



# FINANCIAL STATEMENTS

FOR THE YEAR ENDED  
30 JUNE 2011

# KYOGLE COUNCIL

## General Purpose Financial Statements for the year ended 30th June 2011

### TABLE OF CONTENTS

	<u>Page</u>
<b>Council Certificate [s 413 (2)(c)]</b>	1
<b>Principal Financial Statements</b>	
Income Statement	2
Statement of Comprehensive Income	3
Balance Sheet	4
Statement of Changes in Equity	5
Statement of Cash Flows	6
<b>Notes to, and forming part of, the Principal Financial Statements</b>	
Note 1 - Significant Accounting Policies	7 - 17
Note 2 - Functions	18 - 19
Note 3 - Income	20 - 22
Note 4 - Expenses	23 - 24
Note 5 - Gain or Loss on Disposal of Assets	25
Note 6 - Cash and Investment Securities	26 - 28
Note 7 - Receivables	29
Note 8 - Inventories & Other Assets	30
Note 9 - Infrastructure, Property, Plant & Equipment	31 - 32
Note 10 - Liabilities	33 - 34
Note 11 - Reconciliation to Statement of Cash Flows	35 - 36
Note 12 - Commitments for Expenditure	37
Note 13 - Statement of Performance Measures	38
Note 14 - Investment Property	39
Note 15 - Financial Risk Management	40 - 42
Note 16 - Material Budget Variations	43
Note 17 - Statement of Developer Contributions	44
Note 18 - Contingencies & Assets & Liabilities not Recognised	45
Note 19 - Interests in Joint Ventures & Associates	46
Note 20 - Revaluation Reserves & Retained Earnings	47
Note 21 - Results by Fund	48 - 49
Note 26 - Reinstatement, rehabilitation & restoration liabilities	50
<b>Auditors Report on the Financial Statements [s 417 (2)]</b>	
<b>Auditors Report on the Conduct of the Audit [s 417 (3)]</b>	

# KYOGLE COUNCIL

## GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

### 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 Statements have been drawn up in accordance with :

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

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

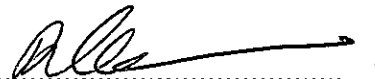
- Present fairly the Council's financial position and operating result for the year, and
- Accords with Council's accounting and other records.

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

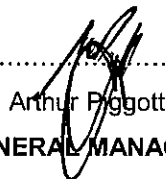
Signed in accordance with a resolution of Council made on 24 October 2011



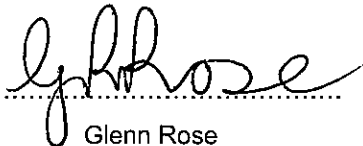
Ross Brown  
MAYOR



Robert Leadbeatter  
DEPUTY MAYOR



Arthur Piggott  
GENERAL MANAGER



Glenn Rose  
RESPONSIBLE ACCOUNTING OFFICER

**KYOGLE COUNCIL**  
**INCOME STATEMENT**  
for the year ended 30th June 2011

Budget (1) 2011 \$'000		Notes	Actual 2011 \$'000	Actual 2010 \$'000
	<b>INCOME FROM CONTINUING OPERATIONS</b>			
	<i>Revenue:</i>			
6,276	Rates & Annual Charges	3a	6,372	6,105
2,706	User Charges & Fees	3b	7,674	5,881
262	Interest & Investment Revenue	3c	864	559
45	Other Revenues	3d	30	142
6,186	Grants & Contributions - Operating	3e,f	7,143	7,032
3,054	Grants & Contributions - Capital	3e,f	1,802	4,065
	<i>Other Income:</i>			
98	Net Gain from the Disposal of Assets	5	-	-
	Net Share of interests in Joint Ventures & Associates			
-	using the Equity method	19	-	-
<u>18,627</u>	<b>Total Income from Continuing Operations</b>		<u>23,885</u>	<u>23,784</u>
	<b>EXPENSES FROM CONTINUING OPERATIONS</b>			
6,417	Employee Benefits and oncosts	4a	6,927	6,233
4,043	Materials & Contracts	4c	7,865	7,316
124	Borrowing Costs	4b	173	162
3,666	Depreciation & Amortisation	4d	7,579	4,341
-	Impairment	4d	-	-
1,784	Other Expenses	4e	1,634	1,454
-	Interest and investment losses	3c	-	-
-	Net Loss from Disposal of Assets	5	370	714
	Net Share of interests in Joint Ventures & Associates			
-	using the Equity method	19	-	-
<u>16,034</u>	<b>Total expenses from Continuing Operations</b>		<u>24,548</u>	<u>20,220</u>
2,593	<b>OPERATING RESULT FROM CONTINUING OPERATIONS</b>		(663)	3,564
-	Operating result from discontinued operations		-	-
<u>2,593</u>	<b>NET OPERATING RESULT FOR YEAR</b>		<u>(663)</u>	<u>3,564</u>
	Attributable to:			
2,593	KYOGLE COUNCIL		(663)	3,564
-	Minority Interests		-	-
<u>2,593</u>			<u>\$(663)</u>	<u>\$3,564</u>
<u>(461)</u>	<b>Net operating result before capital grants and contributions</b>		<u>\$(2,465)</u>	<u>\$(501)</u>

