



# FINANCIAL STATEMENTS

FOR THE YEAR ENDED  
30 JUNE 2008

# KYOGLE COUNCIL

## General Purpose Financial Reports for the year ended 30th June 2008

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# KYOGLE COUNCIL

## GENERAL PURPOSE FINANCIAL REPORT FOR THE YEAR ENDED 30 June 2008

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

The attached Annual Financial Statements have been drawn up 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
- The Local Government Asset Accounting Manual.

To the best of our knowledge and belief, these reports

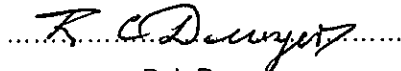
- Present fairly the Council's financial position and operating result for the year, and
- Accord with Council's accounting and other records

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 27 October 2008



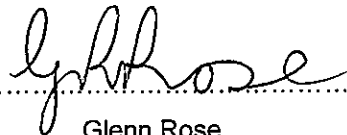
Ross Brown  
**MAYOR**



Bob Dwyer  
**DEPUTY MAYOR**



Arthur Figgott  
**GENERAL MANAGER**



Glenn Rose  
**RESPONSIBLE ACCOUNTING OFFICER**

**KYOGLE COUNCIL**  
**INCOME STATEMENT**  
for the year ended 30th June 2008

Budget (1) 2008 \$'000		Notes	Actual 2008 \$'000	Actual 2007 \$'000
	<b>INCOME FROM CONTINUING OPERATIONS</b>			
	<i>Revenue:</i>			
5,247	Rates & Annual Charges	3a	5,700	5,466
3,334	User Charges & Fees	3b	4,681	3,513
222	Investment Revenues	3c	984	800
51	Other Revenues	3d	75	128
3,936	Grants & Contributions - Operating	3e,f	6,150	4,720
2,941	Grants & Contributions - Capital	3e,f	3,165	3,835
	<i>Other Income:</i>			
341	Profit from Disposal of Assets	5	-	-
16,072	<b>Total Income from Continuing Operations</b>		<b>20,755</b>	18,462
	<b>EXPENSES FROM CONTINUING OPERATIONS</b>			
5,592	Employee Costs	4a	5,269	4,868
2,544	Materials & Contracts	4c	5,191	3,761
66	Borrowing Costs	4b	159	87
4,158	Depreciation & Amortisation	4d	3,828	3,703
1,215	Other Expenses	4e	1,282	1,209
-	Loss from Disposal of Assets	5	133	1,272
13,575	<b>Total expenses from Continuing Operations</b>		<b>15,862</b>	14,900
2,497	<b>OPERATING RESULT FROM CONTINUING OPERATIONS</b>		4,893	3,562
-	Operating result from discontinued operations		-	-
2,497	<b>NET OPERATING RESULT FOR YEAR</b>		<b>4,893</b>	3,562
	Attributable to:			
-	Minority Interests		-	-
2,497	KYOGLE COUNCIL		<b>4,893</b>	\$ 3,562
2,497			<b>\$ 4,893</b>	\$ 3,562
(444)	<b>Net operating result before capital grants and contributions</b>		<b>\$ 1,728</b>	\$ (273)

Note :

(1) Original budget as approved by council - refer Note 16

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

# KYOGLE COUNCIL

## BALANCE SHEET as at 30th June 2008

	<u>Notes</u>	Actual 2008 \$'000	Actual 2007 \$'000
<b>CURRENT ASSETS</b>			
Cash & cash equivalents	6	13,829	12,842
Receivables	7	2,160	1,304
Inventories	8	682	619
Other	8	264	271
<b>TOTAL CURRENT ASSETS</b>		<b><u>16,935</u></b>	<b><u>15,036</u></b>
<b>NON-CURRENT ASSETS</b>			
Infrastructure, Property, Plant & Equipment	9	237,572	222,387
<b>TOTAL NON-CURRENT ASSETS</b>		<b><u>237,572</u></b>	<b><u>222,387</u></b>
<b>TOTAL ASSETS</b>		<b><u>254,507</u></b>	<b><u>237,423</u></b>
<b>CURRENT LIABILITIES</b>			
Payables	10	1,838	875
Borrowings	10	16	442
Provisions	10	1,288	1,263
<b>TOTAL CURRENT LIABILITIES</b>		<b><u>3,142</u></b>	<b><u>2,580</u></b>
<b>NON-CURRENT LIABILITIES</b>			
Payables	10	105	59
Borrowings	10	1,019	40
Provisions	10	1,143	1,462
<b>TOTAL NON CURRENT LIABILITIES</b>		<b><u>2,267</u></b>	<b><u>1,561</u></b>
<b>TOTAL LIABILITIES</b>		<b><u>5,409</u></b>	<b><u>4,141</u></b>
<b>NET ASSETS</b>		<b><u>\$ 249,098</u></b>	<b><u>233,282</u></b>
<b>EQUITY</b>			
Retained Earnings	20b	222,220	217,327
Revaluation Reserves	20a	26,878	15,955
<b>Council Equity Interest</b>		<b><u>249,098</u></b>	<b><u>233,282</u></b>
Minority Equity Interest	19	-	-
<b>TOTAL EQUITY</b>		<b><u>\$ 249,098</u></b>	<b><u>233,282</u></b>

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 2008

		2008 \$'000					2007 \$'000						
		Retained Earnings	Asset Reval. Reserve	Other Reserves	Council Equity Interest	Minority Interest	Total	Retained Earnings	Asset Reval. Reserve	Other Reserves	Council Equity Interest	Minority Interest	Total
Note													
	Balance at beginning of the reporting period	217,327	15,955	-	233,282	-	233,282	213,765	10,782	-	224,547	-	224,547
	Transfers to/(from) Asset Revaluation Reserve		10,923		10,923	-	10,923		5,173		5,173	-	5,173
	Transfers to/(from) other reserves			-	-		-			-	-		-
	Income and expenses recognised directly in equity						-						-
	Other adjustments	-	-	-	-	-	-	-	-	-	-	-	-
	Net movements recognised directly in equity	-	10,923	-	10,923	-	10,923	-	5,173	-	5,173	-	5,173
	Net Operating Result for the year	4,893			4,893	-	4,893	3,562			3,562	-	3,562
	Total recognised income and expense for the year	4,893	10,923	-	15,816	-	15,816	3,562	5,173	-	8,735	-	8,735
	<b>Balance at end of the reporting period</b>	<b>222,220</b>	<b>26,878</b>	<b>-</b>	<b>249,098</b>	<b>-</b>	<b>249,098</b>	217,327	15,955	-	233,282	-	233,282
	<i>Effect of correction of errors in previous years on retained earnings</i>												
	<i>Effect of accounting policy changes on retained earnings</i>												

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

# KYOGLÉ COUNCIL

## CASH FLOW STATEMENT for the year ended 30th June 2008

Budget 2008 \$'000	<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>Notes</u>	<b>Actual 2008 \$'000</b>	<b>Actual 2007 \$'000</b>
	<u>Receipts</u>			
5,247	Rates & Annual Charges		<b>5,628</b>	5,312
3,334	User Charges & Fees		<b>4,700</b>	4,445
222	Investments Income		<b>899</b>	703
6,877	Grants & Contributions		<b>8,895</b>	9,365
51	Other operating receipts		<b>730</b>	686
	<u>Payments</u>			
(5,592)	Employee Costs		<b>(5,243)</b>	(4,844)
(2,544)	Materials & Contracts		<b>(4,923)</b>	(4,640)
(66)	Borrowing Costs		<b>(47)</b>	(47)
(1,215)	Other operating payments		<b>(2,046)</b>	(1,935)
6,314	<b>Net Cash provided by (or used in) Operating Activities</b>	11b	<b>8,593</b>	9,045
	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
	<u>Receipts</u>			
1,023	Proceeds from sale of Infrastructure, Property, Plant & Equipment		<b>1,054</b>	469
	<u>Payments</u>			
(8,795)	Purchase of Infrastructure, Property, Plant & Equipment		<b>(9,213)</b>	(7,021)
(7,772)	<b>Net Cash provided by (or used in) Investing Activities</b>		<b>(8,159)</b>	(6,552)
	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
	<u>Receipts</u>			
1,000	Proceeds from Borrowings & Advances		<b>1,000</b>	
	Proceeds from Retirement Home Contributions		-	
	<u>Payments</u>			
(443)	Repayments of Borrowings & Advances		<b>(447)</b>	(201)
	Repayment of Finance Lease Liabilities		-	
	Repayment of Retirement Home Contributions		-	
557	<b>Net Cash provided by (or used in) Financing Activities</b>		<b>553</b>	(201)
(901)	<b>Net Increase (Decrease) in cash held</b>		<b>987</b>	2,292
12,842	Cash Assets at beginning of reporting period	11a	<b>12,842</b>	10,550
	Change in associated entities recognised	1	-	-
	Adjustment to Cash arising from Council restructure	26		
11,941	<b>Cash Assets at end of reporting period</b>	11a	<b>13,829</b>	12,842

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

# KYOGLE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30th June 2008

### 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 2008 (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 2008 (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 2008 (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*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

###### *(ii) Loans and receivables*

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

###### *(iii) Held-to-maturity investments*

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

###### *(iv) 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. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

###### **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 2008 (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 2008 (continued)

### Note 1 Summary of significant accounting policies (continued)

#### (m) Infrastructure, property, plant and equipment (IPPE)

Council's assets are being progressively revalued to fair value in accordance with a staged implementation advised by the Department of Local Government. At balance date the following classes of IPPE were stated at their fair value:

- Operational Land (External Valuation).
- Buildings – Specialised / Non Specialised (External Valuation).
- Water / Sewerage Networks (Internal Valuation).
- Plant and equipment (as approximated by depreciated historical cost).

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	– Masonry	50 – 100	Sealed roads – Surface	10 – 20	years
	– Other	20 – 40	– Structure	25 – 50	years
Playground equipment	5 – 15	years	Unsealed roads	50	years
Benches, seats etc	10 – 20	years	Bridge – Concrete	100	years
Dams and reservoirs	40 – 100	years	– Other	50	years
Bores	20 – 40	years	Bulk earthworks	Infinite	
Reticulation pipes	– PVC	40 – 80			
	– Other	25 – 75			
		years			

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. Full revaluations are carried out every three years with an appropriate index used every year between the full revaluations.

#### (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.

# KYOGLE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30th June 2008 (continued)

### Note 1 Summary of significant accounting policies (continued)

#### (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.

#### (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 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.

##### (ii) *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.

##### (iii) *Retirement benefit obligations*

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

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.



# KYOGLE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30th June 2008 (continued)

### Note 1 Summary of significant accounting policies (continued)

#### (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 in the transitional provisions of AASB 1045. These provisions allow deferral of recognition until the new Standard for land under roads (AASB 1051) becomes applicable (1 July 2008).

#### (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.

# KYOGLE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30th June 2008 (continued)

### Note 1 Summary of significant accounting policies (continued)

#### (x) New accounting standards and Australian Accounting interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. Council's assessment of the impact of these new standards and interpretations is set out below.

(a) AASB-I 12 *Service Concession Arrangements*, AASB 2007-1 *Amendments to Australian Accounting Standards arising from AASB Interpretation 12, revised UIG 4 Determining whether an Arrangement contains a Lease* and revised UIG 129 *Service Concession Arrangements: Disclosures*; issued February 2007; applicable 1 January 2008; impact is Nil – Council is not party to any Service Concession Arrangements.

(b) AASB 8 *Operating Segments* and AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8*; issued February 2007; applicable 1 January 2009; impact is Nil – The Standard is not applicable to not-for-profit entities.

(c) Revised AASB 123 *Borrowing Costs* and AASB 2007-6 *Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]*; issued June 2007; applicable 1 January 2009; impact is Nil – The revised Standard has removed the option to expense all borrowing costs and – when adopted – will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Council as the Council already capitalizes borrowing costs relating to qualifying assets.

(d) AASB-I 13 *Customer Loyalty Programmes*; issued August 2007; applicable 1 July 2008; impact is Nil – Council has no Customer Loyalty Programmes.

(e) AASB-I 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*; Issued August 2007; applicable 1 January 2008; impact is Nil – The Interpretation provides guidance on the maximum amount that may be recognized as an asset in relation to a defined benefit plan and the impact of minimum funding requirements on such an asset. Council does not recognise any assets in respect of its contributions to defined benefit plans as they cannot be reliably measured. As a result, there is not expected to be any impact on the financial statements.

(f) Revised AASB 101 *Presentation of Financial Statements* and AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101* and AASB 2007- 10 *Further Amendments to Australian Accounting Standards arising from AASB 101*; issued September 2007 and December 2007; applicable 1 January 2009; impact is Nil – The revised Standard requires the presentation of a Statement of comprehensive income and makes changes to the Statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If Council has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (Statement of financial position), this one being as at the beginning of the comparative period.

(g) AASB 1049 *Whole of Government and General Government Sector Financial Reporting*; issued October 2007; applicable 1 July 2008<sup>(2)</sup>; impact is Nil – The Standard is not applicable to Local Governments.

(h) AASB 1050 *Administered Items*; AASB 1051 *Land Under Roads*, AASB 1052 *Disaggregated Disclosures*, revised AASB 1004 *Contributions*, AASB 2007-9 *Amendments to Australian Accounting Standards arising from the review of AAS 27, AAS 29 and AAS 31* and revised interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*; issued December 2007; applicable 1 July 2008<sup>(2)</sup>; impact • AASB 1050 is only applicable to Government departments and will have no impact on Council. • AASB 1051 will allow Council to recognise or not recognize land under roads acquired before 30 June 2008. Land under roads acquired after 30 June 2008 must be recognised. This Standard will have a significant impact on the Council's financial statements. • AASB 1052 requires disclosure of financial information by function or activity. Council already provides this information in Note 2(a) so there will be no additional impact on the financial statements. • AASB 1004 requires contributions made to Council to be recognised at fair value when they are controlled and to be appropriately disclosed. Council already accounts for contributions in this manner so there will be no additional impact on the financial statements.

Notes:

(1) Applicable to reporting periods commencing on or after the given date.

(2) Applicable only to not-for-profit and/or public sector entities



# KYOGLE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30th June 2008 (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) 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 bases 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.

#### (aa) Crown Reserves

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

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

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.

