Upper Murray Regional Library

ACN 007 371 530

STATUTORY STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

UMRL

knowledge is power

Upper Murray Regional Library

Annual Financial Statements 30 June 2010

ACN 077 371 530

Contents

Directors' report	2
Auditor's independence declaration	5
Statement of comprehensive income	6
Statement of recognised income and expenditure	7
Statement of financial position	8
Statement of cash flows	9
Notes to and forming part of the financial statements	10
Directors' declaration	28
Audit report	29

Directors' Report

The Directors present their report together with the financial statements of Upper Murray Regional Library (the "Company") for the year ended 30 June 2010 and the auditor's report thereon.

The Company is incorporated as a Company Limited by Guarantee and has received a licence from the Australian Securities and Investments Commission to delete the word Limited from its name.

Directors

The Directors of the Company at any time during or since the financial year are:

William Bawden Bott
Chairperson
Occupation: Farmer
Appointed: October 2002

Mary Christine Fraser
Occupation: Farmer
Appointed: November 2005
Resigned: 28 June 2010
Reappointed: 4 August 2010

Steve Pinnuck
Occupation: General Manager
Appointed: October 2004

John Stanway Hunt
Occupation: General Manager
Appointed: July 2002

Anna Speedie
Occupation: Manager
Appointed: February 2008
Resigned: 25 May 2010

Tony a'Beckett
Occupation: Farmer
Appointed: November 2008

Peter Croucher
Occupation: Retired Teacher
Appointed: December 2008

Patience Harrington
Occupation: Director for Community Development
Appointed: 26 July 2010

Directors were in office from the beginning of the financial year until the date of this report, unless otherwise stated.

Company secretary

Mrs Lynne Makin, Chief Executive Officer of the Company was appointed to the position of Company Secretary on 1 June 1998 and continues to act in this capacity post year end. Mrs Makin intends to cease employment with the company on 1 October 2010.

Principal activities

The principal activities of the Company during the course of the financial year were that of a regional library to serve the municipal districts of members of the Company in southern New South Wales and north-eastern Victoria.

Indemnification and insurance of officers and auditors

Indemnification
The Company has agreed to indemnify its directors and officers in respect of liabilities that may arise from their position as directors and officers of the Company. The Company has not indemnified its auditors, WHK Audit & Risk Assessment.

Insurance premiums
The insurance contract specifically prohibits disclosure of the nature of the liability covered and the amount of the premium paid.

Directors' meetings

The number of Directors' meetings and number of meetings attended by each of the Directors of the Company during the financial year are:

	Ordinary Board Meetings	
	No. of Meetings Attended	No. of Meetings Held*
William Bawden Bott	9	9
Mary Fraser	4	9
Steve Pinnuck	7	9
John Stanway Hunt	7	9
Anna Speedie	7	8
Tony a'Beckett	8	9
Peter Croucher	9	9

* reflects the number of meetings held during the time the Director held office during the year.

Operating and financial review

The net loss of the entity for the year ended 30 June 2010 was $379,432 (2009: $103,760 profit).

There were significant changes in staff structure during the financial year with several redundancy payments on 30 June 2010 being made due to Wodonga City Council's decision to terminate their employment agreement with UMRL and to resume operations of the Wodonga Library Service.

There were no other significant changes in the operations of the Company during the financial period under review.

Dividends

No dividend was paid or provided for during the financial year or since.

State of affairs

In 2009/2010 and 2010/2011, the resource vote has been reduced from $190,000 to $90,000, following AlburyCity's withdrawal. The impact of this reduction in funding of one of UMRL's services provided to the community will begin to be felt in 2010/2011 with UMRL providing selected popular items and limited additions to other subject areas of the collections. The effects of the low resource vote will not be overcome for some years after full restoration of the required amount.

Other than the previously mentioned change to the state of affairs there have been no other changes than those otherwise disclosed in this report or the financial statements.

Likely developments

There are no significant likely developments not otherwise disclosed in this report.

Events subsequent to reporting date

Subsequent to year end Lynne Makin (CEO) resigned effective from 1 October 2010. The resignation of the CEO will impact on the organisation as, until a new structure, service model, strategic plan and business plan are adopted, it will be difficult to recruit a replacement CEO.

