



FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30 JUNE 2007

KYOGLE COUNCIL

General Purpose Financial Reports for the year ended 30th June 2007

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This financial report is a general purpose financial report of Kyogle Council and its controlled entities and is presented in the Australian currency.

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

Kyogle Council
1 Stratheden Street
Kyogle NSW 2474

The financial report was authorised for issue by the Council on 29 October 2007. Council has the power to amend and reissue the financial report.

Through the use of the internet, we have ensured that our reporting is timely, complete, and available at minimum cost. All press releases, financial reports and other information are available on our website: www.kyogle.nsw.gov.au.

KYOGLE COUNCIL

GENERAL PURPOSE FINANCIAL REPORT FOR THE YEAR ENDED 30 June 2007

STATEMENT BY COUNCILLORS AND MANAGEMENT MADE PURSUANT TO SECTION 413 (2)(c) OF THE LOCAL GOVERNMENT ACT 1993 (as amended)

The attached General Purpose Financial Report has been prepared in accordance with:

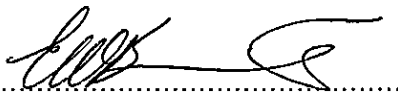
- The Local Government Act 1993 (as amended) and the Regulations made thereunder.
- The Australian Accounting Standards and professional pronouncements.
- The Local Government Code of Accounting Practice and Financial Reporting.

To the best of our knowledge and belief, this report:

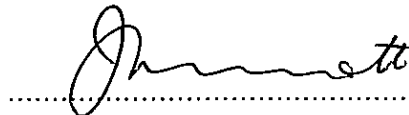
- Presents fairly the Council's operating result and financial position for the year, and
- Accords with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 29 October 2007.



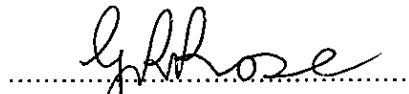
Ernie Bennett
MAYOR



Jeff Marriott
COUNCILLOR



Arthur Piggott
GENERAL MANAGER



Glenn Rose
RESPONSIBLE ACCOUNTING OFFICER

KYOGLE COUNCIL
INCOME STATEMENT
for the year ended 30th June 2007

Original Budget 2007 \$'000		Notes	Actual 2007 \$'000	Actual 2006 \$'000
	Income from continuing operations			
	<i>Revenue:</i>			
5,412	Rates & Annual Charges	3	5,346	5,079
4,875	User Charges & Fees	3	3,633	4,285
274	Interest and Investment revenue	3	800	601
50	Other Revenues	3	128	67
4,509	Grants & Contributions - Operating	3	4,720	4,532
2,466	Grants & Contributions - Capital	3	3,835	2,054
	<i>Other Income:</i>			
223	Net profit from Disposal of Assets	5	-	-
	Profit from interests in Joint Ventures & Associates	19	-	-
17,809	Total income from continuing operations		18,462	16,618
	Expenses from continuing operations			
5,361	Employee Costs	4	4,868	4,659
5,368	Materials & Contracts	4	3,761	4,266
81	Borrowing Costs	4	87	52
3,889	Depreciation & Amortisation	4	3,703	3,743
	Impairment	4	-	374
1,216	Other Expenses	4	1,209	1,296
	Net loss from Disposal of Assets	5	1,272	782
	Loss from interests in Joint Ventures & Associates	19	-	-
15,915	Total expenses from continuing operations		14,900	15,172
1,894	OPERATING RESULT FROM CONTINUING OPERATIONS		3,562	1,446
	Operating result from discontinued operations	24	-	-
1,894	NET OPERATING RESULT FOR THE YEAR		3,562	1,446
	Attributable to:			
	Minority Interests	19		
1,894	KYOGLE COUNCIL		3,562	1,446
1,894			3,562	1,446
(572)	Net operating result for the year before capital grants and contributions		(273)	(608)

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

KYOGLE COUNCIL

BALANCE SHEET as at 30th June 2007

	<u>Notes</u>	Actual 2007 \$'000	Actual 2006 \$'000
CURRENT ASSETS			
Cash & cash equivalents	6	12,842	10,550
Investments	6	-	-
Receivables	7	1,304	2,267
Inventories	8	619	541
Other	8	271	280
Non-current assets held for sale		-	-
TOTAL CURRENT ASSETS		<u>15,036</u>	<u>13,638</u>
NON-CURRENT ASSETS			
Investments	6	-	-
Receivables	7	-	-
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	223,250	215,637
Investments accounted for using the equity method	19	-	-
Investment Property	14	-	-
Intangible Assets	25	-	-
Other	8	-	-
TOTAL NON-CURRENT ASSETS		<u>223,250</u>	<u>215,637</u>
TOTAL ASSETS		<u>238,286</u>	<u>229,275</u>
LIABILITIES			
CURRENT LIABILITIES			
Payables	10	1,271	1,743
Interest bearing liabilities	10	442	201
Provisions - payable < 12 months	10	123	113
Provisions - payable > 12 months	10	744	652
TOTAL CURRENT LIABILITIES		<u>2,580</u>	<u>2,709</u>
NON-CURRENT LIABILITIES			
Payables	10	59	52
Interest bearing liabilities	10	40	482
Provisions	10	1,462	1,485
TOTAL NON CURRENT LIABILITIES		<u>1,561</u>	<u>2,019</u>
TOTAL LIABILITIES		<u>4,141</u>	<u>4,728</u>
NET ASSETS		<u>234,145</u>	<u>224,547</u>
EQUITY			
Retained earnings	20	217,327	213,765
Revaluation reserves	20	16,818	10,782
Council Equity Interest		<u>234,145</u>	<u>224,547</u>
Minority Equity Interest	19	-	-
TOTAL EQUITY		<u>234,145</u>	<u>224,547</u>

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

KYOGLÉ COUNCIL

STATEMENT OF CHANGES IN EQUITY for the year ended 30th June 2007

		2007 \$'000					2006 \$'000						
	Note	Retained earnings	Asset Reval. Reserve	Other Reserves	Council Equity Interest	Minority Interest	Total equity	Retained earnings	Asset Reval. Reserve	Other Reserves	Council Equity Interest	Minority Interest	Total equity
Balance at beginning of the reporting period		213,765	10,782	-	224,547	-	224,547	212,319	10,782	-	223,101	-	223,101
Adjustment on adoption of AASB 132 & AASB 139		-	-	-	-	-	-	-	-	-	-	-	-
Adjustment due to compliance with revised Accounting Standards		-	-	-	-	-	-	-	-	-	-	-	-
Transfers to Asset Revaluation Reserve	20	-	6,036	-	6,036	-	6,036	-	-	-	-	-	-
Transfers from Asset Revaluation Reserve	20	-	-	-	-	-	-	-	-	-	-	-	-
Cash Contributions by Outside Equity Interests		-	-	-	-	-	-	-	-	-	-	-	-
Cash Distributions to Outside Equity Interests		-	-	-	-	-	-	-	-	-	-	-	-
Other Adjustments to Outside Equity Interest		-	-	-	-	-	-	-	-	-	-	-	-
Net movements recognised directly in equity		-	6,036	-	6,036	-	6,036	-	-	-	-	-	-
Net operating result recognised in the Income Statement		3,562	-	-	3,562	-	3,562	1,446	-	-	1,446	-	1,446
Balance at end of the reporting period		217,327	16,818	-	234,145	-	234,145	213,765	10,782	-	224,547	-	224,547
Effect of correction of error in previous years		-	-	-	-	-	-	-	-	-	-	-	-

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

KYOGLÉ COUNCIL

CASH FLOW STATEMENT for the year ended 30th June 2007

Original Budget 2007 \$'000	CASH FLOWS FROM OPERATING ACTIVITIES	<u>Notes</u>	Actual 2007 \$'000	Actual 2006 \$'000
	<u>Receipts</u>			
5,374	Rates & Annual Charges		5,312	5,331
4,712	User Charges & Fees		4,445	3,631
276	Investment Revenue and Interest		703	579
6,850	Grants & Contributions		9,365	6,347
114	Other operating receipts		686	68
	<u>Payments</u>			
(5,299)	Employee Costs		(4,844)	(4,953)
(4,905)	Materials & Contracts		(4,640)	(4,216)
(45)	Borrowing Costs		(47)	(56)
(1,257)	Other operating payments		(1,935)	(1,397)
5,820	Net Cash provided by Operating Activities	11	9,045	5,334
	CASH FLOWS FROM INVESTING ACTIVITIES			
	<u>Receipts</u>			
891	Proceeds from sale of Infrastructure, Property, Plant & Equipment		469	696
	Proceeds from sale of Investment Property		-	-
	Proceeds from sale of Real Estate		-	-
	Proceeds from sale of Investment Securities		-	-
	<u>Payments</u>			
(7,834)	Purchase of Infrastructure, Property, Plant & Equipment		(7,021)	(4,840)
	Purchase of Investment Property		-	-
	Purchase of Real Estate		-	-
	Purchase of Investment Securities		-	-
(6,943)	Net Cash used in Investing Activities		(6,552)	(4,144)
	CASH FLOWS FROM FINANCING ACTIVITIES			
	<u>Receipts</u>			
1,000	Proceeds from Borrowings & Advances		-	-
	<u>Payments</u>			
(202)	Repayments of Borrowings & Advances		(201)	(187)
798	Net Cash used in Financing Activities		(201)	(187)
(325)	Net Increase in cash and cash equivalents		2,292	1,003
	Cash and cash equivalents at beginning of reporting period	11	10,550	9,547
10,550	Cash and cash equivalents at end of reporting period	11	12,842	10,550

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

KYOGLE COUNCIL

Notes to the financial statements for the year ended 30th June 2007

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KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30th June 2007

Note 1 Summary of significant accounting policies

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

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations, the Local Government Act (1993) and Regulations and the Local Government Code of Accounting Practice and Financial Reporting. Kyogle Council is classified as a "not-for-profit" entity as defined by Australian Accounting Standards.

Kyogle Council is required to comply with AAS 27 *Financial Reporting by Local Government*, and where AAS 27 conflicts with AIFRS, the requirements of AAS 27 have been applied. Where AAS 27 makes reference to another Australian accounting standard, the new Australian IFRS equivalent standards will apply. The specific 'not for profit' reporting requirements also apply.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, certain classes of infrastructure, property, plant and equipment and investment property.

Critical accounting estimates

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

(b) Revenue recognition

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

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

A provision for doubtful debts on rates 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 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.

Income is recognised when the Council obtains control of the contribution or the right to receive the contribution, it is probable that the economic benefits comprising the contribution will flow to the Council and the amount of the contribution can be measured reliably.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in Note 3(g). The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

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

User charges and fees

User charges and fees (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 doubtful debt is recognised when collection in full is no longer probable.

Sale of plant, property, infrastructure and equipment

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

Interest and rents are recognised as revenue on a proportional basis when the payment is due, the value of the payment is notified, or the payment is received, whichever first occurs.

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30th June 2007 (continued)

Note 1 Summary of significant accounting policies (continued)

(c) Principles of consolidation

(i) *The Consolidated Fund*

In accordance with the provisions of Section 409(1) of the LGA 1993, all money and property received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund. The consolidated fund and other entities through which the Council controls resources to carry on its functions have been included in the financial statements forming part of this report.

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

- General purpose operations
- Water supply
- Sewerage service
- Domestic Waste Management

The following Committees, the transactions of which are considered immaterial either by amount or nature, have been excluded:

- Australia Day Committees
- Progress Associations

The total revenue and expenditure from continuing operations and the net assets held by these Committees is as follows:

	\$
Total income from continuing operations	0
Total expenditure from continuing operations	10,000
Total net assets (Equity) held	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 reports.

Trust monies and property held by Council but not subject to the control of Council, have been excluded from these reports. A separate statement of monies held in the Trust Fund is available for inspection at the Council office by any person free of charge.

(iii) *Joint venture entities*

The interest in a joint venture partnership is accounted for using the equity method and is carried at cost. Under the equity method, the share of the profits or losses of the partnership is recognised in the income statement, and the share of movements in reserves is recognised in reserves in the balance sheet. Details relating to the partnership are set out in Note 19.

(d) 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 other long term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged 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. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

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.

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30th June 2007 (continued)

Note 1 Summary of significant accounting policies (continued)

(e) Acquisition of assets

The purchase method of accounting is used to account for all acquisitions of assets. Cost is measured as the fair value of the assets given, plus costs directly attributable to the acquisition.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. 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.

(f) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for 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.

For non-cash generating assets of the Council such as roads, drains, public buildings and the like-value in use is represented by the assets written down replacement cost.

(g) Cash and cash equivalents

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 balance sheet.

(h) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Receivables are due for settlement no more than 30 days from the date of recognition.

Collectibility of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful 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 receivables. 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.

(i) Inventories

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

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, 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.

(ii) *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.

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30th June 2007 (continued)

Note 1 Summary of significant accounting policies (continued)

(j) Non-current assets held for sale

Non-current assets are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The exception to this is plant and motor vehicles which are turned over on a regular basis – these are retained in property, plant and equipment.

An impairment loss is recognised for any initial or subsequent write down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets are not depreciated or amortised while they are classified as held for sale.

Non-current assets classified as held for sale are presented separately from the other assets in the balance sheet.

(k) Investments and other financial assets

Classification

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

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

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date. Council's policy is to designate its investments as financial assets at fair value through profit or loss as they are managed on a fair value basis in accordance with a documented risk management strategy and information about the investments is presented to management and Council on that basis.

(iii) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

(iv) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council's management has the positive intention and ability to hold to maturity. If council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

(v) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date - the date on which the Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Council has transferred substantially all the risks and rewards of ownership.

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

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30th June 2007 (continued)

Note 1 Summary of significant accounting policies (continued)

Subsequent measurement

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

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the income statement within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the income statement as part of revenue from continuing operations when Council's right to receive payments is established. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Fair value

The fair values of quoted investments are based on current bid prices. 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 the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment

Council assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

Policy

Council has an approved investment policy complying with Section 625 of the Local Government Act and S212 of the LG (General) Regulations 2005. Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Local Government Investment Order. Council maintains an investment policy that complies with the Act and ensures that it or its representatives exercise care, diligence and skill that a prudent person would exercise in investing council funds.

(I) Fair value estimation

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

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

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30th June 2007 (continued)

Note 1 Summary of significant accounting policies (continued)

(m) Infrastructure, property, plant and equipment

All infrastructure, property, plant and equipment under Council's control except for investment properties, water, sewer and drainage infrastructure is stated at cost (or deemed cost) less depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items.

Council's assets will be progressively revalued to fair value in accordance with a staged implementation advised by the Department of Local Government.

Water and Sewerage 2006/2007

Property, plant and equipment, land, buildings and other 2007/2008

Roads, bridges, footpaths and drainage 2008/2009

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

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

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Office equipment	5 – 10	years	Pumps and telemetry	10 – 25	years
Office furniture	10 – 20	years	Drains	80 – 100	years
Vehicles and road making equipment	5 – 12	years	Culverts	50 – 80	years
Other plant and equipment	5 – 15	years	Flood control structures	80 – 100	years
Buildings			Sealed roads – Surface	10 – 20	years
	– Masonry	50 – 100	– Structure	25 – 50	years
	– Other	20 – 40	Unsealed roads	50	years
Playground equipment	5 – 15	years	Bridge – Concrete	100	years
Benches, seats etc	10 – 20	years	– Other	50	years
Dams and reservoirs	40 – 100	years	Bulk earthworks	Infinite	
Bores	20 – 40	years			
Reticulation pipes					
	– PVC	40 – 80			
	– Other	25 – 75			

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet 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.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(n) Investment property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council. Investment property is carried at fair value, representing open-market value determined annually by external valuers. Changes in fair values are recorded in the income statement as part of other income.

(o) Payables

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

(p) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

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

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30th June 2007 (continued)

Note 1 Summary of significant accounting policies (continued)

(q) Borrowing costs

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

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Council's outstanding borrowings during the year.

(r) Provisions

Provisions are recognised when: the 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.

(s) Employee benefits

(i) Wages and salaries, annual leave and vesting sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and vesting sick leave expected to be settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-vesting sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(vi) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match as closely as possible, the estimated future cash outflows. Where Council does not have the unconditional right to defer settlement beyond 12 months, the liability is recognised as a current liability.

(vii) 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.

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the balance sheet, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. However, when this information is not reliably available, Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans (see below). The Local Government Superannuation Scheme has advised that it is unable to provide individual councils with an accurate split of their share of the Scheme's assets and liabilities and so no asset or liability is recognised.

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.

(t) Rounding of amounts

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

(u) Land under roads

Council has elected not to recognise land under roads in accordance with the deferral arrangements available under AASB 1045. These provisions allow deferral of recognition until 30 June 2008.

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30th June 2007 (continued)

Note 1 Summary of significant accounting policies (continued)

(v) Provisions for close down and restoration and for environmental clean up costs – Tips and quarries

(i) Restoration

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs. Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, eg updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

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

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. The amortisation of the discount is shown as a borrowing cost.

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

(ii) Rehabilitation

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

Provision is made for the estimated present value of the costs of environmental clean up obligations outstanding at the balance sheet date. These costs are charged to the income statement. Movements in the environmental clean up provisions are presented as an operating cost, except for the unwind of the discount which is shown as a borrowing cost. Remediation procedures generally commence soon after the time the damage, remediation process and estimated remediation costs become known, but may 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.

(w) Allocation between current and non-current

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operational cycle. In the case of liabilities where Council does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months. Inventories held for trading are classified as current even if not expected to be realised in the next 12 months.

(x) New accounting standards and Australian Accounting interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2007 reporting periods. Council's assessment of the impact of these new standards and interpretations is set out below.