Note:

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

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

# KYOGLÉ COUNCIL

## STATEMENT OF COMPREHENSIVE INCOME for the year ended 30th June 2011

	Notes	Actual 2011 \$'000	Actual 2010 \$'000
<b>Net operating result for the year</b>			
from Income Statement		(663)	3,564
 <b>Other comprehensive income</b>			
Gain (loss) on revaluation of infrastructure, property, plant & equipment	20b	11,049	86,833
Gain (loss) on revaluation of available-for-sale investments	20b	-	-
Realised available-for-sale investments gains recognised in revenue	20b	-	-
Land under roads recognised (de-recognised)	20a	3,391	-
Adjustment to correct prior period depreciation errors	20d	-	17,529
<b>Total other comprehensive income for the year</b>		<u>14,440</u>	<u>104,362</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u><u>13,777</u></u>	<u><u>107,926</u></u>
 Attributable to:			
KYOGLÉ COUNCIL		13,777	107,926
Minority Interests		-	-
		<u>\$ 13,777</u>	<u>\$ 107,926</u>

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

# KYOGLE COUNCIL

## BALANCE SHEET

as at 30th June 2011

	Notes	ACTUAL 2011 \$'000	ACTUAL 2010 \$'000
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash & cash equivalents	6a	15,719	13,928
Investments	6b	-	-
Receivables	7	5,160	3,939
Inventories	8	954	962
Other	8	248	254
Non-current assets classified as held for sale	22	-	-
<b>TOTAL CURRENT ASSETS</b>		<b><u>22,081</u></b>	<b><u>19,083</u></b>
<b>NON-CURRENT ASSETS</b>			
Investments	6b	-	-
Receivables	7	-	-
Infrastructure, Property, Plant & Equipment	9	257,690	245,873
Investments accounted for using equity method	19	-	-
Investment Property	14	-	-
Intangible Assets	25	-	-
Other	8	-	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b><u>257,690</u></b>	<b><u>245,873</u></b>
<b>TOTAL ASSETS</b>		<b><u>279,771</u></b>	<b><u>264,956</u></b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Payables	10	1,681	1,199
Borrowings	10	29	27
Provisions	10	1,747	1,829
<b>TOTAL CURRENT LIABILITIES</b>		<b><u>3,457</u></b>	<b><u>3,055</u></b>
<b>NON-CURRENT LIABILITIES</b>			
Payables	10	131	124
Borrowings	10	1,241	1,270
Provisions	10	2,348	1,690
<b>TOTAL NON CURRENT LIABILITIES</b>		<b><u>3,720</u></b>	<b><u>3,084</u></b>
<b>TOTAL LIABILITIES</b>		<b><u>7,177</u></b>	<b><u>6,139</u></b>
<b>NET ASSETS</b>		<b><u>\$ 272,594</u></b>	<b><u>258,817</u></b>
<b>EQUITY</b>			
Retained Earnings	20	146,616	143,888
Revaluation Reserves	20	125,978	114,929
<b>Council Equity Interest</b>		<b><u>272,594</u></b>	<b><u>258,817</u></b>
Minority Equity Interest		-	-
<b>TOTAL EQUITY</b>		<b><u>\$ 272,594</u></b>	<b><u>258,817</u></b>