There has also been further restructuring of staff as a result of the Albury City Council resignation. This has resulted in redundancy payments of $42,114, which are payable by 30 September 2010.

Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 5 and forms part of the Directors' report for the financial year ended 30 June 2010.

Directors' benefits

During or since the end of the financial year, no Director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration paid or payable to the Directors as shown in the general purpose financial statements) by reason of a contract entered into by the Company with:

- a Director,
- a firm of which a Director is a member, or
- an entity in which a Director has a substantial financial interest.

This report is made with a resolution of the Directors:

W. B. Bott.
Director

Director

Dated at Wodonga this 30th day of September 2010

WHK

491 Smollett Street
Albury, NSW 2640

PO Box 500
Albury, NSW 2640

T 02 6021 1111
F 02 6041 1892

www.whk.com.au

WHK Audit & Risk Assessment
16 673 023 918

Lead auditor's independence declaration under Section 307C of the Corporations Act 2001

To: the Directors of Upper Murray Regional Library

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2010 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

- no contraventions of any applicable code of professional conduct in relation to the audit.

WHK

WHK Audit & Risk Assessment

Timothy S Frazer
Partner

Dated at Albury this 30th day of September 2010

Statement of comprehensive income
For the year ended 30 June 2010

	Note	2010 $	2009 $
Revenue			
Rendering of services		216,667	211,456
Grants and contributions	2(a)	1,742,864	2,131,144
Special contributions	2(b)	152,563	-
Other income	2(c)	86,133	69,577
Total revenue		2,198,227	2,412,177
Expenses			
Personnel expenses	3	1,485,147	1,338,097
Depreciation expenses		445,176	439,310
Computer costs		111,392	93,987
Rent		69,649	58,111
Vehicle expenses		79,289	92,110
Periodicals		20,008	31,143
Insurance		27,385	24,530
Consultant fees		60,540	12,740
Lease payments		19,833	18,308
Telephone		14,488	14,504
Printing, postage & stationery		27,399	31,843
Travelling		9,560	13,108
Impaired debts		58,072	456
Other		158,891	150,973
Total expenses		2,586,829	2,319,220
Financial income	5	21,771	26,486
Financial expense	5	(12,601)	(15,683)
Net financing income		9,170	10,803
(Loss)/Profit before tax		**(379,432)**	**103,760**
Income tax expense	1(k)	-	-
(Loss)/Profit for the period		**(379,432)**	**103,760**
Other comprehensive income		-	-
Total comprehensive income for the period		**(379,432)**	**103,760**

The above statement is to be read in conjunction with the accompanying notes to and forming part of the financial statements set out on pages 10 to 27.

Statement of recognised income and expenditure for the year ended 30 June 2010

	Note	2010 $	2009 $
Total comprehensive income for the period		-	-
(Loss)/profit for the period		(379,432)	103,760
Total recognised income and expense for the period		**(379,432)**	**103,760**

The above statement is to be read in conjunction with the accompanying notes to and forming part of the financial statements set out on pages 10 to 27.

Statement of financial position as at 30 June 2010

	Note	2010 $	2009 $
Current assets			
Cash and cash equivalents	6	337,090	444,621
Trade and other receivables	7	263,759	156,877
Other assets	8	46,556	58,716
Total current assets		**647,405**	**660,214**
Non-current assets			
Property, plant & equipment	9	1,366,170	1,636,156
Total non-current assets		**1,366,170**	**1,636,156**
Total assets		**2,013,575**	**2,296,370**
Current liabilities			
Trade and other payables	10	321,653	147,310
Employee benefits	11	215,950	250,805
Interest bearing liabilities	12	48,242	102,525
Total current liabilities		**585,845**	**500,640**
Non-current liabilities			
Employee benefits	11	29,870	26,913
Interest bearing liabilities	12	55,786	47,311
Total non-current liabilities		**85,656**	**74,224**
Total liabilities		**671,501**	**574,864**
Net assets		**1,342,074**	**1,721,506**
Equity			
Retained earnings	13	**1,342,074**	**1,721,506**
Total equity		**1,342,074**	**1,721,506**

The above statement is to be read in conjunction with the accompanying notes to and forming part of the financial statements set out on pages 10 to 27.

