



FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30 JUNE 2009

KYOGLE COUNCIL

General Purpose Financial Reports for the year ended 30th June 2009

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Auditors' Reports

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

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

Kyogle Council
1 Stratheden Street
Kyogle NSW 2474

The financial report was authorised for issue by the Council on 26 October 2009. Council has the power to amend and reissue the financial report.

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

KYOGLE COUNCIL

GENERAL PURPOSE FINANCIAL REPORT FOR THE YEAR ENDED 30 June 2009

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

The attached General Purpose Financial Report has been 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.

To the best of our knowledge and belief, this report

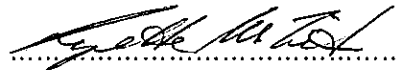
- Present fairly the Council's financial position and operating result for the year, and
- Accords with Council's accounting and other records

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

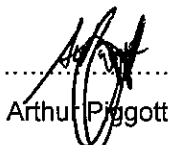
Signed in accordance with a resolution of Council made on 26 October 2009



Ross Brown
MAYOR



Lynette Zito
DEPUTY MAYOR



Arthur Piggott
GENERAL MANAGER



Glenn Rose
RESPONSIBLE ACCOUNTING OFFICER

KYOGLE COUNCIL
INCOME STATEMENT
for the year ended 30th June 2009

Budget (1) 2009 \$'000		Notes	Actual 2009 \$'000	Actual 2008 \$'000
	INCOME FROM CONTINUING OPERATIONS			
	<i>Revenue:</i>			
6,107	Rates & Annual Charges	3a	5,869	5,700
1,882	User Charges & Fees	3b	5,901	4,681
143	Interest and Investment Revenues	3c	768	984
131	Other Revenues	3d	53	75
4,725	Grants & Contributions - Operating	3e,f	9,077	6,150
4,490	Grants & Contributions - Capital	3e,f	5,498	3,165
	<i>Other Income:</i>			
167	Profit from Disposal of Assets	5	-	-
<u>17,645</u>	Total Income from Continuing Operations		<u>27,166</u>	<u>20,755</u>
	EXPENSES FROM CONTINUING OPERATIONS			
5,585	Employee Benefits and On-costs	4a	5,510	5,269
3,146	Materials & Contracts	4c	7,161	5,191
111	Borrowing Costs	4b	152	159
3,665	Depreciation & Amortisation	4d	4,130	3,828
1,218	Other Expenses	4e	1,428	1,282
	Loss from Disposal of Assets	5	1,126	133
<u>13,725</u>	Total expenses from Continuing Operations		<u>19,507</u>	<u>15,862</u>
3,920	OPERATING RESULT FROM CONTINUING OPERATIONS		7,659	4,893
	Operating result from discontinued operations			
<u>3,920</u>	NET OPERATING RESULT FOR YEAR		<u>7,659</u>	<u>4,893</u>
	Attributable to:			
3,920	KYOGLE COUNCIL		7,659	4,893
-	Minority Interests		-	-
<u>3,920</u>			<u>\$ 7,659</u>	<u>\$ 4,893</u>
<u>(570)</u>	Net operating result before grants and contributions provided for capital purposes		<u>\$ 2,161</u>	<u>\$ 1,728</u>

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 2009

	<u>Notes</u>	Actual 2009 \$'000	Actual 2008 \$'000
CURRENT ASSETS			
Cash & cash equivalents	6	14,528	13,829
Receivables	7	3,279	2,160
Inventories	8	846	682
Other	8	-	264
TOTAL CURRENT ASSETS		<u>18,653</u>	<u>16,935</u>
NON-CURRENT ASSETS			
Infrastructure, Property, Plant & Equipment	9	<u>246,362</u>	<u>237,572</u>
TOTAL NON-CURRENT ASSETS		<u>246,362</u>	<u>237,572</u>
TOTAL ASSETS		<u>265,015</u>	<u>254,507</u>
CURRENT LIABILITIES			
Payables	10	2,642	1,838
Borrowings	10	17	16
Provisions	10	<u>1,572</u>	<u>1,288</u>
TOTAL CURRENT LIABILITIES		<u>4,231</u>	<u>3,142</u>
NON-CURRENT LIABILITIES			
Payables	10	128	105
Borrowings	10	1,002	1,019
Provisions	10	<u>1,679</u>	<u>1,143</u>
TOTAL NON CURRENT LIABILITIES		<u>2,809</u>	<u>2,267</u>
TOTAL LIABILITIES		<u>7,040</u>	<u>5,409</u>
NET ASSETS		<u>\$ 257,975</u>	<u>249,098</u>
EQUITY			
Retained Earnings	20	229,879	222,220
Revaluation Reserves	20	<u>28,096</u>	<u>26,878</u>
Council Equity Interest		<u>257,975</u>	<u>249,098</u>
Minority Equity Interest	19	-	-
TOTAL EQUITY		<u>\$ 257,975</u>	<u>249,098</u>

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

KYOGLE COUNCIL

STATEMENT OF CHANGES IN EQUITY for the year ended 30th June 2009

		2009 \$'000					2008 \$'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	222,220	26,878	-	249,098	-	249,098	217,327	15,955	-	233,282	-	233,282
	Transfers to/(from) Asset Revaluation Reserve		1,218		1,218	-	1,218		10,923		10,923	-	10,923
	Transfers to/(from) other reserves			-	-		-			-	-		-
	Income and expenses recognised directly in equity				-		-				-		-
	Other adjustments	-	-	-	-	-	-	-	-	-	-	-	-
	Net movements recognised directly in equity	-	1,218	-	1,218	-	1,218	-	10,923	-	10,923	-	10,923
	Net Operating Result for the year	7,659			7,659	-	7,659	4,893			4,893	-	4,893
	Total recognised income and expense for the year	7,659	1,218	-	8,877	-	8,877	4,893	10,923	-	15,816	-	15,816
	Balance at end of the reporting period	229,879	28,096	-	257,975	-	257,975	222,220	26,878	-	249,098	-	249,098
	<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 2009

Budget 2009 \$'000		Actual 2009 \$'000	Actual 2008 \$'000
	CASH FLOWS FROM OPERATING ACTIVITIES	<u>Notes</u>	
	<u>Receipts</u>		
6,107	Rates & Annual Charges	5,931	5,628
1,882	User Charges & Fees	5,673	4,700
143	Investment Revenue and Interest	851	899
9,215	Grants & Contributions	14,657	8,895
131	Other operating receipts	958	730
	<u>Payments</u>		
(5,585)	Employee Benefits and On-costs	(5,207)	(5,243)
(3,146)	Materials & Contracts	(7,215)	(4,923)
(111)	Borrowing Costs	(17)	(47)
(1,218)	Other operating payments	(2,717)	(2,046)
<u>7,418</u>	Net Cash provided by (or used in) Operating Activities	11(b) 12,914	8,593
	CASH FLOWS FROM INVESTING ACTIVITIES		
	<u>Receipts</u>		
668	Proceeds from sale of Infrastructure, Property, Plant & Equipment	620	1,054
	<u>Payments</u>		
(12,537)	Purchase of Infrastructure, Property, Plant & Equipment	(12,819)	(9,213)
<u>(11,869)</u>	Net Cash provided by (or used in) Investing Activities	(12,199)	(8,159)
	CASH FLOWS FROM FINANCING ACTIVITIES		
	<u>Receipts</u>		
	Proceeds from Borrowings & Advances	-	1,000
	<u>Payments</u>		
	Repayments of Borrowings & Advances	(16)	(447)
<u>-</u>	Net Cash provided by (or used in) Financing Activities	(16)	553
<u>(4,451)</u>	Net Increase (Decrease) in cash held	699	987
13,829	Cash Assets at beginning of reporting period	11(a) 13,829	12,842
	Change in associated entities recognised	1 -	-
<u>9,378</u>	Cash Assets at end of reporting period	11(a) 14,528	<u>13,829</u>

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 2009

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, Urgent Issues Group Interpretations, the Local Government Act (1993) and Regulations and the Local Government Code of Accounting Practice and Financial Reporting.

AAS 27

The Standard has been superseded from 1 July 2008. However, all key elements of the former Standard have been incorporated into other current Standards including AASB 1051, 1052 and 1004.

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.

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.

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 2009 (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 ventures*

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, as lessee, 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 fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short term and long term payables. Each lease payment is allocated between the liability and finance cost. 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 is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that Council will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee 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 where Council is a lessor 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 2009 (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

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested 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 the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(g) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(h) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the income statement within other expenses. When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

(i) Inventories

(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. Cost includes the transfer from equity of any gains / losses on qualifying cash flow hedges relating to purchases of raw material. Costs are assigned to individual items of inventory on basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. 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.

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30th June 2009 (continued)

Note 1 Summary of significant accounting policies (continued)

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

(j) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write down of the asset (or disposal group) 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 (or disposal group), 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 (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is a part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the income statement.

(k) Investments and other financial assets

Classification

Council classifies its financial assets 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 reporting date which are classified as non-current assets. Loans and receivables are included in other receivables (note 8) and receivables (note 7) 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 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 reporting 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.

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30th June 2009 (continued)

Note 1 Summary of significant accounting policies (continued)

Financial assets – reclassification

Council may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, Council may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-to-trading or available-for-sale categories if it has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date - the date on which 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 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.

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 monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Details on how the fair value of financial instruments is determined are disclosed in note 1 (l).

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.

If there is evidence of impairment for any of Council's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial assets original effective interest rate. The loss is recognised in the income statement.

Investment 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

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30th June 2009 (continued)

Note 1 Summary of significant accounting policies (continued)

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.

(l) 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.

(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).
- Other Structures (External Valuation).
- Water / Sewerage Networks (Internal Valuation).
- Drainage Assets (Internal Valuation).
- Plant and equipment (as approximated by depreciated historical cost).

Other asset classes will be revalued to fair value as follows:

2009/10 – Roads, bridges and footpath assets

2010/11 – Community land, land improvements and other assets

Water and sewerage network assets are indexed annually between full revaluations in accordance with the latest indices provided in the DWE Rates Reference Manual. For all other assets, Council assesses at each reporting date whether there is any indication that a revalued asset's amount may differ materially from that which would be determined if the asset were revalued at the reporting date. If any such indication exists, Council determines the asset's fair value and revalues the asset to that amount. Full revaluations are undertaken for all assets on a 5 year cycle.

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:

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

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30th June 2009 (continued)

Note 1 Summary of significant accounting policies (continued)

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		
	5 – 15	years	Flood control structures	80 – 100	years		
Other plant and equipment							
Buildings	– Masonry	50 – 100	years	Sealed roads – Surface	10 – 20	years	
	– Other	20 – 40	years	– 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	years				
	– Other	25 – 75	years				

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.

Land, other than land under roads, is classified as either operational or community in accordance with part 2 of chapter 6 of the Local Government Act (1993). This classification is made in Note 9 (a).

(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.

Land, other than land under roads, is classified as either operational or community in accordance with part 2 of chapter 6 of the Local Government Act (1993). This classification is made in Note 9 (a).

(o) Payables

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

(p) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or finance cost.

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

(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.

(r) Provisions

Provisions are recognised when Council has a present legal or constructive obligation as a result of past events, it is probable 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.

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30th June 2009 (continued)

Note 1 Summary of significant accounting policies (continued)

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(s) Employee benefits

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

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables 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.

(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.

(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 member councils that, as a result of the global financial crisis, it has a significant deficiency of assets over liabilities amounting to around \$290 million at 30 June 2009. As a result, they have asked for significant increases in contributions from 2009/2010 onwards to recover that deficiency. Councils share of that deficiency cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils. For this reason, no liability for the deficiency has been recognised in Council's accounts. Council has, however, disclosed a contingent liability in note 18 to reflect the possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

Contributions to defined contribution plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(t) Rounding of amounts

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

(u) Land under roads

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051. Any land under roads that was recognised before 1 July 2008 has been derecognised at 1 July 2008 against the opening balance of retained earnings.

Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 – Property, Plant and Equipment.

Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips. Council will recognise all land under roads when the valuation methodology has been determined by the industry and is, in the meantime, collecting the necessary physical data to undertake the valuation.

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30th June 2009 (continued)

Note 1 Summary of significant accounting policies (continued)

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

(i) Restoration

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, eg updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

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

The amortisation or 'unwinding' of the discount applied in establishing the net present value of provisions is charged to the income statement in each accounting period. The amortisation of the discount is shown as a borrowing cost.

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

(ii) Rehabilitation

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

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

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other locations. The expected timing of expenditure can also change, for example in response to changes in quarry reserves or production rates. As a result there could be significant adjustments to the provision for close down and restoration and environmental clean up, which would affect future financial results.

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

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

(x) New accounting standards and Australian Accounting interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. Council's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 8 *Operating Segments* and AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8 (effective from 1 January 2009)*

AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. There will be no impact as this standard is not applicable to not-for-profit entities like Council.

(ii) Revised AASB 123 *Borrowing Costs* and AASB 2007-6 *Amendments to Australian Accounting Standards arising from AASB 123 (effective from 1 January 2009)*

The revised AASB 123 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

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30th June 2009 (continued)

Note 1 Summary of significant accounting policies (continued)

asset. There will be no impact on the financial reports as Council already capitalises borrowing costs relating to qualifying assets.

(iii) Revised AASB 101 *Presentation of Financial Statements* and AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101* (effective 1 January 2009)

The September 2007 revised AASB 101 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 an entity 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. Council will apply the revised standard from 1 July 2009.

(iv) AASB 2008-1 *Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations* (effective from 1 January 2009)

AASB 2008-1 clarifies that vesting conditions are service conditions and performance conditions only and that other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. There will be no impact on the financial reports as Council makes no share based payments.

(v) Revised AASB 3 *Business Combinations*, AASB 127 *Consolidated and Separate Financial Statements* and AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127* (effective 1 July 2009)

The revised AASB 3 continues to apply the acquisition method to business combinations, but with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs must be expensed.

The revised AASB 127 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss.

There will be no impact on the financial reports as Council has no exposure to these types of transactions.

(vi) AASB 2008-6 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (effective 1 July 2009)

The amendments to AASB 5 *Discontinued Operations* and AASB 1 *First-Time Adoption of Australian-Equivalents to International Financial Reporting Standards* are part of the IASB's annual improvements project published in May 2008. They clarify that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosures should be made for this subsidiary if the definition of a discontinued operation is met. There will be no impact on the financial reports as Council does not have any subsidiaries it is proposing to dispose of.

(vii) AASB 2008-7 *Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* (effective 1 July 2009)

In July 2008, the AASB approved amendments to AASB 1 *First-time Adoption of International Financial Reporting Standards* and AASB 127 *Consolidated and Separate Financial Statements*. Council will apply the revised rules prospectively from 1 July 2009. After that date, all dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue, even if they are paid out of pre-acquisition profits, but the investments may need to be tested for impairment as a result of the dividend payment.

(viii) AASB Interpretation 15 *Agreements for the Construction of Real Estate* (effective 1 January 2009)

AASB-I 15 clarifies whether AASB 118 *Revenue* or AASB 111 *Construction Contracts* should be applied to particular transactions. Council intends to apply the interpretation from 1 July 2009. It has reviewed its current agreements for the sale of real estate in light of the new guidance and concluded that there would be no change to the accounting for these agreements if AASB-I 15 was adopted in the current financial year. Consequently, it does not expect to make any adjustment on the initial application of AASB-I 15.