#### (bb) 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.

#### (cc) 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.

# KYOGLÉ COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

### Note 2 - 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	2008	2007	2008	2007	
2008 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	
GOVERNANCE	-	-	136	134	128	(136)	(134)	(128)	-	-	-	-	
ADMINISTRATION	99	29	19	1,924	2,270	2,237	(1,825)	(2,241)	(2,218)	-	-	14,073	9,200
PUBLIC ORDER & SAFETY	333	630	163	424	442	432	(91)	188	(269)	611	146	2,068	1,385
HEALTH	72	84	81	254	268	227	(182)	(184)	(146)	-	-	30	14
COMMUNITY SERVICES & EDUCATION	14	28	119	161	100	166	(147)	(72)	(47)	21	111	528	155
HOUSING & COMMUNITY AMENITIES	856	1,097	1,089	1,050	1,266	1,005	(194)	(169)	84	162	54	14,190	14,053
WATER SUPPLIES	1,110	883	1,077	684	751	727	426	132	350	44	108	7,665	7,429
SEWERAGE SERVICES	859	1,079	2,577	763	825	702	96	254	1,875	160	128	15,345	13,687
RECREATION & CULTURE	172	752	208	1,183	1,237	1,136	(1,011)	(485)	(928)	352	104	8,106	3,209
FUEL & ENERGY	-	-	-	-	-	-	-	-	-	-	-	-	-
MINING, MANUFACTURING & CONSTRUCTION	365	677	630	325	710	710	40	(33)	(80)	-	-	1,273	765
TRANSPORT & COMMUNICATION	6,176	7,461	4,957	6,513	7,763	7,289	(337)	(302)	(2,332)	3,043	2,123	191,229	187,526
ECONOMIC AFFAIRS	-	25	37	157	96	141	(157)	(71)	(104)	-	-	-	-
<b>TOTALS - FUNCTIONS</b>	<b>10,056</b>	<b>12,745</b>	<b>10,957</b>	<b>13,574</b>	<b>15,862</b>	<b>14,900</b>	<b>(3,518)</b>	<b>(3,117)</b>	<b>(3,943)</b>	<b>4,393</b>	<b>2,774</b>	<b>254,507</b>	<b>237,423</b>
GENERAL PURPOSE REVENUES	6,015	8,010	7,505				6,015	8,010	7,505	3,192	3,019		
<b>TOTALS</b>	<b>16,071</b>	<b>20,755</b>	<b>18,462</b>	<b>13,574</b>	<b>15,862</b>	<b>14,900</b>	<b>2,497</b>	<b>4,893</b>	<b>3,562</b>	<b>7,585</b>	<b>5,793</b>	<b>254,507</b>	<b>237,423</b>

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 2008

### Note 2(b) Components of functions or activities

Details of the functions or activities 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 2008

### Note 3 - INCOME FROM CONTINUING OPERATIONS

(a) RATES & ANNUAL CHARGES	2008 \$'000	2007 \$'000
<u>Ordinary Rates</u>		
Residential	1,583	1,502
Farmland	2,145	2,075
Mining	-	-
Business	183	174
	<b>3,911</b>	<b>3,751</b>
<u>Annual Charges</u>		
Domestic Waste Management	394	381
Water Supply	427	428
Sewerage Services	836	781
Drainage	45	45
Stormwater Management	-	-
Other Waste Management	87	80
Other	-	-
	<b>1,789</b>	<b>1,715</b>
<b>Total Rates &amp; Annual Charges</b>	<b>5,700</b>	<b>5,466</b>
<b>(b) USER CHARGES &amp; FEES</b>		
<u>User Charges</u>		
Domestic Waste Management	110	148
Water Supply	335	371
Sewerage Services	56	26
Drainage Services	-	-
Other Waste Management	141	154
Other	-	-
	<b>642</b>	<b>699</b>
<u>Fees</u>		
RTA Claims - State Roads	2,811	1,663
Private Works	30	46
Sec 611 Charges	250	261
Cemeteries	71	97
Pools	109	94
Quarries	661	568
Other	107	85
	<b>4,039</b>	<b>2,814</b>
<b>Total User Charges &amp; Fees</b>	<b>4,681</b>	<b>3,513</b>
<b>(c) INVESTMENT REVENUES</b>		
Interest on overdue rates & charges	101	59
Interest on cash assets & investments		
externally restricted	31	29
internally restricted	-	-
unrestricted	852	712
<b>Gross Investment Revenues</b>	<b>984</b>	<b>800</b>
Less: Interest deducted from		
capitalised borrowing costs	-	-
<b>Total Investment Revenues</b>	<b>984</b>	<b>800</b>
<b>(d) OTHER REVENUES</b>		
Other fines	11	11
Derecognition of Provisions for Rehabilitation	-	48
Rental income - Investment Property	-	-
- Other property	11	-
Other	53	69
<b>Total Other Revenues</b>	<b>75</b>	<b>128</b>

# KYOGLÉ COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

### Note 3 - INCOME FROM CONTINUING OPERATIONS (cont)

	Notes	OPERATING		CAPITAL	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>(e) GRANTS</b>					
General Purpose (Untied)					
Financial Assistance		3,082	2,911		
Pensioner Rates Subsidies (General)		110	108		
Specific Purpose					
Pensioner Rates Subsidies					
Water Supplies		27	26		
Sewerage Services		26	26		
Domestic Waste Management		26	25		
Water Supplies			-	17	82
Sewerage Services			-	134	102
Community Centres			-	303	58
Transport		1,720	509	1,296	1,560
Library Services		38	38	11	8
Street Lighting Subsidy		27	26		
Community Projects		21	111		
Flood Damage		97			
Community Care Services					
Bushfire & Emergency Services		126	121	485	
Other		39	57		25
<b>Total Grants &amp; Subsidies</b>		<b>5,339</b>	<b>3,958</b>	<b>2,246</b>	<b>1,835</b>
<b>Comprising:</b>					
- Commonwealth funding		3,103	3,217	898	1,633
- State funding		2,236	741	1,348	202
- Other funding		-	-	-	-
		<b>5,339</b>	<b>3,958</b>	<b>2,246</b>	<b>1,835</b>
<b>(f) CONTRIBUTIONS</b>					
Developer Contributions					
Section 94	17			101	34
Section 94A levies	17			-	
Planning agreements	17				
RTA Contributions		811	762	538	194
Section 64					
Water	17			3	
Sewer	17			2	
Stormwater	17			1	
Subdivider dedications	11				
Muli Muli Water Infrastructure					98
Muli Muli Sewer Infrastructure					1,581
Other Councils - Joint Works					
Other				274	93
<b>Total Contributions</b>		<b>811</b>	<b>762</b>	<b>919</b>	<b>2,000</b>
<b>TOTAL GRANTS &amp; CONTRIBUTIONS</b>		<b>6,150</b>	<b>4,720</b>	<b>3,165</b>	<b>3,835</b>

# KYOGLE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

### Note 3 - INCOME FROM CONTINUING OPERATIONS (cont)

#### (g) RESTRICTIONS RELATING TO 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:

	2008 \$'000		2007 \$'000	
	<u>Grants</u>	<u>Contrib</u>	<u>Grants</u>	<u>Contrib</u>
<i>Unexpended at the close of the previous reporting period</i>	1,115	497	859	489
<i>Less: expended during the current period from revenues recognised in previous reporting periods</i>				
Section 94/64 Developer Contributions		126		118
Roads Infrastructure	1,293	46	151	
Heritage & Cultural Services				
Community Care Services				
Other				
<i>Subtotal</i>	<u>1,293</u>	<u>172</u>	<u>151</u>	<u>118</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		169		126
Roads Infrastructure	937	146	407	
Heritage & Cultural Services				
Community Care Services				
Other				
<i>Subtotal</i>	<u>937</u>	<u>315</u>	<u>407</u>	<u>126</u>
<i>Unexpended at the close of this reporting period and held as restricted assets</i>	<u>759</u>	<u>640</u>	1,115	497
<i>Net increase (decrease) in restricted assets in the current reporting period</i>	<u>(356)</u>	<u>143</u>	256	8

# KYOGLÉ COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

### Note 4 - EXPENSES FROM CONTINUING OPERATIONS

<b>(a) EMPLOYEE BENEFITS AND ON-COSTS</b>	<b>2008 \$'000</b>	<b>2007 \$'000</b>
Salaries and Wages	4,359	4,019
Travelling	60	73
Employee Leave Entitlements	654	620
Superannuation - defined contribution plan contributions	391	379
Superannuation - defined benefit plan contributions	-	-
Workers' Compensation Insurance	252	129
Fringe Benefits Tax	18	17
Payroll Tax	-	-
Training Costs (excluding Salaries)	131	100
Other	108	142
Less: Capitalised and distributed costs	<u>(704)</u>	<u>(611)</u>
<b>Total Operating Employee Costs</b>	<b><u>5,269</u></b>	<b><u>4,868</u></b>
 <b>Total Number of Employees</b>	 <b>102</b>	 <b>100</b>
(Full time equivalent at end of reporting period)		
 <b>(b) BORROWING COSTS</b>		
Interest on Loans	68	41
Unwinding of present value discounts & premiums	<u>91</u>	<u>46</u>
<b>Total Borrowing Costs Expensed</b>	<b><u>159</u></b>	<b><u>87</u></b>
 <b>(c) MATERIALS &amp; CONTRACTS</b>		
Raw materials & consumables	4,947	3,442
Contractor and consultancy costs		
- Garbage Contract	133	123
Auditor's Remuneration		
- Audit Services	44	51
- Other Services		
Legal Expenses		
- Planning & Development	2	5
- Other Legal Expenses	65	130
Operating Leases		
- Buildings		10
<b>Total Materials &amp; Contracts</b>	<b><u>5,191</u></b>	<b><u>3,761</u></b>

# KYOGLE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

### Note 4 - EXPENSES FROM CONTINUING

#### OPERATIONS (cont)

	IMPAIRMENT		DEPRECIATION	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>(d) DEPRECIATION, AMORTISATION &amp; IMPAIRMENT</b>				
Plant and Equipment	-		827	769
Office Equipment	-		64	69
Furniture & Fittings	-		3	2
Leased Property, Plant & Equipment	-		-	-
Land	-		-	-
Land Improvements	-		38	16
Buildings - non-specialised	-		21	119
Buildings - specialised	-		102	
Other Structures	-		146	122
Infrastructure				
- roads, bridges & footpaths	-		2,018	2,071
- bulk earthworks	-		-	
- stormwater drainage	-		169	132
- water supply network not elsewhere included	-		101	92
- sewerage network not elsewhere included	-		190	147
Other assets				
- other	-		-	15
Future Reinstatement Costs				
- Tips	-		115	115
- Quarries	-		34	34
- Other remediation assets	-		-	
Less: Capitalised and distributed costs				
<b>Total Depreciation, Amortisation &amp; Impairment</b>	<u>-</u>	<u>-</u>	<u>3,828</u>	<u>3,703</u>

	2008 \$'000	2007 \$'000
<b>(e) OTHER EXPENSES</b>		
Bad and Doubtful Debts	9	-
Mayoral fee	19	18
Councillors' Fees & Allowances	77	75
Councillors' (incl. Mayor) Expenses	38	34
Insurances	322	294
Street Lighting	120	129
Light, Power & Heating	156	126
Telephone & Communications	83	70
Donations & Contributions to Local & Regional Bodies	60	79
Regional Library	235	230
Emergency Services	137	146
Subscriptions & Publications	26	8
<b>Total Other Expenses</b>	<u>1,282</u>	<u>1,209</u>



# KYOGLE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

### Note 5 - GAIN OR LOSS ON DISPOSAL OF ASSETS

	2008 \$'000	2007 \$'000
<b>DISPOSAL OF PROPERTY</b>		
Proceeds from disposal		
Less: Carrying amount of assets sold		
<b>Gain (Loss) on disposal</b>	<u>-</u>	<u>-</u>
<b>DISPOSAL OF INFRASTRUCTURE, PLANT &amp; EQUIPMENT</b>		
Proceeds from disposal	1,055	469
Less: Carrying amount of assets sold	<u>(1,188)</u>	<u>(1,741)</u>
<b>Gain (Loss) on disposal</b>	<u>(133)</u>	<u>(1,272)</u>
<b>TOTAL GAIN (LOSS) ON DISPOSAL OF ASSETS</b>	<u>(133)</u>	<u>(1,272)</u>

# KYOGLE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

### Note 6 - CASH AND CASH EQUIVALENTS

	2008		2007	
	\$'000		\$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
<b>CASH ASSETS</b>				
Cash on Hand and at Bank	5,629		3,142	
Deposits at Call	8,200		9,700	
<b>Total Cash Assets</b>	<u>13,829</u>		<u>12,842</u>	

# KYOGLE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

### Note 6 - RESTRICTED CASH AND CASH EQUIVALENTS

	2008		2007	
	\$'000		\$'000	
	Current	Non-Current	Current	Non-Current
Cash & Cash Equivalent Assets	13,829		12,842	
<b>External Restrictions</b>	<b>3,578</b>		3,590	
<b>Internal Restrictions</b>	<b>10,051</b>		9,052	
<b>Unrestricted</b>	<b>200</b>	-	200	-
	<b>13,829</b>	-	12,842	-

### DETAILS OF MOVEMENTS OF RESTRICTED CASH AND CASH EQUIVALENTS

Notes	Opening Balance 30 June 2007	Movements		Closing Balance 30 June 2008
		Transfers To Restriction	Transfers From Restriction	
	\$'000	\$'000	\$'000	\$'000
<b>External Restrictions</b>				
<b>Included in liabilities</b>				
Unexpended Loans (A)			-	
RTA Advances (B)			-	
Self Insurance Claims (C)			-	
Retention Bonds & Deposits	117	144	50	211
Other			-	
	<b>117</b>	<b>144</b>	<b>50</b>	<b>211</b>
<b>Other</b>				
Developer Contributions (D) 17	445	169	126	488
RTA Contributions (E)	52	146	46	152
Specific Purpose Unexpended ...Grants (F)	1,115	937	1,293	759
Water Supply funds (G)	983		255	728
Sewerage funds (H)	482	381	-	863
Domestic Waste Management (I)	396		19	377
Other			-	
	<b>3,473</b>	<b>1,633</b>	<b>1,739</b>	<b>3,367</b>
<b>Total External Restrictions</b>	<b>3,590</b>	<b>1,777</b>	<b>1,789</b>	<b>3,578</b>

*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	1,103	110	-	1,213
Buildings	672	10	-	682
Plant replacement	1,501		246	1,255
Carry-over works	3,686	2,625	3,686	2,625
Quarries	363	2	-	365
Transport	1,127	104	-	1,231
Information Technology	50	30	-	80
Bridges	450	1,815	-	2,265
Emergency Works	100		-	100
Stormwater Management	-	35	-	35
East West Connection	-	150	-	150
Entrance Signage	-	50	-	50
<b>Total Internal Restrictions</b>	<b>9,052</b>	<b>4,931</b>	<b>3,932</b>	<b>10,051</b>

- 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 2008

### Note 7 - RECEIVABLES

	2008 \$'000		2007 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
Rates & Annual Charges	546	41	474	41
Interest & Extra Charges	124	-	77	-
User Charges & Fees	796	-	502	-
Accrued Interest on Investments	68	-	30	-
Other levels of Government	634	-	229	-
Other	1	-	1	-
<b>Total</b>	<b><u>2,169</u></b>	<b><u>41</u></b>	<b><u>1,313</u></b>	<b><u>41</u></b>
Less: Allowance for Doubtful Debts				
Rates & Annual Charges	-	41	-	41
User Charges & Fees	9	-	9	-
	<b><u>2,160</u></b>	<b><u>-</u></b>	<b><u>1,304</u></b>	<b><u>-</u></b>
<b>RESTRICTED RECEIVABLES</b>				
Water Supply	293	-	194	-
Sewerage Services	137	-	100	-
Domestic Waste Management	133	-	37	-
Other	-	-	-	-
<b>Total Restrictions</b>	<b><u>563</u></b>	<b><u>-</u></b>	<b><u>331</u></b>	<b><u>-</u></b>
Unrestricted Receivables	<b><u>1,597</u></b>	<b><u>-</u></b>	<b><u>973</u></b>	<b><u>-</u></b>
<b>Total Receivables</b>	<b><u>2,160</u></b>	<b><u>-</u></b>	<b><u>1,304</u></b>	<b><u>-</u></b>

# KYOGLE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

### Note 8 - INVENTORIES & OTHER ASSETS

	2008 \$'000		2007 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
<b>INVENTORIES</b>				
Stores & Materials	501	-	478	-
Trading Stock	181	-	141	-
<b>Total Inventories</b>	<b>682</b>	<b>-</b>	<b>619</b>	<b>-</b>
<b>OTHER ASSETS</b>				
Prepayments	264	-	271	-
<b>Total Other Assets</b>	<b>264</b>	<b>-</b>	<b>271</b>	<b>-</b>

Council has no externally restricted inventories or other assets.

