



# KYOGLE COUNCIL

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

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**Gateway to the Rainforests**



# KYOGLE COUNCIL

## General Purpose Financial Statements for the year ended 30 June 2017

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### Overview

- (i) These financial statements are General Purpose Financial Statements and cover the operations for KYOGLE COUNCIL.
- (ii) KYOGLE 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 30 October 2017. Council has the power to amend and reissue these financial statements.
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# KYOGLE COUNCIL

## General Purpose Financial Statements for the year ended 30 June 2017

### 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 30 October 2017.



Danielle Mulholland  
Mayor



Kylie Thomas  
Councillor



Graham Kennett  
General Manager



Glenn Rose  
Responsible Accounting Officer

# KYOGLE COUNCIL

## Income Statement

for the year ended 30 June 2017

Budget <sup>1</sup> 2017	\$ '000	Notes	Actual 2017	Actual 2016
<b>Income from continuing operations</b>				
<b>Revenue:</b>				
8,863	Rates and annual charges	3a	8,922	8,436
5,278	User charges and fees	3b	6,886	6,586
406	Interest and investment revenue	3c	513	574
10	Other revenues	3d	31	240
8,253	Grants and contributions provided for operating purposes	3e,f	10,959	7,743
3,973	Grants and contributions provided for capital purposes	3e,f	5,684	6,786
<b>Other income:</b>				
91	Net gains from the disposal of assets	5	–	–
<b>26,874</b>	<b>Total income from continuing operations</b>		<b>32,995</b>	<b>30,365</b>
<b>Expenses from continuing operations</b>				
7,671	Employee benefits and on-costs	4a	7,826	7,297
463	Borrowing costs	4b	193	202
4,219	Materials and contracts	4c	5,644	5,894
7,005	Depreciation and amortisation	4d	6,934	6,928
2,140	Other expenses	4e	2,020	2,501
	Net losses from the disposal of assets	5	3,994	2,640
<b>21,498</b>	<b>Total expenses from continuing operations</b>		<b>26,611</b>	<b>25,462</b>
<b>5,376</b>	<b>Operating result from continuing operations</b>		<b>6,384</b>	<b>4,903</b>
<b>Discontinued operations</b>				
	Net profit/(loss) from discontinued operations	24	–	–
<b>5,376</b>	<b>Net operating result for the year</b>		<b>6,384</b>	<b>4,903</b>
5,376	Net operating result attributable to Council		6,384	4,903
	Net operating result attributable to non-controlling interests		–	–
<b>1,403</b>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>700</b>	<b>(1,883)</b>

<sup>1</sup> Original budget as approved by Council – refer Note 16

# KYOGLE COUNCIL

## Statement of Comprehensive Income for the year ended 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
<b>Net operating result for the year</b> (as per Income Statement)		<b>6,384</b>	<b>4,903</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	24,995	2,019
Adjustment to correct prior period errors	20( c )	–	(2,471)
Impairment (loss) reversal relating to I,PP&E	20b (ii)	(6,081)	–
Other movements		–	–
<b><i>Total items which will not be reclassified subsequently to the operating result</i></b>		<b>18,914</b>	<b>(452)</b>
<b>Total other comprehensive income for the year</b>		<b>18,914</b>	<b>(452)</b>
<b>Total comprehensive income for the year</b>		<b>25,298</b>	<b>4,451</b>
<b>Total comprehensive income attributable to Council</b>		<b>25,298</b>	<b>4,451</b>
<b>Total comprehensive income attributable to non-controlling interests</b>		<b>–</b>	<b>–</b>

# KYOGLE COUNCIL

## Statement of Financial Position

as at 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	22,187	21,838
Receivables	7	5,189	3,944
Inventories	8	1,945	2,147
Other	8	–	25
<b>Total current assets</b>		<b>29,321</b>	<b>27,954</b>
<b>Non-current assets</b>			
Infrastructure, property, plant and equipment	9	369,692	344,301
<b>Total non-current assets</b>		<b>369,692</b>	<b>344,301</b>
<b>TOTAL ASSETS</b>		<b>399,013</b>	<b>372,255</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	2,869	1,382
Borrowings	10	241	231
Provisions	10	2,508	2,485
<b>Total current liabilities</b>		<b>5,618</b>	<b>4,098</b>
<b>Non-current liabilities</b>			
Payables	10	113	94
Borrowings	10	2,757	2,998
Provisions	10	1,485	1,323
<b>Total non-current liabilities</b>		<b>4,355</b>	<b>4,415</b>
<b>TOTAL LIABILITIES</b>		<b>9,973</b>	<b>8,513</b>
<b>Net assets</b>		<b>389,040</b>	<b>363,742</b>
<b>EQUITY</b>			
Retained earnings	20	151,213	144,829
Revaluation reserves	20	237,827	218,913
Council equity interest		389,040	363,742
<b>Total equity</b>		<b>389,040</b>	<b>363,742</b>

## KYOGLE COUNCIL

### Statement of Changes in Equity for the year ended 30 June 2017

2017							2016				
\$ '000	Notes	Retained earnings	Asset	Council interest	Non-controlling interest	Total equity	Retained earnings	Asset	Council interest	Non-controlling interest	Total equity
			revaluation reserve					revaluation reserve			
			(Refer 20b)				(Refer 20b)				
<b>Opening balance</b> (as per last year's audited accounts)		144,829	218,913	<b>363,742</b>	–	<b>363,742</b>	141,367	217,924	<b>359,291</b>	–	<b>359,291</b>
<b>a. Correction of prior period errors</b>	20 (c)	–	–	–	–	–	(1,441)	(1,030)	<b>(2,471)</b>	–	<b>(2,471)</b>
<b>Revised opening balance</b>		<b>144,829</b>	<b>218,913</b>	<b>363,742</b>	–	<b>363,742</b>	<b>139,926</b>	<b>216,894</b>	<b>356,820</b>	–	<b>356,820</b>
<b>c. Net operating result for the year</b>		<b>6,384</b>		<b>6,384</b>	–	<b>6,384</b>	4,903	–	<b>4,903</b>	–	<b>4,903</b>
<b>d. Other comprehensive income</b>											
– Revaluations: IPP&E asset revaluation rsve	20b (ii)		24,995	<b>24,995</b>		<b>24,995</b>	–	2,019	<b>2,019</b>	–	<b>2,019</b>
– Impairment ( loss ) reversal relating to IPP&E	20b (ii)	–	(6,081)	<b>(6,081)</b>		<b>(6,081)</b>	–	–	–	–	–
<b>Equity – balance at end of the reporting period</b>		<b>151,213</b>	<b>237,827</b>	<b>389,040</b>	–	<b>389,040</b>	<b>144,829</b>	<b>218,913</b>	<b>363,742</b>	–	<b>363,742</b>

## KYOGLE COUNCIL

## Statement of Cash Flows

for the year ended 30 June 2017

Budget 2017	\$ '000	Notes	Actual 2017	Actual 2016
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
8,863	Rates and annual charges		8,910	8,428
5,278	User charges and fees		7,938	6,865
406	Investment and interest revenue received		533	587
12,226	Grants and contributions		14,603	14,454
	Bonds, deposits and retention amounts received		38	–
101	Other		–	226
<b>Payments:</b>				
(7,671)	Employee benefits and on-costs		(7,444)	(7,305)
(4,219)	Materials and contracts		(5,413)	(6,451)
(463)	Borrowing costs		(156)	(170)
	Bonds, deposits and retention amounts refunded		–	(85)
(2,140)	Other		(2,218)	(1,991)
<b>12,381</b>	<b>Net cash provided (or used in) operating activities</b>	11b	<b>16,791</b>	<b>14,558</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
	Sale of infrastructure, property, plant and equipment		566	457
<b>Payments:</b>				
(18,354)	Purchase of infrastructure, property, plant and equipment		(16,777)	(13,914)
<b>(18,354)</b>	<b>Net cash provided (or used in) investing activities</b>		<b>(16,211)</b>	<b>(13,457)</b>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
	Nil			
<b>Payments:</b>				
(1,098)	Repayment of borrowings and advances		(231)	(221)
<b>(1,098)</b>	<b>Net cash flow provided (used in) financing activities</b>		<b>(231)</b>	<b>(221)</b>
<b>(7,071)</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>349</b>	<b>880</b>
16,694	Plus: cash and cash equivalents – beginning of year	11a	21,838	20,958
<b>9,623</b>	<b>Cash and cash equivalents – end of the year</b>	11a	<b>22,187</b>	<b>21,838</b>

Please refer to Note 11 for information on the following:

- Non-cash financing and investing activities
- Financing arrangements
- Net cash flow disclosures relating to any discontinued operations



# KYOGLE COUNCIL

## Notes to the Financial Statements

for the year ended 30 June 2017

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## Kyogle Council

### Notes to the Financial Statements for the financial year ended 30 June 2017

#### 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) & 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 IFRS's, 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), Regulations and Local Government Code of Accounting Practice & 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

AASB 124 Related Party Disclosures was adopted during the year, the impact of this standard had no impact on reporting financial position or performance, however note 28 has been added.

###### (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 2016.

Refer further to paragraph (aa) relating to a summary of the effects of Standards with future operative dates.

###### (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 and Property, Plant & Equipment that are accounted for at fair value).

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.

## Kyogle Council

### Notes to the Financial Statements for the financial year ended 30 June 2017

#### 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.

##### **(vii) Significant 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) Estimated fair values of infrastructure, property, plant and equipment.
- (ii) Estimated remediation provisions.

##### **Significant judgements in applying Council's accounting policies**

- (i) Impairment of Receivables - Council has made a significant judgement about the impairment of a number of its receivables in Note 7.
- (ii) Projected Section 94 Commitments - Council has used significant judgement in determining future Section 94 income and expenditure in Note 17.

##### **(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.

## Kyogle Council

### Notes to the Financial Statements

for the financial year ended 30 June 2017

#### Note 1. Summary of Significant Accounting Policies (continued)

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.

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 & Investments is accounted for using the effective interest rate at the date that interest is earned.

#### Dividend Income

Revenue is recognised when the Council's right to receive the payment is established, which is generally when shareholders approve the dividend.

#### 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 financial statements incorporate (i) the assets and liabilities of Council and any entities (or operations) that it **controls** (as at 30 June 2017) and (ii) all the related operating results (for the financial year ended the 30th June 2017).

Detailed information relating to the entities that Council controls can be found at Note 19.

In the process of reporting on Council's activities as a single unit, all inter-entity year end balances and reporting period transactions have been eliminated in full between Council and its controlled entities.

#### (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.

## Kyogle Council

### Notes to the Financial Statements for the financial year ended 30 June 2017

#### Note 1. Summary of Significant Accounting Policies (continued)

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.

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

- General Purpose Operations
- Water Supply
- Sewerage Service
- Domestic Waste Management

Due to their immaterial value and nature, the following Committees, Entities & Operations have been excluded from consolidation:

Australia Day Committees  
Progress Associations

The (i) total income and expenditure from continuing operations and (ii) the net assets held by these excluded Committees & Operations is as follows:

<b>Total income from continuing operations</b>	\$0
<b>Total expenditure from continuing operations</b>	\$10,000
<b>Total net assets held (ie Equity)</b>	\$4,000

**Note:**

Where actual figures are not known, best estimates have been applied.

#### (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 which 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 been included in these statements.

Trust monies and property held by Council but not subject to the control of Council have also been included in these statements.

#### (iii) Joint Arrangements

##### Joint Ventures

Joint Ventures represent operational arrangements where the parties joint control parties have rights to the net assets of the arrangement.

Any interests in Joint Ventures are accounted for using the equity method and are carried at cost.

Under the equity method, Council's share of the operation's profits/(losses) are recognised in the income statement, and its share of movements in retained earnings & reserves are recognised in the balance sheet.

Detailed information relating to Council's Joint Ventures can be found at Note 19.

#### (iv) Associates

Council has no interest in any Associates.

#### (v) 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.

##### Finance Leases

Leases of property, plant and equipment where the Council has substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments.

The corresponding rental obligations, net of finance charges, are included in borrowings.

Each lease payment is allocated between the liability and the recognition of a finance charge.

## Kyogle Council

### Notes to the Financial Statements

for the financial year ended 30 June 2017

#### Note 1. Summary of Significant Accounting Policies (continued)

The interest element of the finance charge is costed to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance leases is depreciated over the shorter of each leased asset's useful life and the lease term.

##### 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 which are subject to an insignificant risk of changes in value, and
- bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position but are incorporated into Cash & Cash Equivalents for presentation of the Statement of Cash Flows.

##### (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/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 "held for trading" category if it is acquired principally for the purpose of selling in the short term.

Derivatives are classified as held for trading unless they are designated as hedges.

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

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 reporting date which are classified as non-current assets.



## Kyogle Council

### Notes to the Financial Statements

for the financial year ended 30 June 2017

#### Note 1. Summary of Significant Accounting Policies (continued)

##### (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 & 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 & 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.

**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.

## Kyogle Council

### Notes to the Financial Statements for the financial year ended 30 June 2017

#### Note 1. Summary of Significant Accounting Policies (continued)

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 undertake its investment of money 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) Fair value estimation

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques.

Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held.

If the market for a financial asset is not active (and for unlisted securities), the Council establishes fair value by using valuation techniques.

These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

##### (h) Receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Receivables (excluding Rates & 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 which are known to be uncollectible are written off in accordance with Council's policy.



## Kyogle Council

### Notes to the Financial Statements

for the financial year ended 30 June 2017

#### Note 1. Summary of Significant Accounting Policies (continued)

A provision for impairment (an allowance account) relating to receivables is established when there is objective evidence that the 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.

##### (i) Inventories

###### 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.

Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

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.

###### Land Held for Resale/Capitalisation of Borrowing Costs

Land held for resale is stated at the lower of cost and net realisable value.

Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development.

When development is completed borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made.

Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

##### (j) 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;

- **Investment Properties** – refer Note 1(p),
- **Water and Sewerage Networks**  
(External Valuation)
- **Operational Land** (External Valuation)
- **Buildings – Specialised/Non Specialised**  
(External Valuation)
- **Plant and Equipment**  
(as approximated by depreciated historical cost)
- **Roads Assets incl. roads, bridges & footpaths**  
(Internal Valuation)
- **Drainage Assets** (External Valuation)

## Kyogle Council

### Notes to the Financial Statements for the financial year ended 30 June 2017

#### Note 1. Summary of Significant Accounting Policies (continued)

- **Bulk Earthworks** (Internal Valuation)
- **Community Land** (External Valuation)
- **Land Improvements** (External Valuation)
- **Other Structures** (External Valuation)
- **Other Assets**  
(as approximated by depreciated historical cost)

#### Initial Recognition

On initial recognition, an assets 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.

#### Asset Revaluations (including Indexation)

In accounting for asset revaluations relating to Infrastructure, Property, Plant & 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.

All assets are indexed annually between full revaluations in accordance with the latest indices.

For all 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.

#### Capitalisation Thresholds

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

##### Land

- council land	100% Capitalised
- open space	100% Capitalised
- land under roads (purchases after 30/6/08)	100% Capitalised

##### Plant & Equipment

Office Furniture	> \$5,000
Office Equipment	> \$5,000
Other Plant & Equipment	> \$5,000

## Kyogle Council

### Notes to the Financial Statements

for the financial year ended 30 June 2017

#### Note 1. Summary of Significant Accounting Policies (continued)

##### Buildings & Land Improvements

Park Furniture & Equipment	> \$5,000
Building	
- construction/extensions	100% Capitalised
- renovations	> \$10,000
Other Structures	> \$5,000

##### Water & Sewer Assets

Reticulation extensions	> \$10,000
Other	> \$10,000

##### Stormwater Assets

Drains & Culverts	> \$10,000
Other	> \$10,000

##### Transport Assets

Road construction & reconstruction	> \$10,000
Reseal/Re-sheet & major repairs:	> \$10,000
Bridge construction & reconstruction	> \$10,000

##### Stormwater Drainage

- Drains	144 to 203 years
- Culverts	150 to 203 years

##### Transportation Assets

- Sealed Roads : Surface	10 to 25 years
- Sealed Roads : Structure	100 years
- Unsealed roads	20 to 38 years
- Bridge : Concrete	100 to 171 years
- Bridge : Timber	50 to 100 years
- Road Pavements	100 years
- Kerb, Gutter & Paths	30 to 70 years

##### Water & Sewer Assets

- Civil Works	40 to 195 years
- Mechanical and Electrical	25 to 92 years
- Reticulation pipes : Water	65 to 203 years
- Reticulation pipes : Sewer	133 to 319 years

##### Other Infrastructure Assets

- Bulk earthworks	Infinite
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#### Depreciation

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

Land is not depreciated.

Estimated useful lives for Council's I,PP&E include:

##### Plant & Equipment

- Office Equipment	5 years
- Office furniture	5 years
- Computer Equipment	3 years
- Vehicles	10 to 20 years
- Heavy Plant/Road Making equip.	10 years
- Other plant and equipment	10 years

##### Other Equipment

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

##### Buildings

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

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(r) on Asset Impairment.

#### Disposal and De-recognition

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.

## Kyogle Council

### Notes to the Financial Statements for the financial year ended 30 June 2017

#### Note 1. Summary of Significant Accounting Policies (continued)

##### (k) 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).

##### (l) 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 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.

##### (m) Intangible Assets

Council has not classified any assets as intangible.

##### (n) 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 the reserves are recognised within Council's Income Statement.

##### (o) 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*".

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.

##### (p) Investment property

Council has not classified any property as investment property.

##### (q) 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 which 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,

## Kyogle Council

### Notes to the Financial Statements for the financial year ended 30 June 2017

#### Note 1. Summary of Significant Accounting Policies (continued)

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 reporting date and the cost is charged to the income statement.

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

These costs are charged to the income statement.

Movements in the environmental clean up provisions are presented as an operating cost, except for the 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 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 relating to Council's provisions relating to Close down, Restoration and Remediation costs can be found at Note 26.

#### (r) 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.



## Kyogle Council

### Notes to the Financial Statements

for the financial year ended 30 June 2017

#### Note 1. Summary of Significant Accounting Policies (continued)

##### (s) Payables

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

The amounts for goods and services are unsecured and are usually paid within 30 days of recognition.

##### (t) 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 Statement of Financial Position 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 reporting date.

##### (u) Borrowing costs

Borrowing costs are expensed.

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

##### (v) Provisions

Provisions for legal claims, service warranties and other like liabilities are recognised when:

- Council has a present legal or constructive obligation as a result of past events;

- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

The increase in the provision due to the passage of time is recognised as interest expense.

##### (w) 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 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.

## Kyogle Council

### Notes to the Financial Statements for the financial year ended 30 June 2017

#### Note 1. Summary of Significant Accounting Policies (continued)

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 5 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 5 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 Statement of Financial Position, 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 2 December 2016 and covers the period ended 30 June 2016.

However the position is monitored annually and the Actuary has estimated that as at 30 June 2017 the prior period deficit still exists.

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

## Kyogle Council

### Notes to the Financial Statements

for the financial year ended 30 June 2017

#### Note 1. Summary of Significant Accounting Policies (continued)

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 ended 30 June 2017 was \$ 152,468.

The amount of additional contributions included in the total employer contribution advised above is \$ 68,000.

The share of the deficit that can be broadly attributed to Council is estimated to be in the order of \$36,550 as at 30 June 2017.

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 30/6/17.

#### (x) Self insurance

Council does not self insure.

#### (y) Allocation between current and non-current assets & 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 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.

#### (z) 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 & 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.

Receivables and payables within the Statement of Financial Position are stated inclusive of any applicable GST.



## Kyogle Council

### Notes to the Financial Statements for the financial year ended 30 June 2017

#### Note 1. Summary of Significant Accounting Policies (continued)

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

Operating cash flows within the Statement of Cash Flows 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 which 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.

#### **(aa) New accounting standards and Interpretations issued not yet effective**

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

Apart from the AASB disclosures below, there are no other standards that are 'not yet effective' that are expected to have a material impact on Council in the current or future reporting periods and on foreseeable future transactions.