AASB 7 Financial Instruments: Disclosures and AASB 2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]

AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. Council has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Council's financial instruments.

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30th June 2007 (continued)

Note 1 Summary of significant accounting policies (continued)

(y) Land

Land is classified as either operational or community in accordance with Part 2 of Chapter 6 of the Local Government Act (1993). This is disclosed in Note 9(a).

(z) Significant Revenues and Expenses

Where an item of revenue or expense from ordinary activities is of such a size, nature or incidence that its disclosure is relevant in explaining the financial performance of the council, its nature and amount have been disclosed separately in the notes.

(aa) Intangible assets

IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service, direct payroll and payroll related costs of employee's time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from 3 to 5 years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where Council has an intention and ability to use the asset.

(bb) Crown Reserves

Crown Reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

Improvements on Crown Reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

A working party of interested representatives from both State and Local Government is being formed to consider the accounting issues related to the Crown Reserves, with the intention of developing a consistent approach to their recognition and future accounting treatment across both tiers of government.

(cc) Rural Fire Service assets

Under section 119 of the Rural Fire Services Act 1997, "all fire fighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the fire fighting equipment has been purchased or constructed". Until such time as discussions on this matter have concluded and the legislation changed, councils will continue to account for these assets as they have been doing in previous years.

(dd) Goods and Services Tax

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

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

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

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2007

Note 2(a) - FUNCTIONS

REVENUES, EXPENSES AND ASSETS HAVE BEEN DIRECTLY ATTRIBUTED TO THE FOLLOWING FUNCTIONS & ACTIVITIES													
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			GRANTS INCLUDED IN INCOME		TOTAL ASSETS HELD (CURRENT & NON-CURRENT)	
	ORIGINAL BUDGET	ACTUAL	ACTUAL	ORIGINAL BUDGET	ACTUAL	ACTUAL	ORIGINAL BUDGET	ACTUAL	ACTUAL	2007	2006	2007	2006
	2007 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
GOVERNANCE	-	-	-	123	128	114	(123)	(128)	(114)	-	-	-	-
ADMINISTRATION	81	19	35	1,876	2,237	2,233	(1,795)	(2,218)	(2,198)	-	-	9,200	7,406
PUBLIC ORDER & SAFETY	330	163	410	404	432	395	(74)	(269)	15	146	395	1,385	1,447
HEALTH	70	81	76	241	227	267	(171)	(146)	(191)	-	-	14	17
COMMUNITY SERVICES & EDUCATION	60	119	66	188	166	108	(128)	(47)	(42)	111	66	155	125
HOUSING & COMMUNITY AMENITIES	773	1,089	1,019	798	1,005	989	(25)	84	30	54	90	14,053	10,818
WATER SUPPLIES	1,015	1,077	818	833	727	1,107	182	350	(289)	108	27	8,292	6,576
SEWERAGE SERVICES	811	2,577	805	812	702	697	(1)	1,875	108	128	62	13,687	9,820
RECREATION & CULTURE	176	208	214	1,179	1,136	921	(1,003)	(928)	(707)	104	106	3,209	3,315
FUEL & ENERGY	-	-	-	-	-	-	-	-	-	-	-	-	-
MINING, MANUFACTURING & CONSTRUCTION	354	630	471	315	710	558	39	(80)	(87)	-	-	765	890
TRANSPORT & COMMUNICATION	8,322	4,957	5,656	8,964	7,289	7,710	(642)	(2,332)	(2,054)	2,123	2,056	187,526	188,861
ECONOMIC AFFAIRS	-	37	24	182	141	73	(182)	(104)	(49)	-	-	-	-
TOTALS - FUNCTIONS	11,992	10,957	9,594	15,915	14,900	15,172	(3,923)	(3,943)	(5,578)	2,774	2,802	238,286	229,275
GENERAL PURPOSE REVENUES	5,817	7,505	7,024				5,817	7,505	7,024	3,019	2,879		
TOTALS	17,809	18,462	16,618	15,915	14,900	15,172	1,894	3,562	1,446	5,793	5,681	238,286	229,275

The above functions conform to those used by the Australian Bureau of Statistics and provide a basis for comparison with other Councils.

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30th June 2007

Note 2(b) Components of functions

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

Governance

Costs relating to the 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, area representation and public disclosure and compliance, together with related administration costs.

Administration

Costs not otherwise attributed to other functions.

Public order and safety

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

Health

Administration and inspection, immunisations, food control, insect/vermin control, noxious plants, health centres, other.

Community services and education

Administration, family day care, child-care, youth services, other families and children, aged and disabled, migrant services, Aboriginal services, other community services, education.

Housing and community amenities

Housing, town planning, domestic waste management services, other waste management services, street cleaning, other sanitation and garbage, urban stormwater drainage, environmental protection, public cemeteries, public conveniences, other community amenities.

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

Public libraries, museums, art galleries, community centres, public halls, other cultural services, swimming pools, sporting grounds, parks and gardens (lakes), other sport and recreation.

Mining, manufacturing and construction

Building control, quarries and pits, other.

Transport and communication

Urban roads, sealed rural roads, unsealed rural roads, bridges, footpaths, aerodromes, parking areas, bus shelters and services, water transport, RTA works, street lighting, other.

Economic affairs

Camping areas, caravan parks, tourism and area promotion, industrial development promotion, markets, real estate development, other business undertakings.

KYOGLÉ COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2007

Note 3 - Income from continuing operations

RATES & ANNUAL CHARGES	2007 \$'000	2006 \$'000
<u>Ordinary Rates</u>		
Residential	1,502	1,431
Farmland	2,075	2,002
Mining	-	-
Business	174	169
	3,751	3,602
<u>Annual Charges</u>		
Domestic Waste Management	381	353
Water Supply	308	306
Sewerage Services	781	737
Drainage	45	-
Other Waste Management	80	81
	1,595	1,477
Total Rates & Annual Charges	5,346	5,079
Council has used 2006 valuations provided by the NSW Valuer General in calculating its rates.		
USER CHARGES & FEES		
<u>User Charges</u> (pursuant to s.502)		
Domestic Waste Management	148	132
Water Supply	491	411
Sewerage Services	26	4
Other Waste Management	154	132
	819	679
<u>Fees</u>		
RTA Claims - State Roads	1,663	2,671
Private Works	46	24
Sec 611 Charges	261	247
Cemeteries	97	50
Pools	94	69
Quarries	568	456
Other	85	89
	2,814	3,606
Total User Charges & Fees	3,633	4,285
Interest and Investment revenue		
Interest on overdue rates & charges	59	61
Interest on cash assets & investments		
externally restricted	29	79
internally restricted	-	-
unrestricted	712	461
Gross Investment Revenues	800	601
Less: Interest deducted from		
capitalised borrowing costs	-	-
Total Investment Revenues	800	601
OTHER REVENUES		
Other fines	11	9
Derecognition of Provisions for Rehabilitation	48	-
Other	69	58
Total Other Revenues	128	67

KYOGLÉ COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2007

Note 3 - Income from continuing operations (cont)

	Notes	OPERATING		CAPITAL	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
GRANTS					
General Purpose (Untied)					
Financial Assistance		2,911	2,769	-	-
Pensioner Rates Subsidies (General)		108	110	-	-
Specific Purpose					
Pensioner Rates Subsidies:					
Water Supplies		26	27	-	-
Sewerage Services		26	26	-	-
Domestic Waste Management		25	25	-	-
Water Supplies		-	-	82	-
Sewerage Services		-	-	102	36
Community Centres		-	-	58	-
Transport		509	676	1,560	1,356
Library Services		38	77	8	6
Street Lighting Subsidy		26	25	-	-
Community Projects		111	91	-	-
Bushfire Prevention		121	107	-	213
Other		57	40	25	97
Total Grants & Subsidies		3,958	3,973	1,835	1,708
Comprising:					
- Commonwealth funding		3,217	3,062	1,633	1,439
- State funding		741	911	202	269
- Other funding		-	-	-	-
		3,958	3,973	1,835	1,708
CONTRIBUTIONS & DONATIONS					
Developer Contributions					
Section 94	17	-	-	34	131
RTA Contributions		762	559	194	211
Section 64					
Water	17	-	-	-	2
Sewer	17	-	-	-	2
Stormwater	17	-	-	-	-
Subdivider dedications	11	-	-	-	-
Muli Muli Water Infrastructure		-	-	98	-
Muli Muli Sewer Infrastructure		-	-	1,581	-
Other		-	-	93	-
Total Contributions & Donations		762	559	2,000	346
TOTAL GRANTS & CONTRIBUTIONS		4,720	4,532	3,835	2,054
INDIVIDUALLY SIGNIFICANT ITEM					
Revenue: During the year the Council assumed control of water and sewer infrastructure located at the Muli Muli community				1,679	-

KYOGLÉ COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2007

Note 3 - Income from continuing operations (cont)

CONDITIONS OVER GRANTS & CONTRIBUTIONS

Grants and contributions which were obtained on the condition that they be expended for specified purposes or in a future period, but which are not yet expended in accordance with those conditions, are as follows:

	2007 \$'000		2006 \$'000	
	<u>Grants</u>	<u>Contrib</u>	<u>Grants</u>	<u>Contrib</u>
<i>Unexpended at the close of the previous reporting period</i>	859	489	170	616
<i>Less: expended during the current period from revenues recognised in previous reporting periods</i>				
Section 94/64 Developer Contributions		118		71
Roads Infrastructure	151		119	186
Heritage & Cultural Services				
Community Care Services				
Other				
<i>Subtotal</i>	<u>151</u>	<u>118</u>	<u>119</u>	<u>257</u>
<i>Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions</i>				
Section 94/64 Developer Contributions		126		130
Roads Infrastructure	407		808	
Heritage & Cultural Services				
Community Care Services				
Other				
<i>Subtotal</i>	<u>407</u>	<u>126</u>	<u>808</u>	<u>130</u>
<i>Unexpended at the close of this reporting period and held as restricted assets</i>	<u>1,115</u>	<u>497</u>	<u>859</u>	<u>489</u>
<i>Net increase (decrease) in restricted assets in the current reporting period</i>	<u>256</u>	<u>8</u>	<u>689</u>	<u>(127)</u>

KYOGLÉ COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2007

Note 4 - Expenses from continuing operations

EMPLOYEE COSTS	2007 \$'000	2006 \$'000
Salaries and Wages	4,019	3,754
Travelling	73	52
Employee Leave Entitlements	620	641
Superannuation - defined contribution plan contributions	379	449
Superannuation - defined benefit plan contributions	-	-
Workers' Compensation Insurance	129	110
Fringe Benefits Tax	17	21
Training Costs (excluding Salaries)	100	113
Other	142	100
Less: Capitalised and distributed costs	<u>(611)</u>	<u>(581)</u>
Total Operating Employee Costs	<u>4,868</u>	<u>4,659</u>
 Total Number of Employees	 100	 106
(Full time equivalent at end of reporting period)		
 BORROWING COSTS		
Interest on Loans	41	54
Unwinding of present value discounts & premiums - Tips and Quarries	<u>46</u>	<u>(2)</u>
Gross Interest Charges	87	52
Less: Borrowing Costs capitalised	<u>-</u>	<u>-</u>
Total Interest Charges	<u>87</u>	<u>52</u>
 MATERIALS & CONTRACTS		
Raw materials & consumables	3,442	4,060
Contractor and consultancy costs		
- Garbage Contract	123	115
Auditor's Remuneration		
- Audit Services	51	37
- Other Services	-	-
Legal Expenses		
- Planning & Development	5	12
- Other Legal Expenses	130	42
Operating Leases		
- Buildings	<u>10</u>	<u>-</u>
Total Materials & Contracts	<u>3,761</u>	<u>4,266</u>

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2007

Note 4 - Expenses from continuing operations (cont)

	IMPAIRMENT		DEPRECIATION	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
DEPRECIATION, AMORTISATION & IMPAIRMENT				
Intangible Assets (Note 25)				
Plant and Equipment	-	-	769	758
Office Equipment	-	-	69	89
Furniture & Fittings	-	-	2	2
Leased Property, Plant & Equipment	-	-	-	
Land	-	-	-	
Land Improvements	-	-	16	16
Buildings	-	-	119	105
Other Structures	-	-	122	122
Infrastructure				
- roads, bridges & footpaths	-	-	2,071	2,138
- stormwater drainage	-	-	132	126
- water supply network not elsewhere included	-	374	92	84
- sewerage network not elsewhere included	-	-	147	140
- other	-	-	15	14
Future Reinstatement Costs				
- Tips	-	-	115	115
- Quarries	-	-	34	34
Total Depreciation, Amortisation & Impairmen	<u>-</u>	<u>374</u>	<u>3,703</u>	<u>3,743</u>
		2007		2006
		\$'000		\$'000
OTHER EXPENSES				
Bad and Doubtful Debts		-		114
Mayoral fee		18		12
Councillors' Fees & Allowances		75		60
Councillors' (incl. Mayor) Expenses		34		41
Insurances		294		312
Street Lighting		129		111
Light, Power & Heating		126		121
Telephone & Communications		70		77
Donations & Contributions to Local & Regional Bodies		79		46
Subscriptions & Publications		8		10
Regional Library		230		253
Emergency Services		146		139
Total Other Expenses		<u>1,209</u>		<u>1,296</u>

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2007

Note 5 - Gain or loss from disposal of assets

	2007 \$'000	2006 \$'000
DISPOSAL OF PROPERTY		
Proceeds from disposal	-	-
Less: Carrying amount of assets sold	<u>-</u>	<u>-</u>
Gain (Loss) on disposal	<u>-</u>	<u>-</u>
DISPOSAL OF INFRASTRUCTURE, PLANT & EQUIPMENT		
Proceeds from disposal	469	696
Less: Carrying amount of assets sold	<u>1,741</u>	<u>1,478</u>
Gain (Loss) on disposal	<u>(1,272)</u>	<u>(782)</u>
TOTAL GAIN (LOSS) ON DISPOSAL OF ASSETS	<u>(1,272)</u>	<u>(782)</u>

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2007

Note 6(a) - Cash and cash equivalents

	2007		2006	
	\$'000		\$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
CASH ASSETS				
Cash on Hand and at Bank	3,142		2,850	
Deposits at Call	<u>9,700</u>		<u>7,700</u>	
Total Cash and cash equivalents	<u>12,842</u>		<u>10,550</u>	

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2007

Note 6(b) - Investments

The following financial assets are held as investments:

	Actual 2007		Actual 2006	
	<u>Current</u> \$'000	<u>Non-Current</u> \$'000	<u>Current</u> \$'000	<u>Non-Current</u> \$'000
Financial assets at fair value through profit and loss	-	-	-	-
Held to maturity investments	-	-	-	-
Available for sale financial assets	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2007

Note 6(c) - Restricted cash, cash equivalents and investments

	2007 \$'000		2006 \$'000	
	Current	Non-Current	Current	Non-Current
Cash and cash equivalents	12,842	-	10,550	-
Investments	-	-	-	-
Total cash, cash equivalents and investments	12,842	-	10,550	-
External Restrictions	3,590	-	3,094	-
Internal Restrictions	9,052	-	7,256	-
Unrestricted	200	-	200	-
	12,842	-	10,550	-

Details of movements of restricted cash, cash equivalents and investments

	Notes	Opening Balance 30 June 2006	Movements		Closing Balance 30 June 2007
		\$'000	Transfers To Restriction \$'000	Transfers From Restriction \$'000	\$'000
External Restrictions					
Included in liabilities					
Unexpended Loans (A)		-	-	-	-
RTA Advances (B)		-	-	-	-
Self Insurance Claims (C)		-	-	-	-
Retention Bonds & Deposits		103	35	21	117
Other		-	-	-	-
		103	35	21	117
Other					
Developer Contributions (D)	17	469	94	118	445
RTA Contributions (E)		20	32	-	52
Unexpended Grants (F)		859	1,432	1,176	1,115
Water Supply funds (G)		1,029	-	46	983
Sewerage funds (H)		291	191	-	482
Domestic Waste Management (I)		323	73	-	396
Other		-	-	-	-
		2,991	1,822	1,340	3,473
Total External Restrictions		3,094	1,857	1,361	3,590

External Restrictions arise pursuant to section 409(3) of the Local Government Act, the Local Government (Financial Management) Regulation 1999 and other applicable legislation. Further information relating to Developer Contributions is provided in Note 17 and Unexpended Grants in Note 3. Amounts raised by special rates (eg. Water & Sewer) or for Domestic Waste Management may only be used for those purposes.

Internal Restrictions

Employee Leave Entitlements	1,020	83	-	1,103
Buildings	1,000	-	328	672
Plant replacement	878	623	-	1,501
Carry-over works	1,706	3,686	1,706	3,686
Quarries	330	33	-	363
Transport	1,081	46	-	1,127
Main Street	508	-	508	-
Other Waste Management	23	-	23	-
Information Technology	100	-	50	50
Bridges	450	-	-	450
Emergency Works	100	-	-	100
Rezoning	60	-	60	-
Total Internal Restrictions	7,256	4,471	2,675	9,052

- A Loan moneys which must be applied for the purposes for which the loans were raised.
- B Advances by the Roads and Traffic Authority for 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.
- E RTA 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. (See Note 1.)
- G-I Water, Sewerage and Domestic Waste Management (DWM) funds are externally restricted assets which must be applied for the purposes for which they were raised.