# KYOGLÉ COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

### Note 9 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	2007 \$'000				CARRYING AMOUNT MOVEMENTS DURING YEAR \$'000						2008 \$'000			
	AT COST	AT FAIR VALUE	ACCUM DEPN	CARRYING AMOUNT	Asset Purchases	Asset Disposals	Depreciation	Impairment	Transfers/ Adjustments	Net Revaluation	AT COST	AT FAIR VALUE	ACCUM DEPN	CARRYING AMOUNT
Capital Work-in-progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant & Equipment	10,631	2,129	(6,560)	6,200	2,977	(697)	(827)	-	-	5	-	13,889	(6,231)	7,658
Office Equipment	898	-	(780)	118	67	-	(64)	-	-	-	-	965	(844)	121
Furniture & Fittings	90	-	(69)	21	-	-	(3)	-	-	-	-	90	(72)	18
Leased Plant & Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land														
- Operational Land	955	356	-	1,311	-	-	-	-	-	3,354	-	4,665	-	4,665
- Community Land	590	-	-	590	-	-	-	-	-	380	-	970	-	970
- non deprec land improv'ts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- land under roads	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land Improvements - depreciable	580	680	(96)	1,164	117	-	(38)	-	-	(24)	-	1,352	(133)	1,219
Buildings - non-specialised	1,352	189	(715)	826	-	-	(21)	-	-	486	-	2,175	(884)	1,291
Buildings - specialised	7,133	-	(4,252)	2,881	615	-	(102)	-	-	4,595	-	16,572	(8,583)	7,989
Other Structures	2,161	9,955	(7,177)	4,939	232	-	(146)	-	-	1,673	-	14,994	(8,296)	6,698
Infrastructure														
- Roads, bridges, footpaths	116,437	-	(67,227)	49,210	3,635	(453)	(2,018)	-	-	-	118,749	-	(68,375)	50,374
- Bulk earthworks (non-deprec.)	128,806	-	-	128,806	410	(37)	-	-	-	-	129,179	-	-	129,179
- Stormwater drainage	-	20,135	(7,661)	12,474	174	-	(169)	-	-	439	-	21,091	(8,173)	12,918
- Water Supply Network	-	8,812	(5,561)	3,251	441	-	(101)	-	-	(313)	-	9,090	(5,812)	3,278
- Sewerage Network	-	17,519	(7,718)	9,801	1,027	-	(190)	-	-	328	-	19,242	(8,276)	10,966
Other Assets														
- Heritage Collections	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Library Books	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Other	3	-	(2)	1	-	-	-	-	-	-	3	-	(2)	1
Future Reinstatement Costs														
- Tips	1,074	-	(345)	729	-	-	(115)	-	(418)	-	656	-	(460)	196
- Quarries	147	-	(82)	65	-	-	(34)	-	-	-	147	-	(116)	31
- Other remediation assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Totals</b>	<b>270,857</b>	<b>59,775</b>	<b>(108,245)</b>	<b>222,387</b>	<b>9,695</b>	<b>(1,187)</b>	<b>(3,828)</b>	<b>-</b>	<b>(418)</b>	<b>10,923</b>	<b>248,734</b>	<b>105,095</b>	<b>(116,257)</b>	<b>237,572</b>

Asset acquisitions were apportioned between:

Building & Infrastructure Renewals	3,598
Building & Infrastructure New Assets	2,294
Other Assets	3,803

# KYOGLÉ COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

### Note 9 (cont) - RESTRICTED PROPERTY, PLANT & EQUIPMENT

	2008 \$'000				2007 \$'000			
	AT COST	AT VALUATION	ACCUM DEPN	CARRYING AMOUNT	AT COST	AT VALUATION	ACCUM DEPN	CARRYING AMOUNT
<b><u>Water Supply</u></b>								
Plant & Equipment		842	553	289		804	515	289
Land								
- Operational		537		537		235		235
- non depreciable land improv'ts								
Buildings		198	137	61		189	128	61
Other Structures		7,425	4,999	2,426		7,087	4,718	2,369
Water Supply Infrastructure	-	9,090	5,812	3,278		8,812	5,561	3,251
<b>Total Water Supply</b>	-	<b>18,092</b>	<b>11,501</b>	<b>6,591</b>	-	<b>17,127</b>	<b>10,922</b>	<b>6,205</b>
<b><u>Sewerage Services</u></b>								
Plant & Equipment		1,388	587	801		1,325	512	813
Land								
- Operational		127		127		121		121
- non depreciable land improv'ts		713		713		680		680
Other Structures		3,004	1,271	1,733		2,868	1,181	1,687
Sewerage Infrastructure	-	19,242	8,276	10,966		17,519	7,718	9,801
<b>Total Sewerage Services</b>	-	<b>24,474</b>	<b>10,134</b>	<b>14,340</b>	-	<b>22,513</b>	<b>9,411</b>	<b>13,102</b>
<b><u>Domestic Waste Management</u></b>								
Land								
- Operational					89			89
- non depreciable land improv'ts								
Land Improvements - depreciable		246	40	206	205		26	179
Other Structures								
- Other	656		460	196	1,074		345	729
<b>Total Domestic Waste</b>	<b>656</b>	<b>246</b>	<b>500</b>	<b>402</b>	<b>1,368</b>	-	<b>371</b>	<b>997</b>
<b>TOTAL RESTRICTIONS</b>	<b>656</b>	<b>42,812</b>	<b>22,135</b>	<b>21,333</b>	<b>1,368</b>	<b>39,640</b>	<b>20,704</b>	<b>20,304</b>

# KYOGLE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

### Note 10 - PAYABLES, BORROWINGS AND PROVISIONS

	2008 \$'000		2007 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
<b>PAYABLES</b>				
Goods & Services	1,641		748	
Accrued Expenses	90		69	
Deposits, Retentions & Bonds	106	105	58	59
Other	1			
<b>Total Payables</b>	<u>1,838</u>	<u>105</u>	<u>875</u>	<u>59</u>

*Current payables not expected to be settled within the next 12 months.*

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#### **BORROWINGS**

Loans				
- Secured	<u>16</u>	<u>1,019</u>	<u>442</u>	<u>40</u>

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

#### **PROVISIONS**

Annual Leave	413	-	396	-
Long Service Leave	792	37	790	28
Reinstatement, Remediation, etc.	-	1,106	-	1,434
Other	83	-	77	-
<b>Total Provisions</b>	<u>1,288</u>	<u>1,143</u>	<u>1,263</u>	<u>1,462</u>

*Current provisions not expected to be settled within the next 12 months.*

620

600

Movements in Provisions	Annual Leave		Long Service Leave		Reinstatement, etc.		Other	
	2008 \$'000	2008 \$'000	2008 \$'000	2008 \$'000	2008 \$'000	2008 \$'000	2008 \$'000	2008 \$'000
Opening Balance	396	818	1,434	77				
Add Additional amounts recognised	328	163		6				
Unwinding of present value discount	-	-	90	-				
(Less) Payments	(311)	(152)						
Add (Less) Remeasurement Adjustments			(418)					
Closing Balance	<u>413</u>	<u>829</u>	<u>1,106</u>	<u>83</u>				



# KYOGLE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

### NOTE 10 - LIABILITIES (cont)

	2008 \$'000		2007 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
<b>LIABILITIES relating to RESTRICTED ASSETS</b>				
<u>Domestic Waste Management</u>				
Provisions	-	887	-	1,251
Subtotal	-	887	-	1,251
<u>Water Supplies</u>				
Payables	20	-	87	
Interest Bearing Liabilities	-	-		
Provisions	36	-	42	
Subtotal	56	-	129	-
<u>Sewerage Services</u>				
Payables	187	-	43	
Interest Bearing Liabilities	16	1,019	6	40
Provisions	36	-	42	
Subtotal	239	1,019	91	40
<b>TOTAL</b>	<b>295</b>	<b>1,906</b>	<b>220</b>	<b>1,291</b>

# KYOGLE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

### Note 11 - RECONCILIATION TO CASH FLOW STATEMENT

**(a) Reconciliation of Cash**

	2008 \$'000	2007 \$'000
Total Cash Assets (Note 6)	13,829	12,842
Less: Bank Overdraft (Note 10)	-	-
Balances per Statement of Cash Flows	13,829	12,842

**(b) Reconciliation of Change in Net Assets to Cash  
from Operating Activities**

Net Operating Result from Income Statement	4,893	3,562
Add: Depreciation, Amortisation & Impairment	3,828	3,703
Unwinding of present value discounts & premiums	92	1
Increase in employee benefits provisions	26	24
Increase in other provisions	6	54
Decrease in receivables	-	963
Decrease in other assets	7	9
Increase in trade creditors	893	-
Increase in accrued expenses payable	21	-
Increase in other payables	95	-
Loss on Sale of Assets	133	1,272
	9,994	9,588
Less: Decrease in provision for doubtful debts	-	-
Decrease in other provisions	-	-
Increase in receivables	856	-
Increase in inventories	63	78
Decrease in trade creditors	-	434
Decrease in accrued expenses payable	-	6
Decrease in other payables	-	25
Non-cash Capital Grants and Contributions	482	-
<b>Net Cash provided by (or used in) operations</b>	<b>8,593</b>	<b>9,045</b>

# KYOGLE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

### Note 11 (cont) - RECONCILIATION TO CASH FLOW STATEMENT

	2008 \$'000	2007 \$'000
<b>(c) Non-Cash Financing and Investing Activities</b>		
Acquisition of assets by means of:		
- Bushfire Grants	482	-
	<u>-</u>	<u>-</u>
	<u>482</u>	<u>-</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.

# KYOGLE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

### Note 12 - COMMITMENTS FOR EXPENDITURE

	2008 \$'000	2007 \$'000
<b>(a) Capital Commitments</b>		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:	None	
<b>(b) Other Expenditure Commitments</b>		
Other expenditure committed for (excluding inventories) at the reporting date but not recognised in the financial statements as liabilities:		
Audit Services	97	127
Waste Management Services	-	138
Quarries Royalties	75	112
	<u>172</u>	<u>377</u>
These expenditures are payable:		
Not later than one year	69	205
Later than one year and not later than 5 years	103	172
Later than 5 years	-	-
	<u>172</u>	<u>377</u>
<b>(c) Finance Lease Commitments</b>		
Commitments under finance leases at the reporting date are as follows:	None	

# KYOGLE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

### Note 12 (CONT) - COMMITMENTS FOR EXPENDITURE

	2008 \$'000	2007 \$'000
<b>(d) Operating Lease Commitments (Non-Cancellable)</b>		
Commitments under non-cancellable operating leases at the reporting date but not recognised in the financial statements are payable as follows: None		
<b>(e) Remuneration Commitments</b>		
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	454	144
Later than one year and not later than 5 years	411	186
Later than 5 years	-	-
	<u>865</u>	<u>330</u>

# KYOGLE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

### Note 13 - STATEMENT OF PERFORMANCE MEASUREMENT

	<u>Amounts</u>	<u>2008 Indicators</u>	2007	2006	2005
<b>Unrestricted Current Ratio</b>					
<u>Current Assets less all external restrictions (1)</u>	\$12,794	5.74	6.31	4.09	3.13
Current Liabilities less specific purpose liabilities (2), (3)	\$2,227				
<b>Debt Service Ratio</b>					
<u>Debt Service Cost</u>	\$515	0.035	0.019	0.018	0.039
Revenue from continuing operations excluding capital items and specific purpose grants/contributions	\$14,632				
<b>Rate Coverage Ratio</b>					
<u>Rates &amp; Annual Charges</u>	\$5,700	0.275	0.290	0.306	0.314
Revenue from continuing operations	\$20,755				
<b>Rates &amp; Annual Charges Outstanding Percentage</b>					
<u>Rates &amp; Annual Charges Outstanding</u>	\$670	10.55%	9.41%	8.29%	8.09%
Rates & Annual Charges Collectible	\$6,352				
<b>Building &amp; Infrastructure Renewals Ratio</b>					
<u>Asset renewals (building &amp; infrastructure)</u>	\$3,598	1.383			
Depreciation, Amortisation, Impairment (building & infrastructure)	\$2,601				<i>New ratio introduced 2008 - no comparatives available.</i>

Notes:

- (1) Refer to Notes 6-8 inclusive.
- (2) Refer to Note 10.
- (3) \$620,000 provisions not expected to be settled deducted.

# KYOGLE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

### Note 14 - INVESTMENT PROPERTY

<b>2008</b>	2007
<b>\$'000</b>	\$'000

Council has not owned or controlled any investment properties at any time during the financial year.

# KYOGLÉ COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

### Note 15 - FINANCIAL RISK MANAGEMENT

Council's activities expose it to a variety of financial risks including price risk, credit risk, liquidity risk and interest rate risk. All financial instruments are denominated in Australian dollars, and hence currency risk does not apply.

Financial risk management is carried out by Finance section in accordance with policies approved by Council and in accordance with statutory requirements, and seeks to maximise revenue while protecting the corpus of the funds invested.

Council held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>				
Cash and Cash Equivalents	13,829	12,842	13,829	12,842
Receivables	2,160	1,304	2,160	1,304
	<b>15,989</b>	14,146	<b>15,989</b>	14,146
<b>Financial Liabilities</b>				
Payables	1,943	934	1,943	934
Borrowings	1,035	482	1,035	482
	<b>2,978</b>	1,416	<b>2,978</b>	1,416

Fair value is estimated as follows:

Cash & equivalents, receivables & payables - due to the short-term nature, face value (carrying value) approximates fair value.

Held-to-maturity investments and borrowings - anticipated future cash flows discounted by current market interest rates applicable to assets and liabilities with similar risk profiles.

Financial assets at fair value through profit & loss, and available-for-sale - based on quoted market prices (where a liquid market exists) or independent valuation. Particular difficulties were experienced in assessing fair value of CDOs, and these have been reported in Note 1.

#### **Cash and Cash Equivalents**

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

The investment portfolio is managed in accordance with Council's policy (which complies with the *Local Government Act & Regulations*, and the Minister's Order). The investment policy is reviewed regularly, and a report in accordance with section 625 of the Act provided to Council monthly.

The investment portfolio is managed so as to provide adequate liquidity at all times, particularly during the periods between the quarterly receipt of rates instalments and grants.

Council's investment portfolio consists of deposits at fixed and variable interest rates, generally for periods of less than 120 days. Whilst these are subject to interest rate risk, this is minimised by the short term of the financial assets held.



# KYOGLE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

### Note 15 - FINANCIAL RISK MANAGEMENT (cont)

Interest Sensitivity Analysis	2008 \$'000	2007 \$'000
Impact of a 10% movement in price of investments (for assets subject to price risk only)		
- Equity	-	-
- Income Statement	-	-
 Impact of a 1% change in interest rates on cash & investments		
- Equity	138	128
- Income Statement	138	128

#### Receivables

Credit risk on receivables for rates, annual charges and service charges made under section 502 is minimised as these are secured over the subject land. The security extends to interest levied for late payment.

Other receivables are subject to a range of credit risk minimisation procedures as appropriate, varying from credit checks to specific security pledges. Council is not materially exposed to any individual debtor, and credit risk exposure is concentrated within the Council boundaries in the State of New South Wales. There are no material receivables that have been subject to re-negotiation of repayment terms.

Council receives regular summary reports of receivables due, and detailed reports where appropriate.

At reporting date, all amounts receivable were reviewed, and adequate allowance made for amounts considered doubtful.

	2008 \$'000	2007 \$'000
Percentage of Rates & Annual Charges		
- Current	11%	9%
- Overdue	89%	91%
 Percentage of Other receivables		
- Current	97%	94%
- Overdue	3%	6%

#### Payables

#### Borrowings

Payables and borrowings are subject to liquidity risk - the risk that insufficient funds may be on hand to meet payment obligations as they fall due. The investment portfolio is managed so as to provide adequate liquidity at all times, particularly during the periods between the quarterly receipt of rates instalments and grants.

#### Liquidity Sensitivity Table

The contractual undiscounted cash flows of Council's payables and borrowings are shown below:

	2008 '000	Due			Total Contractual Cash Flows	Carrying Value
		≤ 1 year	2 - 5 years	> 5 years		
<b>Payables</b>		1,838	105	-	1,943	1,943
<b>Borrowings</b>		92	366	2,046	2,504	1,035
		<u>1,930</u>	<u>471</u>	<u>2,046</u>	<u>4,447</u>	<u>2,978</u>
	2007 '000	Due			Total Contractual Cash Flows	Carrying Value
		≤ 1 year	2 - 5 years	> 5 years		
Payables		875	59	-	934	934
Borrowings		468	33	14	515	482
		<u>1,343</u>	<u>92</u>	<u>14</u>	<u>1,449</u>	<u>1,416</u>

# KYOGLE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

### Note 15 - FINANCIAL RISK MANAGEMENT (cont)

Borrowings are also subject to interest rate risk - the risk that changes in interest rates could adversely affect funding costs. Council manages this risk by generally borrowing long term, commonly at rates fixed for the duration of the loan.