Council's assessment of the impact of upcoming new standards and interpretations that are likely to have an effect are set out below.

#### **AASB 2016-2 – Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107**

This standard amends AASB 107 *Statement of Cash Flows* to require entities who are preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2017.

There will be no impact on reported financial position or performance for Council however any changes in liabilities arising from financing activities will be shown in the Statement of Cash Flows.

#### **AASB 9 - Financial Instruments (and associated amending standards)**

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and has an effective date for reporting periods beginning on or after 1 January 2018 (and must be applied retrospectively).

The overriding impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets and financial liabilities.

These requirements are designed to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.

Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories:

- fair value and
- amortised cost (where financial assets will only be able to be measured at amortised cost when very specific conditions are met).

Council is yet to undertake a detailed assessment of the impact of AASB 9.

#### **AASB 15 - Revenue from contracts with customers and associated amending standards**

AASB 15 will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

AASB 15 will introduce a 5-step process for revenue recognition with the core principle of the new standard being that entities recognise revenue so as to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

## Kyogle Council

### Notes to the Financial Statements

for the financial year ended 30 June 2017

#### Note 1. Summary of Significant Accounting Policies (continued)

The changes in revenue recognition requirements in AASB 15 may cause changes to accounting policies relating to the timing and amount of revenue recorded in the financial statements, as well as additional disclosures.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2019.

Council is yet to undertake a detailed assessment of the impact of AASB 15.

##### **AASB16 – Leases**

AASB 16 Leases replaces AASB 117 Leases and some associated lease-related Interpretations.

AASB 16 introduces a single lease accounting model (for lessees) that will require all leases to be accounted for on the balance sheet (ie. recognition of both a right-of-use asset and a corresponding lease) for all leases with a term of more than 12 months unless the underlying assets are determined to be of 'low value'. There will also be detailed disclosure requirements for all lessees.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2019.

Council is yet to undertake a detailed assessment of the accounting impacts from AASB 16. However, based on preliminary assessments, impacts from the first time adoption of the standard are likely to include:

- a significant increase in lease assets and financial liabilities recognised on the balance sheet,
- a reduction in reported equity as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities,
- lower operating cash outflows and higher financing cash flows in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities.

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

The amendments address an acknowledged inconsistency between the requirements in AASB 10 and those in AASB 128 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not).

A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2018.

This standard will only impact Council where there has been a sale or contribution of assets between the entity and the associate/joint venture.

##### **AASB 1058 – Income of NFP Entities**

AASB 1058 supersedes all the income recognition requirements relating to councils, previously in AASB 1004 Contribution. The timing of income recognition depends on whether such a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset) received by an entity.

AASB 1058 applies when a council receives volunteer services or enters into other transactions in which the consideration to acquire an asset is significantly less than the fair value of the asset, and where the council's objective is principally to enable the asset to further the council's objectives". In cases where the council enters into other transactions, the council recognises and measures the asset at fair value in accordance with the applicable Australian Accounting Standard (e.g. AASB 116 Property, Plant and Equipment).

## Kyogle Council

### Notes to the Financial Statements for the financial year ended 30 June 2017

#### Note 1. Summary of Significant Accounting Policies (continued)

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Upon initial recognition of the asset, this Standard requires Council to consider whether any other financial statement elements (called 'related amounts') should be recognised in accordance with the applicable Accounting Standard, such as:

- (a) contributions by owners
- (b) revenue, or a contract liability arising from a contract with a customer
- (c) a lease liability
- (d) a financial instrument
- (e) a provision.

If the transaction is a transfer of a financial asset to enable Council to acquire or construct a recognisable non-financial asset to be controlled by Council (i.e. an in-substance acquisition of a non-financial asset), the council recognises a liability for the excess of the fair value of the transfer over any related amounts recognised.

Council will recognise income as it satisfies its obligations under the transfer similarly to income recognition in relation to performance obligations under AASB 15.

If the transaction does not enable Council to acquire or construct a recognisable non-financial asset to be controlled by Council, then any excess of the initial carrying amount of the recognised asset over the related amounts is recognised as income.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2019.

Council is yet to undertake a detailed assessment of the impact of AASB 1058.

#### **(ab) Rounding of amounts**

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

#### **(ac) 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.

#### **(ad) Disclaimer**

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

# KYOGLE COUNCIL

## Notes to the Financial Statements

for the year ended 30 June 2017

### 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 2017	Actual 2017	Actual 2016	Original budget 2017	Actual 2017	Actual 2016	Original budget 2017	Actual 2017	Actual 2016	Actual 2017	Actual 2016	Actual 2017	Actual 2016
Governance	–	–	–	185	177	164	(185)	(177)	(164)	–	–	–	–
Administration	134	143	76	2,983	2,408	2,134	(2,849)	(2,265)	(2,058)	51	–	18,828	18,148
Public order and safety	33	300	22	475	575	528	(442)	(275)	(506)	262	–	2,603	2,209
Health	145	169	152	386	204	200	(241)	(35)	(48)	–	–	–	6
Environment		1,755	2,237		1,708	1,844	–	47	393	96	602	–	–
Community services and education	1	7	19	142	291	231	(141)	(284)	(212)	7	20	–	759
Housing and community amenities	2,733	304	391	2,848	633	494	(115)	(329)	(103)	33	32	28,561	29,173
Water supplies	1,460	3,727	5,912	1,446	1,556	1,391	14	2,171	4,521	2,326	4,469	27,711	19,722
Sewerage services	1,297	1,333	1,456	1,240	1,414	1,212	57	(81)	244	25	26	28,154	24,492
Recreation and culture	300	467	326	2,388	2,291	2,442	(2,088)	(1,824)	(2,116)	137	105	15,044	12,740
Fuel and energy		–	–		–	–	–	–	–	–	–	–	–
Agriculture		–	–		–	–	–	–	–	–	–	–	–
Mining, manufacturing and construction	411	986	663	411	1,033	812	–	(47)	(149)	–	–	1,362	1,360
Transport and communication	11,490	11,310	9,024	8,842	14,100	13,900	2,648	(2,790)	(4,876)	6,275	3,802	276,750	263,646
Economic affairs	11	60	17	152	221	110	(141)	(161)	(93)	55	10		
<b>Total functions and activities</b>	<b>18,015</b>	<b>20,561</b>	<b>20,295</b>	<b>21,498</b>	<b>26,611</b>	<b>25,462</b>	<b>(3,483)</b>	<b>(6,050)</b>	<b>(5,167)</b>	<b>9,267</b>	<b>9,066</b>	<b>399,013</b>	<b>372,255</b>
Share of gains/(losses) in associates and joint ventures (using the equity method)		–	–	–	–	–	–	–	–	–	–	–	–
General purpose income <sup>1</sup>	8,859	12,434	10,070	–	–	–	8,859	12,434	10,070	6,110	4,019	–	–
<b>Operating result from continuing operations</b>	<b>26,874</b>	<b>32,995</b>	<b>30,365</b>	<b>21,498</b>	<b>26,611</b>	<b>25,462</b>	<b>5,376</b>	<b>6,384</b>	<b>4,903</b>	<b>15,377</b>	<b>13,085</b>	<b>399,013</b>	<b>372,255</b>

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

## KYOGLE COUNCIL

### Notes to the Financial Statements for the year ended 30 June 2017

#### 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**

Includes Council's fire and emergency services levy, fire protection, emergency services, beach control, enforcement of regulations and animal control.

##### **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** - All matters relating to the provision of Water Supplies.

**SEWERAGE SERVICES** - All matters relating to the provision of 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.

**FUEL AND ENERGY** - Includes gas Supplies.

##### **AGRICULTURE**

##### **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.

# KYOGLE COUNCIL

## Notes to the Financial Statements for the year ended 30 June 2017

### Note 3. Income from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Rates and annual charges</b>			
<b>Ordinary rates</b>			
Residential		2,456	2,292
Farmland		3,104	2,945
Mining		–	–
Business		269	259
Other		–	–
<b>Total ordinary rates</b>		<b>5,829</b>	<b>5,496</b>
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		871	861
Stormwater management services		–	–
Water supply services		728	668
Sewerage services		1,060	992
Drainage		163	159
Waste management services (non-domestic)		271	260
Other		–	–
<b>Total annual charges</b>		<b>3,093</b>	<b>2,940</b>
<b><u>TOTAL RATES AND ANNUAL CHARGES</u></b>		<b><u>8,922</u></b>	<b><u>8,436</u></b>

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

# KYOGLE COUNCIL

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
<b>(b) User charges and fees</b>			
<b>Specific user charges</b> (per s.502 – specific 'actual use' charges)			
Domestic waste management services		–	–
Water supply services		656	580
Sewerage services		241	226
Drainage services		–	–
Waste management services (non-domestic)		463	394
Other		–	–
<b>Total user charges</b>		<b>1,360</b>	<b>1,200</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Art galleries		4	6
Building services – other		17	21
Caravan parks		118	19
Cemeteries		97	203
Inspection services		85	65
Planning and building regulation		172	160
Pools		132	130
Private works – section 67		96	139
Quarries		933	609
RMS (formerly RTA) charges (state roads not controlled by council)		3,700	3,882
Section 603 certificates		24	26
Other		148	126
<b>Total fees and charges – statutory/regulatory</b>		<b>5,526</b>	<b>5,386</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>6,886</b>	<b>6,586</b>

# KYOGLE COUNCIL

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
<b>(c) Interest and investment revenue (including losses)</b>			
<b>Interest</b>			
– Interest on overdue rates and annual charges (incl. special purpose rates)		64	58
– Interest earned on investments (interest and coupon payment income)		443	510
– Interest (other)		6	6
<b>Other</b>		–	–
<b><u>TOTAL INTEREST AND INVESTMENT REVENUE</u></b>		<b><u>513</u></b>	<b><u>574</u></b>
<b>Interest revenue is attributable to:</b>			
<b>Unrestricted investments/financial assets:</b>			
Overdue rates and annual charges (general fund)		64	58
General Council cash and investments		431	497
<b>Restricted investments/funds – external:</b>			
Development contributions			
– Section 94		4	5
– Section 64		2	1
Water fund operations		4	4
Sewerage fund operations		3	5
Domestic waste management operations		5	4
<b><u>Total interest and investment revenue recognised</u></b>		<b><u>513</u></b>	<b><u>574</u></b>
<b>(d) Other revenues</b>			
Bank guarantee defaults		–	223
Other		31	17
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>31</u></b>	<b><u>240</u></b>



# KYOGLE COUNCIL

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
Financial assistance	5,987	3,898	–	–
Pensioners' rates subsidies – general component	123	121	–	–
Other grants	–	–	–	–
<b>Total general purpose</b>	<b>6,110</b>	<b>4,019</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Water	27	27	–	–
– Sewerage	25	25	–	–
– Domestic waste management	30	31	–	–
Water supplies	–	–	2,243	4,413
Bushfire and emergency services	–	–	259	–
Community projects	64	40	96	90
Flood mitigation	–	–	–	473
Library	43	37	–	–
LIRS subsidy	56	30	–	–
Street lighting	33	32	–	–
Transport (other roads and bridges funding)	3,495	2,496	2,780	1,306
Waste sustainability	65	66	–	–
Other FESL	51	–	–	–
Other	–	–	–	–
<b>Total specific purpose</b>	<b>3,889</b>	<b>2,784</b>	<b>5,378</b>	<b>6,282</b>
<b>Total grants</b>	<b>9,999</b>	<b>6,803</b>	<b>5,378</b>	<b>6,282</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	8,768	6,180	2,247	295
– State funding	1,231	623	3,131	5,987
– Other funding	–	–	–	–
	<b>9,999</b>	<b>6,803</b>	<b>5,378</b>	<b>6,282</b>

# KYOGLE COUNCIL

## Notes to the Financial Statements for the year ended 30 June 2017

### Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
<b>(f) Contributions</b>				
<b>Developer contributions:</b>				
<b>(s93 &amp; s94 – EP&amp;A Act, s64 of the LGA):</b>				
S 94 – contributions towards amenities/services	12	3	107	71
S 64 – water supply contributions	–	–	3	6
S 64 – sewerage service contributions	–	–	2	202
S 64 – stormwater contributions	–	–	3	2
<b>Total developer contributions</b>	<b>12</b>	<b>3</b>	<b>115</b>	<b>281</b>
	17			
<b>Other contributions:</b>				
Lions club	–	–	–	40
Recreation and culture	–	–	11	–
Roads and bridges	–	–	14	–
RMS contributions (regional roads, block grant)	887	870	166	183
Water supplies (excl. section 64 contributions)	–	21	–	–
Other	61	46	–	–
<b>Total other contributions</b>	<b>948</b>	<b>937</b>	<b>191</b>	<b>223</b>
<b>Total contributions</b>	<b>960</b>	<b>940</b>	<b>306</b>	<b>504</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>	<b>10,959</b>	<b>7,743</b>	<b>5,684</b>	<b>6,786</b>

# KYOGLE COUNCIL

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 3. Income from continuing operations (continued)

\$ '000	Actual 2017	Actual 2016
<b>(g) Unspent grants and contributions</b>		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
Unexpended at the close of the previous reporting period	634	1,722
<b>Add:</b> grants and contributions recognised in the current period but not yet spent:	209	175
<b>Less:</b> grants and contributions recognised in a previous reporting period now spent	(251)	(1,263)
<b>Net increase (decrease) in restricted assets during the period</b>	<b>(42)</b>	<b>(1,088)</b>
<b>Unexpended and held as restricted assets</b>	<b>592</b>	<b>634</b>
<b>Comprising:</b>		
– Specific purpose unexpended grants	316	314
– Developer contributions	276	320
– Other contributions	–	–
	<b>592</b>	<b>634</b>

# KYOGLE COUNCIL

## Notes to the Financial Statements for the year ended 30 June 2017

### Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Employee benefits and on-costs</b>			
Salaries and wages		6,701	6,197
Employee leave entitlements (ELE)		1,624	1,170
Superannuation – defined contribution plans		629	616
Superannuation – defined benefit plans		152	204
Workers' compensation insurance		172	196
Fringe benefit tax (FBT)		14	16
Training costs (other than salaries and wages)		119	102
Other		132	116
<b>Total employee costs</b>		<b>9,543</b>	<b>8,617</b>
Less: capitalised costs		(1,717)	(1,320)
<b><u>TOTAL EMPLOYEE COSTS EXPENSED</u></b>		<b><u>7,826</u></b>	<b><u>7,297</u></b>
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on loans		159	169
Other debts		–	–
<b>Total interest bearing liability costs</b>		<b>159</b>	<b>169</b>
Less: capitalised costs		–	–
<b>Total interest bearing liability costs expensed</b>		<b>159</b>	<b>169</b>
<b>(ii) Other borrowing costs</b>			
Fair value adjustments on recognition of advances and deferred debtor:			
– Remediation liabilities	26	34	33
– Other liabilities		–	–
Other borrowing costs		–	–
<b>Total other borrowing costs</b>		<b>34</b>	<b>33</b>
<b><u>TOTAL BORROWING COSTS EXPENSED</u></b>		<b><u>193</u></b>	<b><u>202</u></b>

# KYOGLE COUNCIL

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
<b>(c) Materials and contracts</b>			
Raw materials and consumables		5,590	5,834
Auditors remuneration <sup>(1)</sup>		54	60
Other		–	–
<b>Total materials and contracts</b>		<b>5,644</b>	<b>5,894</b>
Less: capitalised costs		–	–
<b>TOTAL MATERIALS AND CONTRACTS</b>		<b>5,644</b>	<b>5,894</b>
<b>1. Auditor remuneration</b>			
a. During the year, the following fees were incurred for services provided by the Auditor-General:			
<b>(i) Audit and other assurance services</b>			
– Audit and review of financial statements: Auditor-General		52	–
<b>Total Auditor-General remuneration</b>		<b>52</b>	<b>–</b>
b. During the year, the following fees were incurred for services provided by the other Council's Auditors:			
<b>(i) Audit and other assurance services</b>			
– Audit and review of financial statements: Council's Auditor		–	41
– Other audit services		2	19
<b>Remuneration for audit and other assurance services</b>		<b>2</b>	<b>60</b>
<b>Total Auditor remuneration</b>		<b>54</b>	<b>60</b>

# KYOGLE COUNCIL

## Notes to the Financial Statements for the year ended 30 June 2017

### Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
<b>(d) Depreciation, amortisation and impairment</b>			
<b>Depreciation and amortisation</b>			
Plant and equipment		1,140	1,125
Office equipment		38	37
Furniture and fittings		1	1
Land improvements (depreciable)		71	68
Infrastructure:			
– Buildings – non-specialised		74	76
– Buildings – specialised		334	339
– Other structures		204	192
– Roads		3,485	3,468
– Bridges		831	828
– Footpaths		52	50
– Stormwater drainage		61	74
– Water supply network		252	208
– Sewerage network		187	212
– Swimming pools		108	105
Asset reinstatement costs	9 & 26	96	145
<b>Total gross depreciation and amortisation costs</b>		<b>6,934</b>	<b>6,928</b>
Less: capitalised costs		–	–
<b><u>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</u></b>		<b><u>6,934</u></b>	<b><u>6,928</u></b>

# KYOGLE COUNCIL

## Notes to the Financial Statements for the year ended 30 June 2017

### Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
<b>(e) Other expenses</b>			
Advertising		58	90
Bad and doubtful debts		5	23
Councillor expenses – mayoral fee		23	24
Councillor expenses – councillors' fees		100	99
Councillors' expenses (incl. mayor) – other (excluding fees above)		31	21
Donations, contributions and assistance to other organisations (Section 356)		175	257
Electricity and heating		262	226
Emergency services		291	268
Fair value decrements – I,PP&E	9(a)	–	294
Insurance		528	521
Regional library		351	513
Street lighting		111	97
Subscriptions and publications		12	8
Telephone and communications		73	60
<b>Total other expenses</b>		<b>2,020</b>	<b>2,501</b>
Less: capitalised costs		–	–
<b><u>TOTAL OTHER EXPENSES</u></b>		<b><u>2,020</u></b>	<b><u>2,501</u></b>

# KYOGLE COUNCIL

## Notes to the Financial Statements for the year ended 30 June 2017

### Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 2017	Actual 2016
<b>Property</b> (excl. investment property)			
<b>Plant and equipment</b>			
Proceeds from disposal – plant and equipment		331	457
Less: carrying amount of plant and equipment assets sold/written off		(342)	(397)
<b>Net gain/(loss) on disposal</b>		<b>(11)</b>	<b>60</b>
<b>Infrastructure</b>			
Proceeds from disposal – infrastructure		235	–
Less: carrying amount of infrastructure assets sold/written off		(4,218)	(2,700)
<b>Net gain/(loss) on disposal</b>		<b>(3,983)</b>	<b>(2,700)</b>
<b><u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u></b>		<b><u>(3,994)</u></b>	<b><u>(2,640)</u></b>



## KYOGLE COUNCIL

### Notes to the Financial Statements for the year ended 30 June 2017

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

\$ '000	Notes	2017 Actual Current	2017 Actual Non-current	2016 Actual Current	2016 Actual Non-current
<b>Cash and cash equivalents (Note 6a)</b>					
Cash on hand and at bank		7,187	–	6,838	–
Cash-equivalent assets <sup>1</sup>					
– Deposits at call		15,000	–	15,000	–
<b>Total cash and cash equivalents</b>		<b>22,187</b>	<b>–</b>	<b>21,838</b>	<b>–</b>

#### Investments (Note 6b)

Nil

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

## KYOGLE COUNCIL

### Notes to the Financial Statements for the year ended 30 June 2017

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

\$ '000	2017	2017	2016	2016
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	22,187	–	21,838	–
<b>attributable to:</b>				
External restrictions (refer below)	2,679	–	4,229	–
Internal restrictions (refer below)	14,930	–	9,240	–
Unrestricted	4,578	–	8,369	–
	<b>22,187</b>	<b>–</b>	<b>21,838</b>	<b>–</b>

2017 \$ '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)	–			–
Specific purpose unexpended loans – water (A)	–	–	–	–
Specific purpose unexpended loans – sewer (A)	–	–	–	–
RMS (formerly RTA) advances (B)	–			–
Self insurance claims (C)	–			–
Retention bonds and deposits	189	41	(2)	228
<b>External restrictions – included in liabilities</b>	<b>189</b>	<b>41</b>	<b>(2)</b>	<b>228</b>

##### External restrictions – other

Developer contributions – general (D)	232	133	(137)	228
Developer contributions – water fund (D)	–	–	–	–
Developer contributions – sewer fund (D)	88	–	(40)	48
RMS (formerly RTA) contributions (E)	–			–
Specific purpose unexpended grants (F)	314	2	–	316
Specific purpose unexpended grants-water fund (F)	–	–	–	–
Specific purpose unexpended grants-sewer fund (F)	–	–	–	–
Water supplies (G)	2,559	–	(1,192)	1,367
Water supplies – other (specify) (G)	–			–
Water supplies – other (specify) (G)	–			–
Sewerage services (G)	896	–	(101)	795
Sewerage services – other (specify) (G)	–			–
Sewerage services – other (specify) (G)	–			–
Domestic waste management (G)	(49)		(254)	(303)
Stormwater management (G)	–			–
<b>External restrictions – other</b>	<b>4,040</b>	<b>135</b>	<b>(1,724)</b>	<b>2,451</b>
<b>Total external restrictions</b>	<b>4,229</b>	<b>176</b>	<b>(1,726)</b>	<b>2,679</b>

## KYOGLE COUNCIL

### Notes to the Financial Statements

for the year ended 30 June 2017

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

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
<b>Internal restrictions</b>				
Plant and vehicle replacement	2,017		(298)	1,719
Employees leave entitlement	1,067	181		1,248
Carry over works	2,058	6,800	(2,058)	6,800
Building replacement	150			150
Commercial waste	1,224		(199)	1,025
Emergency works	500			500
Information technology	100			100
Quarries	322	270		592
Roads and bridges	1,000			1,000
Stormwater management	200			200
Transport	602	994		1,596
<b>Total internal restrictions</b>	<b>9,240</b>	<b>8,245</b>	<b>(2,555)</b>	<b>14,930</b>
<b>TOTAL RESTRICTIONS</b>	<b>13,469</b>	<b>8,421</b>	<b>(4,281)</b>	<b>17,609</b>

- A** Loan moneys which must be applied for the purposes for which the loans were raised.
- B** Advances by roads and maritime services for (RMS) works on the State's classified roads.
- C** Self insurance liability resulting from reported claims or incurred claims not yet reported.
- D** Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- E** RMS contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.
- 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.