KYOGLÉ COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2007

Note 7 - Receivables

	2007 \$'000		2006 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
Rates & Annual Charges	474	41	440	41
Interest & Extra Charges	77	-	10	-
User Charges & Fees	502	-	1,105	-
Accrued Interest on Investments	30	-	-	-
Other levels of Government	229	-	571	-
Other	1	-	150	-
Total	1,313	41	2,276	41
Less: Allowance for Doubtful Debts:				
Rates & Annual Charges	-	41	-	41
User Charges & Fees	9	-	9	-
	1,304	-	2,267	-
Restricted receivables				
Externally restricted receivables				
Water Supply	194	-	163	-
Sewerage Services	100	-	69	-
Domestic Waste Management	37	-	37	-
Total Restrictions	331	-	269	-
Unrestricted Receivables	973	-	1,998	-
Total Receivables	1,304	-	2,267	-

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2007

Note 8 - Inventories and other assets

	2007 \$'000		2006 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
INVENTORIES				
Stores & Materials	478	-	366	-
Trading Stock	141	-	175	-
Total Inventories	<u>619</u>	-	<u>541</u>	-
OTHER ASSETS				
Prepayments	271	-	280	-
Total Other Assets	<u>271</u>	-	<u>280</u>	-

KYOGLÉ COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2007

Note 9(a) - Infrastructure, property, plant and equipment

By asset type	2006 \$'000				CARRYING AMOUNT MOVEMENTS DURING YEAR \$'000					2007 \$'000			
	AT COST	AT FAIR VALUE	ACCUM DEPN	CARRYING AMOUNT	Asset Purchases	Asset Disposals	Depreciation	Impairment	Net Revaluation	AT COST	AT FAIR VALUE	ACCUM DEPN	CARRYING AMOUNT
	Capital Work-in-progress	-	-	-	-	-	-	-	-	-	-	-	-
Plant & Equipment	10,313	1,574	(5,799)	6,088	945	(445)	(769)	-	381	10,631	2,129	(6,560)	6,200
Office Equipment	812	-	(711)	101	86	-	(69)	-	-	898	-	(780)	118
Furniture & Fittings	90	-	(67)	23	-	-	(2)	-	-	90	-	(69)	21
Land													
- Operational Land	955	291	-	1,246	-	-	-	-	65	955	356	-	1,311
- Community Land	590	-	-	590	-	-	-	-	-	590	-	-	590
- land under roads	-	-	-	-	-	-	-	-	-	-	-	-	-
Land Improvements - depreciable	296	556	(29)	823	63	-	(16)	-	124	358	680	(44)	994
Buildings	8,322	154	(4,825)	3,651	163	-	(119)	-	12	8,485	189	(4,967)	3,707
Other Structures	2,083	8,020	(5,995)	4,108	78	-	(122)	-	875	2,161	9,955	(7,177)	4,939
Infrastructure													
- Roads, bridges, footpaths	115,337	-	(66,307)	49,030	3,108	(857)	(2,071)	-	-	116,437	-	(67,227)	49,210
- Bulk earthworks (non-deprec.)	129,222	-	-	129,222	-	(416)	-	-	-	128,806	-	-	128,806
- Stormwater drainage	-	15,720	(5,973)	9,747	173	-	(132)	-	2,686	-	20,135	(7,661)	12,474
- Water Supply Network	-	8,009	(5,129)	2,880	517	-	(92)	-	809	-	12,101	(7,987)	4,114
- Sewerage Network	-	13,136	(6,132)	7,004	1,859	-	(147)	-	1,085	-	17,519	(7,718)	9,801
Other Assets	197	-	(39)	158	28	-	(15)	-	-	225	-	(54)	171
Future Reinstatement Costs													
- Tips	1,074	-	(230)	844	-	-	(115)	-	-	1,074	-	(345)	729
- Quarries	190	-	(68)	122	-	(23)	(34)	-	-	147	-	(82)	65
- Other remediation assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Totals	269,481	47,460	(101,304)	215,637	7,020	(1,741)	(3,703)	-	6,037	270,857	63,064	(110,671)	223,250

KYOGLÉ COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2007

Note 9(b) - Restricted infrastructure, property, plant and equipment

	2007 \$'000				2006 \$'000			
	AT COST	AT VALUATION	ACCUM DEPN	CARRYING AMOUNT	AT COST	AT VALUATION	ACCUM DEPN	CARRYING AMOUNT
<u>Water Supply</u>								
Plant & Equipment	-	804	515	289	-	657	410	247
Land								
- Council owned (freehold)	-	235	-	235	-	192	-	192
Buildings	-	189	128	61	-	154	104	50
Other Structures	-	7,087	4,718	2,369	-	-	-	-
Water Supply Infrastructure	-	12,101	7,987	4,114	-	8,009	5,129	2,880
Total Water Supply	-	20,416	13,348	7,068	-	9,012	5,643	3,369
<u>Sewerage Services</u>								
Plant & Equipment	-	1,325	512	813	-	917	400	517
Land								
- Council owned (freehold)	-	121	-	121	-	99	-	99
- non depreciable land improv'ts	-	680	-	680	-	556	-	556
Other Structures	-	2,868	1,181	1,687	-	2,227	946	1,281
Sewerage Infrastructure	-	17,519	7,718	9,801	-	13,136	6,132	7,004
Total Sewerage Services	-	22,513	9,411	13,102	-	16,935	7,478	9,457
<u>Domestic Waste Management</u>								
Land								
- Council owned (freehold)	89	-	-	89	89	-	-	89
Land Improvements - depreciable	205	-	26	179	152	-	17	135
Other Structures								
- Other	1,074	-	345	729	1,074	-	230	844
Total Domestic Waste	1,368	-	371	997	1,315	-	247	1,068
TOTAL RESTRICTIONS	1,368	42,929	23,130	21,167	1,315	25,947	13,368	13,894

KYOGLÉ COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2007

Note 10(a) - Payables, interest bearing liabilities and provisions

	2007 \$'000		2006 \$'000	
	Current	Non-Current	Current	Non-Current
Payables				
Goods & Services	748	-	1,182	-
Accrued Expenses	69	-	75	-
Employee Benefits - Annual Leave	396	-	434	-
Deposits, Retentions & Bonds	58	59	52	52
Total Payables	1,271	59	1,743	52

Interest bearing liabilities

Loans				
- Secured	442	40	201	482

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

Provisions

Long Service Leave	790	28	742	49
Reinstatement, Remediation, etc.	-	1,434	-	1,436
Other	77	-	23	-
Total Provisions	867	1,462	765	1,485

Movements in Provisions

	Employee Benefits 2007 \$'000	Insurance Losses 2007 \$'000	Reinstatement, etc. 2007 \$'000	Other 2007 \$'000
	Opening Balance	791	-	1,436
Add Additional amounts recognised	27	-	-	54
Unwinding of present value discounts	-	-	(2)	-
(Less) Payments	-	-	-	-
Add (Less) Remeasurement Adjustments	-	-	-	-
Add (Less) Transfer on Council restructure	-	-	-	-
Closing Balance	818	-	1,434	77

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2007

Note 10(b) - Payables, interest bearing liabilities and provisions (cont)

	2007		2006	
	\$'000		\$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
LIABILITIES relating to RESTRICTED ASSETS				
<u>Domestic Waste Management</u>				
Provisions	-	1,251	-	1,225
Subtotal	-	1,251	-	1,225
<u>Water Supplies</u>				
Payables	87	-	-	-
Interest Bearing Liabilities	-	-	-	-
Provisions	42	-	61	-
Subtotal	129	-	61	-
<u>Sewerage Services</u>				
Payables	43	-	-	-
Interest Bearing Liabilities	6	40	83	46
Provisions	42	-	-	-
Subtotal	91	40	83	46
TOTAL	220	1,291	144	1,271

KYOGLÉ COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2007

Note 11 - Reconciliation of cash flow movements

(a) Reconciliation of cash assets

	2007 \$'000	2006 \$'000
Total Cash and cash equivalents (Note 6)	<u>12,842</u>	<u>10,550</u>
Balances as per cash flow statement	<u>12,842</u>	<u>10,550</u>

(b) Reconciliation of net operating result to cash provided from operating activities

Net Operating Result from Income Statement	3,562	1,446
Add: Depreciation, Amortisation & Impairment	3,703	4,117
Unwinding of present value discounts & premiums	1	-
Increase in employee benefits provisions	24	130
Increase in other provisions	54	82
Decrease in receivables	963	-
Decrease in other assets	9	-
Increase in other payables	-	-
Loss on Sale of Assets	1,272	782
	<u>9,588</u>	<u>6,557</u>
Less: Decrease in provision for doubtful debts	-	340
Present value discounts & premiums recognised	-	2
Decrease in employee benefits provisions	-	70
Increase in receivables	-	323
Increase in inventories	78	105
Increase in other assets	-	24
Decrease in trade creditors	434	-
Decrease in accrued expenses payable	6	-
Decrease in other payables	25	359
Net Cash provided by operations	<u>9,045</u>	<u>5,334</u>

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2007

Note 11 - Reconciliation of cash flow movements (cont)

	2007 \$'000	2006 \$'000
(c) Non-Cash Financing and Investing Activities		
Acquisition of assets by means of:		
- Bushfire Grants	-	213
- Developer Contributions received in kind	-	-
- Estimated future reinstatement, etc costs	-	-
	<u>-</u>	<u>213</u>

(d) Financing Arrangements

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

Bank Overdrafts		
Total Facilities	-	-
Corporate Credit Cards	-	-

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. Interest rates on overdrafts are variable while the rates for loans are fixed for the period of the loan.

KYOGLÉ COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2007

Note 12 - Commitments for expenditure

	2007 \$'000	2006 \$'000
(a) Capital Commitments		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Land		
Construction of Investment Property		
Buildings		
Plant & Equipment	<u> </u>	<u> </u>
	-	-
These expenditures are payable:		
Not later than one year		
Later than one year and not later than 5 years		
Later than 5 years	<u> </u>	<u> </u>
	-	-
(b) Other Expenditure Commitments		
Other expenditure committed for (excluding inventories) at the reporting date but not recognised in the financial statements as liabilities:		
Audit Services	127	159
Waste Management Services	138	122
Quarries Royalties	112	150
	<u>377</u>	<u>431</u>
These expenditures are payable:		
Not later than one year	205	189
Later than one year and not later than 5 years	172	242
Later than 5 years	<u> </u>	<u> </u>
	-	-
	<u>377</u>	<u>431</u>
(c) Finance Lease Commitments		
Commitments under finance leases at the reporting date are as follows:		
Not later than one year		
Later than one year and not later than 5 years		
Later than 5 years		
Minimum lease payments	<u> </u>	<u> </u>
	-	-
Less: future finance charges	<u> </u>	<u> </u>
Net Lease Liability	<u> </u>	<u> </u>
	-	-
Representing lease liabilities:		
Current	-	-
Non-Current	<u> </u>	<u> </u>
	-	-
	<u> </u>	<u> </u>
<i>No Joint Ventures or Partnerships have any finance lease arrangements.</i>		

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2007

Note 12 - Commitments for expenditure (cont)

	2007 \$'000	2006 \$'000
(d) Operating Lease Commitments (Non-Cancellable)		
Commitments under non-cancellable operating leases at the reporting date but not recognised in the financial statements are payable as follows:		
<u>Total Future Minimum Lease Payments</u>		
Not later than one year	-	-
Later than one year and not later than 5 years	-	-
Later than 5 years	-	-
	<u>-</u>	<u>-</u>
(e) Remuneration Commitments		
Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at reporting date but not recognised as liabilities, payable:		
Not later than one year	144	270
Later than one year and not later than 5 years	186	-
Later than 5 years	-	-
	<u>330</u>	<u>270</u>

KYOGLÉ COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2007

Note 13 - Statement of performance measures

	<u>Amounts</u>	<u>2007 Indicators</u>	2006	2005	2004
Unrestricted Current Ratio					
<u>Unrestricted Current Assets*</u>	\$11,115	4.71	4.09	3.13	3.45
Current Liabilities less specific purpose liabilities	\$2,360				
Debt Service Ratio					
<u>Net Debt Service Cost</u>	\$242	1.87%	1.81%	3.93%	5.92%
Revenue from continuing operations excluding capital items and specific purpose grants / contributions	\$12,926				
Rate & Annual Charges Coverage Ratio					
<u>Rates & Annual Charges Revenues</u>	\$5,346	28.96%	30.56%	31.40%	32.17%
Revenue from continuing operations	\$18,462				
Rates & Annual Charges Outstanding Percentage					
<u>Rates & Annual Charges Outstanding</u>	\$551	9.41%	8.29%	8.09%	7.44%
Rates & Annual Charges Collectible	\$5,855				

* Current assets less all external restrictions

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2007

Note 14 - Investment properties

2007 \$'000	2006 \$'000
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Council has not owned or controlled any investment properties at any time during the financial year.

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2007

Note 15 - FINANCIAL INSTRUMENTS

Interest Rate Risk Exposures

The Council's exposure to interest rate risk, and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below. Exposures arise predominately from assets and liabilities bearing variable interest rates, which the Council intends to hold to maturity.

2007	Floating Interest		Fixed interest maturing in					Non-interest bearing	Total
	Rate '000	≤ 1 year '000	1 - 2 years '000	2 - 3 years '000	3-4 years '000	4-5 years '000	> 5 years '000		
Financial Assets									
Cash and Cash Equivalents	3,142	9,700						-	12,842
Receivables									
Rates & Annual Charges		-	-					551	551
User Charges & Fees		-	-					493	493
Accrued Revenues		-	-					30	30
Other levels of Govt.								229	229
Other								1	1
Total	3,142	9,700	-	-	-	-	-	1,304	14,146
<i>Weighted Average Interest Rate</i>	6.00%	6.39%	0%	0%	0%	0%	0%	0%	5.71%
Financial Liabilities									
Payables									
Goods & Services								748	748
Accrued Expenses								69	69
Employee Benefits - Annual Leave								396	396
Deposits, Retentions, Bonds								117	117
Interest Bearing Liabilities	-	442	6	6	7	7	14	-	482
Finance Lease Liabilities		-	-					-	-
Total	-	442	6	6	7	7	14	1,330	1,812
<i>Weighted Average Interest Rate</i>	0%	6.54%	5.88%	5.88%	5.88%	5.88%	5.88%	0%	1.72%
NET FINANCIAL ASSETS (LIABILITIES)	3,142	9,258	(6)	(6)	(7)	(7)	(14)	(26)	12,334

2006

Financial Assets									
Cash and Cash Equivalents	2,850	7,700						-	10,550
Receivables									
Rates & Annual Charges		-	-					450	450
User Charges & Fees		-						1,096	1,096
Other levels of Govt.								571	571
Other								150	150
Total	2,850	7,700	-	-	-	-	-	2,267	12,817
<i>Weighted Average Interest Rate</i>	4.3%	5.9%	0%	0%	0%	0%	0%	0%	4.5%
Financial Liabilities									
Payables									
Goods & Services								1,182	1,182
Accrued Expenses								75	75
Employee Benefits - Annual Leave								434	434
Deposits, Retentions, Bonds								104	104
Interest Bearing Liabilities		201	442	6	6	7	21	-	683
Finance Lease Liabilities		-	-					-	-
Total	-	201	442	6	6	7	21	1,795	2,478
<i>Weighted Average Interest Rate</i>	0%	6.0%	6.1%	6.0%	6.0%	6.0%	6.0%	0%	1.7%
NET FINANCIAL ASSETS (LIABILITIES)	2,850	7,499	(442)	(6)	(6)	(7)	(21)	472	10,339

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2007

Note 15 (CONT) - FINANCIAL INSTRUMENTS

Credit Risk Exposures

Credit risk represents the loss that would be recognised if counterparties fail to perform as contracted. The maximum credit risk on financial assets of the Council is the carrying amount, net of any provision for doubtful debts. Except as detailed in Note 7 in relation to individual classes of financial assets, exposure is concentrated within the Council's boundaries within the State of New South Wales, and there is no material exposure to any individual debtor.

Reconciliation of Financial Assets & Liabilities

	2007 \$'000	2006 \$'000
Net financial assets from previous page		
Financial Assets	14,146	12,817
Financial Liabilities	<u>1,812</u>	<u>2,478</u>
	12,334	10,339
Non-financial assets and liabilities		
Inventories	619	541
Property, Plant & Equipment	223,250	215,637
Other Assets	271	280
Provisions	<u>(2,329)</u>	<u>(2,250)</u>
	<u>221,811</u>	<u>214,208</u>
Net Assets per Balance Sheet	<u>234,145</u>	<u>224,547</u>

Net Fair Value

All carrying values approximate fair value for all recognised financial instruments. With the exception of investments, there is no recognised market for the financial assets of the Council.

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30th June 2007

Note 16 Material budget variations

Council's original budget was incorporated as part of the Management Plan adopted by the Council on 28 June 2006. The original projections on which the budget was based have been affected by a number of factors. These include State and Federal Government decisions including new grant programs, changing economic activity, the weather, and by decisions made by the Council.

Revenues

1. User charges and fees

Income received from user charges and fees was lower than budget by \$1,242K (U) (25%) due mainly to internal transactions being budgeted for, but eliminated from actuals.

2. Interest and investment revenue

The actual amount of interest revenue received was over budget by \$526K (F) (192%) due to higher levels of funds being available for investment during the year.

3. Other Revenues

Other revenues were over budget by \$78K (F) (156%) mainly due to a derecognition of provisions for reinstatement not being budgeted for.

4. Grants and contributions received

The level of capital grants and contributions was over budget by \$1,369K (F) (56%) mainly due to the recognition of Mulli Mulli infrastructure not being budgeted for.

Expenses

5. Materials & contracts

Materials & contracts were under budget by \$1,607K (F) (30%) due mainly to internal transactions being budgeted for, but eliminated from actuals.

6. Gain/Loss on disposal of assets

Council has recorded a net loss on sale of assets of \$1,272K. This loss is largely represented by the disposal of roads and bridges as a result of reconstruction or rehabilitation. Council does not budget for these items.