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

	2008		2007	
	Wtd ave interest rate	Balance	Wtd ave interest rate	Balance
Overdraft	-	-	-	-
Loans - fixed interest rate	7.31%	1,035	6.48%	482
Loans - variable interest rate	-	-	-	-
		<u>1,035</u>		<u>482</u>

## KYOGLE COUNCIL

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30th June 2008

#### Note 16 Material budget variations

Council's original budget was incorporated as part of the Management Plan adopted by the Council on 22 June 2007. 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. Material variations of more than 10% are explained below:

#### Revenues

**1. User charges and fees**

Income received from user charges and fees was over budget by \$1,347K (F) (40%) due mainly to RTA works not being budgeted for.

**2. Investment revenues**

The actual amount of interest revenue received was over budget by \$762K (F) (343%) due to higher levels of funds being available for investment during the year.

**3. Other revenues**

Other revenues were over budget by \$24K (F) (47%) due to OH & S incentive scheme not being budgeted for.

**4. Grants and contributions received**

The level of operating grants and contributions was over budget by \$2,214K (F) (56%) mainly due to Flood damage grants not being budgeted for.

#### Expenses

**5. Materials & contracts**

Materials & contracts were over budget by \$2,647K (U) (104%) due mainly to RTA works and Flood damage works not being budgeted for.

**6. Borrowing costs**

Borrowing costs were over budget by \$93K (U) (140%) due mainly to Quarries and Tips unwinding of present value discount not being budgeted for.

**7. Gain/Loss on disposal of assets**

Council has recorded a net loss on sale of assets of \$133K. 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.

# KYOGLE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

### Note 17 - STATEMENT OF CONTRIBUTION PLANS

#### SUMMARY OF CONTRIBUTIONS

PURPOSE	OPENING BALANCE	CONTRIBUTIONS RECEIVED DURING YEAR		INTEREST EARNED DURING YEAR	EXPENDE D DURING YEAR	INTERNAL BORROW- INGS (to)/from	HELD AS RESTR- ICTED ASSET	EST. FUTURE CONTRIBS	EST. WORKS OUT- STANDING	EST. OVER/ (UNDER) FUNDING
		CASH	NON-CASH							
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Drainage	14	2		1	(16)		1	9	10	
Roads	324	125		22	(107)		364	525	889	
Open Space	59	7		4	(4)		66	40	106	
Subtotal S94 under plans	397	134		27	(127)		431	574	1,005	
Sec 94 not under plans										
Sec 64 Contributions	48	5		4			57			
<b>Total Contributions</b>	<b>445</b>	<b>139</b>		<b>31</b>	<b>(127)</b>		<b>488</b>			

**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	EXPENDE D DURING YEAR	INTERNAL BORROW- INGS (to)/from	HELD AS RESTR- ICTED ASSET	EST. FUTURE CONTRIBS	EST. WORKS OUT- STANDING	EST. OVER/ (UNDER) FUNDING
		CASH	NON-CASH							
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Drainage	14	2		1	(16)		1	9	10	
Roads	324	125		22	(107)		364	525	889	
Open Space	59	7		4	(4)		66	40	106	
<b>Total</b>	<b>397</b>	<b>134</b>		<b>27</b>	<b>(127)</b>		<b>431</b>	<b>574</b>	<b>1,005</b>	

## KYOGLE COUNCIL

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30th June 2008

#### **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 2008

### 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", these 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 2008 financial year.

	<b>2008</b>	2007
Council's respective interests are:		
- interest in outputs of the joint operation	<b>12.5%</b>	12.5%
<u>Movements in Investment in Joint Operation</u>	<b>\$'000</b>	\$'000
Opening Balance	<b>32</b>	30
Amount recognised on inclusion in Council's accounts		
New Capital Contributions	<b>19</b>	19
Share in Operating Result	<b>(15)</b>	(17)
Distributions Received		
Adjustment to Equity Share		
<b>Share in Equity of Joint Operation</b>	<b><u>36</u></b>	<u>32</u>

# KYOGLE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

### Note 20 - REVALUATION RESERVES & RETAINED EARNINGS

<i>(a) Revaluation Reserves</i>	2008 \$'000	2007 \$'000
<b><i>Infrastructure, Property, Plant &amp; Equipment</i></b>		
Balance at beginning of reporting period	15,955	10,782
Add: Revaluation increments transferred to the reserve		
relating to:		
Land		
- Council owned (freehold)	2,680	-
- Council controlled	690	-
Buildings	5,078	-
Other Structures	1,484	-
Water	115	497
Sewer	437	1,990
Drainage	439	2,686
	<b>10,923</b>	<b>5,173</b>
<b>Balance at end of reporting period</b>	<b>26,878</b>	<b>15,955</b>

***Nature and purpose of reserves***

The infrastructure, property, plant and equipment revaluation reserve is used to record increments and decrements on the revaluation of non-current assets.

<i>(b) Retained Earnings</i>	2008 \$'000	2007 \$'000
As previously reported (beginning of year)	217,327	213,765
Net operating result for the year	4,893	3,562
At end of year	<b>222,220</b>	<b>217,327</b>

***(c) Correction of errors in previous years***

In the course of water infrastructure revaluations carried out in the current reporting period, it was found that the value of a length of mains pipe was overstated in Council's Bize-assets software as at 30 June 2007. The overstatement is represented by a replacement value of \$3,288,982 with Accumulated depreciation of \$2,425,624 resulting in a net adjustment of \$863,358. Comparative amounts have been adjusted accordingly in the areas of Infrastructure, property, plant & equipment and also Revaluation reserves.



## **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 2008, 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 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.

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 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. In addition, 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.

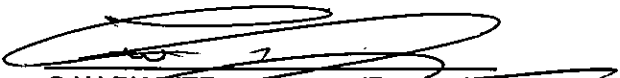
## Audit Opinion

In our opinion:

- (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 report:
  - i. has been prepared in accordance with the requirements of that Division;
  - ii. is consistent with the Council's accounting records;
  - iii. presents fairly, in all material respects, the Council's financial position as at 30<sup>th</sup> June 2008, the results of its operations and cash flows for the year then ended; and
  - iv. is in accordance with applicable Accounting Standards, Interpretations and other mandatory professional reporting requirements in Australia.
- (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 we have become aware of in the course of the audit.

Dated at Lismore this 27<sup>th</sup> day of October 2008.

**THOMAS NOBLE & RUSSELL**  
**CHARTERED ACCOUNTANTS**

  
G W DWYER (Partner)  
Registered Company Auditor



Lismore, 27<sup>th</sup> October, 2008

Mayor and Councillors  
Kyogle Council  
Stratheden Street  
KYOGLE NSW 2474

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, 30 June 2008 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 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 statements are 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 reports presented to us by the Council. Our audit responsibility does not extend to:

- the original budget information included in the income statement, cash flow statement, Note 2(a) and Note 16 budget variation explanations in the general purpose financial report;
- the best practice disclosures in Notes 2 & 3 to the special purpose financial report; and
- information presented at Note 17 to the general purpose financial statements relating to projected future contributions, cost of works and over/(under) funding.

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.

As auditors of Council we are not required to:

- Review and assess the adequacy of Council's:
  - management plans;
  - quarterly budget reviews;
  - insurance cover; and
  - infrastructure improvement / maintenance planning and monitoring.
- Form an opinion on, or advise Council on the probity of it's 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.

The responsibility of the above-mentioned 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 Council and management place a high level of importance in ensuring that budgets are complied with. To further preserve or improve Council's financial position, all decisions need to be made with due consideration of any and all financial impacts and there needs to be a continued level of accountability and responsibility by senior management and Council.

## 3. OPERATING RESULT

Council's surplus from all activities for the year ended 30 June 2008 totalled \$4,893,000. This compares to a surplus in 2007 of \$3,562,000. The 2008 result can be summarised as follows:

	<b>2008</b>	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Revenues from continuing operations	17,590	14,627	14,564
Expenses from continuing operations	(11,901)	(9,925)	(10,273)
Result from continuing operations before depreciation and capital amounts	5,689	4,702	4,291
Less Depreciation	(3,828)	(3,703)	(4,117)
Result from continuing operations before capital amounts	1,861	999	174
Capital grants and contributions	3,165	2,156	2,054
Gain / (loss) on disposal of assets	(133)	(1,272)	(782)
Significant items	-	1,679	-
Surplus / (Deficit) from all activities	<b>4,893</b>	<b>3,562</b>	<b>1,446</b>

## Variations to 2007 by Revenue / Expenditure

The surplus from continuing operations before depreciation and capital amounts has increased by \$987,000 from \$4,702,000 in 2007 to \$5,689,000 in 2008. Some of the components contributing to the result include:

		\$
Revenue	- increased ordinary rates income	160,000
	- increased RTA claims – State roads	1,148,000
	- increased interest revenue	184,000
	- increased operating grants	1,381,000
Expenditure	- increased employee costs	401,000
	- increased materials and contracts expenditure	1,430,000

### Explanations

#### Revenue

- *increased ordinary rates income \$160,000*

Ordinary rates increased in conjunction with the rate-pegged increment of 3.4%.

- *increased RTA claims – State roads \$1,148,000*

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

- *increased interest revenue \$184,000*

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

- *increased operating grants \$1,381,000*

Council received \$1,641,000 in natural disaster funding from the RTA for the January 2008 flooding event.

#### Expenditure

- *increased employee costs \$401,000*

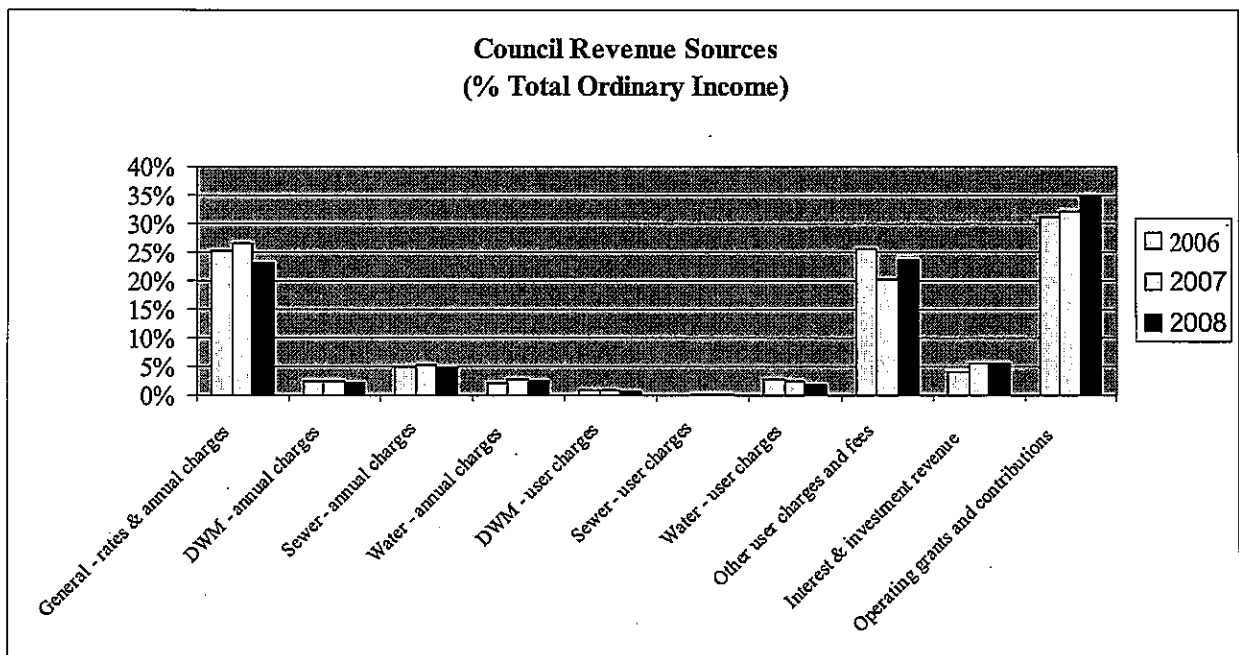
Employee costs increased in line with annual award increases and an increase of two in the number of full time equivalent employees. An increase in workers' compensation insurance costs furthermore contributed \$123,000 to the overall employee costs increase.

- *increased materials and contracts expenditure \$1,430,000*

Consistent with the increase in RTA claims revenue, the significant increase in Council's transport activities has resulted in increased materials and contracts expenditure for the 2008 financial year. Restoration works as a result of the January 2008 flooding event further significantly contributed to the expenditure increase.

### 3.1 COUNCIL REVENUE SOURCES

	<b>2008</b>	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
General - rates & annual charges	4,043	3,876	3,683
DWM - annual charges	394	381	353
Sewer - annual charges	836	781	738
Water - annual charges	427	428	306
<b>Total rates &amp; annual charges</b>	<b>5,700</b>	<b>5,466</b>	<b>5,079</b>
DWM - user charges	110	148	132
Sewer - user charges	56	26	4
Water - user charges	335	371	411
Other user charges and fees	4,180	2,968	3,738
<b>Total user charges and fees</b>	<b>4,681</b>	<b>3,513</b>	<b>4,285</b>
Interest & investment revenue	984	800	601
Other revenue	75	128	67
Operating grants and contributions	6,150	4,720	4,532
<b>Total revenue before capital amounts</b>	<b>17,590</b>	<b>14,627</b>	<b>14,564</b>



Council's revenue streams have remained relatively constant over the last 3 years. The increase in other user charges in 2008 relates to higher revenue received from maintenance performed for the Roads and Traffic Authority. Total revenues from RTA maintenance work increased from \$1,663,000 in 2007 to \$2,811,000 in 2008. 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.

### 3.2 CAPITAL GRANTS AND CONTRIBUTIONS

Capital grants received during the year amounted to \$2,246,000 and largely consisted of the roads to recovery funds, black spot program grants, grant for the Seniors Centre and grants for bushfire control.

Capital contributions received during the period amounted to \$919,000. This can be broken down as follows:

	<b>2008</b>	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Section 94 Contributions - cash	101	34	131
Section 64 Contributions - cash	6	-	4
RTA Contributions	538	194	211
Other contributions *	274	1,772	-
<b>TOTAL</b>	<b>919</b>	<b>2,000</b>	<b>346</b>

\* Other contributions in 2007 included the transfer of water and sewer infrastructure from Muli Muli to Council valued at \$1,679,000.

At 30th June 2008 Council held \$431,000 as a restricted asset for S94 contributions and \$57,000 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.

### 3.3 GAIN / (LOSS) ON DISPOSAL OF ASSETS

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

	<b>2008</b>	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Profit on sale of plant and equipment	357	24	72
Loss on write-off of roads and bridges reconstructed	(490)	(1,296)	(854)
	<b>(133)</b>	<b>(1,272)</b>	<b>(782)</b>

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

### 3.4 WATER SUPPLIES

#### (i) Operating Result

Water supply activities can be summarised as follows:

	<i>Actual</i> <b>2008</b> \$'000	<i>Actual</i> <b>2007</b> \$'000	<i>Actual</i> <b>2006</b> \$'000
Rates and service availability charges	427	428	306
User charges	330	364	411
Interest	61	73	57
Other	19	6	16
Grants - Capital	17	81	2
Grants - Operating	27	26	27
Capital Contributions	3	98	-
Total Revenue	<u>884</u>	<u>1,076</u>	<u>819</u>
Management Expenses	197	213	200
Operating Costs	293	275	293
Other	91	90	473
Depreciation	170	149	142
Total Expenses	<u>751</u>	<u>727</u>	<u>1,108</u>
Operating Result	<u>133</u>	<u>349</u>	<u>(289)</u>

Results presented prior to internal elimination entries.

#### (ii) Explanations for Significant Variances

##### Revenue

- Further reductions in water consumption contributed to the lower level of user charges compared to 2007.

##### Expenses

- While most expenses remained fairly consistent compared with the prior year, depreciation charge increased as a result of last year's water infrastructure revaluation.

