

Uralla Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

*“...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 2016

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Overview

- (i) These financial statements are General Purpose Financial Statements and cover the operations for Uralla Shire Council.
- (ii) Uralla Shire Council is a body politic of NSW, Australia – being constituted as a local government area by proclamation and is duly empowered by the *Local Government Act 1993* (LGA).

Council's Statutory Charter is detailed in Paragraph 8 of the LGA and includes giving Council;

- the ability to provide goods, services and facilities, and to carry out activities appropriate to the current and future needs of the local community and of the wider public,
- the responsibility for administering regulatory requirements under the LGA and
- a role in the management, improvement and development of the resources in the area.

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

- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by the Council on 25 October 2016. Council has the power to amend and reissue these financial statements.
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Uralla Shire Council

General Purpose Financial Statements for the year ended 30 June 2016

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 2016.

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

This 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

This statement primarily records changes in the fair values of Council's infrastructure, property, plant and equipment.

3. The Statement of Financial Position

An end of year snapshot of Council's financial position indicating its assets, liabilities and equity ('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

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

Council's financial statements are required to be audited by external accountants (that generally specialise in local government). 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 2016

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:

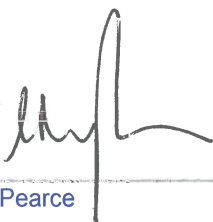
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and professional pronouncements, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

- present fairly the Council's operating result and financial position for the year, 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 25 October 2016.



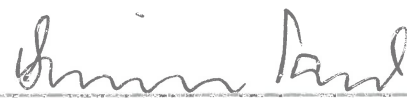
Cr M Pearce
Mayor



Cr R Bell
Deputy Mayor



Mr Andrew Hopkins
General manager



Mr Simon Paul
Responsible accounting officer

Uralla Shire Council

Income Statement

for the year ended 30 June 2016

Budget ¹ 2016	\$ '000	Notes	Actual 2016	Actual 2015
Income from continuing operations				
Revenue:				
5,704	Rates and annual charges	3a	5,638	5,367
5,167	User charges and fees	3b	5,065	4,922
402	Interest and investment revenue	3c	522	236
1,139	Other revenues	3d	532	771
5,583	Grants and contributions provided for operating purposes	3e,f	7,585	5,835
2,211	Grants and contributions provided for capital purposes	3e,f	1,848	4,152
Other income:				
—	Net share of interests in joint ventures and associates using the equity method	19	—	—
20,206	Total income from continuing operations		21,190	21,283
Expenses from continuing operations				
8,506	Employee benefits and on-costs	4a	8,632	7,808
229	Borrowing costs	4b	182	124
3,782	Materials and contracts	4c	5,275	4,587
3,557	Depreciation and amortisation	4d	3,945	3,533
—	Impairment	4d	—	—
2,109	Other expenses	4e	1,589	1,411
—	Net losses from the disposal of assets	5	413	56
18,183	Total expenses from continuing operations		20,036	17,519
2,023	Operating result from continuing operations		1,154	3,764
Discontinued operations				
—	Net profit/(loss) from discontinued operations	24	—	—
2,023	Net operating result for the year		1,154	3,764
2,023	Net operating result attributable to Council		1,154	3,764
—	Net operating result attributable to non-controlling interests		—	—
(188)	Net operating result for the year before grants and contributions provided for capital purposes		(694)	(388)

¹ Original budget as approved by Council – refer Note 16

Uralla Shire Council

Statement of Comprehensive Income

for the year ended 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
Net operating result for the year (as per Income Statement)		1,154	3,764
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	3,821	(70,392)
Total items which will not be reclassified subsequently to the operating result		3,821	(70,392)
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the year		3,821	(70,392)
Total comprehensive income for the year		4,975	(66,628)
Total comprehensive income attributable to Council		4,975	(66,628)
Total comprehensive income attributable to non-controlling interests		—	—

Uralla Shire Council

Statement of Financial Position as at 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
ASSETS			
Current assets			
Cash and cash equivalents	6a	3,200	7,175
Investments	6b	7,150	2,405
Receivables	7	1,389	1,335
Inventories	8	175	187
Other	8	52	19
Non-current assets classified as 'held for sale'	22	—	—
Total current assets		11,966	11,121
Non-current assets			
Investments	6b	—	—
Receivables	7	—	—
Inventories	8	—	—
Infrastructure, property, plant and equipment	9	231,517	228,107
Investments accounted for using the equity method	19	—	—
Investment property	14	—	—
Intangible assets	25	—	—
Total non-current assets		231,517	228,107
TOTAL ASSETS		243,483	239,228
LIABILITIES			
Current liabilities			
Payables	10	3,403	3,874
Borrowings	10	202	118
Provisions	10	2,303	2,387
Total current liabilities		5,908	6,379
Non-current liabilities			
Payables	10	—	—
Borrowings	10	2,845	3,121
Provisions	10	943	916
Total non-current liabilities		3,788	4,037
TOTAL LIABILITIES		9,696	10,416
Net assets		233,787	228,812
EQUITY			
Retained earnings	20	69,168	68,014
Revaluation reserves	20	164,619	160,798
Council equity interest		233,787	228,812
Non-controlling equity interests		—	—
Total equity		233,787	228,812

Uralla Shire Council

Statement of Changes in Equity for the year ended 30 June 2016

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling Interest	Total equity
2016						
Opening balance (as per last year's audited accounts)		68,014	160,798	228,812	—	228,812
a. Correction of prior period errors	20 (c)	—	—	—	—	—
b. Changes in accounting policies (prior year effects)	20 (d)	—	—	—	—	—
Revised opening balance (as at 1/7/15)		68,014	160,798	228,812	—	228,812
c. Net operating result for the year		1,154	—	1,154	—	1,154
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	—	3,821	3,821	—	3,821
Other comprehensive income		—	3,821	3,821	—	3,821
Total comprehensive income (c&d)		1,154	3,821	4,975	—	4,975
e. Distributions to/(contributions from) non-controlling Interests		—	—	—	—	—
f. Transfers between equity		—	—	—	—	—
Equity – balance at end of the reporting period		69,168	164,619	233,787	—	233,787

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council interest	Non-controlling Interest	Total Equity
2015						
Opening balance (as per last year's audited accounts)		64,448	231,190	295,638	—	295,638
a. Correction of prior period errors	20 (c)	(198)	—	(198)	—	(198)
b. Changes in accounting policies (prior year effects)	20 (d)	—	—	—	—	—
Revised opening balance (as at 1/7/14)		64,250	231,190	295,440	—	295,440
c. Net operating result for the year		3,764	—	3,764	—	3,764
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	—	(70,392)	(70,392)	—	(70,392)
Other comprehensive income		—	(70,392)	(70,392)	—	(70,392)
Total comprehensive income (c&d)		3,764	(70,392)	(66,628)	—	(66,628)
e. Distributions to/(contributions from) non-controlling Interests		—	—	—	—	—
f. Transfers between equity		—	—	—	—	—
Equity – balance at end of the reporting period		68,014	160,798	228,812	—	228,812

Uralla Shire Council

Statement of Cash Flows
for the year ended 30 June 2016

Budget 2016	\$ '000	Notes	Actual 2016	Actual 2015
Cash flows from operating activities				
Receipts:				
5,694	Rates and annual charges		5,659	5,398
5,163	User charges and fees		5,064	5,181
394	Investment and interest revenue received		500	239
7,797	Grants and contributions		9,416	10,022
629	Other		1,380	2,550
Payments:				
(8,392)	Employee benefits and on-costs		(8,954)	(8,275)
(3,764)	Materials and contracts		(6,354)	(4,283)
(229)	Borrowing costs		(166)	(121)
(2,109)	Other		(1,407)	(1,973)
5,183	Net cash provided (or used in) operating activities	11b	5,138	8,738
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		13,905	1,000
365	Sale of infrastructure, property, plant and equipment		38	241
Payments:				
–	Purchase of investment securities		(18,650)	(2,405)
(5,376)	Purchase of infrastructure, property, plant and equipment		(3,985)	(7,921)
(5,011)	Net cash provided (or used in) investing activities		(8,692)	(9,085)
Cash flows from financing activities				
Receipts:				
500	Proceeds from borrowings and advances		–	2,000
–	Proceeds from retirement home contributions		593	698
Payments:				
(169)	Repayment of borrowings and advances		(192)	(110)
–	Repayment of retirement home contributions		(822)	(896)
331	Net cash flow provided (used in) financing activities		(421)	1,692
503	Net increase/(decrease) in cash and cash equivalents		(3,975)	1,345
7,911	Plus: cash and cash equivalents – beginning of year	11a	7,175	5,830
8,414	Cash and cash equivalents – end of the year	11a	3,200	7,175
Additional Information:				
	plus: Investments on hand – end of year	6b	7,150	2,405
	Total cash, cash equivalents and investments		10,350	9,580
Please refer to Note 11 for additional cash flow information				

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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n/a – not applicable

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies

The principal accounting policies adopted by Council in the preparation of these consolidated financial statements are set out below in order to assist in its general understanding.

Under Australian Accounting Standards (AASBs), accounting policies are defined as those specific principles, bases, conventions, rules and practices applied by a reporting entity (in this case Council) in preparing and presenting its financial statements.

(a) Basis of preparation

(i) Background

These financial statements are general purpose financial statements, which have been prepared in accordance with:

- Australian Accounting Standards and Australian Accounting Interpretations issued by the Australian Accounting Standards Board,
- the *Local Government Act (1993)* and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

For the purpose of preparing these financial statements, Council has been deemed to be a not-for-profit entity.

(ii) Compliance with International Financial Reporting Standards (IFRSs)

Because AASBs are sector neutral, some standards either:

- (a) have local Australian content and prescription that is specific to the not-for-profit sector (including local government) which are not in compliance with IFRSs, or
- (b) specifically exclude application by not-for-profit entities.

Accordingly, in preparing these financial statements and accompanying notes, Council has been unable to comply fully with International Accounting Standards, but has complied fully with Australian Accounting Standards.

Under the *Local Government Act (LGA)*, Regulation and Local Government Code of Accounting Practice and Financial Reporting, it should be noted that Councils in NSW only have a requirement to comply with AASBs.

(iii) New and amended standards adopted by Council

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

(iv) Early adoption of accounting standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2015, except for AASB2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities, which has reduced the fair value disclosures for Level 3 assets.

For summary information relating to the effects of standards with future operative dates refer further to paragraph (ab).

(v) Basis of accounting

These financial statements have been prepared under the **historical cost convention** except for:

- (i) certain financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets, which are all valued at fair value,
- (ii) the write down of any asset on the basis of impairment (if warranted), and
- (iii) certain classes of non-current assets (eg. infrastructure, property, plant and equipment and investment property) that are accounted for at fair valuation.

The accrual basis of accounting has also been applied in their preparation.

(vi) Changes in accounting policies

Council's accounting policies have been consistently applied to all the years presented, unless otherwise stated.

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

There have also been no changes in accounting policies when compared with previous financial statements unless otherwise stated [refer Note 20 (d)].

(vii) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates (in conformity with AASBs).

Accordingly this 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 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 are set out below:

- (i) Useful lives of infrastructure assets
- (ii) Estimated fair values of infrastructure, property, plant and equipment,
- (iii) Estimated remediation provisions.

Significant judgements in applying Council's accounting policies include the impairment of receivables – Council has made significant judgements about the impairment of a number of its receivables in Note 7.

(b) Revenue recognition

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to it, and specific criteria have been met for each of the Council's activities as described below.

Council bases any estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenues when the Council obtains control over the assets comprising these receipts.

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

A provision for the impairment on rates receivables has not been established as unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

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

Revenue from contributions is recognised when the Council either obtains control of the contribution or the right to receive it, **(i)** it is probable that the economic benefits comprising the contribution will flow to the Council and **(ii)** the amount of the contribution can be measured reliably.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in Note 3 (g).

Note 3 (g) also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

The Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of s94 of the *EPA Act 1979*.

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

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

A detailed note relating to developer contributions can be found at Note 17.

User charges, fees and other income

User charges, fees and other income (including parking fees and fines) are recognised as revenue when the service has been provided, the payment is received, or when the penalty has been applied, whichever first occurs.

A provision for the impairment of these receivables is recognised when collection in full is no longer probable.

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

Sale of infrastructure, property, plant and equipment

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

Interest and rents

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

Interest income from cash and investments is accounted for using the effective interest rate at the date that interest is earned.

Other Income

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

(c) Principles of consolidation

These consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

(i) The Consolidated Fund

In accordance with the provisions of section 409(1) of the *LGA 1993*, all money and property received by Council is held in the Council's consolidated fund unless it is required to be held in the Council's trust fund.

The consolidated fund and other entities through which the Council controls resources to carry on its functions have been included in the financial statements forming part of this report.

The following entities have been included as part of the consolidated fund:

- (a) *Uralla Shire Council General Purpose Operations.*
- (b) *Uralla and Bundarra Joint Water Fund.*
- (c) *Uralla Local Sewer Sewerage Fund.*
- (d) *McMaugh Garden Aged Care Centre Fund*

(ii) The trust fund

In accordance with the provisions of section 411 of the *Local Government Act 1993* (as amended), a separate and distinct trust fund is maintained to account for all money and property received by the Council in trust that must be applied only for the purposes of or in accordance with the trusts relating to those monies.

Trust monies and property subject to Council's control have not been included in these statements. A separate statement of monies held in the trust fund is available for inspection at the Council office by any person free of charge.

Uralla Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(iii) Interests in other entities

Subsidiaries

Council has no interest in any subsidiaries.

Joint arrangements

Council has no interest in any joint arrangements.

Associates

Council has no interest in any associates.

County councils

Council is not a member of any county councils.

(d) Leases

All leases entered into by Council are reviewed and classified on inception date as either a finance lease or an operating lease.

Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor 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.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

(e) Cash and Cash Equivalents

For Statement of Cash Flows (and Statement of Financial Position) 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 that are subject to an insignificant risk of changes in value, and

- bank overdrafts.

Bank overdrafts, if drawn, are shown within borrowings in current liabilities on the balance sheet but are incorporated into cash and cash equivalents for presentation of the Cash Flow Statement.

(f) Investments and other financial assets

Council (in accordance with AASB 139) classifies each of its investments into one of the following categories for measurement purposes:

- **financial assets at fair value through profit or loss,**
- **loans and receivables,**
- **held-to-maturity investments,** and
- **available-for-sale financial assets.**

Each classification depends on the purpose or intention for which the investment was acquired and at the time it was acquired.

Management determines each investment classification at the time of initial recognition and re-evaluates this designation at each reporting date.

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

Financial assets at fair value through profit or loss include financial assets that are 'held for trading'.

A financial asset is classified in the 'held for trading' category if it is acquired principally for the purpose of selling in the short term.

Assets in this category are primarily classified as current assets as they are primarily held for trading and/or are expected to be realised within 12 months of the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

They arise when the Council provides money, goods or services directly to a debtor with no intention (or in some cases ability) of selling the resulting receivable.

They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date, which are classified as non-current assets.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council's management has the positive intention and ability to hold to maturity.

In contrast to the 'loans and receivables' classification, these investments are generally quoted in an active market.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Investments must be designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Accordingly, this classification principally comprises marketable equity securities, but can include all types of financial assets that could otherwise be classified in one of the other investment categories.

They are generally included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date or the term to maturity from the reporting date is less than 12 months.

Financial assets – reclassification

Council may choose to reclassify a non-derivative trading financial asset out of the held-for-trading

category if the financial asset is no longer held for the purpose of selling it in the near term.

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term.

Council may also choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if it has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made.

Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

General accounting and measurement of financial instruments:

(i) Initial recognition

Investments are initially recognised (and measured) at fair value, plus in the case of investments not at 'fair value through profit or loss', directly attributable transactions costs.

Purchases and sales of investments are recognised on trade-date – the date on which the Council commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Council has transferred substantially all the risks and rewards of ownership.

(ii) Subsequent measurement

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value.

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets classified as **'fair value through profit or loss'** category are included in the income statement in the period in which they arise.

Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as **'available-for-sale'** are recognised in equity in the available-for-sale investments revaluation reserve.

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

Impairment

Council assesses at each balance date 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.

(iii) Types of investments

Council has an approved Investment Policy in order to invest in accordance with (and to comply with) section 625 of the *Local Government Act* and s212 of the LG (General) Regulation 2005.

Investments are placed and managed in accordance with the policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order.

Council maintains its Investment Policy in compliance with the Act and ensures that it or its representatives exercise care, diligence and skill that a prudent person would exercise in investing Council funds.

Council amended its policy following revisions to the Ministerial Local Government Investment Order arising from the Cole Inquiry recommendations.

(g) Receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost, less any provision for impairment.

Receivables (excluding rates and annual charges) are generally due for settlement no more than 30 days from the date of recognition.

The collectibility of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off in accordance with Council's policy.

A provision for impairment (i.e. an allowance account) relating to receivables is established when objective evidence shows that Council will not be able to collect all amounts due according to the original terms of each receivable.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Impairment losses are recognised in the Income Statement within other expenses.

When a receivable for which an impairment allowance had been recognised becomes uncollectible 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.

(h) Inventories

(i) Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods in respect of business undertakings are all stated at the lower of cost and net realisable value.

Uralla Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

Cost comprises direct materials.

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

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.

Inventories held in respect of non-business undertakings have been valued at cost subject to adjustment for loss of service potential.

(ii) Inventory held for distribution

Inventory held for distribution is held at cost, adjusted where applicable for any loss of service potential.

(i) Infrastructure, property, plant and equipment (I,PP&E)

Acquisition of assets

Council's non-current assets are continually revalued (over a 5-year period) in accordance with the fair valuation policy as mandated by the Office of Local Government.

At balance date, the following classes of I,PP&E were stated at their fair value:

- **Plant and equipment**
(as approximated by depreciated historical cost)
- **Operational land** (external valuation)
- **Community land** (internal valuation)
- **Land improvements**
(as approximated by depreciated historical cost)
- **Buildings – specialised/non-specialised**
(external valuation)
- **Other structures** (external valuation)
- **Roads assets including roads, bridges and footpaths** (internal valuation)
- **Bulk earthworks** (internal valuation)

- **Stormwater drainage** (internal valuation)
- **Water and sewerage networks** (internal valuation)
- **Swimming pools** (external valuation)
- **Other open space/recreational assets**
(external valuation)
- **Other infrastructure** (internal valuation)
- **Other assets**
(as approximated by depreciated historical cost)
- **Investment properties** – refer Note 1(p),

Initial recognition

On initial recognition, an asset's cost is measured at its fair value, plus all expenditure that is directly attributable to the acquisition.

Where settlement of any part of an asset's cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of recognition (i.e. date of exchange) of the asset to arrive at fair value.