In addition to the above mentioned items, minor favourable and unfavourable variations occurred throughout the year in a number of revenue and expense items. All variations have been monitored and reported to Council on a regular basis.

KYOGLÉ COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2007

Note 17 - Statement of developer contributions

Summary of developer contributions

PURPOSE	OPENING BALANCE	CONTRIBUTIONS RECEIVED DURING YEAR		INTEREST EARNED DURING YEAR	EXPENDED DURING YEAR	INTERNAL BORROW- INGS (to)/from	HELD AS RESTR- ICTED ASSET
		CASH	NON-CASH				
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Drainage	13			1			14
Roads	352	63		22	(113)		324
Open Space	58	2		4	(5)		59
Subtotal S94 under plans	423	65		27	(118)		397
Sec 94 not under plans							
Sec 64 Contributions	46			2			48
Total Contributions	469	65		29	(118)		445

Note: The above summary of contribution plans represents the total of Council's individual contribution plans. Individual plan details are shown below.

Contribution plan no. 1

PURPOSE	OPENING BALANCE	CONTRIBUTIONS RECEIVED DURING YEAR		INTEREST EARNED DURING YEAR	EXPENDED DURING YEAR	INTERNAL BORROW- INGS (to)/from	HELD AS RESTR- ICTED ASSET
		CASH	NON-CASH				
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Drainage	13			1			14
Roads	352	63		22	(113)		324
Open Space	58	2		4	(5)		59
Total	423	65		27	(118)		397

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30th June 2007

Note 18 Contingencies

The following assets and liabilities do not qualify for recognition in the Balance Sheet but knowledge of those items is considered relevant to the users of the financial report in making and evaluating decisions about the allocation of scarce resources:

(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.

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.)

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2007

Note 19 - Jointly controlled operation

Council participates in a number of cooperative arrangements with other Councils and other bodies. Due to the varying extent of Council's interest and control, they are disclosed separately

Newlog

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 Council roads by policing of vehicles' weight limits. The agreement, between eight (8) local councils is in place to 30 June 2008.

The Council's interest in this joint venture is not considered material and Council's share of the joint venture operations has not been recognised in its financial statements for the 2007 financial year.

	2007	2006
Council's respective interests are:		
- interest in outputs of the joint operation	12.5%	12.5%
<u>Movements in Investment in Joint Operation</u>	\$'000	\$'000
Opening Balance	30	28
Amount recognised on adoption of AAS19		
New Capital Contributions	19	19
Share in Operating Result	(17)	(17)
Distributions Received		
Adjustment to Equity Share		
Share in Equity of Joint Operation	<u>32</u>	<u>30</u>

KYOGLÉ COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2007

Note 20 - Revaluation reserves

	2007	2006
	\$'000	\$'000
(a) Revaluation reserves		
Infrastructure, Property, Plant & Equipment		
Balance at beginning of reporting period	10,782	10,782
Add: Revaluation increments transferred to the reserve relating to:		
Water	1,360	-
Sewer	1,990	-
Drainage	2,686	-
Subtotal	6,036	-
Less: Revaluation decrements transferred from the reserve	-	-
Revaluation decrements expensed	-	-
Transfer to Accumulated Surplus on disposal of revalued asset	-	-
Subtotal	-	-
Balance at end of reporting period	16,818	10,782



THOMAS NOBLE & RUSSELL

Chartered Accountants

Serving locally since 1899

COUNCIL OF KYOGLE INDEPENDENT AUDIT REPORT

Report on the Financial Report

We have audited the accompanying financial report of Kyogle Council (the Council), which comprises the balance sheet as at 30 June 2007, the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies, other explanatory notes and the statement by Councillors' and Management.

Councils' Responsibility for the Financial Report

The Council is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Local Government Act 1993. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our audit responsibility does not extend to the original budget information included in the income statement, cash flow statement, note 2(a), note 16 budget variation explanations and note 17 forecast information, and accordingly, we do not express an opinion on such.

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

Our audit did not include an analysis of the prudence of business decisions made by Council or management.



Liability limited by a
scheme approved under
the Professional
Standards Legislation.

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

Independence

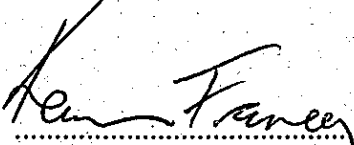
In conducting our audit, we have complied with the independence requirements of the Australian professional accounting bodies.

Audit Opinion

In our opinion:

- (a) Council's accounting records have been kept in accordance with the requirements of the Local Government Act, 1993, Chapter 13, Part 3, Division 2;
- (b) The Council's financial reports:
 - i. have been prepared in accordance with the requirements of that Division;
 - ii. are consistent with the Council's accounting records;
 - iii. present fairly, in all material respects, the Council's financial position as at 30 June 2007 and the results of its operations and cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations);
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial reports that have come to light in the course of the audit.

**THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS**


.....
K R FRANEY (Partner)
Registered Company Auditor

Dated at Lismore this 29th day of October 2007.



THOMAS NOBLE & RUSSELL
Chartered Accountants

Serving locally since 1899

Lismore, 29th October, 2007

Mayor and Councillors
Kyogle Council
Stratheden Street
KYOGLE NSW 2474

PARTNERS

Max McLennan, CA
Peter Morrow, CA
Barry Jameson, FCA
John Dwyer, CA
Darman Singh, CA
Russell Franey, CA
Kevin Franey, CA
Geoffrey Dwyer, CA
Gavin Tulk, CA
Kristine Graham, CA

SENIOR ASSOCIATE

Susan Livotto, CA

ASSOCIATE

Ann-Maree Shorr, CA

Dear Councillors

We advise that we have completed our audit of the Council's general purpose and special purpose financial reports for the year ended, 30th June 2007 under section 417 of the Local Government Act 1993.

In accordance with that section we now report on the conduct of the audit.

1. AUDITORS' RESPONSIBILITIES

In order that your Councillors may appreciate our responsibilities as auditors, we take this opportunity to briefly discuss the scope of our audit.

In accordance with our contractual arrangements with Council we have undertaken to perform an attest (risk based) audit. The definition of an attest audit is:

"the minimum audit work necessary to enable an opinion to be expressed as to whether the financial report is presented fairly in accordance with the requirements of the Local Government Act 1993, Australian Accounting Standards and Accounting Concepts so as to present a view which is consistent with an understanding of the Council's financial position, the results of its operations and its cash flows."

Forming an opinion

Our function as auditors is to examine the general purpose and special purpose (National Competition Policy) financial statements presented to us by the Council. Our audit responsibility does not extend to the original budget information included in the statement of financial performance, statement of cash flows, Note 2(a) and Note 16 budget variation explanations in the general purpose financial report and the best practice disclosures in Notes 2 & 3 to the special purpose financial report and accordingly, we do not express an opinion on such. As auditors of the Council we are not responsible for the preparation of the financial reports nor for the maintenance of proper and adequate accounting records and proper systems of internal control. These responsibilities, together with the requirement to present financial reports which give a true and fair view of the state of the Council's affairs and of its results are imposed on the Councillors by the Local Government Act and Regulations 1993.

LISMORE

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As auditors of Council we are not required to:

- 1) Review and assess the adequacy of Council's:
 - a) management plans;
 - b) quarterly budget reviews;
 - c) insurance cover; and
 - d) infrastructure improvement / maintenance planning and monitoring.
- 2) form an opinion on, or advise Council on the probity of its decisions, however we ensure that the financial effect of Council's decisions are adequately disclosed in the general purpose and special purpose financial reports in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia.

The responsibility of the abovementioned rests with Council.

2. FINANCIAL MANAGEMENT PRACTICES

In accordance with the requirements of the Local Government Act and Regulations Council must prepare detailed budgets for all operations. As part of the budgetary process Council is responsible for authorising all expenditures and variations to budget.

The quarterly review of Council's budget progress is a very important process in ensuring that the financial targets established by Council are met. We are aware that management place a high level of importance in ensuring that budgets are complied with. To maintain Council's financial position there needs to be a continued level of accountability and responsibility by senior management.

All decisions of Council need to be made with appropriate consideration of their financial impact.

3. OPERATING RESULT

Council's surplus from all activities for the year ended 30 June 2007 totalled \$3,562,000. This compares to a surplus in 2006 of \$1,446,000. The 2007 result can be summarised as follows:-

	<i>2007</i>	<i>2006</i>	<i>2005</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Revenues from continuing operations	14,627	14,564	13,572
Expenses from continuing operations	(9,925)	(10,273)	(9,711)
Result from continuing operations before	4,702	4,291	3,861
Less Depreciation	(3,703)	(4,117)	(4,038)
Result from continuing operations before capital amounts	999	174	(177)
Capital grants and contributions	2,156	2,054	1,725
Gain / (loss) on disposal of assets	(1,272)	(782)	(464)
Significant items	1,679	-	-
Surplus / (Deficit) from all activities	3,562	1,446	1,084

Variations to 2006 by Revenue / Expenditure

The surplus from ordinary activities before depreciation and capital amounts has increased by \$411,000 from \$4,291,000 in 2006 to \$4,702,000 in 2007. Some of the components contributing to the result include:

		\$	
Revenue	-	increased ordinary rates income	149,000
	-	increased annual charges revenue	118,000
	-	(reduced) profit from transport activities	(386,000)
	-	increased interest revenue	199,000
Expenditure	-	(increased) employee costs	(209,000)
	-	decreased materials and contracts expenditure	505,000

Explanations

Revenue

- *increased ordinary rates income \$149,000*

Ordinary rates increased in conjunction with the rate-pegged increment of 3.6%.

- *increased annual charges revenue \$118,000*

As part of its review of pricing Council increased all annual charges by 3.6% for the 2007 financial year. A storm water drainage charge was introduced for the 2007 financial year raising an additional \$45,000 in revenue.

- *reduced profit from transport activities \$386,000*

The result from transport activities varies from year to year depending on the amount of works ordered by the Roads and Traffic Authority.

- *increased interest revenue \$199,000*

Interest revenue increased in conjunction with interest rate rises and greater funds under management.

Expenditure

- *increased employee costs \$209,000*

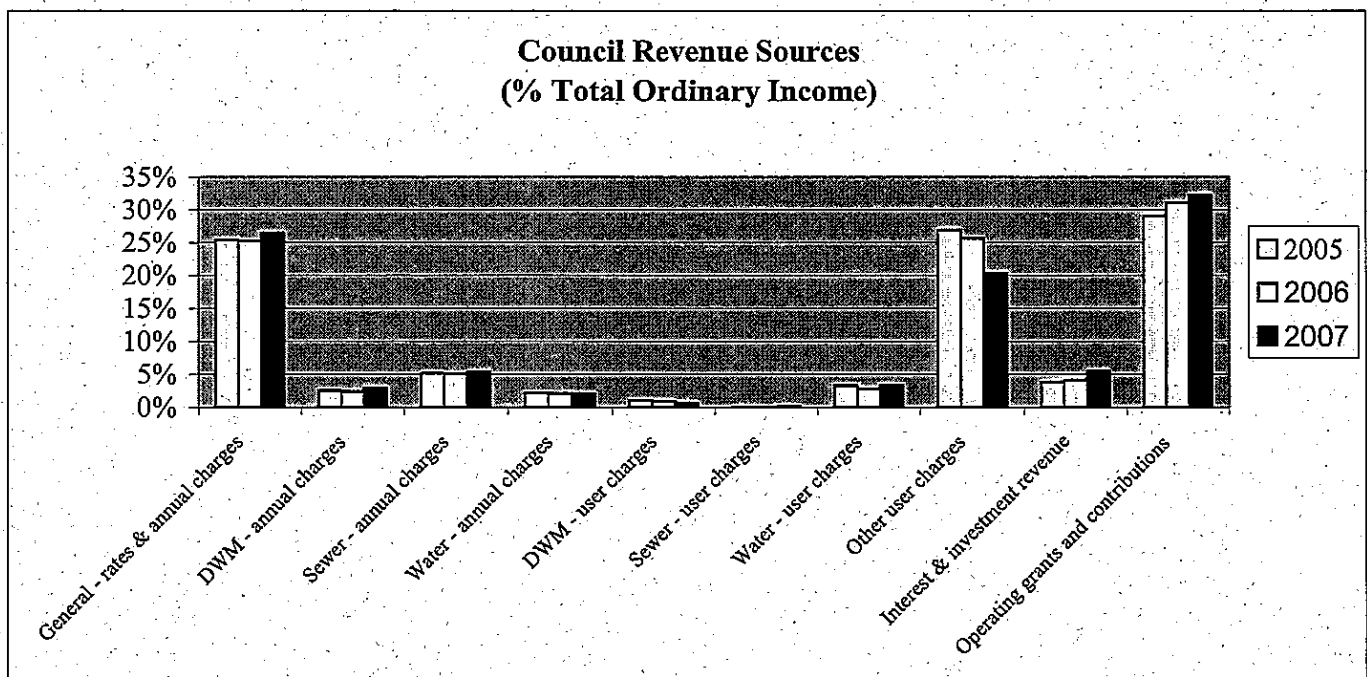
Employee costs increased in line with annual award increases.

- *decreased materials and contracts expenditure \$505,000*

The reduction in Council's transport activities has resulted in decreased materials and contracts expenditure for the 2007 financial year.

4.1 COUNCIL REVENUE SOURCES

	2007	2006	2005
	\$'000	\$'000	\$'000
General - rates & annual charges	3,876	3,683	3,455
DWM - annual charges	381	353	348
Sewer - annual charges	781	738	706
Water - annual charges	308	306	296
Total rates & annual charges	5,346	5,079	4,804
DWM - user charges	148	132	149
Sewer - user charges	26	4	7
Water - user charges	491	411	448
Other user charges	2,968	3,738	3,656
Total user charges	3,633	4,285	4,260
Interest & investment revenue	800	601	524
Other revenue	128	67	35
Operating grants and contributions	4,720	4,532	3,949
Total revenue before loss on disposal of non-current assets	14,627	14,564	13,572



Council's revenue streams have remained relatively constant over the last 3 years. The reduction in other user charges in 2007 relates to lower revenue received from maintenance performed for the Roads and Traffic Authority. Total revenues from RTA maintenance work reduced from \$2,671,000 in 2006 to \$1,663,000 in 2007. Council should continue to monitor its revenue streams to ensure they are sufficient to fund operating costs, asset maintenance and renewal as well as repayment of borrowings.

4.2 CAPITAL GRANTS AND CONTRIBUTIONS

Capital grants received during the year amount to \$1,835,000 and largely consisted of the roads to recovery funds, RTA grants, water and sewer grants from the Department of Energy, Utilities and Sustainability and grants for bushfire control.

Capital contributions received during the period amounted to \$2,000,000. This can be broken down as follows:-

	2007	2006	2005
	\$'000	\$'000	\$'000
Section 94 Contributions - cash	34	131	221
Section 64 Contributions - cash	0	4	21
RTA Contributions	194	211	356
Other contributions *	1,772	0	22
TOTAL	2,000	346	620

* Other contributions include the transfer of water and sewer infrastructure from Muli Muli to Council valued at \$1,679,000.

At 30th June, 2007 Council held \$397,000 as a restricted asset for S94 contributions and \$48,000 as a restricted asset for S64 contributions. Unexpended S94 contributions have been collected to fund future infrastructure requirements relating to open space, roads and drainage.

4.3 GAIN / (LOSS) ON DISPOSAL OF ASSETS

Council's loss on disposal of assets comprise the following items.

	2007	2006	2005
	\$'000	\$'000	\$'000
Profit on sale of plant and equipment	24	72	226
Loss on write-off of roads and bridges	(1,296)	(854)	(690)
	(1,272)	(782)	(464)

Loss on write-off of roads and bridges represents assets disposed of in the normal course of Council's budgeted asset replacement program.

4.4 WATER SUPPLIES

(i) Operating Result

Water supply activities can be summarised as follows:-

	<i>Actual</i> <i>2007</i> <i>\$'000</i>	<i>Actual</i> <i>2006</i> <i>\$'000</i>	<i>Actual</i> <i>2005</i> <i>\$'000</i>
Rates and service availability charges	308	306	296
User charges	490	411	448
Interest	73	57	64
Other	0	16	4
Grants - Capital	81	2	110
Grants - Operating	26	27	27
Capital Contributions	98	0	10
Total Revenue	<u>1,076</u>	<u>819</u>	<u>959</u>
Management Expenses	213	200	194
Operating Costs	275	293	272
Other	90	473	83
Depreciation	149	142	263
Interest	0	0	1
Total Expenses	<u>727</u>	<u>1,108</u>	<u>813</u>
Operating Result	<u>349</u>	<u>(289)</u>	<u>146</u>

Results presented prior to internal elimination entries.

(ii) Explanations for Significant Variances

Revenue

- User charges have increased in conjunction with increments to the user charge per kilolitre.

Expenses

- Other expenses have decreased as the 2006 financial year was impacted by an impairment adjustment to the carrying value of water infrastructure assets totalling \$374,000.

(iii) Key Indicators

	<i>2007</i> <i>\$</i>	<i>2006</i> <i>\$</i>	<i>2005</i> <i>\$</i>
Service availability charge per assessment	161	163	175
Average user charge per assessment	256	219	173
Management and operating cost per assessment	255	262	265

4.5 SEWERAGE SERVICES

(i) *Operating Result*

Sewerage services activities can be summarised as follows:-

	<i>Actual</i> 2007 \$'000	<i>Actual</i> 2006 \$'000	<i>Actual</i> 2005 \$'000
Rates and service availability charges	790	719	706
User charges	17	22	7
Interest	0	0	14
Other	8	0	2
Grants - Capital	101	36	108
Grants - Operating	26	26	26
Capital Contributions	1,634	2	11
Total Revenue	2,576	805	874
Management Expenses	161	157	139
Operating Costs	312	318	310
Other	21	3	14
Depreciation	205	201	300
Interest	3	18	12
Total Expenses	702	697	775
Operating Result	1,874	108	99

Results presented prior to internal elimination entries.