Statement of cash flows
For the year ended 30 June 2010

	Note	2010 $	2009 $
Cash flows from operating activities			
Cash receipts in the course of operations		2,300,480	2,510,411
Cash paid to suppliers and employees		(2,196,640)	(2,105,052)
Cash generated from operations		**109,840**	**405,359**
Interest received		22,323	32,291
Interest paid		(12,601)	(15,683)
Net cash from operating activities	19	**119,562**	**421,967**
Cash flows from investing activities			
Acquisition of property, plant and equipment		(183,102)	(336,230)
Proceeds from sale of property, plant and equipment		1,817	-
Net cash from investing activities		**(181,285)**	**(336,230)**
Cash flows from financing activities			
(Decrease) in interest bearing borrowings		(45,808)	(43,859)
Net cash from financing activities		**(45,808)**	**(43,859)**
Net increase/(decrease) in cash and cash equivalents		**(107,531)**	**41,878**
Cash and cash equivalents at 1 July		**444,621**	**402,743**
Cash and cash equivalents at 30 June	6	**337,090**	**444,621**

The above statement is to be read in conjunction with the accompanying notes to and forming part of the financial statements set out on pages 10 to 27.

Notes to and forming part of the financial statements for the year ended 30 June 2010

1. Accounting policies

Upper Murray Regional Library ('the Company') is a company limited by guarantee domiciled in Australia.

The financial statements were authorised for issue by the Directors on 28th of September 2010.

(a) Statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards ('AASBs'), adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. International Financial Reporting Standards ('IFRSs') form the basis of Australian Accounting Standards ('AASBs') adopted by the AASB, and for the purpose of this report are called Australian equivalents to IFRS ('AIFRS') to distinguish from previous Australian GAAP.

Not-for-profit status
Under AIFRS, there are requirements that apply specifically to not-for-profit entities that are not consistent with International Financial Reporting Standards (IFRS) requirements. The Company has analysed its purpose, objectives and operating philosophy and determined that it does not have profit generation as a prime objective. Consequently where appropriate the Company has elected to apply options and exemptions within AIFRS that are applicable to not-for-profit entities.

(b) Basis of preparation

The financial statements are general purpose financial statements which have been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial statements are presented in Australian dollars.

The financial statements have been prepared on the basis of historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets.

The preparation of the financial statements in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by the Company.

Notes to and forming part of the financial statements for the year ended 30 June 2010 (continued)

1. Accounting policies (continued)

(b) Basis of preparation (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies set out below have been applied consistently to all periods presented in the financial statements.

(c) Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation and amortisation

Items of property, plant and equipment are depreciated/amortised over their estimated useful lives from the date of acquisition. All property, plant and equipment are depreciated/amortised using the straight-line method.

The depreciation rates used for each class of asset are:

Class of Fixed Asset	Depreciation Rate
Computer equipment	4 – 25%
Library books	5 – 21%
Mobiles & Vehicles	10%
Office equipment	2.5 – 15%

Leased plant and equipment

Leases of plant and equipment under which the Company assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

(d) Revenue recognition

Grants and contributions revenue

Revenues from grants and subsidies are recognised when received or due for receipt, unless there is a reciprocal right to those monies from external parties.

Interest income

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

Rendering of services

Fee for service revenue is recognised by reference to the period in which the services are rendered.

Asset sales

The gain or loss on disposal of non-current asset sales are recognised at the date control passes to the buyer, usually when an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal (including incidental costs).

Notes to and forming part of the financial statements for the year ended 30 June 2010 (continued)

1. Accounting policies (continued)

(e) Expenses

Operating lease payments

Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(f) Provision for employee benefits

Wages, Salaries and Annual Leave

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

Long-Term Service Benefits

The Company's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the statement of financial position date which have maturity dates approximating to the terms of the Company's obligations.

Some of the Company's employees will receive defined benefit post-employment benefits from Local Government Super. Local Government Super is a defined benefit multi-employer plan. Sufficient information is not available to account for Local Governments Super as a defined benefit plan as each employer is exposed to actuarial risk associated with current and former employees of other entities. As a result there is no consistent and reliable basis for allocating the obligation, assets and cost to the individual entities. Therefore, the Company has adopted defined contributions accounting for these employees.