#### (iii) Key Indicators

	<b>2008</b> \$	<b>2007</b> \$	<b>2006</b> \$
Service availability charge per assessment	214	223	163
Average user charge per assessment	165	190	219
Management and operating cost per assessment	245	255	262

### 3.5 SEWERAGE SERVICES

#### (i) Operating Result

Sewerage services activities can be summarised as follows:

	<i>Actual</i> <b>2008</b> \$'000	<i>Actual</i> <b>2007</b> \$'000	<i>Actual</i> <b>2006</b> \$'000
Rates and service availability charges	836	790	719
User charges	56	17	22
Interest	22	-	-
Other	3	8	-
Grants - Capital	134	101	36
Grants - Operating	26	26	26
Capital Contributions	2	1,634	2
<b>Total Revenue</b>	<b>1,079</b>	<b>2,576</b>	<b>805</b>
Management Expenses	147	161	157
Operating Costs	385	312	318
Other	21	21	3
Depreciation	227	205	201
Interest	45	3	18
<b>Total Expenses</b>	<b>825</b>	<b>702</b>	<b>697</b>
<b>Operating Result</b>	<b>254</b>	<b>1,874</b>	<b>108</b>

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 that financial year.

#### (iii) Key Indicators

	<b>2008</b> \$	<b>2007</b> \$	<b>2006</b> \$
Service availability charge per assessment	464	447	451
Average user charge per assessment	31	10	14
Management and operating cost per assessment	295	267	298



### 3.6 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
<b>2008</b>						
Water	867	751	116	1.76	-	-
Sewer	945	825	120	1.15	-	-
DWM	604	758	(154)	(24.88)	-	-
Quarry	661	640	21	7.84	52	-
Transport	2,811	2,066	745	N/A	-	415
<b>2007</b>						
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

An unqualified audit report was issued for Council's special purpose financial report for the year ended 30 June 2008.

#### Water and Sewer Operations

Water and sewer operations should generate sufficient surpluses to provide for future infrastructure requirements. Council's water and sewer fund activities returned a surplus for the 2008 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.

## 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 2008 Council estimates that it will cost approximately \$887,000 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	2017	413,887
Woodenbong Final Rehabilitation	2024	218,915
Rehabilitation of landfill cells within each site	ongoing	<u>253,746</u>
		<u>886,548</u>

Council's reassessment as at 30 June 2008 of the Kyogle and Woodenbong final rehabilitation costs and timeframe resulted in a reduction to the rehabilitation provision of \$418,000.

Currently Council has \$377,000 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

After having returned losses for the previous four years, Council's quarry operations in 2008 achieved a surplus of \$21,000. 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 as a notional subsidy from General Fund operations. Council for 2008 reviewed the costs of quarry operations and the pricing of quarry products, resulting in increased charges income of \$93,000. Council should continue to review the costs of quarry operations and the pricing of quarry products with a view to increasing 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 2008 financial year of \$745,000. This compares to a profit of \$421,000 in 2007. 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 2008 Council has transport reserves of \$1,231,000.

#### 4. FINANCIAL POSITION

##### 4.1 NET CURRENT ASSETS

Council has net current assets of \$13,793,000 as at 30 June, 2008. Net current assets however contains \$3,578,000 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 \$563,000 of externally restricted receivables relating to water, sewerage and domestic waste management charges and rates.

	<b>2008</b>	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
TOTAL CASH ASSETS	13,829	12,842	10,550
Less: Externally Restricted Reserves			
- Water	728	983	1,029
- Sewer	863	482	291
- DWM	377	396	323
- Developer Contributions	488	445	469
- Unexpended Grants	911	1,167	879
- Other	211	117	103
	<u>3,578</u>	<u>3,590</u>	<u>3,094</u>
Less: Internally Restricted Reserves	<u>(10,051)</u>	<u>(9,052)</u>	<u>(7,256)</u>
UNRESTRICTED CASH	<u>200</u>	<u>200</u>	<u>200</u>

After funding internal and external restrictions Council has unrestricted cash assets of \$200,000. At balance date Council has allocated \$10,051,000 to internally restricted cash to fund specific Council projects. We provide an understanding of internal reserve balances as at 30 June 2008:

	<b>2008</b>	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Internally Restricted Reserves</b>			
Employee Entitlements	1,213	1,103	1,020
Buildings	682	672	1,000
Transport	1,231	1,127	1,081
Quarries	365	363	330
Plant	1,255	1,501	878
Revotes	2,625	3,686	1,706
Commercial Waste	-	-	23
Information Technology	80	50	100
Bridges	2,265	450	450
Emergency Works	100	100	100
Main Street	-	-	508
Other	235	-	60
	<u>10,051</u>	<u>9,052</u>	<u>7,256</u>

#### 4.1.1 CASH AND INVESTMENTS

Due to the nature of Council's investments, being cash or short term deposits, the US sub-prime mortgage led credit crisis has not impacted the value of Council's investment portfolio.

#### 4.2 NON-CURRENT ASSETS AND LIABILITIES

Council has a net non-current asset position of \$235,305,000, which consists largely of property, plant and equipment, infrastructure assets, loans, and provisions for employee benefits and rehabilitation of tips and quarries.

##### 4.2.1 PROPERTY, PLANT & EQUIPMENT

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

	<b>2008</b>	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<i>Non-cash grants / contributions</i>			
Bush Fire Council	485	-	213
<i>Council Constructed / Purchased Assets</i>			
Land and Buildings	964	226	647
Plant and Equipment	2,559	1,031	1,198
Roads and Drainage Network	4,219	3,281	2,231
Water Supply Network	441	517	392
Sewerage Network	1,027	1,859	155
Other	-	106	201
	<u>9,695</u>	<u>7,020</u>	<u>5,037</u>

As illustrated above, Council has capitalised close to \$10 million in infrastructure, property, plant and equipment during the 2008 financial year.

##### 4.2.2 ASSET MANAGEMENT

###### Asset Revaluations

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:

<b>Asset Type</b>	<b>Date of Revaluation</b>
Water & Sewer Infrastructure	30 June 2007
Land and Buildings	30 June 2008
Roads and Drainage Infrastructure	30 June 2009
Other Structures	30 June 2009
Community Land	30 June 2010

In complying with the Department of Local Government revaluation programme Council revalued its land and buildings as at 30 June 2008. The revaluation of land and buildings resulted in an increase to the carrying value of these assets of \$10,464,000. The revaluation increment was credited to the Asset Revaluation Reserve.

### **Asset Management**

The revaluation process has enabled Council to accurately assess the cost of replacing its land and building assets as well as providing a reliable estimate of the current condition and remaining useful lives of its buildings. The information obtained from this revaluation needs to be captured and utilised by Council to assist in the management of land and buildings.

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 for maintenance and resulting financial reporting is achieved, Council needs to perform regular condition assessments for each asset to determine their remaining service potential.

### **Asset Revaluations for 2009**

Council is required to revalue its roads, drainage and other structure assets during the year ending 30 June 2009. The revaluation of these assets is a large and complex process with the final result being the establishment of an accurate and detailed asset register that will ensure best practice asset management is adopted and adhered to into the future.

It is important that Council creates a detailed project plan to ensure the completeness and accuracy of these revaluations. A detailed document should be prepared that addresses, as a minimum:

- the methodology to identify all assets under Council's control,
- the methodology used to value each asset, and
- the creation of condition assessment models that will allow for identification of each asset's remaining useful life and the ongoing assessment of its performance.

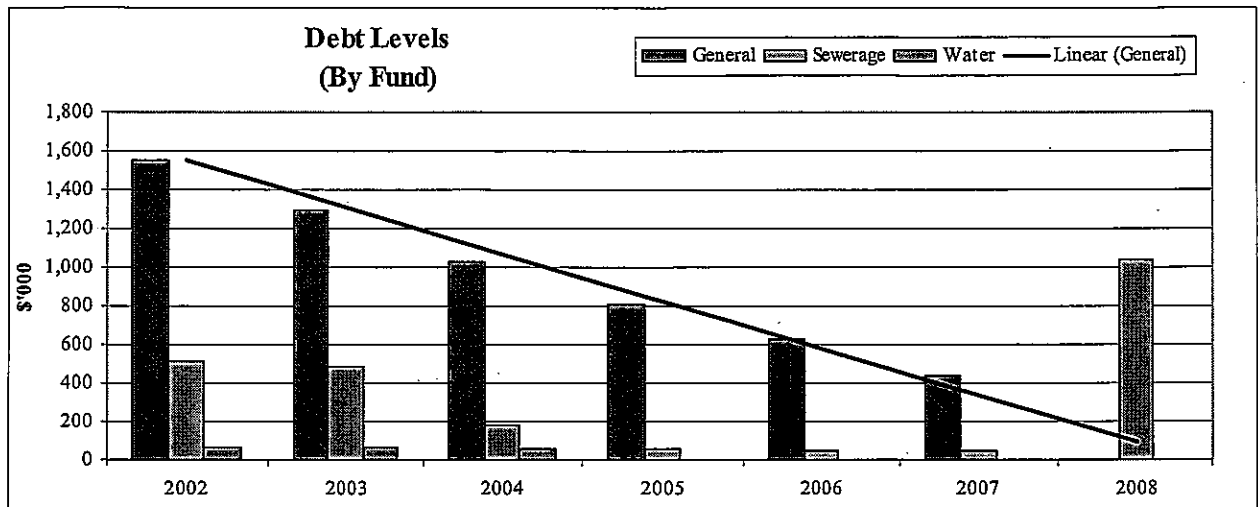
Asset accounting and management policies should also be refined or established to assist asset management and financial reporting practices.

### **Infrastructure planning**

As at 30th June 2008 Council has estimated that it would cost approximately \$46,476,000 (2007: \$44,796,000) to rehabilitate its infrastructure assets to a "satisfactory standard". Estimated annual costs to maintain infrastructure at this "satisfactory standard" is estimated to be \$5,651,000 (2007: \$5,403,000) per annum. Council currently spends \$4,302,000 (2007: \$3,704,000) per annum on maintaining its infrastructure assets. These figures have been assessed by Council staff and are unaudited. Council should continue to monitor the status of its infrastructure, particularly noting that infrastructure is susceptible to rapid deterioration if an adequate level of maintenance is not expended each year

## 4.2.3 LOANS

During 2008 Council repaid its remaining general fund loans. On 3 December 2007 Council took out a \$1 million loan with CBA to finance its sewage treatment plant augmentation works. The term of the loan is 30 years. Total borrowings at 30 June 2008 amounted to \$1,035,000.



## 5. 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.

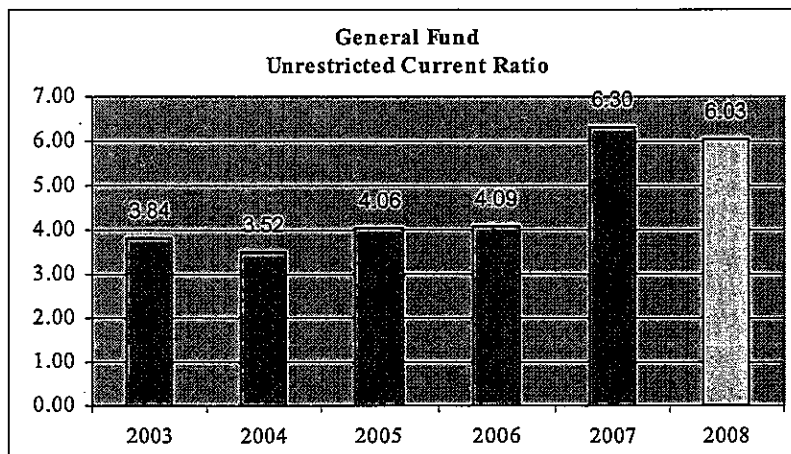
### *Unrestricted Current Ratio*

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 decreased from 6.30 in 2007 to 6.03 as at 30 June 2008.

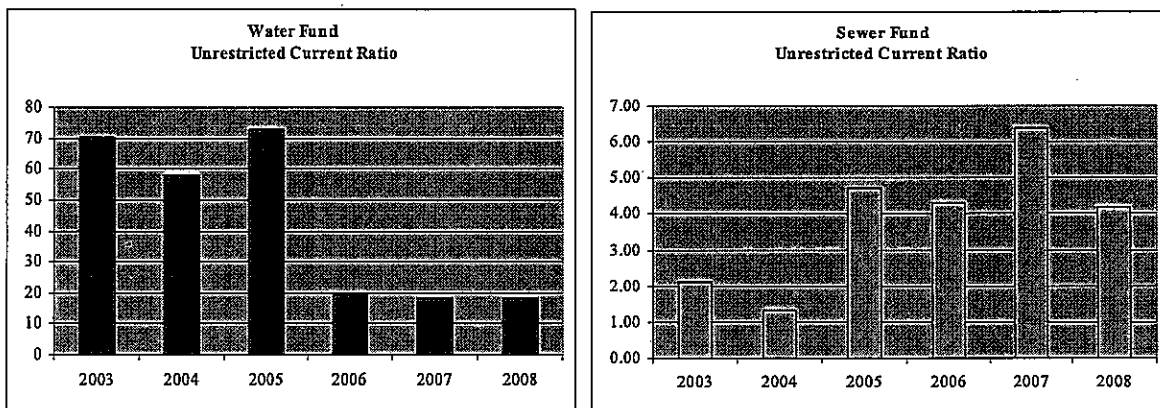
An unrestricted current ratio of 6.03:1 means that Council has \$6.03 in liquid current assets for every \$1 of current liabilities. An unrestricted current ratio of 2:1 is considered to be a strong short term position. Council's unrestricted current ratio as at 30 June 2008 means that the organisation 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 4.2.2 for further discussion)

### *Sewer and Water Fund Unrestricted Current Ratio*

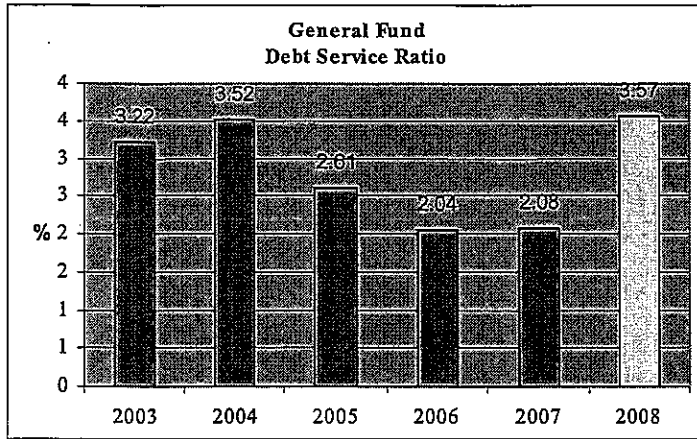
The unrestricted current ratio for water and sewer activities may fluctuate significantly. Yearly fluctuations may result from the build up of internal reserves and the impact of lower debt levels and will continue to fluctuate in the future as further funds are collected and expended on infrastructure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



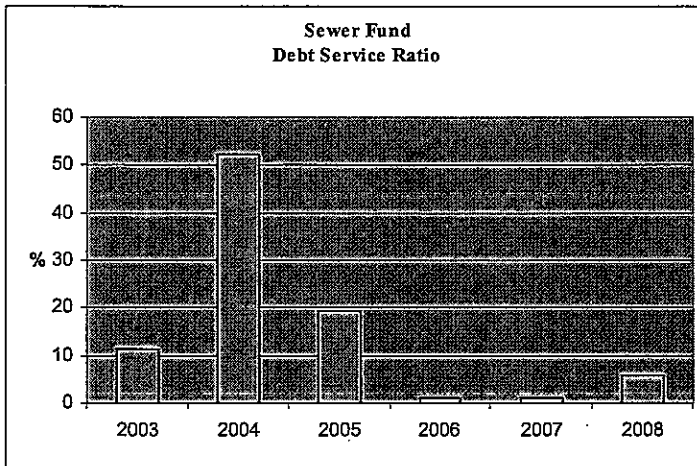
### *Debt Service Ratio*

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.