# KYOGLE COUNCIL

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 7. Receivables

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
<b>Purpose</b>					
Rates and annual charges		675	146	663	141
Interest and extra charges		23	–	28	–
User charges and fees		971	–	2,097	–
Accrued revenues					
– Interest on investments		32	–	47	–
Government grants and subsidies		3,234	–	960	–
Net GST receivable		261	–	155	–
Other debtors		1	–	1	–
<b>Total</b>		<b>5,197</b>	<b>146</b>	<b>3,951</b>	<b>141</b>
<b>Less: provision for impairment</b>					
Rates and annual charges		–	(146)	–	(141)
User charges and fees		(8)	–	(7)	–
<b>Total provision for impairment – receivables</b>		<b>(8)</b>	<b>(146)</b>	<b>(7)</b>	<b>(141)</b>
<b>TOTAL NET RECEIVABLES</b>		<b>5,189</b>	<b>–</b>	<b>3,944</b>	<b>–</b>
<b>Externally restricted receivables</b>					
<b>Water supply</b>					
– Specific purpose grants		522	–	–	–
– Rates and availability charges		176	–	175	–
– Other		162	–	156	–
<b>Sewerage services</b>					
– Rates and availability charges		181	–	179	–
– Other		59	–	57	–
<b>Domestic waste management</b>		<b>147</b>	<b>–</b>	<b>142</b>	<b>–</b>
<b>Total external restrictions</b>		<b>1,247</b>	<b>–</b>	<b>709</b>	<b>–</b>
<b>Unrestricted receivables</b>		<b>3,942</b>	<b>–</b>	<b>3,235</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>		<b>5,189</b>	<b>–</b>	<b>3,944</b>	<b>–</b>

#### 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% (2016 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.

# KYOGLE COUNCIL

## Notes to the Financial Statements for the year ended 30 June 2017

### Note 8. Inventories and other assets

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
<b>(a) Inventories</b>					
<b>(i) Inventories at cost</b>					
Stores and materials		1,778	–	1,925	–
Trading stock		167	–	222	–
<b><u>TOTAL INVENTORIES</u></b>		<b><u>1,945</u></b>	<b><u>–</u></b>	<b><u>2,147</u></b>	<b><u>–</u></b>
<b>(b) Other assets</b>					
Prepayments		–	–	25	–
<b><u>TOTAL OTHER ASSETS</u></b>		<b><u>–</u></b>	<b><u>–</u></b>	<b><u>25</u></b>	<b><u>–</u></b>

#### Externally restricted assets

There are no restrictions applicable to the above assets.

Notes to the Financial Statements  
for the year ended 30 June 2017

Note 9a. Infrastructure, property, plant and equipment

Asset class	as at 30/6/2016				Asset movements during the reporting period								as at 30/6/2017				
	At cost	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Impairment loss recognised in equity (ARR)	Revaluation increments to equity (ARR)	At cost	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	
\$ '000																	
Capital work in progress	1,389	-	-	1,389	3,345	27			(823)				3,938	-	-	3,938	
Plant and equipment	-	13,030	6,288	6,742	1,239		(343)	(1,140)					-	13,679	7,181	6,498	
Office equipment	-	537	508	29	152			(38)					-	688	545	143	
Furniture and fittings	-	31	20	11				(1)					-	31	21	10	
Plant and equipment (under finance lease)	-	-	-	-				-					-	-	-	-	
<b>Land:</b>																	
- Operational land	-	4,998	-	4,998			(129)					262	-	5,131	-	5,131	
- Community land	-	530	-	530								29	-	559	-	559	
- Land under roads (pre 1/7/08)	-	1,656	-	1,656								89	-	1,745	-	1,745	
- Land under roads (post 30/6/08)	-	2	-	2									-	2	-	2	
Land improvements – non-depreciable	-	-	-	-									-	-	-	-	
Land improvements – depreciable	-	1,638	618	1,020		71		(71)				55	-	1,802	727	1,075	
<b>Infrastructure:</b>																	
- Buildings	-	-	-	-				-					-	-	-	-	
- Buildings – non-specialised	-	4,033	1,544	2,489	139	113	(92)	(74)				114	-	4,023	1,334	2,689	
- Buildings – specialised	-	22,732	12,879	9,853	240		(56)	(334)				674	-	23,696	13,319	10,377	
- Other structures	-	6,402	2,116	4,286	11	240	(4)	(204)				232	-	6,977	2,416	4,561	
- Roads	-	224,325	69,142	155,183	7,109		(3,245)	(3,485)	30		(4,540)	6,436	-	229,892	72,404	157,488	
- Bridges	-	117,031	45,462	71,569	3,204		(270)	(831)	152		(1,541)	7,136	-	118,077	38,658	79,419	
- Footpaths	-	3,438	490	2,948	26		(11)	(52)				30	-	3,487	546	2,941	
- Other road assets	-	-	-	-				-					-	-	-	-	
- Bulk earthworks (non-depreciable)	-	14,697	-	14,697								206	-	14,903	-	14,903	
- Stormwater drainage	-	27,682	3,114	24,568	90		(14)	(61)				(30)	-	27,443	2,890	24,553	
- Water supply network	-	26,706	10,851	15,855	1,295	571	(295)	(252)	601			5,897	-	29,932	6,260	23,672	
- Sewerage network	-	30,134	6,902	23,232	289	44	(101)	(187)	40			3,754	-	32,487	5,416	27,071	
- Swimming pools	-	5,405	3,267	2,138				(108)				111	-	5,696	3,555	2,141	
- Other open space/recreational assets	-	-	-	-				-					-	-	-	-	
- Other infrastructure	-	-	-	-				-					-	-	-	-	
<b>Other assets:</b>																	
- Heritage collections	-	-	-	-				-					-	-	-	-	
- Library books	-	-	-	-				-					-	-	-	-	
- Other	-	-	-	-				-					-	-	-	-	
<b>Reinstatement, rehabilitation and restoration assets (refer Note 26):</b>																	
- Tip assets	-	1,477	581	896				(21)			(222)		-	1,254	601	653	
- Quarry assets	-	401	191	210				(75)			(12)		-	389	266	123	
- Other assets	-	-	-	-				-					-	-	-	-	
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>1,389</b>	<b>506,885</b>	<b>163,973</b>	<b>344,301</b>	<b>17,139</b>	<b>1,066</b>	<b>(4,560)</b>	<b>(6,934)</b>	<b>-</b>	<b>(234)</b>	<b>(6,081)</b>	<b>24,995</b>	<b>3,938</b>	<b>521,893</b>	<b>156,139</b>	<b>369,692</b>	

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.

# KYOGLE COUNCIL

## Notes to the Financial Statements for the year ended 30 June 2017

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

\$ '000 Class of asset	Actual 2017			Actual 2016		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
<b>Water supply</b>						
WIP	1,812		1,812	978	–	978
Infrastructure	29,932	6,260	23,672	26,705	10,851	15,854
Other assets			–	–	–	–
<b>Total water supply</b>	<b>31,744</b>	<b>6,260</b>	<b>25,484</b>	<b>27,683</b>	<b>10,851</b>	<b>16,832</b>
<b>Sewerage services</b>						
WIP			–	40	–	40
Infrastructure	32,487	5,416	27,071	30,134	6,902	23,232
Other assets			–	–	–	–
<b>Total sewerage services</b>	<b>32,487</b>	<b>5,416</b>	<b>27,071</b>	<b>30,174</b>	<b>6,902</b>	<b>23,272</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	<b>64,231</b>	<b>11,676</b>	<b>52,555</b>	<b>57,857</b>	<b>17,753</b>	<b>40,104</b>

# KYOGLE COUNCIL

## Notes to the Financial Statements for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(i) Impairment losses recognised direct to equity (ARR):</b>			
– Roads assets impaired during March 2017 flood		(4,540)	–
– Bridge assets impaired during March 2017 flood		(1,541)	–
<b>Total impairment losses</b>		<b>(6,081)</b>	<b>–</b>
<b>(iv) Reversals of impairment losses previously recognised direct to equity (ARR):</b>			
– Details of each impaired asset incl. circumstances of reversal			–
– Details of each impaired asset incl. circumstances of reversal			–
– Details of each impaired asset incl. circumstances of reversal			–
<b>Total impairment reversals</b>		<b>–</b>	<b>–</b>
<b><u>IMPAIRMENT OF ASSETS – DIRECT to EQUITY (ARR)</u></b>	20 (ii)	<b><u>(6,081)</u></b>	<b><u>–</u></b>



# KYOGLE COUNCIL

## Notes to the Financial Statements for the year ended 30 June 2017

### Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
<b>Payables</b>					
Goods and services – operating expenditure		711	–	682	–
Goods and services – capital expenditure		1,823	–	395	–
Accrued expenses:					
– Borrowings		14	–	11	–
– Salaries and wages		98	–	78	–
– Other expenditure accruals		109	–	121	–
Security bonds, deposits and retentions		114	113	95	94
<b>Total payables</b>		<b>2,869</b>	<b>113</b>	<b>1,382</b>	<b>94</b>
<b>Borrowings</b>					
Loans – secured <sup>1</sup>		241	2,757	231	2,998
<b>Total borrowings</b>		<b>241</b>	<b>2,757</b>	<b>231</b>	<b>2,998</b>
<b>Provisions</b>					
<b>Employee benefits:</b>					
Annual leave		887	–	719	–
Long service leave		1,169	180	1,019	136
Sub-total – aggregate employee benefits		<b>2,056</b>	<b>180</b>	<b>1,738</b>	<b>136</b>
Asset remediation/restoration (future works)	26	300	1,305	618	1,187
Other		152	–	129	–
<b>Total provisions</b>		<b>2,508</b>	<b>1,485</b>	<b>2,485</b>	<b>1,323</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>		<b>5,618</b>	<b>4,355</b>	<b>4,098</b>	<b>4,415</b>

#### (i) Liabilities relating to restricted assets

	2017		2016	
	Current	Non-current	Current	Non-current
<b>Externally restricted assets</b>				
Water	481	1,680	364	1,875
Sewer	109	854	100	873
Other	–	–	189	–
<b>Liabilities relating to externally restricted assets</b>	<b>590</b>	<b>2,534</b>	<b>653</b>	<b>2,748</b>

<sup>1</sup>. 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.

# KYOGLE COUNCIL

## Notes to the Financial Statements for the year ended 30 June 2017

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

\$ '000	Actual 2017	Actual 2016
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#### (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	1,008	869
---------------------------------	-------	-----

- a. 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.
- b. 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.

## KYOGLE COUNCIL

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	22,187	21,838
Less bank overdraft	10	–	–
<b>Balance as per the Statement of Cash Flows</b>		<b>22,187</b>	<b>21,838</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>6,384</b>	<b>4,903</b>
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		6,934	6,928
Net losses/(gains) on disposal of assets		3,994	2,640
Non-cash capital grants and contributions		234	(226)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Write offs relating to the fair valuation of I,PP&E		–	294
Unwinding of discount rates on reinstatement provisions		34	33
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		(1,251)	413
Increase/(decrease) in provision for doubtful debts		6	8
Decrease/(increase) in inventories		202	(98)
Decrease/(increase) in other assets		25	(25)
Increase/(decrease) in payables		29	(459)
Increase/(decrease) in accrued interest payable		3	(1)
Increase/(decrease) in other accrued expenses payable		8	(160)
Increase/(decrease) in other liabilities		38	(85)
Increase/(decrease) in employee leave entitlements		362	160
Increase/(decrease) in other provisions		(211)	233
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>16,791</b>	<b>14,558</b>

# KYOGLE COUNCIL

## Notes to the Financial Statements for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(c) Non-cash investing and financing activities</b>			
Estimated Future Reinstatement Costs		(234)	226
<b>Total non-cash investing and financing activities</b>		<b>(234)</b>	<b>226</b>
<b>(d) Financing arrangements</b>			
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>			
Credit cards/purchase cards		7	7
<b>Total financing arrangements</b>		<b>7</b>	<b>7</b>

# KYOGLE COUNCIL

## Notes to the Financial Statements for the year ended 30 June 2017

### Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Capital commitments (exclusive of GST)</b>			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
<b>Property, plant and equipment</b>			
Buildings		37	–
Water Supply Infrastructure		1,124	3,769
Sewer System Infrastructure		257	–
<b>Total commitments</b>		<b>1,418</b>	<b>3,769</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		1,418	3,769
Later than one year and not later than 5 years		–	–
Later than 5 years		–	–
<b>Total payable</b>		<b>1,418</b>	<b>3,769</b>
<b>Sources for funding of capital commitments:</b>			
Unrestricted general funds		–	–
Future grants and contributions		1,161	3,769
Externally restricted reserves		257	–
<b>Total sources of funding</b>		<b>1,418</b>	<b>3,769</b>

## KYOGLE COUNCIL

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 12. Commitments for expenditure (continued)

\$ '000	Notes	Actual 2017	Actual 2016
<b>(b) Finance lease commitments</b>			
Nil			
<b>(c) Operating lease commitments (non-cancellable)</b>			
Nil			

# KYOGLE COUNCIL

## Notes to the Financial Statements for the year ended 30 June 2017

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

\$ '000	Amounts 2017	Indicator 2017	Prior periods 2016	2015	Benchmark
<b>Local government industry indicators – consolidated</b>					
<b>1. Operating performance ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<u>4,694</u>	<b>17.19%</b>	4.46%	-7.44%	>0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<u>27,311</u>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<u>16,352</u>	<b>49.56%</b>	52.15%	63.22%	>60.00%
Total continuing operating revenue <sup>(1)</sup>	<u>32,995</u>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions <sup>(2)</sup>	<u>25,395</u>	<b>6.32x</b>	8.93x	8.90x	>1.5x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<u>4,020</u>				
<b>4. Debt service cover ratio</b>					
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<u>11,821</u>	<b>27.88x</b>	19.34x	15.81x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>424</u>				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<u>698</u>	<b>7.21%</b>	7.51%	7.71%	< 5% Metro
Rates, annual and extra charges collectible	<u>9,677</u>				<10% Rural
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<u>22,187</u>	<b>17.22</b>	16.2 mths	15.6 mths	> 3 mths
Payments from cash flow of operating and financing activities	<u>1,289</u>	<b>mths</b>			

#### Notes

<sup>(1)</sup> 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.

<sup>(2)</sup> Refer Notes 6-8 inclusive.

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

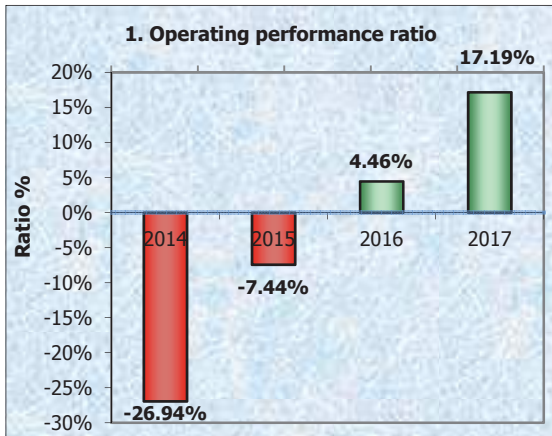
<sup>(3)</sup> Refer to Note 10(a).

<sup>(4)</sup> Refer to Note 10(a)(ii) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

# KYOGLE COUNCIL

## Notes to the Financial Statements for the year ended 30 June 2017

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



**Purpose of operating performance ratio**

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

**Commentary on 2016/17 result**

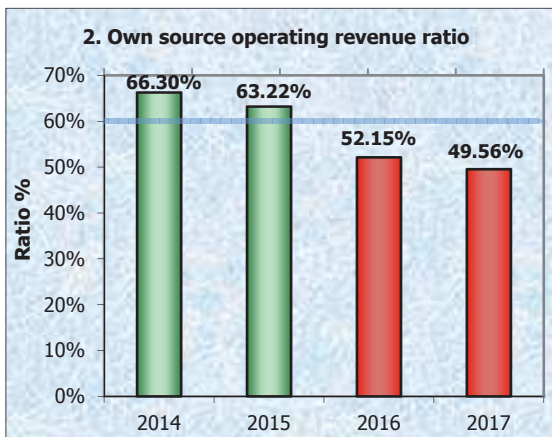
**2016/17 ratio 17.19%**

Council's Operating Performance Ratio is above the benchmark of 0%. Council is in its second year of a special rate variation, approved over a 5 year period. This has allowed Council to take steps to address this ratio, resulting in a significant improvement on previous years.

Benchmark: Minimum >=000%

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark  
Ratio is outside benchmark



**Purpose of own source operating revenue ratio**

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

**Commentary on 2016/17 result**

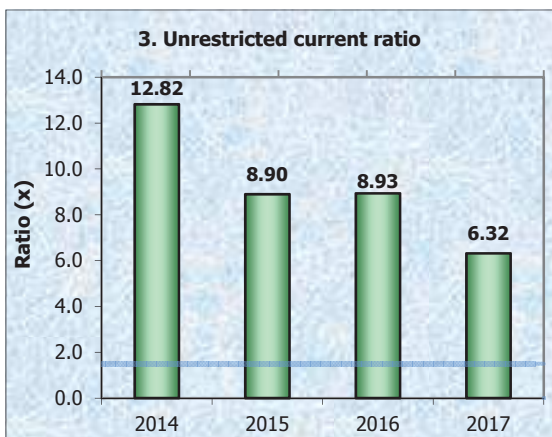
**2016/17 ratio 49.56%**

This ratio can fluctuate dramatically each year depending on the level of grant funding. Water security grants of \$2.2 million and advance payment of financial assistance grant \$2.0 million have impacted this ratio.