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 2011

#### ACTUAL 2011

	Retained Earnings	Asset Reval. Reserve	Other Reserves	Council Equity Interest	Minority Interest	Total
	Note \$'000					
Balance at end of previous reporting period	143,888	114,929	-	258,817	-	258,817
Correction of errors	-			-		-
Changes in Accounting Policies	-			-		-
Restated opening balance	143,888	114,929	-	258,817	-	258,817
<b>Net Operating Result for the year</b>	(663)			(663)	-	(663)
<b>Other comprehensive income</b>						
Revaluation of infrastructure, property, plant & equipment		11,049		11,049	-	11,049
Land under roads recognised (de-recognised)	3,391			3,391	-	3,391
<b>Balance at end of the reporting period</b>	<b>146,616</b>	<b>125,978</b>	<b>-</b>	<b>272,594</b>	<b>-</b>	<b>272,594</b>

#### ACTUAL 2010

	Retained Earnings	Asset Reval. Reserve	Other Reserves	Council Equity Interest	Minority Interest	Total
	Note \$'000					
Balance at end of previous reporting period	229,879	28,096	-	257,975	-	257,975
Correction of errors	(107,084)			(107,084)		(107,084)
Changes in Accounting Policies	-			-		-
Restated opening balance	122,795	28,096	-	150,891	-	150,891
<b>Net Operating Result for the year</b>	3,564			3,564	-	3,564
<b>Other comprehensive income</b>						
Revaluation of infrastructure, property, plant & equipment		86,833		86,833	-	86,833
Adjustment to correct prior period depreciation errors	17,529			17,529	-	17,529
<b>Balance at end of the reporting period</b>	<b>143,888</b>	<b>114,929</b>	<b>-</b>	<b>258,817</b>	<b>-</b>	<b>258,817</b>

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

# KYOGLE COUNCIL

## CASH FLOW STATEMENT for the year ended 30th June 2011

Budget 2011 \$'000	<b>CASH FLOWS FROM OPERATING ACTIVITIES</b> <small>Notes</small>	<b>Actual 2011 \$'000</b>	Actual 2010 \$'000
	<u>Receipts</u>		
6,276	Rates & Annual Charges	<b>6,223</b>	5,974
2,706	User Charges & Fees	<b>8,037</b>	5,751
262	Investment Income	<b>870</b>	536
9,240	Grants & Contributions	<b>8,519</b>	11,721
45	Other operating receipts	<b>427</b>	641
	<u>Payments</u>		
(6,417)	Employee Benefits and oncosts	<b>(7,000)</b>	(5,879)
(4,043)	Materials & Contracts	<b>(8,449)</b>	(9,674)
(124)	Borrowing Costs	<b>(97)</b>	(87)
(1,784)	Other operating payments	<b>(1,980)</b>	(2,463)
6,161	<b>Net Cash provided by (or used in) Operating Activities</b>	<b>6,550</b>	6,520
	<small>11b</small>		
	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
	<u>Receipts</u>		
98	Proceeds from sale of Infrastructure, Property, Plant & Equipment	<b>506</b>	479
	<u>Payments</u>		
(8,504)	Purchase of Infrastructure, Property, Plant & Equipment	<b>(5,238)</b>	(7,877)
(8,406)	<b>Net Cash provided by (or used in) Investing Activities</b>	<b>(4,732)</b>	(7,398)
	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
	<u>Receipts</u>		
600	Proceeds from Borrowings & Advances	-	300
	<u>Payments</u>		
(40)	Repayments of Borrowings & Advances	<b>(27)</b>	(22)
560	<b>Net Cash provided by (or used in) Financing Activities</b>	<b>(27)</b>	278
(1,685)	<b>Net Increase (Decrease) in cash held</b>	<b>1,791</b>	(600)
13,928	Cash Assets at beginning of reporting period	<small>11a</small> <b>13,928</b>	14,528
	Change in associated entities recognised	<small>1</small> -	-
12,243	<b>Cash Assets at end of reporting period</b>	<small>11a</small> <b>15,719</b>	13,928

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 2011

### Note 1 Summary of significant accounting policies

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

#### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, 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.

##### *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 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

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Council's activities as described below. Council bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is measured on major income categories as follows:

##### *Rates, annual charges, grants and contributions*

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenues when the Council obtains control over the assets comprising these receipts. 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.

Revenue 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*

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.

#### (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*

# KYOGLE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30th June 2011 (continued)

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

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.