The discount rate used is the Council's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Where infrastructure, property, plant and equipment assets are acquired for no cost or for an amount other than cost, the assets are recognised in the financial statements at their fair value at acquisition date – being the amount that the asset could have been exchanged between knowledgeable willing parties in an arm's length transaction.

Subsequent costs

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.

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

Asset revaluations (including indexation)

In accounting for asset revaluations relating to infrastructure, property, plant and equipment:

- increases in the combined carrying amounts of asset classes arising on revaluation are credited to the asset revaluation reserve,
- to the extent that a net asset class increase reverses a decrease previously recognised via the profit or loss, then increase is first recognised in profit or loss,
- net decreases that reverse previous increases of the same asset class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income Statement.

Water and sewerage network assets are indexed annually between full revaluations in accordance with the latest indices provided in the NSW Office of Water – Rates Reference Manual.

For all other assets, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date.

If any such indication exists, Council determines the asset's fair value and revalues the asset to that amount.

Full revaluations are undertaken for all assets on a 5-year cycle.

Capitalisation thresholds

Items of infrastructure, property, plant and equipment are not capitalised unless their cost of acquisition exceeds the following:

Land

- council land	No threshold
- open space	No threshold
- land under roads (purchases after 30/6/08)	No threshold

Plant and Equipment

Office Furniture	\$1,000
Office Equipment	\$1,000
Other Plant and Equipment	\$1,000

Buildings and Land Improvements

Park Furniture and Equipment	\$1,000
Building	
- construction/extensions	\$2,000
- renovations	\$2,000
Other Structures	\$2,000

Water and Sewer Asset

Reticulation extensions	\$2,000
Other	\$2,000

Stormwater Assets

Drains and Culverts	\$2,000
Other	\$2,000

Transport Assets

Road construction and reconstruction	No threshold
Reseal/Re-sheet and major repairs:	No threshold
Bridge construction and reconstruction	No threshold

Other Infrastructure Assets

Swimming Pools	> \$10,000
Other Open Space/Recreational Assets	> \$10,000
Other Infrastructure	> \$10,000

Depreciation

Depreciation on Council's infrastructure, property, plant and equipment assets is calculated using the straight-line method in order to allocate an asset's cost (net of residual values) over its estimated useful life.

Land is not depreciated.

Estimated useful lives for Council's I,PPandE include:

Plant and Equipment

- Office Equipment	5 to 20 years
- Office furniture	5 to 20 years
- Computer Equipment	4 years
- Motor Cars - Sedans	5 years
- Trucks and utilities	5 to 10 years
- Dozers, Graders, Rollers	10 years
- Other plant and equipment	10 years

Other Equipment

- Playground equipment	5 to 15 years
- Benches, seats etc	10 to 20 years

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

Buildings

- Buildings: Masonry	50 to 100 years
- Buildings: Other	20 to 40 years

Stormwater Drainage

- Drains	75 to 125 years
- Culverts	75 to 125 years

Transportation Assets

- Sealed Roads: Surface	15 to 20 years
- Sealed Roads: Structure	60 to 100 years
- Unsealed Roads - Formation	20 to 30 years
- Bridge: Concrete	100 years
- Bridge: Other	80 years
- Concrete Road Pavements	60 years
- Kerb, Gutter and Paths	40 years

Water and Sewer Assets

- Dams and reservoirs	100 years
- Water and Sewer Treatment Plants	70 to 100 years
- Water Mains	80 to 100 years
- Sewer Mains	70 to 100 years
- Reticulation pipes: PVC	80 years
- Reticulation pipes: Other	25 to 75 years
- Meters and Water Plant	10 years
- Pumps and telemetry	15 to 20 years

Other Infrastructure Assets

- Bulk earthworks	Infinite
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- Other Open Space/ Recreational Assets	10 to 100 years
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All asset residual values and useful lives are reviewed and adjusted (if appropriate) at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount – refer Note 1 (s) on asset impairment.

Disposal and derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in Council's Income Statement in the year the asset is derecognised.

(j) Land

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

This classification of land is disclosed in Note 9 (a).

(k) 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 acquired after 1 July 2008 is recognised in accordance with AASB 116 – Property, Plant and Equipment.

(l) Intangible assets

Council has not classified any assets as intangible.

(m) 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.

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

Representations are currently being sought across state and local government to develop a consistent accounting treatment for Crown Reserves across both tiers of government.

(n) Rural fire service assets

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

At present, the accounting for such fire fighting equipment is not treated in a consistent manner across all Councils.

Until such time as discussions on this matter have concluded and the legislation changed, Council will continue to account for these assets as it has been doing in previous years, which is to incorporate the assets, their values and depreciation charges within these financial statements as applicable.

(o) Provisions for close down, restoration and for environmental clean-up costs – including tips and quarries

Close down, restoration and remediation costs include the dismantling and demolition of infrastructure, the removal of residual materials and the remediation of disturbed areas.

Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close down and restoration costs do not include any additional obligations that are expected to arise from future disturbance.

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, e.g. updated cost estimates and

revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Close down, restoration and remediation 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.

The amortisation or 'unwinding' of the discount applied in establishing the net present value of provisions is charged to the Income Statement in each accounting period.

This amortisation of the discount is disclosed as a borrowing cost in Note 4 (b).

Other movements in the provisions for close down, restoration and remediation 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.

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

Provision is made for the estimated present value of the costs of environmental clean-up obligations outstanding at the balance sheet date.

These costs are charged to the Income Statement.

Movements in the environmental clean-up provisions are presented as an operating cost, except for the unwind of the discount, which is shown as a borrowing cost.

Remediation procedures generally commence soon after the time the damage, remediation process and estimated remediation costs become known, but may

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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.

Specific information about Council's provisions relating to close down, restoration and remediation costs can be found at Note 26.

(p) Impairment of assets

All Council's I,PP&E is subject to an annual assessment of impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where an asset is not held principally for cash-generating purposes (for example infrastructure assets) and would be replaced if the Council was deprived of it, then depreciated replacement cost is used as value in use, otherwise value in use is estimated by using a discounted cash flow model.

Non-financial assets (other than goodwill) that suffered a prior period impairment are reviewed for possible reversal of the impairment at each reporting date.

Goodwill and other intangible assets that have an indefinite useful life and are not subject to amortisation are tested annually for impairment.

(q) Payables

These amounts represent liabilities and include goods and services provided to the Council prior to the end of financial year that are unpaid.

(r) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred.

Borrowings are subsequently measured at amortised cost.

Amortisation results in any difference between the proceeds (net of transaction costs) and the redemption amount being recognised in the Income Statement over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

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

(s) Borrowing costs

Borrowing costs are expensed.

(t) Employee benefits

(i) Short-term obligations

Short-term employee benefit obligations include liabilities for wages and salaries (including non-monetary benefits), annual leave and vesting sick leave expected to be wholly settled within the 12 months after the reporting period.

Leave liabilities are recognised in the provision for employee benefits in respect of employees' services

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

up to the reporting date with other short term employee benefit obligations disclosed under payables.

These provisions are measured at the amounts expected to be paid when the liabilities are settled.

All other short-term employee benefit obligations are presented as payables.

Liabilities for non-vesting sick leave are recognised at the time when the leave is taken and measured at the rates paid or payable, and accordingly no Liability has been recognised in these reports.

Wages and salaries, annual leave and vesting sick leave are all classified as current liabilities.

(ii) Other long-term obligations

The liability for all long service and annual leave in respect of services provided by employees up to the reporting date (which is not expected to be wholly settled within the 12 months after the reporting period) are recognised in the provision for employee benefits.

These liabilities are measured at the present value of the expected future payments to be made 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 then discounted using market yields at the reporting date based on national government bonds with terms to maturity and currency that match as closely as possible the estimated future cash outflows.

Due to the nature of when and how long service leave can be taken, all long service leave for employees with 4 or more years of service has been classified as current, as it has been deemed that Council does not have the unconditional right to defer settlement beyond 12 months – even though it is not anticipated that all employees with more than 4 years service (as at reporting date) will apply for and take their leave entitlements in the next 12 months.

(iii) 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.

Defined benefit plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the balance sheet, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost.

The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

However, when this information is not reliably available, Council can account for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans – i.e. as an expense when they become payable.

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named the 'Local Government Superannuation Scheme – Pool B'.

This scheme has been deemed to be a 'multi-employer fund' for the purposes of AASB 119.

Sufficient information is not available to account for the Scheme as a defined benefit plan (in accordance with AASB 119) because the assets to the scheme are pooled together for all Councils.

The last valuation of the scheme was performed by Mr Richard Boyfield, FIAA on 24 February 2016 and covers the period ended 30 June 2015.

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

However the position is monitored annually and the actuary has estimated that as at 30 June 2016 the prior period deficit still exists.

Effective from 1 July 2009, employers are required to contribute additional contributions to assist in extinguishing this deficit.

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2016 was \$212,032.

The amount of additional contributions included in the total employer contribution advised above is \$99,229.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$150,105 as at 30 June 2016.

Council's share of that deficiency cannot be accurately calculated as the scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils.

For this reason, no liability for the deficiency has been recognised in these financial statements.

Council has, however, disclosed a contingent liability in Note 18 to reflect the possible obligation that may arise should the scheme require immediate payment to correct the deficiency.

Defined contribution 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.

(iv) Employee benefit on-costs

Council has recognised at year end the aggregate on-cost liabilities arising from employee benefits, and in particular those on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include superannuation and workers compensation expenses which will be payable upon

the future payment of certain leave liabilities accrued as at 30/06/16.

(u) Self-insurance

Council does not self-insure.

(v) Allocation between current and non-current assets and liabilities

In the determination of whether an asset or liability is classified as current or non-current, consideration is given to the time when each asset or liability is expected to be settled.

The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operational cycle.

Exceptions

In the case of liabilities where Council does not have the unconditional right to defer settlement beyond 12 months (such as vested long service leave), the liability is classified as current even if it is not expected to be settled within the next 12 months.

In the case of inventories that are 'held for trading', these are also classified as current even if not expected to be realised in the next 12 months.

(w) Taxes

The Council is exempt from both Commonwealth Income Tax and Capital Gains Tax.

Council does, however, have to comply with both Fringe Benefits Tax and Goods and Services Tax (GST).

Goods and Services Tax (GST)

Income, expenses and assets are all recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO).

In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the revenue / expense.

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

Receivables and payables within the Balance Sheet are stated inclusive of any applicable GST.

The net amount of GST recoverable from or payable to the ATO is included as a current asset or current liability in the Balance Sheet.

Operating cash flows within the Cash Flow Statement are on a gross basis, i.e. they are inclusive of GST where applicable.

Investing and financing cash flows are treated on a net basis (where recoverable from the ATO), i.e. they are exclusive of GST. Instead, the GST component of investing and financing activity cash flows that are recoverable from or payable to the ATO are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from (or payable to) the ATO.

(x) New accounting standards and Interpretations issued (not yet effective)

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2016.

Council has not adopted any of these standards early.

These include the following standards that are anticipated will impact on local government:

AASB 9 – Financial Instruments

AASB 15 – Revenue from Contracts with Customers and associated amending standards

AASB ED 260 – Income of Not-for-Profit Entities

AASB16 – Leases

AASB2015-6 – Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities

AASB 2014 – 10 Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture

AASB 2014 – 3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 and AASB 11]

The full impact of the above standards has yet to be ascertained or quantified but will range from additional and/or revised disclosures to changes in how certain transactions and balances are accounted for.

(y) Rounding of amounts

Unless otherwise indicated, amounts in the financial statements have been rounded off to the nearest thousand dollars.

(z) Comparative figures

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.

(aa) Disclaimer

Nothing contained within these statements may be taken to be an admission of any liability to any person under any circumstance.

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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 & non-current)	
	Original budget	Actual	Actual	Original budget	Actual	Actual	Original budget	Actual	Actual	Actual	Actual	Actual	Actual
	2016	2016	2015	2016	2016	2015	2016	2016	2015	2016	2015	2016	2015
Governance	208	13	5	895	886	596	(687)	(873)	(591)	–	–	771	–
Administration	5	330	279	1,821	662	286	(1,816)	(332)	(7)	–	4	4,577	11,583
Public order and safety	79	66	36	268	429	226	(189)	(363)	(190)	23	–	–	790
Health	47	14	18	244	108	195	(197)	(94)	(177)	–	–	–	–
Environment	1,811	1,618	1,445	1,853	1,820	1,922	(42)	(202)	(477)	106	15	1,522	24
Community services and education	6,172	6,723	6,375	6,024	6,384	6,216	148	339	159	–	133	9,731	7,224
Housing and community amenities	181	216	207	350	554	442	(169)	(338)	(235)	–	13	2,944	4,212
Water supplies	996	1,077	970	755	930	778	241	147	192	18	17	20,767	20,314
Sewerage services	640	638	630	512	590	614	128	48	16	14	13	8,311	8,075
Recreation and culture	248	212	229	866	1,040	831	(618)	(828)	(602)	134	134	6,617	5,185
Mining, manufacturing and construction	–	–	–	3	8	1	(3)	(8)	(1)	–	–	5	6
Transport and communication	4,224	4,028	5,122	4,303	6,227	5,050	(79)	(2,199)	72	2,887	3,665	185,876	180,988
Economic affairs	93	31	45	289	398	362	(196)	(367)	(317)	–	–	2,362	827
Total functions and activities	14,704	14,966	15,361	18,183	20,036	17,519	(3,479)	(5,070)	(2,158)	3,182	3,994	243,483	239,228
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	–	–	–	–	–	–	–	–	–
General purpose income ¹	5,502	6,224	5,922	–	–	–	5,502	6,224	5,922	2,369	2,396	–	–
Operating result from continuing operations	20,206	21,190	21,283	18,183	20,036	17,519	2,023	1,154	3,764	5,551	6,390	243,483	239,228

1. Includes: rates and annual charges (incl. ex-gratia), untied general purpose grants and unrestricted interest and investment income.

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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:

GOVERNANCE

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.

ADMINISTRATION

Includes corporate support and other support services, engineering works, and any Council policy compliance.

PUBLIC ORDER AND SAFETY

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

HEALTH

Includes immunisation, food control, health centres etc.

ENVIRONMENT

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

COMMUNITY SERVICES AND EDUCATION

Includes administration and education; social protection (welfare); migrant, Aboriginal and other community services and administration (excluding accommodation – as it is covered under 'housing and community amenities'); youth services; aged and disabled persons services; children's services, including family day care; child care; and other family and children services.

HOUSING AND COMMUNITY AMENITIES

Includes public cemeteries; public conveniences; street lighting; town planning; other community amenities, including housing development and accommodation for families and children, aged persons, disabled persons, migrants and Indigenous persons.

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION AND CULTURE

Includes public libraries; museums; art galleries; community centres and halls, including public halls and performing arts venues; sporting grounds and venues; swimming pools; parks; gardens; lakes; and other sporting, recreational and cultural services.

MINING, MANUFACTURING AND CONSTRUCTION

Includes building control, quarries and pits, mineral resources, and abattoirs.

TRANSPORT AND COMMUNICATION

Urban local, urban regional, includes sealed and unsealed roads, bridges, footpaths, parking areas, and aerodromes.

ECONOMIC AFFAIRS

Includes camping areas and caravan parks; tourism and area promotion; industrial development promotion; sale yards and markets; real estate development; commercial nurseries; and other business undertakings.

Uralla Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 3. Income from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
(a) Rates and annual charges			
Ordinary rates			
Residential		1,367	1,359
Farmland		1,973	1,939
Business		101	99
Total ordinary rates		3,441	3,397
Special rates			
Nil			
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		406	335
Stormwater management services		29	29
Water supply services		410	389
Sewerage services		567	542
Waste management services (non-domestic)		67	29
Environmental		718	646
Total annual charges		2,197	1,970
<u>TOTAL RATES AND ANNUAL CHARGES</u>		<u>5,638</u>	<u>5,367</u>

Council has used 2015 year valuations provided by the NSW Valuer General in calculating its rates.

Uralla Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(b) User charges and fees			
Specific user charges (per s.502 – specific ‘actual use’ charges)			
Water supply services		586	514
Sewerage services		6	5
Waste management services (non-domestic)		140	171
Total user charges		732	690
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Inspection services		20	15
Private works – section 67		114	156
Registration fees		6	6
Section 149 certificates (EPA Act)		20	15
Section 603 certificates		11	9
Town planning		86	77
Total fees and charges – statutory/regulatory		257	278
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aged care		735	689
Bundarra neighbour aid		67	8
Cemeteries		38	29
Community centres		1	–
Kamillaroi aged and disability services – contract service fees		1,035	1,260
Scrap metal sales		7	48
Sundry sales		12	7
Swimming centres		17	15
Tablelands community support options – client contributions		205	85
Tablelands community support options – contract service fees		1,872	1,741
Tablelands community transport		15	12
Waste disposal tipping fees		48	29
Water and sewer connection fees		15	31
Other		9	–
Total fees and charges – other		4,076	3,954
TOTAL USER CHARGES AND FEES		5,065	4,922

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		27	24
– Interest earned on investments (interest and coupon payment income)		290	212
Impairment (losses)/reversals			
– Investments other than available for sale		205	–
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>		<u>522</u>	<u>236</u>
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		27	24
General Council cash and investments		387	105
Restricted investments/funds – external:			
Development contributions			
– Section 94		13	13
Water fund operations		50	49
Sewerage fund operations		45	45
<u>Total interest and investment revenue recognised</u>		<u>522</u>	<u>236</u>
(d) Other revenues			
Rental income – other council properties		109	97
Fines		3	2
Legal fees recovery – rates and charges (extra charges)		21	24
Commissions and agency fees		11	8
Diesel rebate		87	86
Donations received		2	214
Insurance claim recoveries		35	38
Other reimbursements		30	53
Other sundry income		74	61
Recycling income (non-domestic)		92	69
Sales – general		41	80
Staff FBT contributions		27	39
<u>TOTAL OTHER REVENUE</u>		<u>532</u>	<u>771</u>

Uralla Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
(e) Grants				
General purpose (untied)				
Financial assistance – general component	1,398	1,422	–	–
Financial assistance – local roads component	905	911	–	–
Pensioners' rates subsidies – general component	66	63	–	–
Total general purpose	2,369	2,396	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	17	17	–	–
– Sewerage	14	13	–	–
– Domestic waste management	15	15	–	–
Animal Control	23	–	–	–
Employment and training programs	–	4	–	–
Environmental protection	6	9	–	–
Heritage and cultural	4	5	–	–
Landfill management	–	49	85	–
Library	–	30	–	16
Library – special projects	30	–	–	–
Recreation and culture	–	30	100	88
Street lighting	13	13	–	–
Town planning	–	40	–	–
Transport (roads to recovery)	1,228	320	–	–
Transport (other roads and bridges funding)	–	–	1,646	3,345
Youth service	1	–	–	–
Total specific purpose	1,351	545	1,831	3,449
Total grants	3,720	2,941	1,831	3,449
Grant revenue is attributable to:				
– Commonwealth funding	–	2,653	217	82
– State funding	–	288	1,614	3,367
– Other funding	3,720	–	–	–
	3,720	2,941	1,831	3,449

Uralla Shire Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
S 94 – contributions towards amenities/services	30	17	–	–
Total developer contributions	30	17	–	–
Other contributions:				
Bundarra neighbour aid – subsidies	–	61	–	–
Kerb and gutter	–	–	17	46
McMaugh Gardens aged care – subsidies	2,147	1,529	–	–
RMS contributions (regional roads, block grant)	1,132	709	–	657
Tablelands community transport – subsidies	556	578	–	–
Total other contributions	3,835	2,877	17	703
Total contributions	3,865	2,894	17	703
TOTAL GRANTS AND CONTRIBUTIONS	7,585	5,835	1,848	4,152

\$ '000	Actual 2016	Actual 2015
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(g) Restrictions relating to grants and contributions**Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:**

Unexpended at the close of the previous reporting period	1,016	418
Add: grants and contributions recognised in the current period but not yet spent:	974	598
Less: grants and contributions recognised in a previous reporting period now spent:	(424)	–
Net increase (decrease) in restricted assets during the period	550	598
Unexpended and held as restricted assets	1,566	1,016
Comprising:		
– Specific purpose unexpended grants	1,075	568
– Developer contributions	491	448
	1,566	1,016

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
(a) Employee benefits and on-costs			
Salaries and wages		7,435	6,742
Travel expenses		42	28
Employee leave entitlements (ELE)		1,113	1,293
Superannuation – defined contribution plans		710	626
Superannuation – defined benefit plans		212	229
Workers' compensation insurance		396	474
Fringe benefit tax (FBT)		25	41
Training costs (other than salaries and wages)		84	78
Other		25	7
Total employee costs		10,042	9,518
Less: capitalised costs		(1,410)	(1,710)
TOTAL EMPLOYEE COSTS EXPENSED		8,632	7,808
Number of 'full-time equivalent' employees (FTE) at year end		132	114
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		158	121
Total interest bearing liability costs expensed		158	121
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	26	24	3
Total other borrowing costs		24	3
TOTAL BORROWING COSTS EXPENSED		182	124
(c) Materials and contracts			
Raw materials and consumables		5,381	4,222
Contractor and consultancy costs		3,846	6,245
Auditors remuneration ⁽¹⁾		44	37
Legal expenses:			
– Legal expenses: debt recovery		20	23
– Legal expenses: other		58	2
Total materials and contracts		9,349	10,529
Less: capitalised costs		(4,074)	(5,942)
TOTAL MATERIALS AND CONTRACTS		5,275	4,587

(continued on the next page...)