Benchmark: Minimum >=060%

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark  
Ratio is outside benchmark



**Purpose of unrestricted current ratio**

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

**Commentary on 2016/17 result**

**2016/17 ratio 6.32x**

Council has adequate unrestricted cash & internal reserves to satisfy its current obligations & has adequate levels internally restricted funds to meet identified needs.

Benchmark: Minimum >=002

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

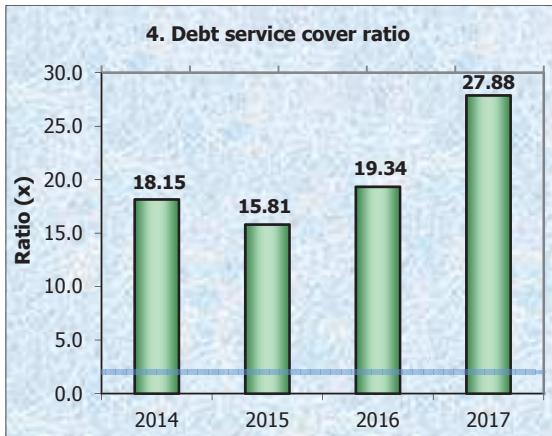
Ratio achieves benchmark  
Ratio is outside benchmark



# KYOGLE COUNCIL

## Notes to the Financial Statements for the year ended 30 June 2017

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



**Purpose of debt service cover ratio**

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

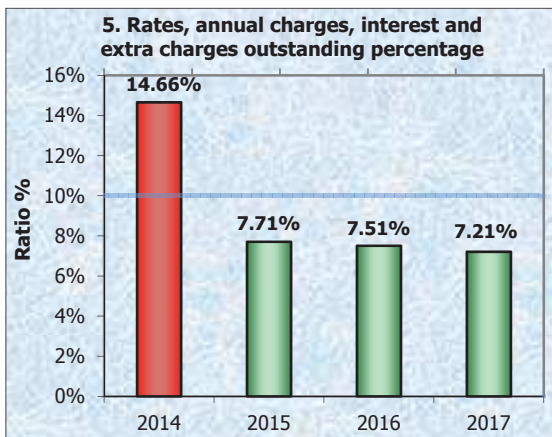
**Commentary on 2016/17 result**

**2016/17 ratio 27.88x**

Council's ability to generate sufficient cash to cover its debt payments is sound & is far in excess of NSW Treasury Corporations benchmark.

Benchmark: Minimum  $\geq 2.00$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark  
Ratio is outside benchmark



**Purpose of rates and annual charges outstanding ratio**

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

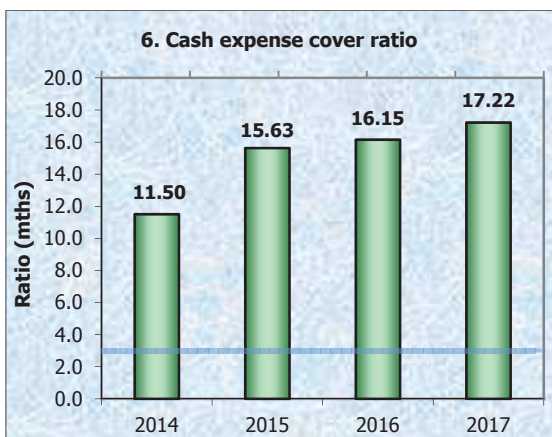
**Commentary on 2016/17 result**

**2016/17 ratio 7.21%**

This ratio is within NSW Treasury Corporations benchmark of  $<10.00\%$ . Council will continue to monitor & pursue all outstanding debts.

Benchmark: Maximum  $<10.00\%$   
Source for Benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio is within Benchmark  
Ratio is outside Benchmark



**Purpose of cash expense cover ratio**

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

**Commentary on 2016/17 result**

**2016/17 ratio 17.22 mths**

Council's ability to continue paying for its immediate expenses without additional cash inflow is sound & is far in excess of NSW Treasury Corporations benchmark.

Benchmark: Minimum  $\geq 3.00$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark  
Ratio is outside benchmark

# KYOGLE COUNCIL

## Notes to the Financial Statements for the year ended 30 June 2017

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

\$ '000	Water 2017	Sewer 2017	General <sup>5</sup> 2017	Benchmark
<b>Local government industry indicators – by fund</b>				
<b>1. Operating performance ratio</b>				
<u>Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses</u>	<b>-5.13%</b>	<b>-6.31%</b>	<b>19.81%</b>	>0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	prior period: 6.83%	3.35%	4.35%	
<b>2. Own source operating revenue ratio</b>				
<u>Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions</u>	<b>37.51%</b>	<b>97.97%</b>	<b>48.86%</b>	>60.00%
Total continuing operating revenue <sup>(1)</sup>	prior period: 23.93%	84.34%	57.37%	
<b>3. Unrestricted current ratio</b>				
<u>Current assets less all external restrictions <sup>(2)</sup></u>	<b>4.63x</b>	<b>9.50x</b>	<b>6.32x</b>	>1.5x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	prior period: 7.94x	11.32x	8.93x	
<b>4. Debt service cover ratio</b>				
<u>Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation</u>	<b>0.96x</b>	<b>2.01x</b>	<b>162.77x</b>	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	prior period: 1.48x	3.87x	105.08x	
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>				
<u>Rates, annual and extra charges outstanding</u>	<b>19.45%</b>	<b>14.55%</b>	<b>4.53%</b>	< 5% Metro <10% Rural
Rates, annual and extra charges collectible	prior period: 20.71%	15.33%	4.69%	
<b>6. Cash expense cover ratio</b>				
<u>Current year's cash and cash equivalents plus all term deposits</u> x12	<b>11.49 mths</b>	<b>8.84 mths</b>	<b>18.60 mths</b>	> 3 mths
Payments from cash flow of operating and financing activities	prior period: 22.53 mths	11.62 mths	15.86 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.

## KYOGLE COUNCIL

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 14. Investment properties

\$ '000	Notes	Actual 2017	Actual 2016
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Council has not classified any land or buildings as 'investment properties'.

# KYOGLE COUNCIL

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 15. Financial risk management

\$ '000

#### Risk management

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

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

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

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

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	
	2017	2016	2017	2016
<b>Financial assets</b>				
Cash and cash equivalents	22,187	21,838	22,187	21,838
Receivables	5,189	3,944	5,189	3,944
<b>Total financial assets</b>	<b>27,376</b>	<b>25,782</b>	<b>27,376</b>	<b>25,782</b>
<b>Financial liabilities</b>				
Payables	2,982	1,476	2,982	1,476
Loans/advances	2,998	3,229	3,625	3,901
<b>Total financial liabilities</b>	<b>5,980</b>	<b>4,705</b>	<b>6,607</b>	<b>5,377</b>

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.

## KYOGLE COUNCIL

### Notes to the Financial Statements

for the year ended 30 June 2017

#### 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 it's staff and an investment report is tabled before Council 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.

2017	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
Possible impact of a 1% movement in interest rates	222	222	(222)	(222)
2016				
Possible impact of a 1% movement in interest rates	218	218	(218)	(218)

# KYOGLE COUNCIL

## Notes to the Financial Statements for the year ended 30 June 2017

### 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 reported to Council 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 most non-rate debtors.

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

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

	2017 Rates and annual charges	2017 Other receivables	2016 Rates and annual charges	2016 Other receivables
<b>(i) Ageing of receivables – %</b>				
Current (not yet overdue)	8%	95%	8%	93%
Overdue	92%	5%	92%	7%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>(ii) Ageing of receivables – value</b>				
<b>Rates and annual charges</b>	<b>Rates and annual charges</b>	<b>Other receivables</b>	<b>Rates and annual charges</b>	<b>Other receivables</b>
Current	66	4,309	66	3,079
< 1 year overdue	755		738	
1 – 2 years overdue		213		209
2 – 5 years overdue				
> 5 years overdue				
	<b>821</b>	<b>4,522</b>	<b>804</b>	<b>3,288</b>
<b>(iii) Movement in provision for impairment of receivables</b>			2017	2016
Balance at the beginning of the year			148	140
+ new provisions recognised during the year			6	8
<b>Balance at the end of the year</b>			<b>154</b>	<b>148</b>

## KYOGLE COUNCIL

### Notes to the Financial Statements for the year ended 30 June 2017

#### 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		
<b>2017</b>									
Trade/other payables	227	2,755						2,982	2,982
Loans and advances		391	391	391	552	366	2,137	4,228	2,998
<b>Total financial liabilities</b>	<b>227</b>	<b>3,146</b>	<b>391</b>	<b>391</b>	<b>552</b>	<b>366</b>	<b>2,137</b>	<b>7,210</b>	<b>5,980</b>
<b>2016</b>									
Trade/other payables	189	1,287	–	–	–	–	–	1,476	1,476
Loans and advances	–	391	391	391	552	366	2,503	4,594	3,229
<b>Total financial liabilities</b>	<b>189</b>	<b>1,678</b>	<b>391</b>	<b>391</b>	<b>552</b>	<b>366</b>	<b>2,503</b>	<b>6,070</b>	<b>4,705</b>

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:

	2017		2016	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Bank overdraft	–		–	
Trade/other payables	2,982	0.00%	1,476	0.00%
Loans and advances – fixed interest rate	2,998	5.34%	3,229	5.29%
	<u>5,980</u>		<u>4,705</u>	

# KYOGLE COUNCIL

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 16. Material budget variations

\$ '000

Council's original financial budget for 16/17 was adopted by the Council on 27 June 2016.

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	2017 Budget	2017 Actual	2017 ----- Variance* -----		
<b>REVENUES</b>					
<b>User charges and fees</b>	<b>5,278</b>	<b>6,886</b>	<b>1,608</b>	30%	<b>F</b>
Level of RMS works higher than anticipated					
<b>Interest and investment revenue</b>	<b>406</b>	<b>513</b>	<b>107</b>	26%	<b>F</b>
Level of funds invested higher than anticipated					
<b>Other revenues</b>	<b>10</b>	<b>31</b>	<b>21</b>	210%	<b>F</b>
Insurance claim recoveries not budgetted for					
<b>Operating grants and contributions</b>	<b>8,253</b>	<b>10,959</b>	<b>2,706</b>	33%	<b>F</b>
Advance payment of 2017 / 18 revenue sharing grant not budgetted for					
<b>Capital grants and contributions</b>	<b>3,973</b>	<b>5,684</b>	<b>1,711</b>	43%	<b>F</b>
Additional funding awarded after initial budget determined					



# KYOGLE COUNCIL

## Notes to the Financial Statements for the year ended 30 June 2017

### Note 16. Material budget variations (continued)

\$ '000	2017 Budget	2017 Actual	2017 ----- Variance* -----		
<b>EXPENSES</b>					
<b>Borrowing costs</b>	<b>463</b>	<b>193</b>	<b>270</b>	<b>58%</b>	<b>F</b>
General fund borrowings deferred to 2017 / 18					
<b>Materials and contracts</b>	<b>4,219</b>	<b>5,644</b>	<b>(1,425)</b>	<b>(34%)</b>	<b>U</b>
Level of RMS works higher than anticipated Additional projects approved through revotes					
<b>Net losses from disposal of assets</b>	<b>(91)</b>	<b>3,994</b>	<b>(4,085)</b>	<b>4489%</b>	<b>U</b>
Council does not budget for disposal of infrastructure assets					
<b>Budget variations relating to Council's Cash Flow Statement include:</b>					
<b>Cash flows from operating activities</b>	<b>12,381</b>	<b>16,791</b>	<b>4,410</b>	<b>35.6%</b>	<b>F</b>
User Charges and Fees \$2,660 (F) - Mainly related to RMS Private Works. Grants & Contributions \$2,377 (F) - Mainly related to Financial Assistance Grant Advance Payment.					
<b>Cash flows from investing activities</b>	<b>(18,354)</b>	<b>(16,211)</b>	<b>2,143</b>	<b>(11.7%)</b>	<b>F</b>
Capital Expenditure \$1,577 (F) - Reflects budgetted works not completed.					
<b>Cash flows from financing activities</b>	<b>(1,098)</b>	<b>(231)</b>	<b>867</b>	<b>(79.0%)</b>	<b>F</b>
General fund borrowings deferred to 2017 / 18					

# KYOGLE COUNCIL

## Notes to the Financial Statements

for the year ended 30 June 2017

### 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					
Drainage	–	–	–	–	–	–	–	–
Roads	168	114	–	3	(117)	–	168	–
Open space	64	5	–	1	(10)	–	60	–
<b>S94 contributions – under a plan</b>	<b>232</b>	<b>119</b>	<b>–</b>	<b>4</b>	<b>(127)</b>	<b>–</b>	<b>228</b>	<b>–</b>
<b>S94A levies – under a plan</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total S94 revenue under plans</b>	<b>232</b>	<b>119</b>	<b>–</b>	<b>4</b>	<b>(127)</b>	<b>–</b>	<b>228</b>	<b>–</b>
S94 not under plans	–	–	–	–	–	–	–	–
S93F planning agreements	–	–	–	–	–	–	–	–
S64 contributions	88	8	–	2	(50)	–	48	–
<b>Total contributions</b>	<b>320</b>	<b>127</b>	<b>–</b>	<b>6</b>	<b>(177)</b>	<b>–</b>	<b>276</b>	<b>–</b>

# KYOGLE COUNCIL

## Notes to the Financial Statements for the year ended 30 June 2017

### Note 17. Statement of developer contributions (continued)

\$ '000

#### S94 CONTRIBUTIONS – UNDER A PLAN

##### CONTRIBUTION PLAN NUMBER 1

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					
Drainage	–						–	
Roads	168	114		3	(117)		168	
Open space	64	5		1	(10)		60	
<b>Total</b>	<b>232</b>	<b>119</b>	<b>–</b>	<b>4</b>	<b>(127)</b>	<b>–</b>	<b>228</b>	<b>–</b>

## KYOGLE COUNCIL

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 18. Contingencies and other assets/liabilities not recognised

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\$ '000

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

##### **(a) Richmond Upper-Clarence Regional Library**

Council together with other local government authorities have entered into an agreement to operate a regional library known as the Richmond Upper-Clarence Regional Library. Annually, the Council contributes to the library to fund its activities based upon a prescribed formula. In the event that Council wishes to withdraw from the agreement, the assets and liabilities of the Regional Library attributable to Council will be determined by the Library Board of New South Wales.

##### **(b) Legal Issues**

The Council from time to time defends actions in respect of the Land and Environment Court matters and other issues served on it. It is not practicable to estimate the amount, if any, for which the Council could be liable thereof.

##### **(c) Section 94 Infrastructure**

Council has significant obligations to provide Section 94 infrastructure in new release areas. It is possible that funds contributed may be less than the cost of this infrastructure requiring Council to borrow or use general revenue to fund the difference (Refer Note 17).

##### **(d) Superannuation**

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.

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 2017 was \$152,468. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 2nd December 2016 and covers the period ended 30 June 2016. However the position is monitored annually and the actuary has estimated that as at 30th June 2017 a deficit still exists.

Effective from 1 July 2014, employers are required to contribute additional contributions to assist in extinguishing this deficit. The amount of additional contributions payable until the deficit is extinguished is \$198,000. 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 this deficit that can be broadly attributed to Council was estimated to be in the order of \$36,550 as at 30 June 2017.

## KYOGLE COUNCIL

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 19. Interests in other entities

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\$ '000

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#### Subsidiaries, joint arrangements and associates not recognised

The following subsidiaries, joint arrangements and associates have not been recognised in this financial report.

Name of entity/operation	Principal activity/type of entity	2017 Net profit	2017 Net assets
<b>Newlog</b>	Vehicle Weight Limits	(259)	150

#### Reasons for non-recognition

The Council is a member of the North-East Weight of Loads Group. The constitution of the group specifies the council as having a part "ownership" of the groups net assets but not one member as having control. The stated objectives of the group include to generally 'promote the aims of reducing damage to Councils roads by policing of vehicles weight limits.

Council's share of the operations (12.5%) have been deemed as "immaterial" and therefore have not been incorporated into these Financial Statements.

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## KYOGLE COUNCIL

### Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Retained earnings</b>			
<b>Movements in retained earnings were as follows:</b>			
Balance at beginning of year (from previous years audited accounts)		144,829	141,367
a. Correction of prior period errors	20 (c)	–	(1,441)
b. Changes in accounting policies (prior period effects)		–	–
c. Other comprehensive income (excl. direct to reserves transactions)		–	–
d. Net operating result for the year		6,384	4,903
e. Distributions to/(contributions from) non-controlling Interests		–	–
f. Transfers between equity		–	–
g. Other changes (disclosure required)		–	–
<b>Balance at end of the reporting period</b>		<b>151,213</b>	<b>144,829</b>
<b>(b) Revaluation reserves</b>			
<b>(i) Reserves are represented by:</b>			
– Infrastructure, property, plant and equipment revaluation reserve		237,827	218,913
<b>(ii) Reconciliation of movements in reserves:</b>			
<b>Infrastructure, property, plant and equipment revaluation reserve</b>			
– Opening balance		218,913	217,924
– Revaluations for the year	9(a)	24,995	2,019
– Correction of prior period errors	20(c)	–	(1,030)
– Impairment of revalued assets	9(a),(c)	(6,081)	–
<b>– Balance at end of year</b>		<b>237,827</b>	<b>218,913</b>
<b>TOTAL VALUE OF RESERVES</b>		<b>237,827</b>	<b>218,913</b>
<b>(iii) Nature and purpose of reserves</b>			
<b>Infrastructure, property, plant and equipment revaluation reserve</b>			
– The infrastructure, property, plant and equipment revaluation reserve is used to record increments/decrements of non-current asset values due to their revaluation.			
<b>(c) Correction of error/s relating to a previous reporting period</b>			

Arising from the 2016 revaluation of land under roads it was determined that the area of such land was inadvertently overstated in the previous revaluation performed in 2011. The extent of this overstatement in 2011 was 2.471 million. It was not considered practicable to adjust comparative information, instead this prior period error has been corrected in the 2016 year.

# KYOGLE COUNCIL

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 21. Financial result and financial position by fund

\$ '000

Income Statement by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
	Water	Sewer	General <sup>1</sup>
<b>Continuing operations</b>			
<b>Income from continuing operations</b>			
Rates and annual charges	726	1,060	7,136
User charges and fees	668	232	5,986
Interest and investment revenue	4	5	504
Other revenues	–	9	22
Grants and contributions provided for operating purposes	83	25	10,851
Grants and contributions provided for capital purposes	2,246	2	3,436
<b>Other income</b>			
Net gains from disposal of assets	–	–	–
Share of interests in joint ventures and associates using the equity method	–	–	–
<b>Total income from continuing operations</b>	<b>3,727</b>	<b>1,333</b>	<b>27,935</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	296	305	7,225
Borrowing costs	82	66	45
Materials and contracts	709	692	4,243
Depreciation and amortisation	252	187	6,495
Other expenses	153	64	1,803
Net losses from the disposal of assets	65	101	3,828
<b>Total expenses from continuing operations</b>	<b>1,557</b>	<b>1,415</b>	<b>23,639</b>
<b>Operating result from continuing operations</b>	<b>2,170</b>	<b>(82)</b>	<b>4,296</b>
<b>Discontinued operations</b>			
Net profit/(loss) from discontinued operations	–	–	–
<b>Net operating result for the year</b>	<b>2,170</b>	<b>(82)</b>	<b>4,296</b>
<b>Net operating result attributable to each council fund</b>	<b>2,170</b>	<b>(82)</b>	<b>4,296</b>
<b>Net operating result attributable to non-controlling interests</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>(76)</b>	<b>(84)</b>	<b>860</b>

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

# KYOGLE COUNCIL

## Notes to the Financial Statements

as at 30 June 2017

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

\$ '000

Statement of Financial Position by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
	Water	Sewer	General <sup>1</sup>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	1,367	843	19,977
Receivables	860	240	4,089
Inventories	–	–	1,945
<b>Total current assets</b>	<b>2,227</b>	<b>1,083</b>	<b>26,011</b>
<b>Non-current assets</b>			
Infrastructure, property, plant and equipment	25,484	27,071	317,137
<b>TOTAL ASSETS</b>	<b>27,711</b>	<b>28,154</b>	<b>343,148</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	201	5	2,663
Borrowings	195	19	27
Provisions	85	85	2,338
<b>Total current liabilities</b>	<b>481</b>	<b>109</b>	<b>5,028</b>
<b>Non-current liabilities</b>			
Payables	–	–	113
Borrowings	1,680	854	223
Provisions	–	–	1,485
<b>Total non-current liabilities</b>	<b>1,680</b>	<b>854</b>	<b>1,821</b>
<b>TOTAL LIABILITIES</b>	<b>2,161</b>	<b>963</b>	<b>6,849</b>
<b>Net assets</b>	<b>25,550</b>	<b>27,191</b>	<b>336,299</b>
<b>EQUITY</b>			
Retained earnings	14,959	8,889	127,365
Revaluation reserves	10,591	18,302	208,934
Council equity interest	25,550	27,191	336,299
Non-controlling interests	–	–	–
<b>Total equity</b>	<b>25,550</b>	<b>27,191</b>	<b>336,299</b>

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



# KYOGLE COUNCIL

## Notes to the Financial Statements for the year ended 30 June 2017

### Note 23. Events occurring after the reporting date

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\$ '000

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Events that occur between the end of the reporting period (30 June 2017) 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 30/10/17.