(ix) AASB Interpretation 16 *Hedges of a Net Investment in a Foreign Operation* (effective 1 October 2008)

AASB-I 16 clarifies which foreign currency risks qualify as hedged risk in the hedge of a net investment in a foreign operation and that hedging instruments may be held by any entity or entities within the group. It also provides guidance on how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item. There will be no impact on the financial reports as

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30th June 2009 (continued)

Note 1 Summary of significant accounting policies (continued)

Council has no hedges of a net investment in a foreign operation.

(x) AASB 2008-8 *Amendment to IAS 39 Financial Instruments: Recognition and Measurement* (effective 1 July 2009)

AASB 2008-8 amends AASB 139 *Financial Instruments: Recognition and Measurement* and must be applied retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendment makes two significant changes. It prohibits designating inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges. Council will apply the amended standard from 1 July 2009. It is not expected to have any impact on the financial reports.

(xi) AASB Interpretation 17 *Distribution of Non-cash Assets to Owners* and AASB 2008-13 *Amendments to Australian Accounting Standards arising from AASB Interpretation 17*

AASB-I 17 applies to situations where an entity pays dividends by distributing non-cash assets to its shareholders. These distributions will need to be measured at fair value and the entity will need to recognise the difference between the fair value and the carrying amount of the distributed assets in the income statement on distribution. There will be no impact on the financial reports as Council has no exposure to these types of transactions.

(y) 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.

(z) 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.

(aa) 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.

(bb) Goods and Services Tax

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

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

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

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2009

Note 2(a) - FUNCTIONS

INCOME, EXPENSES AND ASSETS HAVE BEEN DIRECTLY ATTRIBUTED TO THE FOLLOWING FUNCTIONS OR ACTIVITIES. DETAILS OF THOSE FUNCTIONS OR ACTIVITIES ARE PROVIDED IN NOTE 2(b).

	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	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
GOVERNANCE	-	-	-	204	184	134	(204)	(184)	(134)	-	-	-	-
ADMINISTRATION	102	11	29	1,969	2,398	2,270	(1,867)	(2,387)	(2,241)	-	-	12,962	14,073
PUBLIC ORDER & SAFETY	337	371	630	442	476	442	(105)	(105)	188	342	611	2,129	2,068
HEALTH	79	98	84	266	243	268	(187)	(145)	(184)	-	-	24	30
COMMUNITY SERVICES & EDUCATION	14	114	28	181	157	100	(167)	(43)	(72)	124	21	522	528
HOUSING & COMMUNITY AMENITIES	1,132	1,168	1,097	1,151	1,616	1,266	(19)	(448)	(169)	149	162	15,137	14,190
WATER SUPPLIES	1,783	1,108	883	775	799	751	1,008	309	132	224	44	8,057	7,665
SEWERAGE SERVICES	882	2,024	1,079	852	937	825	30	1,087	254	974	160	17,290	15,345
RECREATION & CULTURE	178	516	752	1,224	1,538	1,237	(1,046)	(1,022)	(485)	584	352	8,296	8,106
FUEL & ENERGY	-	-	-	-	-	-	-	-	-	-	-	-	-
MINING, MANUFACTURING & CONSTRUCTION	377	791	677	325	812	710	52	(21)	(33)	-	-	1,352	1,273
TRANSPORT & COMMUNICATION	6,524	11,840	7,461	6,179	10,245	7,763	345	1,595	(302)	4,448	3,043	199,246	191,229
ECONOMIC AFFAIRS	-	24	25	157	102	96	(157)	(78)	(71)	-	-	-	-
TOTALS - FUNCTIONS	11,408	18,065	12,745	13,725	19,507	15,862	(2,317)	(1,442)	(3,117)	6,845	4,393	265,015	254,507
GENERAL PURPOSE REVENUES	6,237	9,101	8,010	-	-	-	6,237	9,101	8,010	4,315	3,192	-	-
TOTALS	17,645	27,166	20,755	13,725	19,507	15,862	3,920	7,659	4,893	11,160	7,585	265,015	254,507

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30th June 2009

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.

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2009

Note 3 - INCOME FROM CONTINUING OPERATIONS

(a) RATES & ANNUAL CHARGES	2009 \$'000	2008 \$'000
<u>Ordinary Rates</u>		
Residential	1,673	1,583
Farmland	2,226	2,145
Mining	-	-
Business	190	183
	4,089	3,911
<u>Annual Charges</u>		
Domestic Waste Management	411	394
Water Supply	374	427
Sewerage Services	853	836
Drainage	45	45
Stormwater Management	-	-
Other Waste Management	97	87
Other	-	-
	1,780	1,789
Total Rates & Annual Charges	5,869	5,700
 (b) USER CHARGES & FEES		
<u>User Charges</u>		
Domestic Waste Management	-	110
Water Supply	445	335
Sewerage Services	110	56
Drainage Services	-	-
Other Waste Management	271	141
Other	-	-
	826	642
<u>Fees</u>		
RTA Claims - State Roads	3,720	2,811
Private Works	21	30
Sec 611 Charges	283	250
Cemeteries	92	71
Pools	119	109
Quarries	775	661
Other	65	107
	5,075	4,039
Total User Charges & Fees	5,901	4,681
 (c) INTEREST AND INVESTMENT REVENUES		
Interest receivable		
- overdue rates & charges	52	101
- cash & investments - externally restricted	30	31
- cash & investments - unrestricted	686	852
Gross Investment Revenues	768	984
Less: Interest deducted from capitalised borrowing costs	-	-
Total Investment Revenues	768	984
 (d) OTHER REVENUES		
Other fines	18	11
Rental income - Investment Property		
- Other property	12	11
Other	23	53
Total Other Revenues	53	75

KYOGLÉ COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2009

Note 3 - INCOME FROM CONTINUING OPERATIONS (cont)

	Notes	OPERATING		CAPITAL	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
(e) GRANTS					
General Purpose (Untied)					
Financial Assistance		3,357	3,082		
Individually significant item	see	849	-		
- additional Grants Commission payment	below				
Pensioner Rates Subsidies (General)		109	110		
Specific Purpose					
Pensioner Rates Subsidies					
Water Supplies		27	27		
Sewerage Services		26	26		
Domestic Waste Management		26	26		
Water Supplies				197	17
Sewerage Services				948	134
Community Centres				546	303
Transport		3,433	1,720	987	1,296
Library Services		38	38	-	11
Street Lighting Subsidy		28	27		
Community Projects		124	21		
Flood Damage		77	97		
Bushfire & Emergency Services		133	126	209	485
Other		46	39		
Total Grants & Subsidies		8,273	5,339	2,887	2,246
Comprising:					
- Commonwealth funding		4,241	3,103	1,606	898
- State funding		4,021	2,236	1,281	1,348
- Other funding		11	-	-	-
		8,273	5,339	2,887	2,246
Individually significant item					
<i>On 26 June 2009, Council received payment of the first quarter instalment of the 2009/10 Grant Commission (FAG) grant. This represents a significant increase in income from this source for 2008/09, with an equivalent reduction in 2009/10.</i>					
		849	-	-	-
(f) CONTRIBUTIONS					
Developer Contributions					
Section 94	17			172	101
Section 94A levies	17				-
Planning agreements	17				
RTA Contributions		790	811	2,324	538
Section 64					
Water	17			16	3
Sewer	17			19	2
Stormwater	17			11	1
Other Councils - Joint Works				60	-
Other		14	-	9	274
Total Contributions		804	811	2,611	919
TOTAL GRANTS & CONTRIBUTIONS		9,077	6,150	5,498	3,165

KYOGLÉ COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2009

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:

	2009 \$'000		2008 \$'000	
	<u>Grants</u>	<u>Contrib</u>	<u>Grants</u>	<u>Contrib</u>
<i>Unexpended at the close of the previous reporting period</i>	759	640	1,115	497
<i>Less: expended during the current period from revenues recognised in previous reporting periods</i>				
Section 94/64 Developer Contributions		113		126
Roads Infrastructure	759	152	1,293	46
Heritage & Cultural Services				
Community Care Services				
Other				
<i>Subtotal</i>	<u>759</u>	<u>265</u>	<u>1,293</u>	<u>172</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		282		169
Roads Infrastructure	615		937	146
Heritage & Cultural Services				
Community Care Services				
Other				
<i>Subtotal</i>	<u>615</u>	<u>282</u>	<u>937</u>	<u>315</u>
<i>Unexpended at the close of this reporting period and held as restricted assets</i>	<u>615</u>	<u>657</u>	<u>759</u>	<u>640</u>
<i>Net increase (decrease) in restricted assets in the current reporting period</i>	<u>(144)</u>	<u>17</u>	<u>(356)</u>	<u>143</u>

KYOGLÉ COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2009

Note 4 - EXPENSES FROM CONTINUING OPERATIONS

	2009 \$'000	2008 \$'000
(a) EMPLOYEE BENEFITS AND ON-COSTS		
Salaries and Wages	4,650	4,359
Travelling	65	60
Employee Leave Entitlements	881	654
Superannuation - defined contribution plan contributions	368	391
Superannuation - defined benefit plan contributions	156	-
Workers' Compensation Insurance	161	252
Fringe Benefits Tax	11	18
Payroll Tax	-	-
Training Costs (excluding Salaries)	111	131
Other	67	108
Less: Capitalised and distributed costs	<u>(960)</u>	<u>(704)</u>
Total Operating Employee Costs	<u>5,510</u>	<u>5,269</u>
 Total Number of Employees	 94	 102
<i>(Full time equivalent at end of reporting period)</i>		
 (b) BORROWING COSTS		
Interest on Loans	75	68
Unwinding of present value discounts & premiums	<u>77</u>	<u>91</u>
Total Borrowing Costs Expensed	<u>152</u>	<u>159</u>
 (c) MATERIALS & CONTRACTS		
Raw materials & consumables	6,880	4,947
Contractor and consultancy costs		
- Garbage Contract	150	133
Auditor's Remuneration		
- Audit Services	43	44
- Other Services	-	-
Legal Expenses		
- Planning & Development	8	2
- Other Legal Expenses	<u>80</u>	<u>65</u>
Total Materials & Contracts	<u>7,161</u>	<u>5,191</u>

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2009

Note 4 - EXPENSES FROM CONTINUING OPERATIONS (cont)

	IMPAIRMENT		DEPRECIATION	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
(d) DEPRECIATION, AMORTISATION & IMPAIRMENT				
Plant and Equipment	-		953	827
Office Equipment	-		74	64
Furniture & Fittings	-		2	3
Leased Property, Plant & Equipment	-		-	-
Land	-		-	-
Land Improvements (depreciable)	-		45	38
Buildings - non-specialised	-		45	21
Buildings - specialised	-		216	102
Other Structures	-		210	146
Infrastructure				
- roads, bridges & footpaths	-		2,064	2,018
- bulk earthworks	-		-	-
- stormwater drainage	-		177	169
- water supply network not elsewhere included	-		103	101
- sewerage network not elsewhere included	-		199	190
Future Reinstatement Costs				
- Tips	-		38	115
- Quarries	-		4	34
Total Depreciation, Amortisation & Impairment	<u>-</u>	<u>-</u>	<u>4,130</u>	<u>3,828</u>
		2009		2008
		\$'000		\$'000
(e) OTHER EXPENSES				
Bad and Doubtful Debts		19		9
Mayoral fee		20		19
Councillors' Fees & Allowances		82		77
Councillors' (incl. Mayor) Expenses		37		38
Insurances		357		322
Street Lighting		126		120
Light, Power & Heating		171		156
Telephone & Communications		78		83
Donations & Contributions to Local & Regional Bodies		52		60
Advertising		50		-
Regional Library		235		235
Election Expenses		45		-
Emergency Services		128		137
Subscriptions & Publications		28		26
Total Other Expenses		<u>1,428</u>		<u>1,282</u>

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2009

Note 5 - GAIN OR LOSS ON DISPOSAL OF ASSETS

	2009 \$'000	2008 \$'000
DISPOSAL OF PROPERTY		
Proceeds from disposal		
Less: Carrying amount of assets sold		
Gain (Loss) on disposal	<u>-</u>	<u>-</u>
DISPOSAL OF INFRASTRUCTURE, PLANT & EQUIPMENT		
Proceeds from disposal	620	1,055
Less: Carrying amount of assets sold	<u>(1,746)</u>	<u>(1,188)</u>
Gain (Loss) on disposal	<u>(1,126)</u>	<u>(133)</u>
TOTAL GAIN (LOSS) ON DISPOSAL OF ASSETS	<u>(1,126)</u>	<u>(133)</u>

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2009

Note 6(a) - CASH AND CASH EQUIVALENTS

	2009 \$'000		2008 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
Cash on Hand and at Bank	6,628		5,629	
Deposits at Call	<u>7,900</u>		<u>8,200</u>	
Total Cash and Cash Equivalent				
Assets	<u>14,528</u>		<u>13,829</u>	

KYOGLÉ COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2009

Note 6(b) - RESTRICTED CASH AND CASH EQUIVALENTS

	2009 \$'000		2008 \$'000	
	Current	Non-Current	Current	Non-Current
Cash & Cash Equivalent Assets	14,528		13,829	
External Restrictions	3,129		3,578	
Internal Restrictions	11,199		10,051	
Unrestricted	200	-	200	-
	14,528	-	13,829	-

	Notes	Opening Balance 30 June 2008	Movements		Closing Balance 30 June 2009
			Transfers To Restriction	Transfers From Restriction	
		\$'000	\$'000	\$'000	\$'000
External Restrictions					
Included in liabilities					
Unexpended Loans (A)				-	-
RTA Advances (B)				-	-
Self Insurance Claims (C)				-	-
Retention bonds & Deposits		211	126	80	257
Other				-	-
		211	126	80	257
Other					
Developer Contributions (D)	17	488	282	113	657
RTA Contributions (E)		152	-	152	-
Specific Purpose Unexpended Grants (F)		759	3,887	4,031	615
Water Supply funds (G)		728		107	621
Sewerage funds (H)		863		300	563
Domestic Waste Management (I)		377	39	-	416
Stormwater Management				-	-
Other				-	-
		3,367	4,208	4,703	2,872
Total External Restrictions		3,578	4,334	4,783	3,129

External Restrictions arise pursuant to section 409(3) of the Local Government Act, the Local Government (General) Regulation 2005 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	1,213		293	920
Buildings	682		-	682
Plant replacement	1,255	764	-	2,019
Carry-over works	2,625	4,074	2,625	4,074
Quarries	365		91	274
Transport	1,231		516	715
Information Technology	80		-	80
Roads and Bridges	2,265		-	2,265
Emergency Works	100		-	100
Stormwater Management	35	35	-	70
East West Connection	150		150	-
Entrance Signage	50		50	-
Total Internal Restrictions	10,051	4,873	3,725	11,199

- 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.