Uralla Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Materials and contracts (continued)			
Auditor remuneration			
During the year, the following fees were incurred for services provided by the Council's Auditor:			
(i) Audit and other assurance services			
– Audit and review of financial statements: Council's Auditor		42	37
Remuneration for audit and other assurance services		42	37
(ii) Other non-assurance services			
– Other services		2	–
Remuneration for other services		2	–
Total Auditor remuneration		44	37

\$ '000	Notes	Impairment costs		Depreciation/amortisation	
		Actual 2016	Actual 2015	Actual 2016	Actual 2015
Plant and equipment		–	–	502	461
Office equipment		–	–	80	56
Furniture and fittings		–	–	53	48
Infrastructure:					
– Buildings – non-specialised		–	–	469	198
– Other structures		–	–	65	43
– Sealed roads structure		–	–	1,349	1,638
– Unsealed roads		–	–	555	319
– Bridges		–	–	325	271
– Footpaths		–	–	41	17
– Stormwater drainage		–	–	23	30
– Water supply network		–	–	242	184
– Sewerage network		–	–	198	200
– Other open space/recreational assets		–	–	–	26
Other assets					
– Other		–	–	4	3
Asset reinstatement costs	9 & 26	–	–	39	39
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		–	–	3,945	3,533

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(e) Other expenses			
Other expenses for the year include the following:			
Advertising		36	65
Bad and doubtful debts		8	1
Bank charges		24	22
Councillor expenses – mayoral fee		20	19
Councillor expenses – councillors' fees		103	95
Councillors' expenses (incl. mayor) – other (excluding fees above)		15	16
Donations, contributions and assistance to other organisations (Section 356)		465	309
Electricity and heating		180	276
Insurance		310	266
Internet and other communication		31	37
Licences		26	11
Motor vehicle registration fees		73	43
Other fees and charges		2	4
Postage		23	27
Street lighting		51	50
Subscriptions and publications		79	68
Sundry expenses		5	4
Telephone and communications		125	88
Volunteer reimbursements		13	10
<u>TOTAL OTHER EXPENSES</u>		<u>1,589</u>	<u>1,411</u>

Note 5. Gains or losses from the disposal of assets

Plant and equipment			
Proceeds from disposal – plant and equipment		38	241
Less: carrying amount of plant and equipment assets sold/written off		(38)	(297)
Net gain/(loss) on disposal		<u>–</u>	<u>(56)</u>
Infrastructure			
Less: carrying amount of infrastructure assets sold/written off		(413)	–
Net gain/(loss) on disposal		<u>(413)</u>	<u>–</u>
Financial assets			
Proceeds from disposal/redemptions/maturities – financial assets		13,905	1,000
Less: carrying amount of financial assets sold/redeemed/matured		(13,905)	(1,000)
Net gain/(loss) on disposal		<u>–</u>	<u>–</u>
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>(413)</u>	<u>(56)</u>

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 6a. – Cash assets and Note 6b. – investments

\$ '000	Notes	2016 Actual Current	2016 Actual Non-current	2015 Actual Current	2015 Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		109	–	1,451	–
Cash-equivalent assets ¹					
– Deposits at call		1,741	–	624	–
– Short-term deposits		1,350	–	5,100	–
Total cash and cash equivalents		3,200	–	7,175	–
Investments (Note 6b)					
– Long term deposits		7,150	–	2,405	–
Total investments		7,150	–	2,405	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		10,350	–	9,580	–

¹ Those investments where time to maturity (from date of purchase) is < 3 mths.

Cash, cash equivalents and investments were classified at year end in accordance with AASB 139 as follows:

Cash and cash equivalents

a. 'At fair value through the profit and loss'		3,200	–	7,175	–
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Investments

a. 'Held to maturity'	6(b-i)	7,150	–	2,405	–
Investments		7,150	–	2,405	–

Note 6(b-i)

Reconciliation of investments classified as 'held to maturity'

Balance at the beginning of the year		2,405	–	1,000	–
Additions		18,445	–	2,405	–
Impairment (loss)/prior loss reversal (via P&L)		205	–	–	–
Disposals (sales and redemptions)		(13,905)	–	(1,000)	–
Balance at end of year		7,150	–	2,405	–

Comprising:

– Long term deposits		7,150	–	2,405	–
Total		7,150	–	2,405	–

Refer to Note 27. Fair value measurement for information regarding the fair value of investments held.

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

	2016 Actual Current	2016 Actual Non-current	2015 Actual Current	2015 Actual Non-current
\$ '000				
Total cash, cash equivalents and investments	10,350	–	9,580	–
attributable to:				
External restrictions (refer below)	7,366	–	7,107	–
Internal restrictions (refer below)	2,338	–	1,520	–
Unrestricted	646	–	953	–
	10,350	–	9,580	–

2016 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Details of restrictions				
External restrictions – included in liabilities				
Specific purpose unexpended loans – general (A)	1,325	–	(706)	619
McMaugh Gardens resident bonds	1,722	–	(71)	1,651
External restrictions – included in liabilities	3,047	–	(777)	2,270
External restrictions – other				
Developer contributions – general (D)	448	43	–	491
Specific purpose unexpended grants (F)	568	507	–	1,075
Water supplies (G)	1,559	247	–	1,806
Sewerage services (G)	1,485	239	–	1,724
External restrictions – other	4,060	1,036	–	5,096
Total external restrictions	7,107	1,036	(777)	7,366
Internal restrictions				
Plant and vehicle replacement	270	389	–	659
Employees leave entitlement	539	–	–	539
Carry over works	335	301	–	636
Community services excess income	176	128	–	304
Strategic development	200	–	–	200
Total internal restrictions	1,520	818	–	2,338
TOTAL RESTRICTIONS	8,627	1,854	(777)	9,704

- A** Loan moneys which must be applied for the purposes for which the loans were raised. Comparatives have been adjusted to correctly reflect the purpose for which the loan was originally made.
- D** Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- F** Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1 (b))
- G** Water, sewerage, domestic waste management (DWM) and other special rates/levies/charges are externally restricted assets and must be applied for the purposes for which they were raised.

Uralla Shire Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 7. Receivables

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
Purpose					
Rates and annual charges		192	—	213	—
Interest and extra charges		58	—	60	—
User charges and fees		335	—	158	—
Accrued revenues					
– Interest on investments		50	—	26	—
– Other income accruals		553	—	323	—
Amounts due from other councils		101	—	360	—
Government grants and subsidies		70	—	53	—
Net GST receivable		(41)	—	66	—
Other debtors		81	—	78	—
Total		1,399	—	1,337	—
Less: provision for impairment					
Other debtors		(10)	—	(2)	—
Total provision for impairment – receivables		(10)	—	(2)	—
<u>TOTAL NET RECEIVABLES</u>		<u>1,389</u>	<u>—</u>	<u>1,335</u>	<u>—</u>
Externally restricted receivables					
Water supply					
– Rates and availability charges		32	—	32	—
– Other		311	—	166	—
Sewerage services					
– Rates and availability charges		30	—	31	—
– Other		7	—	5	—
Other					
Unexpended grants		264	—	—	—
Total external restrictions		644	—	234	—
Internally restricted receivables					
Nil					
Unrestricted receivables		745	—	1,101	—
TOTAL NET RECEIVABLES		1,389	—	1,335	—

Notes on debtors above:

- (i) Rates and annual charges outstanding are secured against the property.
- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates and charges at 8.50% (2015 8.50%).
Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

Uralla Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 8. Inventories and other assets

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
(a) Inventories					
(i) Inventories at cost					
Stores and materials		175	–	187	–
Total inventories at cost		175	–	187	–
(ii) Inventories at net realisable value (NRV)					
Nil					
TOTAL INVENTORIES		175	–	187	–
(b) Other assets					
Prepayments		52	–	19	–
TOTAL OTHER ASSETS		52	–	19	–

Externally restricted assets

There are no restrictions applicable to the above assets.

Other disclosures

Inventory write downs

There were no amounts recognised as an expense relating to the write down of inventory balances held during the year.

Refer to Note 27. Fair value measurement for information regarding the fair value of other assets held.

Uralla Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 9a. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2015					Asset movements during the reporting period							as at 30/6/2016				
	At cost	At fair value	Accumulated		Carrying value	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	At cost	At fair value	Accumulated		Carrying value
			depreciation	impairment											depreciation	impairment	
Capital work in progress	1,103	–	–	–	1,103	(12)	–	–	–	–	–	–	1,091	–	–	–	1,091
Plant and equipment	–	6,774	2,426	–	4,348	216	–	(38)	(502)	–	–	–	–	6,912	2,888	–	4,024
Office equipment	–	487	278	–	209	66	–	–	(80)	–	–	–	–	554	359	–	195
Furniture and fittings	–	829	489	–	340	230	–	–	(53)	–	–	–	–	1,058	541	–	517
Land:																	
– Operational land	–	1,404	–	–	1,404	–	337	–	–	–	–	–	–	1,741	–	–	1,741
– Community land	–	1,631	–	–	1,631	–	–	–	–	–	–	1,901	–	3,532	–	–	3,532
Land improvements – non-depreciable	–	17	–	–	17	–	–	–	–	–	–	–	–	17	–	–	17
Infrastructure:																	
– Buildings – non-specialised	–	23,771	6,434	–	17,337	5	–	–	(469)	–	–	22	–	23,820	6,925	–	16,895
– Other structures	–	1,027	566	–	461	–	–	–	(65)	–	–	148	–	1,285	741	–	544
– Sealed roads structure	–	61,607	23,633	–	37,974	1,098	–	(303)	(1,349)	35,649	–	1,499	–	99,814	25,246	–	74,568
– Unsealed roads	–	16,110	10,867	–	5,243	–	–	–	(555)	1,344	(45)	–	–	17,330	11,343	–	5,987
– Bridges	–	32,281	11,503	–	20,778	713	–	(24)	(325)	–	–	–	–	32,208	11,066	–	21,142
– Footpaths	–	1,637	185	–	1,452	95	–	–	(41)	–	–	–	–	1,732	226	–	1,506
– Bulk earthworks (non-depreciable)	–	111,974	–	–	111,974	1,195	–	(86)	–	(36,993)	(193)	–	–	75,897	–	–	75,897
– Stormwater drainage	–	2,479	519	–	1,960	–	–	–	(23)	–	–	–	–	2,479	542	–	1,937
– Water supply network	–	16,052	1,592	–	14,460	30	–	–	(242)	–	–	213	–	16,322	1,861	–	14,461
– Sewerage network	–	7,780	1,485	–	6,295	12	–	–	(198)	–	–	92	–	7,909	1,708	–	6,201
– Swimming pools	–	–	–	–	–	–	–	–	–	–	–	184	–	750	566	–	184
– Other open space/recreational assets	–	653	300	–	353	–	–	–	–	–	–	–	–	653	300	–	353
Other assets:																	
– Heritage collections	–	90	–	–	90	–	–	–	–	–	–	–	–	90	–	–	90
– Other	–	51	18	–	33	–	–	–	(4)	–	–	–	–	51	22	–	29
Reinstatement, rehabilitation and restoration assets (refer Note 26):																	
– Tip assets	–	786	141	–	645	–	–	–	(39)	–	–	–	–	787	181	–	606
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	1,103	287,440	60,436	–	228,107	3,648	337	(451)	(3,945)	–	(238)	4,059	1,091	294,941	64,515	–	231,517

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

Refer to Note 27. Fair value measurement for information regarding the fair value of other infrastructure, property, plant and equipment.

Uralla Shire Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 9b. Externally restricted infrastructure, property, plant and equipment

\$ '000 Class of asset	Actual 2016				Actual 2015			
	At cost	At fair value	A/Dep & impairm't	Carrying value	At cost	At fair value	A/Dep & impairm't	Carrying value
Water supply								
Land								
– Operational land	–	295	–	295	–	202	–	202
Buildings	–	4,395	538	3,857	–	4,395	505	3,890
Infrastructure	–	16,323	1,861	14,462	–	16,052	1,592	14,460
Other assets	–	7	3	4	–	8	3	5
Total water supply	–	21,020	2,402	18,618	–	20,657	2,100	18,557
Sewerage services								
Land								
– Operational land	–	195	–	195	–	102	–	102
– Improvements non-depreciable	–	6	–	6	–	6	–	6
Buildings	–	104	8	96	–	104	7	97
Other structures	–	40	25	15	–	40	24	16
Infrastructure	–	7,909	1,708	6,201	–	7,780	1,485	6,295
Other assets	–	46	9	37	–	46	8	38
Total sewerage services	–	8,300	1,750	6,550	–	8,078	1,524	6,554
Domestic waste management								
Plant and equipment	–	432	226	206	–	306	149	157
Office equipment	–	2	1	1	–	–	–	–
Land								
– Operational land	–	203	–	203	–	180	–	180
Buildings	–	455	81	374	–	455	70	385
Other structures	–	225	170	55	–	225	161	64
Other assets	–	26	5	21	–	27	5	22
Total DWM	–	1,343	483	860	–	1,193	385	808
MaMaugh Gardens aged care								
– Plant and equipment	–	42	16	26	–	20	14	6
– Office equipment	–	25	18	7	–	25	14	11
– Furniture and fittings	–	688	349	339	–	467	323	144
– Land (Council owned)	–	133	–	133	–	65	–	65
– Roads, parking and footpaths	–	38	5	33	–	38	5	33
– Buildings	–	6,008	1,685	4,323	–	6,003	1,619	4,384
– Other structures	–	137	46	91	–	138	38	100
Total other restrictions	–	7,071	2,119	4,952	–	6,756	2,013	4,743
TOTAL RESTRICTED I,PP&E	–	37,734	6,754	30,980	–	36,684	6,022	30,662

Note 9c. Infrastructure, property, plant and equipment – current year
impairments

Council has recognised no impairment losses during the reporting period nor reversed any prior period losses.

Uralla Shire Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
Payables					
Goods and services – operating expenditure		395	–	1,102	–
Payments received in advance		3	–	–	–
Accrued expenses:					
– Borrowings		10	–	18	–
– Salaries and wages		182	–	384	–
– Other expenditure accruals		894	–	196	–
ATO – net GST payable		(2)	–	(2)	–
Retirement home contributions		1,921	–	2,176	–
Total payables		3,403	–	3,874	–
Borrowings					
Loans – secured ¹		202	2,845	118	3,121
Total borrowings		202	2,845	118	3,121
Provisions					
Employee benefits:					
Annual leave		670	–	743	–
Sick leave		75	–	86	–
Long service leave		1,509	86	1,422	79
Other leave		49	–	136	–
ELE on-costs		–	–	–	4
Sub-total – aggregate employee benefits		2,303	86	2,387	83
Asset remediation/restoration (future works)	26	–	857	–	833
Total provisions		2,303	943	2,387	916
<u>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</u>					
		5,908	3,788	6,379	4,037
(i) Liabilities relating to restricted assets					
		2016		2015	
		Current	Non-current	Current	Non-current
Externally restricted assets					
Other		1,651	–	2,180	–
McMaugh Garden (interest bearing liabilities)		4	59	4	63
Liabilities relating to externally restricted assets		1,655	59	2,184	63
Internally restricted assets					
Nil					
Total liabilities relating to restricted assets		1,655	59	2,184	63
Total liabilities relating to unrestricted assets		4,253	3,729	4,195	3,974
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		5,908	3,788	6,379	4,037

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 15.

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 10a. Payables, borrowings and provisions (continued)

	Actual 2016	Actual 2015
\$ '000		

(ii) Current liabilities not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	1,578	1,798
Retirement home contributions	1,183	1,780
	2,761	3,578

Note 10b. Description of and movements in provisions

Class of provision	2015	2016				
	Opening balance as at 1/7/15	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	Closing balance as at 30/6/16
Annual leave	743	411	(484)	–	–	670
Sick leave	86	225	(236)	–	–	75
Long service leave	1,501	120	(26)	–	–	1,595
Other leave	136	–	(87)	–	–	49
ELE on-costs	4	(4)	–	–	–	–
Asset remediation	833	24	–	–	–	857
TOTAL	3,303	776	(833)	–	–	3,246

- Employees leave entitlements and on-costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.
- Asset remediation, reinstatement and restoration provisions represent the present value estimate of future costs Council will incur in order to remove, restore and remediate assets and/or activities as a result of past operations.