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 2017.

**(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 2017 and which are only indicative of conditions that arose after 30 June 2017.

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

## KYOGLE COUNCIL

### Notes to the Financial Statements

for the year ended 30 June 2017

#### 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	
		2017	2016
Tip Remediation - Kyogle	2050	725	924
Tip Remediation - Woodenbong	2018	300	300
Quarry Remediation - Millers	2019	161	161
Quarry Remediation - Medhurst	2021	208	209
Quarry Remediation - Griffiths	2019	157	157
Quarry Remediation - Lloyds	2021	54	54
<b>Balance at end of the reporting period</b>	10(a)	<u><u>1,605</u></u>	<u><u>1,805</u></u>

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.

#### Reconciliation of movement in provision for year:

Balance at beginning of year	1,805	1,546
Effect of a change in other calculation estimates used	(234)	226
Amortisation of discount (expensed to borrowing costs)	34	33
<b>Total – reinstatement, rehabilitation and restoration provision</b>	<u><u>1,605</u></u>	<u><u>1,805</u></u>

#### 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.

# KYOGLE COUNCIL

## Notes to the Financial Statements

for the year ended 30 June 2017

### 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:**

2017	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Infrastructure, property, plant and equipment</b>					
Plant & Equipment	30/06/17	–	–	6,498	6,498
Office Equipment	30/06/17	–	–	143	143
Furniture & Fittings	30/06/17	–	–	10	10
Land Operational	30/06/13	–	–	5,131	5,131
Land Community	30/06/13	–	–	559	559
Land under Roads	30/06/16	–	–	1,747	1,747
Land Improvements	30/06/13	–	–	1,075	1,075
Buildings	30/06/13	–	–	13,067	13,067
Other Structures	30/06/13	–	–	4,560	4,560
Roads	30/06/15	–	–	157,488	157,488
Bridges	30/06/15	–	–	79,419	79,419
Footpaths	30/06/15	–	–	2,941	2,941
Earthworks	30/06/15	–	–	14,903	14,903
Stormwater Drainage	30/06/17	–	–	24,553	24,553
Water Supply	30/06/17	–	–	23,672	23,672
Sewerage Network	30/06/17	–	–	27,071	27,071
Swimming Pools	30/06/13	–	–	2,141	2,141
Reinstatement Assets	30/06/17	–	–	776	776
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>–</b>	<b>365,754</b>	<b>365,754</b>

# KYOGLE COUNCIL

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 27. Fair value measurement (continued)

\$ '000

2016	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Infrastructure, property, plant and equipment</b>					
Plant & Equipment	30/06/16	—	—	6,742	6,742
Office Equipment	30/06/16	—	—	29	29
Furniture & Fittings	30/06/16	—	—	11	11
Land Operational	30/06/13	—	—	4,998	4,998
Land Community	30/06/13	—	—	530	530
Land under Roads	30/06/16	—	—	1,658	1,658
Land Improvements	30/06/13	—	—	1,020	1,020
Buildings	30/06/13	—	—	12,343	12,343
Other Structures	30/06/13	—	—	4,286	4,286
Roads	30/06/15	—	—	155,182	155,182
Bridges	30/06/15	—	—	71,569	71,569
Footpaths	30/06/15	—	—	2,948	2,948
Earthworks	30/06/15	—	—	14,697	14,697
Stormwater Drainage	30/06/12	—	—	24,568	24,568
Water Supply	30/06/12	—	—	15,855	15,855
Sewerage Network	30/06/12	—	—	23,233	23,233
Swimming Pools	30/06/13	—	—	2,138	2,138
Reinstatement Assets	30/06/16	—	—	1,106	1,106
<b>Total infrastructure, property, plant and equipment</b>		<b>—</b>	<b>—</b>	<b>342,913</b>	<b>342,913</b>

#### (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.

## KYOGLE COUNCIL

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 27. Fair value measurement (continued)

\$ '000

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

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

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

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

###### **Plant & Equipment, Office Equipment and Furniture & Fittings**

Plant & Equipment, Office Equipment and Furniture & Fittings are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. Examples of assets within these classes are as follows:

- Plant and Equipment - Graders, trucks, rollers, tractors and motor vehicles.
- Office Equipment - Computers, servers etc.
- Furniture & Fittings - Chairs & desks etc.

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

###### **Operational & Community Land & Land Improvements**

The key unobservable input to the valuation of these classes of assets is the price per square metre. The last valuation was undertaken at 30 June 2013 and was performed by Valuers Australia, Director Rob Houlden AAPI (Val), Certified Practicing Valuer, Registered Valuer No. 3734.

Generally, fair value is the most advantageous price reasonably obtainable by the seller and the most advantageous price reasonably obtained by the buyer. This is not necessarily the market selling price of the asset, rather, it is regarded as the maximum value that Council would rationally pay to acquire the asset if it did not hold it, taking into account quoted market price in an active and liquid market, the current market price of the same or similar asset, the cost of replacing the asset, if management intend to replace the asset, the remaining useful life and condition of the asset; and cash flows from the future use and disposal.

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

###### **Land Under Roads**

Land under roads has been valued using the Englobo method for nearby or adjacent Community Land having regard to the highest and best use for this land.

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

## KYOGLE COUNCIL

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 27. Fair value measurement (continued)

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\$ '000

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

###### **Buildings - Non-Specialised & Specialised**

Buildings were valued by Valuers Australia in June 2013 using the cost approach. The approach estimated the replacement cost for each building by componentising the buildings into significant parts with different useful lives and taking into account a range of factors. While all buildings were physically inspected inputs such as estimates of residual value and pattern of consumption required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using Level 3 valuation inputs.

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

###### **Other Structures**

Other Structures were valued by Valuers Australia in June 2013 using the cost approach. The approach estimated the replacement cost for each structure by componentising the structures into significant parts with different useful lives and taking into account a range of factors. While all structures were physically inspected inputs such as estimates of residual value and pattern of consumption required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using level 3 valuation inputs.

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

###### **Roads, Bridges & Footpaths ( including Bulk Earthworks )**

This asset class includes the road formation ( bulk earthworks ) road pavement and road seal, along with other road assets including kerb and guttering, guardrail and roadside furniture including signs and other traffic management devices. The cost Approach using Level 3 inputs was used to value this asset class. Valuations for this asset class were undertaken in-house based on actual costs and assumptions from Council's Engineering Department. No market based evidence ( Level 2 ) inputs are available therefore Level 3 valuation inputs were used for this asset class.

This class of assets was revalued as at 30 June 2015.

###### **Drainage Infrastructure**

Assets within this class comprise pits and pipes.

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. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar could be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value.

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

## KYOGLE COUNCIL

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 27. Fair value measurement (continued)

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\$ '000

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

###### **Water Supply**

Assets within this class comprise reservoirs, pumping stations and, water pipelines.

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. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar may be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. These assets are indexed each year in line with the NSW Reference Rates Manual as published by the Office of Water.

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

###### **Sewerage Network**

Assets within this class comprise treatment works, pumping stations and, sewerage mains.

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. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar may be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. These assets are indexed each year in line with the NSW Reference Rates Manual as published by the Office of Water.

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

# KYOGLE COUNCIL

## Notes to the Financial Statements

for the year ended 30 June 2017

### 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.

	Plant & Equipment	Office Equipment	Furniture & Fittings	Operational Land	Total
<b>Opening balance – 1/7/15</b>	6,931	66	12	5,693	12,702
Purchases (GBV)	1,333	–	–	27	1,360
Disposals (WDV)	(397)	–	–	–	(397)
Depreciation and impairment	(1,125)	(37)	(1)	–	(1,163)
FV gains – other comprehensive income	–	–	–	(722)	(722)
<b>Closing balance – 30/6/16</b>	<b>6,742</b>	<b>29</b>	<b>11</b>	<b>4,998</b>	<b>11,780</b>
Purchases (GBV)	1,239	151	–	–	1,390
Disposals (WDV)	(342)	–	–	(130)	(472)
Depreciation and impairment	(1,141)	(37)	(1)	–	(1,179)
FV gains – other comprehensive income	–	–	–	263	263
<b>Closing balance – 30/6/17</b>	<b>6,498</b>	<b>143</b>	<b>10</b>	<b>5,131</b>	<b>11,782</b>

	Community Land	Land Under Roads	Land Improve- ments	Buildings Non- Specialised	Total
<b>Opening balance – 1/7/15</b>	516	3,562	1,060	2,490	7,628
Purchases (GBV)	–	–	–	6	6
Depreciation and impairment	–	–	(68)	(76)	(144)
FV gains – other comprehensive income	14	(1,904)	28	69	(1,793)
<b>Closing balance – 30/6/16</b>	<b>530</b>	<b>1,658</b>	<b>1,020</b>	<b>2,489</b>	<b>5,697</b>
Purchases (GBV)	–	–	71	252	323
Disposals (WDV)	–	–	–	(92)	(92)
Depreciation and impairment	–	–	(71)	(74)	(145)
FV gains – other comprehensive income	29	89	55	114	287
<b>Closing balance – 30/6/17</b>	<b>559</b>	<b>1,747</b>	<b>1,075</b>	<b>2,689</b>	<b>6,070</b>



# KYOGLE COUNCIL

## Notes to the Financial Statements

for the year ended 30 June 2017

### 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)

	Buildings Specialised	Other Structures	Roads	Bridges	Total
<b>Opening balance – 1/7/15</b>	9,747	6,267	154,990	72,447	243,451
Purchases (GBV)	85	264	5,037	1,054	6,440
Disposals (WDV)	–	–	(2,594)	(90)	(2,684)
Depreciation and impairment	(339)	(297)	(3,468)	(828)	(4,932)
FV gains – other comprehensive income	361	190	1,217	(1,014)	754
<b>Closing balance – 30/6/16</b>	<b>9,854</b>	<b>6,424</b>	<b>155,182</b>	<b>71,569</b>	<b>243,029</b>
Purchases (GBV)	240	251	7,139	3,356	10,986
Disposals (WDV)	(56)	(4)	(3,245)	(270)	(3,575)
Depreciation and impairment	(334)	(312)	(3,484)	(831)	(4,961)
FV gains – other comprehensive income	674	342	1,896	5,595	8,507
<b>Closing balance – 30/6/17</b>	<b>10,378</b>	<b>6,701</b>	<b>157,488</b>	<b>79,419</b>	<b>253,986</b>

	Footpaths	Bulk Earthworks	Stormwater Drainage	Water Supply Network	Total
<b>Opening balance – 1/7/15</b>	2,792	14,697	21,785	11,752	51,026
Purchases (GBV)	222	–	2,538	4,033	6,793
Disposals (WDV)	(16)	–	–	–	(16)
Depreciation and impairment	(50)	–	(74)	(208)	(332)
FV gains – other comprehensive income	–	–	319	278	597
<b>Closing balance – 30/6/16</b>	<b>2,948</b>	<b>14,697</b>	<b>24,568</b>	<b>15,855</b>	<b>58,068</b>
Purchases (GBV)	27	–	90	2,467	2,584
Disposals (WDV)	(11)	–	(14)	(295)	(320)
Depreciation and impairment	(52)	–	(62)	(252)	(366)
FV gains – other comprehensive income	29	206	(29)	5,897	6,103
<b>Closing balance – 30/6/17</b>	<b>2,941</b>	<b>14,903</b>	<b>24,553</b>	<b>23,672</b>	<b>66,069</b>

# KYOGLE COUNCIL

## Notes to the Financial Statements for the year ended 30 June 2017

### 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)

	Sewerage Network	Reinstatement Assets	Total
<b>Opening balance – 1/7/15</b>	23,012	1,025	24,037
Purchases (GBV)	15	–	15
Depreciation and impairment	(211)	(145)	(356)
FV gains – other comprehensive income	417	–	417
Reinstatement remeasurement	–	226	226
<b>Closing balance – 30/6/16</b>	<b>23,233</b>	<b>1,106</b>	<b>24,339</b>
Purchases (GBV)	372	–	372
Disposals (WDV)	(101)	–	(101)
Depreciation and impairment	(187)	(96)	(283)
FV gains – other comprehensive income	3,754	–	3,754
Reinstatement Remeasurement	–	(234)	(234)
<b>Closing balance – 30/6/17</b>	<b>27,071</b>	<b>776</b>	<b>27,847</b>

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

No transfers were made in or out of the level 3 Fair Value Hierarchy.

## KYOGLE COUNCIL

### Notes to the Financial Statements

for the year ended 30 June 2017

#### 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

##### Fair Value Hierarchy

AASB 13 Fair Value measurement requires disclosure of fair value measurement by level of input, using the following hierarchy:

- \* Level 1 - Quoted prices ( unadjusted ) 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 - Unobservable inputs for asset or liability.

##### Fair Value Techniques

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

**'Cost Approach':** A valuation technique that reflects the amount that would be required to replace the service capacity of an asset ( current replacement cost ).

**'Income Approach':** A valuation technique that converts future amounts ( cash inflows / 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':** A 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.

##### Valuation Techniques used to derive Level 2 and Level 3 Fair Values

Where Council is unable to derive Fair Valuations using quoted market prices of identical assets ( i.e. level 1 inputs ), Council instead utilises a spread of both observable inputs ( Level 2 inputs ) and unobservable inputs ( Level 3 inputs ).

The Fair Valuation techniques Council has employed while utilising Level 2 and Level 3 inputs are as follows:

Level 2 valuation process for some asset classes where the basis was Cost Approach under Level 2 input, whereby maximising observable inputs and minimising unobservable inputs as below:

- \* Quoted prices for similar asset in active markets
- \* Current replacement cost concept
- \* Purchase price
- \* Useful life

Level 3 valuation process for some asset classes where the basis was Cost Approach. The inputs used for this technique were:

- \* Pattern of consumption
- \* Residual value
- \* Asset condition
- \* Unit rates
- \* Useful life

# KYOGLE COUNCIL

## Notes to the Financial Statements for the year ended 30 June 2017

### Note 27. Fair value measurement (continued)

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\$ '000

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#### **(5). Highest and best use**

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

# KYOGLE COUNCIL

## Notes to the Financial Statements for the year ended 30 June 2017

### Note 28. Related party disclosures

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\$ '000

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#### a. Key management personnel

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

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

	Actual 2017
<b>Compensation:</b>	
Short-term benefits	585
Post-employment benefits	39
Other long-term benefits	21
Termination benefits	16
<b>Total</b>	<u>661</u>

# KYOGLE COUNCIL

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 28. Related party disclosures (continued)

\$ '000

#### b. Other transactions with KMP and their related parties

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

Nature of the transaction	Note	Value of transactions during year \$'000	Outstanding balance (incl. loans and commitments) \$'000	Terms and conditions	Provisions for doubtful debts outstanding \$'000	Doubtful debts expense recognised \$'000
Employee expenses relating to close family members of KMP	1	75	-	Council staff award Local Government ( State ) Award 2017	-	-

1 One ( 1 ) close family member of Council's KMP is employed by the Council under the relevent pay award on an arms length basis.



**HINDEPENDENT AUDITOR'S REPORT**  
**Report on the general purpose financial statements**  
**Kyogle Council**

To the Councillors of the Kyogle Council

### **Opinion**

I have audited the accompanying financial statements of Kyogle Council (the Council), which comprise the statement of financial position as at 30 June 2017, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
  - have been presented, in all material respects, in accordance with the requirements of this Division
  - are consistent with the Council's accounting records
  - present fairly, in all material respects, the financial position of the Council as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

### **Basis for Opinion**

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

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

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

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

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

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

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

### **The Councillors' Responsibility for the Financial Statements**

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

In preparing the financial statements, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

### **Auditor's Responsibility for the Audit of the Financial Statements**

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf). The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, Note 2(a) and Note 16 budget variation explanations
- on the attached Special Schedules
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Reiky Jiang  
Director, Financial Audit Services

31 October 2017  
SYDNEY



Ms Danielle Mulholland  
Mayor  
Kyogle Council  
PO Box 11  
KYOGLLE NSW 2474

Contact: Reiky Jiang  
Phone no: (02) 9275 7100  
Our ref: D1728697 /1749

31 October 2017

Dear Ms Mulholland

**Report on the Conduct of the Audit**  
**for the year ended 30 June 2017**  
**Kyogle Council**

I have audited the general purpose financial statements of Kyogle Council (the Council) for the year ended 30 June 2017 as required by s415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's general purpose financial statements.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2017 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

**SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS**

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

**INCOME STATEMENT**

**Operating result**

	2017 \$'000	2016 \$'000	Variance %
<b>Rates and annual charges revenue</b>	8,922	8,436	5.8 ↑
<b>Grants and contributions revenue</b>	16,643	14,529	14.6 ↑
<b>Operating result for the year</b>	6,384	4,903	30.2 ↑
<b>Net operating result before capital amounts</b>	700	(1,883)	137.2 ↑

The improved operating result was due to the following significant movements:

Total income from continuing operations increased by \$2.6 million due to:

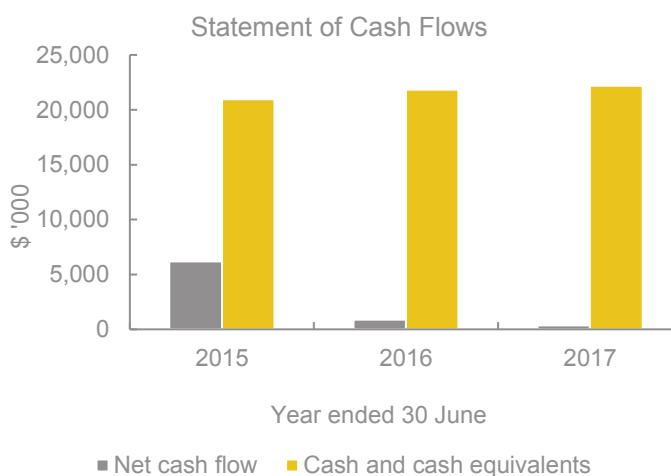
- ordinary rates increased by \$0.3 million. Council had an approved special general rate increase of 5.43 per cent for the 2016/17 year
- the financial assistance grant increased by \$2.1 million and roads to recovery grants increased by \$0.5 million. The Federal Government brought forward 50 per cent of the 2017/2018 financial assistance grant which was paid in June 2017
- operating grants of \$0.4 million have been recognised in respect of the March 2017 flooding event
- capital grants decreased by \$0.9 million. Whilst Council received additional roads and bridges funding of \$1.5 million, a reduction of \$2.2 million in Kyogle water supply augmentation project funding resulted in an overall decrease.