#### *(iv) County Councils*

Council is a member of the Far North Coast County Council, a body corporate established under the Local Government Act to control weeds in the Far North Coast area. Council is one of 6 constituent members and neither controls or significantly influences the County Council. Accordingly, the County Council has not been consolidated or otherwise included in the financial statements.

# KYOGLE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30th June 2011 (continued)

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

#### (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.

#### (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

# KYOGLE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30th June 2011 (continued)

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

#### (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.

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) 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.

#### **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-

# KYOGLE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30th June 2011 (continued)

### Summary of significant accounting policies (continued)

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 Ministerial Local Government Investment order. Council maintains an investment policy that complies with the Act and ensures that it or its representatives exercise care, diligence and skill that a prudent person would exercise in investing council funds.

#### **(k) 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

## KYOGLÉ COUNCIL

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30th June 2011 (continued)

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

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.

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

Council's assets have been 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).
- Road assets – roads, bridges and footpaths (Internal Valuation).
- Bulk earthworks – (Internal Valuation).
- Community Land – (External Valuation).
- Land Improvements (Internal Valuation).
- Other assets (as approximated by the depreciated historical cost).

Water and sewerage network assets are indexed annually between full revaluations in accordance with the latest indices provided in the NSW Office of Water - 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:

Office equipment	5 – 10	years	Pumps and telemetry	10 – 25	years
Office furniture	10 – 20	years	Drains	70 – 100	years
Vehicles and road making equipment	5 – 12	years	Culverts	80 – 100	years
	5 – 15	years	Flood control structures	80 – 100	years
Other plant and equipment					
Buildings	– Masonry	50 – 100	Sealed roads – Surface	10 – 30	years
	– Other	20 – 40	– Structure	100	years
Playground equipment		5 – 15	Unsealed roads		20
Benches, seats etc		10 – 20	Bridge – Concrete	80 – 100	years
Dams and reservoirs		40 – 100	– Other		50
Bores		20 – 40	Bulk earthworks		Infinite
Reticulation pipes	– PVC	40 – 80			
	– Other	25 – 75			



## KYOGLE COUNCIL

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30th June 2011 (continued)

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

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).

#### **(m) 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.

#### **(n) 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.

#### **(o) 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.

#### **(p) 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.

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.

#### **(q) Employee benefits**

##### *(i) Short-term obligations*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

##### *(ii) Other Long-term employee benefit obligations*

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service 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 end of the reporting period using the projected unit credit method. Consideration is

## KYOGLE COUNCIL

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30th June 2011 (continued)

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

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 end of the reporting period 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.

##### (r) Rounding of amounts

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

##### (s) Land under roads

Council has elected to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051.

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

Council has elected to use the "Englobo" Method to value land under roads.

Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips.

##### (t) 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



## KYOGLE COUNCIL

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30th June 2011 (continued)

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

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.

##### (u) 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.

##### (v) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. Kyogle Council's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 *Financial Instruments*, AASB 2009 11 *Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* (effective from 1 January 2013)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. When adopted, the standard will affect in particular the Council's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

There will be no impact on the Council's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Council does not have any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed.

(ii) Revised AASB 124 *Related Party Disclosures* and AASB 2009 12 *Amendments to Australian Accounting Standards* (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. This amendment will have no impact on Council.

(iii) AASB 2009 14 *Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement* (effective from 1 January 2011)

In December 2009, the AASB made an amendment to Interpretation 14 *The Limit on a Defined Benefit*

## KYOGLE COUNCIL

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30th June 2011 (continued)

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

*Asset, Minimum Funding Requirements and their Interaction.* The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme. It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements. Council does not make any such prepayments. The amendment is therefore not expected to have any impact on Council's financial statements.

(iv) AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements* (effective from 1 July 2013)

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. NSW Council is a local government and, as a result, is not eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements. The two standards will therefore have no impact on the financial statements of Council.

(v) AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets* (effective for annual reporting periods beginning on or after 1 July 2011)

Amendments made to AASB 7 *Financial Instruments: Disclosures* in November 2010 introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. They are not expected to have any significant impact on Council's disclosures.

(vi) AASB 2010-8 *Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets* (effective from 1 January 2012)

In December 2010, the AASB amended AASB 112 *Income Taxes* to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities, that is through use or through sale. The amendment introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale. This amendment will have no impact on Council.