Uralla Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2016	Actual 2015
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	3,200	7,175
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		3,200	7,175
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		1,154	3,764
Adjust for non-cash items:			
Depreciation and amortisation		3,945	3,533
Net losses/(gains) on disposal of assets		413	56
Unwinding of discount rates on reinstatement provisions		24	3
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(62)	1,013
Increase/(decrease) in provision for doubtful debts		8	1
Decrease/(increase) in inventories		12	10
Decrease/(increase) in other assets		(33)	98
Increase/(decrease) in payables		(707)	584
Increase/(decrease) in accrued interest payable		(8)	–
Increase/(decrease) in other accrued expenses payable		496	58
Increase/(decrease) in other liabilities		(23)	(233)
Increase/(decrease) in employee leave entitlements		(81)	(149)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		5,138	8,738

Uralla Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 11. Statement of cash flows – additional information (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Non-cash investing and financing activities			
Nil			
(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		30	46
Total financing arrangements		130	146
Amounts utilised as at balance date:			
– Credit cards/purchase cards		13	18
Total financing arrangements utilised		13	18

1. The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.
Interest rates on overdrafts are interest rates on loans and other payables are disclosed in Note 15.

(ii) Secured loan liabilities

Loans are secured by a mortgage over future years rate revenue only.

Note 12. Commitments for expenditure

Nil

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 13a(i). Statement of performance measurement – indicators (consolidated)

\$ '000	Amounts 2016	Indicator 2016	Prior periods	
			2015	2014
Local government industry indicators – consolidated				
1. Operating performance ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	(281)	-1.45%	-1.94%	-1.99%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	19,342			
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	14,460	68.24%	62.98%	61.94%
Total continuing operating revenue ⁽¹⁾	21,190			
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	3,956	1.48x	1.58x	2.39x
Current liabilities less specific purpose liabilities ^(3, 4)	2,675			
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	3,846	10.28x	14.21x	12.32x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	374			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	250	4.20%	4.77%	5.52%
Rates, annual and extra charges collectible	5,959			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	10,350	6.94 mths	7.3 mths	5.4 mths
Payments from cash flow of operating and financing activities	1,491			

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.

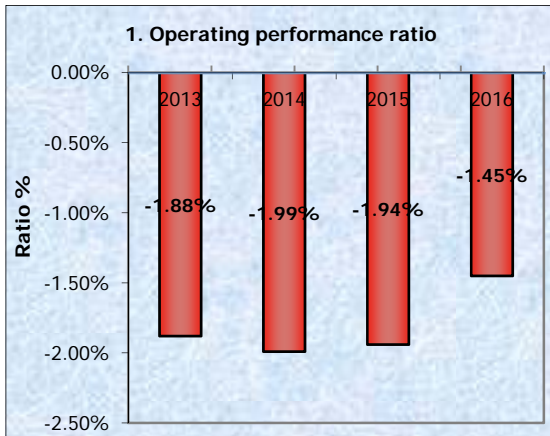
⁽³⁾ Refer to Note 10(a).

⁽⁴⁾ Refer to Note 10(a)(ii) – 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 2016

Note 13a(ii). Local government industry indicators – graphs (consolidated)



Benchmark: — Minimum $\geq 0.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Purpose of operating performance ratio

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

Commentary on 2015/16 result

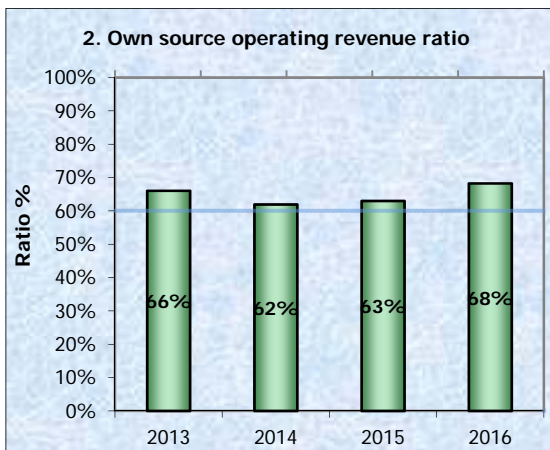
2015/16 ratio -1.45%

The Tcorp benchmark for this measure is to be better than a deficit of 4%. The current year result of under a 2% deficit is both better than the benchmark and an improvement on 2014 and 2015.



Ratio achieves benchmark

Ratio is outside benchmark



Benchmark: — Minimum $\geq 60.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

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 2015/16 result

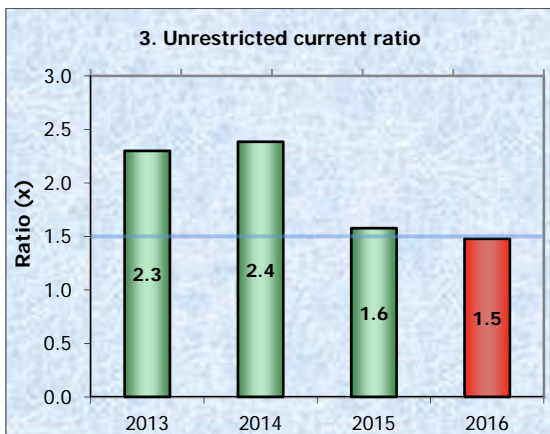
2015/16 ratio 68.24%

The Tcorp benchmark for this measure is to be above 60%. This ratio now correctly reflects income from McMaugh Gardens, TCSO, KADS and TCT as being own source income, not governments grants. Council has maintained a ratio above the benchmark for the past four years reflecting less reliance on other government grants for continuing operations.



Ratio achieves benchmark

Ratio is outside benchmark



Benchmark: — Minimum ≥ 1.50

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

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 2015/16 result

2015/16 ratio 1.48x

The Tcorp benchmark for this ratio is 1.5:1. 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 give further future fiscal flexibility.



Ratio achieves benchmark

Ratio is outside benchmark

Uralla Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 13a(ii). Local government industry indicators – graphs (consolidated)



Benchmark: — Minimum ≥ 2.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

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 2015/16 result

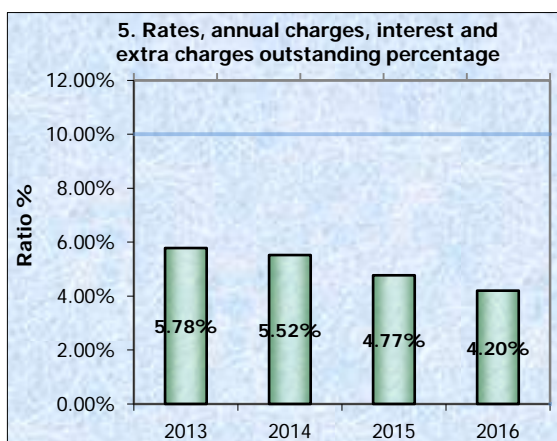
2015/16 ratio 10.28x

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



Ratio achieves benchmark

Ratio is outside benchmark



Benchmark: — Maximum $< 10.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #24

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 2015/16 result

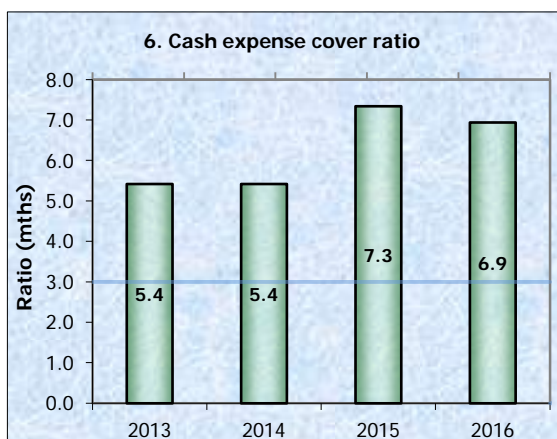
2015/16 ratio 4.20%

Close monitoring of outstanding rates has resulted in a continuous reduction of this ratio over the past four years.



Ratio is within Benchmark

Ratio is outside Benchmark



Benchmark: — Minimum ≥ 3.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

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 2015/16 result

2015/16 ratio 6.94 mths

Council continues to maintain a strong position in cash held.



Ratio achieves benchmark

Ratio is outside benchmark

Uralla Shire Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 13b. Statement of performance measurement – indicators (by fund)

\$ '000	Water 2016	Sewer 2016	General ⁵ 2016
Local government industry indicators – by fund			
1. Operating performance ratio			
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	13.55%	7.96%	-2.72%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	prior period: 19.79%	2.54%	-3.48%
2. Own source operating revenue ratio			
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	98.43%	97.82%	51.70%
Total continuing operating revenue ⁽¹⁾	prior period: 98.25%	97.94%	49.41%
3. Unrestricted current ratio			
Current assets less all external restrictions ⁽²⁾	No liabilities	No liabilities	1.48x
Current liabilities less specific purpose liabilities ^(3, 4)	prior period: No liabilities	No liabilities	1.58x
4. Debt service cover ratio			
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	0.00	0.00	8.48x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	prior period: 0.00x	0.00x	11.54x
5. Rates, annual charges, interest and extra charges outstanding percentage			
Rates, annual and extra charges outstanding	7.80%	5.29%	3.77%
Rates, annual and extra charges collectible	prior period: 8.25%	5.72%	4.39%
6. Cash expense cover ratio			
Current year's cash and cash equivalents plus all term deposits	32.69 mths	53.05 mths	4.86 mths
Payments from cash flow of operating and financing activities	prior period: 33.53 mths	43.68 mths	5.34 mths

Notes

(1) - (4) Refer to Notes at Note 13a(i) 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 2016

Note 14. Investment properties

\$ '000

Council has not classified any land or buildings as 'investment properties'.

Note 15. Financial risk management

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.

A comparison by category of the carrying amounts and fair values of Council's financial assets and financial liabilities recognised in the financial statements is presented below.

	Carrying value		Fair value	
	2016	2015	2016	2015
Financial assets				
Cash and cash equivalents	3,200	7,175	–	7,175
Investments				
– 'Held to maturity'	7,150	2,405	–	2,405
Receivables	1,389	1,335	–	1,335
Total financial assets	11,739	10,915	–	10,915
Financial liabilities				
Payables	3,400	3,874	–	3,874
Loans/advances	3,047	3,239	–	3,239
Total financial liabilities	6,447	7,113	–	7,113

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.
- Financial assets classified (i) '**at fair value through profit and loss**' or (ii) '**available-for-sale**' – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

Refer to Note 27. Fair value measurement for information regarding the fair value of financial assets and liabilities.

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 15. 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 with the assistance of independent advisors.

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

The risks associated with the investments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **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.

Council also seeks advice from independent advisers before placing any funds in cash equivalents and investments.

(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
2016				
Possible impact of a 1% movement in interest rates	100	100	(100)	(100)
2015				
Possible impact of a 1% movement in interest rates	68	68	(68)	(68)

Uralla Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 15. 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 reviewed monthly and benchmarks are set and monitored for acceptable collection performance.

Council makes suitable provision for doubtful receivables as required and carries out credit checks on some 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:

		2016	2016	2015	2015
		Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
(i) Ageing of receivables – %					
Current (not yet overdue)		57%	82%	77%	74%
Overdue		43%	18%	23%	26%
		100%	100%	100%	100%
		Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
(ii) Ageing of receivables – value					
Rates and annual charges	Other receivables				
Current	Current	110	990	164	828
< 1 year overdue	0 – 30 days overdue	58	3	13	172
1 – 2 years overdue	30 – 60 days overdue	24	1	36	5
2 – 5 years overdue	60 – 90 days overdue	–	–	–	5
> 5 years overdue	> 90 days overdue	–	213	–	114
		192	1,207	213	1,124
(iii) Movement in provision for impairment of receivables				2016	2015
Balance at the beginning of the year				2	1
+ new provisions recognised during the year				8	1
Balance at the end of the year				10	2

Uralla Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 15. 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.

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2016									
Trade/other payables	1,921	1,395	–	–	–	–	–	3,316	3,400
Loans and advances	–	351	351	346	337	325	2,324	4,034	3,047
Total financial liabilities	1,921	1,746	351	346	337	325	2,324	7,350	6,447
2015									
Trade/other payables	2,176	1,699	–	–	–	–	–	3,875	3,874
Loans and advances	–	118	124	119	126	125	2,628	3,240	3,239
Total financial liabilities	2,176	1,817	124	119	126	125	2,628	7,115	7,113

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 through the diversification of borrowing types, maturities and interest rate structures.

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

	2016		2015	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	3,400	0.00%	3,874	0.00%
Loans and advances – fixed interest rate	3,047	5.11%	3,239	5.10%
	6,447		7,113	

Uralla Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 16. Material budget variations

\$ '000

Council's original financial budget for 15/16 was adopted by the Council on 22 June 2015.

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	2016 Budget	2016 Actual	2016 Variance*	
REVENUES				
Rates and annual charges	5,704	5,638	(66)	(1%) U
User charges and fees	5,167	5,065	(102)	(2%) U
Interest and investment revenue	402	522	120	30% F
Budget variations arose due to higher cash reserves being held throughout the year together with improved processes for investing surplus cash in the general account.				
Other revenues	1,139	532	(607)	(53%) U
Variations in this area are spread across over 20 line items with the major issues relating to allocation of internal adjustments and reduced income from landfill items.				
Operating grants and contributions	5,583	7,585	2,002	36% F
The major variations to budget arise due to increased R2R funding, increased nursing home fees associated with an increase in high care residents and additional State grants not originally anticipated.				
Capital grants and contributions	2,211	1,848	(363)	(16%) U
The main budget variation relates to a misallocation between capital and operating grants.				

Uralla Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 16. Material budget variations (continued)

\$ '000	2016 Budget	2016 Actual	2016 ----- Variance* -----	
EXPENSES				
Employee benefits and on-costs	8,506	8,632	(126)	(1%) U
Borrowing costs	229	182	47	21% F
The budget assumed an interest rate of 5% on the new \$2million loan whereas the actual rate was closer to 3.7%.				
Materials and contracts	3,782	5,275	(1,493)	(39%) U
Variations relate mainly to non-capitalisation of costs in the roads division together with the allocation of costs across financial years relating to incomplete projects also in the roads division.				
Depreciation and amortisation	3,557	3,945	(388)	(11%) U
This variation to budget relates to a review of our asset register involving amendments to residual values and effective lives.				
Other expenses	2,109	1,589	520	25% F
Budget variations here relate to over three hundred individual line items, none of which are significant in isolation.				
Net losses from disposal of assets	–	413	(413)	0% U

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

Cash flows from operating activities	5,183	5,138	(45)	(0.9%) U
Cash flows from investing activities	(5,011)	(8,692)	(3,681)	73.5% U
The variation to budget relates to the deferral or non-completion of various capital projects.				
Cash flows from financing activities	331	(421)	(752)	(227.2%) U
The original budget anticipated a new borrowing of \$500,000 which Council later determined was not necessary.				

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 17. Statement of developer contributions

\$ '000

Council recovers contributions, raises levies and enters into planning agreements on development works that are subject to a development consent issued by Council. All contributions must be spent/utilised for the specific purpose they were levied and any interest applicable to unspent funds must be attributed to remaining funds.

The following tables detail the receipt, interest and use of the above contributions and levies and the value of all remaining funds which are 'restricted' in their future use.

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	332	20	–	10	–	–	362	–
Traffic facilities	15	–	–	–	–	–	15	–
Community facilities	63	4	–	2	–	–	69	–
Other	39	6	–	1	–	–	46	–
S94 contributions – under a plan	448	30	–	13	–	–	491	–
Total S94 revenue under plans	448	30	–	13	–	–	491	–
Total contributions	448	30	–	13	–	–	491	–

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 17. Statement of developer contributions (continued)

\$ '000

S94 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	61	10	–	2	–	–	73	–
Traffic facilities	15	–	–	–	–	–	15	–
Community facilities	63	4	–	2	–	–	69	–
Other	34	6	–	1	–	–	41	–
Total	172	20	–	5	–	–	197	–

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	271	10	–	8	–	–	289	–
Total	271	10	–	8	–	–	289	–

Uralla Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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 it's 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.

(i) Defined benefit superannuation contribution plans (continued)

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

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

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2016 was \$212,032. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 24 February 2016 and covers the period to 30 June 2015. However the position is monitored annually and the Actuary has estimated that as at 30 June 2016 a deficit still exists.

Effective from 1 July 2015, employers are required to contribute additional contributions to assist in extinguishing this deficit.

Uralla Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 18. Contingencies and other assets/liabilities not recognised (continued)

\$ '000

(i) Defined benefit superannuation contribution plans (continued)

The annual amount of additional contributions payable until the deficit is extinguished is \$99,229. The additional contributions remitted during the year is included in the total employer contributions set out in the beginning of this paragraph.

The share of the deficit that can be broadly attributed to Council as the employer as at 30 June 2016 was estimated to be in the order of \$150,105.

(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.

(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.

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 18. Contingencies and other assets/liabilities not recognised (continued)

\$ '000

LIABILITIES NOT RECOGNISED (continued):

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) S94 plans

Council levies section 94/94A contributions upon various development across the Council area through the required contributions plans.

As part of these plans, Council has received funds for which it will be required to expend the monies in accordance with those plans.

As well, these plans indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years or where a shortfall exists by the use of Council's general funds.

These future expenses do not yet qualify as liabilities as of the reporting date, but represent Council's intention to spend funds in the manner and timing set out in those plans.

(iii) 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.

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

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

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

ASSETS NOT RECOGNISED:

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

(iii) FINANCIAL ASSETS COLLATERALISED DEBT OBLIGATIONS (CDOs)

All actions by Council pertaining to Lehman companies were settled during the year ended 30 June 2016. Council received net recoveries of \$204,799.

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 18. Contingencies and other assets/liabilities not recognised (continued)

\$ '000

ASSETS NOT RECOGNISED (continued):

(iv) 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 2016 were not available.

(iv) CENTRAL NORTHERN LIBRARIES (continued)

The net assets of the Central Northern Regional Library at 30 June 2015 were \$1,174,559 with a Surplus from Ordinary Activities of \$98,953 for the 2014/2015 year.

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

(v) 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 (Significant Accounting Policy (o) – Note 1).

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

Note 19. Interests in other entities

Council has no interest in any controlled entities, joint arrangements or associates.