(ii) *Explanation for Significant Variances*

Revenue

- Capital contributions in 2007 represents the fair value of sewer infrastructure at Muli Muli transferred to Council's control during the financial year.

(iii) *Key Indicators*

	2007	2006	2005
	\$	\$	\$
Service availability charge per assessment	447	451	474
Average user charge per assessment	10	14	4
Management and operating cost per assessment	267	298	285

4.6 NATIONAL COMPETITION POLICY BUSINESS ACTIVITIES

Under the National Competition guidelines Council is required to apply taxation equivalent principles to each business similar to those that would apply if they were operating in the commercial sector. Council declared business activities have been reported with operating details and assets disclosed on a gross basis in Council's special purpose financial report. Each activity has a required rate of return on its assets that is calculated as the operating result plus interest expense divided by the written down value of property, plant & equipment. Where the return on investment is below the required rate of return, the difference is disclosed as a subsidy. Dividends represent funds used from the relevant business activity for other functions of Council.

A summary of the financial performance of Council's declared business activities is:

Activity/Year	Revenue \$'000	Expenses \$'000	Result prior to capital amounts \$'000	Return on capital %	Subsidy \$'000	Dividends Paid \$'000
2007						
Water	897	727	170	2.41	-	-
Sewer	841	702	139	1.08	-	-
DWM	554	579	(25)	0.10	-	-
Quarry	616	635	(19)	0.38	38	-
Transport	1,663	1,242	421	N/A	-	1,162
2006						
Water	817	1,107	(290)	(5.39)	-	3
Sewer	767	699	68	0.69	-	-
DWM	510	544	(34)	(3.37)	-	-
Quarry	456	515	(59)	(18.24)	102	3
Transport	2,671	1,864	807	N/A	-	120

An unqualified audit report was issued for Council's special purpose financial report for the year ended 30 June 2007.

Water and Sewer Operations

Water and sewer operations should generate sufficient surpluses to provide for future infrastructure requirements. Council's water fund activities returned a surplus for the 2007 financial year however Council needs to continually monitor the return on each fund to ensure it is sufficient to repair and replace capital in accordance with prepared asset management projections. The 2006 operating result for water was influenced by the write-down of \$374,000 to the value of infrastructure assets arising from a revaluation performed during the 2006 financial year.

Domestic Waste Management

Domestic waste management (DWM) activities should return a break-even result in the medium term. Each year Council calculates annual charges revenue to approximate DWM's share of operating the tip, collection of waste and other associated activities. AIFRS has now required Council to recognise a liability for rehabilitation of its tip sites. As at 30 June 2007 Council estimates that it will cost approximately \$1,250,000 to rehabilitate its tip sites at Kyogle and Woodenbong. Some of the costs of remediation are to cap existing landfill cells and this expenditure will be satisfied by recurrent revenues or existing reserves. The final rehabilitation of each site is expected to be in the following time frames:

	Year	\$
Kyogle Final Rehabilitation	2016	510,195
Woodenbong Final Rehabilitation	2016	498,608
Rehabilitation of landfill cells within each site	ongoing	<u>241,197</u>
		<u>1,250,000</u>

Currently Council has \$396,000 in DWM cash reserves. Council should continually reassess the timing and cost of rehabilitation of each site to ensure that DWM revenues are sufficient to generate cash reserves to fund the expenditure.

Quarry Operations

Council's quarry operations have returned losses for the last four years. These losses have been impacted since the introduction of AIFRS by the costs associated with recognising a liability for rehabilitation of each quarry. Council quarries have a desired rate of return of 15% per annum. At present the difference between the actual and desired rates of return is represented by a notional subsidy from General Fund operations. Council should review the costs of quarry operations and the pricing of quarry products with a view to returning to profitability and achieving its desired rate of return so that future rehabilitation costs can be funded by reserves.

Transport Operations

Council's Transport Operations represents road works under contract to the Roads and Traffic Authority. Transport activities have returned a surplus during the 2007 financial year of \$421,000. This compares to a profit of \$807,000 in 2006. These profits are set aside to internal reserves to satisfy any warranty claims and absorb possible future losses that may be incurred due to events beyond Council's control such as inclement weather conditions. The Transport activity hires road building equipment from Council's plant fleet and as a result, no rate of return on assets is calculated. As at 30 June 2007 Council has transport reserves of \$1,127,000.

5. STATEMENT OF FINANCIAL POSITION

5.1 NET CURRENT ASSETS

Council has net current assets of \$12,456,000 as at 30th June, 2007. Net current assets however contains \$3,590,000 of externally restricted cash assets in the form of unexpended RTA advances, retention bonds and deposits, developer contributions, specific purpose unexpended grants, and restricted water, sewer, domestic waste management funds. Also included in Council's net current assets is \$337,000 of externally restricted receivables relating to water, sewerage and domestic waste management charges and rates.

	2007 \$'000	2006 \$'000	2005 \$'000
TOTAL CASH ASSETS	12,842	10,550	9,547
Less: Externally Restricted Reserves			
- Water	983	1,029	1,140
- Sewer	482	291	44
- DWM	396	323	234
- Kyogle Urban Area	0	0	0
- Developer Contributions	445	469	416
- Unexpended Grants	1,167	879	370
- Other	117	103	74
	3,590	3,094	2,278
Less: Internally Restricted Reserves	(9,052)	(7,256)	(7,069)
UNRESTRICTED CASH	200	200	200

After funding internal and external restrictions Council has unrestricted cash assets of \$200,000. At balance date Council has allocated \$9,052,000 to internally restricted cash to fund specific Council projects. We provide an understanding of internal reserve balances as at 30 June 2007.

	2007 \$'000	2006 \$'000	2005 \$'000
Internally Restricted Reserves			
Employee Entitlements	1,103	1,020	976
Buildings	672	1,000	1,000
Transport	1,127	1,081	782
Quarries	363	330	373
Plant	1,501	878	452
Revotes	3,686	1,706	1,801
Commercial Waste	0	23	55
Information Technology	50	100	100
Bridges	450	450	600
Emergency Works	100	100	100
Main Street	0	508	508
Other	0	60	322
	9,052	7,256	7,069

Council's internal reserves have been influenced by the following:

- Expenditure of Main Street reserves for beautification
- Expenditure of \$330,000 from the building reserve relating to renovations at the Community Technology Centre and the Seniors Centre.
- An increase to the revotes reserve due to works not completed during the 2007 financial year. Most of the increase to the revotes reserve is attributable to works not completed at balance date relating to beautification of the Kyogle main street and renovations to the Community Technology Centre and Seniors Centre.

5.2 NON-CURRENT ASSETS AND LIABILITIES

Council has a net non-current asset position of \$221,689,000, which consists largely of property, plant and equipment, infrastructure assets, loans, and provisions for employee benefits and rehabilitation of tips and quarries.

5.2.1 ASSET MANAGEMENT

During the year Council capitalised the following property, plant and equipment:

	2007 \$'000	2006 \$'000	2005 \$'000
<i>Non-cash grants / contributions</i>			
Bush Fire Council	-	213	-
<i>Council Constructed / Purchased Assets</i>			
Land and Buildings	226	647	69
Plant and Equipment	1,031	1,198	2,468
Roads and Drainage Network	3,281	2,231	1,849
Water Supply Network	517	392	314
Sewerage Network	1,859	155	362
Other	106	201	12
	7,020	5,037	5,074

As illustrated above, Council has capitalised in excess of \$7 million in infrastructure, property, plant and equipment during the 2007 financial year. In addition to this expenditure Council revalued its water, sewer and drainage infrastructure which resulted in an increase to the carrying value of these assets of \$6,037,000.

Asset management is an important part of Council's operations. Council's infrastructure assets represent the largest item on Council's balance sheet and the depreciation expense attaching to Council's assets represents one of the largest expense items in the income statement. To ensure that accurate budgeting and reporting is achieved, Council needs to perform regular condition assessments for each asset to determine their remaining service potential.

The Department of Local Government has mandated that all infrastructure assets including land and buildings are to be recognised in Council's financial records at their fair value. Fair value represents the written-down replacement cost of each asset using modern day equivalent materials and design.

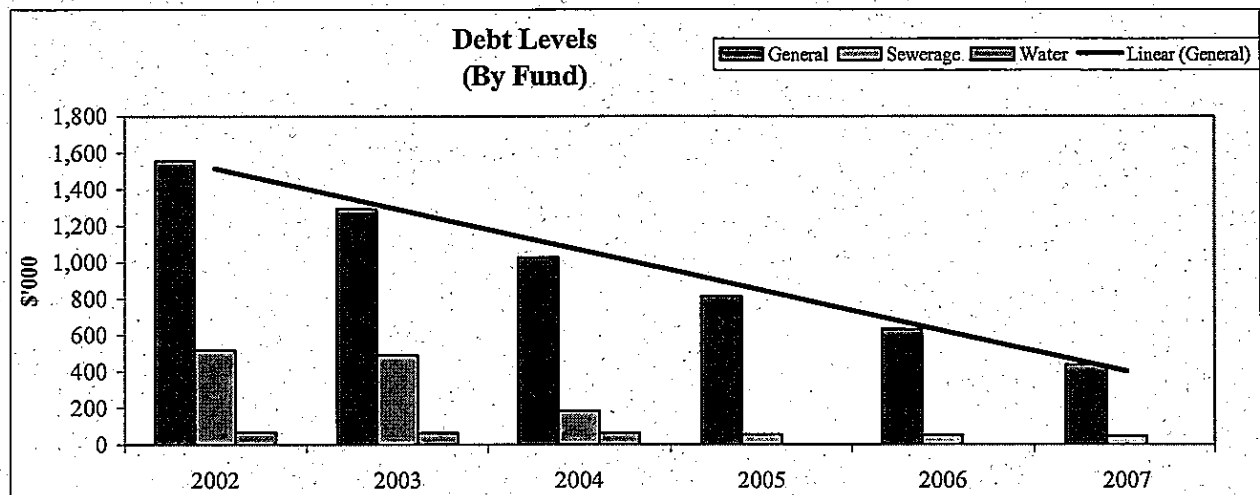
Council is to revalue its assets in accordance with the following timeframe:

Asset Type	Date of Revaluation
Water & Sewer Infrastructure	30 June 2007
Land and Buildings	30 June 2008
Roads and Drainage Infrastructure	30 June 2009

We recommend that Council utilise the revaluation process to implement best practice asset management systems. Asset management systems will allow Council to better monitor and manage the maintenance of assets as well as plan for asset replacement. Asset management systems will also provide Council with improved budgeting and financial reporting.

5.2.3 LOANS

Council is almost debt free and as at 30 June 2007 has total borrowings of \$482,000.



Council should be congratulated on reducing its debt levels however moving forward we believe that Council's Management Team should prepare a borrowing policy which identifies the type of projects Council can borrow for and the most appropriate debt levels relative to Council's financial capacity.

6. PERFORMANCE INDICATORS

Council's performance can be measured using selected indicators. We provide an analysis of key performance indicators as disclosed at Note 13 to the general purpose financial report.

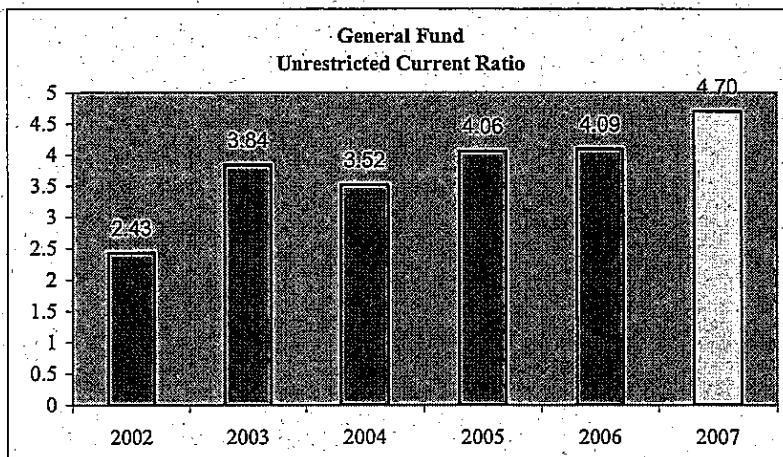
Unrestricted Current Ratio

The unrestricted current ratio represents Council's capacity to meet its commitments from current assets net of externally restricted cash, investments and receivables.

Factors influencing Council's unrestricted current assets ratio include:

- planning and budgetary controls
- cash management and the timing of cash flows
- the level of internally restricted assets
- credit management policies and economic circumstances

General Fund Unrestricted Current Ratio



Council's general fund unrestricted current ratio has increased from 4.09 in 2006 to 4.70 as at 30 June 2007. This movement in the ratio is due to internal reserves increasing by approximately \$1.8million, most of which is attributable to carried forward works.

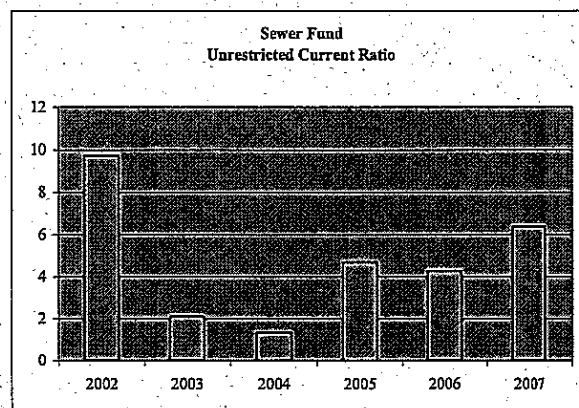
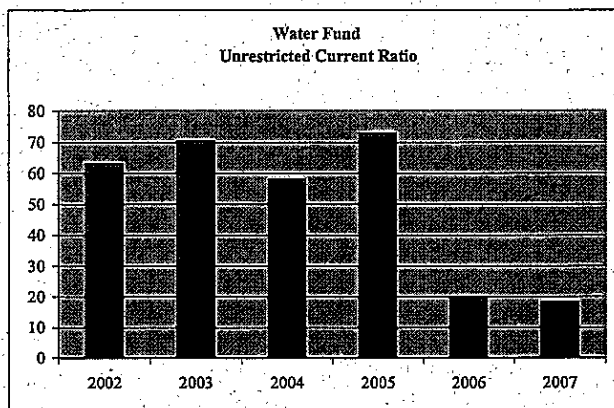
An unrestricted current ratio of 4.70:1 means that Council has \$4.70 in liquid current assets for every \$1 of current liabilities. An unrestricted current ratio of 2:1 is considered to be a strong short term position. Council's unrestricted current ratio as at 30 June 2007 means that the organisation has adequate unrestricted cash and internal reserves to satisfy its current obligations and illustrates Council's sound short-term financial position.

General Fund Long-Term Objectives

It is important to note that the unrestricted current ratio does not reflect Council's capacity to fund long term infrastructure needs nor the state of the infrastructure itself. Council needs to assess its infrastructure requirements and develop strategies to ensure the long-term viability (ability to provide services) of its assets. (Refer to 5.2.1 for further discussion)

Sewer and Water Fund Unrestricted Current Ratio

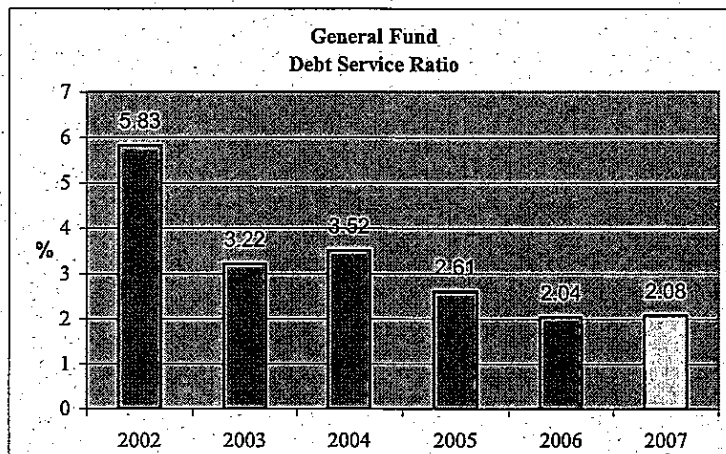
The unrestricted current ratio for water and sewer activities may fluctuate significantly. Yearly fluctuations may result from the build up of internal reserves and the impact of lower debt levels and will continue to fluctuate in the future as further funds are collected and expended on infrastructure improvements.



Debt Service Ratio

This indicator assesses the degree to which revenues from ordinary activities are committed to the repayment of debt. Factors influencing a council's debt service ratio include:

- the rate of new development in the shire
- Council's debt policy
- interest rate movements and loan terms
- capital investment strategies and capital contributions policies
- the level of cash reserves available to reduce the level of borrowings
- the state of Council's infrastructure / age of assets.