(g) Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses.

(h) Cash and cash equivalents

Cash and cash equivalents comprises cash balances and call deposits. Where applicable, bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(i) Impairment

The carrying amount of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists the asset's recoverable amount is estimated. 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.

Value in use in respect of not-for-profit entities is represented by the depreciated replacement cost when the future economic benefits of the asset are not primarily dependent on the asset's ability to generate net cash inflows, i.e. property, plant and equipment.

Notes to and forming part of the financial statements for the year ended 30 June 2010 (continued)

1. Accounting policies (continued)

(j) Income tax
The Company is exempt from the payment of income tax.

(k) Goods and services tax
Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred in not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition or as part of the item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(l) Accounting estimates and judgements
Management has been involved in the development, selection and disclosure of the Company's critical accounting policies and estimates and the application of those policies and estimates. There are no critical accounting judgements which require specific disclosure.

(m) New standards and interpretations not yet adopted
The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2010, but have not been applied in preparing these financial statements:

The following standards, amendments to standards and interpretations are available for early adoption at 30 June 2010, but have not been applied in preparing these financial statements:

- AASB 9 *Financial Instruments* includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139: Financial Instruments: Recognition and Measurement. AASB 9 will become mandatory for the Company's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The Company has not yet determined the potential effect of the standard.
- AASB 124 *Related Party Disclosures* (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The amendments, which will become mandatory for Company's 30 June 2012 financial statements, are not expected to have any impact on the financial statements.
- AASB 2009-5 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Process* affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Company's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.

Notes to and forming part of the financial statements for the year ended 30 June 2010 (continued)

1. Accounting policies (continued)

(n) Financial instruments

Recognition & initial measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the Company becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in profit or loss.

Classification & subsequent measurement

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

Financial assets are classified at fair value through profit of loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

(ii) Loans & receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(iii) Held to maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

(v) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Notes to and forming part of the financial statements for the year ended 30 June 2010 (continued)

1. Accounting policies (continued)

(n) Financial instruments (continued)

Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the statement of comprehensive income unless they are designated as hedges.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

Financial guarantees

Where material, financial guarantees issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition. The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118 *Revenue*.

(o) Going Concern

The Company reported a loss for the 2010 year of $379,432 and, for the year ended on that date, made a net cash loss of $107,531. The Company has a working capital surplus of $61,560 however an amount of $95,944 is restricted as at 30 June 2010. Refer to Note 6 for details of the restriction.

The general purpose financial statements have been prepared on a going concern basis that contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Company's ability to remain a going concern and to discharge its liabilities in the ordinary course of business is dependent upon the continuing financial support of Councils and the generation of trading surpluses from operating activities.

Notes to and forming part of the financial statements for the year ended 30 June 2010 (continued)

2(a) Grants and contributions

	2010 $	2009 $
Contributions received from:		
AlburyCity Council	-	523,540
Corowa Shire Council	160,092	152,776
Greater Hume Shire Council	96,980	92,408
Indigo Shire Council	118,512	113,160
Towong Shire Council	49,776	47,620
Tumbarumba Shire Council	62,820	59,828
Urana Shire Council	43,868	41,780
Wodonga City Council	176,156	168,360
Salary reimbursement from:		
Indigo Shire Council	39,096	38,048
Wodonga City Council	375,340	361,023
Towong Shire Council	62,812	61,028
Albury City Council mobile fees & sales	96,499	-
Other grants received:		
Victorian Library Subsidy	399,986	386,371
Grants NSW	4,500	7,115
Grants Victoria	35,375	57,634
Local Priorities Fund Victoria	21,052	20,453
	1,742,864	2,131,144

2(b) Special contributions

	2010 $	2009 $
Special contributions received from:		
Corowa Shire Council	22,007	-
Greater Hume Shire Council	11,865	-
Indigo Shire Council	30,030	-
Towong Shire Council	11,940	-
Tumbarumba Shire Council	7,034	-
Urana Shire Council	2,390	-
Wodonga City Council	67,297	-
	152,563	-