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2009

Note 7 - RECEIVABLES

	2009 \$'000		2008 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
Rates & Annual Charges	484	41	546	41
Interest & Extra Charges	77		124	
User Charges & Fees	1,492		796	
Accrued Interest on Investments	32		68	
Other levels of Government	1,036		634	
Net GST Receivable	181			
Other	5		1	
Total	<u>3,307</u>	<u>41</u>	<u>2,169</u>	<u>41</u>
Less: Allowance for Doubtful Debts				
Rates & Annual Charges		41		41
User Charges & Fees	28		9	
	<u>3,279</u>	<u>-</u>	<u>2,160</u>	<u>-</u>
 EXTERNALLY RESTRICTED RECEIVABLES				
Water Supply	237	-	293	
Sewerage Services	379	-	137	
Domestic Waste Management	39		133	
Total Externally Restricted Receivables	<u>655</u>	<u>-</u>	<u>563</u>	<u>-</u>
Unrestricted Receivables	2,624	-	1,597	-
Total Receivables	<u>3,279</u>	<u>-</u>	<u>2,160</u>	<u>-</u>

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2009

Note 8 - INVENTORIES & OTHER ASSETS

	2009 \$'000		2008 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
INVENTORIES				
Stores & Materials	488		501	
Trading Stock	358		181	
Total Inventories	846	-	682	-
<i>Inventories not expected to be realised within the next 12 months.</i>	-	-	-	-
OTHER ASSETS				
Prepayments			264	
Total Other Assets	-	-	264	-

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 2009

Note 9(a) - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	2008 \$'000				CARRYING AMOUNT MOVEMENTS DURING YEAR \$'000						2009 \$'000			
	AT COST	AT FAIR VALUE	ACCUM DEPN	CARRYING AMOUNT	Asset Purchases	Asset Disposals	Depreciation	Impairment	Transfers, etc.	Net Revaluation	AT COST	AT FAIR VALUE	ACCUM DEPN	CARRYING AMOUNT
	Capital Work-in-progress	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant & Equipment	-	13,889	(6,231)	7,658	1,941	(334)	(953)	-	-	337	-	14,210	(5,561)	8,649
Office Equipment	-	965	(844)	121	82	-	(74)	-	-	-	-	1,048	(919)	129
Furniture & Fittings	-	90	(72)	18	-	-	(2)	-	-	-	-	90	(74)	16
Leased Plant & Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land														
- Operational Land	-	4,665	-	4,665	-	-	-	-	-	25	-	4,690	-	4,690
- Community Land	-	970	-	970	26	-	-	-	-	(10)	-	986	-	986
Land under roads														
- pre 1 July 2008	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- post 1 July 2008	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land Improvements - non-depreciable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land Improvements - depreciable	-	1,352	(133)	1,219	139	-	(45)	-	-	537	-	2,029	(179)	1,850
Buildings - non-specialised	-	2,175	(884)	1,291	-	-	(45)	-	-	1	-	2,175	(928)	1,247
Buildings - specialised	-	16,572	(8,583)	7,989	545	-	(216)	-	-	(101)	-	17,117	(8,900)	8,217
Other Structures	-	14,994	(8,296)	6,698	137	-	(210)	-	-	1,512	-	16,556	(8,419)	8,137
Infrastructure														
- Roads, bridges, footpaths	118,749	-	(68,375)	50,374	7,525	(669)	(2,064)	-	-	-	124,019	-	(68,853)	55,166
- Bulk earthworks (non-deprec.)	129,179	-	-	129,179	393	(744)	-	-	-	-	128,828	-	-	128,828
- Stormwater drainage	-	21,091	(8,173)	12,918	207	-	(177)	-	-	386	-	21,904	(8,570)	13,334
- Water Supply Network	-	9,090	(5,812)	3,278	631	-	(103)	-	-	(274)	-	9,663	(6,131)	3,532
- Sewerage Network	-	19,242	(8,276)	10,966	1,403	-	(199)	-	-	(1,195)	-	19,735	(8,760)	10,975
Other Assets														
- Heritage Collections	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Library Books	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Other	3	-	(2)	1	-	-	-	-	-	-	-	3	(2)	1
Future Reinstatement Costs														
- Tips	656	-	(460)	196	-	-	(38)	-	402	-	1,058	-	(498)	560
- Quarries	147	-	(116)	31	-	-	(4)	-	18	-	165	-	(120)	45
- Other remediation assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Totals	248,734	105,095	(116,257)	237,572	13,029	(1,747)	(4,130)	-	420	1,218	254,070	110,206	(117,914)	246,362

Asset acquisitions were apportioned between:

Building & Infrastructure Renewals	7,665
Building & Infrastructure New Assets	2,646
Other Assets	2,718

Renewals are defined as replacements of existing assets as opposed to the acquisition of new assets.

KYOGLÉ COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2009

Note 9(b) - RESTRICTED INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	2009 \$'000				2008 \$'000			
	AT COST	AT VALUATION	ACCUM DEPN	CARRYING AMOUNT	AT COST	AT VALUATION	ACCUM DEPN	CARRYING AMOUNT
Water Supply								
Plant & Equipment		846	450	396		842	553	289
Land								
- Operational		553		553		537		537
- non depreciable land improv'ts								
Buildings		198	138	60		198	137	61
Other Structures		7,511	4,924	2,587		7,425	4,999	2,426
Water Supply Infrastructure		9,663	6,132	3,531		9,090	5,812	3,278
Total Water Supply	-	18,771	11,644	7,127	-	18,092	11,501	6,591
Sewerage Services								
Plant & Equipment		1,559	586	973		1,388	587	801
Land								
- Operational		131		131		127		127
- non depreciable land improv'ts		1,250		1,250		713		713
Other Structures		4,292	1,296	2,996		3,004	1,271	1,733
Sewerage Infrastructure		19,735	8,760	10,975		19,242	8,276	10,966
Total Sewerage Services	-	26,967	10,642	16,325	-	24,474	10,134	14,340
Domestic Waste Management								
Land Improvements - depreciable		327	56	271		246	40	206
Future Reinstatement Costs	1,058	-	498	560	656		460	196
Total Domestic Waste	1,058	327	554	831	656	246	500	402
TOTAL RESTRICTIONS	1,058	46,065	22,840	24,283	656	42,812	22,135	21,333

KYOGLÉ COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2009

Note 10(a) - PAYABLES, BORROWINGS AND PROVISIONS

	2009 \$'000		2008 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
PAYABLES				
Goods & Services	2,365		1,641	
Accrued Expenses	148		90	
Deposits, Retentions & Bonds	128	128	106	105
Other	1		1	
Total Payables	<u>2,642</u>	<u>128</u>	<u>1,838</u>	<u>105</u>

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

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BORROWINGS

Loans				
- Secured	17	1,002	16	1,019

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

PROVISIONS

Annual Leave	482		413	-
Long Service Leave	987	76	792	37
Reinstatement, Remediation, etc.		1,603	-	1,106
Other	103		83	-
Total Provisions	<u>1,572</u>	<u>1,679</u>	<u>1,288</u>	<u>1,143</u>

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

838

620

Movements in Provisions	Annual leave	Long Service Leave	Reinstatement, etc.	Other
	2009 \$'000	2009 \$'000	2009 \$'000	2009 \$'000
Opening Balance	413	829	1,106	83
Add Increases in provision	389	276	420	20
Re-measurement	-	-	77	-
(Less) Payments	(320)	(42)		
Closing Balance	<u>482</u>	<u>1,063</u>	<u>1,603</u>	<u>103</u>

KYOGLÉ COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2009

Note 10(b) - PAYABLES, BORROWINGS AND PROVISIONS (cont)

	2009 \$'000		2008 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
LIABILITIES relating to RESTRICTED ASSETS				
<u>Domestic Waste Management</u>				
Provisions		1,356	-	887
Subtotal	-	1,356	-	887
<u>Water Supplies</u>				
Payables	23	-	20	-
Interest Bearing Liabilities	-	-	-	-
Provisions	42	-	36	-
Subtotal	65	-	56	-
<u>Sewerage Services</u>				
Payables	29	-	187	-
Interest Bearing Liabilities	17	1,002	16	1,019
Provisions	43	-	36	-
Subtotal	89	1,002	239	1,019
TOTAL	154	2,358	295	1,906

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2009

Note 11 - RECONCILIATION TO CASH FLOW STATEMENT

(a) Reconciliation of Cash

	2009 \$'000	2008 \$'000
Total Cash Assets (Note 6)	14,528	13,829
Less: Bank Overdraft (Note 10)	-	-
Balances per Cash Flow Statement	14,528	13,829

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

Net Operating Result from Income Statement	7,659	4,893
Add: Depreciation, Amortisation & Impairment	4,130	3,828
Unwinding of present value discounts & premiums	77	92
Increase in provision for doubtful debts	19	-
Increase in employee benefits provisions	303	26
Increase in other provisions	440	6
Decrease in other assets	264	7
Increase in trade creditors	724	893
Increase in accrued expenses payable	58	21
Increase in other payables	45	95
Loss on Sale of Assets	1,126	133
	14,845	9,994
Less: Increase in receivables	1,138	856
Increase in inventories	164	63
Non-cash Capital Grants and Contributions	629	482
Net Cash provided by (or used in) operations	12,914	8,593

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2009

Note 11 (cont) - RECONCILIATION TO CASH FLOW STATEMENT

	2009 \$'000	2008 \$'000
(c) Non-Cash Financing and Investing Activities		
Acquisition of assets by means of:		
- Bushfire Grants	209	482
- Estimated future reinstatement, etc costs	420	-
	<u>629</u>	<u>482</u>

(d) Financing Arrangements

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

Bank Overdrafts		
Total Facilities	-	-
Corporate Credit Cards	-	-

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2009

Note 12 - COMMITMENTS FOR EXPENDITURE

	2009 \$'000	2008 \$'000
(a) Capital Commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Bridge Construction	<u>369</u>	<u>-</u>
	<u>369</u>	<u>-</u>
These expenditures are payable:		
Not later than one year	369	-
Later than one year and not later than 5 years	-	-
Later than 5 years	<u>-</u>	<u>-</u>
	<u>369</u>	<u>-</u>
(b) Service Commitments (exclusive of GST)		
Other expenditure committed for (excluding inventories) at the reporting date but not recognised in the financial statements as liabilities:		
Audit Services	65	97
Waste Management Services	268	-
Quarries Royalties	37	75
	<u>370</u>	<u>172</u>
These expenditures are payable:		
Not later than one year	201	69
Later than one year and not later than 5 years	169	103
Later than 5 years	<u>-</u>	<u>-</u>
	<u>370</u>	<u>172</u>
(c) Finance Lease Commitments		
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 2009

Note 12 (CONT) - COMMITMENTS FOR EXPENDITURE

	2009 \$'000	2008 \$'000
(d) Operating Lease Commitments (Non-Cancellable)		
Commitments under non-cancellable operating leases at the reporting date but not recognised in the financial statements are payable as follows: None		
(e) Remuneration Commitments		
Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at reporting date but not recognised as liabilities. payable:		
Not later than one year	477	454
Later than one year and not later than 5 years	554	411
Later than 5 years	-	-
	<u>1,031</u>	<u>865</u>

KYOGLÉ COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2009

Note 13 - STATEMENT OF PERFORMANCE MEASUREMENT

	<u>Amounts</u>	<u>2009 Indicators</u>	2008	2007
Unrestricted Current Ratio				
<u>Current Assets less all external restrictions (1)</u>	\$14,869	4.59	5.74	6.31
Current liabilities less specific purpose liabilities (2) (3)	\$3,239			
Debt Service Ratio				
<u>Debt Service Cost</u>	\$91	0.005	0.035	0.019
Revenue from continuing operations excluding capital items and specific purpose grants / contributions	\$16,906			
Rate Coverage Ratio				
<u>Rates & Annual Charges</u>	\$5,869	0.216	0.275	0.290
Revenue from continuing operations	\$27,166			
Rates & Annual Charges Outstanding Percentage				
<u>Rates & Annual Charges Outstanding</u>	\$561	8.51%	10.55%	9.41%
Rates & Annual Charges Collectible	\$6,591			
Building & Infrastructure Renewals Ratio (4)				
<u>Asset renewals (building and infrastructure)</u>	\$7,665	2.734	1.383	<i>Not Available</i>
Depreciation, Amortisation, Impairment (building and infrastructure)	\$2,804			

Notes:

- (1) Refer to Notes 6 - 8 inclusive.
- (2) Refer to Note 10.
- (3) \$838,000 provisions not expected to be settled deducted.
- (4) Refer Note 9a.

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2009

Note 14 - INVESTMENT PROPERTY

2009	2008
\$'000	\$'000

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

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2009

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.

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

Financial risk management is carried out by 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	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Financial Assets				
Cash and Cash Equivalents	14,528	13,829	14,528	13,829
Receivables	3,279	2,160	3,279	2,160
	<u>17,807</u>	<u>15,989</u>	<u>17,807</u>	<u>15,989</u>
Financial Liabilities				
Payables	2,770	1,943	2,770	1,943
Borrowings	1,019	1,035	1,019	1,035
	<u>3,789</u>	<u>2,978</u>	<u>3,789</u>	<u>2,978</u>

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.

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 2009

Note 15 - FINANCIAL RISK MANAGEMENT (cont)

Interest Sensitivity Analysis	2009 \$'000	2008 \$'000
Impact of a 10% (1) movement in price of investments (for assets subject to price risk only)		
- Equity	-	-
- Income Statement	-	-
Impact of a 1% (1) change in interest rates on cash & investments		
- Equity	145	138
- Income Statement	145	138

Notes:

- (1) Sensitivity percentages based on management's expectation of future possible market movements. (Price movements calculated on investments subject to fair value adjustments. Interest rate movements calculated on cash, cash equivalents, managed funds, and FRNs.) Recent market volatility has seen larger market movements for certain types of investments.

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.

	2009 \$'000	2008 \$'000
Percentage of Rates & Annual Charges		
- Current	10%	11%
- Overdue	90%	89%
Percentage of Other Receivables		
- Current	94%	97%
- Overdue	6%	3%

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:

	2009 '000	Due			Total Contractual Cash Flows	Carrying Value
		≤ 1 year	2 - 5 years	> 5 years		
Payables		2,642	128		2,770	2,770
Borrowings		92	364	1,956	2,412	1,019
		2,734	492	1,956	5,182	3,789
	2008					
	'000	≤ 1 year	2 - 5 years	> 5 years	Total Contractual Cash Flows	Carrying Value
Payables		1,838	105	-	1,943	1,943
Borrowings		92	366	2,046	2,504	1,035
		1,930	471	2,046	4,447	2,978

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2009

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:

	2009		2008	
	Wtd ave interest rate	Balance	Wtd ave interest rate	Balance
Overdraft	-	-	-	-
Loans - fixed interest rate	7.32%	1,019	7.31%	1,035
Loans - variable interest rate	-	-	-	-
		<u>1,019</u>		<u>1,035</u>

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30th June 2009

Note 16 Material budget variations

Council's original budget was incorporated as part of the Management Plan adopted by the Council on 23 June 2008. 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 \$4,019K (F) (213%) due mainly to RTA works not being budgeted for.

2. Interest and Investment revenues

The actual amount of interest revenue received was over budget by \$625K (F) (437%) due to higher levels of funds being available for investment during the year.

3. Other revenues

Other revenues were under budget by \$78K (U) (59%) due to incorrect categorisations in the original budget.

4. Operating grants and contributions received

The level of operating grants and contributions was over budget by \$4,352K (F) (92%) mainly due to additional grant funds becoming available after the original budget was adopted.

5. Capital grants and contributions received

The level of capital grants and contributions was over budget by \$1,008K (F) (22%) mainly due to sewer grants not being budgeted for.