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

\$ '000	Notes	Actual 2016	Actual 2015
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		68,014	64,448
a. Correction of prior period errors	20 (c)	—	(198)
b. Net operating result for the year		1,154	3,764
Balance at end of the reporting period		69,168	68,014
(b) Revaluation reserves			
(i) Reserves are represented by:			
– Infrastructure, property, plant and equipment revaluation reserve		164,619	160,798
Total		164,619	160,798
(ii) Reconciliation of movements in reserves:			
Infrastructure, property, plant and equipment revaluation reserve			
– Opening balance		160,798	231,190
– Revaluations for the year	9(a)	3,821	(70,392)
– Balance at end of year		164,619	160,798
TOTAL VALUE OF RESERVES		164,619	160,798
(iii) 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.			
(c) Correction of error/s relating to a previous reporting period			
Correction of errors as disclosed in last year's financial statements:			
– Duplication of grant income			(198)
In accordance with AASB 108 – Accounting Policies, Changes in Accounting Estimates and Errors, the above prior period errors have been recognised retrospectively.			
These amounted to the following equity adjustments:			
– Adjustments to closing equity – 30/6/15 (relating to adjustments for the 30/6/15 year end)		—	(198)
Total prior period adjustments – prior period errors		—	(198)
(d) Voluntary changes in accounting policies			
Council made no voluntary changes in any accounting policies during the year.			

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 21. Financial result and financial position by fund

Income Statement by fund \$ '000	Actual 2016	Actual 2016	Actual 2016
Continuing operations	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	410	567	4,661
User charges and fees	593	12	4,460
Interest and investment revenue	50	45	427
Other revenues	15	3	514
Grants and contributions provided for operating purposes	17	14	7,554
Grants and contributions provided for capital purposes	–	–	1,848
Total income from continuing operations	1,085	641	19,464
Expenses from continuing operations			
Employee benefits and on-costs	386	246	8,000
Borrowing costs	–	–	182
Materials and contracts	272	140	4,863
Depreciation and amortisation	275	200	3,470
Impairment	–	–	–
Other expenses	–	1	1,588
Net losses from the disposal of assets	–	–	413
Total expenses from continuing operations	933	587	18,516
Operating result from continuing operations	152	54	948
Discontinued operations			
Net profit/(loss) from discontinued operations	–	–	–
Net operating result for the year	152	54	948
Net operating result attributable to each council fund	152	54	948
Net operating result attributable to non-controlling interests	–	–	–
Net operating result for the year before grants and contributions provided for capital purposes	152	54	(900)

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 2016

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

Statement of Financial Position by fund \$ '000	Actual 2016	Actual 2016	Actual 2016
	Water	Sewer	General ¹
ASSETS			
Current assets			
Cash and cash equivalents	1,806	1,724	–
Investments	–	–	6,820
Receivables	343	37	1,009
Inventories	–	–	175
Other	–	–	52
Non-current assets classified as 'held for sale'	–	–	–
Total current assets	2,149	1,761	8,056
Non-current assets			
Investments	–	–	–
Receivables	–	–	–
Inventories	–	–	–
Infrastructure, property, plant and equipment	18,618	6,550	206,349
Investments accounted for using the equity method	–	–	–
Investment property	–	–	–
Intangible assets	–	–	–
Total non-current assets	18,618	6,550	206,349
TOTAL ASSETS	20,767	8,311	214,405
LIABILITIES			
Current liabilities			
Payables	–	–	3,403
Borrowings	–	–	202
Provisions	–	–	2,303
Total current liabilities	–	–	5,908
Non-current liabilities			
Payables	–	–	–
Borrowings	–	–	2,845
Provisions	–	–	943
Total non-current liabilities	–	–	3,788
TOTAL LIABILITIES	–	–	9,696
Net assets	20,767	8,311	204,709
EQUITY			
Retained earnings	8,840	5,387	54,941
Revaluation reserves	11,927	2,924	149,768
Total equity	20,767	8,311	204,709

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 2016

Note 22. 'Held for sale' non-current assets and disposal groups

\$ '000

Council did not classify any non-current assets or disposal groups as 'held for sale'.

Note 23. Events occurring after the reporting date

Events that occur between the end of the reporting period (30 June 2016) and the date when the financial statements are 'authorised for issue' have been taken into account in preparing these statements.

Council has adopted the date of receipt of the Auditors' Report as the applicable 'authorised for issue' date relating to these General Purpose Financial Statements.

Accordingly, the 'authorised for issue' date is 25/10/16.

Events that occur after the reporting period represent one of two types:

(i) Events that provide evidence of conditions that existed at the reporting period

These financial statements (and the figures therein) incorporate all 'adjusting events' that provided evidence of conditions that existed at 30 June 2016.

(ii) Events that provide evidence of conditions that arose after the reporting period

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 30 June 2016 and which are only indicative of conditions that arose after 30 June 2016.

Council is unaware of any material or significant 'non-adjusting events' that should be disclosed.

Note 24. Discontinued operations

Council has not classified any of its operations as 'discontinued'.

Note 25. Intangible assets

Intangible assets represent identifiable non-monetary assets without physical substance.

Council is unaware of any control over intangible assets that warrant recognition in the financial statements, including either internally generated and developed assets or purchased assets.

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 26. Reinstatement, rehabilitation and restoration liabilities

\$ '000

Council has legal/public obligations to make restore, rehabilitate and reinstate the following assets/operations:

Asset/operation	Estimated year of restoration	NPV of provision	
		2016	2015
Landfill remediation	2029	857	833
Balance at end of the reporting period	10(a)	857	833

Under AASB 116 – Property, Plant and Equipment, where the use of an asset results in the obligation to dismantle or remove the asset and restore the site on which the asset stands, an estimate of such costs is required to be included in the cost of the asset.

An equivalent liability must be recognised under AASB 137 – Provisions, Contingent Liabilities and Contingent Assets.

The provision has been calculated by determining the present value of the future expenditures expected to be incurred. The discount rate used is the risk free borrowing rate applicable to Council.

Specific uncertainties relating to the final costs and the assumptions made in determining the amounts of provisions include:

In November 2013 Council received an independent assessment of Uralla Landfill (Logicus Environmental Management) as at 30 June 2013. Lifespan estimates of 45 years proved to be incorrect with the study revealing that the landfill will be full by 2029 if the landfill continues to operate in the same way. The lifespan is therefore revised to 17 years. Council is currently reviewing its compaction options to extend life expectancy. The report estimated cover cost provision is \$783,918 at 30 June 2013 under current operating processes.

Reconciliation of movement in provision for year:

Balance at beginning of year	833	830
Amounts capitalised to new or existing assets:		
Amortisation of discount (expensed to borrowing costs)	24	3
Total – reinstatement, rehabilitation and restoration provision	857	833

Amount of expected reimbursements

Of the above provisions for reinstatement, rehabilitation and restoration works, those applicable to garbage services and waste management are able to be funded through future charges incorporated within Council's annual domestic waste management charge.

Uralla Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 27. 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:

2016	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	—	—	4,024	4,024
Office equipment	—	—	195	195
Furniture and fittings	—	—	517	517
Operational land	—	—	1,741	1,741
Community land	—	—	3,532	3,532
Land improvements – non-depreciable	—	—	17	17
Buildings – non-specialised	—	—	16,895	16,895
Other structures	—	—	544	544
Sealed road structure	—	—	74,568	74,568
Unsealed roads	—	—	5,987	5,987
Bridges	—	—	21,142	21,142
Footpaths	—	—	1,506	1,506
Bulk earthworks	—	—	75,897	75,897
Stormwater drainage	—	—	1,937	1,937
Water supply network	—	—	14,461	14,461
Sewerage network	—	—	6,201	6,201
Heritage collection	—	—	90	90
Other assets	—	—	29	29
Tip assets	—	—	606	606
Other open space / recreational assets	—	—	353	353
Swimming pools	—	—	184	184
Total infrastructure, property, plant and equipment	—	—	230,426	230,426

Uralla Shire Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

		Fair value measurement hierarchy			
2015		Level 1	Level 2	Level 3	Total
	Date	Quoted	Significant	Significant	
	of latest	prices in	observable	unobservable	
	valuation	active mkts	inputs	inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/15	—	—	4,348	4,348
Office equipment	30/06/15	—	—	209	209
Furniture and fittings	30/06/15	—	—	340	340
Operational land	30/06/14	—	—	1,404	1,404
Community land	30/06/14	—	—	1,631	1,631
Land improvements – non-depreciable	30/06/14	—	—	17	17
Buildings – non-specialised	30/06/14	—	—	17,337	17,337
Other structures	30/06/14	—	—	461	461
Sealed road structure	30/06/15	—	—	37,974	37,974
Unsealed roads	30/06/15	—	—	5,243	5,243
Bridges	30/06/15	—	—	20,778	20,778
Footpaths	30/06/15	—	—	1,452	1,452
Bulk earthworks	30/06/15	—	—	111,974	111,974
Stormwater drainage	30/06/15	—	—	1,960	1,960
Water supply network	30/06/15	—	—	14,460	14,460
Sewerage network	30/06/15	—	—	6,295	6,295
Heritage collection	30/06/14	—	—	90	90
Other assets	30/06/14	—	—	33	33
Tip assets	30/06/14	—	—	645	645
Other open space / recreational assets	30/06/14	—	—	353	353
Total infrastructure, property, plant and equipment		—	—	227,004	227,004

(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 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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 2013 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 Martin Burns, Liquid Pacific Pty Ltd 2012/2013).

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 2016

Note 27. Fair value measurement (continued)

\$ '000

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

Infrastructure, property, plant and equipment (IPP&E) (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 2016.

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 for management of 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 - Liquid Pacific Holdings Pty Ltd in 2013 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 Martin Burns, Liquid Pacific Pty Ltd 2012/2013). 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 2016

Note 27. Fair value measurement (continued)

\$ '000

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

Infrastructure, property, plant and equipment (IPP&E) (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 2016

Note 27. Fair value measurement (continued)

\$ '000

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

Infrastructure, property, plant and equipment (IPP&E) (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 2012-2013. 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 2016

Note 27. Fair value measurement (continued)

\$ '000

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

Infrastructure, property, plant and equipment (IPP&E) (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 26 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

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

Infrastructure- Bridges

Council has 50 bridges/major culverts on local roads and 30 bridges/major culverts on regional roads. Of these, only two bridges are timber and these are both due for replacement in 2016/17:

Local:

Enmore Road - Salisbury Waters Bridge

Gostwyck Road - Munsies Bridge

The two timber bridges have been inspected by LGES Pty Ltd in 2012/2013. All identified repair works have been carried out. The biannual inspection may be carried out in Sept 2017. An annual pest control program is also in place. All Council non-timber bridges are inspected by Council's qualified inspectors on a biannual program next due in 2017/2018. The replacement costs have been upgraded utilising unit costs from the replacement of the superstructure of Torryburn Low Level bridge in 2013/2014, Purlieu Bridge in 2012/2013 and the new construction recently completed at Emu Crossing Bridge. No bridges have weight limits in place.

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. A table summary including length is outlined below.

Regional Roads	Concrete/Steel
No. Of Bridges	
Overall Deck Area	8,194m ²
Local Roads	
No. Of Bridges	
Overall Deck Area	7,242m ²

The unobservable Level 3 inputs used include:

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

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

Infrastructure- Bulk Earthworks

Council Bulk Earthworks consists of cuttings, fill and levelling of earth and rocks.

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.

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

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 2012-2013. 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 2016

Note 27. 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 – 1/7/14	1,360	1,631	17	18,158	21,166
Purchases (GBV)	44	–	–	259	303
Depreciation and impairment	–	–	–	(266)	(266)
Closing balance – 30/6/15	1,404	1,631	17	18,151	21,203
Purchases (GBV)	337	–	–	5	342
Depreciation and impairment	–	–	–	(534)	(534)
FV gains – other comprehensive income	–	1,901	–	170	2,071
Closing balance – 30/6/16	1,741	3,532	17	17,792	23,082

	Sealed roads	Unsealed roads	Bridges	Footpaths	Total
Opening balance – 1/7/14	57,818	3,771	18,658	688	80,935
Transfers from/(to) another asset class	72	–	330	84	486
Purchases (GBV)	1,119	665	2,888	23	4,695
Depreciation and impairment	(1,638)	(319)	(271)	(17)	(2,245)
FV gains – other comprehensive income	(19,397)	1,126	(827)	674	(18,424)
Closing balance – 30/6/15	37,974	5,243	20,778	1,452	65,447
Transfers from/(to) another asset class	35,649	1,344	713	–	37,706
Purchases (GBV)	1,098	–	–	95	1,193
Disposals (WDV)	(303)	–	(24)	–	(327)
Depreciation and impairment	(1,349)	(555)	(325)	(41)	(2,270)
FV gains – other comprehensive income	1,499	(45)	–	–	1,454
Closing balance – 30/6/16	74,568	5,987	21,142	1,506	103,203

Uralla Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 27. 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 earthworks non-depreciable	Stormwater Drainage	Water Supply Network	Sewerage Network	Total
Opening balance – 1/7/14	163,907	2,065	14,210	6,346	186,528
Transfers from/(to) another asset class	–	4	–	1	5
Purchases (GBV)	459	7	30	43	539
Depreciation and impairment	–	(30)	(185)	(200)	(415)
FV gains – other comprehensive income	(52,392)	(86)	405	105	(51,968)
Closing balance – 30/6/15	111,974	1,960	14,460	6,295	134,689
Transfers from/(to) another asset class	(36,993)	–	–	–	(36,993)
Purchases (GBV)	1,195	–	12	12	1,219
Disposals (WDV)	(86)	–	18	–	(68)
Depreciation and impairment	–	(23)	(242)	(198)	(463)
FV gains – other comprehensive income	(193)	–	213	92	112
Closing balance – 30/6/16	75,897	1,937	14,461	6,201	98,496

	Other assets	Tip assets	Plant and equipment	Total
Opening balance – 1/7/14	126	684	4,302	5,112
Transfers from/(to) another asset class	–	–	8	8
Purchases (GBV)	–	–	1,449	1,449
Disposals (WDV)	–	–	(297)	(297)
Depreciation and impairment	(3)	(39)	(565)	(607)
Closing balance – 30/6/15	123	645	4,897	5,665
Purchases (GBV)	–	–	512	512
Disposals (WDV)	–	–	(38)	(38)
Depreciation and impairment	(4)	(39)	(635)	(678)
FV gains – other comprehensive income	184	–	–	184
Closing balance – 30/6/16	303	606	4,736	5,645

b. Information relating to the transfers into and out of the level 3 fair valuation hierarchy (as disclosed in the table above) includes:

Nil

Uralla Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

c. 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 2016

Note 28. 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

RESPONSIBLE ACCOUNTING OFFICER

Mr Simon Paul

PUBLIC OFFICER

Mrs Rechelle Leahy

AUDITORS

Forsyths Chartered Accountants
PO Box 114
Armidale NSW 2350

Elected members

MAYOR

Cr M Pearce

COUNCILLORS

Cr R Bell
Cr R Crouch
Cr M Dusting
Cr N Ledger
Cr L Sampson
Cr I Strutt
Cr T Toomey
Cr K Ward

Other information

ABN: 55 868 272 018

Armidale

92 Rusden Street
PO Box 114
Armidale NSW 2350

p +61 2 6773 8400
f +61 2 6772 9957
e armidale@forsyth's.com.au

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

INDEPENDENT AUDIT REPORT
Report on the general purpose financial statements

To Uralla Shire Council

SCOPE

The financial statements comprise the income statement, statement of comprehensive income, statement of financial position, cash flow statement, statement of changes in equity, accompanying notes to the financial statements, and the Statement by Councillors and Management in the approved form as required by Section 413(2)(C) of the *Local Government Act 1993* for Uralla Shire Council (the Council), for the year ended 30th June 2016.

Councils' responsibility for the financial statements

The Council is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the *Local Government Act 1993* and regulations and the Local Government Code of Accounting Practice and Financial Reporting (Code 21). This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that is free of material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

Knowledge with integrity

Liability limited by a scheme approved under the Professional Standards Legislation

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

INDEPENDENCE

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

AUDIT OPINION

In our opinion, except for the effects on the financial statements of the matters referred to in the section titled Basis for Qualified Auditor's Opinion above:

- (a) the accounting records of the Council have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13 part 3 Division 2; and:
- (b) the financial statements:
 - (i) have been prepared in accordance with the requirements of this Division;
 - (ii) are consistent with the Council's accounting records;
 - (iii) presents fairly, in all material respects, the Council's financial position as at 30th June 2016 and the results of its operations for the year then ended; and
 - (iv) are in accordance with applicable Australian Accounting Standards and the Local Government (General) Regulations 2005.
- (c) we have been able to obtain all information relevant to the conduct of our audit; and
- (d) no material deficiencies in the records or the financial statements were detected in the course of the audit.

Forsyths

Forsyths Business Services Pty Ltd



Paul Cornall
Principal

4th November 2016
92 Rusden Street Armidale

4 November 2016

The Mayor
Uralla Shire Council
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Forsyths Business Services Pty Ltd
ABN 66 182 781 401

Dear Sir

AUDIT OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

We are pleased to report that we have completed the audit of Council's financial statements and records for the year ended 30 June 2016 and have reported on the general purpose financial statements and special purpose financial statements as required by the provisions of Section 417(2) of the *Local Government Act 1993*.

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

Council's responsibilities

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

Audit Objectives

We have conducted an independent audit of the financial statements in order to express an opinion on them to the Council. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial statements are free of material misstatement.

Our audit responsibility does not extend to the Original Budget figures included in the Income Statement, Statement of Cash Flows and the Original Budget disclosures in Notes 2 and 16 and accordingly, we express no opinion on them.

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

Page 1

Knowledge with integrity

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

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

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

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

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

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

Matters Relating to the Electronic Presentation of the Audited Financial Statements

This auditor's report relates to the financial statements of Uralla Shire Council for the year ended 30 June 2016 included on Council's web site. Council is responsible for the integrity of its web site. We have not been engaged to report on the integrity of the Council's web site. The auditor's report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.