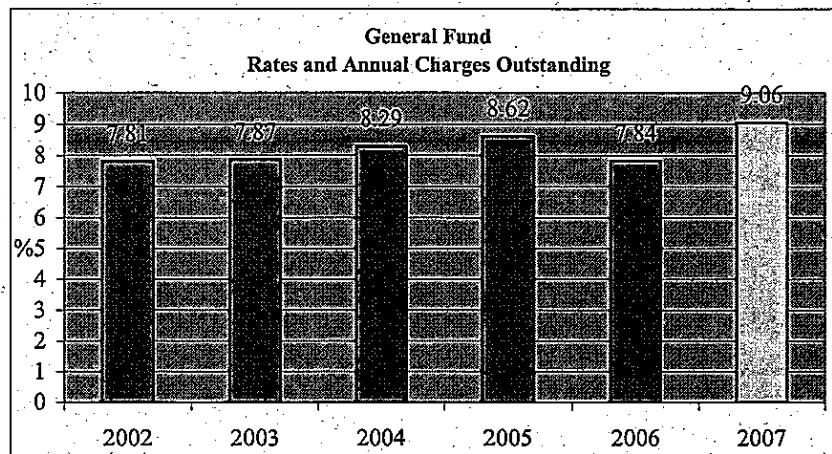


Council's general fund debt service ratio is 2.08% for the year ended 30 June 2007. This ratio reflects Council's low level of debt. Water fund is now debt free whilst Sewer fund has very low levels of debt as at 30 June 2007.

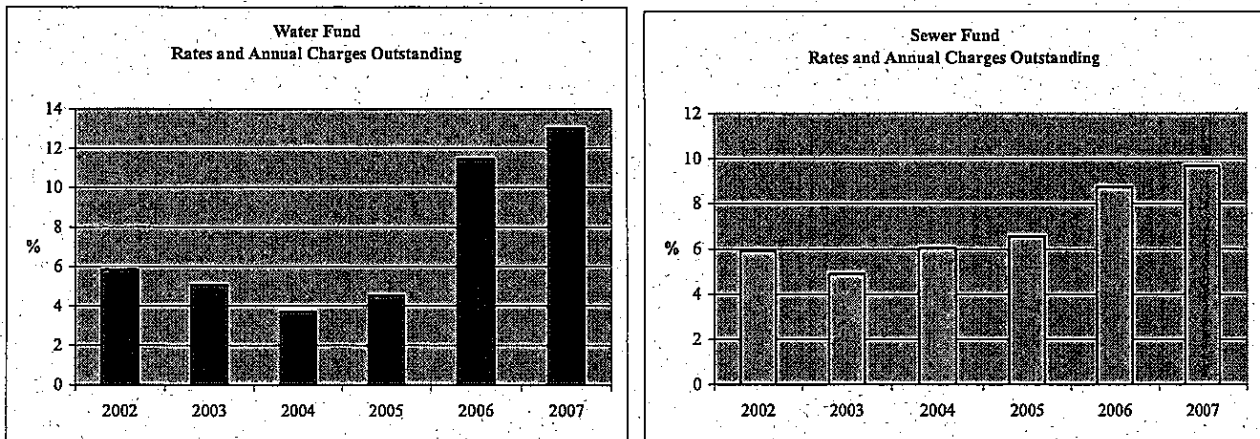
Rates and Annual Charges Outstanding Ratio

This indicator assesses the effectiveness of Council's revenue collection. Factors influencing Council's rates and annual charges outstanding ratio include:

- Council's rating policy
- credit management policies
- the socioeconomic characteristics of the area
- environmental factors influencing ratepayers' ability to satisfy their obligations (e.g. drought).



Council's general fund rates and annual charges outstanding percentage has increase from 7.84% in 2006 to 9.06% for 2007. Whilst this ratio is above acceptable benchmark levels and should be reviewed after consideration of the factors listed above.



The above graphs illustrate the rates and annual charges outstanding ratio for water and sewer funds. The ratio for water and sewer fund are above acceptable benchmark levels and requires Council's attention after consideration of factors such as drought.

7. OTHER CURRENT MATTERS

7.1 ASSET MANAGEMENT

As discussed at 5.2.1 of this report Council is required to value infrastructure assets as well as land and buildings. Asset management is integral to ensuring that infrastructure standards are managed and utilisation of Council's resources is maximised. In 2008 Council is required to revalue its land and building assets.

We recommend that, during the next six months, gather information on all assets so that fair value can be accurately assessed. Council should ensure that the various components of each building are identified and recorded to enable monitoring, maintenance and replacement. Componentisation of buildings will include separation and depreciation of assets that have a different useful life to the core building structure such as air conditioning, lifts, floor coverings etc.

In 2009 Council is required to revalue roads and drainage infrastructure. We also recommend that Council commence planning for this revaluation to ensure asset management practices are implemented in conjunction with the revaluation process. For those asset valuations already performed by Council such as water, sewer and drainage, an annual indexation of value together with a reassessment of useful life is required.

The introduction of improved asset management practices may require additional resources to ensure ongoing systems maintenance and upgrade.

7.2 INTERNAL CONTROL ENVIRONMENT

Results of Testing Council's Financial Reporting Systems

No significant breakdowns of internal control were encountered during the course of our audit nor did we become aware of the existence of items comprising material error, sufficient to cause us to issue a qualified audit opinion.

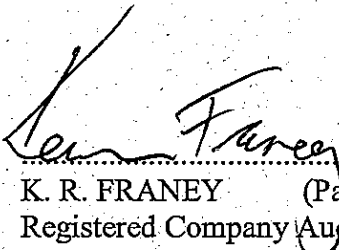
7.3 SECTION 430 REPORT OUTCOMES

As part of our audit process we have reviewed the actions currently being implemented by Council arising from the Section 430 investigation. We note that Council is in the process of negotiating its status as Trust Manager for a number of Crown reserves. If Council assumes responsibility for these reserves it may control the asset under Accounting Standards principles. Where control is evident, Council will need to recognise these assets on its balance sheet at fair value.

Subject to the foregoing comments the books of account and records of the Council were maintained in good order and condition and the information and explanations required during the course of our work were readily supplied by the General Manager and his staff.

Yours faithfully

THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS



.....
K. R. FRANNEY (Partner)
Registered Company Auditor

KYOGLE COUNCIL
Special Purpose Financial Reports
for the year ended 30th June 2007

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KYOGLE COUNCIL

SPECIAL PURPOSE FINANCIAL REPORTS FOR THE YEAR ENDED 30 June 2007

STATEMENT BY COUNCILLORS AND MANAGEMENT MADE PURSUANT TO THE LOCAL GOVERNMENT CODE OF ACCOUNTING PRACTICE AND FINANCIAL REPORTING

The attached special purpose Financial Reports have been drawn up in accordance with:

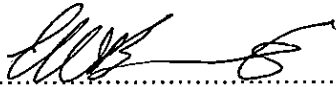
- NSW Government Policy Statement *"Application of National Competition Policy to Local Government"*
- Department of Local Government guidelines *"Pricing & Costing for Council Businesses: A Guide to Competitive Neutrality"*.
- *The Local Government Code of Accounting Practice and Financial Reporting.*
- The Department of Water and Energy *Practice Management of Water Supply and Sewerage* guidelines.

To the best of our knowledge and belief, these Reports:

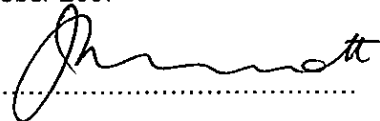
- Present fairly the financial position and operating result for each of Council's declared Business Activities for the year, and
- Accord with Council's accounting and other records.

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

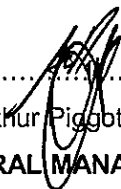
Signed in accordance with a resolution of Council made on 29 October 2007



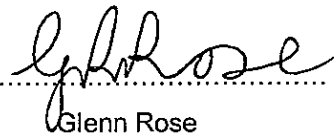
Ernie Bennett
MAYOR



Jeff Marriott
COUNCILLOR



Arthur Piggott
GENERAL MANAGER



Glenn Rose
RESPONSIBLE ACCOUNTING OFFICER

KYOGLE COUNCIL

INCOME STATEMENT
WATER SUPPLY BUSINESS ACTIVITY
for the year ended 30th June 2007

	Notes	2007 '000	2006 '000	2005 '000
INCOME FROM CONTINUING OPERATIONS				
Access Charges		308	306	297
User Charges		484	411	448
Fees		6	-	1
Interest Received		73	57	64
Grants & Contributions - Operating		26	27	27
Profit on Disposal of Assets		-	-	-
Other Operating Revenues		-	16	3
TOTAL		<u>897</u>	<u>817</u>	<u>840</u>
EXPENSES FROM CONTINUING OPERATIONS				
Employee Costs		140	135	115
Materials & Contracts		308	426	401
Borrowing Costs		-	-	1
Depreciation & Impairment		149	516	263
Water Purchase Charges		40	30	34
Loss on Disposal of Assets		-	-	-
NCP Tax Equivalents		-	-	3
Debt Guarantee Fee		-	-	-
Other Operating Expenses		90	-	-
TOTAL		<u>727</u>	<u>1,107</u>	<u>817</u>
CONTINUING OPERATIONS RESULT BEFORE CAPITAL AMOUNTS		170	(290)	23
Grants & Contributions - Capital		179	2	120
RESULT FROM CONTINUING OPERATIONS		<u>349</u>	<u>(288)</u>	<u>143</u>
Discontinued Operations		-	-	-
SURPLUS (DEFICIT) BEFORE TAX		<u>349</u>	<u>(288)</u>	<u>143</u>
Corporate Taxation Equivalent		51	-	-
SURPLUS (DEFICIT) FOR YEAR		<u>298</u>	<u>(288)</u>	<u>143</u>
Add: Retained earnings brought forward		6,452	6,743	6,603
Adjustments for amounts unpaid				-
NCP Tax Equivalents retained				
Debt Guarantee Fee retained				
Corporate Tax Equivalent retained		51		
Less: Dividends Paid		-	(3)	(3)
CLOSING RETAINED EARNINGS		<u>6,801</u>	<u>6,452</u>	<u>6,743</u>
RATE OF RETURN ON CAPITAL		2.41%	-5.39%	0.45%
NOTIONAL SUBSIDY FROM COUNCIL		N/A	12	N/A
Calculation of Dividend Payable				
Surplus after tax		298	(288)	143
Less: Capital grants & contribs from LWUs		179	2	120
Surplus for dividend calculation purposes		<u>119</u>	<u>0</u>	<u>23</u>
Dividend calculated from surplus		0	0	0

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

KYOGLE COUNCIL

INCOME STATEMENT
SEWERAGE BUSINESS ACTIVITY
for the year ended 30th June 2007

	Notes	2007 '000	2006 '000	2005 '000
INCOME FROM CONTINUING OPERATIONS				
Access Charges		790	719	706
User Charges		17	14	7
Liquid Trade Waste Charges		-	8	-
Interest Received		-	-	14
Grants & Contributions - Operating		26	26	26
Other Operating Revenues		8	-	2
TOTAL		<u>841</u>	<u>767</u>	<u>755</u>
EXPENSES FROM CONTINUING OPERATIONS				
Employee Costs		180	155	140
Materials & Contracts		293	338	323
Borrowing Costs		3	3	12
Depreciation & Amortisation		205	202	300
NCP Tax Equivalents		-	1	6
Debt Guarantee Fee		1	-	-
Other Operating Expenses		20	-	-
TOTAL		<u>702</u>	<u>699</u>	<u>781</u>
CONTINUING OPERATIONS RESULT BEFORE CAPITAL AMOUNTS				
		139	68	(26)
Grants & Contributions - Capital		1,735	38	119
RESULT FROM CONTINUING OPERATIONS		<u>1,874</u>	<u>106</u>	<u>93</u>
Discontinued Operations		-	-	-
SURPLUS (DEFICIT) BEFORE TAX		<u>1,874</u>	<u>106</u>	<u>93</u>
Corporate Taxation Equivalent		42	-	-
SURPLUS (DEFICIT) FOR YEAR		<u>1,832</u>	<u>106</u>	<u>93</u>
Add: Retained earnings brought forward		6,215	6,108	6,014
<i>Adjustments for amounts unpaid</i>				
NCP Tax Equivalents retained		-	1	6
Debt Guarantee Fee retained		-		
Corporate Tax Equivalent retained		42		
Less: Dividends Paid				(5)
CLOSING RETAINED EARNINGS		<u>8,089</u>	<u>6,215</u>	<u>6,108</u>
<i>RATE OF RETURN ON CAPITAL</i>		1.08%	0.69%	-0.23%
<i>NOTIONAL SUBSIDY FROM COUNCIL</i>		N/A	N/A	N/A
Calculation of Dividend Payable				
Surplus after tax		1,832	106	93
Less: Capital grants & contribs from LWUs		1,735	38	119
Surplus for dividend calculation purposes		<u>97</u>	<u>68</u>	<u>0</u>
Dividend calculated from surplus		0	0	0

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

KYOGLE COUNCIL

INCOME STATEMENT BY BUSINESS ACTIVITIES
for the year ended 30th June 2007

	BUSINESS ACTIVITIES					
	DWM '000		QUARRIES '000		TRANSPORT '000	
	2007	2006	2007	2006	2007	2006
REVENUE FROM CONTINUING OPERATIONS						
Rates & Annual Charges	427	353				
User Charges & Fees	102	132	568	456	1,663	2,671
Grants & Contributions - Operating	25	25				
Other Operating Revenues			48			
TOTAL	554	510	616	456	1,663	2,671
EXPENSES FROM CONTINUING OPERATIONS						
Employee Costs	148	122	127	115	308	304
Materials & Contracts	280	302	414	346	928	1,560
Borrowing Costs	26	(5)	20	3		
Depreciation & Amortisation	125	125	51	48		
Other Operating Expenses					6	
Loss on Disposal of Assets			23			
NCP Imputation Payments				3		
TOTAL	579	544	635	515	1,242	1,864
CONTINUING OPERATIONS RESULT BEFORE CAPITAL AMOUNTS	(25)	(34)	(19)	(59)	421	807
Grants & Contributions - Capital						
RESULT FROM ORDINARY ACTIVITIES	(25)	(34)	(19)	(59)	421	807
Discontinued Operations			-			
SURPLUS (DEFICIT) BEFORE TAX	(25)	(34)	(19)	(59)	421	807
Corporate Taxation Equivalent	-	(10)	-	(18)	126	242
SURPLUS (DEFICIT) FOR YEAR	(25)	(24)	(19)	(41)	295	565
Add: Retained earnings brought forward	204	238	602	658	2,057	1,370
NCP Imputation Payments retained		(10)		(18)	126	242
Less: Dividends Paid - TER				3	(1,162)	(120)
- Surplus Dividend						
CLOSING RETAINED EARNINGS	179	204	583	602	1,316	2,057
RATE OF RETURN ON CAPITAL	0.10%	(3.37%)	0.38%	(18.24%)	N/A	N/A
NOTIONAL SUBSIDY FROM COUNCIL	N/A	N/A	38	102	0	0
Calculation of Dividend Payable						
Surplus after tax	(25)	(24)	(19)	(41)	295	565
Less: Capital grants & contributions	0	0	0	0	0	0
Surplus for dividend calculation purposes	0	0	0	0	295	565
Dividend calculated from surplus	0	0	0	0	0	0

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

KYOGLE COUNCIL
BALANCE SHEET
WATER SUPPLY BUSINESS ACTIVITY
as at 30th June 2007

	Notes	2007 '000	2006 '000
CURRENT ASSETS			
Cash & cash equivalents		1,091	1,073
Receivables		194	163
TOTAL CURRENT ASSETS		<u>1,285</u>	<u>1,236</u>
NON-CURRENT ASSETS			
Infrastructure, Property, Plant & Equipment		7,068	5,340
TOTAL NON-CURRENT ASSETS		<u>7,068</u>	<u>5,340</u>
TOTAL ASSETS		<u>8,353</u>	<u>6,576</u>
CURRENT LIABILITIES			
Payables		26	22
Interest bearing liabilities		61	-
Provisions		42	39
TOTAL CURRENT LIABILITIES		<u>129</u>	<u>61</u>
NON-CURRENT LIABILITIES			
Payables		-	-
Interest bearing liabilities		-	-
Provisions		-	-
TOTAL NON CURRENT LIABILITIES		<u>-</u>	<u>-</u>
TOTAL LIABILITIES		<u>129</u>	<u>61</u>
NET ASSETS		<u>8,224</u>	<u>6,515</u>
EQUITY			
Retained earnings		6,801	6,452
Asset Revaluation Reserve		1,423	63
TOTAL EQUITY		<u>8,224</u>	<u>6,515</u>

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

KYOGLE COUNCIL
BALANCE SHEET
SEWERAGE BUSINESS ACTIVITY
as at 30th June 2007

	2007 '000	2006 '000
CURRENT ASSETS		
Cash & cash equivalents	484	292
Receivables	100	69
TOTAL CURRENT ASSETS	<u>584</u>	<u>361</u>
NON-CURRENT ASSETS		
Infrastructure, Property, Plant & Equipment	13,102	9,458
TOTAL NON-CURRENT ASSETS	<u>13,102</u>	<u>9,458</u>
TOTAL ASSETS	<u>13,686</u>	<u>9,819</u>
CURRENT LIABILITIES		
Payables	43	39
Interest bearing liabilities	6	5
Provisions	42	39
TOTAL CURRENT LIABILITIES	<u>91</u>	<u>83</u>
NON-CURRENT LIABILITIES		
Payables	-	-
Interest bearing liabilities	40	46
Provisions	-	-
TOTAL NON CURRENT LIABILITIES	<u>40</u>	<u>46</u>
TOTAL LIABILITIES	<u>131</u>	<u>129</u>
NET ASSETS	\$ <u>13,555</u>	<u>9,690</u>
EQUITY		
Retained Earnings	8,089	6,215
Asset Revaluation Reserve	5,466	3,475
TOTAL EQUITY	\$ <u>13,555</u>	<u>9,690</u>

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

KYOGLE COUNCIL

BALANCE SHEET by BUSINESS ACTIVITIES
as at 30th June 2007

	BUSINESS ACTIVITIES					
	DWM '000		QUARRIES '000		TRANSPORT '000	
	2007	2006	2007	2006	2007	2006
CURRENT ASSETS						
Cash & cash equivalents	396	323	363	330	1,127	1,081
Receivables	37	37	-	-	189	976
Inventories	-	-	141	176	-	-
TOTAL CURRENT ASSETS	433	360	504	506	1,316	2,057
NON-CURRENT ASSETS						
Property, Plant & Equipment	997	1,069	261	307	-	-
TOTAL NON-CURRENT ASSETS	997	1,069	261	307		
TOTAL ASSETS	1,430	1,429	765	813	1,316	2,057
CURRENT LIABILITIES						
Payables						
Interest bearing liabilities						
Provisions						
TOTAL CURRENT LIABILITIES						
NON-CURRENT LIABILITIES						
Provisions	1,251	1,225	182	211	-	-
TOTAL NON CURRENT LIABILITIES	1,251	1,225	182	211		
TOTAL LIABILITIES	1,251	1,225	182	211		
NET ASSETS	\$ 179	204	583	602	1,316	2,057
EQUITY						
Retained Earnings	179	204	583	602	1,316	2,057
Asset Revaluation Reserve	-	-	-	-	-	-
TOTAL EQUITY	\$ 179	204	583	602	1,316	2,057

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

KYOGLE COUNCIL

Notes to the Special Purpose Financial Reports for the year ended 30th June 2007

Contents of the notes to the Financial Statements	<u>Page</u>
Note 1 - Significant Accounting Policies	9 - 11
Note 2 - Best Practice Management Disclosures - Water Supply	12
Note 3 - Best Practice Management Disclosures -Sewerage	13

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE FINANCIAL REPORTS

For the year ended 30th June 2007

Note 1 Significant accounting policies

A statement summarising the supplemental accounting policies adopted in the preparation of the SPFR for National Competition Policy reporting purposes follows.