#### (w) 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.

#### (x) 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.

#### (y) 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

## KYOGLE COUNCIL

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30th June 2011 (continued)

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

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.

#### **(z) Goods and Services Tax**

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

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

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

# KYOGLÉ COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2011

### Note 2(a) - FUNCTIONS or ACTIVITIES

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	2011	2010	2011	2010	
2011 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2011 \$'000	2010 \$'000	\$'000	\$'000	\$'000	\$'000	
GOVERNANCE	-	-	160	147	142	(160)	(147)	(142)	-	-	-	-	
ADMINISTRATION	51	212	19	2,084	2,696	(2,033)	(1,800)	(2,677)	112	-	14,844	12,569	
PUBLIC ORDER & SAFETY	414	158	358	486	684	(72)	(326)	(326)	134	333	2,070	2,167	
HEALTH	103	102	104	276	156	(173)	(97)	(52)	-	-	9	12	
ENVIRONMENT	-	1,178	977	-	1,834	1,473	-	(656)	179	174	-	-	
COMMUNITY SERVICES & EDUCATION	53	70	70	126	106	(73)	(36)	(110)	52	48	556	544	
HOUSING & COMMUNITY AMENITIES	1,076	258	328	1,464	498	(388)	(240)	(185)	30	29	17,168	15,608	
WATER SUPPLIES	1,668	1,100	1,663	833	1,001	835	9	662	182	648	9,541	9,310	
SEWERAGE SERVICES	1,082	1,096	1,062	966	1,048	116	(199)	14	26	26	18,401	17,747	
RECREATION & CULTURE	191	329	397	1,350	2,025	(1,159)	(1,696)	(1,308)	162	240	8,428	8,377	
MINING, MANUFACTURING & CONSTRUCTION	563	893	560	479	653	84	240	(142)	-	-	1,445	1,184	
TRANSPORT & COMMUNICATION	6,576	9,601	9,881	7,664	14,072	(1,088)	(4,471)	109	3,069	4,047	207,309	197,438	
ECONOMIC AFFAIRS	7	9	24	146	132	(139)	(123)	(124)	-	-	-	-	
<b>TOTAL FUNCTIONS &amp; ACTIVITIES</b>	<b>11,784</b>	<b>15,006</b>	<b>15,443</b>	<b>16,034</b>	<b>24,548</b>	<b>20,220</b>	<b>(4,250)</b>	<b>(9,542)</b>	<b>(4,777)</b>	<b>3,946</b>	<b>5,545</b>	<b>279,771</b>	<b>264,956</b>
GENERAL PURPOSE INCOME	6,843	8,879	8,341			6,843	8,879	8,341	3,703	3,575	-	-	
<b>TOTALS</b>	<b>18,627</b>	<b>23,885</b>	<b>23,784</b>	<b>16,034</b>	<b>24,548</b>	<b>20,220</b>	<b>2,593</b>	<b>(663)</b>	<b>3,564</b>	<b>7,649</b>	<b>9,120</b>	<b>279,771</b>	<b>264,956</b>

# KYOGLE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30th June 2011

### 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.

#### **Administration**

Which includes corporate support and other support services.

#### **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.

#### **Environment**

Noxious plants and insect / vermin, other environmental protection, solid waste management, street cleaning, drainage, stormwater management.