Expenses from continuing operations increased by \$1.1 million due to:

- employee costs increased by \$0.5 million, which is largely due Local Government State Award increases and staff redundancy payments
- other expenses decreased by \$0.5 million. In 2016 Council recorded a fair value decrement to the income statement for Land Under Roads totalling \$0.3 million
- net losses from disposal of assets increased by \$1.4 million due to an expanded capital works programme in 2016/17.

## STATEMENT OF CASH FLOWS

- Council's cash and cash equivalents increased by \$0.4 million during the current financial year to \$22.2 million.
- Cash provided from operating activities increased by \$2.2 million. This is largely a reflection of the improved operating result for 2016/17 due to \$2.1 million financial assistance grants received in advance.
- Cash used in investing activities increased by \$2.8 million due to higher capital expenditure as part of an expanded capital works programme in 2016/17.



## FINANCIAL POSITION

### Cash and Investments

Restricted Cash and Investments	2017	2016	Commentary
	\$m	\$m	
External restrictions	2.7	4.2	Externally restricted balances include unexpended specific loans, developer contributions and domestic waste management charges.
Internal restrictions	14.9	9.2	Balances are internally restricted due to Council policy or decisions for forward plans including works program. Internally restricted cash and investments have increased by \$5.7 million, with increases of \$4.7 million for carry over works and \$1.0 million for transport being the most significant.
Unrestricted	4.6	8.4	Unrestricted balances provide liquidity for day-to-day operations.
<b>Cash and investments</b>	<b>22.2</b>	<b>21.8</b>	

### Debt

- Council does not have a Bank Overdraft Facility.
- Council continues to repay borrowings in-line with existing loan agreements.

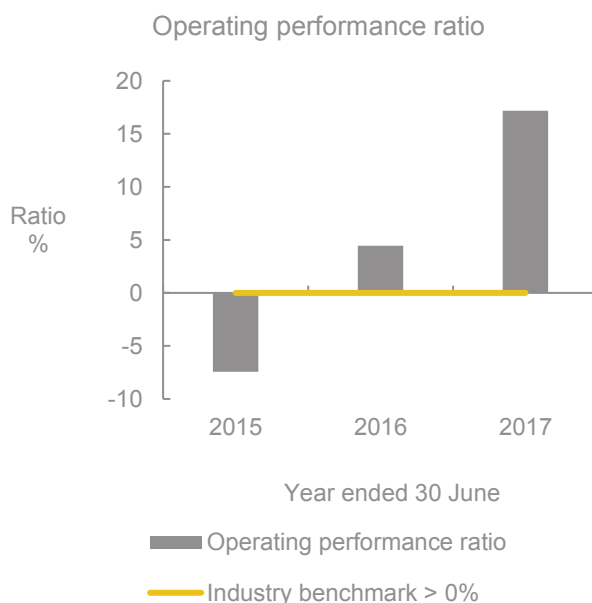
## PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 13 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's unaudited Special Schedule 7.

### Operating performance ratio

- Council has continued to meet the industry benchmark for the operating performance ratio.
- The increase in the ratio for the 2016/17 financial year is attributable to the improved operating result outlined earlier.
- Water and sewer fund did not achieve a positive operating performance ratio for the year. Council should continue to monitor the performance of these funds.

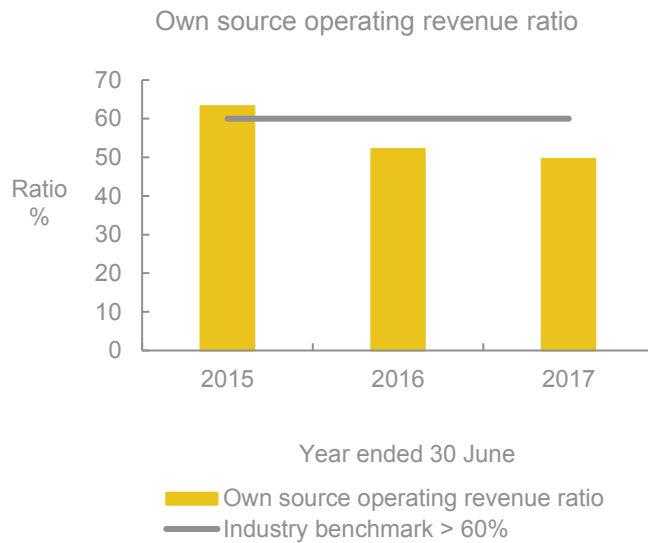
The 'operating performances ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than zero per cent.



## Own source operating revenue ratio

- Council did not meet the industry benchmark for the own source operating revenue ratio.
- For 2016/17 and 2015/16, this ratio has been significantly impacted by capital grants received for the Kyogle water supply augmentation project.
- This ratio was also impacted in 2016/17 by financial assistance grant funds received in advance.

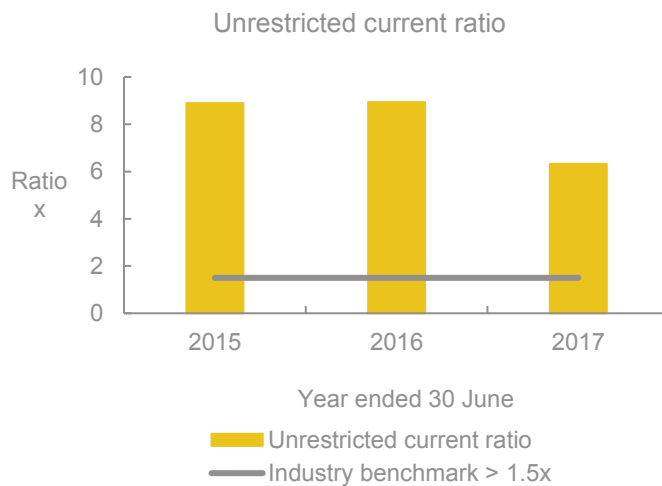
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



## Unrestricted current ratio

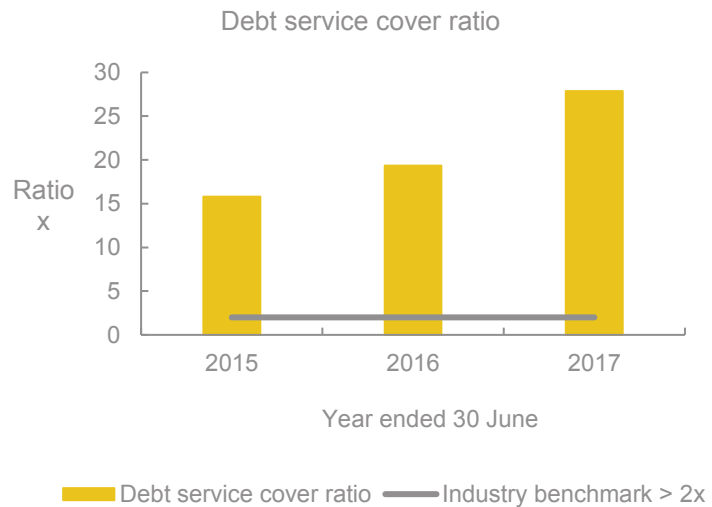
- Council's unrestricted current ratio continues to be well above the industry benchmark.
- The reduction in the ratio as at 30 June 2017 is reflective of increased capital expenditure payables from the prior year.
- All funds had an unrestricted current ratio above the industry benchmark.

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



## Debt service cover ratio

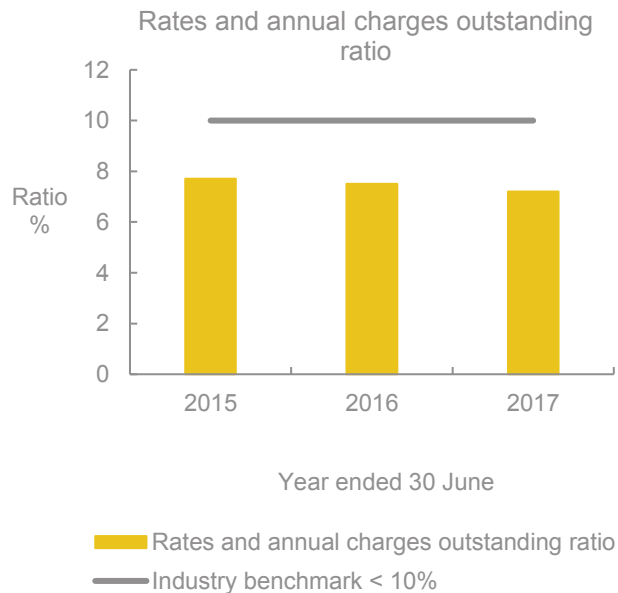
- Council's debt service cover ratio continues to be well above the industry benchmark.
- Council has seen an improvement in the debt service cover ratio over the prior year due to an improvement in its operating result.
- For the water fund, the debt service cover ratio remains below the benchmark at 0.96.
- Council should continue to monitor the water fund position to ensure cash flow over the short to medium term is sufficient to meet the debt repayment obligations.



The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.

## Rates and annual charges outstanding ratio

- Council has continued to meet the industry benchmark for the rates and annual charges outstanding ratio as at 30 June 2017.
- The water and sewer fund ratios are higher than the general fund ratio (and the industry benchmark).
- Council should monitor and pursue outstanding amounts through its debt recovery practices.

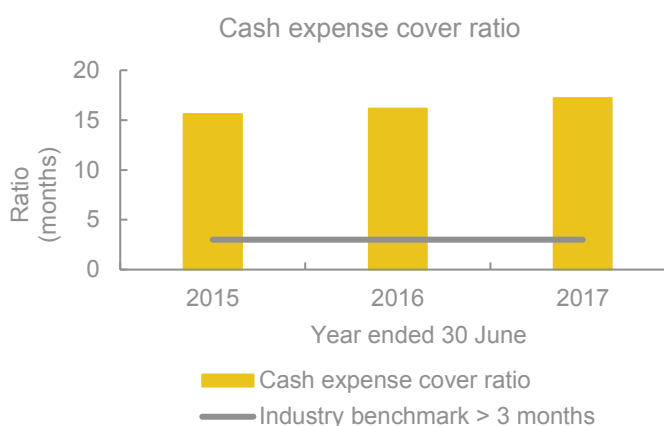


The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for rural councils.

## Cash expense cover ratio

- Council's cash expense cover ratio continues to be well above the industry benchmark.
- All funds' cash expense cover ratios met the industry benchmark in 2016/17.

This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.

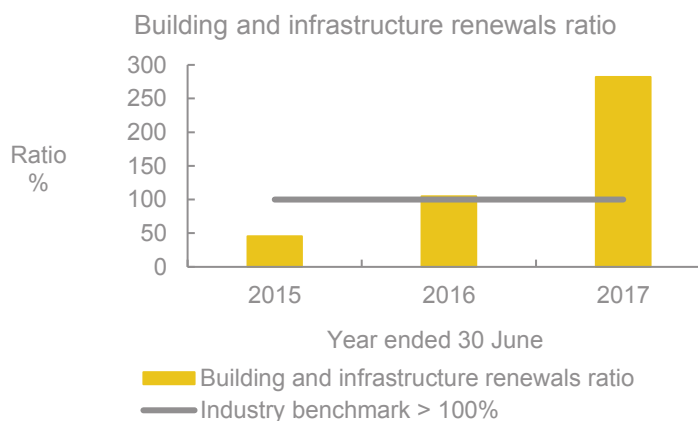


## Building and infrastructure renewals ratio

- Council's building and infrastructure renewals ratio has improved significantly in 2016/17.
- In 2016/17, Council spent \$15.7 million on asset renewals (2016: \$5.8 million).
- All funds' building and infrastructure renewal ratios were above the industry benchmark in 2016/17.

The 'building and infrastructure renewals ratio assesses the rate at which these assets are being renewed against the rate at which they are depreciating. The benchmark set by OLG is greater than 100 per cent.

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



## OTHER MATTERS

### New accounting standards implemented

#### AASB 124 'Related Party Disclosures'

Effective for annual reporting periods beginning on or 1 July 2016

AASB 2015-6 extended the scope of AASB 124 to not-for-profit public sector entities. Council's financial statements disclosed the:

- compensation paid to their key management personnel
- nature of related party relationships
- amount and nature of related party transactions, outstanding balances and commitments and outstanding balances (including commitments).

## Legislative compliance

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

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

Yours sincerely



Reiky Jiang  
Director, Financial Audit Services

31 October 2017  
SYDNEY

cc: Mr Graham Kennett, General Manager  
Mr Andrew Stevens, Chair of the Internal Audit Committee  
Tim Hurst, Acting Chief Executive of the Office of Local Government



# KYOGLE COUNCIL

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

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**Gateway to the Rainforests**





# KYOGLE COUNCIL

## Special Purpose Financial Statements

for the year ended 30 June 2017

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<b>4. Auditor’s Report</b>	

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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).
-

**KYOGLE COUNCIL****Special Purpose Financial Statements**  
for the year ended 30 June 2017**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 30 October 2017.**



Danielle Muiholland  
Mayor



Kylie Thomas  
Councillor



Graham Kennett  
General Manager



Glenn Rose  
Responsible Accounting Officer

## KYOGLE COUNCIL

### Income Statement of Council's Water Supply Business Activity for the year ended 30 June 2017

\$ '000	Actual 2017	Actual 2016
<b>Income from continuing operations</b>		
Access charges	726	667
User charges	656	580
Fees	12	10
Interest	4	4
Grants and contributions provided for non-capital purposes	83	78
Profit from the sale of assets	–	–
Other income	–	155
<b>Total income from continuing operations</b>	<b>1,481</b>	<b>1,494</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	296	286
Borrowing costs	82	89
Materials and contracts	709	687
Depreciation, amortisation and impairment	252	208
Water purchase charges	–	–
Loss on sale of assets	65	–
Calculated taxation equivalents	–	–
Debt guarantee fee (if applicable)	–	–
Other expenses	153	121
<b>Total expenses from continuing operations</b>	<b>1,557</b>	<b>1,391</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(76)</b>	<b>103</b>
Grants and contributions provided for capital purposes	2,246	4,418
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>2,170</b>	<b>4,521</b>
Surplus (deficit) from discontinued operations	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>2,170</b>	<b>4,521</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	–	(31)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>2,170</b>	<b>4,490</b>
Plus opening retained profits	12,789	8,268
Plus/less: prior period adjustments	–	–
Plus/less: other adjustments (details here...)	–	–
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	–	–
– Debt guarantee fees	–	–
– Corporate taxation equivalent	–	31
<b>Less:</b>		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
<b>Closing retained profits</b>	<b>14,959</b>	<b>12,789</b>
<b>Return on capital %</b>	<b>0.0%</b>	<b>1.1%</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>–</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	2,170	4,490
Less: capital grants and contributions (excluding developer contributions)	(2,243)	(4,415)
<b>Surplus for dividend calculation purposes</b>	<b>–</b>	<b>75</b>
<b>Potential dividend calculated from surplus</b>	<b>–</b>	<b>38</b>

# KYOGLE COUNCIL

## Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2017

\$ '000	Actual 2017	Actual 2016
<b>Income from continuing operations</b>		
Access charges	1,060	990
User charges	182	180
Liquid trade waste charges	50	45
Fees	–	–
Interest	5	6
Grants and contributions provided for non-capital purposes	25	26
Profit from the sale of assets	–	–
Other income	9	7
<b>Total income from continuing operations</b>	<b>1,331</b>	<b>1,254</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	305	264
Borrowing costs	66	67
Materials and contracts	692	607
Depreciation, amortisation and impairment	187	212
Loss on sale of assets	101	–
Calculated taxation equivalents	–	–
Debt guarantee fee (if applicable)	–	–
Other expenses	64	62
<b>Total expenses from continuing operations</b>	<b>1,415</b>	<b>1,212</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(84)</b>	<b>42</b>
Grants and contributions provided for capital purposes	2	202
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(82)</b>	<b>244</b>
Surplus (deficit) from discontinued operations	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>(82)</b>	<b>244</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	–	(13)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(82)</b>	<b>231</b>
Plus opening retained profits	8,971	8,727
Plus/less: prior period adjustments	–	–
Plus/less: other adjustments (details here...)	–	–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	–	–
– Debt guarantee fees	–	–
– Corporate taxation equivalent	–	13
Less:		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
<b>Closing retained profits</b>	<b>8,889</b>	<b>8,971</b>
<b>Return on capital %</b>	<b>-0.1%</b>	<b>0.5%</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>–</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	(82)	231
Less: capital grants and contributions (excluding developer contributions)	–	(200)
<b>Surplus for dividend calculation purposes</b>	<b>–</b>	<b>32</b>
<b>Potential dividend calculated from surplus</b>	<b>–</b>	<b>16</b>

## KYOGLE COUNCIL

### Income Statement of Council's Other Business Activities

for the year ended 30 June 2017

\$ '000	Domestic Waste		Quarries	
	Category 2		Category 2	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
<b>Income from continuing operations</b>				
Access charges	871	861	–	–
User charges	–	–	933	609
Fees	–	–	–	–
Interest	5	4	–	–
Grants and contributions provided for non-capital purposes	30	31	–	–
Profit from the sale of assets	–	–	–	–
Other income	–	–	–	–
<b>Total income from continuing operations</b>	<b>906</b>	<b>896</b>	<b>933</b>	<b>609</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	–	–	89	99
Borrowing costs	–	–	10	9
Materials and contracts	1,154	990	584	526
Depreciation, amortisation and impairment	–	–	96	100
Loss on sale of assets	–	–	124	–
Calculated taxation equivalents	–	–	–	–
Debt guarantee fee (if applicable)	–	–	–	–
Other expenses	–	–	–	–
<b>Total expenses from continuing operations</b>	<b>1,154</b>	<b>990</b>	<b>903</b>	<b>734</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(248)</b>	<b>(94)</b>	<b>30</b>	<b>(125)</b>
Grants and contributions provided for capital purposes	–	–	–	–
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(248)</b>	<b>(94)</b>	<b>30</b>	<b>(125)</b>
Surplus (deficit) from discontinued operations	–	–	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>(248)</b>	<b>(94)</b>	<b>30</b>	<b>(125)</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	–	–	(9)	–
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(248)</b>	<b>(94)</b>	<b>21</b>	<b>(125)</b>
Plus opening retained profits	92	(905)	279	1,199
Plus/less: prior period adjustments	–	–	–	–
Plus/less: other adjustments - net liability transferred to General fund	–	1,091	–	–
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	–	–	–	–
– Debt guarantee fees	–	–	–	–
– Corporate taxation equivalent	–	–	9	–
Add:				
– Subsidy paid/contribution to operations	–	–	–	–
Less:				
– TER dividend paid	–	–	–	–
– Dividend paid	–	–	(50)	(795)
<b>Closing retained profits</b>	<b>(156)</b>	<b>92</b>	<b>259</b>	<b>279</b>
Return on capital %	n/a	n/a	6.6%	-14.2%
Subsidy from Council	248	94	–	132

## KYOGLE COUNCIL

### Income Statement of Council's Other Business Activities for the year ended 30 June 2017

Transport

Category 1

\$ '000	Actual 2017	Actual 2016
<b>Income from continuing operations</b>		
Access charges	–	–
User charges	3,700	3,882
Fees	–	–
Interest	–	–
Grants and contributions provided for non-capital purposes	–	–
Profit from the sale of assets	–	–
Other income	–	–
<b>Total income from continuing operations</b>	<b>3,700</b>	<b>3,882</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	627	501
Borrowing costs	–	–
Materials and contracts	2,917	3,177
Depreciation, amortisation and impairment	–	–
Loss on sale of assets	–	–
Calculated taxation equivalents	–	–
Debt guarantee fee (if applicable)	–	–
Other expenses	–	–
<b>Total expenses from continuing operations</b>	<b>3,544</b>	<b>3,678</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>156</b>	<b>204</b>
Grants and contributions provided for capital purposes	–	–
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>156</b>	<b>204</b>
Surplus (deficit) from discontinued operations	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>156</b>	<b>204</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(47)	(61)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>109</b>	<b>143</b>
Plus opening retained profits	2,441	3,107
Plus/less: prior period adjustments		–
Plus/less: other adjustments (details here...)		–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	–	–
– Debt guarantee fees	–	–
– Corporate taxation equivalent	47	61
Add:		
– Subsidy paid/contribution to operations		–
Less:		
– TER dividend paid		–
– Dividend paid	(310)	(870)
<b>Closing retained profits</b>	<b>2,287</b>	<b>2,441</b>
Return on capital %	n/a	n/a
Subsidy from Council	–	–