2(c) Other income

	2010 $	2009 $
(Loss)/profit on sale of fixed assets	(6,095)	-
Sponsorship – Homework centre	-	455
Diesel fuel subsidy	4,576	3,596
Travel / accommodation reimbursement	747	506
Book club membership	8,669	5,105
Salary reimbursement	-	1,400
AlburyCity withdrawal reimbursement	58,388	45,386
Other	19,848	13,129
	86,133	69,577

Notes to and forming part of the financial statements for the year ended 30 June 2010 (continued)

	2010 $	2009 $
3. Personnel expenses		
Wages and salaries	1,287,854	1,190,905
Termination payments	95,209	-
Employee leave entitlements movement	(31,898)	25,555
Superannuation	119,975	109,488
Other	14,007	12,149
	1,485,147	1,338,097
4. Auditors' remuneration		
Amounts received or due and receivable by the Auditors of the Company for:		
Audit services	9,520	9,150
Other services	-	10,654
	9,520	19,804
5. Net financing costs		
Interest income	21,771	26,486
Interest expense	(12,601)	(15,683)
Net financing income	9,170	10,803
6. Cash and cash equivalents		
Cash on hand	650	3,218
Cash at bank	336,440	441,403
	337,090	444,621
The following restrictions exist at 30 June 2010:		
External restrictions		
- Special grants	25,039	-
- Job search reserve	13,073	-
- Mobile library	2,794	-
Internal restrictions		
- Office software and warranty	4,435	-
- Staff training	5,908	-
- Computer reserve	6,513	-
- Mobile reserve	6,000	-
- Equipment / Mobile Reserve	32,182	-
	95,944	-
7. Trade and other receivables		
Trade receivables	323,218	154,946
Accrued interest	4,420	1,931
Provision for impairment	(63,879)	-
	263,759	156,877
8. Other assets		
Prepayments	46,556	58,716
	46,556	58,716

Notes to and forming part of the financial statements for the year ended 30 June 2010 (continued)

9. Property, plant & equipment

	Computer Equipment	Library Books	Mobiles & Vehicles	Office Equipment & Furniture	Leasehold Improvements	Leased Plant & Equipment	Total
Cost	$				$	$	$
Balance at 1 July 2008	527,567	3,819,816	642,556	166,199	9,365	370,105	5,537,608
Acquisitions	10,877	310,936	10,000	4,418	-	-	336,231
Disposals	-	-	-	-	-	-	-
Balance at 30 June 2009	538,444	4,130,752	652,556	170,617	9,365	370,105	5,871,839
Balance at 1 July 2009	538,444	4,130,752	652,556	170,617	9,365	370,105	5,871,839
Acquisitions	37,657	143,082	-	2,363	-	-	183,102
Disposals	(456)	(584,340)	(9,844)	-	-	-	(594,640)
Balance at 30 June 2010	575,645	3,689,494	642,712	172,980	9,365	370,105	5,460,301
Depreciation and impairment losses							
Balance at 1 July 2008	419,026	3,015,972	147,568	58,369	4,249	151,188	3,796,372
Depreciation charge for the year	33,694	302,308	64,619	13,828	468	24,394	439,311
Impairment losses	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Balance at 30 June 2009	452,720	3,318,280	212,187	72,197	4,717	175,582	4,235,683
Balance at 1 July 2009	452,720	3,318,280	212,187	72,197	4,717	175,582	4,235,683
Depreciation charge for the year	36,118	305,336	61,149	13,982	468	28,122	445,175
Depreciation write back on disposal	(418)	(584,340)	(1,969)	-	-	-	(586,727)
Disposals	-	-	-	-	-	-	-
Balance at 30 June 2010	488,420	3,039,276	271,367	86,179	5,185	203,704	4,094,131

Notes to and forming part of the financial statements for the year ended 30 June 2010 (continued)

9. Property, plant & equipment (continued)

Carrying amounts	Computer Equipment	Library Books	Mobiles & Vehicles	Office Equipment & Furniture	Leasehold Improvements	Leased Plant & Equipment	Total
At 1 July 2008	108,541	803,842	494,988	107,830	5,116	218,917	1,714,236
At 30 June 2009	85,724	812,472	440,369	98,420	4,648	194,523	1,636,156
At 1 July 2009	85,724	812,472	440,369	98,420	4,648	194,523	1,636,156
At 30 June 2010	87,225	650,218	371,345	86,801	4,180	166,401	1,366,170