Expenses

6. Materials & contracts

Materials & contracts were over budget by \$4,015K (U) (127%) due mainly to RTA works not being budgeted for.

7. Borrowing costs

Borrowing costs were over budget by \$41K (U) (36%) due mainly to Quarries and Tips unwinding of present value discount not being budgeted for.

8. Depreciation expense

Depreciation expense was over budget by \$465K (U) (12%) due mainly to a change in the depreciation expense of buildings and other structures after these classes of assets were revalued at 30 June 2008.

9. Other expenses

Other expenses were over budget by \$210K (U) (17%) due mainly to electricity costs being treated as materials and contracts in the original budget.

10. Gain/Loss on disposal of assets

Council has recorded a net loss on sale of assets of \$1,126K. 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 2009

Note 17 - STATEMENT OF DEVELOPER CONTRIBUTIONS

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	BALANCE INTERNAL BORROW- INGS
		CASH	NON-CASH								
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Drainage	1	11					12	9	21		
Roads	364	185		22	(110)		461	340	801		
Open Space	66	21		4	(3)		88	19	107		
Subtotal S94 under plans	431	217		26	(113)		561	368	929		
Sec 94 not under plans					-						
Sec 64 Contributions	57	35		4			96				
Total Contributions	488	252		30	(113)		657				

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	BALANCE INTERNAL BORROW- INGS
		CASH	NON-CASH								
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Drainage	1	11					12	9	21		
Roads	364	185		22	(110)		461	340	801		
Open Space	66	21		4	(3)		88	19	107		
Total	431	217		26	(113)		561	368	929		

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30th June 2009

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.

(c) Section 94 Infrastructure

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

(d) Superannuation

The Local Government Superannuation Scheme – Pool B (the scheme) is a defined benefit plan that has been deemed to be a “multi-employer fund” for purposes of AASB119. Sufficient information under AASB119 is not available to account for the Scheme as a defined benefit plan, because the assets to the Scheme are pooled together for all employers.

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2009 was \$155,509. The last valuation of the Scheme was performed by Mr Martin Stevenson BSc, FIA, FIAA on 19th June 2007 and covers the period ended 30 June 2006. However the position is monitored annually and the actuary has estimated that as at 30th June 2009 a deficit exists. Effective from 1 July 2009, employers are required to contribute at twice the “notional” or long term cost for a period of up to ten years in order to rectify this deficit. The share of this deficit that can be broadly attributed to the employer was estimated to be in the order of \$671,374 as at 30 June 2009.

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2009

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 2009.

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 2009 financial year.

	2009	2008
Council's respective interests are:		
- interest in outputs of the joint operation	12.5%	12.5%
- ownership interest in the joint operation	%	%
- the proportion of voting power in the joint operation	%	%
Movements in Investment in Joint Operation	\$'000	\$'000
Opening Balance	36	32
Amount recognised on inclusion in Council's accounts		
New Capital Contributions	21	19
Share in Operating Result	(19)	(15)
Distributions Received		
Adjustment to Equity Share		
Share in Equity of Joint Operation	38	36

Expenditure Commitments

There was no expenditure committed for (including capital expenditure) at the reporting date but not recognised in the financial statements as liabilities:

Contingent Liabilities

Each of the partners in the Newlog joint venture are jointly and severally liable for the debts of the partnership. The assets of the joint venture exceed its debts.

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2009

Note 20 - REVALUATION RESERVES AND RETAINED EARNINGS

(a) RETAINED EARNINGS	2009	2008
	\$'000	\$'000
At beginning of year	222,220	217,327
Net operating result for the year	7,659	4,893
At end of year	<u>229,879</u>	<u>222,220</u>

(b) REVALUATION RESERVES

Infrastructure, Property, Plant & Equipment

At beginning of year	26,878	15,955
Revaluations (Note 9)	1,218	10,923
At end of year	<u>28,096</u>	<u>26,878</u>

(c) NATURE AND PURPOSE OF RESERVES

Infrastructure, Property, Plant & Equipment

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

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2009

Note 26 - REINSTATEMENT, REHABILITATION AND RESTORATION LIABILITIES

Council is required by law to restore tip and quarry sites to a form that meets relevant environmental standards and licencing requirements. The projected costs of these restorations has been based on feasibility and engineering studies and estimates and has been discounted to its present value. The following makes up the provision for Reinstatement and Remediation in Note 10 :

	2009 \$'000	2008 \$'000
Tip Remediation		
At beginning of year	887	1,251
Amounts capitalised		
-Revised costs	402	(418)
Amortisation of discount-expensed to borrowing costs	<u>67</u>	<u>54</u>
At end of year	<u>1,356</u>	<u>887</u>
Quarry Remediation		
At beginning of year	219	183
Amounts capitalised		
-Revised costs	18	18
Amortisation of discount-expensed to borrowing costs	<u>10</u>	<u>18</u>
At end of year	<u>247</u>	<u>219</u>



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

Matters Relating to the Electronic Presentation of the Audited Financial Report

This audit report relates to the general purpose financial report of Kyogle Council (the Council) for the year ended 30 June 2009 included on Council's web site. The Council is responsible for the integrity of its web site. We have not been engaged to report on the integrity of the Council's web site. The audit report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements.

If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Report on the Financial Report

We have audited the accompanying financial report of the Council, which comprises the balance sheet as at 30 June 2009, 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.

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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 30th June 2009, 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 26th day of October 2009.

THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS

A handwritten signature in dark ink, appearing to read 'G W Dwyer', is written over a horizontal line.

G W DWYER (Partner)
Registered Company Auditor



Lismore, 26th October 2009

Mayor and Councillors
Kyogle Council
Stratheden Street
KYOGLA 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 2009 under section 417 of the Local Government Act 1993.

In accordance with 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:

- i) the original budget information included in:
 - the income statement,
 - the cash flow statement, and
 - note 2(a) to the financial statements in the general purpose financial report;
- ii) note 16 budget variation explanations in the general purpose financial report;
- iii) note 17 forecast information contained in the general purpose financial report; and
- iv) the best practice disclosures in notes 2 & 3 to the special purpose financial report.



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 and other mandatory professional reporting requirements in Australia.

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 2009 totalled \$7,659,000. This compares to a surplus in 2008 of \$4,893,000. The 2009 result can be summarised as follows:

	2009	2008	2007	2006
	\$'000	\$'000	\$'000	\$'000
Revenues from continuing operations	21,668	17,590	14,627	14,564
Expenses from continuing operations	(14,251)	(11,901)	(9,925)	(10,273)
Result from continuing operations before depreciation and capital amounts	7,417	5,689	4,702	4,291
Less Depreciation	(4,130)	(3,828)	(3,703)	(4,117)
Result from continuing operations before capital amounts	3,287	1,861	999	174
Capital grants and contributions	5,498	3,165	2,156	2,054
Gain / (loss) on disposal of assets	(1,126)	(133)	(1,272)	(782)
Significant items	-	-	1,679	-
Surplus / (Deficit) from all activities	7,659	4,893	3,562	1,446



3. OPERATING RESULT

Variations to 2008 by Revenue / Expenditure

The surplus from continuing operations before depreciation and capital amounts has increased by \$1,728,000 from \$5,689,000 in 2008 to \$7,417,000 in 2009. Some of the components contributing to the result include:

		\$
Revenue	- increased ordinary rates income	178,000
	- increased RTA claims – State roads	909,000
	- decreased interest revenue	216,000
	- increased operating grants	2,934,000
Expenditure	- increased employee costs	241,000
	- increased materials and contracts expenditure	1,970,000

Explanations

Revenue

- *increased ordinary rates income \$178,000*
Ordinary rates increased in conjunction with the rate-pegged increment of 3.2%.
- *increased RTA claims – State roads \$909,000*
The revenue from transport activities varies from year to year depending on the amount of works ordered by the NSW Roads and Traffic Authority.
- *decreased interest revenue \$216,000*
Interest revenue decreased in conjunction with interest rate decreases over the course of the financial year.
- *increased operating grants \$2,934,000*
Council received an additional \$1,721,000 in natural disaster funding during the 2009 year from the RTA to repair infrastructure damaged by the January 2008 and May 2009 flooding events. Council also received \$849,000 for the first instalment of the 2009/2010 Grant Commission (FAG) grant in advance of 30 June 2009.

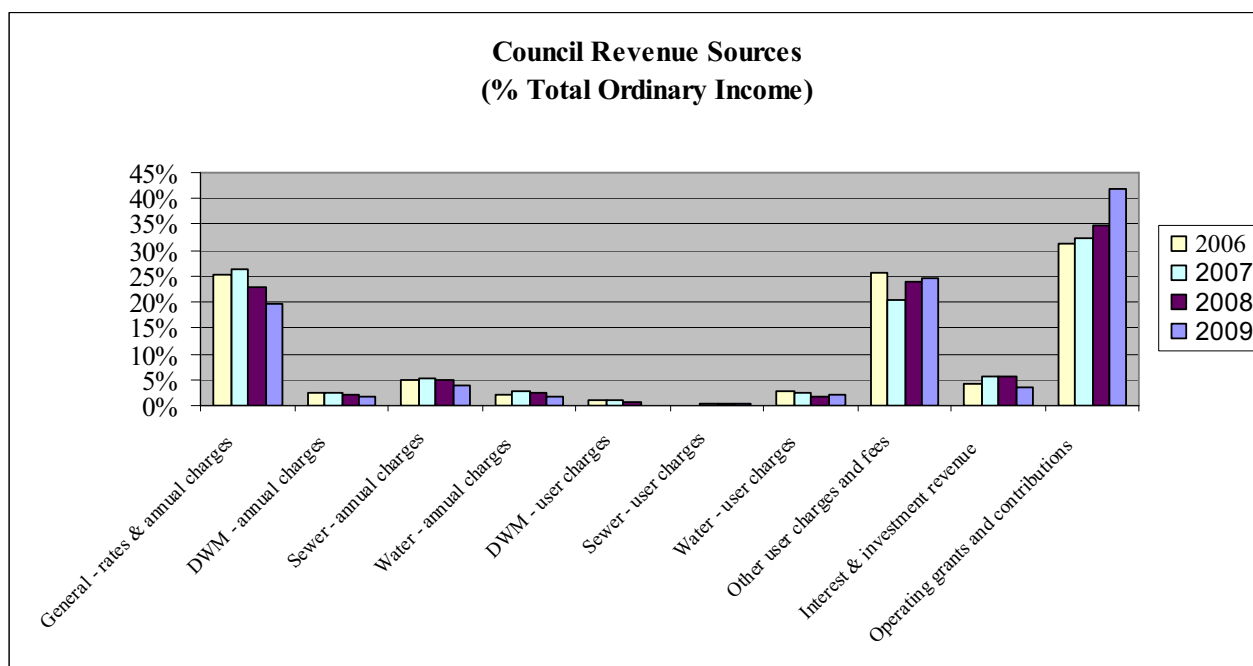
Expenditure

- *increased employee costs \$241,000*
Employee costs increased in line with annual award increases. An increase in employee leave entitlement expense and superannuation expense contributed \$360,000 to the overall employee costs increase. There was a decrease of \$91,000 in workers' compensation premiums.
- *increased materials and contracts expenditure \$1,970,000*
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 2009 financial year. Restoration works as a result of the January 2008 and May 2009 flooding events further significantly contributed to the expenditure increase.



3.1 COUNCIL REVENUE SOURCES

	2009	2008	2007	2006
	\$'000	\$'000	\$'000	\$'000
General - rates & annual charges	4,231	4,043	3,876	3,683
DWM - annual charges	411	394	381	353
Sewer - annual charges	853	836	781	738
Water - annual charges	374	427	428	306
Total rates & annual charges	<u>5,869</u>	<u>5,700</u>	<u>5,466</u>	<u>5,079</u>
DWM - user charges	0	110	148	132
Sewer - user charges	110	56	26	4
Water - user charges	445	335	371	411
Other user charges and fees	5,346	4,180	2,968	3,738
Total user charges and fees	<u>5,901</u>	<u>4,681</u>	<u>3,513</u>	<u>4,285</u>
Interest & investment revenue	768	984	800	601
Other revenue	53	75	128	67
Operating grants and contributions	<u>9,077</u>	<u>6,150</u>	<u>4,720</u>	<u>4,532</u>
Total revenue before capital amounts	<u><u>21,668</u></u>	<u><u>17,590</u></u>	<u><u>14,627</u></u>	<u><u>14,564</u></u>



Council's revenue streams have remained relatively constant over the last 4 years. The increase in other user charges in 2008 and 2009 largely 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, with a further increase to \$3,720,000 in 2009. The increase in operating grants and contributions in 2008 and 2009 largely relates to additional natural disaster funding received from the RTA to repair infrastructure damaged by the January 2008 and May 2009 flooding events. Total natural disaster funding received from the RTA in 2008 was \$1,594,000 which increased to \$3,315,000 in 2009. 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 \$2,887,000 and largely consisted of the Kyogle Sewerage Augmentation Scheme grant, roads to recovery funds, grant for the Community Enterprise and Skills Development Centre and grants for bushfire control.

Capital contributions received during the period amounted to \$2,611,000. This can be broken down as follows:

	2009	2008	2007	2006
	\$'000	\$'000	\$'000	\$'000
Section 94 Contributions - cash	172	101	34	131
Section 64 Contributions - cash	46	6	-	4
RTA Contributions *	2,324	538	194	211
Other contributions	69	274	1,772	-
TOTAL	2,611	919	2,000	346

* RTA contributions were significantly higher in 2009, with the major contributions relating to the construction of bridges at Sandy Creek, Tooloom, Bean Creek and Becks Bridge.

At 30th June 2009 Council held \$561,000 as a restricted asset for S94 contributions and \$96,000 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.

	2009	2008	2007	2006
	\$'000	\$'000	\$'000	\$'000
Profit on sale of plant and equipment	287	357	24	72
Loss on write-off of roads and bridges reconstructed	(1,413)	(490)	(1,296)	(854)
	(1,126)	(133)	(1,272)	(782)

The write-off of roads and bridges consists of \$1,000,000 relating to reconstruction of roads, and \$413,000 relating to reconstruction of bridges. The increase in write-offs from 2008 largely is due to flood damage from the January 2008 flooding event and the additional capital funding noted in 3.2.



3.4 WATER SUPPLIES

(i) Operating Result

Water supply activities can be summarised as follows:

	Actual 2009 \$'000	Actual 2008 \$'000	Actual 2007 \$'000	Actual 2006 \$'000
Rates and service availability charges	374	427	428	306
User charges	446	330	364	411
Interest	36	61	73	57
Other	12	19	6	16
Grants - Capital	197	17	81	2
Grants - Operating	27	27	26	27
Capital Contributions	16	3	98	-
Total Revenue	1,108	884	1,076	819
Management Expenses	256	197	213	200
Operating Costs	280	293	275	293
Other	88	91	90	473
Depreciation	176	170	149	142
Total Expenses	800	751	727	1,108
Operating Result	308	133	349	(289)

Results presented prior to internal elimination entries.

(ii) Explanations for Significant Variances

Revenue

- Water availability and user charges increased by 8.3% overall which is inline with the increase in tariffs as per councils 2009 management plan.
- Grants for the acquisition of assets included grants from the Department of Health and the Department of Commerce.

Expenses

- While most expenses remained fairly consistent compared with the prior year, management / administration expenses increased as a result of the reclassification of insurances and consultants fees to administration expenses.