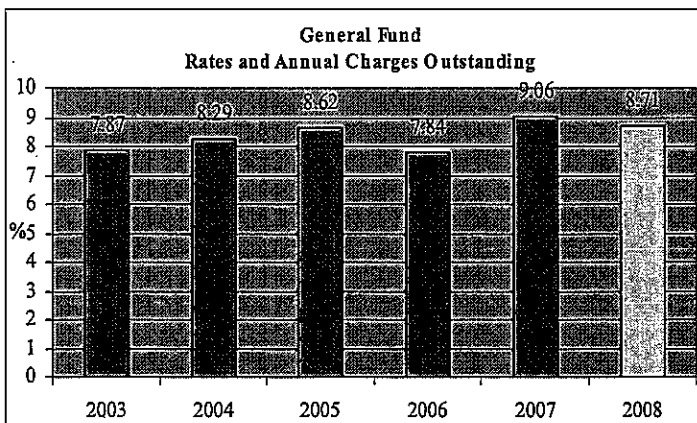
Council's general fund debt service ratio is 3.57% for the year ended 30 June 2008. The increase from 2.08% in 2007 is due to the Council repaying all general fund (and plant fund) debt of \$436,000 in 2008. Whilst Water fund is debt free, the below graph illustrates the effects of the new \$1 million loan taken up in 2008 by the Sewer fund.



### ***Rates and Annual Charges Outstanding Ratio***

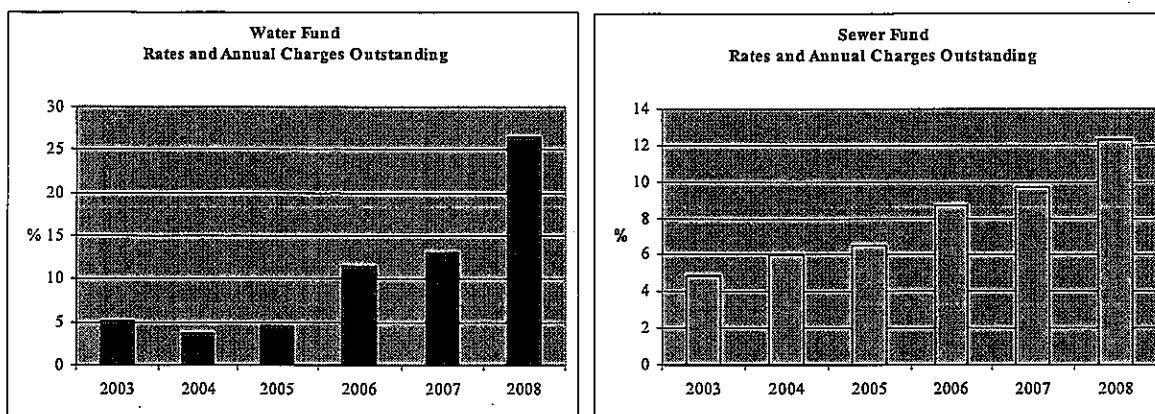
This indicator assesses the effectiveness of Council's revenue collection. Factors influencing Council's rates and annual charges outstanding ratio include:

- 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 decreased from 9.06% in 2007 to 8.71% for 2008. However, this ratio is still 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. Whilst the ratios for water and sewer fund can often be influenced by the invoicing for user charges at the end of the financial year, these are above acceptable benchmark levels and require Council's attention after consideration of factors such as drought.

## 6. OTHER CURRENT MATTERS

### 6.1 ASSET MANAGEMENT

As discussed at 4.2.2 of this report Council is required to revalue infrastructure assets. Asset management is integral to ensuring that infrastructure standards are managed and utilisation of Council's resources is maximised.

In 2009 Council is required to revalue roads and drainage infrastructure as well as other structures. 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 in Kyogle Council's case 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

### 6.2 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.

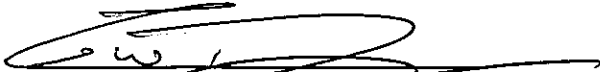
### 6.3 SECTION 430 REPORT OUTCOMES

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**

A handwritten signature in black ink, appearing to read 'G W DWYER', with a long horizontal flourish extending to the right.

G W DWYER (Partner)  
Registered Company Auditor

**KYOGLE COUNCIL**  
**Special Purpose Financial Reports**  
**for the year ended 30th June 2008**

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# KYOGLE COUNCIL

## SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2008

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

The attached special purpose Financial Statements have been drawn up in accordance with the Local Government Code of Accounting Practice and Financial Reporting and the

- 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 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 Units for the year, and
- Accord with Council's accounting and other records

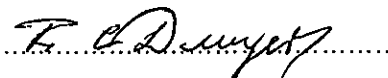
We are not aware of any matter that would render the reports false or misleading in any way.

Signed in accordance with a resolution of Council made on 27 October 2008



Ross Brown

**MAYOR**



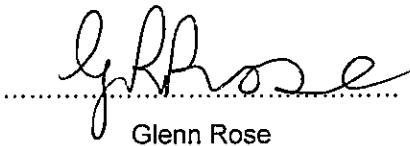
Bob Dwyer

**DEPUTY MAYOR**



Arthur Figgott

**GENERAL MANAGER**



Glenn Rose

**RESPONSIBLE ACCOUNTING OFFICER**

## KYOGLE COUNCIL

**INCOME STATEMENT**  
**WATER SUPPLY BUSINESS ACTIVITY**  
for the year ended 30th June 2008

	Notes	2008 '000	2007 '000	2006 '000
<b>INCOME FROM CONTINUING OPERATIONS</b>				
Access Charges		427	428	306
User Charges		330	364	411
Fees		19	6	-
Interest Received		61	73	57
Grants & Contributions - Operating		30	26	27
Gain on Disposal of Assets		-	-	-
Other Operating Revenues		-	-	16
<b>TOTAL</b>		<u>867</u>	<u>897</u>	<u>817</u>
<b>EXPENSES FROM CONTINUING OPERATIONS</b>				
Employee benefits and on-costs		87	140	135
Materials & Contracts		371	308	426
Borrowing Costs		-	-	-
Depreciation & Amortisation		170	149	516
Water Purchase Charges		32	40	30
Loss on Disposal of Assets		-	-	-
NCP Tax Equivalents		-	-	-
Debt Guarantee Fee		-	-	-
Other Operating Expenses		91	90	-
<b>TOTAL</b>		<u>751</u>	<u>727</u>	<u>1,107</u>
<b>CONTINUING OPERATIONS RESULT BEFORE CAPITAL AMOUNTS</b>				
		116	170	(290)
Grants & Contributions - Capital		17	179	2
<b>RESULT FROM CONTINUING OPERATIONS AFTER CAPITAL AMOUNTS</b>				
		133	349	(288)
Discontinued Operations		-	-	-
<b>SURPLUS (DEFICIT) BEFORE TAX</b>				
		133	349	(288)
Corporate Taxation Equivalent		35	51	-
<b>SURPLUS (DEFICIT) FOR YEAR</b>				
		98	298	(288)
Add: Opening retained earnings		6,801	6,452	6,743
Adjustments for amounts unpaid				
NCP Tax Equivalents retained				
Debt Guarantee Fee retained				
Corporate Tax Equivalent retained		35	51	
Less: Dividends Paid				(3)
<b>CLOSING RETAINED EARNINGS</b>				
		<u>6,934</u>	<u>6,801</u>	<u>6,452</u>
<i>RATE OF RETURN ON CAPITAL</i>		<b>1.76%</b>	2.41%	-5.39%
<i>NOTIONAL SUBSIDY FROM COUNCIL</i>		<b>N/A</b>	N/A	12
<i>Calculation of Dividend Payable during next financial year</i>				
Surplus / (deficit) after tax		98	298	(288)
Less: Capital grants & contribs from LWUs		17	179	2
Surplus for dividend calculation purposes		<u>81</u>	<u>119</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**  
**SEWERAGE BUSINESS ACTIVITY**  
for the year ended 30th June 2008

	Notes	2008 '000	2007 '000	2006 '000
<b>INCOME FROM CONTINUING OPERATIONS</b>				
Access Charges		836	790	719
User Charges		47	17	14
Liquid Trade Waste Charges		9	-	8
Fees		-	-	-
Interest Received		22	-	-
Grants & Contributions - Operating		28	26	26
Gain on Disposal of Assets		-	-	-
Other Operating Revenues		3	8	-
<b>TOTAL</b>		<b>945</b>	<b>841</b>	<b>767</b>
<b>EXPENSES FROM CONTINUING OPERATIONS</b>				
Employee benefits and on-costs		81	180	155
Materials & Contracts		451	293	338
Borrowing Costs		45	3	3
Depreciation & Amortisation		227	205	202
Loss on Disposal of Assets		-	-	-
NCP Tax Equivalents		-	-	1
Debt Guarantee Fee		-	1	-
Other Operating Expenses		21	20	-
<b>TOTAL</b>		<b>825</b>	<b>702</b>	<b>699</b>
<b>CONTINUING OPERATIONS RESULT BEFORE CAPITAL AMOUNTS</b>				
		120	139	68
Grants & Contributions - Capital		134	1,735	38
<b>RESULT FROM CONTINUING OPERATIONS AFTER CAPITAL AMOUNTS</b>				
		254	1,874	106
Discontinued Operations		-	-	-
<b>SURPLUS (DEFICIT) BEFORE TAX</b>				
		254	1,874	106
Corporate Taxation Equivalent		36	42	-
<b>SURPLUS (DEFICIT) FOR YEAR</b>				
		218	1,832	106
Add: Opening retained earnings		8,089	6,215	6,108
Adjustments for amounts unpaid		-	-	-
NCP Tax Equivalents retained		-	-	1
Debt Guarantee Fee retained		-	-	-
Corporate Tax Equivalent retained		36	42	-
Less: Dividends Paid		-	-	-
<b>CLOSING RETAINED EARNINGS</b>				
		<b>8,343</b>	<b>8,089</b>	<b>6,215</b>
<i>RATE OF RETURN ON CAPITAL</i>		<b>1.15%</b>	1.08%	0.69%
<i>NOTIONAL SUBSIDY FROM COUNCIL</i>		<b>N/A</b>	N/A	N/A
<i>Calculation of Dividend Payable during next financial year</i>				
Surplus after tax		218	1,832	106
Less: Capital grants & contribs from LWUs		134	1,735	38
Surplus for dividend calculation purposes		<b>84</b>	<b>97</b>	<b>68</b>
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 2008**

	BUSINESS ACTIVITIES					
	DWM '000		QUARRIES '000		TRANSPORT '000	
	2008	2007	2008	2007	2008	2007
<b>REVENUE FROM CONTINUING OPERATIONS</b>	Notes					
Rates & Annual Charges	395	427				
User Charges & Fees	110	102	661	568	2,811	1,663
Interest Received		-				
Grants & Contributions - Operating	99	25				
Other Operating Revenues				48		
<b>TOTAL</b>	<b>604</b>	<b>554</b>	<b>661</b>	<b>616</b>	<b>2,811</b>	<b>1,663</b>
<b>EXPENSES FROM CONTINUING OPERATIONS</b>						
Employee benefits and on-costs	20	148	70	127	232	308
Materials & Contracts	555	280	480	414	1,831	928
Borrowing Costs	54	26	36	20		
Depreciation & Amortisation	129	125	54	51		
Other Operating Expenses					3	6
Loss on Disposal of Assets				23		
NCP Imputation Payments						
<b>TOTAL</b>	<b>758</b>	<b>579</b>	<b>640</b>	<b>635</b>	<b>2,066</b>	<b>1,242</b>
<b>CONTINUING OPERATIONS RESULT BEFORE CAPITAL AMOUNTS</b>	<b>(154)</b>	<b>(25)</b>	<b>21</b>	<b>(19)</b>	<b>745</b>	<b>421</b>
Grants & Contributions - Capital						
<b>RESULT FROM CONTINUING OPERATIONS AFTER CAPITAL AMOUNTS</b>	<b>(154)</b>	<b>(25)</b>	<b>21</b>	<b>(19)</b>	<b>745</b>	<b>421</b>
Discontinued Operations						
<b>SURPLUS (DEFICIT) BEFORE TAX</b>	<b>(154)</b>	<b>(25)</b>	<b>21</b>	<b>(19)</b>	<b>745</b>	<b>421</b>
Corporate Taxation Equivalent	-	-	6	-	224	126
<b>SURPLUS (DEFICIT) FOR YEAR</b>	<b>(154)</b>	<b>(25)</b>	<b>15</b>	<b>(19)</b>	<b>521</b>	<b>295</b>
Add: Opening retained earnings	180	205	582	601	1,316	2,057
NCP Imputation Payments retained			6		224	126
Less: Dividends Paid - TER					(415)	(1,162)
- Surplus Dividend						
<b>CLOSING RETAINED EARNINGS</b>	<b>26</b>	<b>180</b>	<b>603</b>	<b>582</b>	<b>1,646</b>	<b>1,316</b>
RATE OF RETURN ON CAPITAL	<b>(24.88%)</b>	0.10%	<b>7.84%</b>	0.38%	<b>N/A</b>	N/A
NOTIONAL SUBSIDY FROM COUNCIL	<b>N/A</b>	N/A	<b>52</b>	38	<b>0</b>	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 2008

	Notes	2008 '000	2007 '000
<b>CURRENT ASSETS</b>			
Cash & cash equivalents		781	1,091
Receivables		293	194
<b>TOTAL CURRENT ASSETS</b>		<u>1,074</u>	<u>1,285</u>
<b>NON-CURRENT ASSETS</b>			
Infrastructure, Property, Plant & Equipment		6,591	7,068
<b>TOTAL NON-CURRENT ASSETS</b>		<u>6,591</u>	<u>7,068</u>
<b>TOTAL ASSETS</b>		<u>7,665</u>	<u>8,353</u>
<b>CURRENT LIABILITIES</b>			
Payables		20	26
Interest bearing liabilities		-	61
Provisions		36	42
<b>TOTAL CURRENT LIABILITIES</b>		<u>56</u>	<u>129</u>
<b>NON-CURRENT LIABILITIES</b>			
Payables		-	-
Interest bearing liabilities		-	-
Provisions		-	-
<b>TOTAL NON CURRENT LIABILITIES</b>		<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>		<u>56</u>	<u>129</u>
<b>NET ASSETS</b>		<u>\$ 7,609</u>	<u>8,224</u>
<b>EQUITY</b>			
Retained Earnings		6,934	6,801
Asset Revaluation Reserve		675	1,423
<b>TOTAL EQUITY</b>		<u>\$ 7,609</u>	<u>8,224</u>

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



**KYOGLE COUNCIL**  
**BALANCE SHEET**  
**SEWERAGE BUSINESS ACTIVITY**  
**as at 30th June 2008**

	Notes	2008 '000	2007 '000
<b>CURRENT ASSETS</b>			
Cash & cash equivalents		1,027	484
Receivables		137	100
<b>TOTAL CURRENT ASSETS</b>		<u>1,164</u>	<u>584</u>
<b>NON-CURRENT ASSETS</b>			
Infrastructure, Property, Plant & Equipment		14,340	13,102
<b>TOTAL NON-CURRENT ASSETS</b>		<u>14,340</u>	<u>13,102</u>
<b>TOTAL ASSETS</b>		<u>15,504</u>	<u>13,686</u>
<b>CURRENT LIABILITIES</b>			
Payables		27	43
Interest bearing liabilities		176	6
Provisions		36	42
<b>TOTAL CURRENT LIABILITIES</b>		<u>239</u>	<u>91</u>
<b>NON-CURRENT LIABILITIES</b>			
Payables		-	-
Interest bearing liabilities		1,019	40
Provisions		-	-
<b>TOTAL NON CURRENT LIABILITIES</b>		<u>1,019</u>	<u>40</u>
<b>TOTAL LIABILITIES</b>		<u>1,258</u>	<u>131</u>
<b>NET ASSETS</b>	\$	<u>14,246</u>	<u>13,555</u>
<b>EQUITY</b>			
Retained Earnings		8,343	8,089
Asset Revaluation Reserve		5,903	5,466
<b>TOTAL EQUITY</b>	\$	<u>14,246</u>	<u>13,555</u>