#### **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 2011

### Note 3 - INCOME FROM CONTINUING OPERATIONS

(a) RATES & ANNUAL CHARGES	2011 \$'000	2010 \$'000
<u>Ordinary Rates</u>		
Residential	1,779	1,734
Farmland	2,343	2,291
Mining	-	-
Business	208	201
	<b>4,330</b>	<b>4,226</b>
<u>Annual Charges (pursuant to s. 496, s501 &amp; 611)</u>		
Domestic Waste Management	515	430
Water Supply	469	419
Sewerage Services	899	882
Drainage	45	45
Stormwater Management	-	-
Other Waste Management	114	103
Other	-	-
	<b>2,042</b>	<b>1,879</b>
<b>Total Rates &amp; Annual Charges</b>	<b>6,372</b>	<b>6,105</b>
Council has used 2009 valuations provided by the NSW Valuer general in calculating its rates.		
<b>(b) USER CHARGES &amp; FEES</b>		
<u>User Charges</u>		
Domestic Waste Management	-	-
Water Supply	431	499
Sewerage Services	135	101
Drainage Services	-	-
Other Waste Management	385	329
Other	-	-
	<b>951</b>	<b>929</b>
<u>Fees</u>		
Private Works	70	29
RTA Claims - State Roads	5,175	3,811
Building services - other	27	-
Planning and Building - Regulatory	203	253
Inspection Fees	7	-
s603 Certificates	12	-
Art Galleries	5	4
Pools	120	134
Quarries	800	542
Cemeteries	92	77
Other	212	102
	<b>6,723</b>	<b>4,952</b>
<b>Total User Charges &amp; Fees</b>	<b>7,674</b>	<b>5,881</b>
<b>(c) INTEREST AND INVESTMENT REVENUE (LOSSES) (1)</b>		
Interest receivable		
- overdue rates & charges	82	44
- cash & investments	752	487
- other	30	28
	<b>864</b>	<b>559</b>
<b>Gross Investment Revenues</b>		
Less: Interest deducted from		
capitalised borrowing costs	-	-
<b>Total Interest and Investment Revenue (Losses) (1)</b>	<b>864</b>	<b>559</b>
<b>(d) OTHER REVENUES</b>		
Other fines	-	14
Rental income - Investment Property	-	-
- Other property	-	12
Insurance Claims	-	15
Forfeited bonds and Bank Guarantees	-	55
Other	30	46
<b>Total Other Revenues</b>	<b>30</b>	<b>142</b>

Note : (1) Where interest and investment revenue nets to an overall loss, this is carried to the interest and investment losses line on the income statement.

# KYOGLÉ COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2011

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

	Notes	OPERATING		CAPITAL	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>(e) GRANTS</b>					
General Purpose (Untied)					
Financial Assistance		3,703	3,463		
Pensioner Rates Subsidies (General)		112	112		
Specific Purpose					
Pensioner Rates Subsidies					
Water Supplies		27	27		
Sewerage Services		26	26		
Domestic Waste Management		28	26		
Water Supplies				156	621
Sewerage Services					
Community Centres			33		40
Street Lighting Subsidy		30	29		
Roads & Bridges		2,115	2,026	681	1,331
Library Services		38	74		
Community Projects		27	19	529	765
Flood Damage		38	94		100
NSW Rural Fire Services		134	276		58
Other		5			
<b>Total Grants &amp; Subsidies</b>		<b>6,283</b>	<b>6,205</b>	<b>1,366</b>	<b>2,915</b>
<b>Comprising:</b>					
- Commonwealth funding		3,703	3,464	1,255	1,523
- State funding		2,580	2,741	111	1,392
- Other funding		-	-	-	-
		<b>6,283</b>	<b>6,205</b>	<b>1,366</b>	<b>2,915</b>
<b>(f) CONTRIBUTIONS &amp; DONATIONS</b>					
Developer Contributions					
Section 94	17			112	94
RTA Contributions		792	791	315	1,049
Section 64					
Water	17			4	2
Sewer	17			3	2
Stormwater	17			2	3
Other		68	36		
<b>Total Contributions &amp; Donations</b>		<b>860</b>	<b>827</b>	<b>436</b>	<b>1,150</b>
<b>TOTAL GRANTS &amp; CONTRIBUTIONS</b>		<b>7,143</b>	<b>7,032</b>	<b>1,802</b>	<b>4,065</b>

# KYOGLE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2011

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

#### (g) RESTRICTIONS RELATING TO GRANTS AND 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:

	2011 \$'000		2010 \$'000	
	<u>Grants</u>	<u>Contrib</u>	<u>Grants</u>	<u>Contrib</u>
<i>Unexpended at the close of the previous reporting period</i>	904	633	615	657
<i>Less: expended during the current period from revenues recognised in previous reporting periods</i>				
<i>Section 94/64 Developer Contributions</i>		200		159
<i>Roads Infrastructure</i>	836		615	
<i>Heritage &amp; Cultural Services</i>				
<i>Community Care Services</i>				
<i>Other</i>				
<i>Subtotal</i>	<u>836</u>	<u>200</u>	<u>615</u>	<u>159</u>
<i>Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions</i>				
<i>Section 94/64 Developer Contributions</i>		162		135
<i>Roads Infrastructure</i>	408		904	
<i>Heritage &amp; Cultural Services</i>				
<i>Community Care Services</i>				
<i>Other</i>				
<i>Subtotal</i>	<u>408</u>	<u>162</u>	<u>904</u>	<u>135</u>
<i>Unexpended at the close of this reporting period and held as restricted assets</i>	<u>476</u>	<u>595</u>	<u>904</u>	<u>633</u>
<i>Net increase (decrease) in restricted assets in the current</i>	<u>(428)</u>	<u>(38)</u>	<u>289</u>	<u>(24)</u>