(iii) Key Indicators

	2009 \$	2008 \$	2007 \$	2006 \$
Average service availability charge per assessment	194	214	223	163
Average user charge per assessment	231	165	190	219
Management and operating cost per assessment	278	245	255	262



3.5 SEWERAGE SERVICES

(i) Operating Result

Sewerage services activities can be summarised as follows:

	<i>Actual</i> 2009 \$'000	<i>Actual</i> 2008 \$'000	<i>Actual</i> 2007 \$'000	<i>Actual</i> 2006 \$'000
Rates and service availability charges	862	836	790	719
User charges	128	56	17	22
Interest	42	22	-	-
Other	0	3	8	-
Grants - Capital	948	134	101	36
Grants - Operating	26	26	26	26
Capital Contributions	19	2	1,634	2
Total Revenue	2,025	1,079	2,576	805
Management Expenses	173	147	161	157
Operating Costs	385	385	312	318
Other	20	21	21	3
Depreciation	284	227	205	201
Interest	75	45	3	18
Total Expenses	937	825	702	697
Operating Result	1,088	254	1,874	108

Results presented prior to internal elimination entries.

(ii) Explanation for Significant Variances

Revenue

- Sewer availability and user charges increased by 11.0% overall . After adjusting for an error in the prior year's revenue accrual, understated by \$14,000, the adjusted increase is 7.7% which is inline with the increase in tariffs as per councils 2009 management plan.
- Grants for the acquisition of assets included grants from Department of Water and Energy and the Department of Environment and Water Resources.

Expenses

- Interest expense increased due to a \$1,000,000 loan taken up during the 2008 year.

(iii) Key Indicators

	2009 \$	2008 \$	2007 \$	2006 \$
Average service availability charge per assessment	487	464	447	451
Average user charge per assessment	72	31	10	14
Management and operating cost per assessment	315	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
2009						
Water	911	800	111	1.56	-	-
Sewer	1,077	937	140	1.32	-	-
DWM	438	533	(95)	(3.25)	-	-
Quarry	775	724	51	8.47	47	-
Transport	3,720	2,885	835	N/A	-	456
2008						
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

An unqualified audit report was issued for Council's special purpose financial report for the year ended 30 June 2009.

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 2009 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 2009 Council estimates that it will cost approximately \$1,356,000 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	2025	674,000
Woodenbong Final Rehabilitation	2017	284,000
Rehabilitation of landfill cells within each site	ongoing	<u>398,000</u>
		<u>1,356,000</u>

Changes in the underlying assumptions affecting the net present value calculation of the expected future costs resulted in an increase to the rehabilitation provision of \$402,000.

Currently Council has \$416,000 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 several years prior to 2008, Council's quarry operations have again achieved a surplus of \$51,000 after a surplus of \$21,000 in 2008. 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 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 2009 financial year of \$835,000. This compares to a profit of \$745,000 in 2008. 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 2009 Council has transport reserves of \$715,000.



4. FINANCIAL POSITION

4.1 NET CURRENT ASSETS

Council has net current assets of \$14,422,000 as at 30 June, 2009. Net current assets however contains \$3,129,000 of externally restricted cash assets in the form of 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 \$655,000 of externally restricted receivables relating to water, sewerage and domestic waste management charges and rates.

	2009	2008	2007	2006
	\$'000	\$'000	\$'000	\$'000
TOTAL CASH ASSETS	14,528	13,829	12,842	10,550
Less: Externally Restricted Reserves				
- Water	621	728	983	1,029
- Sewer	563	863	482	291
- DWM	416	377	396	323
- Developer Contributions	657	488	445	469
- Unexpended Grants	615	911	1,167	879
- Other	257	211	117	103
	<u>3,129</u>	<u>3,578</u>	<u>3,590</u>	<u>3,094</u>
Less: Internally Restricted Reserves	<u>(11,199)</u>	<u>(10,051)</u>	<u>(9,052)</u>	<u>(7,256)</u>
UNRESTRICTED CASH	<u>200</u>	<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 \$11,199,000 to internally restricted cash to fund specific Council projects. We provide an understanding of internal reserve balances as at 30 June 2009:

	2009	2008	2007	2006
	\$'000	\$'000	\$'000	\$'000
Internally Restricted Reserves				
Employee Entitlements	920	1,213	1,103	1,020
Buildings	682	682	672	1,000
Transport	715	1,231	1,127	1,081
Quarries	274	365	363	330
Plant	2,019	1,255	1,501	878
Revotes	4,074	2,625	3,686	1,706
Commercial Waste	-	-	-	23
Information Technology	80	80	50	100
Bridges	2,265	2,265	450	450
Emergency Works	100	100	100	100
Main Street	-	-	-	508
Other	70	235	-	60
	<u>11,199</u>	<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 \$243,553,000, 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:

	2009	2008	2007	2006
	\$'000	\$'000	\$'000	\$'000
<i>Non-cash grants / contributions</i>				
Bush Fire Council	209	485	-	213
<i>Council Constructed / Purchased Assets</i>				
Land and Buildings	847	964	226	647
Plant and Equipment	1,732	2,559	1,031	1,198
Roads and Drainage Network	8,125	4,219	3,281	2,231
Water Supply Network	631	441	517	392
Sewerage Network	1,403	1,027	1,859	155
Other	82	-	106	201
	<u>13,029</u>	<u>9,695</u>	<u>7,020</u>	<u>5,037</u>

As illustrated above, Council has capitalised approximately \$13 million in infrastructure, property, plant and equipment during the 2009 financial year.

The significant expenditure on the Roads and Drainage Network in 2009 can be further broken down as follows –

	\$'000
Roads	2,186
Bridges	5,409
Footpaths	323
Drainage	<u>207</u>
	<u><u>8,125</u></u>

4.2.2 ASSET MANAGEMENT

Asset management is an important part of Council's operations. Council's currently controls and maintains \$211,835,000 in infrastructure assets. This valuation is likely to increase on the revaluation of roads, bridges footpaths etc in 2010 in accordance with the revaluation timetable detailed later in this report. The depreciation expense attaching to Council's assets represents one of the largest expense items in the income statement.



Integrated Planning and Reporting Framework and Asset Management

Background Information

On the 25 June 2009 the NSW Government introduced the Local Government Amendment (Planning and Reporting) Bill 2009. This Bill has passed through parliament and is currently awaiting assent to be come law. This legislation will replace the former Council Management Plan and Social Plan with a new strategic planning and reporting system called the Integrated Planning and Reporting Framework (IPAR).

The IPAR Framework has been developed as part of the Local Government Reform Program and proposes changes to the Local Government Act 1993 to improve council's long term community, financial and asset planning.

The key drivers for changing the current planning and reporting framework include: increased expectations on local government, innovation of some councils with positive effects, recent findings from reviews of council strategic performance, and the need for improved asset management and long term financial planning.

Under the IPAR framework each Council is to prepare an Asset Management Strategy to provide a clear direction for asset management. The development of an Asset Management Strategy will enable council to illustrate how its asset portfolio supports the service delivery needs of its community into the future.

An Asset Management Policy must also be prepared which sets the framework for the preparation of Council's Asset Management Strategy and Asset Management Plan/s. An Asset Management Plan is a long term plan that outlines the asset activities for each service and outlines actions and resources to provide a defined level of service in the most cost efficient way.

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, design and capacity.

The Department has given Councils an extension on the previously reported revaluation timeframe. Council is now required to revalue it's assets in accordance with the following :

Asset Type	Date of Revaluation
Water & Sewer Infrastructure	30 June 2007
Operational Land and Buildings	30 June 2008
Roads and Drainage Infrastructure	30 June 2010
Other Structures and Other Assets	30 June 2011
Community Land and Land Improvements	30 June 2011

Each year Council is required to index the carrying value of its assets so that they continue to reflect their fair value. As part of this process Council indexed the value of its water and sewer infrastructure during the 2009 financial year which resulted in an increase to the carrying value of the assets and the asset revaluation reserve of \$1,218,000.

Asset Revaluations for 2010

Council is required to revalue its roads, drainage and other structure assets during the year ending 30 June 2010. 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 assist council to manage this infrastructure in conjunction with its asset management policy and strategy.

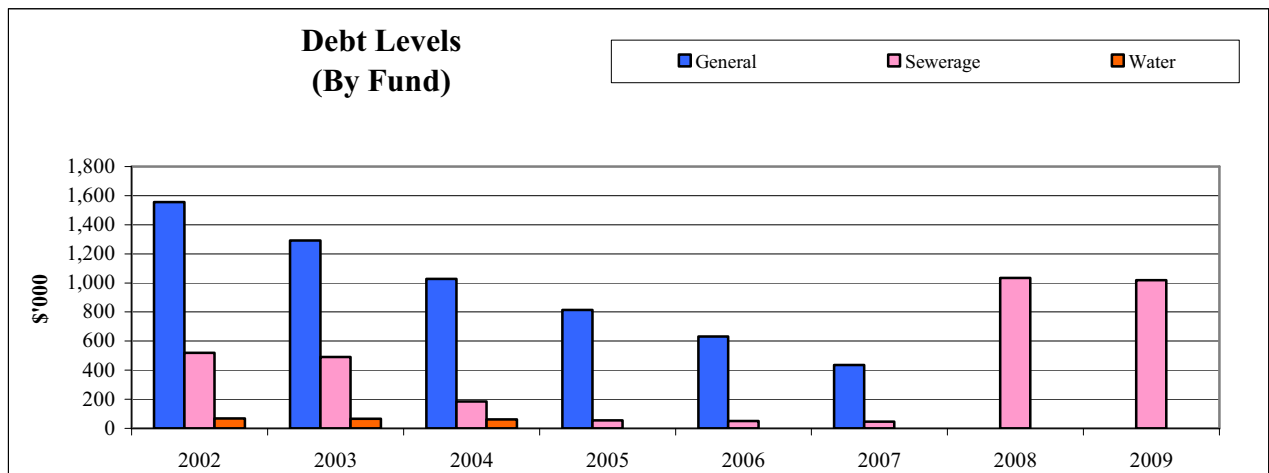
The NSW Department of Local Government has released a document that establishes milestones relating to the revaluation of roads and drainage infrastructure. As part of our audit process we enquired as to Council's progress on satisfying these milestones relating to the revaluation of roads and drainage infrastructure assets. Our discussions and observations have noted that Council has:

- Identified all bridges, footpath assets and road signage under Council's control;
- Commenced identification of roads, however this process has not been completed as at the date of our audit report; and
- Prepared a valuation methodology for major components (ie roads and bridges), however a valuation methodology for footpaths, signage and other road related assets is yet to be determined.

Although Council has not met all milestones to date, with the data collection process hindered by the recent natural disasters, Council has now allocated additional staff to expedite the process and, at this stage it is planned that the revaluation of roads, drainage and other structures, will be finalised within Department of Local Government timeframes and be ready for audit prior to the end of the 2010 financial year.

4.2.3 LOANS

Total borrowings at 30 June 2009 amounted to \$1,019,000, consistent with prior year total borrowings of \$1,035,000. These borrowings relate to the Sewerage Fund, consisting primarily of a loan taken out in December 2007 to finance sewage treatment plant augmentation works.





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.

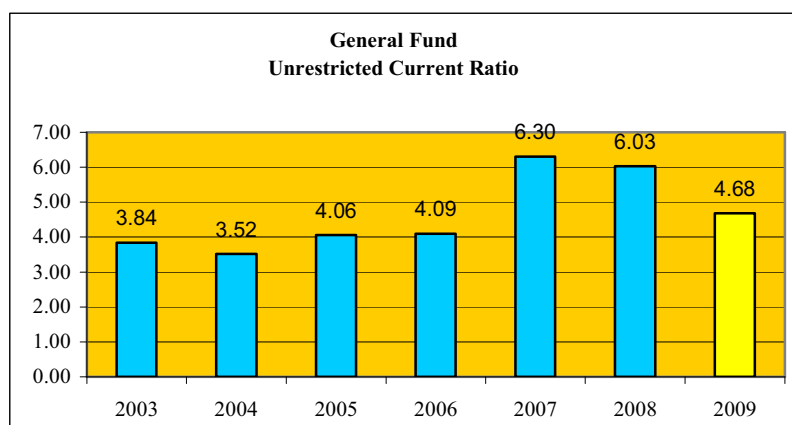
Unrestricted Current Ratio

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 6.03 in 2008 to 4.68 as at 30 June 2009 due to an increase in current liabilities as at 30 June 2009.

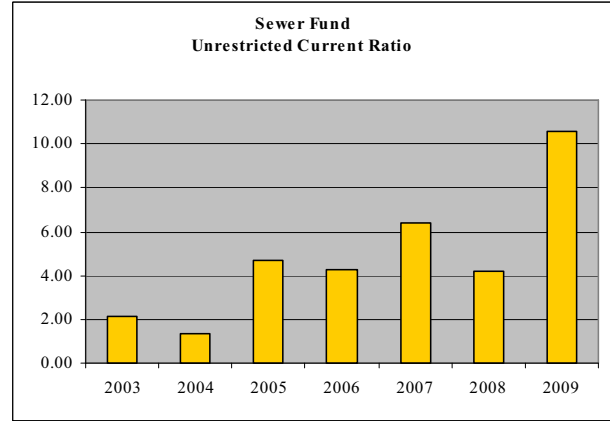
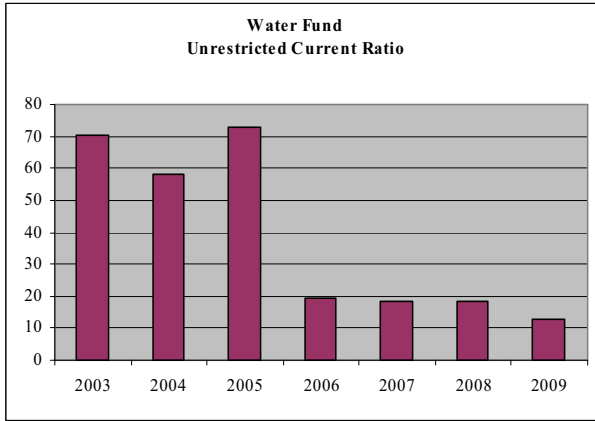
An unrestricted current ratio of 4.68:1 means that Council has \$4.68 in liquid current assets for every \$1 of current liabilities. An unrestricted current ratio of 2:1 is considered to be a strong short term position. Council's unrestricted current ratio as at 30 June 2009 means that the organisation 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

We note that 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 debt levels and will continue to fluctuate in the future as further funds are collected and expended on infrastructure improvements.

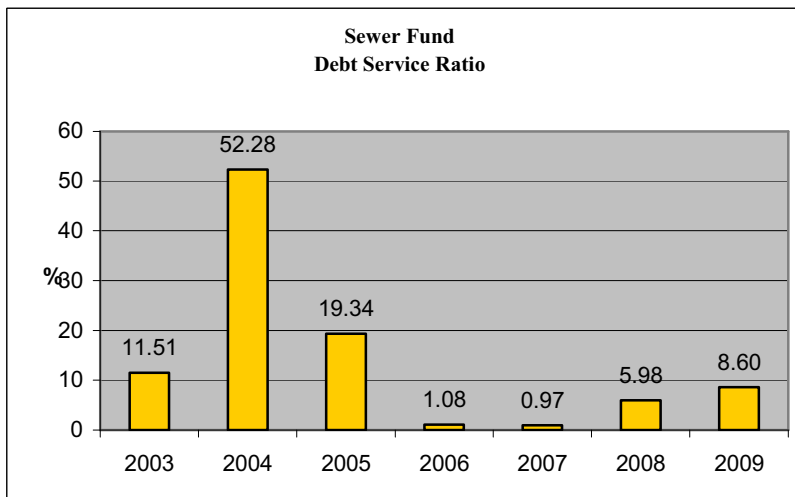


Debt Service Ratio

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.