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

## KYOGLE COUNCIL

BALANCE SHEET by BUSINESS ACTIVITIES  
as at 30th June 2008

	BUSINESS ACTIVITIES					
	DWM '000		QUARRIES '000		TRANSPORT '000	
	2008	2007	2008	2007	2008	2007
<b>CURRENT ASSETS</b>						
Cash & cash equivalents	378	396	365	363	1,231	1,127
Receivables	133	37	-	-	415	189
Inventories	-	-	181	141		
<b>TOTAL CURRENT ASSETS</b>	<b>511</b>	<b>433</b>	<b>546</b>	<b>504</b>	<b>1,646</b>	<b>1,316</b>
<b>NON-CURRENT ASSETS</b>						
Property, Plant & Equipment	402	997	727	261	-	-
<b>TOTAL NON-CURRENT ASSETS</b>	<b>402</b>	<b>997</b>	<b>727</b>	<b>261</b>		
<b>TOTAL ASSETS</b>	<b>913</b>	<b>1,430</b>	<b>1,273</b>	<b>765</b>	<b>1,646</b>	<b>1,316</b>
<b>CURRENT LIABILITIES</b>						
Payables						
Interest bearing liabilities						
Provisions						
<b>TOTAL CURRENT LIABILITIES</b>						
<b>NON-CURRENT LIABILITIES</b>						
Provisions	887	1,251	219	182	-	-
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>887</b>	<b>1,251</b>	<b>219</b>	<b>182</b>		
<b>TOTAL LIABILITIES</b>	<b>887</b>	<b>1,251</b>	<b>219</b>	<b>182</b>		
<b>NET ASSETS</b>	<b>\$ 26</b>	<b>179</b>	<b>1,054</b>	<b>583</b>	<b>1,646</b>	<b>1,316</b>
<b>EQUITY</b>						
Retained Earnings	26	179	603	583	1,646	1,316
Asset Revaluation Reserve	-	-	451	-	-	-
<b>TOTAL EQUITY</b>	<b>\$ 26</b>	<b>179</b>	<b>1,054</b>	<b>583</b>	<b>1,646</b>	<b>1,316</b>

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

## KYOGLE COUNCIL

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

For the year ended 30<sup>th</sup> June 2008

#### 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 Water and Energy, 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 30<sup>th</sup> June 2008

#### 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 30<sup>th</sup> June 2008**

**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 2008 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 STATEMENTS for the year ended 30th June 2008

### Note 2 - BEST PRACTICE MANAGEMENT DISCLOSURES - WATER SUPPLY

	2008
<i>Values shown in this Note are expressed in WHOLE DOLLARS</i>	\$
<b>Calculation and Payment of Tax-Equivalents</b>	
(i) Calculated Tax Equivalents	0
(ii) No of assessments multiplied by \$3/assessment	5,997
(iii) Amounts payable for Tax Equivalents	0
<b>Dividend from Surplus</b>	
(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	59,970
(iii) Cumulative Surplus before Dividends for 3 years to 30 June 2008, less cumulative dividends paid for 2 years to 30 June 2007	
(iv) Maximum Dividend from Surplus (least of (i), (ii) and (iii) )	0
(v) Dividend paid from Surplus	
<b>Required Outcomes for 6 Criteria</b>	
(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)	Yes
(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) Complete Integrated Water Cycle Management Evaluation	Yes
(vii) Complete and implement Integrated Water Cycle Management Strategy	Yes
<b>National Water Initiative (NWI) Financial Performance Indicators</b>	
NWI F1 Total Revenue (Water)	\$'000 812
NWI F4 Residential Revenue from Usage Charges (Water)	% 43.01
NWI F9 Written Down Replacement Cost of Fixed Assets (Water)	\$'000 6,591
NWI F11 Operating Cost (OMA) (Water)	\$'000 490
NWI F14 Capital Expenditure (Water)	\$'000 441
NWI F17 Economic Real Rate of Return (Water)	% 2.21
NWI F20 Capital Works Grants (Water)	\$'000 17

# KYOGLÉ COUNCIL

## NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE STATEMENTS for the year ended 30th June 2008

### Note 3 - BEST PRACTICE MANAGEMENT DISCLOSURES - SEWERAGE

	2008 \$
<i>Values shown in this Note are expressed in WHOLE DOLLARS</i>	
<b>Calculation and Payment of Tax-Equivalents</b>	
(i) Calculated Tax Equivalents	0
(ii) No of assessments multiplied by \$3/assessment	5,406
(iii) Amounts payable for Tax Equivalents (lesser of (i) and (ii) )	0
<b>Dividend from Surplus</b>	
(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	54,060
(iii) Cumulative Surplus before Dividends for 3 years to 30 June 2008, less cumulative dividends paid for 2 years to 30 June 2007	0
(iv) Maximum Dividend from Surplus (least of (i), (ii) and (iii) )	0
(v) Dividend paid from Surplus	0
<b>Required Outcomes for 4 Criteria</b>	
(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) Complete Integrated Water Cycle Management Evaluation	Yes
(v) Complete and implement Integrated Water Cycle Management Strategy	Yes
<b>National Water Initiative (NWI) Financial Performance Indicators</b>	
NWI F2 Total Revenue (Sewerage)	\$'000 923
NWI F10 Written Down Replacement Cost of Fixed Assets (Sewerage)	\$'000 14,340
NWI F12 Operating Cost (Sewerage)	\$'000 532
NWI F15 Capital Expenditure (Sewerage)	\$'000 1,027
NWI F18 Economic Real Rate of Return (Sewerage)	% 1
NWI F27 Capital Works Grants (Sewer)	\$'000 134
NWI F3 Total Income (Water & Sewerage)	\$'000 1,735
NWI F5 Revenue from Community Service Obligations (Water & Sewerage)	% 3
NWI F13 Operating Cost (Water & Sewerage)	\$'000 1,022
NWI F16 Capital Expenditure (Water & Sewerage)	\$'000 1,468
NWI F19 Economic Real Rate of Return (Water & Sewerage)	% 1
NWI F20 Dividend (Water & Sewerage)	\$'000 0
NWI F21 Dividend Payout Ratio (Water & Sewerage)	% 0
NWI F22 Net Debt to Equity (Water & Sewerage)	% -3
NWI F23 Interest Cover (Water & Sewerage)	times >100
NWI F24 Net Profit after Tax (Water & Sewerage)	\$'000 236
NWI F25 Community Service Obligations (Water & Sewerage)	\$'000 53



**COUNCIL OF KYOGLE  
SPECIAL PURPOSE FINANCIAL REPORT  
INDEPENDENT AUDIT REPORT**

**Report on the Financial Report**

We have audited the accompanying special purpose financial report of Kyogle Council (the Council), which comprises the balance sheet as at 30 June 2008, 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.

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 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. In addition, our audit did not include an analysis of the prudence of business decisions made by Council or management.

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.



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) The Council's Special Purpose Financial Report:
  - i. 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;
  - ii. is consistent with the Council's accounting records; and
  - iii. presents fairly, in all material respects, the financial position of Council's nominated Business Activities and the results of their operations.
- (b) all information relevant to the conduct of the audit has been obtained; and
- (c) there are no material deficiencies in the accounting records or financial reports that we have become aware of in the course of the audit.

Dated at Lismore this 27<sup>th</sup> day of October 2008.

**THOMAS NOBLE & RUSSELL**  
**CHARTERED ACCOUNTANTS**

  
G W DWYER (Partner)  
Registered Company Auditor

# KYOGLE COUNCIL

## Special Schedules

for the year ended 30th June 2008

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# KYOGLÉ COUNCIL

## SPECIAL SCHEDULE NO 1 NET COST OF SERVICES for the year ended 30th June 2008

**\$'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
<b>GOVERNANCE</b>	134					134	
		134			-		134
<b>ADMINISTRATION</b>							
Corporate Support	1,823		29			1,794	
Engineering & Works	506					506	
Other Support Services	(59)					(59)	
		2,270			29		2,241
<b>PUBLIC ORDER &amp; SAFETY</b>							
Statutory Contribution - Fire Service Levy	120					120	
Fire Protection - Other	214		127	485		(398)	
Animal Control	86		17			69	
Beach Control	-		-			-	
Enforcement of Local Govt Regulations	-		-			-	
Emergency Services	20		-			20	
Other	2		1			1	
		442			630		(188)
<b>HEALTH</b>							
Administration & Inspection	185		84			101	
Immunisations	-		-			-	
Food Control	-					-	
Insect/Vermin Control	-					-	
Noxious Plants	82					82	
Health Centres	-					-	
Other	1					1	
		268			84		184
<b>COMMUNITY SERVICES &amp; EDUCATION</b>							
Administration	49		15			34	
Family Day Care	-					-	
Child Care	-					-	
Youth Services	1		1			-	
Other Families & Children	12					12	
Aged & Disabled	-					-	
Migrant Services	-					-	
Aboriginal Services	-					-	
Other Community Services	16		12			4	
Education	22					22	
		100			28		72
<b>HOUSING &amp; COMMUNITY AMENITIES</b>							
Housing	-					-	
Town Planning	195		234			(39)	
Domestic Waste Management	758		604			154	
Other Waste Management	189		143			46	
Street Cleaning	-					-	
Other Sanitation & Garbage	-					-	
Drainage	-		45			(45)	
Stormwater Management	-					-	
Environmental Protection	-					-	
Public Cemeteries	104		71			33	
Public Conveniences	20					20	
Other Community Amenities	-					-	
		1,266			1,097		169

## 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
<b>WATER SUPPLIES</b>	751		866	17		(132)	
		751			883		(132)
<b>SEWERAGE SERVICES</b>	825		945	134		(254)	
		825			1,079		(254)
<b>RECREATION &amp; CULTURE</b>							
Public Libraries	280		31	18		231	
Museums	-					-	
Art Galleries	64		4			60	
Community Centres	1					1	
Public Halls	146		6	568		(428)	
Other Cultural Services	-					-	
Swimming Pools	388		108			280	
Sporting Grounds	-					-	
Parks & Gardens, Lakes	358		8	9		341	
Other Sport & Recreation	-					-	
		1,237			752		485
<b>FUEL &amp; ENERGY</b>							
Gas Supplies						-	
		-			-		-
<b>MINING, MANUFACTURING &amp; CONSTRUCTION</b>							
Building Control	69		16			53	
Abattoirs						-	
Quarries & Pits	641		661			(20)	
Other						-	
		710			677		33
<b>TRANSPORT &amp; COMMUNICATION</b>							
Urban Roads: Local	790		8			782	
Urban Roads: Regional	-					-	
Sealed Rural Roads: Local	1,374			437		937	
Sealed Rural Roads: Regional	1,029		955	665		(591)	
Unsealed Rural Roads: Local	2,213		1,662	200		351	
Unsealed Rural Roads: Regional	-					-	
Bridges - Urban Roads: Local	-					-	
Bridges - Urban Roads: Regional	-					-	
Bridges - Sealed Rural Roads: Local	937			261		676	
Bridges - Sealed Rural Roads: Regional	-			272		(272)	
Bridges - Unsealed Rural Roads: Local	-					-	
Bridges - Unsealed Rural Roads: Regional	-					-	
Footpaths	-					-	
Aerodromes	-					-	
Parking Areas	-					-	
Bus Shelters & Services	-					-	
Water Transport	-					-	
RTA Works - State Roads	2,066		2,811			(745)	
Street Lighting	123		27			96	
Other	(769)		163			(932)	
		7,763			7,461		302

## 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
<b>ECONOMIC AFFAIRS</b>							
Camping Areas	-					-	
Caravan Parks	-					-	
Tourism & Area Promotion	81					81	
Industrial Development Promotion	-					-	
Saleyards & Markets	-					-	
Real Estate Development	-					-	
Commercial Nurseries	-					-	
Other Business Undertakings	15		25			(10)	
		96			25		71
<b>TOTALS - FUNCTIONS</b>		<b>15,862</b>			<b>12,745</b>		<b>3,117</b>
<b>General Purpose Revenues</b>			8,010			8,010	
<b>Equity accounted income (loss)</b>						-	
		-			<b>8,010</b>		<b>8,010</b>
<b>NET OPERATING RESULT FOR YEAR</b>							<b>4,893</b>

# KYOGLÉ COUNCIL

## SPECIAL SCHEDULE NO 2 (1) STATEMENT OF LONG TERM DEBT (ALL PURPOSE) for the year ended 30th June 2008

\$'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
<b>LOANS (by source)</b>											
Commonwealth Government			-								-
Treasury Corporation			-								-
Other State Government			-								-
Public Subscription			-								-
Financial Institutions	442	40	482	1,000	447			68	16	1,019	1,035
Other			-								-
<b>Total Loans</b>	<b>442</b>	<b>40</b>	<b>482</b>	<b>1,000</b>	<b>447</b>	-	-	<b>68</b>	<b>16</b>	<b>1,019</b>	<b>1,035</b>
<b>OTHER LONG TERM DEBT</b>											
Ratepayers' Advances			-								-
Government Advances			-								-
Finance Leases			-								-
Deferred Payment			-								-
Other			-								-
<b>Total Other Long Term Debt</b>	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL LONG TERM DEBT</b>	<b>442</b>	<b>40</b>	<b>482</b>	<b>1,000</b>	<b>447</b>	-	-	<b>68</b>	<b>16</b>	<b>1,019</b>	<b>1,035</b>

This Schedule excludes Internal Loans and refinancing of existing borrowings.

# KYOGLE COUNCIL

## SPECIAL SCHEDULE NO 2 (2) STATEMENT OF INTERNAL LOANS for the year ended 30th June 2008

\$'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			
<b>Totals</b>	-	-	-

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
<b>Totals</b>							-	-	-

# KYOGLÉ COUNCIL

## SPECIAL SCHEDULE NO 3 WATER SUPPLY OPERATIONS (Gross including Internal Transactions) for the year ended 30th June 2008

<b><u>A. EXPENSES &amp; REVENUES</u></b>	<b>2008</b>	<b>2007</b>
<b><u>EXPENSES</u></b>	<b>\$'000</b>	<b>\$'000</b>
1.a. Management - Administration	124	142
b. - Engineering & Supervision	73	71
2 Operations		
a. - Dams & Weirs - Operation Expenses		
b. - Maintenance Expenses		
c. - Mains - Operation Expenses		
d. -Maintenance Expenses	129	123
e. - Reservoirs - Operation Expenses		
f. - Maintenance Expenses	22	16
g. - Pumping Stations - Operation Expenses		
h. - Energy Costs	36	26
i. - Maintenance Expenses		
j. - Treatment - Operation Expenses	51	38
k. - Chemical Costs	4	6
l. - Maintenance Expenses		
m. - Other - Operation Expenses	2	9
n. - Maintenance Expenses	17	17
o. - Purchase of Water	32	40
3.a. Depreciation - System Assets	157	138
b. - Plant & Equipment	13	11
4.a. Miscellaneous - Interest		
- Revaluation decrements		
b. - Other	91	90
- NCP Tax & Other Equivalentents	-	
<b>5 Total Expenses</b>	<b>751</b>	<b>727</b>
<b><u>REVENUE</u></b>		
6 Residential Charges		
a. - Access (including rates)	322	308
b. - User Charges	243	267
7 Non-Residential Charges		
a. - Access (including rates)	105	120
b. - User Charges	87	97
8 Extra Charges	6	7
9 Interest	55	66
10 Other Income	19	6
11.a. Grants - Acquisition of Assets	17	81
b. - Pensioner Rebates	27	26
c. - Other	-	
12.a. Contributions - Developer Charges		
b. - Developer Provided Assets		
c. - Other Contributions	3	98
<b>13 Total Revenues</b>	<b>884</b>	<b>1,076</b>
14 Gain (Loss) on Disposal of Assets		
<b>15 OPERATING RESULT</b>	<b>133</b>	<b>349</b>
15a. Operating Result before Grants for Acquisition of Assets	<b>116</b>	<b>268</b>



# KYOGLE COUNCIL

## SPECIAL SCHEDULE NO 3 - WATER SUPPLY OPERATIONS (cont)

	2008 \$'000	2007 \$'000
<b><u>B. CAPITAL TRANSACTIONS</u></b>		
<b><u>Non - Operating Expenditure</u></b>		
16 Acquisition of Fixed Assets		
a. - Subsidised Scheme		299
b. - Other New System Assets	391	195
c. - Renewals	50	23
d. - Plant & Equipment		
17 Repayment of Debt		
a. - Loans		
b. - Advances		
c. - Finance Leases		
18 Transfers to Sinking Funds		
19 <b>Total Non-Operating Expenditure</b>	<b>441</b>	<b>517</b>
<b><u>Non-Operating Funds Employed</u></b>		
20 Proceeds from Disposal of Assets		
21 Borrowings Utilised		
a. - Loans		
b. - Advances		
c. - Finance Leases		
22 Transfers from Sinking Funds		
23 <b>Total Non-Operating Funds Employed</b>	-	-
<b><u>C. RATES &amp; CHARGES</u></b>		
24 Number of Assessments		
a. - Residential (occupied)	1498	
b. - Residential (unoccupied)	86	
c. - Non-Residential (occupied)	415	
d. - Non -Residential (unoccupied)	0	
25 Number of ETs for which Developer Charges were	2.75 ET	
26 Total Amount of Pensioner Rebates	49 \$'000	
<b><u>D. BEST PRACTICE ANNUAL CHARGES &amp; DEVELOPER CHARGES</u></b>		
<b>27 Annual Charges</b>		
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 <b>land value</b> from access charges (i.e. rates)	<input type="checkbox"/>
b	Cross subsidy <b>from</b> residential customers using less than allowance	_____
c	Cross subsidy <b>to</b> non-residential customers	_____
d	Cross subsidy <b>to</b> large connections in unmetered supplies	_____
<b>28 Developer Charges</b>		
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 <b>TOTAL OF CROSS SUBSIDIES</b>		-

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.