Notes to and forming part of the financial statements for the year ended 30 June 2010 (continued)

	2010 $	2009 $
10. Trade and other payables		
Trade payables	48,125	48,896
Other payables and accruals	273,528	98,414
	321,653	147,310
11. Employee benefits		
Current		
Annual leave	84,323	103,277
Long service leave	131,627	147,528
	215,950	250,805
Non Current		
Long service leave	29,870	26,913

Number of full time equivalent employees at year end was 17 (2009: 20)

	2010 $	2009 $
12. Interest bearing liabilities		
Finance lease commitments are payable:		
Within one year	55,929	111,389
One year or later and not later than five years	59,416	52,266
	115,345	163,655
Less: future lease finance charges	(11,317)	(13,819)
	104,028	149,836
Current	48,242	102,525
Non-current	55,786	47,311
13. Retained earnings		
Retained profits at beginning of year	1,721,506	1,617,746
(Loss)/Profit attributable to the entity	(379,432)	103,760
Retained profits at end of year	1,342,074	1,721,506

14. Key management personnel disclosures

The key management personnel compensation included in 'personnel expenses' (see note 3) are as follows:

	2010 $	2009 $
Short-term employee benefits	118,256	111,215
Other long term benefits	3,296	4,572
Post employment benefits	10,643	9,296
	132,195	125,083

Notes to and forming part of the financial statements for the year ended 30 June 2010 (continued)

15. Statutory status and constitution

The Company is incorporated as a Company Limited by Guarantee. In accordance with the Memorandum of Association of the Company, every member of the Company undertakes to contribute an amount limited to $1 per member in the event of winding up the Company.

The Company's members are the Councils served by the Company. Each member Council appoints a nominee for a position on the Board of Directors of the Company.

The Company has received a licence from the Australian Securities and Investments Commission to delete the word Limited from its name.

16. Superannuation

The Company contributes to employee's superannuation plans in accordance with the Superannuation Guarantee Contribution legislation.

For Victorian employees, superannuation is predominantly contributed to the Local Authorities Superannuation Scheme whereas for NSW based staff, contributions are predominantly made to the NSW Local Government Superannuation Scheme. The basis of contribution is dependant upon the type of scheme the employee was a member of prior to the transfer to the Company.

17. Contingent liability

The Company currently is holding a receivable in its books at 30 June 2010 for $63,879, which is due from a former member Albury City Council. This balance is disputed by that organisation. Albury City Council believes that they have entitlement to a claim on the Company of just over $95,000. The full amount of this receivable has been provided for, due to the likeliness of this not being received. No provision for the counterclaim has been made, due to the uncertainty of the outcome.

18. Commitments

(a) Non-cancellable operating lease expense commitments
Future operating lease commitments not provided for in the financial statements and payable:

	2010 $	2009 $
Not later than 1 year	67,942	75,718
Later than one year but not later than five years	243,102	236,673
Later than five years	-	56,842
Total lease liability	311,044	369,233

Operating leases are disclosed inclusive of Goods and Services Tax.

(b) Capital Commitments
Nil.

(c) Expenditure Commitments
No funds were committed at 30 June 2010.

Notes to and forming part of the financial statements for the year ended 30 June 2010 (continued)

19. Reconciliation of cash flows from operating activities

	2010 $	2009 $
Cash flows from operating activities		
Profit/(loss) for the period	(379,432)	103,760
Adjustments for:		
Amounts set aside to provisions	(31,898)	25,555
Depreciation and amortisation	445,176	439,310
(Gain)/loss on sale of property, plant & equipment	6,095	-
Operating profit before changes in working capital and provisions	39,941	568,625
(Increase)/decrease in trade and other receivables	(106,882)	(129,985)
(Increase)/decrease in other assets	12,160	(12,968)
Increase/(decrease) in trade and other payables	174,343	(3,705)
Net cash from operating activities	119,562	421,967

20. Related parties

Directors

The names of each person holding the position of Director of Upper Murray Regional Library during the financial period are:

- William Bawden Bott: Nominee for Corowa Shire Council
- Mary Christina Fraser: Nominee for Towong Shire Council, retired in June 2010, returned in August 2010
- Steve Pinnuck: Nominee for Greater Hume Shire Council
- John Stanway Hunt: Nominee for Urana Shire Council
- Anna Speedie: Nominee for Wodonga City Council resigned in May 2010, replaced by Patience Harrington in July 2010
- Tony a'Beckett: Nominee for Tumbarumba Shire Council
- Peter Croucher: Nominee for Indigo Shire Council,

Directors remuneration is included in Note 14.