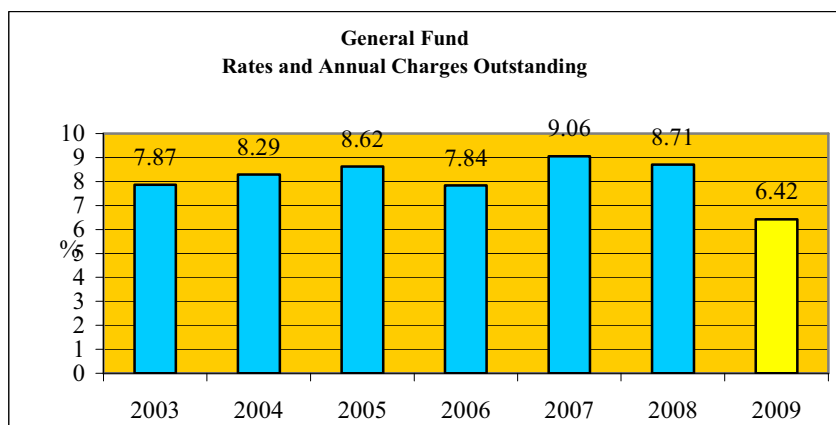
Whilst both the General Fund and Water Fund are debt free, the below graph illustrates the effects of the \$1 million loan taken up in 2008 by the Sewer fund.



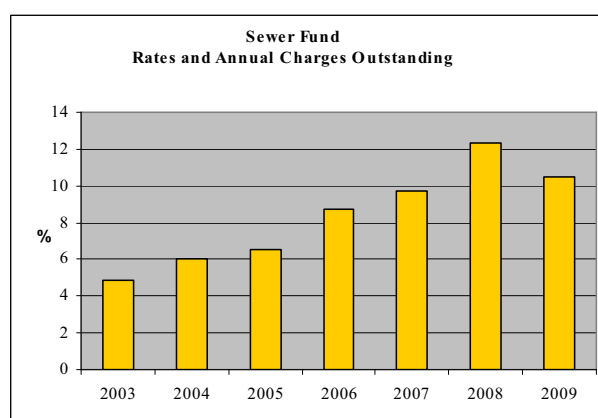
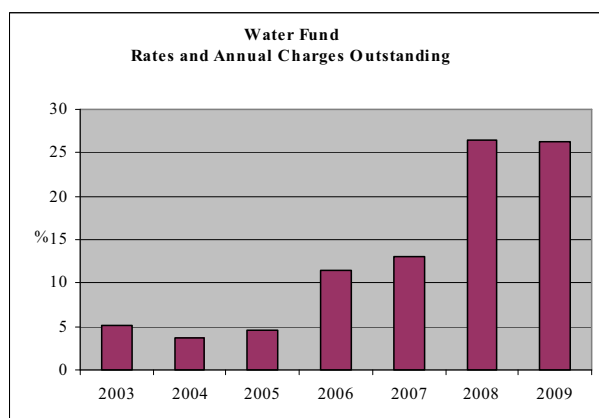
Rates and Annual Charges Outstanding Ratio

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 socio-economic 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 8.71% in 2008 to 6.42% for 2009 and indicates an appropriate allocation of council resources in managing collections.



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 2010 Council is required to revalue roads and drainage infrastructure as well as other structures. We strongly recommend that Council ensure appropriate resources are allocated to ensure Council meets this deadline with appropriate and sufficient information to support this revaluation. 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.

We also note that land and building assets are required to be held at fair value, and as such, a formal assessment of these values is also required on an annual basis.

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.

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 dark ink, appearing to read 'G W Dwyer', is written over a horizontal line.

G W DWYER (Partner)
Registered Company Auditor

KYOGLE COUNCIL
Special Purpose Financial Reports
for the year ended 30th June 2009

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KYOGLE COUNCIL

SPECIAL PURPOSE FINANCIAL REPORTS FOR THE YEAR ENDED 30 June 2009

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

The attached Special Purpose Financial Reports have been drawn up in accordance with 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 Energy, Utilities and Sustainability *"Best Practice Management of Water Supply and Sewerage"* guidelines.

To the best of our knowledge and belief, these reports

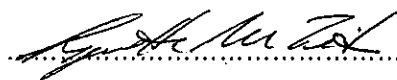
- Present fairly the financial position and operating result for each of Council's declared Business Units for the year, and
- Accord with Council's accounting and other records.

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 26 October 2009



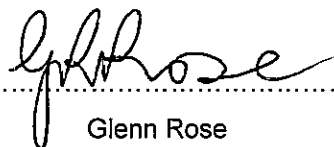
Ross Brown
MAYOR



Lynette Zito
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 2009

	Notes	2009 '000	2008 '000	2007 '000
INCOME FROM CONTINUING OPERATIONS				
Access Charges		374	427	428
User Charges		445	330	364
Fees		12	19	6
Interest Received		37	61	73
Grants & Contributions - Operating		43	30	26
Gain on Disposal of Assets		-	-	-
Other Operating Revenues		-	-	-
TOTAL		<u>911</u>	<u>867</u>	<u>897</u>
EXPENSES FROM CONTINUING OPERATIONS				
Employee Costs		92	87	140
Materials & Contracts		464	371	308
Borrowing Costs		-	-	-
Depreciation & Amortisation		176	170	149
Water Purchase Charges		34	32	40
Loss on Disposal of Assets		-	-	-
NCP Tax Equivalents		-	-	-
Debt Guarantee Fee		-	-	-
Other Operating Expenses		34	91	90
TOTAL		<u>800</u>	<u>751</u>	<u>727</u>
CONTINUING OPERATIONS RESULT BEFORE CAPITAL AMOUNTS				
		111	116	170
Grants & Contributions - Capital		197	17	179
RESULT FROM CONTINUING OPERATIONS AFTER CAPITAL AMOUNTS				
		308	133	349
Discontinued Operations		-	-	-
SURPLUS (DEFICIT) BEFORE TAX				
		308	133	349
Corporate Taxation Equivalent		33	35	51
SURPLUS (DEFICIT) FOR YEAR				
		275	98	298
Add: Opening Retained Earnings		6,934	6,801	6,452
<i>Adjustments for amounts unpaid</i>				
NCP Tax Equivalents retained				
Debt Guarantee Fee retained				
Corporate Tax Equivalent retained		33	35	51
Less: Dividends Paid				
CLOSING RETAINED EARNINGS				
		<u>7,242</u>	<u>6,934</u>	<u>6,801</u>
<i>RATE OF RETURN ON CAPITAL</i>		1.56%	1.76%	2.41%
<i>NOTIONAL SUBSIDY FROM COUNCIL</i>		N/A	N/A	N/A
<i>Calculation of Dividend Payable during next financial year</i>				
Surplus after tax		275	98	298
Less: Capital grants & contribs from LWUs		197	17	179
Surplus for dividend calculation purposes		<u>78</u>	<u>81</u>	<u>119</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 2009

	Notes	2009 '000	2008 '000	2007 '000
INCOME FROM CONTINUING OPERATIONS				
Access Charges		862	836	790
User Charges		110	47	17
Liquid Trade Waste Charges		18	9	-
Fees		-	-	-
Interest Received		42	22	-
Grants & Contributions - Operating		45	28	26
Gain on Disposal of Assets		-	-	-
Other Operating Revenues		-	3	8
TOTAL		<u>1,077</u>	<u>945</u>	<u>841</u>
EXPENSES FROM CONTINUING OPERATIONS				
Employee Costs		57	81	180
Materials & Contracts		471	451	293
Borrowing Costs		75	45	3
Depreciation & Amortisation		284	227	205
Loss on Disposal of Assets		-	-	-
NCP Tax Equivalents		-	-	-
Debt Guarantee Fee		-	-	1
Other Operating Expenses		50	21	20
TOTAL		<u>937</u>	<u>825</u>	<u>702</u>
CONTINUING OPERATIONS RESULT BEFORE CAPITAL AMOUNTS				
		140	120	139
Grants & Contributions - Capital		948	134	1,735
RESULT FROM CONTINUING OPERATIONS AFTER CAPITAL AMOUNTS				
		1,088	254	1,874
Discontinued Operations		-	-	-
SURPLUS (DEFICIT) BEFORE TAX				
		1,088	254	1,874
Corporate Taxation Equivalent		42	36	42
SURPLUS (DEFICIT) FOR YEAR				
		1,046	218	1,832
Add: Opening Retained Earnings		8,343	8,089	6,215
<i>Adjustments for amounts unpaid</i>				
NCP Tax Equivalents retained		-		
Debt Guarantee Fee retained		-		
Corporate Tax Equivalent retained		42	36	42
Less: Dividends Paid		-		
CLOSING RETAINED EARNINGS				
		<u>9,431</u>	<u>8,343</u>	<u>8,089</u>
<i>RATE OF RETURN ON CAPITAL</i>		1.32%	1.15%	1.08%
<i>NOTIONAL SUBSIDY FROM COUNCIL</i>		N/A	N/A	N/A
<i>Calculation of Dividend Payable during next financial year</i>				
Surplus after tax		1,046	218	1,832
Less: Capital grants & contribs from LWUs		948	134	1,735
Surplus for dividend calculation purposes		<u>98</u>	<u>84</u>	<u>97</u>
Dividend calculated from surplus		0	0	0

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

KYOGLE COUNCIL

INCOME STATEMENT BY BUSINESS ACTIVITIES
 for the year ended 30th June 2009

	BUSINESS ACTIVITIES					
	DWM '000		QUARRIES '000		TRANSPORT '000	
	2009	2008	2009	2008	2009	2008
INCOME FROM CONTINUING OPERATIONS	Notes					
Rates & Annual Charges	412	395				
User Charges & Fees		110	775	661	3,720	2,811
Interest Received						
Grants & Contributions - Operating	26	99				
Gain on Disposal of Assets						
Other Operating Revenues						
TOTAL	438	604	775	661	3,720	2,811
EXPENSES FROM CONTINUING OPERATIONS						
Employee Costs		20	79	70	288	232
Materials & Contracts	411	555	606	480	2,586	1,831
Borrowing Costs	68	54	10	36		
Depreciation & Amortisation	54	129	29	54		
Other Operating Expenses					11	3
Loss on Disposal of Assets						
NCP Imputation Payments						
TOTAL	533	758	724	640	2,885	2,066
CONTINUING OPERATIONS RESULT BEFORE CAPITAL AMOUNTS	(95)	(154)	51	21	835	745
Grants & Contributions - Capital						
RESULT FROM ORDINARY ACTIVITIES AFTER CAPITAL AMOUNTS	(95)	(154)	51	21	835	745
Discontinued Operations						
SURPLUS (DEFICIT) BEFORE TAX	(95)	(154)	51	21	835	745
Corporate Taxation Equivalent	-	-	15	6	251	224
SURPLUS (DEFICIT) FOR YEAR	(95)	(154)	36	15	584	521
Add: Opening Retained Earnings	26	180	603	582	1,646	1,316
NCP Imputation Payments retained			15	6	251	224
Less: Dividends Paid - TER					(456)	(415)
- Surplus Dividend						
CLOSING RETAINED EARNINGS	(69)	26	654	603	2,025	1,646
RATE OF RETURN ON CAPITAL	(3.25%)	(24.88%)	8.47%	7.84%	N/A	N/A
NOTIONAL SUBSIDY FROM COUNCIL	N/A	N/A	47	52	0	0

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

KYOGLE COUNCIL
BALANCE SHEET
WATER SUPPLY BUSINESS ACTIVITY
as at 30th June 2009

	Notes	2009 '000	2008 '000
CURRENT ASSETS			
Cash & cash equivalents		693	781
Receivables		237	293
TOTAL CURRENT ASSETS		<u>930</u>	<u>1,074</u>
NON-CURRENT ASSETS			
Infrastructure, Property, Plant & Equipment		7,127	6,591
TOTAL NON-CURRENT ASSETS		<u>7,127</u>	<u>6,591</u>
TOTAL ASSETS		<u>8,057</u>	<u>7,665</u>
CURRENT LIABILITIES			
Payables		23	20
Interest bearing liabilities			
Provisions		42	36
TOTAL CURRENT LIABILITIES		<u>65</u>	<u>56</u>
NON-CURRENT LIABILITIES			
Payables			
Interest bearing liabilities			
Provisions			
TOTAL NON CURRENT LIABILITIES		<u>65</u>	<u>56</u>
TOTAL LIABILITIES		<u>65</u>	<u>56</u>
NET ASSETS	\$	<u>7,992</u>	<u>7,609</u>
EQUITY			
Retained Earnings		7,242	6,934
Asset Revaluation Reserve		750	675
TOTAL EQUITY	\$	<u>7,992</u>	<u>7,609</u>

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

KYOGLÉ COUNCIL
BALANCE SHEET
SEWERAGE BUSINESS ACTIVITY
as at 30th June 2009

	Notes	2009 '000	2008 '000
CURRENT ASSETS			
Cash & cash equivalents		586	1,027
Receivables		379	137
TOTAL CURRENT ASSETS		<u>965</u>	<u>1,164</u>
NON-CURRENT ASSETS			
Infrastructure, Property, Plant & Equipment		16,325	14,340
TOTAL NON-CURRENT ASSETS		<u>16,325</u>	<u>14,340</u>
TOTAL ASSETS		<u>17,290</u>	<u>15,504</u>
CURRENT LIABILITIES			
Payables		29	27
Interest bearing liabilities		17	176
Provisions		43	36
TOTAL CURRENT LIABILITIES		<u>89</u>	<u>239</u>
NON-CURRENT LIABILITIES			
Payables			
Interest bearing liabilities		1,002	1,019
Provisions			
TOTAL NON CURRENT LIABILITIES		<u>1,002</u>	<u>1,019</u>
TOTAL LIABILITIES		<u>1,091</u>	<u>1,258</u>
NET ASSETS	\$	<u>16,199</u>	<u>14,246</u>
EQUITY			
Retained Earnings		9,431	8,343
Asset Revaluation Reserve		6,768	5,903
TOTAL EQUITY	\$	<u>16,199</u>	<u>14,246</u>

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

KYOGLE COUNCIL

BALANCE SHEET by BUSINESS ACTIVITIES
as at 30th June 2009

	BUSINESS ACTIVITIES					
	DWM '000		QUARRIES '000		TRANSPORT '000	
	2009	2008	2009	2008	2009	2008
CURRENT ASSETS						
Cash & cash equivalents	416	378	274	365	714	1,231
Receivables	40	133			1,311	415
Inventories			358	181		
TOTAL CURRENT ASSETS	456	511	632	546	2,025	1,646
NON-CURRENT ASSETS						
Property, Plant & Equipment	831	402	720	727		
TOTAL NON-CURRENT ASSETS	831	402	720	727		
TOTAL ASSETS	1,287	913	1,352	1,273	2,025	1,646
CURRENT LIABILITIES						
Payables						
Interest bearing liabilities						
Provisions						
TOTAL CURRENT LIABILITIES						
NON-CURRENT LIABILITIES						
Provisions	1,356	887	247	219		
TOTAL NON CURRENT LIABILITIES	1,356	887	247	219		
TOTAL LIABILITIES	1,356	887	247	219		
NET ASSETS	(\$69)	26	1,105	1,054	2,025	1,646
EQUITY						
Retained Earnings	(69)	26	654	603	2,025	1,646
Asset Revaluation Reserve	-		451	451		
TOTAL EQUITY	(\$69)	26	1,105	1,054	2,025	1,646

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 30th June 2009

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 30th June 2009

Note 1 Significant accounting policies (continued)

(i) Taxation equivalent charges

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations (General Purpose Financial Report) just like all other costs. However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council nominated business activities and are reflected in the SPFR. For the purposes of disclosing comparative information relevant to the private sector equivalent the following taxation equivalents have been applied to all Council nominated business activities (this does not include Council's non-business activities):

	Notional rate applied %
Corporate Tax Rate	30
Land Tax	1.7 in excess of \$330,000
Stamp Duty	Sliding rate according to NSW Legislation
Payroll Tax	6% of the excess over \$600,000

In accordance with the guidelines for Best Practice Management of Water Supply and Sewerage, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from Water Supply and Sewerage Business activities. The payment of taxation equivalent charges, referred in the Best Practice Management of Water Supply and Sewerage Guides to as a "Dividend for Taxation equivalent", may be applied for any purpose allowed under the Local Government Act, 1993. Achievement of substantial compliance against the guidelines for Best Practice Management of Water Supply and Sewerage is not a prerequisite for the payment of the tax equivalent charges; however the payment must not exceed \$3 per assessment.