# KYOGLE COUNCIL

## SPECIAL SCHEDULE NO 4 WATER SUPPLY - NET ASSETS COMMITTED (Gross including Internal Transactions) for the year ended 30th June 2008

	<u>Current</u> \$'000	<u>Non-Current</u> \$'000	<u>Total</u> \$'000
<b>ASSETS</b>			
30 Cash and Investments			
a. - Developer Charges	53		53
b. - Specific Purpose Grants			-
c. - Accrued Leave	44		44
d. - Unexpended Loans			-
e. - Sinking Funds			-
f. - Other	684		684
31 Receivables			
a. - Specific Purpose Grants	7		7
b. - Rates & Availability Charges	286		286
c. - Other			-
32 Inventories			-
33 Property, Plant & Equipment			
a. - System Assets		6,302	6,302
b. - Plant & Equipment		289	289
34 Other			-
35 <b>Total Assets</b>	<u>1,074</u>	<u>6,591</u>	<u>7,665</u>
<b>LIABILITIES</b>			
36 Bank Overdraft			-
37 Creditors	20		20
38 Borrowings			
a. - Loans			-
b. - Advances			-
c. - Finance Leases			-
39 Provisions			
- Tax Equivalents			-
a. - Dividend			-
b. - Other	36		36
40 <b>Total Liabilities</b>	<u>56</u>	<u>-</u>	<u>56</u>
41 <b>NET ASSETS COMMITTED</b>	<u>1,018</u>	<u>6,591</u>	<u>7,609</u>
<b>EQUITY</b>			
42 Accumulated Surplus			6,934
43 Asset Revaluation Reserve			675
44 <b>Total Equity</b>			<u>7,609</u>
45 Current Replacement Cost of System Assets			18,092
46 Accumulated Current Cost Depreciation of System Assets			11,501
47 Written Down Current Cost of System Assets			<u>6,591</u>

# KYOGLÉ COUNCIL

## SPECIAL SCHEDULE NO 5 SEWERAGE SERVICE OPERATIONS (Gross including Internal Transactions) for the year ended 30th June 2008

<b><u>A. EXPENSES &amp; REVENUES</u></b>	<b>2008</b>	<b>2007</b>
<b><u>EXPENSES</u></b>	<b>\$'000</b>	<b>\$'000</b>
1.a. Management - Administration	89	105
b. - Engineering & Supervision	58	56
2 Operations & Maintenance Expenses		
a. -Mains - Operation Expenses		
b. -Maintenance Expenses	54	40
c. - Pumping Stations - Operation Expenses	65	53
d. - Energy Costs	10	9
e. - Maintenance Expenses	20	9
f. - Treatment - Operation Expenses	181	168
g. - Chemical Costs	38	20
h. - Energy Costs	17	13
i. - Effluent Management		
j. - Biosolids Management		
k. - Maintenance Expenses		
l. - Other - Operation Expenses		
m. - Maintenance Expenses		
3.a. Depreciation - System Assets	223	172
b. - Plant & Equipment	4	33
4.a. Miscellaneous - Interest	45	3
- Revaluation decrements		
b. - Other	21	21
- NCP Tax & Other Equivalents	-	
<b>5 Total Expenses</b>	<b><u>825</u></b>	<b><u>702</u></b>
 <b><u>REVENUE</u></b>		
6 Residential Charges (including rates)	773	781
7 Non-Residential Charges		
a. Access (including rates)	54	9
b. User Charges	47	17
8 Trade Waste Charges		
a. Annual Fees	9	
b. User Charges	9	
c. Excess Mass Charges & Re-inspection Fees		
9 Extra Charges		
10 Interest	22	
11 Other Income	3	8
12.a. Grants - Acquisition of Assets	134	101
b. - Pensioner Rebates	26	26
c. - Other		
13.a. Contributions - Developer Charges		
b. - Developer Provided Assets		
c. - Other Contributions	2	1,634
<b>14 Total Revenues</b>	<b><u>1,079</u></b>	<b><u>2,576</u></b>
 15 Gain (Loss) on Disposal of Assets		
<b>16 OPERATING RESULT</b>	<b><u>254</u></b>	<b><u>1,874</u></b>
 16.a. Operating Result before Grants for Acquisition of Assets	<b><u>120</u></b>	<b><u>1,773</u></b>

**KYOGLE COUNCIL**

**SPECIAL SCHEDULE NO 5 - SEWERAGE SERVICE OPERATIONS (cont)**

<u><b>B. CAPITAL TRANSACTIONS</b></u>	<b>2008 \$'000</b>	<b>2007 \$'000</b>
<u><b>Non - Operating Expenditure</b></u>		
17 Acquisition of Fixed Assets		
a. - Subsidised Scheme		141
b. - Other New System Assets	1,027	1,716
c. - Renewals		2
d. - Plant & Equipment		
18 Repayment of Debt		
a. - Loans		
b. - Advances		
c. - Finance Leases		
19 Transfers to Sinking Funds		
20 <b>Total Non-Operating Expenditure</b>	<b>1,027</b>	<b>1,859</b>
<u><b>Non-Operating Funds Employed</b></u>		
21 Proceeds of Disposal of Assets		
22 Borrowings Utilised		
a. - Loans		
b. - Advances		
c. - Finance Leases		
23 Transfers from Sinking Funds		
24 <b>Total Non-Operating Funds Employed</b>	<b>-</b>	<b>-</b>
<u><b>C. RATES AND CHARGES</b></u>		
25 Number of Assessments		
a. - Residential (occupied)	1466	
b. - Residential (unoccupied)	88	
c. - Non-Residential (occupied)	248	
d. - Non-Residential (unoccupied)	0	
26 Number of ETs for which Developer Charges were	1.75 ET	
27 Total Amount of Pensioner Rebates	48 \$'000	
<u><b>D. BEST PRACTICE ANNUAL CHARGES &amp; DEVELOPER CHARGES</b></u>		
28 <b>Annual Charges</b>		
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 <b>land value</b> from access charges (i.e. rates)		<input type="checkbox"/>
b Cross subsidy <b>to</b> non-residential customers		_____
c Cross subsidy <b>to</b> trade waste dischargers		_____
29 <b>Developer Charges</b>		
a Has Council completed a sewerage Development Servicing Plan?		<input type="checkbox"/> No
b Total cross-subsidy in sewerage developer charges		_____
30 <b>TOTAL OF CROSS SUBSIDIES</b>		<b>-</b>

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 - NET ASSETS COMMITTED (Gross including Internal Transactions) for the year ended 30th June 2008

	<u>Current</u> \$'000	<u>Non-Current</u> \$'000	<u>Total</u> \$'000
<b><u>ASSETS</u></b>			
31 Cash and Investments			
a. - Developer Charges	4		4
b. - Specific Purpose Grants			-
c. - Accrued Leave	23		23
d. - Unexpended Loans			-
e. - Sinking Funds			-
f. - Other	1,000		1,000
32 Receivables			
a. - Specific Purpose Grants	3		3
b. - Rates & Availability Charges	134		134
c. - Other			-
33 Inventories			-
34 Property, Plant & Equipment			
a. - System Assets		13,539	13,539
b. - Plant & Equipment		801	801
35 Other			-
36 <b>Total Assets</b>	<u>1,164</u>	<u>14,340</u>	<u>15,504</u>
<b><u>LIABILITIES</u></b>			
37 Bank Overdraft	160		160
38 Creditors	27		27
39 Borrowings			
a. - Loans	16	1,019	1,035
b. - Advances			-
c. - Finance Leases			-
40 Provisions			
- Tax Equivalents			-
a. - Dividend	-		-
b. - Other	36		36
41 <b>Total Liabilities</b>	<u>239</u>	<u>1,019</u>	<u>1,258</u>
42 <b>NET ASSETS COMMITTED</b>	<u>925</u>	<u>13,321</u>	<u>14,246</u>
<b><u>EQUITY</u></b>			
43 Accumulated Surplus			8,343
44 Asset Revaluation Reserve			5,903
45 <b>Total Equity</b>			<u>14,246</u>
46 Current Replacement Cost of System Assets			24,475
47 Accumulated Current Cost Depreciation of System Assets			10,135
48 Written Down Current Cost of System Assets			<u>14,340</u>

# KYOGLÉ COUNCIL

## SPECIAL SCHEDULE NO 7 CONDITION OF PUBLIC WORKS as at 30th June 2008

Asset Class	Asset Category	Depreciation Rate (%)	Depreciation Expense	Cost	Valuation	Accumulated Depreciation	Carrying Value	Asset Condition (see Notes attached)	Estimated Cost to bring to a Satisfactory Standard	Estimated Annual Maintenance Expense	Program Maintenance Works for current year
			'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%	31		2,155	631	1,524	70%	32	15	9
	Works Depot	1.0%	28		1,445	603	842	60%	90	9	7
	Halls	1.0%	28		8,318	5,031	3,287	40%	1,761	30	29
	Houses	1.0%	-		124	105	19	15%	63	1	3
	Library	1.0%	6		755	308	447	60%	46	4	10
	Childcare Centres	1.0%	6		868	340	528	60%	51	5	-
	Bushfire	1.0%	12		940	405	535	60%	61	5	8
	Pools	1.0%	32		4,379	1,990	2,389	55%	398	18	38
	Parks & Gardens	1.0%	31		3,450	1,631	1,819	55%	326	11	15
	Animal Control	1.0%	-		36	16	20	85%	-	1	3
	Emergency Services	1.0%	2		105	36	69	70%	2	2	-
	Cemeteries	1.0%	2		123	66	57	50%	17	1	3
	Amenities/Toilets	1.0%	1		282	107	175	60%	16	1	-
	Commercial Waste	1.0%	1		107	62	45	40%	22	1	5
	Quarries	1.0%	-		27	26	1	40%	9	1	-
	<b>Subtotal</b>		180	-	23,114	11,357	11,757		2,894	105	130
Public Roads	Seal local Roads	5.0%	245	8,527		6,239	2,288	70%	4,100	392	292
	Seal Regional Roads	5.0%	50	7,215		6,245	970	80%	1,800	470	344
	Unsealed Roads Local	2.0%	653	36,346		21,637	14,709	60%	12,000	1,000	1,543
	Unsealed Roads Regional	2.0%	32	1,604		1,380	224	80%	250	60	57
	Pavement Local Roads	2.0%	468	20,304		11,091	9,213	60%	1,500	1,500	577
	Pavement Regional Roads	2.0%	240	12,368		8,196	4,172	60%	3,500	152	96
	Bridges on Local Roads	1.0%	265	27,260		11,618	15,642	50%	6,000	500	360
	Bridges on Regional Roads	1.0%	30	3,552		1,388	2,164	65%	300	500	171
	Footpaths	2.0%	28	1,424		541	883	85%	800	45	20
Carparks	2.0%	7	149		40	109	85%	12	3	-	
	<b>Subtotal</b>		2,018	118,749	-	68,375	50,374		30,262	4,622	3,460

*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 2008**

Asset Class	Asset Category	Depreciation Rate (%)	Depreciation Expense	Cost	Valuation	Accumulated Depreciation	Carrying Value	Asset Condition (see Notes attached)	Estimated Cost to bring to a Satisfactory Standard	Estimated Annual Maintenance Expense	Program Maintenance Works for current year
			'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>			
Water	Services	2.5%	3		221	58	163	75%	20	15	10
	Mains	2.5%	96	90	8,083	5,100	3,073	40%	3,000	80	60
	Meters	2.5%	2		696	654	42	10%	400	20	10
	House	1.0%	2		198	137	61	30%	20	5	5
	Other Structures	1.0%	54		7,425	4,999	2,426	33%	1,500	300	250
	<b>Subtotal</b>		157	90	16,623	10,948	5,765		4,940	420	335
Sewerage	Other Structures	1.0%	33		3,004	1,271	1,733	60%	750	350	280
	Services	2.5%	17		1,686	778	908	60%	300	30	16
	Mains	2.5%	171	927	16,439	7,379	9,987	60%	5,000	60	40
	Air Vent Stacks	2.5%	2		190	119	71	40%	30	4	1
	<b>Subtotal</b>		223	927	21,319	9,547	12,699		6,080	444	337
Drainage Works	Conduits	2.5%	161		19,811	7,805	12,006	65%	2,000	40	30
	Inlet & Junction Pits	2.5%	8		1,280	368	912	75%	300	20	10
	<b>Subtotal</b>		169	-	21,091	8,173	12,918		2,300	60	40
<b>Total Classes - All Assets</b>			2,747	119,766	82,147	108,400	93,513		46,476	5,651	4,302

*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 2008**

### **"SATISFACTORY" CONDITION OF PUBLIC ASSETS**

In assessing the condition of Public Assets Council has had regard to the condition, function and location of each asset, based on the original design standard. Changes in standards or proposed or potential enhancements to the existing asset design standard have been ignored (Code p A702). Assets within each Asset Category have been assessed on an overall basis, recognising that an average standard of "satisfactory" may be achieved even though certain assets may be above or below that standard on an individual basis.

Council recognises that the standard that it considers to be "satisfactory" may be different from that adopted by other Councils.

The information contained in this Schedule comprises accounting estimates formulated in accordance with the NSW Local Government Code of Accounting Practice and Financial Reporting. Nothing contained within this Schedule may be taken to be an admission of any liability to any person under any circumstance.



# KYOGLE COUNCIL

## SPECIAL SCHEDULE NO 8 - FINANCIAL PROJECTIONS as at 30th June 2008

	2008 \$'m	2009 \$'m	2010 \$'m	2011 \$'m
<b>Recurrent Budget</b>				
Income from continuing operations	20.755	24.782	19.341	19.797
Expenses from continuing operations	15.862	20.114	16.605	16.915
Operating result from continuing operations	<u>4.893</u>	<u>4.668</u>	<u>2.736</u>	<u>2.882</u>
<b>Capital Budget</b>				
New Works	2.294	2.603	1.536	1.735
Replacement of existing assets	7.401	9.934	5.968	5.795
	<u>9.695</u>	<u>12.537</u>	<u>7.504</u>	<u>7.530</u>
<i>Funded by</i>				
- Loans	1.000	0.900	0.850	0.950
- Asset Sales	1.055	0.668	1.001	1.085
- Reserves	1.642	3.358	2.816	2.847
- Grants/Contributions	3.165	4.571	2.309	2.268
- Recurrent revenue	2.833	3.040	0.528	0.380
- Other	0.000	0.000	0.000	0.000
	<u>9.695</u>	<u>12.537</u>	<u>7.504</u>	<u>7.530</u>