These financial statements are a Special Purpose Financial Report (SPFR) prepared for use by the Council and Department of Local Government. For the purposes of these statements, the Council is not a reporting entity.

This special purpose financial report, unless otherwise stated, has been prepared in accordance with applicable Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations, the Local Government Act and Regulations, the Local Government Code of Accounting Practice and Financial Reporting and the Local Government Asset Accounting Manual.

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

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 Department 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

Name	Brief description of Activity
Transport	Contract Road Construction & Maintenance

Category 2

Name	Brief description of Activity
Water	Water Supply
Sewer	Sewerage Services
DWM	Domestic Waste Management
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 Note 2 (Water Supply Best Practice Management Disclosures A513) and Note 3 (Sewerage Best Practice Management Disclosures A514). As required by the Department of Energy and Utilities, the amounts shown in Notes 2 and Note 3 are shown in whole dollars.

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE FINANCIAL REPORTS

For the year ended 30th June 2007

Note 1 Significant accounting policies (continued)

(i) Taxation equivalent charges

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations (General Purpose Financial Report) just like all other costs. However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council nominated business activities and are reflected in the SPFR. 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 Tax Rate	30
Land Tax	1.7 in excess of \$330,000
Stamp Duty	Sliding rate according to NSW Legislation
Payroll Tax	6% of the excess over \$600,000

In accordance with the guidelines for Best Practice Management of Water Supply and Sewerage, 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 the business. 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 gain from ordinary activities before capital amounts has been achieved. Since the 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 the GPFR. 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 and charges

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

Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that Council business activities face "true" commercial borrowing costs in line with private sector competitors. In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and 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. The overall effect of subsidies is contained within the Income Statement of Business Activities.

(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". Funds are subsequently available for meeting commitments or financing future investment strategies. The rate of return is disclosed for each of Council's business activities on the Income Statement.

KYOGLE COUNCIL

**NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE
FINANCIAL REPORTS**

For the year ended 30th June 2007

Note 1 Significant accounting policies (continued)

(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 50% of this surplus in any one year, or the number of water supply or sewerage assessments at 30 June 2007 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 submitted to the Department of Water and Energy.

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE FINANCIAL REPORTS for the year ended 30th June 2007

Note 2 - BEST PRACTICE MANAGEMENT DISCLOSURES - WATER SUPPLY

	2007
<i>Values shown in this Note are expressed in WHOLE DOLLARS</i>	\$
Calculation and Payment of Tax-Equivalents	
(i) Calculated Tax Equivalents	0
(ii) No of assessments multiplied by \$3/assessment	5,745
(iii) Amounts payable for Tax Equivalents	0
Dividend from Surplus	
(i) 50% of Surplus before Dividends <i>(Calculated in accordance with Best Practice Management for Water Supply and Sewerage guidelines.)</i>	0
(ii) No of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	57,450
(iii) Cumulative Surplus before Dividends for 3 years to 30 June 2007, less cumulative dividends paid for 2 years to 30 June 2006	
(iv) Maximum Dividend from Surplus (least of (i), (ii) and (iii))	0
(v) Dividend paid from Surplus	
Required Outcomes for 6 Criteria	
(i) Completion of Strategic Business Plan (including Financial Plan)	Yes
(ii) Pricing with full cost-recovery, without significant cross subsidies (Item 2(a) in Table 1 on page 18 of Best practice guidelines)	Yes
Complying charges (Item 2(b) in Table 1)	Yes
DSP with Commercial Developer Charges (Item 2(e) in Table 1)	No
If Dual Water Supplies, Complying Charges (Item 2(g) in Table 1)	
(iii) Sound Water Conservation & Demand Management Implemented	Yes
(iv) Sound Drought Management implemented	Yes
(v) Complete Performance Reporting Form (by 15 September each year)	Yes
(vi) Integrated Water Cycle Management Strategy (by June 2006)	Yes
National Water Initiative (NWI) Financial Performance Indicators	
NWI F4 Residential Revenue from Usage Charges (Water)	% 55.68
NWI F1 Total Revenue (Water)	\$'000 929
NWI F20 Capital Works Grants (Water)	\$'000 81
NWI F13 Economic Real Rate of Return (Water)	% 4.13
NWI F6 Operating Cost (OMA) (Water)	\$'000 488
NWI F9 Total Operating Cost (Water)	\$'000 637

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE FINANCIAL REPORTS for the year ended 30th June 2007

Note 3 - BEST PRACTICE MANAGEMENT DISCLOSURES - SEWERAGE

		2007
<i>Values shown in this Note are expressed in WHOLE DOLLARS</i>		\$
Calculation and Payment of Tax-Equivalents		
(i) Calculated Tax Equivalents		1,000
(ii) No of assessments multiplied by \$3/assessment		5,307
(iii) Amounts payable for Tax Equivalents (lesser of (i) and (ii))		1,000
Dividend from Surplus		
(i) 50% of Surplus before Dividends <i>(Calculated in accordance with Best Practice Management for Water Supply and Sewerage guidelines.)</i>		0
(ii) No of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment		52,070
(iii) Cumulative Surplus before Dividends for 3 years to 30 June 2007, less cumulative dividends paid for 2 years to 30 June 2006		
(iv) Maximum Dividend from Surplus (least of (i), (ii) and (iii))		0
(v) Dividend paid from Surplus		0
Required Outcomes for 4 Criteria		
(i) Completion of Strategic Business Plan (including Financial Plan)		Yes
(ii) Pricing with full cost-recovery, without significant cross subsidies (Item 2(a) in Table 1 on page 18 of 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)		No
Liquid Trade Waste Approvals & Policy (Item 2(f) in Table 1)		Yes
(iii) Complete Performance Reporting Form (by 15 September each year)		Yes
(iv) Integrated Water Cycle Management Evaluation (by June 2007)		Yes
National Water Initiative (NWI) Financial Performance Indicators		
NWI F2 Total Revenue (Sewerage)	\$'000	2,475
NWI F21 Capital Works Grants (Sewer)	\$'000	101
NWI F11 Capital Expenditure (Water & Sewerage)	\$'000	2,376
NWI F14 Economic Real Rate of Return (Sewerage)	%	13.72
NWI F12 Economic Real Rate of Return (Water & Sewerage)	%	10.36
NWI F16 Net Debt to Equity (Water & Sewerage)	%	-6.74
NWI F17 Interest Cover (Water & Sewerage)	times	-3,139.68
NWI F18 Net Profit after Tax (Water & Sewerage)	\$'000	2,130
NWI F19 Community Service Obligations (Water & Sewerage)	\$'000	52
NWI F5 Revenue from Community Service Obligations (Water & Sewerage)	%	1.53
NWI F7 Operating Cost (OMA) (Sewerage)	\$'000	473
NWI F10 Total Cost (Sewerage)	\$'000	678



THOMAS NOBLE & RUSSELL

Chartered Accountants

Serving locally since 1899

COUNCIL OF KYOGLE SPECIAL PURPOSE FINANCIAL REPORT INDEPENDENT AUDIT REPORT

Report on the Financial Report

We have audited the accompanying financial report, being a special purpose financial report, of Kyogle Council (the Council), which comprises the balance sheet as at 30 June 2007, the income statement for the year then ended, a summary of significant accounting policies, other explanatory notes and the statement by Councillors' and Management.

Councils' Responsibility for the Financial Report

The Council is responsible for the preparation and fair presentation of the financial report in accordance with the Local Government Act 1993 and has determined that the accounting policies described in note 1 to the financial statements, which form part of the financial report, are appropriate to meet the financial reporting requirements of Department of Local Government. The Council's responsibility also includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our audit responsibility does not extend to the best practice management disclosures in note 2 and note 3, and accordingly, we do not express an opinion on such.

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



Liability limited by a
scheme approved under
the Professional
Standards Legislation.

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

Our audit did not include an analysis of the prudence of business decisions made by Council or management.

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

Independence


In conducting our audit, we have complied with the independence requirements of the Australian professional accounting bodies.

Audit Opinion

In our opinion, the financial report:

- (a) has been prepared in accordance with the requirements of those applicable Accounting Standards detailed in note 1 and the Local Government Code of Accounting Practice and Financial Reporting;
- (b) is consistent with the Council's accounting records; and
- (c) presents fairly, in all material respects, the financial position of Council's nominated Business Activities and the results of their operations.

**THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS**


.....
K. R. FRANEY (Partner)
Registered Company Auditor

Dated at Lismore this 29th day of October 2007.

KYOGLE COUNCIL

Special Schedules

for the year ended 30th June 2007

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KYOGLÉ COUNCIL

SPECIAL SCHEDULE NO 1 NET COST OF SERVICES for the year ended 30th June 2007

\$'000

Function or Activity	Expenses from continuing operations		Income from continuing operations			NET COST OF SERVICES	
	Expenses	Group Totals	Non-capital revenues	Capital revenues	Group Totals	Net Cost	Group Totals
GOVERNANCE	128					128	
		128			-		128
ADMINISTRATION							
Corporate Support	1,765		18			1,747	
Engineering & Works	519					519	
Other Support Services	(47)		1			(48)	
		2,237			19		2,218
PUBLIC ORDER & SAFETY							
Statutory Contribution - Fire Service Levy	146					146	
Fire Protection - Other	182		122			60	
Animal Control	84		16			68	
Beach Control	-					-	
Enforcement of Local Govt Regulations	-					-	
Emergency Services	19			25		(6)	
Other	1					1	
		432			163		269
HEALTH							
Administration & Inspection	151		82			69	
Immunisations	-					-	
Food Control	-		(1)			1	
Insect/Vermin Control	-					-	
Noxious Plants	75					75	
Health Centres	-					-	
Other	1					1	
		227			81		146
COMMUNITY SERVICES & EDUCATION							
Administration	70		83			(13)	
Family Day Care	-					-	
Child Care	-					-	
Youth Services	2		1			1	
Other Families & Children	-					-	
Aged & Disabled	-					-	
Migrant Services	-					-	
Aboriginal Services	-					-	
Other Community Services	74		35			39	
Education	20					20	
		166			119		47
HOUSING & COMMUNITY AMENITIES							
Housing	-					-	
Town Planning	131		286			(155)	
Domestic Waste Management	579		554			25	
Other Waste Management	176		152			24	
Street Cleaning	-					-	
Other Sanitation & Garbage	-					-	
Urban Stormwater Drainage	-					-	
Environmental Protection	-					-	
Public Cemeteries	94		97			(3)	
Public Conveniences	25					25	
Other Community Amenities	-					-	
		1,005			1,089		(84)

KYOGLE COUNCIL

SPECIAL SCHEDULE NO 1 - NET COST OF SERVICES (cont)

Function or Activity	Expenses from continuing operations		Income from continuing operations			NET COST OF SERVICES	
	Expenses	Group Totals	Non-capital revenues	Capital revenues	Group Totals	Net Cost	Group Totals
WATER SUPPLIES	727		897	180		(350)	
		727			1,077		(350)
SEWERAGE SERVICES	702		841	1,736		(1,875)	
		702			2,577		(1,875)
RECREATION & CULTURE							
Public Libraries	267		32	14		221	
Museums	-					-	
Art Galleries	45		3			42	
Community Centres	-					-	
Public Halls	122		6			116	
Other Cultural Services	-					-	
Swimming Pools	378		94			284	
Sporting Grounds	-					-	
Parks & Gardens, Lakes	324		1	58		265	
Other Sport & Recreation	-					-	
		1,136			208		928
FUEL & ENERGY							
Gas Supplies						-	
		-			-		-
MINING, MANUFACTURING & CONSTRUCTION							
Building Control	75		14			61	
Abattoirs	-					-	
Quarries & Pits	635		616			19	
Other	-					-	
		710			630		80
TRANSPORT & COMMUNICATION							
Urban Roads: Local	823					823	
Urban Roads: Regional	-					-	
Sealed Rural Roads: Local	1,247					1,247	
Sealed Rural Roads: Regional	953		1,071			(118)	
Unsealed Rural Roads: Local	1,510		441	1,600		(531)	
Unsealed Rural Roads: Regional	-					-	
Bridges - Urban Roads: Local	-					-	
Bridges - Urban Roads: Regional	-					-	
Bridges - Sealed Rural Roads: Local	616					616	
Bridges - Sealed Rural Roads: Regional	-					-	
Bridges - Unsealed Rural Roads: Local	-					-	
Bridges - Unsealed Rural Roads: Regional	-					-	
Footpaths	-					-	
Aerodromes	-					-	
Parking Areas	-					-	
Bus Shelters & Services	-					-	
Water Transport	-					-	
RTA Works - State Roads	1,242		1,663			(421)	
Street Lighting	129		26			103	
Other	769		156			613	
		7,289			4,957		2,332

KYOGLÉ COUNCIL

SPECIAL SCHEDULE NO 1 - NET COST OF SERVICES (cont)

Function or Activity	Expenses from continuing operations		Income from continuing operations			NET COST OF SERVICES	
	Expenses	Group Totals	Non-capital revenues	Capital revenues	Group Totals	Net Cost	Group Totals
ECONOMIC AFFAIRS							
Camping Areas	-					-	
Caravan Parks	-					-	
Tourism & Area Promotion	129					129	
Industrial Development Promotion	-					-	
Saleyards & Markets	-					-	
Real Estate Development	-					-	
Commercial Nurseries	-					-	
Other Business Undertakings	12		37			(25)	
		141			37		104
TOTALS - FUNCTIONS		14,900			10,957		3,943
General Purpose Revenues			7,505			7,505	
Equity accounted income (loss)						-	
		-			7,505		7,505
NET OPERATING RESULT FOR YEAR							3,562

KYOGLÉ COUNCIL

SPECIAL SCHEDULE NO 2 (a) STATEMENT OF LONG TERM DEBT (ALL PURPOSE) for the year ended 30th June 2007

\$'000

Classification of Debt	Principal Outstanding at beginning of year			New Loans Raised	Debt Redemption		Tfrs to Sinking Funds	Interest applicable for year	Principal outstanding at end of year		
	Current	Non-Current	Total		From Revenue	Sinking Funds			Current	Non-Current	Total
LOANS (by source)											
Commonwealth Government			-								-
Treasury Corporation			-								-
Other State Government			-								-
Public Subscription			-								-
Financial Institutions	201	482	683		201			41	442	40	482
Other			-								-
Total Loans	201	482	683	-	201	-	-	41	442	40	482
OTHER LONG TERM DEBT											
Ratepayers' Advances			-								-
Government Advances			-								-
Finance Leases			-								-
Deferred Payment			-								-
Other			-								-
Total Other Long Term Debt	-	-	-	-	-	-	-	-	-	-	-
TOTAL LONG TERM DEBT	201	482	683	-	201	-	-	41	442	40	482

This Schedule excludes Internal Loans and refinancing of existing borrowings.

KYOGLE COUNCIL

SPECIAL SCHEDULE NO 2 (b) STATEMENT OF INTERNAL LOANS for the year ended 30th June 2007

\$'000

SUMMARY OF INTERNAL LOANS

Borrower (by purpose)	Amount Originally Raised	Total Repaid During Year Principal & Interest	Principal Outstanding at End of Year
General			
Water			
Sewerage			
Domestic Waste Management			
Gas			
Other			
Totals	-	-	-

The above summary of internal loans represents the total of Council's internal loans categorised according to the purpose of the borrower. Details of individual internal loans are set out below.