# KYOGLÉ COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2011

### Note 4 - EXPENSES FROM CONTINUING OPERATIONS

	2011 \$'000	2010 \$'000
<b>(a) EMPLOYEE BENEFITS AND ONCOSTS</b>		
Salaries and Wages	5,401	4,821
Travelling	-	3
Employee Leave Entitlements	910	991
Superannuation - defined contribution plan contributions	379	380
Superannuation - defined benefit plan contributions	335	337
Workers' Compensation Insurance	428	363
Fringe Benefits Tax	17	12
Training Costs (excluding Salaries)	29	122
Other	23	75
Less: Capitalised and distributed costs	<u>(595)</u>	<u>(871)</u>
<b>Total Operating Employee Costs</b>	<b><u>6,927</u></b>	<b><u>6,233</u></b>
 <b>Total Number of Employees</b>	 <b>92</b>	 <b>90</b>
<i>(Full time equivalent at end of reporting period)</i>		
 <b>(b) BORROWING COSTS</b>		
Interest on Loans	97	88
Amortisation of discounts & premiums	<u>76</u>	<u>74</u>
<b>Total Interest Charges</b>	<b><u>173</u></b>	<b><u>162</u></b>
 <b>(c) MATERIALS &amp; CONTRACTS</b>		
Raw materials & consumables	7,750	7,218
Auditor's Remuneration		
- Audit Services	52	42
- Other Services	-	-
Legal Expenses		
- Planning & Development	31	10
- Other Legal Expenses	<u>32</u>	<u>46</u>
<b>Total Materials &amp; Contracts</b>	<b><u>7,865</u></b>	<b><u>7,316</u></b>

# KYOGLÉ COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2011

Note 4 - EXPENSES FROM CONTINUING OPERATIONS (cont)	2011 \$'000	2010 \$'000
<b>(d) DEPRECIATION, AMORTISATION AND IMPAIRMENT</b>		
Plant and Equipment	1,127	1,070
Office Equipment	64	77
Furniture & Fittings	2	3
Land Improvements	45	46
Buildings - non-specialised	79	75
Buildings - specialised	298	186
Other Structures	301	224
Infrastructure		
- roads, bridges & footpaths	5,081	2,109
- bulk earthworks	-	-
- stormwater drainage	204	183
- water supply network not elsewhere included	103	107
- sewerage network not elsewhere included	221	219
Other assets		
- other	-	1
Future Reinstatement Costs		
- Tips	41	37
- Quarries	13	4
<b>Total Depreciation &amp; Impairment</b>	<b>7,579</b>	<b>4,341</b>
<b>(e) OTHER EXPENSES</b>		
Bad and Doubtful Debts	96	(22)
Mayoral fee	23	20
Councillors' Fees & Allowances	86	84
Councillors' (incl. Mayor) Expenses	33	38
Insurances	392	357
Street Lighting	107	99
Light, Power & Heating	184	198
Telephone & Communications	49	66
Donations & Contributions to Local & Regional Bodies	203	40
Advertising	51	70
Regional Library	266	296
Emergency services	135	179
Subscriptions & Publications	9	29
<b>Total Other Expenses</b>	<b>1,634</b>	<b>1,454</b>

# KYOGLE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2011

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

	2011 \$'000	2010 \$'000
<b>DISPOSAL OF INFRASTRUCTURE, PLANT &amp; EQUIPMENT</b>		
Proceeds from disposal	506	479
Less: Carrying amount of assets sold	<u>(876)</u>	<u>(1,193)</u>
<b>Gain (Loss) on disposal</b>	<u><b>(370)</b></u>	<u><b>(714)</b></u>

# KYOGLE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2011

### Note 6(a) - CASH AND CASH EQUIVALENTS

	2011 \$'000	2010 \$'000
Cash on Hand and at Bank	4,819	6,028
Deposits at Call	<u>10,900</u>	<u>7,900</u>
	<u>15,719</u>	<u>13,928</u>

# **KYOGLE COUNCIL**

## **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2011**

### **Note 6(b) - INVESTMENTS**

<b>2011</b>	<b>2010</b>
<b>\$'000</b>	<b>\$'000</b>

Council has not held any investments at any time during the financial year.