# KYOGLE COUNCIL

## Statement of Financial Position – Council's Water Supply Business Activity as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,367	2,559
Receivables	860	331
<b>Total current assets</b>	<b>2,227</b>	<b>2,890</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	25,484	16,832
<b>Total non-current assets</b>	<b>25,484</b>	<b>16,832</b>
<b>TOTAL ASSETS</b>	<b>27,711</b>	<b>19,722</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	201	98
Borrowings	195	188
Provisions	85	78
<b>Total current liabilities</b>	<b>481</b>	<b>364</b>
<b>Non-current liabilities</b>		
Payables	–	–
Borrowings	1,680	1,875
Provisions	–	–
<b>Total non-current liabilities</b>	<b>1,680</b>	<b>1,875</b>
<b>TOTAL LIABILITIES</b>	<b>2,161</b>	<b>2,239</b>
<b>NET ASSETS</b>	<b>25,550</b>	<b>17,483</b>
<b>EQUITY</b>		
Retained earnings	14,959	12,789
Revaluation reserves	10,591	4,694
Council equity interest	25,550	17,483
Non-controlling equity interest	–	–
<b>TOTAL EQUITY</b>	<b>25,550</b>	<b>17,483</b>

# KYOGLE COUNCIL

## Statement of Financial Position – Council's Sewerage Business Activity

as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	843	984
Receivables	240	236
<b>Total current Assets</b>	<b>1,083</b>	<b>1,220</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	27,071	23,272
<b>Total non-current assets</b>	<b>27,071</b>	<b>23,272</b>
<b>TOTAL ASSETS</b>	<b>28,154</b>	<b>24,492</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	5	4
Borrowings	19	18
Provisions	85	78
<b>Total current liabilities</b>	<b>109</b>	<b>100</b>
<b>Non-current liabilities</b>		
Payables	–	–
Borrowings	854	873
Provisions	–	–
<b>Total non-current liabilities</b>	<b>854</b>	<b>873</b>
<b>TOTAL LIABILITIES</b>	<b>963</b>	<b>973</b>
<b>NET ASSETS</b>	<b>27,191</b>	<b>23,519</b>
<b>EQUITY</b>		
Retained earnings	8,889	8,971
Revaluation reserves	18,302	14,548
Council equity interest	27,191	23,519
Non-controlling equity interest	–	–
<b>TOTAL EQUITY</b>	<b>27,191</b>	<b>23,519</b>



# KYOGLE COUNCIL

## Statement of Financial Position – Council's Other Business Activities

as at 30 June 2017

\$ '000	Domestic Waste		Quarries	
	Category 2		Category 2	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	–	–	592	322
Receivables	147	142	–	–
Inventories	–	–	167	222
<b>Total Current Assets</b>	<b>147</b>	<b>142</b>	<b>759</b>	<b>544</b>
<b>Non-current assets</b>				
Infrastructure, property, plant and equipment	–	–	602	815
<b>Total non-current assets</b>	<b>–</b>	<b>–</b>	<b>602</b>	<b>815</b>
<b>TOTAL ASSETS</b>	<b>147</b>	<b>142</b>	<b>1,361</b>	<b>1,359</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Bank overdraft	303	50	–	–
Payables	–	–	–	–
Borrowings	–	–	–	–
Provisions	–	–	–	318
<b>Total current liabilities</b>	<b>303</b>	<b>50</b>	<b>–</b>	<b>318</b>
<b>Non-current liabilities</b>				
Provisions	–	–	579	263
<b>Total non-current liabilities</b>	<b>–</b>	<b>–</b>	<b>579</b>	<b>263</b>
<b>TOTAL LIABILITIES</b>	<b>303</b>	<b>50</b>	<b>579</b>	<b>581</b>
<b>NET ASSETS</b>	<b>(156)</b>	<b>92</b>	<b>782</b>	<b>778</b>
<b>EQUITY</b>				
Retained earnings	(156)	92	259	279
Revaluation reserves	–	–	523	499
Council equity interest	<b>(156)</b>	<b>92</b>	<b>782</b>	<b>778</b>
Non-controlling equity interest	–	–	–	–
<b>TOTAL EQUITY</b>	<b>(156)</b>	<b>92</b>	<b>782</b>	<b>778</b>

# KYOGLE COUNCIL

## Statement of Financial Position – Council's Other Business Activities

as at 30 June 2017

Transport

Category 1

\$ '000	Actual 2017	Actual 2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,596	602
Receivables	691	1,839
<b>Total Current Assets</b>	<b>2,287</b>	<b>2,441</b>
<b>Non-current assets</b>		
<b>Total non-current assets</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>2,287</b>	<b>2,441</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	-	-
Borrowings	-	-
Provisions	-	-
<b>Total current liabilities</b>	<b>-</b>	<b>-</b>
<b>Non-current liabilities</b>		
Payables	-	-
Borrowings	-	-
Provisions	-	-
<b>Total non-current liabilities</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>
<b>NET ASSETS</b>	<b>2,287</b>	<b>2,441</b>
<b>EQUITY</b>		
Retained earnings	2,287	2,441
Revaluation reserves	-	-
Council equity interest	2,287	2,441
Non-controlling equity interest	-	-
<b>TOTAL EQUITY</b>	<b>2,287</b>	<b>2,441</b>

# KYOGLE COUNCIL

## Special Purpose Financial Statements

for the year ended 30 June 2017

### Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	12 - 14
2	Water Supply Business Best-Practice Management disclosure requirements	15 - 16
3	Sewerage Business Best-Practice Management disclosure requirements	17 - 19

## KYOGLE COUNCIL

### Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2017

#### 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 these special purpose financial statements, 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) &
- Australian Accounting Interpretations.

The disclosures in these special purpose financial statements have been prepared in accordance with:

- the Local Government Act 1993 (NSW).
- the Local Government (General) Regulation.
- 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 on the "Application of National Competition Policy to Local Government".

The "Pricing & 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 & costing guidelines outline the process for identifying and allocating costs to activities and provide a standard of disclosure requirements. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents; council subsidies; return on investments (rate of return); and dividends paid.

#### Declared Business Activities

In accordance with *Pricing & 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. Transport

Contract Road Construction and Maintenance

##### Category 2

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

##### a. Water

Water Supply

##### b. Sewer

Sewerage Services

##### c. Domestic Waste

Domestic Waste Management

##### d. Quarries

Quarrying Operations

#### Monetary Amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest one 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).

## KYOGLE COUNCIL

### Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2017

#### Note 1. Significant Accounting Policies (continued)

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

##### (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 **\$549,000** of combined land values attracts **0%**. From \$549,001 to \$3,357,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$3,357,000, 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 Department of Primary Industries Water (DPIW), 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 Guides 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 guidelines for Best Practice Management of Water Supply and Sewerage 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.

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

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

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

Since this taxation equivalent is notional - that is, it is payable to the “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 rate applied of 30% 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 & 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 & 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.

## KYOGLE COUNCIL

### Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2017

#### Note 1. Significant Accounting Policies (continued)

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

##### (ii) Subsidies

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

Subsidies occur where 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 the 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 30/6/17.

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 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 2017 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the guidelines for Best Practice Management of Water Supply and Sewerage, 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.

# KYOGLE COUNCIL

## Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

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

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

2017

#### 1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	-
(ii)	Number of assessments multiplied by \$3/assessment	5,928
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	-
(iv)	Amounts actually paid for tax equivalents	-

#### 2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	-
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	59,280
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	32,132

2017 Surplus	(73,057)	2016 Surplus	75,009	2015 Surplus	30,180
		2016 Dividend	-	2015 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	-
(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? <sup>a</sup>	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)	YES
(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]	NO
(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	YES

# KYOGLÉ COUNCIL

## Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

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

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

2017

#### National Water Initiative (NWI) financial performance indicators

<b>NWI F1</b>	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	1,484
<b>NWI F4</b>	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)]	%	43.98%
<b>NWI F9</b>	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	25,484
<b>NWI F11</b>	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	1,158
<b>NWI F14</b>	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	3,302
<b>NWI F17</b>	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)]	%	0.29%
<b>NWI F26</b>	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	2,243

- 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



# KYOGLE COUNCIL

## Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

### Note 3. Sewerage business best-practice management disclosure requirements

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

2017

#### 1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	-
(ii)	Number of assessments multiplied by \$3/assessment	5,430
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	-
(iv)	Amounts actually paid for tax equivalents	-

#### 2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	1,044,500
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	54,300
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	1,975,675

2017 Surplus	2,089,000	2016 Surplus	31,548	2015 Surplus	(144,873)
		2016 Dividend	-	2015 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	54,300
(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? <sup>a</sup>	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)	YES
(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]	YES
(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	YES

## KYOGLE COUNCIL

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

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

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

2017

##### National Water Initiative (NWI) financial performance indicators

<b>NWI F2</b>	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	1,333
<b>NWI F10</b>	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	27,071
<b>NWI F12</b>	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	1,061
<b>NWI F15</b>	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	333
<b>NWI F18</b>	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)]	%	0.31%
<b>NWI F27</b>	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

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

<b>NWI F3</b>	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	2,651
<b>NWI F8</b>	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.96%
<b>NWI F16</b>	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	3,635
<b>NWI F19</b>	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)]	%	0.30%
<b>NWI F20</b>	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
<b>NWI F21</b>	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

# KYOGLE COUNCIL

## Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

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

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

2017

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

<b>NWI F22</b>	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	1.02%
<b>NWI F23</b>	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest  Earnings before interest and tax (EBIT): Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c)  Net interest: Interest expense (w4a + s4a) – interest income (w9 + s10)		-
<b>NWI F24</b>	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	(155)
<b>NWI F25</b>	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	52

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



**INDEPENDENT AUDITOR'S REPORT**  
**Report on the special purpose financial statement**  
**Kyogle Council**

To the Councillors of the Kyogle Council

### **Opinion**

I have audited the accompanying special purpose financial statements (the financial statements) of Kyogle Council's (the Council) Declared Business Activities, which comprise the statement of financial position of each Declared Business Activity as at 30 June 2017, the income statement of each Declared Business Activity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information for the Business Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council are:

- Water Supply business activity
- Sewerage business activity
- Domestic Waste business activity
- Quarries business activity
- Transport business activity.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2017, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

My opinion should be read in conjunction with the rest of this report and in particular, the Emphasis of Matter referring to the basis of accounting.

### **Basis for Opinion**

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

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

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

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

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

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

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

### **Emphasis of Matter - Basis of Accounting**

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

### **The Councillors' Responsibility for the Financial Statements**

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

In preparing the financial statements, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting, as it affects the Council's Declared Business Activities.

### **Auditor's Responsibility for the Audit of the Financial Statements**

My objectives are to:

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

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

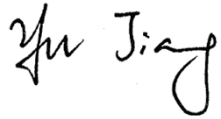
A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf).

The description forms part of my auditor's report.

My opinion does not provide assurance:

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

A handwritten signature in black ink, appearing to read 'Yu Jiang'.

Reiky Jiang  
Director, Financial Audit Services

31 October 2017  
SYDNEY



# KYOGLE COUNCIL

SPECIAL SCHEDULES  
for the year ended 30 June 2017

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**Gateway to the Rainforests**



# KYOGLE COUNCIL

## Special Schedules for the year ended 30 June 2017

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<sup>1</sup> Special Schedules are not audited (with the exception of Special Schedule 8).

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### 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.



# KYOGLE COUNCIL

## Special Schedule 1 – Net Cost of Services for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Governance</b>	177	–	–	(177)
<b>Administration</b>	2,408	143	–	(2,265)
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	450	20	262	(168)
Beach control	–	–	–	–
Enforcement of local government regulations	–	–	–	–
Animal control	125	18	–	(107)
Other	–	–	–	–
<b>Total public order and safety</b>	<b>575</b>	<b>38</b>	<b>262</b>	<b>(275)</b>
<b>Health</b>	<b>204</b>	<b>169</b>	<b>–</b>	<b>(35)</b>
<b>Environment</b>				
Noxious plants and insect/vermin control	30	–	–	(30)
Other environmental protection	–	–	–	–
Solid waste management	1,553	1,588	–	35
Street cleaning	–	–	–	–
Drainage	–	–	–	–
Stormwater management	125	164	3	42
<b>Total environment</b>	<b>1,708</b>	<b>1,752</b>	<b>3</b>	<b>47</b>
<b>Community services and education</b>				
Administration and education	291	7	–	(284)
Social protection (welfare)	–	–	–	–
Aged persons and disabled	–	–	–	–
Children's services	–	–	–	–
<b>Total community services and education</b>	<b>291</b>	<b>7</b>	<b>–</b>	<b>(284)</b>
<b>Housing and community amenities</b>				
Public cemeteries	150	97	–	(53)
Public conveniences	–	–	–	–
Street lighting	111	33	–	(78)
Town planning	372	174	–	(198)
Other community amenities	–	–	–	–
<b>Total housing and community amenities</b>	<b>633</b>	<b>304</b>	<b>–</b>	<b>(329)</b>
<b>Water supplies</b>	<b>1,556</b>	<b>1,481</b>	<b>2,246</b>	<b>2,171</b>
<b>Sewerage services</b>	<b>1,414</b>	<b>1,331</b>	<b>2</b>	<b>(81)</b>

# KYOGLE COUNCIL

## Special Schedule 1 – Net Cost of Services (continued) for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Recreation and culture</b>				
Public libraries	421	48	–	(373)
Museums	–	–	–	–
Art galleries	83	4	–	(79)
Community centres and halls	450	162	94	(194)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	–	–	–	–
Sporting grounds and venues	–	–	–	–
Swimming pools	704	137	–	(567)
Parks and gardens (lakes)	633	6	16	(611)
Other sport and recreation	–	–	–	–
<b>Total recreation and culture</b>	<b>2,291</b>	<b>357</b>	<b>110</b>	<b>(1,824)</b>
<b>Fuel and energy</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Agriculture</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Mining, manufacturing and construction</b>				
Building control	80	53	–	(27)
Other mining, manufacturing and construction	953	933	–	(20)
<b>Total mining, manufacturing and const.</b>	<b>1,033</b>	<b>986</b>	<b>–</b>	<b>(47)</b>
<b>Transport and communication</b>				
Urban roads (UR) – local	703	37	29	(637)
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	5,474	1,244	1,475	(2,755)
Sealed rural roads (SRR) – regional	1,692	1,919	249	476
Unsealed rural roads (URR) – local	2,720	–	–	(2,720)
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	–	–	–	–
Bridges on SRR – local	1,724	1,194	1,308	778
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	–	–	–	–
Footpaths	–	–	–	–
Aerodromes	–	–	–	–
Other transport and communication	1,787	3,855	–	2,068
<b>Total transport and communication</b>	<b>14,100</b>	<b>8,249</b>	<b>3,061</b>	<b>(2,790)</b>
<b>Economic affairs</b>				
Camping areas and caravan parks	–	–	–	–
Other economic affairs	221	60	–	(161)
<b>Total economic affairs</b>	<b>221</b>	<b>60</b>	<b>–</b>	<b>(161)</b>
<b>Totals – functions</b>	<b>26,611</b>	<b>14,877</b>	<b>5,684</b>	<b>(6,050)</b>
<b>General purpose revenues <sup>(1)</sup></b>		<b>12,434</b>		<b>12,434</b>
<b>Share of interests – joint ventures and associates using the equity method</b>	<b>–</b>	<b>–</b>		<b>–</b>
<b>NET OPERATING RESULT <sup>(2)</sup></b>	<b>26,611</b>	<b>27,311</b>	<b>5,684</b>	<b>6,384</b>

(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

# KYOGLE COUNCIL

## Special Schedule 2(a) – Statement of Long Term Debt (all purpose)

for the year ended 30 June 2017

\$'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
<b>Loans (by source)</b>											
Commonwealth Government	–	–	–							–	–
NSW Treasury Corporation	–	–	–							–	–
Other State Government	–	–	–							–	–
Public subscription	–	–	–							–	–
Financial institutions	231	2,998	3,229		231			159	241	2,757	2,998
Other	–	–	–							–	–
<b>Total loans</b>	<b>231</b>	<b>2,998</b>	<b>3,229</b>	<b>–</b>	<b>231</b>	<b>–</b>	<b>–</b>	<b>159</b>	<b>241</b>	<b>2,757</b>	<b>2,998</b>
<b>Other long term debt</b>											
Ratepayers advances	–	–	–							–	–
Government advances	–	–	–							–	–
Finance leases	–	–	–							–	–
Deferred payments	–	–	–							–	–
<b>Total long term debt</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total debt</b>	<b>231</b>	<b>2,998</b>	<b>3,229</b>	<b>–</b>	<b>231</b>	<b>–</b>	<b>–</b>	<b>159</b>	<b>241</b>	<b>2,757</b>	<b>2,998</b>

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).

# KYOGLE COUNCIL

## Special Schedule 2(b) – Statement of Internal Loans [Section 410(3) of the *Local Government Act* 1993] for the year ended 30 June 2017

\$'000

### Summary of internal loans

Borrower (by purpose)	Amount originally raised	Total repaid during the year (principal and interest)	Principal outstanding at end of year
General			
Water			
Sewer			
Domestic waste management			
Gas			
Other			
<b>Totals</b>	-	-	-

Note: the summary of internal loans (above) represents the total of Council's internal loans categorised according to the borrower.