The following transactions have occurred during the financial year with related parties:

- Administration fees of $20,072 paid by Victorian based councils only.
- Contributions of $860,767 paid by various Council participants.

Notes to and forming part of the financial statements for the year ended 30 June 2010 (continued)

20. Related parties (continued)

At balance date $231,699 was outstanding from related parties. Details are as follows:

	2010 $
AlburyCity Council	63,879
Corowa Shire Council	24,208
Greater Hume Shire Council	13,052
Indigo Shire Council	33,033
Towong Shire Council	13,134
Tumbarumba Shire Council	7,737
Urana Shire Council	2,629
Wodonga City Council	74,027
	231,699

AlburyCity transactions and disputes are as a direct result of the withdrawal of the Council as a member of UMRL. The Deed of Arrangement makes provision for reimbursement of all costs associated with such withdrawal. AlburyCity is disputing these costs, amounting to $63,879, and UMRL is currently looking to mediation for a result. The costs are associated with return of 35,000 items by AlburyCity at the very end of their withdrawal period effective on 30 June 2009.

21. Financial risk management

Financial risk management

(a) Risk management policies

The Company's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payable and leases.

The main purpose of non-derivative financial instruments is to finance the Company's day to day operations.

The Company does not have any derivative instruments at 30 June 2010.

(i) Treasury risk management

The Board and chief executive of the Company meet on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

The Board's overall risk management strategy seeks to assist the Company in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

The chief executive operates under policies approved by the Board of Directors. Risk management policies are approved and reviewed by the Board on a regular basis. These include credit risk policies and future cash flow requirements.

(ii) Financial risk exposures & management

The main risks the Company is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

Credit risk
Credit risk is the risk of loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers and investment securities.

Notes to and forming part of the financial statements for the year ended 30 June 2010 (continued)

21. Financial risk management (continued)

Trade and receivables

The Company's exposure to credit risk is influenced mainly by the characteristics of the individual customer. A substantial portion of the total revenue is generated through contributions, administration fees and government grants.

Investments

The Company limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have a good credit rating. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Company's reputation.

Market risk

Market risk is the risk that the changes in market prices, such as interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control the market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

The Company holds interest bearing financial assets.

The Company does not have any variable rate borrowings and is therefore not exposed to interest rate risk on borrowings.

Currency risk

The Company is not exposed to any currency risk on sales, purchases or borrowings that are denominated in a currency other than the Australian dollar (AUD).

Capital management

The Board's policy is to maintain a strong capital base to maintain member, creditor and market confidence and to sustain future development of the business. The Board of Directors' monitors the return on capital. The Board seeks to maintain a balance between the higher returns that might be possible from higher levels of borrowings and the advantages and security afforded by a sound capital position.

There were no changes to the Company's approach to capital management during the year.

The Company has no externally imposed capital requirements.

(b) Financial instrument composition & maturity analysis

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the statement of financial position.

Notes to and forming part of the financial statements for the year ended 30 June 2010 (continued)

21. Financial risk management (continued)

Credit risk
Exposure to credit risk
The carrying amount of the Company's financial assets represents the maximum credit exposure.

The Company's maximum credit exposure at 30 June was:

	Carrying Amount	
	2010	**2009**
	$	**$**
Trade & other receivables	263,759	156,877
Cash & cash equivalents	337,090	444,621
	600,849	601,498

The Company's maximum exposure to credit risk for trade receivables at reporting date was solely focused on the immediate geographic region.

