residential [item 2 (c) in table 1]	YES
(c) Trade waste [item 2 (d) in table 1]	YES
DSP with commercial developer charges [item 2 (e) in table 1]	YES
Liquid trade waste approvals and policy [item 2 (f) in table 1]	NO
(iii) Complete performance reporting form (by 15 September each year)	YES
(iv) a. Integrated water cycle management evaluation	YES
b. Complete and implement integrated water cycle management strategy	NO

Uralla Shire Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

Note 3. Sewerage business best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2018

National Water Initiative (NWI) financial performance indicators

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	733
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	8,201
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	487
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	6
NWI F18	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	0.13%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	98

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

NWI F3	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	1,750
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.94%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	21
NWI F19	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	-1.13%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
NWI F21	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

Uralla Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2018

Note 3. Sewerage business
best-practice management disclosure requirements (continued)

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

2018

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

NWI F22	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	-15.26%
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest Earnings before interest and tax (EBIT): Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c) Net interest: Interest expense (w4a + s4a) – interest income (w9 + s10)		-
NWI F24	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	(151)
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	34

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



INDEPENDENT AUDITOR'S REPORT
Report on the special purpose financial report
Uralla Shire Council

To the Councillors of the Uralla Shire Council

Opinion

I have audited the accompanying special purpose financial report (the financial report) of Uralla Shire Council's (the Council) Declared Business Activities, which comprise the Income Statement of each Declared Business Activity for the year ended 30 June 2018, the Statement of Financial Position of each Declared Business Activity as at 30 June 2018, notes comprising a summary of Significant accounting policies and other explanatory information for the Business Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council are:

- Water Supply
- Sewerage
- Private Works
- McMaugh Gardens

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2018, and its financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the financial report and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial report does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and Special Schedule 2 - Permissible income for general rates.

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

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

In preparing the financial report, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

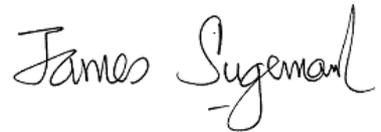
- obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

A description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

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

A handwritten signature in black ink that reads "James Sugumar". The signature is written in a cursive style with a small dash under the 'u'.

James Sugumar
Director, Financial Audit Services

19 October 2018
SYDNEY

Uralla Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2018

*“...committed to creating a unique environment
which offers an excellent quality of life and
economic opportunities for its people”*



Uralla Shire Council

Special Schedules for the year ended 30 June 2018

Contents		Page
Special Schedules ¹		
Special Schedule 1	Net Cost of Services	2
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¹ Special Schedules are not audited (with the exception of Special Schedule 2).

Background

- (i) These Special Schedules have been designed to meet the requirements of special purpose users such as;
- the NSW Grants Commission
 - the Australian Bureau of Statistics (ABS),
 - the NSW Office of Water (NOW), and
 - the Office of Local Government (OLG).
- (ii) The financial data is collected for various uses including;
- the allocation of Financial Assistance Grants,
 - the incorporation of Local Government financial figures in national statistics,
 - the monitoring of loan approvals,
 - the allocation of borrowing rights, and
 - the monitoring of the financial activities of specific services.

Uralla Shire Council

Special Schedule 1 – Net Cost of Services
for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	880	89	–	(791)
Administration	967	167	–	(800)
Public order and safety				
Fire service levy, fire protection, emergency services	224	6	–	(218)
Beach control	–	–	–	–
Enforcement of local government regulations	–	–	–	–
Animal control	168	50	–	(118)
Other	–	–	–	–
Total public order and safety	392	56	–	(336)
Health	58	33	–	(25)
Environment				
Noxious plants and insect/vermin control	81	–	–	(81)
Other environmental protection	200	236	–	36
Solid waste management	1,526	1,656	–	130
Street cleaning	50	–	–	(50)
Drainage	68	29	–	(39)
Stormwater management	–	–	–	–
Total environment	1,925	1,921	–	(4)
Community services and education				
Administration and education	(156)	–	–	156
Social protection (welfare)	–	–	–	–
Aged persons and disabled	6,159	6,531	–	372
Children's services	25	1	–	(24)
Total community services and education	6,028	6,532	–	504
Housing and community amenities				
Public cemeteries	53	25	–	(28)
Public conveniences	79	–	–	(79)
Street lighting	57	14	–	(43)
Town planning	264	137	–	(127)
Other community amenities	36	2	–	(34)
Total housing and community amenities	489	178	–	(311)
Water supplies	1,291	1,083	–	(208)
Sewerage services	722	787	98	163