Income tax

An income tax equivalent has been applied on the profits of the business. Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account of in terms of assessing the rate of return required on capital invested. Accordingly, the return on capital invested is set at a pre-tax level (gain/(loss) from ordinary activities before capital amounts) as would be applied by a private sector competitor – that is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

Income Tax is only applied where a gain from ordinary activities before capital amounts has been achieved. Since the taxation equivalent is notional, that is, it is payable to the "Council" as the owner of business operations, it represents an internal payment and has no effect on the operations of the Council.

Accordingly, there is no need for disclosure of internal charges in the GPFR. The rate applied of 30% is the equivalent company tax rate prevalent as at balance date. No adjustments have been made for variations that have occurred during the year.

Local Government rates and charges

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

Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that Council business activities face "true" commercial borrowing costs in line with private sector competitors. In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and the council's borrowing rate for its business activities.

(ii) Subsidies

Government policy requires that subsidies provided to customers and the funding of those subsidies must be explicitly disclosed. Subsidies occur where Council provides services on a less than cost recovery basis. This option is exercised on a range of services in order for Council to meet its community service obligations. The overall effect of subsidies is contained within the Income Statement of Business Activities.

(iii) Return on investments (rate of return)

The Policy statement requires that Councils with Category 1 businesses "would be expected to generate a return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field". Funds are subsequently available for meeting commitments or financing future investment strategies. The rate of return is disclosed for each of Council's business activities on the Income Statement.

KYOGLE COUNCIL

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

For the year ended 30th June 2009

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 2009

Note 2 - BEST PRACTICE MANAGEMENT DISCLOSURES - WATER SUPPLY

	2009
	\$
<i>Values shown in this Note are expressed in WHOLE DOLLARS</i>	
Calculation and Payment of Tax-Equivalents	
(i) Calculated Tax Equivalents	0
(ii) No of assessments multiplied by \$3/assessment	5,793
(iii) Amounts payable for Tax Equivalents	0
(iv) Tax Equivalents paid	0
Dividend from Surplus	
(i) 50% of Surplus before Dividends <i>(Calculated in accordance with Best Practice Management for Water Supply and Sewerage guidelines.)</i>	0
(ii) No of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	57,930
(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 <i>(least of (i), (ii) and (iii))</i>	0
(v) Dividend paid from Surplus	0
Required Outcomes for 6 Criteria	
(i) Completion of Strategic Business Plan (including Financial Plan)	Yes
(ii) Pricing with full cost-recovery, without significant cross subsidies <i>(Item 2(a) in Table 1 on page 18 of Best practice guidelines)</i>	Yes
Complying charges <i>(Item 2(b) in Table 1)</i>	Yes
DSP with Commercial Developer Charges <i>(Item 2(e) in Table 1)</i>	No
If Dual Water Supplies, Complying Charges <i>(Item 2(g) in Table 1)</i>	N/A
(iii) Sound Water Conservation & Demand Management Implemented	Yes
(iv) Sound Drought Management implemented	Yes
(v) Complete Performance Reporting Form <i>(by 15 September each year)</i>	Yes
(vi) Complete Integrated Water Cycle Management Evaluation	Yes
(vii) Complete and implement Integrated Water Cycle Management Strategy	Yes
National Water Initiative (NWI) Financial Performance Indicators	
NWI F1 Total Revenue (Water)	\$'000 882
NWI F4 Residential Revenue from Usage Charges (Water)	% 51.04
NWI F9 Written Down Replacement Cost of Fixed Assets (Water)	\$'000 7,127
NWI F11 Operating Cost (OMA) (Water)	\$'000 536
NWI F14 Capital Expenditure (Water)	\$'000 636
NWI F17 Economic Real Rate of Return (Water)	% 2.26
NWI F20 Capital Works Grants (Water)	\$'000 197

KYOGLÉ COUNCIL

NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE STATEMENTS for the year ended 30th June 2009

Note 3 - BEST PRACTICE MANAGEMENT DISCLOSURES - SEWERAGE

	2009 \$
<i>Values shown in this Note are expressed in WHOLE DOLLARS</i>	
Calculation and Payment of Tax-Equivalents	
(i) Calculated Tax Equivalents	0
(ii) No of assessments multiplied by \$3/assessment	5,310
(iii) Amounts payable for Tax Equivalents (lesser of (i) and (ii))	0
(iv) Tax Equivalents paid	0
Dividend from Surplus	
(i) 50% of Surplus before Dividends <i>(Calculated in accordance with Best Practice Management for Water Supply and Sewerage guidelines.)</i>	0
(ii) No of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	53,100
(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
Required Outcomes for 4 Criteria	
(i) Completion of Strategic Business Plan (including Financial Plan)	Yes
(ii) Pricing with full cost-recovery, without significant cross subsidies (Item 2(a) in Table 1 on page 18 of Best practice guidelines)	Yes
Complying charges (a) Residential (Item 2(c) in Table 1)	Yes
(b) Non-Residential (Item 2(c) in Table 1)	Yes
(c) Trade Waste (Item 2(d) in Table 1)	Yes
DSP with Commercial Developer Charges (Item 2(e) in Table 1)	N/A
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
National Water Initiative (NWI) Financial Performance Indicators	
NWI F2 Total Revenue (Sewerage)	\$'000 1,035
NWI F10 Written Down Replacement Cost of Fixed Assets (Sewerage)	\$'000 16,325
NWI F12 Operating Cost (Sewerage)	\$'000 558
NWI F15 Capital Expenditure (Sewerage)	\$'000 1,403
NWI F18 Economic Real Rate of Return (Sewerage)	% 1
NWI F27 Capital Works Grants (Sewer)	\$'000 948
NWI F3 Total Income (Water & Sewerage)	\$'000 1,917
NWI F5 Revenue from Community Service Obligations (Water & Sewerage)	% 3
NWI F16 Capital Expenditure (Water & Sewerage)	\$'000 2,039
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)	% -1
NWI F23 Interest Cover (Water & Sewerage)	times 64
NWI F24 Net Profit after Tax (Water & Sewerage)	\$'000 251
NWI F25 Community Service Obligations (Water & Sewerage)	\$'000 53



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

Matters Relating to the Electronic Presentation of the Audited Financial Report

This audit report relates to the special purpose financial report of Kyogle Council (the Council) for the year ended 30 June 2009 included on Council's web site. The Council is responsible for the integrity of its web site. We have not been engaged to report on the integrity of the Council's web site. The audit report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements.

If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Report on the Financial Report

We have audited the accompanying special purpose financial report of the Council, which comprises the balance sheet as at 30 June 2009, 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.

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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 26th day of October 2009.

**THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS**

G W DWYER (Partner)
Registered Company Auditor

KYOGLE COUNCIL

Special Schedules

for the year ended 30th June 2009

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KYOGLE COUNCIL
SPECIAL SCHEDULE NO 1
NET COST OF SERVICES
for the year ended 30th June 2009

\$'000

Function or Activity	Expenses from continuing operations		Income from continuing operations			NET COST OF SERVICES	
	Expenses	Group Totals	Non-capital revenues	Capital revenues	Group Totals	Net Cost	Group Totals
GOVERNANCE	184					184	
		184			-		184
ADMINISTRATION							
Corporate Support	1,991		10			1,981	
Engineering & Works	486					486	
Other Support Services	(79)		1			(80)	
		2,398			11		2,387
PUBLIC ORDER & SAFETY							
Statutory Contribution - Fire Service Levy	112					112	
Fire Protection - Other	253		133	209		(89)	
Animal Control	91		29			62	
Beach Control						-	
Enforcement of Local Govt Regulations						-	
Emergency Services	19					19	
Other	1					1	
		476			371		105
HEALTH							
Administration & Inspection	153		91			62	
Immunisations						-	
Food Control			7			(7)	
Insect/Vermin Control						-	
Noxious Plants	90					90	
Health Centres						-	
Other						-	
		243			98		145
COMMUNITY SERVICES & EDUCATION							
Administration	49		56			(7)	
Family Day Care						-	
Child Care						-	
Youth Services	2		2			-	
Other Families & Children						-	
Aged & Disabled						-	
Migrant Services						-	
Aboriginal Services						-	
Other Community Services	64		10			54	
Education	42			46		(4)	
		157			114		43
HOUSING & COMMUNITY AMENITIES							
Housing						-	
Town Planning	239		265			(26)	
Domestic Waste Management	533		438			95	
Other Waste Management	438		262			176	
Street Cleaning						-	
Other Sanitation & Garbage						-	
Drainage						-	
Stormwater Management	248		101	11		136	
Environmental Protection						-	
Public Cemeteries	140		91			49	
Public Conveniences	18					18	
Other Community Amenities						-	
		1,616			1,168		448

KYOGLE COUNCIL

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

Function or Activity	Expenses from continuing operations		Income from continuing operations			NET COST OF SERVICES	
	Expenses	Group Totals	Non-capital revenues	Capital revenues	Group Totals	Net Cost	Group Totals
WATER SUPPLIES	799		894	214		(309)	
		799			1,108		(309)
SEWERAGE SERVICES	937		1,058	966		(1,087)	
		937			2,024		(1,087)
RECREATION & CULTURE							
Public Libraries	285		39			246	
Museums						-	
Art Galleries	58		3			55	
Community Centres						-	
Public Halls	219		10	170		39	
Other Cultural Services						-	
Swimming Pools	529		119			410	
Sporting Grounds						-	
Parks & Gardens, Lakes	447		25	150		272	
Other Sport & Recreation						-	
		1,538			516		1,022
FUEL & ENERGY							
Gas Supplies						-	
		-			-		-
MINING, MANUFACTURING & CONSTRUCTION							
Building Control	88		16			72	
Abattoirs						-	
Quarries & Pits	724		775			(51)	
Other						-	
		812			791		21
TRANSPORT & COMMUNICATION							
Urban Roads: Local	656		60			596	
Urban Roads: Regional						-	
Sealed Rural Roads: Local	858		17	630		211	
Sealed Rural Roads: Regional	1,107		1,151	169		(213)	
Unsealed Rural Roads: Local	3,692		2,713	10		969	
Unsealed Rural Roads: Regional						-	
Bridges - Urban Roads: Local						-	
Bridges - Urban Roads: Regional						-	
Bridges - Sealed Rural Roads: Local	1,071		348	500		223	
Bridges - Sealed Rural Roads: Regional				2,213		(2,213)	
Bridges - Unsealed Rural Roads: Local						-	
Bridges - Unsealed Rural Roads: Regional						-	
Footpaths				201		(201)	
Aerodromes						-	
Parking Areas						-	
Bus Shelters & Services						-	
Water Transport						-	
RTA Works - State Roads	2,885		3,720			(835)	
Street Lighting	126		28			98	
Other	(150)		71	9		(230)	
		10,245			11,840		(1,595)

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
ECONOMIC AFFAIRS							
Camping Areas						-	
Caravan Parks						-	
Tourism & Area Promotion	88					88	
Industrial Development Promotion						-	
Saleyards & Markets						-	
Real Estate Development						-	
Commercial Nurseries						-	
Other Business Undertakings	14		24			(10)	
		102			24		78
TOTALS - FUNCTIONS		19,507			18,065		1,442
General Purpose Revenues			9,101			9,101	
Equity accounted income (loss)						-	
		-			9,101		9,101
NET OPERATING RESULT FOR YEAR							7,659

KYOGLÉ COUNCIL

SPECIAL SCHEDULE NO 2 (1) STATEMENT OF LONG TERM DEBT (ALL PURPOSE) for the year ended 30th June 2009

\$'000

Classification of Debt	Principal Outstanding at beginning of year			New Loans Raised	Debt Redemption		Tfrs to Sinking Funds	Interest applicable for year	Principal outstanding at end of year		
	Current	Non-Current	Total		From Revenue	Sinking Funds			Current	Non-Current	Total
LOANS (by source)											
Commonwealth Government			-								-
Treasury Corporation			-								-
Other State Government			-								-
Public Subscription			-								-
Financial Institutions	16	1,019	1,035		16			75	17	1,002	1,019
Other			-								-
Total Loans	16	1,019	1,035	-	16	-	-	75	17	1,002	1,019
OTHER LONG TERM DEBT											
Ratepayers' Advances			-								-
Government Advances			-								-
Finance Leases			-								-
Deferred Payment			-								-
Other			-								-
Total Other Long Term Debt	-	-	-	-	-	-	-	-	-	-	-
TOTAL LONG TERM DEBT	16	1,019	1,035	-	16	-	-	75	17	1,002	1,019

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 2009

\$'000

SUMMARY OF INTERNAL LOANS

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

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

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

KYOGLÉ COUNCIL

SPECIAL SCHEDULE NO 3 WATER SUPPLY OPERATIONS (Gross including Internal Transactions) for the year ended 30th June 2009