The Company's maximum exposure to credit risk for trade receivables at reporting date by customer type was:

	Carrying Amount	
	2010	**2009**
	$	**$**
Members	309,369	878
Department of Victorian Communities	-	-
Sundry debtors	13,849	155,999
	323,218	156,877

Impairment losses
The ageing of the Company's receivables at reporting date was as follows:

	Gross 2010 $	Impairment allowance 2010 $	Gross 2009 $	Impairment allowance 2009 $
Not past due	202,553	-	52,387	-
Past due 0-30 days	64	-	50,459	-
Past due 31-120 days	56,722	-	54,031	-
More than 120 days	63,879	63,879	-	-
	323,218	63,879	156,877	-

The Company has raised an impairment allowance as necessary in respect of receivables.

Notes to and forming part of the financial statements for the year ended 30 June 2010 (continued)

21. Financial risk management (continued)

Liquidity risk
The following are contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting arrangements:

30 June 2010	Carrying amount $	Contractual cash flows $	<12 mths $	1-2 years $	2-5 years $	>5 years $
Financial Liabilities						
Trade and other payables	327,460	327,460	327,460	-	-	-
Finance leases	104,028	115,345	48,242	27,935	27,851	-
	431,488	442,805	375,702	27,935	27,851	-

30 June 2009	Carrying amount $	Contractual cash flows $	<12 mths $	1-2 years $	2-5 years $	>5 years $
Financial Liabilities						
Trade and other payables	147,310	147,310	147,310	-	-	-
Finance leases	149,836	163,655	102,525	20,394	26,917	-
	297,146	310,965	249,835	20,394	26,917	-

Interest rate risk
At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

	Carrying Amount 2010 $	Carrying Amount 2009 $
Fixed rate instruments		
Financial assets	213,223	206,641
Financial liabilities	(104,028)	(149,836)
	109,195	56,805
Variable rate instruments		
Financial assets	123,216	289,262
Financial liabilities	-	(54,500)
	123,216	234,762

Fair values
Fair values versus carrying amount
The fair values of financial assets and liabilities were equal to the carrying amounts shown in the statement of financial position as at reporting date.

Notes to and forming part of the financial statements for the year ended 30 June 2010 (continued)

21. Financial risk management (continued)

Sensitivity analysis
The Company has performed a sensitivity analysis relating to its exposure to interest rates. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in this risk.

A change of 1% in interest rates at the reporting date would have increased (decreased) equity and profit and loss by the amounts shown below. This analysis assumes that all other variables, remain constant. The analysis is performed on the same basis for 2009.

	Profit or loss		Equity	
	1% Decrease $	1% Increase $	1% Decrease $	1% Increase $
30 June 2010				
Variable rate instruments	(1,232)	1,232	(1,232)	1,232
30 June 2009				
Variable rate instruments	(2,348)	2,348	(2,348)	2,348

22. Subsequent Events

Subsequent to year end Lynne Makin (CEO) resigned effective from 1 October 2010. The resignation of the CEO will impact on the organisation as, until a new structure, service model, strategic plan and business plan are adopted, it will be difficult to recruit a replacement CEO.

There has also been further restructuring of staff as a result of the Albury City Council resignation. This has resulted in redundancy payments of $42,114, which are payable by 30 September 2010.

Other than the above there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

Directors' Declaration

In the opinion of the Directors of Upper Murray Regional Library:

A. the financial statements and notes as set out on pages 6 to 27, are in accordance with the Corporations Act 2001, including:

   a. giving a true and fair view of the financial position of the Company as at 30 June 2010, and of its performance for the financial year ending on that date; and

   b. complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

B. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Wodonga this 30th day of September 2010.

Signed in accordance with a resolution of the Directors

W. B. Bott

Director

Director

WHK

491 Smollett Street
Albury, NSW 2640

PO Box 500
Albury, NSW 2640

T 02 60211111
F 02 6041 1892

www.whk.com.au

WHK Audit & Risk Assessment
16 673 023 918

Independent auditor's report to the members of Upper Murray Regional Library

We have audited the accompanying financial statements of Upper Murray Regional Library (the Company), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of recognised income and expenditure and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 22 and the directors' declaration.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are 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. 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 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 entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We performed the procedures to assess whether in all material respects the financial statements present fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's financial position and of its performance.

WHK

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

Auditor's opinion

In our opinion:

(a) the financial statements of Upper Murray Regional Library are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

WHK

WHK Audit & Risk Assessment

Timothy S Frazer
Partner

Dated as Albury this 30th day of September 2010