Uralla Shire Council

Special Schedule 1 – Net Cost of Services (continued)
for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	332	43	–	(289)
Museums	–	–	–	–
Art galleries	–	–	–	–
Community centres and halls	87	44	–	(43)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	39	2	–	(37)
Sporting grounds and venues	96	–	–	(96)
Swimming pools	141	34	–	(107)
Parks and gardens (lakes)	200	2	258	60
Other sport and recreation	–	3	–	3
Total recreation and culture	895	128	258	(509)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	46	–	–	(46)
Other mining, manufacturing and construction	10	–	–	(10)
Total mining, manufacturing and const.	56	–	–	(56)
Transport and communication				
Urban roads (UR) – local	380	–	4	(376)
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	935	825	–	(110)
Sealed rural roads (SRR) – regional	1,247	1,248	334	335
Unsealed rural roads (URR) – local	1,826	–	–	(1,826)
Unsealed rural roads (URR) – regional	54	55	–	1
Bridges on UR – local	–	–	–	–
Bridges on SRR – local	436	144	830	538
Bridges on URR – local	–	–	–	–
Bridges on regional roads	75	–	–	(75)
Parking areas	7	–	–	(7)
Footpaths	153	–	–	(153)
Aerodromes	–	–	–	–
Other transport and communication	115	1	28	(86)
Total transport and communication	5,228	2,273	1,196	(1,759)
Economic affairs				
Camping areas and caravan parks	53	45	–	(8)
Other economic affairs	476	122	–	(354)
Total economic affairs	529	167	–	(362)
Totals – functions	19,460	13,414	1,552	(4,494)
General purpose revenues ⁽¹⁾	–	6,390	–	6,390
Share of interests – joint ventures and associates using the equity method	–	–	–	–
NET OPERATING RESULT ⁽²⁾	19,460	19,804	1,552	1,896

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

Uralla Shire Council

Special Schedule 2 – Permissible income for general rates

for the year ended 30 June 2019

\$'000		Calculation 2018/19	Calculation 2017/18
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	3,725	3,662
Plus or minus adjustments ⁽²⁾	b	8	9
Notional general income	c = (a + b)	3,733	3,671
Permissible income calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
Or rate peg percentage	e	2.30%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	–	–
Or plus rate peg amount	i = c x e	86	55
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
Sub-total	k = (c + g + h + i + j)	3,819	3,726
Plus (or minus) last year's carry forward total	l	3	10
Less valuation objections claimed in the previous year	m	–	–
Sub-total	n = (l + m)	3	10
Total permissible income	o = k + n	3,822	3,736
Less notional general income yield	p	3,821	3,725
Catch-up or (excess) result	q = o – p	1	11
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	1	–
Less unused catch-up ⁽⁵⁾	s	–	(8)
Carry forward to next year	t = q + r – s	2	3

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 2 in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule 2 - Permissible Income for general rates

Uralla Shire Council

To the Councillors of Uralla Shire Council

Opinion

I have audited the accompanying Special Schedule 2 – Permissible Income for general rates (the Schedule) of Uralla Shire Council (the Council) for the year ending 30 June 2019.

In my opinion, the Schedule of the Council for the year ending 30 June 2019 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter – Basis of Accounting

Without modifying my opinion, I draw attention to the special purpose framework used to prepare the Schedule. The Schedule had been prepared for the purpose of fulfilling the Council's reporting obligations under the LG Code. As a result, the Schedule may not be suitable for another purpose.