Borrower (by purpose)	Lender (by purpose)	Date of Minister's Approval	Date Raised	Term (years)	Maturity Date	Rate of Interest	Amount Originally Raised	Paid During Year - Princ and Interest	Principal Outstanding End of Year
Totals							-	-	-

KYOGLÉ COUNCIL

SPECIAL SCHEDULE NO 3 WATER SUPPLY INCOME STATEMENT (Gross including Internal Transactions) for the year ended 30th June 2007

<u>A. EXPENSES & REVENUES</u>	2007	2006
<u>EXPENSES</u>	\$'000	\$'000
1.a. Management - Administration	142	131
b. - Engineering & Supervision	71	69
2 Operations		
a. - Dams & Weirs - Operation Expenses		
b. - Maintenance Expenses		
c. - Mains - Operation Expenses		
d. -Maintenance Expenses	123	140
e. - Reservoirs - Operation Expenses		
f. - Maintenance Expenses	16	12
g. - Pumping Stations - Operation Expenses		
h. - Energy Costs	26	30
i. - Maintenance Expenses		
j. - Treatment - Operation Expenses	38	50
k. - Chemical Costs	6	2
l. - Maintenance Expenses		
m. - Other - Operation Expenses	9	10
n. - Maintenance Expenses	17	19
o. - Purchase of Water	40	30
3.a. Depreciation - System Assets	138	84
b. - Plant & Equipment	11	58
4.a. Miscellaneous - Interest		
- Revaluation decrements		
b. - Other	90	472
- NCP Tax & Other Equivalentents	-	
5 Total Expenses	727	1,107
<u>REVENUE</u>		
6 Residential Charges		
a. - Access (including rates)	308	189
b. - User Charges	387	250
7 Non-Residential Charges		
a. - Access (including rates)		117
b. - User Charges	97	161
8 Extra Charges	7	
9 Interest	66	57
10 Other Income	6	15
11.a. Grants - Acquisition of Assets	81	
b. - Pensioner Rebates	26	27
c. - Other	-	
12.a. Contributions - Developer Charges	-	2
b. - Developer Provided Assets		
c. - Other Contributions	98	
13 Total Revenues	1,076	818
14 Gain (Loss) on Disposal of Assets	349	(289)
15 OPERATING RESULT		
15a. Operating Result before Grants for Acquisition of Assets	268	(289)

KYOGLE COUNCIL

SPECIAL SCHEDULE NO 3 - WATER SUPPLY INCOME STATEMENT (cont)

	2007 \$'000	2006 \$'000
<u>B. CAPITAL TRANSACTIONS</u>		
<u>Non - Operating Expenditure</u>		
16 Acquisition of Fixed Assets		
a. - Subsidised Scheme	299	100
b. - Other New System Assets	195	275
c. - Renewals	23	30
d. - Plant & Equipment		
17 Repayment of Debt		
a. - Loans		
b. - Advances		
c. - Finance Leases		
18 Transfers to Sinking Funds		
19 Total Non-Operating Expenditure	517	405
<u>Non-Operating Funds Employed</u>		
20 Proceeds from Disposal of Assets		
21 Borrowings Utilised		
a. - Loans		
b. - Advances		
c. - Finance Leases		
22 Transfers from Sinking Funds		
23 Total Non-Operating Funds Employed	-	-
<u>C. RATES & CHARGES</u>		
24 Number of Assessments		
a. - Residential (occupied)	1467	
b. - Residential (unoccupied)	97	
c. - Non-Residential (occupied)	351	
d. - Non -Residential (unoccupied)	0	
25 Number of ETs for which Developer Charges were	0 ET	
26 Total Amount of Pensioner Rebates	48 \$'000	
<u>D. BEST PRACTICE ANNUAL CHARGES & DEVELOPER CHARGES</u>		
27 Annual Charges		
a. Does Council have best-practice water supply annual charges and usage charges?	<input checked="" type="checkbox"/> Yes	
If Yes, go to 28a.		
If No, has Council removed land value from access charges (i.e. rates)?	<input type="checkbox"/>	
b. Cross subsidy from residential customers using less than allowance		_____
c. Cross subsidy to non-residential customers		_____
d. Cross subsidy to large connections in unmetered supplies		_____
28 Developer Charges		
a. Has Council completed a water supply Development Servicing Plan?	<input checked="" type="checkbox"/> No	
b. Total cross-subsidy in water supply developer charges		_____
29 TOTAL OF CROSS SUBSIDIES		-

Councils which have not yet implemented best practice water supply pricing should disclose cross subsidies in items 27b, 27c and 27d above. However, disclosure of cross-subsidies is **not** required where a Council has implemented best practice pricing and is phasing in such pricing over a period of 3 years.

KYOGLÉ COUNCIL

SPECIAL SCHEDULE NO 4 WATER SUPPLY - BALANCE SHEET (Gross including Internal Transactions) for the year ended 30th June 2007

	<u>Current</u> \$'000	<u>Non-Current</u> \$'000	<u>Total</u> \$'000
ASSETS			
30 Cash and Investments			
a. - Developer Charges	47		47
b. - Specific Purpose Grants			-
c. - Accrued Leave	44		44
d. - Unexpended Loans			-
e. - Sinking Funds			-
f. - Other	1,000		1,000
31 Receivables			
a. - Specific Purpose Grants			-
b. - Rates & Availability Charges	194		194
c. - Other			-
32 Inventories			-
33 Property, Plant & Equipment			
a. - System Assets		6,780	6,780
b. - Plant & Equipment		288	288
34 Other			-
35 Total Assets	1,285	7,068	8,353
LIABILITIES			
36 Bank Overdraft	61		61
37 Creditors	26		26
38 Borrowings			
a. - Loans			-
b. - Advances			-
c. - Finance Leases			-
39 Provisions			
- Tax Equivalents			-
a. - Dividend			-
b. - Other	42		42
40 Total Liabilities	129	-	129
41 NET ASSETS COMMITTED	1,156	7,068	8,224
EQUITY			
42 Accumulated Surplus			6,801
43 Asset Revaluation Reserve			1,423
44 Total Equity			8,224
45 Current Replacement Cost of System Assets			20,416
46 Accumulated Current Cost Depreciation of System Assets			(13,348)
47 Written Down Current Cost of System Assets			7,068

KYOGLÉ COUNCIL

SPECIAL SCHEDULE NO 5 SEWERAGE INCOME STATEMENT (Gross including Internal Transactions) for the year ended 30th June 2007

<u>A. EXPENSES & REVENUES</u>	2007	2006
<u>EXPENSES</u>	\$'000	\$'000
1.a. Management - Administration	105	102
b. - Engineering & Supervision	56	55
2 Operations & Maintenance Expenses		
a. -Mains - Operation Expenses		
b. -Maintenance Expenses	40	46
c. - Pumping Stations - Operation Expenses	53	42
d. - Energy Costs	9	13
e. - Maintenance Expenses	9	7
f. - Treatment - Operation Expenses	168	188
g. - Chemical Costs	20	13
h. - Energy Costs	13	9
i. - Effluent Management		
j. - Biosolids Management		
k. - Maintenance Expenses		
l. - Other - Operation Expenses		
m. - Maintenance Expenses		
3.a. Depreciation - System Assets	172	171
b. - Plant & Equipment	33	30
4.a. Miscellaneous - Interest	3	18
- Revaluation decrements		
b. - Other	21	3
- NCP Tax & Other Equivalents	-	
5 Total Expenses	702	697
 REVENUE		
6 Residential Charges (including rates)	781	678
7 Non-Residential Charges		
a. Access (including rates)	9	41
b. User Charges	17	14
8 Trade Waste Charges		
a. Annual Fees		3
b. User Charges		5
c. Excess Mass Charges & Re-inspection Fees		
9 Extra Charges		
10 Interest		
11 Other Income	8	
12.a. Grants - Acquisition of Assets	101	36
b. - Pensioner Rebates	26	26
c. - Other		
13.a. Contributions - Developer Charges		2
b. - Developer Provided Assets		
c. - Other Contributions	1,634	
14 Total Revenues	2,576	805
15 Gain (Loss) on Disposal of Assets		
16 OPERATING RESULT	1,874	108
16.a. Operating Result before Grants for Acquisition of Assets	1,773	72

KYOGLE COUNCIL

SPECIAL SCHEDULE NO 5 - SEWERAGE INCOME STATEMENT (cont)

	2007 \$'000	2006 \$'000
<u>B. CAPITAL TRANSACTIONS</u>		
<u>Non - Operating Expenditure</u>		
17 Acquisition of Fixed Assets		
a. - Subsidised Scheme	141	55
b. - Other New System Assets	1,716	96
c. - Renewals	2	5
d. - Plant & Equipment		
18 Repayment of Debt		
a. - Loans		5
b. - Advances		
c. - Finance Leases		
19 Transfers to Sinking Funds		
20 Total Non-Operating Expenditure	1,859	161
<u>Non-Operating Funds Employed</u>		
21 Proceeds of Disposal of Assets		
22 Borrowings Utilised		
a. - Loans		
b. - Advances		
c. - Finance Leases		
23 Transfers from Sinking Funds		
24 Total Non-Operating Funds Employed	-	-
<u>C. RATES AND CHARGES</u>		
25 Number of Assessments		
a. - Residential (occupied)	1452	
b. - Residential (unoccupied)	97	
c. - Non-Residential (occupied)	220	
d. - Non-Residential (unoccupied)	0	
26 Number of ETs for which Developer Charges were	0 ET	
27 Total Amount of Pensioner Rebates	46 \$'000	
<u>D. BEST PRACTICE ANNUAL CHARGES & DEVELOPER CHARGES</u>		
28 Annual Charges		
a Does Council have best-practice sewerage annual charges, usage charges and trade waste fees and charges?	<input type="checkbox"/> Yes	
If Yes, go to 29a.		
If No, has Council removed land value from access charges (i.e. rates)	<input type="checkbox"/>	
b Cross subsidy to non-residential customers		
c Cross subsidy to trade waste dischargers		
29 Developer Charges		
a Has Council completed a sewerage Development Servicing Plan?	<input type="checkbox"/> No	
b Total cross-subsidy in sewerage developer charges		
30 TOTAL OF CROSS SUBSIDIES		-

Councils which have not yet implemented best practice sewerage pricing and trade waste pricing should disclose cross subsidies in items 28b and 28c above. However, disclosure of cross-subsidies is **not** required where a Council has implemented best practice sewerage and liquid trade waste pricing and is phasing in such pricing over a period of 3 years.

KYOGLE COUNCIL

SPECIAL SCHEDULE NO 6 SEWERAGE SERVICES - BALANCE SHEET (Gross including Internal Transactions) for the year ended 30th June 2007

	<u>Current</u> \$'000	<u>Non-Current</u> \$'000	<u>Total</u> \$'000
ASSETS			
31 Cash and Investments			
a. - Developer Charges	2		2
b. - Specific Purpose Grants			-
c. - Accrued Leave	23		23
d. - Unexpended Loans			-
e. - Sinking Funds			-
f. - Other	459		459
32 Receivables			
a. - Specific Purpose Grants			-
b. - Rates & Availability Charges	100		100
c. - Other			-
33 Inventories			-
34 Property, Plant & Equipment			
a. - System Assets		12,289	12,289
b. - Plant & Equipment		813	813
35 Other			-
36 Total Assets	<u>584</u>	<u>13,102</u>	<u>13,686</u>
LIABILITIES			
37 Bank Overdraft			-
38 Creditors	43		43
39 Borrowings			
a. - Loans	6	40	46
b. - Advances			-
c. - Finance Leases			-
40 Provisions			
- Tax Equivalents			-
a. - Dividend	-		-
b. - Other	42		42
41 Total Liabilities	<u>91</u>	<u>40</u>	<u>131</u>
42 NET ASSETS COMMITTED	<u>493</u>	<u>13,062</u>	<u>13,555</u>
EQUITY			
43 Accumulated Surplus			8,089
44 Asset Revaluation Reserve			5,466
45 Total Equity			<u>13,555</u>
46 Current Replacement Cost of System Assets			22,513
47 Accumulated Current Cost Depreciation of System Assets			<u>(9,411)</u>
48 Written Down Current Cost of System Assets			<u>13,102</u>

KYOGLÉ COUNCIL

SPECIAL SCHEDULE NO 7 CONDITION OF PUBLIC WORKS as at 30th June 2007

Asset Class	Asset Category	Dep'n Rate (%)	Depreciation Expense	Cost	Valuation	Accumulated Depreciation	Carrying Value	Asset Condition (see Notes attached)	Estimated Cost to bring to a Satisfactory Standard	Required Annual Maintenance Expense	Current Annual Maintenance
			'000	'000	'000	'000	'000		'000	'000	'000
	<i>References</i>	<i>Note 9</i>	<i>Note 4</i>			<i>Note 9</i>		<i>Local Govt. Act 1993, Section 428 (2d)</i>			
Public Buildings	Council Offices	1.0%	29	1,512		700	812	55%	140	15	9
	Works Depot	1.0%	19	955	-	627	328	65%	62	9	7
	Halls	1.0%	28	3,014		1,786	1,228	80%	-	30	29
	Houses	1.0%	-	71		71	-	70%	4	1	3
	Library	1.0%	5	377		47	330	80%	-	4	10
	Childcare Centres	1.0%	6	584		464	120	75%	-	5	-
	Bushfire	1.0%	12	589		375	214	55%	75	5	8
	Pools	1.0%	32	1,879		1,321	558	65%	132	18	38
	Parks & Gardens	1.0%	31	1,184		486	698	65%	48	11	15
	Animal Control	1.0%	-	9		-	9	90%	-	1	3
	Emergency Services	1.0%	2	191		71	120	70%	3	2	-
	Cemeteries	1.0%	2	57		22	35	70%	1	1	3
	Amenities/Toilets	1.0%	3	143		81	62	70%	4	1	-
	Commercial Waste	1.0%	1	44		30	14	55%	6	1	5
	Quarries	1.0%	-	33		33	-	45%	9	1	-
	Subtotal		170	10,642	-	6,114	4,528		484	105	130
Public Roads	Seal Local Roads	5.0%	315	8,445		6,154	2,291	70%	3,800	650	526
	Seal Regional Roads	5.0%	38	7,054		6,195	859	80%	1,700	460	324
	Unsealed Roads Local	2.0%	663	36,159		21,090	15,069	60%	12,000	1,800	928
	Unsealed Roads Regional	2.0%	32	1,604		1,348	256	80%	230	68	30
	Pavement Local Roads	2.0%	461	20,183		10,843	9,340	60%	2,600	300	268
	Pavement Regional Roads	2.0%	241	12,014		7,956	4,058	60%	3,500	500	351
	Bridges on Local Roads	1.0%	262	26,726		11,686	15,040	50%	5,000	500	305
	Bridges on Regional Roads	1.0%	29	2,991		1,411	1,580	60%	300	50	45
	Footpaths	2.0%	23	1,113		513	600	75%	870	43	85
	Carparks	2.0%	7	149		32	117	90%	12	3	-
	Subtotal		2,071	116,438	-	67,228	49,210		30,012	4,374	2,862

This Schedule is to be read in conjunction with the explanatory notes following.

KYOGLE COUNCIL

**SPECIAL SCHEDULE NO 7 - CONDITION OF PUBLIC WORKS (cont)
as at 30th June 2007**

Asset Class	Asset Category	Dep'n Rate (%)	Depreciation Expense '000	Cost '000	Valuation '000	Accumulated Depreciation '000	Carrying Value '000	Asset Condition (see Notes attached)	Estimated Cost to bring to a Satisfactory Standard '000	Estimated Annual Maintenance Expense '000	Program Maintenance Works for current year '000
	<i>References</i>	<i>Note 9</i>	<i>Note 4</i>			<i>Note 9</i>		<i>Local Govt. Act 1993, Section 428 (2d)</i>			
Water	Services	2.5%	2		207	52	155	75%	40	15	10
	Mains	2.5%	89		11,199	7,281	3,918	35%	4,000	80	60
	Meters	2.5%	1		695	654	41	6%	400	20	10
	House	1.0%	2		189	128	61	70%	30	5	5
	Other Structures	1.0%	44		7,087	4,718	2,369	50%	1,500	300	250
	Subtotal		138	-	19,377	12,833	6,544		5,970	420	335
Sewerage	Other Structures	1.0%	25		2,868	1,180	1,688	60%	700	350	280
	Services	2.5%	13		1,613	728	885	55%	300	30	16
	Mains	2.5%	132		15,717	6,879	8,838	55%	5,000	60	40
	Air Vent Stacks	2.5%	2		189	111	78	40%	30	4	1
	Subtotal		172	-	20,387	8,898	11,489		6,030	444	337
Drainage Works	Retarding Basins						-				
	Outfalls						-				
	Conduits	2.5%	126		18,945	7,317	11,628	60%	2,000	40	30
	Inlet & Junction Pits	2.5%	6		1,190	344	846	70%	300	20	10
	Subtotal		132	-	20,135	7,661	12,474		2,300	60	40
Total Classes - All Assets			2,683	127,080	59,899	102,734	84,245		44,796	5,403	3,704

This Schedule is to be read in conjunction with the explanatory notes following.

KYOGLÉ COUNCIL

SPECIAL SCHEDULE NO 8 - FINANCIAL PROJECTIONS as at 30th June 2007

	2007 \$'m	2008 \$'m	2009 \$'m	2010 \$'m	2011 \$'m
Recurrent Budget					
Income from continuing operations	18.462	18.112	18.985	17.935	20.639
Expenses from continuing operations	14.900	15.610	15.949	16.285	16.778
Operating result from continuing operations	<u>3.562</u>	<u>2.502</u>	<u>3.036</u>	<u>1.650</u>	<u>3.861</u>
Capital Budget					
New Works	1.679	1.550	2.775	0.000	4.295
Replacement of existing assets	<u>1.679</u>	<u>1.550</u>	<u>2.775</u>	<u>0.000</u>	<u>4.295</u>
<i>Funded by</i>					
- Loans	0.000	1.000	1.250	0.000	1.820
- Asset Sales	0.000	0.000	0.000	0.000	
- Reserves	0.000	0.550	0.000	0.000	
- Grants/Contributions	1.679	0.000	1.492	0.000	2.462
- Recurrent revenue	0.000	0.000	0.033	0.000	0.013
- Other	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>	
	<u>1.679</u>	<u>1.550</u>	<u>2.775</u>	<u>0.000</u>	<u>4.295</u>