### Details of individual internal loans

Borrower (by purpose)	Lender (by purpose)	Date of minister's approval	Date raised	Term (years)	Dates of maturity	Rate of interest	Amount originally raised	Total repaid during year (princ. and int.)	Principal outstanding at end of year
<b>Totals</b>							-	-	-

# KYOGLE 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 2017

\$'000	Actuals 2017	Actuals 2016
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	244	242
b. Engineering and supervision	77	76
<b>2. Operation and maintenance expenses</b>		
<b>– dams and weirs</b>		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
<b>– Mains</b>		
c. Operation expenses	–	–
d. Maintenance expenses	136	135
<b>– Reservoirs</b>		
e. Operation expenses	–	–
f. Maintenance expenses	29	23
<b>– Pumping stations</b>		
g. Operation expenses (excluding energy costs)	–	–
h. Energy costs	52	28
i. Maintenance expenses	146	95
<b>– Treatment</b>		
j. Operation expenses (excluding chemical costs)	409	415
k. Chemical costs	65	42
l. Maintenance expenses	–	–
<b>– Other</b>		
m. Operation expenses	–	–
n. Maintenance expenses	–	–
o. Purchase of water	–	–
<b>3. Depreciation expenses</b>		
a. System assets	252	208
b. Plant and equipment	–	–
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	82	89
b. Revaluation decrements	–	–
c. Other expenses	–	38
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
<b>5. Total expenses</b>	<b>1,492</b>	<b>1,391</b>

## KYOGLE 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 2017

\$'000	Actuals 2017	Actuals 2016
<b>Income</b>		
<b>6. Residential charges</b>		
a. Access (including rates)	549	496
b. Usage charges	431	375
<b>7. Non-residential charges</b>		
a. Access (including rates)	177	170
b. Usage charges	232	213
<b>8. Extra charges</b>	4	4
<b>9. Interest income</b>	–	–
<b>10. Other income</b>	5	157
<b>10a. Aboriginal Communities Water and Sewerage Program</b>	–	–
<b>11. Grants</b>		
a. Grants for acquisition of assets	2,243	4,413
b. Grants for pensioner rebates	27	27
c. Other grants	56	30
<b>12. Contributions</b>		
a. Developer charges	3	6
b. Developer provided assets	–	–
c. Other contributions	–	21
<b>13. Total income</b>	<u>3,727</u>	<u>5,912</u>
<b>14. Gain (or loss) on disposal of assets</b>	(65)	–
<b>15. Operating result</b>	<u>2,170</u>	<u>4,521</u>
<b>15a. Operating result (less grants for acquisition of assets)</b>	(73)	108

## KYOGLE 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 2017

\$'000	Actuals 2017	Actuals 2016
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>16. Acquisition of fixed assets</b>		
a. New assets for improved standards	–	–
b. New assets for growth	571	3,836
c. Renewals	2,731	–
d. Plant and equipment	–	–
<b>17. Repayment of debt</b>	188	180
<b>18. Totals</b>	<b>3,490</b>	<b>4,016</b>
<b>Non-operating funds employed</b>		
<b>19. Proceeds from disposal of assets</b>	230	–
<b>20. Borrowing utilised</b>	–	–
<b>21. Totals</b>	<b>230</b>	<b>–</b>
<b>C Rates and charges</b>		
<b>22. Number of assessments</b>		
a. Residential (occupied)	1,602	1,589
b. Residential (unoccupied, ie. vacant lot)	80	85
c. Non-residential (occupied)	294	298
d. Non-residential (unoccupied, ie. vacant lot)		–
<b>23. Number of ETs for which developer charges were received</b>	1 ET	2 ET
<b>24. Total amount of pensioner rebates (actual dollars)</b>	\$ 48,202	\$ 48,295

## KYOGLE COUNCIL

### Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis  
as at 30 June 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
<b>ASSETS</b>			
<b>25. Cash and investments</b>			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	50	–	50
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	1,317	–	1,317
<b>26. Receivables</b>			
a. Specific purpose grants	522	–	522
b. Rates and availability charges	176	–	176
c. User charges	162	–	162
d. Other	–	–	–
<b>27. Inventories</b>	–	–	–
<b>28. Property, plant and equipment</b>			
a. System assets	–	25,484	25,484
b. Plant and equipment	–	–	–
<b>29. Other assets</b>	–	–	–
<b>30. Total assets</b>	<u>2,227</u>	<u>25,484</u>	<u>27,711</u>
<b>LIABILITIES</b>			
<b>31. Bank overdraft</b>	–	–	–
<b>32. Creditors</b>	201	–	201
<b>33. Borrowings</b>	195	1,680	1,875
<b>34. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	85	–	85
<b>35. Total liabilities</b>	<u>481</u>	<u>1,680</u>	<u>2,161</u>
<b>36. NET ASSETS COMMITTED</b>	<u>1,746</u>	<u>23,804</u>	<u>25,550</u>
<b>EQUITY</b>			
<b>37. Accumulated surplus</b>			14,959
<b>38. Asset revaluation reserve</b>			10,591
<b>39. Other reserves</b>			–
<b>40. TOTAL EQUITY</b>			<u>25,550</u>
<b>Note to system assets:</b>			
<b>41. Current replacement cost</b> of system assets			31,744
<b>42. Accumulated current cost</b> depreciation of system assets			(6,260)
<b>43. Written down current cost</b> of system assets			<u>25,484</u>



# KYOGLE 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 2017

\$'000	Actuals 2017	Actuals 2016
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	224	221
b. Engineering and supervision	62	61
<b>2. Operation and maintenance expenses</b>		
<b>– mains</b>		
a. Operation expenses	–	–
b. Maintenance expenses	110	105
<b>– Pumping stations</b>		
c. Operation expenses (excluding energy costs)	132	112
d. Energy costs	30	29
e. Maintenance expenses	–	–
<b>– Treatment</b>		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	468	374
g. Chemical costs	23	20
h. Energy costs	12	11
i. Effluent management	–	–
j. Biosolids management	–	–
k. Maintenance expenses	–	–
<b>– Other</b>		
l. Operation expenses	–	–
m. Maintenance expenses	–	–
<b>3. Depreciation expenses</b>		
a. System assets	187	212
b. Plant and equipment	–	–
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	66	67
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)	–	–
<b>5. Total expenses</b>	<b>1,314</b>	<b>1,212</b>

## KYOGLE 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 2017

\$'000	Actuals 2017	Actuals 2016
<b>Income</b>		
<b>6. Residential charges</b> (including rates)	1,048	978
<b>7. Non-residential charges</b>		
a. Access (including rates)	–	–
b. Usage charges	182	180
<b>8. Trade waste charges</b>		
a. Annual fees	12	11
b. Usage charges	50	45
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
<b>9. Extra charges</b>	5	6
<b>10. Interest income</b>	–	–
<b>11. Other income</b>	9	8
<b>11a. Aboriginal Communities Water and Sewerage Program</b>	–	–
<b>12. Grants</b>		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	25	26
c. Other grants	–	–
<b>13. Contributions</b>		
a. Developer charges	2	202
b. Developer provided assets	–	–
c. Other contributions	–	–
<b>14. Total income</b>	<u>1,333</u>	<u>1,456</u>
<b>15. Gain (or loss) on disposal of assets</b>	(101)	–
<b>16. Operating result</b>	<u>(82)</u>	<u>244</u>
<b>16a. Operating result (less grants for acquisition of assets)</b>	(82)	244

## KYOGLE 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 2017

\$'000	Actuals 2017	Actuals 2016
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>17. Acquisition of fixed assets</b>		
a. New assets for improved standards	–	–
b. New assets for growth	44	15
c. Renewals	289	–
d. Plant and equipment	–	–
<b>18. Repayment of debt</b>	18	16
<b>19. Totals</b>	<b>351</b>	<b>31</b>
<b>Non-operating funds employed</b>		
<b>20. Proceeds from disposal of assets</b>	–	–
<b>21. Borrowing utilised</b>	–	–
<b>22. Totals</b>	<b>–</b>	<b>–</b>
<b>C Rates and charges</b>		
<b>23. Number of assessments</b>		
a. Residential (occupied)	1,539	1,534
b. Residential (unoccupied, ie. vacant lot)	88	89
c. Non-residential (occupied)	183	186
d. Non-residential (unoccupied, ie. vacant lot)		–
<b>24. Number of ETs for which developer charges were received</b>	1 ET	2 ET
<b>25. Total amount of pensioner rebates (actual dollars)</b>	\$ 46,300	\$ 46,436

## KYOGLE COUNCIL

### Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis  
as at 30 June 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
<b>ASSETS</b>			
<b>26. Cash and investments</b>			
a. Developer charges	48	–	48
b. Special purpose grants	–	–	–
c. Accrued leave	50	–	50
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	745	–	745
<b>27. Receivables</b>			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	181	–	181
c. User charges	59	–	59
d. Other	–	–	–
<b>28. Inventories</b>	–	–	–
<b>29. Property, plant and equipment</b>			
a. System assets	–	27,071	27,071
b. Plant and equipment	–	–	–
<b>30. Other assets</b>	–	–	–
<b>31. Total assets</b>	<b>1,083</b>	<b>27,071</b>	<b>28,154</b>
<b>LIABILITIES</b>			
<b>32. Bank overdraft</b>	–	–	–
<b>33. Creditors</b>	5	–	5
<b>34. Borrowings</b>	19	854	873
<b>35. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	85	–	85
<b>36. Total liabilities</b>	<b>109</b>	<b>854</b>	<b>963</b>
<b>37. NET ASSETS COMMITTED</b>	<b>974</b>	<b>26,217</b>	<b>27,191</b>
<b>EQUITY</b>			
<b>38. Accumulated surplus</b>			8,889
<b>39. Asset revaluation reserve</b>			18,302
<b>40. Other reserves</b>			–
<b>41. TOTAL EQUITY</b>			<b>27,191</b>
<b>Note to system assets:</b>			
<b>42. Current replacement cost</b> of system assets			32,487
<b>43. Accumulated current cost</b> depreciation of system assets			(5,416)
<b>44. Written down current cost</b> of system assets			<b>27,071</b>

# KYOGLE COUNCIL

## Notes to Special Schedules 3 and 5 for the year ended 30 June 2017

### Administration <sup>(1)</sup>

(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 <sup>(1)</sup>

(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** <sup>(2)</sup> (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** <sup>(2)</sup> (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:

<sup>(1)</sup> 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).

<sup>(2)</sup> 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.

# KYOGLE COUNCIL

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	2016/17 Required maintenance <sup>a</sup>	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
							1	2	3	4	5
<b>Buildings</b>	Buildings	1,009	92	99	13,066	27,719	17%	28%	50%	4%	0%
	<b>Sub-total</b>	<b>1,009</b>	<b>92</b>	<b>99</b>	<b>13,066</b>	<b>27,719</b>	<b>17.2%</b>	<b>28.2%</b>	<b>50.3%</b>	<b>4.2%</b>	<b>0.1%</b>
<b>Other</b>	Other structures	162	114	59	4,561	6,977	36%	35%	27%	1%	2%
	<b>Sub-total</b>	<b>162</b>	<b>114</b>	<b>59</b>	<b>4,561</b>	<b>6,977</b>	<b>36.1%</b>	<b>34.7%</b>	<b>26.8%</b>	<b>0.8%</b>	<b>1.7%</b>
<b>Roads</b>	Sealed roads	5,915	1,639	1,639	125,598	170,240	38%	48%	12%	1%	2%
	Unsealed roads	9,168	1,726	1,526	31,890	59,652	14%	38%	34%	12%	2%
	Bridges	17,808	684	726	79,419	118,077	51%	15%	17%	17%	1%
	Footpaths	25	87	33	2,941	3,486	69%	19%	11%	1%	0%
	Bulk earthworks	–	–	–	14,903	14,903	100%				0%
	<b>Sub-total</b>	<b>32,916</b>	<b>4,136</b>	<b>3,924</b>	<b>254,751</b>	<b>366,358</b>	<b>41.2%</b>	<b>33.2%</b>	<b>16.7%</b>	<b>7.6%</b>	<b>1.3%</b>

# KYOGLE COUNCIL

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	2016/17 Required maintenance <sup>a</sup>	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
							1	2	3	4	5
<b>Water supply</b>	Water supply network	134	259	396	23,672	29,932	46%	16%	37%	1%	0%
	<b>Sub-total</b>	<b>134</b>	<b>259</b>	<b>396</b>	<b>23,672</b>	<b>29,932</b>	<b>46.3%</b>	<b>15.8%</b>	<b>37.2%</b>	<b>0.7%</b>	<b>0.0%</b>
<b>Sewerage</b>	Sewerage network	1,660	200	353	27,071	32,487	58%	20%	15%	3%	4%
	<b>Sub-total</b>	<b>1,660</b>	<b>200</b>	<b>353</b>	<b>27,071</b>	<b>32,487</b>	<b>58.3%</b>	<b>19.7%</b>	<b>15.1%</b>	<b>2.8%</b>	<b>4.1%</b>

# KYOGLE COUNCIL

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	2016/17 Required maintenance <sup>a</sup>	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
							1	2	3	4	5
<b>Stormwater</b>	Stormwater drainage	44	43	40	24,553	27,443	97%	0%	3%	0%	0%
	<b>Sub-total</b>	<b>44</b>	<b>43</b>	<b>40</b>	<b>24,553</b>	<b>27,443</b>	<b>96.6%</b>	<b>0.0%</b>	<b>2.8%</b>	<b>0.3%</b>	<b>0.2%</b>
<b>Open space / recreational assets</b>	Swimming pools	–	58	54	2,141	5,696			100%		0%
	<b>Sub-total</b>	<b>–</b>	<b>58</b>	<b>54</b>	<b>2,141</b>	<b>5,696</b>	<b>0.0%</b>	<b>0.0%</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>
	<b>TOTAL – ALL ASSETS</b>	<b>35,925</b>	<b>4,902</b>	<b>4,925</b>	<b>349,815</b>	<b>496,612</b>	<b>43.8%</b>	<b>28.8%</b>	<b>20.0%</b>	<b>6.1%</b>	<b>1.3%</b>

### Notes:

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

### Infrastructure asset condition assessment 'key'

1	<b>Excellent</b>	No work required (normal maintenance)
2	<b>Good</b>	Only minor maintenance work required
3	<b>Average</b>	Maintenance work required
4	<b>Poor</b>	Renewal required
5	<b>Very poor</b>	Urgent renewal/upgrading required



## KYOGLE COUNCIL

### Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2017

\$ '000	Amounts 2017	Indicator 2017	Prior periods	
			2016	2015
<b>Infrastructure asset performance indicators * consolidated</b>				
<b>1. Infrastructure renewals ratio</b>				
Asset renewals <sup>(1)</sup>	<u>15,748</u>	<b>281.82%</b>	105.04%	45.43%
Depreciation, amortisation and impairment	<u>5,588</u>			
<b>2. Infrastructure backlog ratio</b>				
Estimated cost to bring assets to a satisfactory standard	<u>35,925</u>	<b>10.73%</b>	12.17%	12.99%
Net carrying amount of infrastructure assets	<u>334,912</u>			
<b>3. Asset maintenance ratio</b>				
Actual asset maintenance	<u>4,925</u>	<b>1.00</b>	1.03	1.00
Required asset maintenance	<u>4,902</u>			

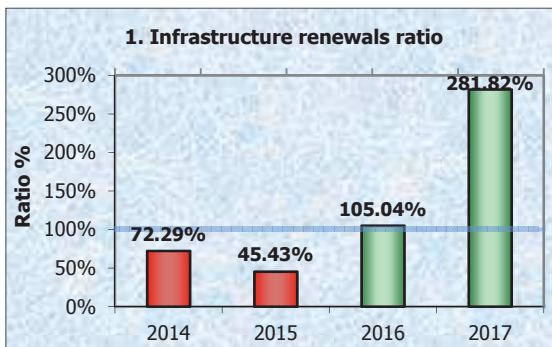
#### Notes

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

<sup>(1)</sup> 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.

# KYOGLE COUNCIL

## Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2017



Benchmark: ——— Minimum  $\geq 100\%$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #25



**Purpose of asset renewals ratio**

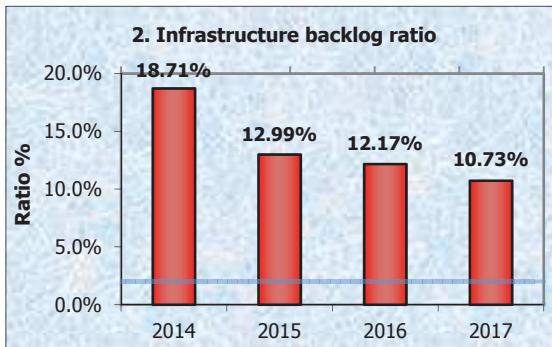
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

**Commentary on 2016/17 result**

**2016/17 Ratio 281.82%**

Council's Infrastructure Renewals Ratio has improved significantly. This has been due to the approval of a special rate variation, along with the development of strategies & actions to improve the long term management of Council's infrastructure assets.

 Ratio achieves benchmark  
 Ratio is outside benchmark



Benchmark: ——— Maximum  $< 2.00\%$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #25


**Purpose of infrastructure backlog ratio**

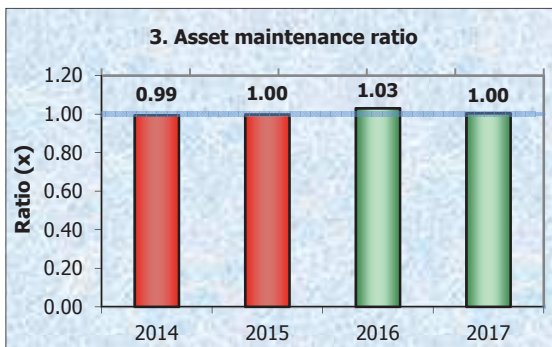
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

**Commentary on 2016/17 result**

**2016/17 Ratio 10.73%**

Council acknowledges it's Infrastructure Backlog Ratio is above Tcorp's benchmark. Council is continually focusing on asset expenditure but like all other NSW council's faces a large impost associated with asset backlogs & maintenance. Council will continue to focus on this area of expenditure.

 Ratio achieves benchmark  
 Ratio is outside benchmark



Benchmark: ——— Minimum  $> 1.00$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #25



**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 2016/17 result**

**2016/17 Ratio 1.00 x**

Council's Asset Maintenance Ratio currently exceeds Tcorp's required benchmark. This ratio has been at or around the required benchmark of 1.0 for the past 4 years.

 Ratio achieves benchmark  
 Ratio is outside benchmark

# KYOGLÉ COUNCIL

## Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2017

\$ '000	Water 2017	Sewer 2017	General <sup>(1)</sup> 2017
<b>Infrastructure asset performance indicators by fund</b>			
<b>1. Infrastructure renewals ratio</b>			
Asset renewals <sup>(2)</sup>	<b>1083.73%</b>	<b>154.55%</b>	<b>247.19%</b>
Depreciation, amortisation and impairment			
prior period:	0.00%	0.00%	113.64%
<b>2. Infrastructure backlog ratio</b>			
Estimated cost to bring assets to a satisfactory standard	<b>0.57%</b>	<b>6.13%</b>	<b>11.97%</b>
Net carrying amount of infrastructure assets			
prior period:	20.38%	3.07%	12.42%
<b>3. Asset maintenance ratio</b>			
Actual asset maintenance	<b>1.53</b>	<b>1.77</b>	<b>0.94</b>
Required asset maintenance			
prior period:	1.27	1.75	0.98

### 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.

# KYOGLE COUNCIL

## Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2018

\$'000		Calculation 2016/17	Calculation 2017/18
<b>Notional general income calculation <sup>(1)</sup></b>			
Last year notional general income yield	a	5,879	6,209
Plus or minus adjustments <sup>(2)</sup>	b	15	65
<b>Notional general income</b>	<b>c = (a + b)</b>	<b>5,894</b>	<b>6,274</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>(3)</sup>	d	5.43%	5.43%
Or rate peg percentage	e	0.00%	0.00%
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)	320	341
Or plus rate peg amount	i = c x e	–	–
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
<b>Sub-total</b>	<b>k = (c + g + h + i + j)</b>	<b>6,214</b>	<b>6,615</b>
Plus (or minus) last year's carry forward total	l	9	8
Less valuation objections claimed in the previous year	m	(2)	(4)
<b>Sub-total</b>	<b>n = (l + m)</b>	<b>7</b>	<b>4</b>
<b>Total permissible income</b>	<b>o = k + n</b>	<b>6,221</b>	<b>6,619</b>
Less notional general income yield	p	6,209	6,621
<b>Catch-up or (excess) result</b>	<b>q = o – p</b>	<b>12</b>	<b>(2)</b>
Plus income lost due to valuation objections claimed <sup>(4)</sup>	r	4	–
Less unused catch-up <sup>(5)</sup>	s	(8)	–
<b>Carry forward to next year</b>	<b>t = q + r – s</b>	<b>8</b>	<b>(2)</b>

### 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.



## INDEPENDENT AUDITOR'S REPORT

### Special Schedule No. 8

### Kyogle Council

To the Councillors of Kyogle Council

### Opinion

I have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Kyogle Council (the Council) for the year ending 30 June 2018.

In my opinion, Special Schedule No. 8 of the Council for 2017-18 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

My opinion should be read in conjunction with the rest of this report, and in particular the Emphasis of Matter paragraph, which describes the basis of accounting.

### Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of Special Schedule No.8' section of my report.

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

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

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

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

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

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

## **Emphasis of Matter - Basis of Accounting**

Without modifying my opinion, I draw attention to the notes and explanations in Special Schedule No. 8 that instruct councils in its preparation so it complies with OLG's requirements as described in the LG Code. As a result, Special Schedule No. 8 may not be suitable for another purpose.

## **Councillors' Responsibility for Special Schedule No. 8**

The Councillors of the Council are responsible for the preparation of Special Schedule No. 8 in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error.

In preparing Special Schedule No.8, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

## **Auditor's Responsibility for the Audit of Special Schedule No. 8**

My objectives are to:


- obtain reasonable assurance whether Special Schedule No. 8 as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on Special Schedule No.8.

A description of my responsibilities for the audit of Special Schedule No.8 is located at the Auditing and Assurance Standards Board website at [http://www.auasb.gov.au/auditors\\_responsibilities/ar8.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar8.pdf). The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Special Schedule No.8 on any website where they may be presented
- about any other information which may have been hyperlinked to/from Special Schedule No 8.



Reiky Jiang  
Director, Financial Audit Services

31 October 2017  
SYDNEY