Other Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and the Special Schedules excluding Special Schedule 2 (the other Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

The Councillors are responsible for the preparation of the Schedule in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of the Schedule that is free from material misstatement, whether due to fraud or error.

In preparing the Schedule, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

A description of my responsibilities for the audit of the Schedule is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar8.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Schedule on any website where it may be presented
- about any other information which may have been hyperlinked to/from the Schedule.

A handwritten signature in black ink that reads "James Sugumar". The signature is written in a cursive style with a large initial 'J' and a distinct 'S'.

James Sugumar
Director, Financial Audit Services

19 October 2018
SYDNEY

Uralla Shire Council

Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	2017
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	165	184
b. Engineering and supervision	185	107
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	2	2
b. Maintenance expenses	35	57
– Mains		
c. Operation expenses	–	–
d. Maintenance expenses	118	108
– Reservoirs		
e. Operation expenses	–	–
f. Maintenance expenses	3	2
– Pumping stations		
g. Operation expenses (excluding energy costs)	–	–
h. Energy costs	4	2
i. Maintenance expenses	10	2
– Treatment		
j. Operation expenses (excluding chemical costs)	–	–
k. Chemical costs	103	102
l. Maintenance expenses	181	155
– Other		
m. Operation expenses	–	–
n. Maintenance expenses	–	–
o. Purchase of water	–	–
3. Depreciation expenses		
a. System assets	370	195
b. Plant and equipment	115	83
4. Miscellaneous expenses		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	–	–
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	1,291	999

Uralla Shire Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	2017
Income		
6. Residential charges		
a. Access (including rates)	388	390
b. Usage charges	604	536
7. Non-residential charges		
a. Access (including rates)	–	–
b. Usage charges	–	–
8. Extra charges	–	–
9. Interest income	66	64
10. Other income	7	2
10a. Aboriginal Communities Water and Sewerage Program	–	–
11. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	18	16
c. Other grants	–	–
12. Contributions		
a. Developer charges	–	–
b. Developer provided assets	–	–
c. Other contributions	–	–
13. Total income	<u>1,083</u>	<u>1,008</u>
14. Gain (or loss) on disposal of assets	–	–
15. Operating result	<u>(208)</u>	<u>9</u>
15a. Operating result (less grants for acquisition of assets)	(208)	9

Uralla Shire Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	2017
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	9	–
b. New assets for growth	6	4
c. Renewals	–	–
d. Plant and equipment	–	–
17. Repayment of debt	–	–
18. Totals	<u>15</u>	<u>4</u>
Non-operating funds employed		
19. Proceeds from disposal of assets	–	–
20. Borrowing utilised	–	–
21. Totals	<u>–</u>	<u>–</u>
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	1,260	1,235
b. Residential (unoccupied, ie. vacant lot)	45	12
c. Non-residential (occupied)	194	195
d. Non-residential (unoccupied, ie. vacant lot)	–	4
23. Number of ETs for which developer charges were received	– ET	– ET
24. Total amount of pensioner rebates (actual dollars)	\$ 18,459	\$ 15,772

Uralla Shire Council

Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2018

\$'000	Current	Non-current	Total
ASSETS			
25. Cash and investments			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	2,275	–	2,275
26. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	35	–	35
c. User charges	339	–	339
d. Other	–	–	–
27. Inventories	–	–	–
28. Property, plant and equipment			
a. System assets	–	13,766	13,766
b. Plant and equipment	–	848	848
29. Other assets	–	–	–
30. Total assets	<u>2,649</u>	<u>14,614</u>	<u>17,263</u>
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	–	–	–
33. Borrowings	–	–	–
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
35. Total liabilities	<u>–</u>	<u>–</u>	<u>–</u>
36. NET ASSETS COMMITTED	<u>2,649</u>	<u>14,614</u>	<u>17,263</u>
EQUITY			
37. Accumulated surplus			8,641
38. Asset revaluation reserve			8,622
39. Other reserves			–
40. TOTAL EQUITY			<u>17,263</u>
Note to system assets:			
41. Current replacement cost of system assets			28,137
42. Accumulated current cost depreciation of system assets			(14,377)
43. Written down current cost of system assets			<u>13,760</u>