<u>A. EXPENSES & REVENUES</u>	2009	2008
<u>EXPENSES</u>	\$'000	\$'000
1.a. Management - Administration	181	124
b. - Engineering & Supervision	75	73
2 Operations		
a. - Dams & Weirs - Operation Expenses		
b. - Maintenance Expenses		
c. - Mains - Operation Expenses		
d. -Maintenance Expenses	104	129
e. - Reservoirs - Operation Expenses		
f. - Maintenance Expenses	12	22
g. - Pumping Stations - Operation Expenses		
h. - Energy Costs	43	36
i. - Maintenance Expenses		
j. - Treatment - Operation Expenses	66	51
k. - Chemical Costs	4	4
l. - Maintenance Expenses		
m. - Other - Operation Expenses	3	2
n. - Maintenance Expenses	14	17
o. - Purchase of Water	34	32
3.a. Depreciation - System Assets	162	157
b. - Plant & Equipment	14	13
4.a. Miscellaneous - Interest		
- Revaluation decrements		
b. - Other	88	91
- NCP Tax & Other Equivalentents	-	-
5 Total Expenses	800	751
<u>REVENUE</u>		
6 Residential Charges		
a. - Access (including rates)	258	322
b. - User Charges	269	243
7 Non-Residential Charges		
a. - Access (including rates)	116	105
b. - User Charges	176	87
8 Extra Charges	8	6
9 Interest	29	55
10 Other Income	12	19
11.a. Grants - Acquisition of Assets	197	17
b. - Pensioner Rebates	27	27
c. - Other		-
12.a. Contributions - Developer Charges		
b. - Developer Provided Assets		
c. - Other Contributions	16	3
13 Total Revenues	1,108	884
14 Gain (Loss) on Disposal of Assets		
15 OPERATING RESULT	308	133
15a. Operating Result before Grants for Acquisition of Assets	111	116

KYOGLE COUNCIL

SPECIAL SCHEDULE NO 3 - WATER SUPPLY OPERATIONS (cont)

	2009 \$'000	2008 \$'000
<u>B. CAPITAL TRANSACTIONS</u>		
<u>Non - Operating Expenditure</u>		
16 Acquisition of Fixed Assets		
a. - Subsidised Scheme		
b. - Other New System Assets	497	391
c. - Renewals	134	50
d. - Plant & Equipment	5	
17 Repayment of Debt		
a. - Loans		
b. - Advances		
c. - Finance Leases		
18 Transfers to Sinking Funds		
19 Total Non-Operating Expenditure	636	441
<u>Non-Operating Funds Employed</u>		
20 Proceeds from Disposal of Assets		
21 Borrowings Utilised		
a. - Loans		
b. - Advances		
c. - Finance Leases		
22 Transfers from Sinking Funds		
23 Total Non-Operating Funds Employed	-	-
<u>C. RATES & CHARGES</u>		
24 Number of Assessments		
a. - Residential (occupied)	1486	
b. - Residential (unoccupied)	90	
c. - Non-Residential (occupied)	355	
d. - Non -Residential (unoccupied)	0	
25 Number of ETs for which Developer Charges were	16.4 ET	
26 Total Amount of Pensioner Rebates	49 \$'000	
<u>D. BEST PRACTICE ANNUAL CHARGES & DEVELOPER CHARGES</u>		
27 Annual Charges		
a. Does Council have best-practice water supply annual charges and usage charges?	<input checked="" type="checkbox"/> Yes	
If Yes, go to 28a.		
If No, has Council removed land value from access charges (i.e. rates)	<input type="checkbox"/>	
b. Cross subsidy from residential customers using less than allowance		_____
c. Cross subsidy to non-residential customers		_____
d. Cross subsidy to large connections in unmetered supplies		_____
28 Developer Charges		
a. Has Council completed a water supply Development Servicing Plan?	<input checked="" type="checkbox"/> No	
b. Total cross-subsidy in water supply developer charges		_____
29 TOTAL OF CROSS SUBSIDIES		-

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

KYOGLÉ COUNCIL

SPECIAL SCHEDULE NO 4 WATER SUPPLY - NET ASSETS COMMITTED (Gross including Internal Transactions) for the year ended 30th June 2009

	<u>Current</u> \$'000	<u>Non-Current</u> \$'000	<u>Total</u> \$'000
<u>ASSETS</u>			
30 Cash and Investments			
a. - Developer Charges	73		73
b. - Specific Purpose Grants			-
c. - Accrued Leave	44		44
d. - Unexpended Loans			-
e. - Sinking Funds			-
f. - Other	576		576
31 Receivables			
a. - Specific Purpose Grants			-
b. - Rates & Availability Charges	237		237
c. - Other			-
32 Inventories			-
33 Property, Plant & Equipment			
a. - System Assets		6,731	6,731
b. - Plant & Equipment		396	396
34 Other			-
35 Total Assets	930	7,127	8,057
<u>LIABILITIES</u>			
36 Bank Overdraft			-
37 Creditors	23		23
38 Borrowings			
a. - Loans			-
b. - Advances			-
c. - Finance Leases			-
39 Provisions			
- Tax Equivalent			-
a. - Dividend	-		-
b. - Other	42		42
40 Total Liabilities	65	-	65
41 NET ASSETS COMMITTED	865	7,127	7,992
<u>EQUITY</u>			
42 Accumulated Surplus			7,242
43 Asset Revaluation Reserve			750
44 Total Equity			7,992
45 Current Replacement Cost of System Assets			18,771
46 Accumulated Current Cost Depreciation of System Assets			11,644
47 Written Down Current Cost of System Assets			7,127

KYOGLÉ COUNCIL

SPECIAL SCHEDULE NO 5 SEWERAGE SERVICE OPERATIONS (Gross including Internal Transactions) for the year ended 30th June 2009

<u>A. EXPENSES & REVENUES</u>	2009	2008
<u>EXPENSES</u>	\$'000	\$'000
1.a. Management - Administration	113	89
b. - Engineering & Supervision	60	58
2 Operations & Maintenance Expenses		
a. -Mains - Operation Expenses		
b. -Maintenance Expenses	37	54
c. - Pumping Stations - Operation Expenses	57	65
d. - Energy Costs	23	10
e. - Maintenance Expenses	10	20
f. - Treatment - Operation Expenses	188	181
g. - Chemical Costs	54	38
h. - Energy Costs	16	17
i. - Effluent Management		
j. - Biosolids Management		
k. - Maintenance Expenses		
l. - Other - Operation Expenses		
m. - Maintenance Expenses		
3.a. Depreciation - System Assets	233	223
b. - Plant & Equipment	51	4
4.a. Miscellaneous - Interest	75	45
- Revaluation decrements		
b. - Other	20	21
- NCP Tax & Other Equivalents	-	-
5 Total Expenses	937	825
 <u>REVENUE</u>		
6 Residential Charges (including rates)	782	773
7 Non-Residential Charges		
a. Access (including rates)	71	54
b. User Charges	110	47
8 Trade Waste Charges		
a. Annual Fees	9	9
b. User Charges	18	9
c. Excess Mass Charges & Re-inspection Fees		
9 Extra Charges		
10 Interest	42	22
11 Other Income	-	3
12.a. Grants - Acquisition of Assets	948	134
b. - Pensioner Rebates	26	26
c. - Other		
13.a. Contributions - Developer Charges		
b. - Developer Provided Assets		
c. - Other Contributions	19	2
14 Total Revenues	2,025	1,079
15 Gain (Loss) on Disposal of Assets		
16 OPERATING RESULT	1,088	254
16.a. Operating Result before Grants for Acquisition of Assets	140	120

KYOGLE COUNCIL

SPECIAL SCHEDULE NO 5 - SEWERAGE SERVICE OPERATIONS (cont)

<u>B. CAPITAL TRANSACTIONS</u>	2009 \$'000	2008 \$'000
<u>Non - Operating Expenditure</u>		
17 Acquisition of Fixed Assets		
a. - Subsidised Scheme		
b. - Other New System Assets	1,361	1,027
c. - Renewals	42	
d. - Plant & Equipment		
18 Repayment of Debt		
a. - Loans	16	10
b. - Advances		
c. - Finance Leases		
19 Transfers to Sinking Funds		
20 Total Non-Operating Expenditure	1,419	1,037
<u>Non-Operating Funds Employed</u>		
21 Proceeds of Disposal of Assets		
22 Borrowings Utilised		
a. - Loans		
b. - Advances		
c. - Finance Leases		
23 Transfers from Sinking Funds		
24 Total Non-Operating Funds Employed	-	-
<u>C. RATES AND CHARGES</u>		
25 Number of Assessments		
a. - Residential (occupied)	1475	
b. - Residential (unoccupied)	99	
c. - Non-Residential (occupied)	196	
d. - Non-Residential (unoccupied)	0	
26 Number of ETs for which Developer Charges were	18.5 ET	
27 Total Amount of Pensioner Rebates	48 \$'000	
<u>D. BEST PRACTICE ANNUAL CHARGES & DEVELOPER CHARGES</u>		
28 Annual Charges		
a Does Council have best-practice sewerage annual charges, usage charges and trade waste fees and charges?		<input type="checkbox"/> Yes
If Yes, go to 29a.		
If No, has Council removed land value from access charges (i.e. rates)		<input type="checkbox"/>
b Cross subsidy to non-residential customers		_____
c Cross subsidy to trade waste dischargers		_____
29 Developer Charges		
a Has Council completed a sewerage Development Servicing Plan?		<input type="checkbox"/> No
b Total cross-subsidy in sewerage developer charges		_____
30 TOTAL OF CROSS SUBSIDIES		-

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

KYOGLE COUNCIL

SPECIAL SCHEDULE NO 6 SEWERAGE SERVICES - NET ASSETS COMMITTED (Gross including Internal Transactions) for the year ended 30th June 2009

<u>ASSETS</u>	<u>Current</u> \$'000	<u>Non-Current</u> \$'000	<u>Total</u> \$'000
31 Cash and Investments			
a. - Developer Charges	23		23
b. - Specific Purpose Grants			-
c. - Accrued Leave	23		23
d. - Unexpended Loans			-
e. - Sinking Funds			-
f. - Other	540		540
32 Receivables			
a. - Specific Purpose Grants	230		230
b. - Rates & Availability Charges	149		149
c. - Other			-
33 Inventories			-
34 Property, Plant & Equipment			
a. - System Assets		15,353	15,353
b. - Plant & Equipment		972	972
35 Other			-
36 Total Assets	965	16,325	17,290
 <u>LIABILITIES</u>			
37 Bank Overdraft			-
38 Creditors	29		29
39 Borrowings			
a. - Loans	17	1,002	1,019
b. - Advances			-
c. - Finance Leases			-
40 Provisions			
- Tax Equivalents			-
a. - Dividend	-		-
b. - Other	43		43
41 Total Liabilities	89	1,002	1,091
42 NET ASSETS COMMITTED	876	15,323	16,199
 <u>EQUITY</u>			
43 Accumulated Surplus			9,431
44 Asset Revaluation Reserve			6,768
45 Total Equity			16,199
46 Current Replacement Cost of System Assets			26,967
47 Accumulated Current Cost Depreciation of System Assets			10,642
48 Written Down Current Cost of System Assets			16,325

KYOGLE COUNCIL

SPECIAL SCHEDULE NO 7 CONDITION OF PUBLIC WORKS as at 30th June 2009

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%	21	-	2,112	655	1,457	68%	34	16	10
	Works Depot	1%	36		1,608	653	955	70%	45	10	8
	Halls	1%	91		8,742	5,131	3,611	50%	1,515	32	30
	Houses	1%	2		124	109	15	15%	65	1	4
	Library	1%	8		755	317	438	60%	50	5	11
	Childcare Centres	1%	17		885	364	521	60%	60	6	-
	Bushfire	1%	19		940	434	506	60%	65	6	9
	Pools	1%	78		4,380	2,104	2,276	52%	385	20	40
	Parks & Gardens	1%	95		3,557	1,768	1,789	55%	330	12	16
	Animal Control	1%	1		43	17	26	85%	-	2	4
	Emergency Services	1%	2		105	40	65	70%	5	3	1
	Cemeteries	1%	3		123	70	53	50%	18	2	4
	Amenities/Toilets	1%	1		289	119	170	60%	15	2	1
	Commercial Waste	1%	6		158	82	76	75%	10	2	6
	Quarries	1%	-		27	26	1	40%	10	2	1
	Subtotal		380	-	23,848	11,889	11,959		2,607	121	145
Public Roads	Seal Local Roads	5%	241	8,876		6,336	2,540	75%	3,100	650	850
	Seal Regional Roads	5%	73	7,098		6,081	1,017	80%	1,300	273	357
	Unsealed Roads Local	2%	655	36,264		22,139	14,125	65%	9,400	2,000	2,301
	Unsealed Roads Regional	2%	32	1,604		1,412	192	80%	200	55	57
	Pavement Local Roads	2%	471	20,536		11,347	9,189	70%	930	195	262
	Pavement Regional Roads	2%	247	12,462		8,130	4,332	70%	390	82	264
	Bridges on Local Roads	1%	267	28,499		11,755	16,744	55%	3,000	500	773
	Bridges on Regional Roads	1%	35	6,784		1,030	5,754	80%	300	45	4
	Footpaths	2%	36	1,747		576	1,171	85%	700	45	137
	Carparks	2%	7	149		47	102	85%	12	3	-
	Subtotal		2,064	124,019	-	68,853	55,166		19,332	3,848	5,005

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 2009**

Asset Class	Asset Category	Depreciation Rate (%)	Depreciation Expense '000	Cost '000	Valuation '000	Accumulated Depreciation '000	Carrying Value '000	Asset Condition (see Notes attached)	Estimated Cost to bring to a Satisfactory Standard '000	Estimated Annual Maintenance Expense '000	Program Maintenance Works for current year '000
	<i>References</i>	<i>Note 9</i>	<i>Note 4</i>		<i>Note 9</i>			<i>Local Govt. Act 1993, Section 428 (2d)</i>			
Water	Services	2.5%	3		236	64	172	75%	21	16	6
	Mains	2.5%	99		8,673	5,359	3,314	40%	3,090	82	60
	Meters	2.5%	2		753	708	45	10%	412	21	10
	House	1.0%	2		198	138	60	30%	21	5	5
	Other Structures	1.0%	56		7,511	4,924	2,587	35%	1,545	309	275
	Subtotal		162	-	17,371	11,193	6,178		5,089	433	356
Sewerage	Other Structures	1.0%	34		4,292	1,296	2,996	70%	770	360	387
	Services	2.5%	18		1,755	824	931	60%	309	31	10
	Mains	2.5%	178		17,790	7,815	9,975	60%	5,750	61	40
	Air Vent Stacks	2.5%	2		190	121	69	40%	31	4	1
	Subtotal		232	-	24,027	10,056	13,971		6,860	456	438
Drainage Works	Conduits	2.5%	168		20,563	8,184	12,379	65%	2,060	41	30
	Inlet & Junction Pits	2.5%	8		1,341	386	955	75%	309	20	10
	Subtotal		176	-	21,904	8,570	13,334		2,369	61	40
Total Classes - All Assets			3,014	124,019	87,150	110,561	100,608		36,257	4,919	5,984

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 2009

"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 2009

	2009 \$'000	2010 \$'000	2011 \$'000	2012 \$'000
Recurrent Budget				
Income from continuing operations	27,166	21,194	19,659	19,609
Expenses from continuing operations	19,507	13,645	13,693	14,066
Operating result from continuing operations	<u>7,659</u>	<u>7,549</u>	<u>5,966</u>	<u>5,543</u>
Capital Budget				
New Works	2,646	1,450	1,325	1,570
Replacement of existing assets	10,383	7,737	5,310	4,942
	<u>13,029</u>	<u>9,187</u>	<u>6,635</u>	<u>6,512</u>
<i>Funded by</i>				
- Loans		650	650	750
- Asset Sales	620	478	492	507
- Reserves	4,049	2,601	2,298	2,518
- Grants/Contributions	5,498	4,363	2,376	1,839
- Recurrent revenue	2,862	1,095	819	898
- Other				
	<u>13,029</u>	<u>9,187</u>	<u>6,635</u>	<u>6,512</u>