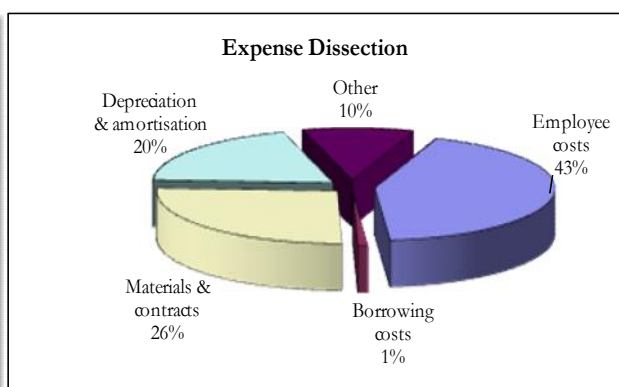
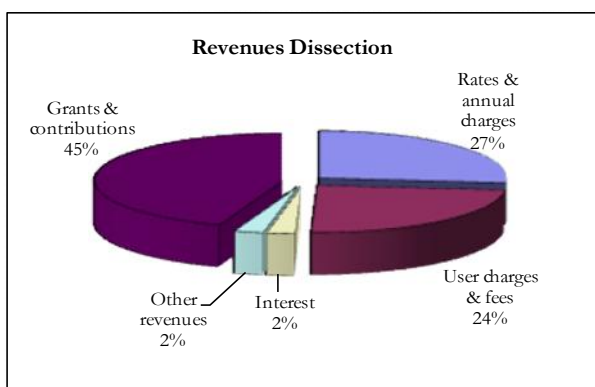


Additional Reporting Requirements

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

The Income Statement for the year ended 30 June 2016 discloses the following operating result:

INCOME STATEMENT	Budget	Actual	Actual	Variance	
	2016	2016	2015	Actual	Budget
	\$'000	\$'000	\$'000	%	%
INCOME FROM CONTINUING OPERATIONS					
Rates & annual charges	5,704	5,638	5,367	5.0%	-1.2%
User charges & fees	5,167	5,065	4,922	2.9%	-2.0%
Interest	402	522	236	121.2%	29.9%
Other revenues from ordinary activities	1,139	532	771	-31.0%	-53.3%
Grants & contributions for operating purposes	5,583	7,585	5,835	30.0%	35.9%
Grants & contributions for capital purposes	2,211	1,848	4,152	-55.5%	-16.4%
Total income from continuing operations	20,206	21,190	21,283	-0.4%	4.9%
EXPENSES FROM CONTINUING OPERATIONS					
Employee benefits & oncosts	8,506	8,632	7,808	10.6%	1.5%
Borrowing costs	229	182	124	46.8%	-20.5%
Materials and contracts	3,782	5,275	4,587	15.0%	39.5%
Depreciation & amortisation	3,557	3,945	3,533	11.7%	10.9%
Other expenses from ordinary activities	2,109	1,589	1,411	12.6%	-24.7%
Loss from disposal of assets	0	413	56	637.5%	0.0%
Total Expenses from continuing operations	18,183	20,036	17,519	14.4%	10.2%
OPERATING RESULT FROM CONTINUING OPERATIONS	2,023	1,154	3,764	69.3%	-43.0%
NET OPERATING RESULT BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	(188)	(694)	(388)	-78.9%	269.1%



Council has made a surplus of \$1.2m from continuing operations compared to a surplus of \$3.8m in 2015. Excluding capital income of \$1.8m, council achieved a deficit of \$0.7m compared to a deficit of \$0.4m for 2015.



Income decreased by \$0.1m or 0.4% mainly as a result of decreases in other revenue and capital grants and contributions which were mostly offset by increases in rates and annual charges, user charges & fees, interest revenue and operating grants and contributions.

- Other revenue decreased mainly due to the receipt of a one-off donation in 2015 provided to McMaugh Gardens for infrastructure upgrades works.
- Capital grants and contributions decreased due to one-off grants provided to assist with the construction of the Emu Creek bridge and one-off Roads and Maritime Services contributions for regional road renewals for the 2015 year.
- Rates and annual charges increased due to rate pegging increases and increases in statutory charges including the environmental levy.
- User charges and fees increased mainly due to higher client contributions and contract service fees relation to the Tablelands Community Support program.
- Interest income increased due to higher levels of cash held in term deposits in the current year and the receipt of compensation payments regarding losses incurred on Lehman Brothers investments Council held in prior years.
- Operating grants and contributions increased due to higher aged care subsidies from the Department of Health in relation to McMaugh Gardens, higher Roads to Recovery funding and increases in RMS regional roadwork contributions.

Expenditure increased by \$2.5m or 14.4% as a result of higher:

- Employee benefits & on-costs due to increases in employee numbers, higher award pay rates and lower levels of capitalised employee costs (Council focused on infrastructure maintenance works rather than renewals in the current year);
- Materials & contracts costs due to Council increasing its infrastructure maintenance works rather than renewal works in the 2016 year;
- Depreciation & amortisation mainly due to the impacts of the revaluation of infrastructure in the prior year and also the removal of residual values on the calculation methodology;
- Other expenses due to increases in communications and telephone costs as well as donations, contributions and other assistance to community organisations in the Shire; and
- Losses on disposal of assets increased mainly due to scrapping of old road components no longer in use during the current year.

Comparison of actual to budget performance

The budget amounts included above are those adopted in the original budget and exclude re-votes from the previous year and variations to the budget during the year. The actual operating surplus for the year of \$1.2m is lower than the original budget surplus of \$2.0m. The major variances between budget and actual results were:

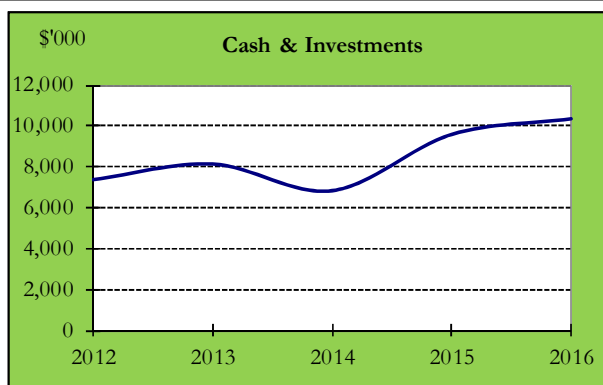
- Other revenue (unfavourable \$0.6m) – there was numerous budget variations across various revenue categories as well as reduced landfill income;
- Operational grants and contributions (favourable \$2.0m) – Council had higher contributions from RMS for regional roadworks and higher Roads to Recovery funding than included in the original budget. In addition, Council had increased nursing home fees associated with an increase in high care residents. Further, there was a misallocation in the original budget between operating grants and contributions and capital grants and contributions;
- Capital grants and contributions (unfavourable \$0.4m) – There was a misallocation in the original budget between capital grants and contributions and operating grants and contributions;
- Materials & contracts (unfavourable \$1.5m) – Council conducted more infrastructure maintenance works than included in the original budget;



- Depreciation and amortisation (unfavourable \$0.4m) - due to changes in useful lives, residual values and depreciation methodologies, depreciation charges increased compared to budget;
- Other expenses (favourable \$0.5m) – The variance is due to various minor variances between budget and actual expenses;
- Loss on disposal of assets (unfavourable \$0.4m) – Council did not budget for losses arising from scrapping old road components no longer in use.

The following schedule of assets and liabilities has been extracted from the Statement of Financial Position as at 30 June 2016. This schedule discloses the consolidated assets and liabilities of all functions.

SCHEDULE OF ASSETS & LIABILITIES	2016	2015	Variance
	\$'000	\$'000	%
CURRENT ASSETS			
Cash and cash equivalents	3,200	7,175	-55.4%
Investments	7,150	2,405	197.3%
Receivables	1,389	1,335	4.0%
Inventories	175	187	-6.4%
Other	52	19	173.7%
TOTAL CURRENT ASSETS	11,966	11,121	7.6%
CURRENT LIABILITIES			
Payables	3,403	3,874	-12.2%
Borrowings	202	118	71.2%
Provisions	2,303	2,387	-3.5%
TOTAL CURRENT LIABILITIES	5,908	6,379	-7.4%
NET CURRENT ASSETS	6,058	4,742	27.8%
NON-CURRENT ASSETS			
Infrastructure, Property Plant & Equipment	231,517	228,107	1.5%
TOTAL NON-CURRENT ASSETS	231,517	228,107	1.5%
NON-CURRENT LIABILITIES			
Provisions	943	916	2.9%
Borrowings	2,845	3,121	-8.8%
TOTAL NON-CURRENT LIABILITIES	3,788	4,037	-6.2%
NET ASSETS	233,787	228,812	2.2%





Total cash and investments increased by \$0.8m mainly due to higher levels of restricted grant contributions received during the year that have yet to be expended.

Payables decreased mainly due to higher creditor balances at the end of June 2015 arising from bridge construction work in progress costs being accrued in the prior year.

Borrowings decreased by \$0.2m mainly due to scheduled repayments.

Infrastructure, Property, Plant and Equipment increased by \$3.4m mainly due to additions and renewals of \$3.9m, revaluation of community land, other structures, swimming pools and sealed road structures of \$3.7m and annual indexation in the value of water and sewer assets of \$0.3m, which was offset by depreciation of \$3.9m and disposal of assets of \$0.6m.

NET CURRENT ASSETS

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

	Water \$'000	Sewerage \$'000	McMaugh Gardens	General \$'000	Total \$'000
Current Assets	2,149	1,761	1,652	6,404	11,966
Current Liabilities	-	-	1,925	3,983	5,908
Net Current Assets	2,149	1,761	(273)	2,421	6,058
Add Liabilities > 12 Months	-	-	1,183	1,578	2,761
Total Funds before Restrictions	2,149	1,761	910	3,999	8,819
LESS: Restricted Cash & Investments (Included in Revenue)					
Specific purpose unexpended loans	-	-	-	619	619
Developer Contributions	-	-	-	491	491
Specific Purpose Grants & Contributions	-	-	-	1,075	1,075
	-	-	-	2,185	2,185
NET FUNDS AVAILABLE	2,149	1,761	910	1,814	6,634
LESS Internal Restrictions	-	-	-	2,338	2,338
Net Funds After All Restrictions	2,149	1,761	910	(524)	4,296

INTERNAL RESTRICTIONS	Opening \$'000	Transfer to \$'000	Transfer from \$'000	Closing \$'000
Employee leave entitlements	539	-	-	539
Plant replacement	270	389	-	659
Carry-over works	335	301	-	636
Community Services excess income	176	128	-	304
Strategic development	200	-	-	200
	1,520	818	-	2,338

After excluding the net current assets of the McMaugh Gardens Hostel, Water fund and Sewerage fund the general fund working capital balance is insufficient to fund internal restrictions and working capital requirements at 30 June 2016. McMaugh Gardens Aged Care net current assets is in deficit as under accounting standards, accommodation bonds are required to be shown as current liabilities.



After adjusting for bonds not expected to be repaid in the coming twelve months, McMaugh Gardens Aged Care has sufficient cash reserves.

Council has internally restricted \$2.3m in cash for: plant replacements; carry-over projects; employee entitlements provisions and other minor reserves.

After funding both external and internal restrictions Council has a deficit in net current assets of \$0.5m. Council needs to focus on rebuilding current asset, particularly cash reserves, in order to fund all external and internal restrictions.

Local Government Industry Performance Indicators

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

The key financial indicators disclosed in the Financial Statements are:

RATIO	PURPOSE	2016	2015	2014	2013	Benchmarks
OPERATING PERFORMANCE RATIO	To assess councils ability to meet operating expenditure within operating revenue.	-1.5%	-1.9%	-2.0%	-1.9%	>0%
OWN SOURCE OPERATING REVENUE	To assess the degree of reliance on external funding sources.	68.2%	63.0%	61.9%	66.0%	>60%
UNRESTRICTED CURRENT RATIO	To assess the adequacy of working capital after excluding all restricted assets and liabilities.	1.48	1.58	2.39	2.30	>1.5
DEBT SERVICE COVER RATIO	To assess the availability of operating cash to service debt including interest, principal and lease payments.	10.3	14.2	12.3	12.2	>2
OUTSTANDING RATES	To assess the impact of uncollected rates and charges on liquidity and the adequacy of recovery efforts.	4.2%	4.8%	5.5%	5.8%	<10%
CASH EXPENSE COVER RATIO	To assess the number of months council can pay its expenses without additional cash inflow.	7.2	7.3	5.4	7.0	>3

Operating performance

An operating performance deficit of 1.5% indicates that Councils operating revenue, excluding capital grants and contributions are insufficient to cover operating expenditure, especially depreciation of infrastructure assets. This compares to the State average deficit of 0.6% and Group 10 average deficit of 2.7% for 2015. The benchmark is that councils should average breakeven or better over a three year period.



Own source operating revenue

A ratio of 68.2% for the 2016 year highlights the level of dependence Council has on grants and contributions and compares to a Group 10 average of 58.6% and a State average of 67.0% for 2015. The benchmark is to average greater than 60% over a three year period, which Council is currently achieving.

Unrestricted Ratio

The unrestricted ratio excludes all current assets and liabilities that are restricted to specific purposes such as water, sewer, domestic waste management functions, the McMaugh Gardens Aged Care facility and specific purpose unexpended grants & contributions and adjusting for employee entitlements not expected to be settled within 12 months. This ratio is before setting aside cash to fund internal restrictions relative to the general function. The ratio of 1.48 as at 30 June 2016 indicates that there is \$1.48 of unrestricted current assets for every \$1.00 of current liabilities. Council's ratio of 1.53 compares to the average of 4.29 for category 10 Councils and the State average of 3.92 for 2015. The ratio is above the benchmark of greater than 1.5.

Debt service cover ratio

The debt service cover ratio of 10.3 times indicates that council has \$10.30 before interest and depreciation to pay interest and principal repayments on current borrowings. This compares to the Group 10 average of 27.7 and the State average of 104.1 for 2015. The benchmark for sustainability is to have a ratio of greater than 2.0.

Outstanding rate ratio

The outstanding rates and charges ratio of 4.2% is similar to the previous year. Council's outstanding rates ratio is lower than the Group 10 average of 6.74 and state average of 5.85% for 2015. The benchmark for rural Council's is to have an outstanding rates ratio of less than 10%. The ratio is an indicator of Council's good debt collection activities.

Cash expense ratio

The ratio indicates that Council can pay 7.2 months of its expenses without additional cash inflows. This compares to the Group 10 average of 11.4 and the State average of 11.4 for 2015. The benchmark is to have reserves to meet at least 3 months of operating expenditure.

Key performance indicators by fund

The key financial indicators by fund disclosed in the Financial Statements are:

RATIO	PURPOSE	Water	Sewer	General	
OPERATING PERFORMANCE RATIO	To assess councils ability to meet operating expenditure within operating reveune.	13.6% 19.8%	8.0% 2.5%	-2.7% -3.5%	2016 2015
OWN SOURCE OPERATING REVENUE	To assess the degree of reliance on external funding sources.	98.3% 98.3%	97.8% 97.9%	51.7% 49.4%	2016 2015
UNRESTRICTED CURRENT RATIO	To assess the adequacy of working capital after excluding all restricted assets and liabilities.	100.0 100.0	100.0 100.0	1.5 1.6	2016 2015
DEBT SERVICE COVER RATIO	To assess the availability of operating cash to service debt including interest, principal and lease payments.	100.0 100.0	100.0 100.0	8.5 11.5	2016 2015
OUTSTANDING RATES	To assess the impact of uncollected rates and charges on liquidity and the adequacy of recovery efforts.	7.8% 8.3%	5.3% 5.7%	3.8% 4.4%	2016 2015
CASH EXPENSE COVER RATIO	To assess the number of months council can pay its expenses without additional cash inflow.	32.7 33.5	53.1 43.7	4.9 5.3	2016 2015

Operating performance

An operating performance ratio by fund shows that the water and sewer fund has generally sufficient operating revenue, excluding capital grants and contributions to cover operating expenditure. However, the general fund has been unable to cover all of its operating expenses, especially depreciation expense. The improvement in the sewer fund ratio was due to increases in revenues for the fund.

Own source operating revenue

The ratios show the Councils reliance on grant and contribution funding within the general fund.

Unrestricted Ratio

The unrestricted ratios show that all funds have sufficient working capital. The ratio for water and sewer is shown as 100% as the funds do not have any current liabilities.

Debt service cover ratio

The debt service cover ratio by fund shows that Council may have potential to increase borrowings within all funds. The water and sewer funds ratio is shown at 100 as they do not hold any debt.

*Outstanding rate ratio*

The outstanding rate ratio by fund shows that the outstanding rates are being well managed in all funds.

Cash expense ratio

The ratio indicates that all funds have sufficient short term cash reserves.

Infrastructure Asset Performance Indicators (unaudited)

With the emphasis on “Fit for the Future” we have included comments on unaudited infrastructure asset performance measures disclosed in the Special Schedule 7 are as follows:

RATIO	PURPOSE	2016	2015	2014	2013	Benchmarks
INFRASTRUCTURE RENEWALS RATIO	To assess the proportion spent on infrastructure renewals vs infrastructure deterioration.	111.7%	201.0%	94.2%	87.0%	>100%
INFRASTRUCTURE BACKLOG RATIO	To assess the infrastructure backlog against the total value of councils infrastructure.	1.5%	0.5%	6.5%	8.0%	<2%
ASSET MAINTENANCE RATIO	To assess the actual vs required annual maintenance expenditure.	132%	102%	100%	117%	>100%

Asset Renewal Ratio

The asset renewals ratio indicates Council’s performance with renewing its infrastructure assets against the level of estimated infrastructure asset deterioration (as represented by depreciation expense). For 2016 Council spent \$1.12 for every \$1 in estimated asset deterioration. The Group 10 ratio was \$1.06 and the State average was \$0.92 for the 2015 year. The benchmark is to have a three year average of greater than \$1.00.

The current trend in the ratio highlights that Council generally used sufficient resources on asset renewals for the past three years (average for three years was 135.6%) compared to the estimated reduction in asset condition over the past three years. However, it should also be noted that Special Schedule 7, which is an unaudited statement prepared in conjunction with the financial report, discloses that the estimated cost to bring infrastructure assets to a satisfactory standard is \$2.1m.

Infrastructure backlog ratio

An infrastructure backlog ratio 1.5% indicates that the infrastructure backlog represents 1.5% of the value of Councils infrastructure and compares to a Group 10 average of 7.4% and State average of 4.7% for 2015. The benchmark is a ratio less than 2%.

Asset maintenance ratio

The Asset Maintenance ratio of 132% indicates that Council has undertaken sufficient maintenance to keep pace with required maintenance requirements as determine by Council’s engineers and maintenance staff. This compares positively to the Group 10 average of 97.6% and the State average of 100.7% for 2015. A ratio of greater than 100% is considered acceptable.



The increase in overall cash and investments reflected in the Statement of Financial Position is also evident in the following table extracted from the Statement of Cash Flows.

CASH MOVEMENTS	Actual 2016 \$'000	Actual 2015 \$'000	Variance %
CASH INFLOWS			
Operating Receipts	22,019	23,390	-5.9%
Proceeds from Assets Sales	38	241	-84.2%
Receipt of retirement home bonds	593	698	-15.0%
Proceeds from investments	13,905	1,000	1290.5%
Proceeds from Borrowings	0	2,000	0.0%
TOTAL RECEIPTS	36,555	27,329	33.8%
CASH OUTFLOWS			
Operating Payments	16,881	14,652	15.2%
Purchase of investments	18,650	2,405	675.5%
Purchase of Assets	3,985	7,921	-49.7%
Repayment of Loans	192	110	74.5%
Repayment of retirement home bonds	822	896	-8.3%
TOTAL PAYMENTS	40,530	25,984	56.0%
TOTAL CASH MOVEMENT	-3,975	1,345	-395.5%
Cash and equivalents	3,200	7,175	3.0%
Investments	7,150	2,405	3.0%
Total Cash & Investments on Hand	10,350	9,580	8.0%

Total cash and investments increased by \$0.8m mainly due to higher levels of restricted grant contributions received during the year that have yet to be expended.