Uralla Shire Council

Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	2017
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	94	107
b. Engineering and supervision	50	29
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	–	–
b. Maintenance expenses	42	34
– Pumping stations		
c. Operation expenses (excluding energy costs)	–	–
d. Energy costs	–	–
e. Maintenance expenses	30	16
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	–	–
g. Chemical costs	51	54
h. Energy costs	–	–
i. Effluent management	–	–
j. Biosolids management	90	122
k. Maintenance expenses	70	87
– Other		
l. Operation expenses	–	–
m. Maintenance expenses	60	51
3. Depreciation expenses		
a. System assets	233	203
b. Plant and equipment	2	2
4. Miscellaneous expenses		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	–	–
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	722	705

Uralla Shire Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	2017
Income		
6. Residential charges (including rates)	708	583
7. Non-residential charges		
a. Access (including rates)	–	–
b. Usage charges	9	10
8. Trade waste charges		
a. Annual fees	–	–
b. Usage charges	–	–
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
9. Extra charges	–	–
10. Interest income	54	49
11. Other income	–	–
11a. Aboriginal Communities Water and Sewerage Program	–	–
12. Grants		
a. Grants for acquisition of assets	98	–
b. Grants for pensioner rebates	16	12
c. Other grants	–	–
13. Contributions		
a. Developer charges	–	–
b. Developer provided assets	–	–
c. Other contributions	–	–
14. Total income	<u>885</u>	<u>654</u>
15. Gain (or loss) on disposal of assets	–	–
16. Operating result	<u>163</u>	<u>(51)</u>
16a. Operating result (less grants for acquisition of assets)	65	(51)

Uralla Shire Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	2017
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	6	40
c. Renewals	–	–
d. Plant and equipment	–	–
18. Repayment of debt	–	–
19. Totals	<u>6</u>	<u>40</u>
Non-operating funds employed		
20. Proceeds from disposal of assets	–	–
21. Borrowing utilised	–	–
22. Totals	<u>–</u>	<u>–</u>
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	1,177	961
b. Residential (unoccupied, ie. vacant lot)	45	62
c. Non-residential (occupied)	130	109
d. Non-residential (unoccupied, ie. vacant lot)	–	2
24. Number of ETs for which developer charges were received	– ET	– ET
25. Total amount of pensioner rebates (actual dollars)	\$ 16,764	\$ 11,853

Uralla Shire Council

Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2018

\$'000	Current	Non-current	Total
ASSETS			
26. Cash and investments			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	2,042	–	2,042
27. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	58	–	58
c. User charges	7	–	7
d. Other	–	–	–
28. Inventories	–	–	–
29. Property, plant and equipment			
a. System assets	–	8,357	8,357
b. Plant and equipment	–	567	567
30. Other assets	–	–	–
31. Total assets	<u>2,107</u>	<u>8,924</u>	<u>11,031</u>
LIABILITIES			
32. Bank overdraft	–	–	–
33. Creditors	–	–	–
34. Borrowings	–	–	–
35. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
36. Total liabilities	<u>–</u>	<u>–</u>	<u>–</u>
37. NET ASSETS COMMITTED	<u>2,107</u>	<u>8,924</u>	<u>11,031</u>
EQUITY			
38. Accumulated surplus			5,499
39. Asset revaluation reserve			5,532
40. Other reserves			–
41. TOTAL EQUITY			<u>11,031</u>
Note to system assets:			
42. Current replacement cost of system assets			13,682
43. Accumulated current cost depreciation of system assets			(5,481)
44. Written down current cost of system assets			<u>8,201</u>

Uralla Shire Council

Notes to Special Schedules 3 and 5 for the year ended 30 June 2018

Administration ⁽¹⁾

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

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

Engineering and supervision ⁽¹⁾

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

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

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

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

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

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

Impairment losses (item 4d and 4e of Special Schedules 3 and 5) are to be used when the carrying amount of an asset exceeds its recoverable amount (refer to page D-31).

Aboriginal Communities Water and Sewerage Program (item 4f of Special Schedules 3 and 5) is to be used when operation and maintenance work has been undertaken on behalf of the Aboriginal Communities Water and Sewerage Program. Similarly, income for item 11a of Special Schedule 3 and item 12a of Special Schedule 5 are for services provided to the Aboriginal Communities Water and Sewerage Program and is not part of Council's water supply and sewerage revenue.

Residential charges ⁽²⁾ (items 6a, 6b and item 6 of Special Schedules 3 and 5 respectively) include all income from residential charges. Item 6 of Schedule 3 should be separated into 6a access charges (including rates if applicable) and 6b usage charges.

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

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

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

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

Notes:

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

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

Uralla Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings – non-specialised	–	–	1,097	983	13,578	25,660	0%	17%	77%	6%	0%
	Sub-total	–	–	1,097	983	13,578	25,660	0.0%	17.0%	77.0%	6.0%	0.0%
Other structures	Other structures	–	–	–	–	494	1,098	40%	38%	22%	0%	0%
	Sub-total	–	–	–	–	494	1,098	40.0%	38.0%	22.0%	0.0%	0.0%
Roads	Sealed roads	842	1,483	1,020	890	74,156	101,906	40%	15%	31%	12%	2%
	Unsealed roads	–	–	1,055	1,106	5,247	17,565	10%	4%	55%	31%	0%
	Bridges	–	–	65	118	20,515	31,932	31%	61%	8%	0%	0%
	Footpaths	–	–	61	59	1,574	1,889	34%	53%	12%	1%	0%
	Bulk earthworks	–	–	–	–	77,432	77,434	100%	0%	0%	0%	0%
	Sub-total	842	1,483	2,201	2,173	178,924	230,726	56.6%	15.8%	19.1%	7.7%	0.9%
Water supply network	Water supply network	69	138	456	472	13,760	28,137	6%	58%	24%	11%	1%
	Sub-total	69	138	456	472	13,760	28,137	6.0%	58.0%	24.0%	11.0%	1.0%
Sewerage network	Sewerage network	–	–	271	283	8,201	13,681	25%	62%	1%	12%	0%
	Sub-total	–	–	271	283	8,201	13,681	25.0%	62.0%	1.0%	12.0%	0.0%

Uralla Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage	–	–	24	38	1,890	2,480	78%	13%	3%	6%	0%
	Sub-total	–	–	24	38	1,890	2,480	78.0%	13.0%	3.0%	6.0%	0.0%
Open space/recreational assets	Swimming pools	–	–	26	28	155	750	13%	0%	87%	0%	0%
	Other	–	–	49	63	468	877	1%	61%	38%	0%	0%
	Sub-total	–	–	75	92	623	1,627	6.5%	32.9%	60.6%	0.0%	0.0%
TOTAL – ALL ASSETS		911	1,621	4,124	4,041	217,470	303,409	45.5%	22.1%	23.7%	7.9%	0.8%

Notes:

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

Infrastructure asset condition assessment 'key'

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

Uralla Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2018

	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
Infrastructure asset performance indicators * consolidated					
1. Buildings and infrastructure renewals ratio ⁽¹⁾					
Asset renewals ⁽²⁾	<u>2,246</u>	63.39%	84.42%	96.36%	>= 100%
Depreciation, amortisation and impairment	<u>3,543</u>				
2. Infrastructure backlog ratio ⁽¹⁾					
Estimated cost to bring assets to a satisfactory standard	<u>911</u>	0.42%	0.57%	1.50%	< 2.00%
Net carrying amount of infrastructure assets	<u>217,470</u>				
3. Asset maintenance ratio					
Actual asset maintenance	<u>4,041</u>	97.99%	96.19%	132.26%	> 100%
Required asset maintenance	<u>4,124</u>				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	<u>1,621</u>	0.53%	0.32%	0.00%	
Gross replacement cost	<u>303,409</u>				