Cash outflows for Purchase of Assets of \$4.0m included road and bridge construction totalling \$3.0m. This compares to the \$2.2m annual rate of depreciation of these assets. The remaining asset purchases included purchases for plant and equipment of \$0.2m, operational land of \$0.3m and other minor additions totalling \$0.5m.

SPECIAL PURPOSE FINANCIAL STATEMENTS

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

WATER SUPPLY FUNCTION

The Special Purpose Financial Statements disclose that the Water Supply function recorded an operating surplus (before capital funding) of \$147,000 after allowing for depreciation of \$275,000.

The Net Current Asset position records a surplus of \$2,149,000. This surplus plus the fact that the water supply function has no debt, are indicators of a satisfactory financial position to meet operational requirements given the size of the function and considering the water infrastructure condition (per unaudited Special Schedule 7) is considered to be of “satisfactory” standard.



SEWERAGE FUNCTION

The Special Purpose Financial Statements disclose that the sewerage function recorded an operating surplus (excluding capital funding) of \$51,000 after allowing for depreciation of \$200,000.

The Net Current Assets position show a surplus of \$1,761,000. Considering the size of the sewerage operations, the fact that it has no debt and the sewerage infrastructure condition (per unaudited Special Schedule 7) is considered to be of “satisfactory” standard, the sewerage function is considered to be in a strong financial position.

McMAUGH GARDENS HOSTEL

The Special Purpose Financial Statements disclose that McMaugh Gardens Hostel recorded an operating surplus of \$330,000 for the 2016 year compared to a surplus of \$182,000 in the previous year. This result is after depreciation expense of \$107,000.

The net current asset position is a deficit of \$273,000 after allowing for resident’s bonds amounting to \$1,925,000. The deficit is a result of the accounting standard requirement that accommodation bonds be shown as current liabilities even though the majority of accommodation bonds will not be repaid in the short term. When the estimated timing of bond repayments are taken into account the Hostel has reserves of \$910,000.

Given that McMaugh Gardens has not fully “cash backed” its resident’s bond obligations as at the end of June 2016, it is important that Council continues to focus on improving the facilities financial performance to reduce the potential impact on Council’s general funds’ financial position.

GENERAL

Reporting obligations under the Local Government Act

We report that Council’s systems and records have been satisfactorily maintained during the year. However, the audited financial statements have been submitted to the Office of Local Government outside of the prescribed time provided for in Division 2 of the *Local Government Act 1993*.

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

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

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

Yours faithfully

Forsyths Business Services Pty Ltd

Paul Cornall
Principal

Uralla Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

*“...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 2016

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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 2016

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:

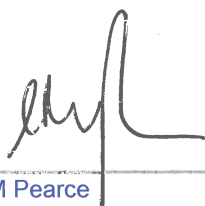
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,
- 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 25 October 2016.



Cr M Pearce
Mayor



Cr R Bell
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 2016

\$ '000	Actual 2016	Actual 2015
Income from continuing operations		
Access charges	410	388
User charges	593	492
Fees	—	24
Interest	50	49
Grants and contributions provided for non-capital purposes	17	17
Profit from the sale of assets	—	—
Other income	15	—
Total income from continuing operations	1,085	970
Expenses from continuing operations		
Employee benefits and on-costs	386	313
Borrowing costs	—	—
Materials and contracts	272	245
Depreciation and impairment	275	215
Water purchase charges	—	—
Loss on sale of assets	—	—
Calculated taxation equivalents	5	5
Debt guarantee fee (if applicable)	—	—
Other expenses	—	—
Total expenses from continuing operations	938	778
Surplus (deficit) from continuing operations before capital amounts	147	192
Grants and contributions provided for capital purposes	—	—
Surplus (deficit) from continuing operations after capital amounts	147	192
Surplus (deficit) from discontinued operations	—	—
Surplus (deficit) from all operations before tax	147	192
Less: corporate taxation equivalent (30%) [based on result before capital]	(44)	(58)
SURPLUS (DEFICIT) AFTER TAX	103	134
Plus opening retained profits	8,693	8,494
Plus/less: prior period adjustments	—	7
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	5	5
– Debt guarantee fees	—	—
– Corporate taxation equivalent	44	58
Less:		
– Tax equivalent dividend paid	(5)	(5)
– Surplus dividend paid	—	—
Closing retained profits	8,840	8,693
Return on capital %	0.8%	1.0%
Subsidy from Council	223	368
Calculation of dividend payable:		
Surplus (deficit) after tax	103	134
Less: capital grants and contributions (excluding developer contributions)	—	—
Surplus for dividend calculation purposes	103	134
Potential dividend calculated from surplus	51	67

Uralla Shire Council

Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2016

\$ '000	Actual 2016	Actual 2015
Income from continuing operations		
Access charges	567	542
User charges	12	24
Liquid trade waste charges	—	—
Fees	—	6
Interest	45	45
Grants and contributions provided for non-capital purposes	14	13
Profit from the sale of assets	—	—
Other income	3	—
Total income from continuing operations	641	630
Expenses from continuing operations		
Employee benefits and on-costs	246	260
Borrowing costs	—	—
Materials and contracts	140	149
Depreciation and impairment	200	202
Loss on sale of assets	—	—
Calculated taxation equivalents	3	3
Debt guarantee fee (if applicable)	—	—
Other expenses	1	—
Total expenses from continuing operations	590	614
Surplus (deficit) from continuing operations before capital amounts	51	16
Grants and contributions provided for capital purposes	—	—
Surplus (deficit) from continuing operations after capital amounts	51	16
Surplus (deficit) from discontinued operations	—	—
Surplus (deficit) from all operations before tax	51	16
Less: corporate taxation equivalent (30%) [based on result before capital]	(15)	(5)
SURPLUS (DEFICIT) AFTER TAX	36	11
Plus opening retained profits	5,336	5,316
Plus/less: prior period adjustments	—	4
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	3	3
– Debt guarantee fees	—	—
– Corporate taxation equivalent	15	5
Less:		
– Tax equivalent dividend paid	(3)	(3)
– Surplus dividend paid	—	—
Closing retained profits	5,387	5,336
Return on capital %	0.8%	0.2%
Subsidy from Council	79	182
Calculation of dividend payable:		
Surplus (deficit) after tax	36	11
Less: capital grants and contributions (excluding developer contributions)	—	—
Surplus for dividend calculation purposes	36	11
Potential dividend calculated from surplus	18	6

Uralla Shire Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2016

	Private works		McMaugh Gardens	
	Category 2		Category 1	
\$ '000	Actual 2016	Actual 2015	Actual 2016	Actual 2015
Income from continuing operations				
Access charges	—	—	—	—
User charges	114	156	712	651
Fees	—	—	23	38
Interest	—	—	67	74
Grants and contributions provided for non-capital purposes	—	—	2,147	1,529
Profit from the sale of assets	—	—	—	—
Other income	—	—	7	231
Total income from continuing operations	114	156	2,956	2,523
Expenses from continuing operations				
Employee benefits and on-costs	44	34	1,812	1,638
Borrowing costs	—	—	8	18
Materials and contracts	29	107	657	521
Depreciation and impairment	—	—	107	101
Loss on sale of assets	—	—	—	—
Calculated taxation equivalents	—	—	—	—
Debt guarantee fee (if applicable)	—	—	—	—
Other expenses	—	—	42	63
Total expenses from continuing operations	73	141	2,626	2,341
Surplus (deficit) from continuing operations before capital amounts	41	15	330	182
Grants and contributions provided for capital purposes	—	—	—	—
Surplus (deficit) from continuing operations after capital amounts	41	15	330	182
Surplus (deficit) from discontinued operations	—	—	—	—
Surplus (deficit) from all operations before tax	41	15	330	182
Less: corporate taxation equivalent (30%) [based on result before capital]	(12)	(5)	(99)	(55)
SURPLUS (DEFICIT) AFTER TAX	29	11	231	127
Plus opening retained profits	—	—	2,599	2,418
Plus/less: prior period adjustments	—	—	—	(1)
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	—	—	—	—
– Debt guarantee fees	—	—	—	—
– Corporate taxation equivalent	12	5	99	55
Add:				
– Subsidy paid/contribution to operations	—	—	—	—
Less:				
– TER dividend paid	—	—	—	—
– Dividend paid	(41)	(15)	—	—
Closing retained profits	—	—	2,929	2,599
Return on capital %	n/a	n/a	6.8%	4.2%
Subsidy from Council	—	—	—	—

Uralla Shire Council

Statement of Financial Position – Council's Water Supply Business Activity
as at 30 June 2016

\$ '000	Actual 2016	Actual 2015
ASSETS		
Current assets		
Cash and cash equivalents	1,806	1,559
Investments	–	–
Receivables	343	198
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
Total current assets	2,149	1,757
Non-current assets		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	18,618	18,557
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
Total non-current assets	18,618	18,557
TOTAL ASSETS	20,767	20,314
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	–	–
Borrowings	–	–
Provisions	–	–
Total current liabilities	–	–
Non-current liabilities		
Payables	–	–
Borrowings	–	–
Provisions	–	–
Total non-current liabilities	–	–
TOTAL LIABILITIES	–	–
NET ASSETS	20,767	20,314
EQUITY		
Retained earnings	8,840	8,693
Revaluation reserves	11,927	11,621
Council equity interest	20,767	20,314
Non-controlling equity interest	–	–
TOTAL EQUITY	20,767	20,314

Uralla Shire Council

Statement of Financial Position – Council's Sewerage Business Activity
as at 30 June 2016

\$ '000	Actual 2016	Actual 2015
ASSETS		
Current assets		
Cash and cash equivalents	1,724	1,485
Investments	–	–
Receivables	37	36
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
Total Current Assets	1,761	1,521
Non-current assets		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	6,550	6,554
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
Total non-current assets	6,550	6,554
TOTAL ASSETS	8,311	8,075
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	–	–
Borrowings	–	–
Provisions	–	–
Total current liabilities	–	–
Non-current liabilities		
Payables	–	–
Borrowings	–	–
Provisions	–	–
Total non-current liabilities	–	–
TOTAL LIABILITIES	–	–
NET ASSETS	8,311	8,075
EQUITY		
Retained earnings	5,387	5,336
Revaluation reserves	2,924	2,739
Council equity interest	8,311	8,075
Non-controlling equity interest	–	–
TOTAL EQUITY	8,311	8,075

Uralla Shire Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2016

	Private works		McMaugh Gardens	
	Category 2		Category 1	
\$ '000	Actual 2016	Actual 2015	Actual 2016	Actual 2015
ASSETS				
Current assets				
Cash and cash equivalents	–	–	1,652	1,722
Investments	–	–	–	–
Receivables	–	–	–	–
Inventories	–	–	–	–
Other	–	–	–	–
Non-current assets classified as held for sale	–	–	–	–
Total Current Assets	–	–	1,652	1,722
Non-current assets				
Investments	–	–	–	–
Receivables	–	–	–	–
Inventories	–	–	–	–
Infrastructure, property, plant and equipment	–	–	4,952	4,743
Investments accounted for using equity method	–	–	–	–
Investment property	–	–	–	–
Other	–	–	–	–
Total non-current assets	–	–	4,952	4,743
TOTAL ASSETS	–	–	6,604	6,465
LIABILITIES				
Current liabilities				
Bank overdraft	–	–	–	–
Payables	–	–	1,925	2,180
Borrowings	–	–	–	–
Provisions	–	–	–	–
Total current liabilities	–	–	1,925	2,180
Non-current liabilities				
Payables	–	–	59	63
Borrowings	–	–	–	–
Provisions	–	–	–	–
Other Liabilities	–	–	–	–
Total non-current liabilities	–	–	59	63
TOTAL LIABILITIES	–	–	1,984	2,243
NET ASSETS	–	–	4,620	4,222
EQUITY				
Retained earnings	–	–	2,929	2,599
Revaluation reserves	–	–	1,691	1,623
Council equity interest	–	–	4,620	4,222
Non-controlling equity interest	–	–	–	–
TOTAL EQUITY	–	–	4,620	4,222

Uralla Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2016

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	13
3	Sewerage Business Best-Practice Management disclosure requirements	15

Uralla Shire Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

Note 1. Significant accounting policies

These financial statements are a Special Purpose Financial Statements (SPFS) prepared for use by Council and the Office of Local Government.

For the purposes of these statements, the Council is not a reporting not-for-profit entity.

The figures presented in the SPFS, unless otherwise stated, 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 the SPFS 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 also prepared on an accruals basis, based on historic costs and do not take into account changing money values nor current values of non-current assets (except where specifically stated).

Certain taxes and other costs (appropriately described) have been imputed for the purposes of the National Competition Policy.

National Competition Policy

Council has adopted the principle of 'competitive neutrality' to 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 government policy statement, *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 standards for disclosure. 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.

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, with the exception of some figures disclosed in Note 2 (Water Supply Best-Practice Management Disclosures) and Note 3 (Sewerage Best-Practice Management Disclosures).

As required by the NSW Office of Water (Department of Primary Industries) the amounts shown in Note 2 and Note 3 are disclosed in whole dollars.

Uralla Shire Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

Note 1. Significant accounting policies (continued)

(i) Taxation-equivalent charges

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

However, where Council is exempt from paying taxes which are generally paid by private sector businesses (such as income tax), equivalent tax payments have been applied to all Council-nominated business activities and are reflected in these 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 **\$482,000** of combined land values attracts **0%**. For that valued from \$482,001 to \$2,947,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,947,000, 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 the Best-Practice Management of Water Supply and Sewerage Guidelines, 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 in the Best-Practice Management of Water Supply and Sewerage 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 against the Best-Practice Management of Water Supply and Sewerage Guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

Income tax

An income tax equivalent has been applied on the profits of each reported business activity.

While 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 or 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 positive gain/(loss) from ordinary activities before capital amounts has been achieved.

Since this 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 Council's General Purpose Financial Statements.

The 30% rate applied is the equivalent company tax rate prevalent as at balance 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.

Uralla Shire Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

Note 1. Significant accounting policies (continued)

(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 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'.

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

The rate of return on capital 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 1.99% at 30/6/16.

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

(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.

The dividend, calculated and approved in accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, must not exceed either:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2016 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, a Dividend Payment Form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the NSW Office of Water prior to making the dividend and only after it has approved the payment.

Uralla Shire Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

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

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

2016

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	5,000
(ii)	Number of assessments multiplied by \$3/assessment	4,974
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	4,974
(iv)	Amounts actually paid for tax equivalents	4,974

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	51,450
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	44,766
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	304,900

2016 Surplus	102,900	2015 Surplus	134,400	2014 Surplus	67,600
		2015 Dividend	—	2014 Dividend	—

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	44,766
(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 2016Note 2. Water supply business
best-practice management disclosure requirements (continued)

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

2016

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	1,035
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)]	%	59.12%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	14,462
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	663
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	30
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)]	%	0.52%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

- Notes:
- References to w (e.g. w12) refer to item numbers within Special Schedules 3 and 4 of Council's Annual Financial Statements.
 - 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 2016Note 3. Sewerage business
best-practice management disclosure requirements

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

2016

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	3,000
(ii)	Number of assessments multiplied by \$3/assessment	3,384
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	3,000
(iv)	Amounts actually paid for tax equivalents	3,000

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	17,850
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	30,840
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	3,900

2016 Surplus	35,700	2015 Surplus	11,200	2014 Surplus	(43,000)
		2015 Dividend	—	2014 Dividend	—

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	3,900
(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 2016Note 3. Sewerage business
best-practice management disclosure requirements (continued)

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

2016

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	596
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	6,200
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	390
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	12
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)]	%	0.09%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

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	1,631
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.90%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	42
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)]	%	0.41%
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 2016Note 3. Sewerage business
best-practice management disclosure requirements (continued)

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

2016

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

NWI F22	Net debt to equity (water and sewerage)	%	-12.14%
	Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]		
NWI F23	Interest cover (water and sewerage)		> 100
	Earnings before interest and tax (EBIT) divided by net interest		
	Earnings before interest and tax (EBIT):		103
	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:		- 95
	Interest expense (w4a + s4a) – interest income (w9 + s10)		
NWI F24	Net profit after tax (water and sewerage)	\$'000	190
	Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))		
NWI F25	Community service obligations (water and sewerage)	\$'000	31
	Grants for pensioner rebates (w11b + s12b)		

- Notes:
- References to w (eg. s12) refer to item numbers within Special Schedules 5 and 6 of Council's Annual Financial Statements.
 - 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

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INDEPENDENT AUDIT REPORT
Report on the special purpose financial statements

To Uralla Shire Council

SCOPE

We have audited the special purpose financial statements of Uralla Shire Council for the year ended 30th June 2016 comprising the Statement by Councillors and Management, Income Statement of Business Activities, Statement of Financial Position by Business Activities, and Note 1 to the financial statements. The financial statements include the financial results of the business activities of Council and the entities it controlled at the year's end or from time to time during the year.

Councils' responsibility for the financial statements

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

Auditor's responsibility

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

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

Knowledge with integrity

reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial statements.

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

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

INDEPENDENCE

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

AUDIT OPINION

In our opinion, the special purpose financial statements of the Uralla Shire Council for the year ended 30th June 2016 are presented fairly, in all material respects, in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting.

BASIS OF ACCOUNTING

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



Forsyths Business Services Pty Ltd



Paul Cornall
Principal

4th November 2016
92 Rusden Street Armidale

Uralla Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2016

*“...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 2016

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¹ Special Schedules are not audited (with the exception of Special Schedule 8).