Notes

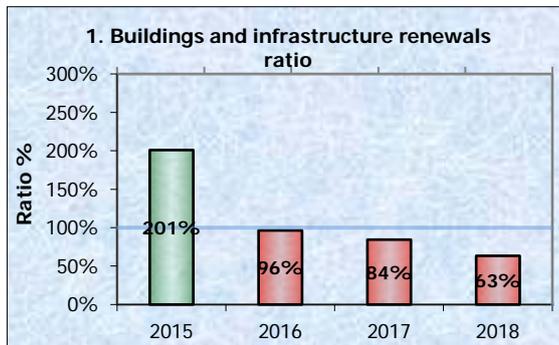
* All asset performance indicators are calculated using the asset classes identified in the previous table.

(1) Excludes Work In Progress (WIP)

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

Uralla Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2018



Purpose of asset renewals ratio

To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

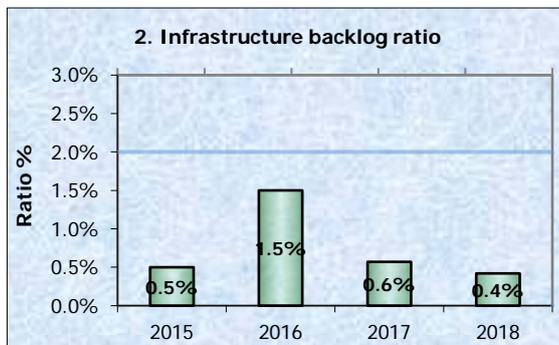
Commentary on 2017/18 result

2017/18 Ratio 63.39%

Council continues to average over 100% renewals in the four year period shown here. If the significant work in progress added this year had been included then the ratio would have been approximately 108%.

Benchmark: ——— Minimum $\geq 100.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of infrastructure backlog ratio

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

Commentary on 2017/18 result

2017/18 Ratio 0.42%

Based on available information, this ratio shows that Council continues to manage infrastructure in a responsible manner.

Benchmark: ——— Maximum $< 2.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of asset maintenance ratio

Compares actual vs. required annual asset maintenance. A ratio above 100% indicates Council is investing enough funds to stop the infrastructure backlog growing.

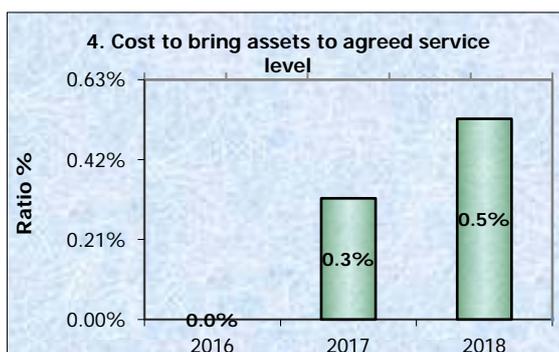
Commentary on 2017/18 result

2017/18 Ratio 97.99%

This ratio only measures actual maintenance against budgeted maintenance. Whilst the ratio may appear adequate, a better ratio would be actual maintenance against required maintenance.

Benchmark: ——— Minimum $> 100.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of agreed service level ratio

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

Commentary on 2017/18 result

2017/18 Ratio 0.53%

As noted above, this ratio shows the Council continues to manage infrastructure in a responsible manner.

Uralla Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2018

	General indicators ⁽¹⁾		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Infrastructure asset performance indicators by fund							
1. Buildings and infrastructure renewals ratio ⁽²⁾							
Asset renewals ⁽³⁾							
Depreciation, amortisation and impairment	77.61%	96.53%	3.31%	1.63%	2.69%	19.70%	>= 100%
2. Infrastructure backlog ratio ⁽²⁾							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	0.43%	0.57%	0.50%	0.98%	0.00%	0.00%	< 2.00%
3. Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	96.75%	91.60%	103.52%	109.69%	104.28%	133.76%	> 100%
4. Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	0.57%	0.33%	0.49%	0.37%	0.00%	0.00%	

Notes

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

(2) Excludes Work In Progress (WIP)