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 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	886	13	–	(873)
Administration	662	330	–	(332)
Public order and safety				
Fire service levy, fire protection, emergency services	429	18	–	(411)
Beach control	–	–	–	–
Enforcement of local government regulations	–	–	–	–
Animal control	–	48	–	48
Other	–	–	–	–
Total public order and safety	429	66	–	(363)
Health	108	14	–	(94)
Environment				
Noxious plants and insect/vermin control	77	–	–	(77)
Other environmental protection	221	205	–	(16)
Solid waste management	1,436	1,299	85	(52)
Street cleaning	51	–	–	(51)
Drainage	–	–	–	–
Stormwater management	35	29	–	(6)
Total environment	1,820	1,533	85	(202)
Community services and education				
Administration and education	11	–	–	(11)
Social protection (welfare)	2,295	2,713	–	418
Aged persons and disabled	4,033	4,009	–	(24)
Children's services	45	1	–	(44)
Total community services and education	6,384	6,723	–	339
Housing and community amenities				
Public cemeteries	51	38	–	(13)
Public conveniences	86	–	–	(86)
Street lighting	51	13	–	(38)
Town planning	366	165	–	(201)
Other community amenities	–	–	–	–
Total housing and community amenities	554	216	–	(338)
Water supplies	930	1,077	–	147
Sewerage services	590	638	–	48

Uralla Shire Council

Special Schedule 1 – Net Cost of Services (continued)

for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	347	31	—	(316)
Museums	—	—	—	—
Art galleries	—	—	—	—
Community centres and halls	187	36	—	(151)
Performing arts venues	—	—	—	—
Other performing arts	—	—	—	—
Other cultural services	24	4	—	(20)
Sporting grounds and venues	65	—	75	10
Swimming pools	128	29	—	(99)
Parks and gardens (lakes)	228	11	25	(192)
Other sport and recreation	61	1	—	(60)
Total recreation and culture	1,040	112	100	(828)
Fuel and energy	—	—	—	—
Agriculture	—	—	—	—
Mining, manufacturing and construction				
Building control	—	—	—	—
Other mining, manufacturing and construction	8	—	—	(8)
Total mining, manufacturing and const.	8	—	—	(8)
Transport and communication				
Urban roads (UR) – local	268	—	—	(268)
Urban roads – regional	—	—	—	—
Sealed rural roads (SRR) – local	1,186	768	—	(418)
Sealed rural roads (SRR) – regional	2,003	995	217	(791)
Unsealed rural roads (URR) – local	1,763	—	—	(1,763)
Unsealed rural roads (URR) – regional	47	39	—	(8)
Bridges on UR – local	—	—	—	—
Bridges on SRR – local	646	521	1,362	1,237
Bridges on URR – local	—	—	—	—
Bridges on regional roads	—	—	—	—
Parking areas	7	—	—	(7)
Footpaths	121	—	67	(54)
Aerodromes	—	—	—	—
Other transport and communication	186	42	17	(127)
Total transport and communication	6,227	2,365	1,663	(2,199)
Economic affairs				
Camping areas and caravan parks	22	13	—	(9)
Other economic affairs	376	18	—	(358)
Total economic affairs	398	31	—	(367)
Totals – functions	20,036	13,118	1,848	(5,070)
General purpose revenues ⁽¹⁾		6,224		6,224
Share of interests – joint ventures and associates using the equity method	—	—		—
NET OPERATING RESULT ⁽²⁾	20,036	19,342	1,848	1,154

(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(a) – Statement of Long Term Debt (all purpose)

for the year ended 30 June 2016

\$'000

Classification of debt	Principal outstanding at beginning of the year			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
Loans (by source)											
Commonwealth government	–	–	–	–	–	–	–	–	–	–	–
Treasury corporation	–	–	–	–	–	–	–	–	–	–	–
Other state government	–	–	–	–	–	–	–	–	–	–	–
Public subscription	–	–	–	–	–	–	–	–	–	–	–
Financial institutions	118	3,121	3,239	–	192	–	–	158	202	2,845	3,047
Other	–	–	–	–	–	–	–	–	–	–	–
Total loans	118	3,121	3,239	–	192	–	–	158	202	2,845	3,047
Other long term debt											
Ratepayers advances	–	–	–	–	–	–	–	–	–	–	–
Government advances	–	–	–	–	–	–	–	–	–	–	–
Finance leases	–	–	–	–	–	–	–	–	–	–	–
Deferred payments	–	–	–	–	–	–	–	–	–	–	–
Total long term debt	–	–	–	–	–	–	–	–	–	–	–
Total debt	118	3,121	3,239	–	192	–	–	158	202	2,845	3,047

Notes: excludes (i) internal loans and (ii) principal inflows/outflows relating to loan re-financing.

This schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which are reported in the GPFS).

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 2016

\$'000	Actuals 2016	Actuals 2015
A Expenses and income Expenses		
1. Management expenses		
a. Administration	169	121
b. Engineering and supervision	84	75
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	2	–
b. Maintenance expenses	35	29
– Mains		
c. Operation expenses	–	–
d. Maintenance expenses	89	74
– Reservoirs		
e. Operation expenses	–	–
f. Maintenance expenses	6	4
– Pumping stations		
g. Operation expenses (excluding energy costs)	–	–
h. Energy costs	2	4
i. Maintenance expenses	3	7
– Treatment		
j. Operation expenses (excluding chemical costs)	–	–
k. Chemical costs	116	85
l. Maintenance expenses	157	159
– Other		
m. Operation expenses	–	–
n. Maintenance expenses	–	–
o. Purchase of water	–	–
3. Depreciation expenses		
a. System assets	191	147
b. Plant and equipment	84	68
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	938	773

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 2016

\$'000	Actuals 2016	Actuals 2015
Income		
6. Residential charges		
a. Access (including rates)	410	388
b. Usage charges	593	492
7. Non-residential charges		
a. Access (including rates)	—	—
b. Usage charges	—	—
8. Extra charges	—	—
9. Interest income	50	49
10. Other income	15	24
10a. Aboriginal Communities Water and Sewerage Program	—	—
11. Grants		
a. Grants for acquisition of assets	—	—
b. Grants for pensioner rebates	17	17
c. Other grants	—	—
12. Contributions		
a. Developer charges	—	—
b. Developer provided assets	—	—
c. Other contributions	—	—
13. Total income	1,085	970
14. Gain (or loss) on disposal of assets	—	—
15. Operating result	147	197
15a. Operating result (less grants for acquisition of assets)	147	197

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 2016

\$'000	Actuals 2016	Actuals 2015
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	18	1
c. Renewals	12	29
d. Plant and equipment	–	–
17. Repayment of debt	–	–
18. Totals	30	30
Non-operating funds employed		
19. Proceeds from disposal of assets	–	–
20. Borrowing utilised	–	–
21. Totals	–	–
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	1,412	1,405
b. Residential (unoccupied, ie. vacant lot)	78	82
c. Non-residential (occupied)	140	139
d. Non-residential (unoccupied, ie. vacant lot)	28	20
23. Number of ETs for which developer charges were received	– ET	– ET
24. Total amount of pensioner rebates (actual dollars)	\$ 17,576	\$ 16,930

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 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
25. Cash and investments			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	1,806	–	1,806
26. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	32	–	32
c. User charges	311	–	311
d. Other	–	–	–
27. Inventories	–	–	–
28. Property, plant and equipment			
a. System assets	–	14,462	14,462
b. Plant and equipment	–	4,156	4,156
29. Other assets	–	–	–
30. Total assets	2,149	18,618	20,767
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	–	–	–
33. Borrowings	–	–	–
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
35. Total liabilities	–	–	–
36. NET ASSETS COMMITTED	2,149	18,618	20,767
EQUITY			
37. Accumulated surplus			8,840
38. Asset revaluation reserve			11,927
39. TOTAL EQUITY			20,767
Note to system assets:			
40. Current replacement cost of system assets			16,323
41. Accumulated current cost depreciation of system assets			(1,861)
42. Written down current cost of system assets			14,462

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 2016

\$'000	Actuals 2016	Actuals 2015
A Expenses and income Expenses		
1. Management expenses		
a. Administration	98	94
b. Engineering and supervision	16	12
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	–	–
b. Maintenance expenses	35	58
– Pumping stations		
c. Operation expenses (excluding energy costs)	–	–
d. Energy costs	–	–
e. Maintenance expenses	9	13
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	–	–
g. Chemical costs	10	30
h. Energy costs	–	–
i. Effluent management	–	–
j. Biosolids management	75	71
k. Maintenance expenses	85	53
– Other		
l. Operation expenses	–	–
m. Maintenance expenses	62	77
3. Depreciation expenses		
a. System assets	198	200
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	590	610

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 2016

\$'000	Actuals 2016	Actuals 2015
Income		
6. Residential charges (including rates)	567	541
7. Non-residential charges		
a. Access (including rates)	—	—
b. Usage charges	11	18
8. Trade waste charges		
a. Annual fees	—	—
b. Usage charges	1	6
c. Excess mass charges	—	—
d. Re-inspection fees	—	—
9. Extra charges	—	—
10. Interest income	45	45
11. Other income	3	6
11a. Aboriginal Communities Water and Sewerage Program	—	—
12. Grants		
a. Grants for acquisition of assets	—	—
b. Grants for pensioner rebates	14	13
c. Other grants	—	—
13. Contributions		
a. Developer charges	—	—
b. Developer provided assets	—	—
c. Other contributions	—	—
14. Total income	641	629
15. Gain (or loss) on disposal of assets	—	—
16. Operating result	51	19
16a. Operating result (less grants for acquisition of assets)	51	19

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 2016

\$'000	Actuals 2016	Actuals 2015
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	3	–
c. Renewals	9	43
d. Plant and equipment	–	–
18. Repayment of debt	–	–
19. Totals	12	43
Non-operating funds employed		
20. Proceeds from disposal of assets	–	–
21. Borrowing utilised	–	–
22. Totals	–	–
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	953	953
b. Residential (unoccupied, ie. vacant lot)	59	59
c. Non-residential (occupied)	100	96
d. Non-residential (unoccupied, ie. vacant lot)	16	14
24. Number of ETs for which developer charges were received	– ET	– ET
25. Total amount of pensioner rebates (actual dollars)	\$ 13,519	\$ 12,914

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 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
26. Cash and investments			
a. Developer charges	—	—	—
b. Special purpose grants	—	—	—
c. Accrued leave	—	—	—
d. Unexpended loans	—	—	—
e. Sinking fund	—	—	—
f. Other	1,723	1	1,724
27. Receivables			
a. Specific purpose grants	—	—	—
b. Rates and availability charges	30	—	30
c. User charges	7	—	7
d. Other	—	—	—
28. Inventories	—	—	—
29. Property, plant and equipment			
a. System assets	—	6,200	6,200
b. Plant and equipment	—	350	350
30. Other assets	—	—	—
31. Total assets	1,760	6,551	8,311
LIABILITIES			
32. Bank overdraft	—	—	—
33. Creditors	—	—	—
34. Borrowings	—	—	—
35. Provisions			
a. Tax equivalents	—	—	—
b. Dividend	—	—	—
c. Other	—	—	—
36. Total liabilities	—	—	—
37. NET ASSETS COMMITTED	1,760	6,551	8,311
EQUITY			
38. Accumulated surplus			5,387
39. Asset revaluation reserve			2,924
40. TOTAL EQUITY			8,311
Note to system assets:			
41. Current replacement cost of system assets			7,909
42. Accumulated current cost depreciation of system assets			(1,709)
43. Written down current cost of system assets			6,200

Uralla Shire Council

Notes to Special Schedules 3 and 5

for the year ended 30 June 2016

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 2016

\$'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	2015/16 Required maintenance ^a	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings – non-specialised	200	–	948	966	16,895	23,820	5%	73%	21%	0%	1%
	Sub-total	200	–	948	966	16,895	23,820	5.0%	73.0%	21.0%	0.0%	1.0%
Other structures	Other structures	–	–	–	–	544	1,285	52%	0%	13%	35%	0%
	Sub-total	–	–	–	–	544	1,285	52.0%	0.0%	13.0%	35.0%	0.0%
Roads	Sealed roads	1,438	–	975	1,978	74,568	99,814	8%	27%	50%	14%	1%
	Unsealed roads	–	–	762	1,011	5,987	17,330	7%	8%	66%	19%	0%
	Bridges	520	–	196	104	21,142	32,208	43%	52%	5%	0%	0%
	Footpaths	–	–	72	64	1,506	1,732	19%	70%	10%	1%	0%
	Bulk earthworks	–	–	–	–	75,897	75,894	100%	0%	0%	0%	0%
	Sub-total	1,958	–	2,005	3,157	179,100	226,978	43.7%	20.4%	27.8%	7.6%	0.4%

Uralla Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016 (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	2015/16 Required maintenance ^a	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Water supply network	Water supply network	–	–	391	385	14,461	16,322	8%	90%	2%		0%
	Sub-total	–	–	391	385	14,461	16,322	8.0%	90.0%	2.0%	0.0%	0.0%
Sewerage network	Sewerage network	–	–	151	128	6,201	7,909	14%	63%	22%	1%	0%
	Sub-total	–	–	151	128	6,201	7,909	14.0%	63.0%	22.0%	1.0%	0.0%
Stormwater drainage	Stormwater drainage	–	–	5	9	1,937	2,479	66%	30%	2%	2%	0%
	Sub-total	–	–	5	9	1,937	2,479	66.0%	30.0%	2.0%	2.0%	0.0%
Open space/recreational assets	Swimming pools	–	–	49	49	537	750			100%		0%
	Sub-total	–	–	49	49	537	750	0.0%	0.0%	100.0%	0.0%	0.0%
	TOTAL – ALL ASSETS	2,158	–	3,549	4,694	219,675	279,543	37.6%	30.1%	25.5%	6.4%	0.4%

Notes:

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

Infrastructure asset condition assessment 'key'

1	Excellent	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Average	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 2016

\$ '000	Amounts 2016	Indicator 2016	Prior periods	
			2015	2014
Infrastructure asset performance indicators * consolidated				
1. Infrastructure renewals ratio				
Asset renewals ⁽¹⁾	3,648	111.66%	200.99%	94.17%
Depreciation, amortisation and impairment	3,267			
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	2,158	1.50%	0.50%	6.49%
Carrying value of infrastructure assets	143,778			
3. Asset maintenance ratio				
Actual asset maintenance	4,694	1.32	1.02	1.00
Required asset maintenance	3,549			

Notes

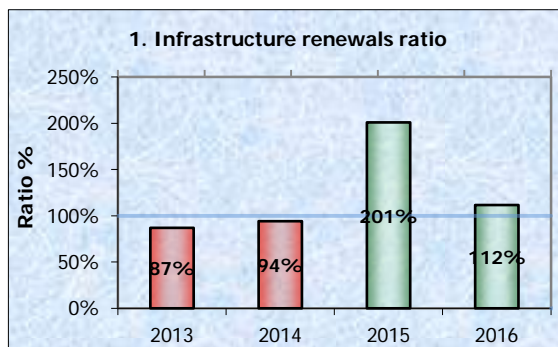
* All asset performance indicators are calculated using the asset classes identified in the previous table.

⁽¹⁾ Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Uralla Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2016



Benchmark: — Minimum $\geq 100.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Purpose of asset renewals ratio

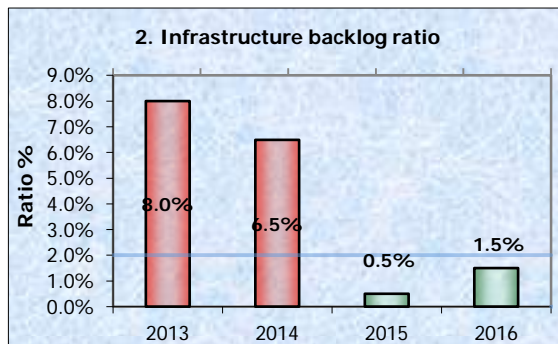
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

Commentary on 2015/16 result

2015/16 Ratio 111.66%

2015 renewals included a one-off replacement of a bridge that skews results slightly.

Ratio achieves benchmark
Ratio is outside benchmark



Benchmark: — Maximum $< 2.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Purpose of infrastructure backlog ratio

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

Commentary on 2015/16 result

2015/16 Ratio 1.50%

Included in backlog this year is a bridge that is due for replacement in 2016/17 and works on the Visitor Information Centre that will be completed in 2016/17 also.

Ratio achieves benchmark
Ratio is outside benchmark



Benchmark: — Minimum > 1.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Purpose of asset maintenance ratio

Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

Commentary on 2015/16 result

2015/16 Ratio 1.32 x

Council continues to exceed the benchmark in this area which is a reflection of the focus on roads maintenance.

Ratio achieves benchmark
Ratio is outside benchmark

Uralla Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2016

\$ '000	Water 2016	Sewer 2016	General ⁽¹⁾ 2016
Infrastructure asset performance indicators by fund			
1. Infrastructure renewals ratio			
Asset renewals ⁽²⁾	12.40%	6.06%	127.56%
Depreciation, amortisation and impairment			
prior period:	15.76%	21.50%	228.52%
2. Infrastructure backlog ratio			
Estimated cost to bring assets to a satisfactory standard	0.00%	0.00%	1.75%
Carrying value of infrastructure assets			
prior period:	0.00%	0.00%	0.62%
3. Asset maintenance ratio			
Actual asset maintenance	0.98	0.85	1.39
Required asset maintenance			
prior period:	1.20	1.06	1.00

Notes

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

for the year ended 30 June 2017

\$'000		Calculation 2015/16	Calculation 2016/17
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	3,514	3,586
Plus or minus adjustments ⁽²⁾	b	1	13
Notional general income	c = (a + b)	3,515	3,599
Permissible income calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
Or rate peg percentage	e	2.40%	1.80%
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	84	65
Or plus Crown land adjustment and rate peg amount	j = c x f	—	—
Sub-total	k = (c + g + h + i + j)	3,599	3,664
Plus (or minus) last year's carry forward total	l	(5)	8
Less valuation objections claimed in the previous year	m	—	—
Sub-total	n = (l + m)	(5)	8
Total permissible income	o = k + n	3,594	3,672
Less notional general income yield	p	3,586	3,662
Catch-up or (excess) result	q = o - p	8	10
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	—	—
Less unused catch-up ⁽⁵⁾	s	—	—
Carry forward to next year	t = q + r - s	8	10

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 8 in the financial data return (FDR) to administer this process.

URALLA SHIRE COUNCIL INDEPENDENT AUDITORS' REPORT - SPECIAL SCHEDULE No. 8

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Uralla Shire Council for the year ending 30 June 2017.

Responsibility of Council for Special Schedule No. 8

The Council is responsible for preparation and fair presentation of Special No. 8 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 23. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant preparation and fair presentation of Special Schedule No. 8 that is free from material mistreatment, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibilities

Our responsibility is to express an opinion on Special Schedule No. 8 based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Audit Standard require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether Special Schedule No. 8 is free from material misstatement.

An audit involves performing procedures to obtain audit evidences about the amounts and disclosures in Special Schedule No. 8. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement on Special Schedule No. 8, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of Special Schedule No. 8.

Because of the inherent limitation of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.

Knowledge with integrity

Liability limited by a scheme approved under the Professional Standards Legislation

Uralla Shire Council

INDEPENDENT AUDITORS' REPORT - SPECIAL SCHEDULE No. 8

In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule No. 8 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of the expressing an opinion on the effectiveness of the entity's internal control.

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

Independence

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

Audit Opinion

In our opinion Special Schedule No. 8 of Uralla Shire Council for the year ending 30 June 2017 is properly drawn up in all material respects, in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

Basis of Accounting

Without modifying our opinion, we advise that the Special Schedule No. 8 has been prepared for distribution to the Office of Local Government for the purposes of confirming the Council's reconciliation of Council's total permissible general income is presented fairly. As a result, the Special Schedule No. 8 may not be suitable for another purpose

Forsyths

FORYSTHS BUSINESS SERVICES PTY LTD



Paul Cornall
Principal

Dated at Armidale this 4th November 2016