# KYOGLE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2011

### Note 6(c) - RESTRICTED CASH, CASH EQUIVALENTS AND INVESTMENTS

	ACTUAL 2011 \$'000		ACTUAL 2010 \$'000	
	Current	Non-Current	Current	Non-Current
Cash & Cash Equivalent Assets	15,719		13,928	
<b>External Restrictions</b>	<b>3,394</b>		3,798	
<b>Internal Restrictions</b>	<b>12,125</b>		9,930	
<b>Unrestricted</b>	<b>200</b>	-	200	-
	<b>15,719</b>	-	13,928	-

### DETAILS OF MOVEMENTS OF RESTRICTED CASH ASSETS & INVESTMENT SECURITIES

Notes	Opening Balance 30 June 2010	Movements		Closing Balance 30 June 2011
		Transfers To Restriction	Transfers From Restriction	
	\$'000	\$'000	\$'000	\$'000
<b>External Restrictions</b>				
<b>Included in liabilities</b>				
Unexpended Loans (A)				
RTA Advances (B)				
Self Insurance Claims (C)				
Retention Bonds & Deposits	249	61	47	263
	<b>249</b>	<b>61</b>	<b>47</b>	<b>263</b>
<b>Other</b>				
Developer Contributions (D)	633	162	200	595
RTA Contributions (E)	-		-	
Specific Purpose Unexpended Grants (F)	904	1,029	1,457	476
Water Supply funds (G)	637	119	-	756
Sewerage funds (H)	1,029	84	-	1,113
Domestic Waste Management (I)	346		155	191
Stormwater Management	-		-	
	<b>3,549</b>	<b>1,394</b>	<b>1,812</b>	<b>3,131</b>
<b>Total External Restrictions</b>	<b>3,798</b>	<b>1,455</b>	<b>1,859</b>	<b>3,394</b>

*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) and certain annual charges may only be used for those purposes.*

#### **Internal Restrictions**

Employee Leave Entitlements	730		-	730
Buildings	622		60	562
Plant replacement	3,086	1,550	809	3,827
Carry-over works	2,902	3,814	2,902	3,814
Quarries	250	352	-	602
Transport	-	370	-	370
Information Technology	130		50	80
Roads & Bridges	1,890		-	1,890
Emergency Works	100		-	100
Stormwater Management	70		70	-
Commercial Waste	150		-	150
<b>Total Internal Restrictions</b>	<b>9,930</b>	<b>6,086</b>	<b>3,891</b>	<b>12,125</b>

- A Loan moneys which must be applied for the purposes for which the loans were raised.
- B Advances by the Roads and Traffic Authority for works on the State's classified roads.
- C Self insurance liability resulting from reported claims or incurred claims not yet reported.
- D Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans.
- E RTA Contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.
- F Grants which are not yet expended for the purposes for which the grants were obtained. (See Note 1.)
- G-I Water, Sewerage and Domestic Waste Management (DWM) funds are externally restricted assets which must be applied for the purposes for which they were raised.

# KYOGLE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2011

### Note 7 - RECEIVABLES

Purpose	ACTUAL 2011 \$'000		ACTUAL 2010 \$'000	
	Current	Non-Current	Current	Non-Current
Rates & Annual Charges	700	105	643	13
Interest & Extra Charges	58		79	
User Charges & Fees	2,363		2,091	
Accrued Interest on Investments	68		53	
Net GST Receivable	207		117	
Government Grants and Subsidies	1,788		971	
Other	1		8	
<b>Total</b>	<b>5,185</b>	<b>105</b>	<b>3,962</b>	<b>13</b>
Less: Allowance for Doubtful Debts				
Rates & Annual Charges		105		13
User Charges & Fees	25		23	
	<b>5,160</b>	<b>-</b>	<b>3,939</b>	<b>-</b>
<b>RESTRICTED RECEIVABLES</b>				
Water Supply	241	-	267	-
Sewerage Services	202	-	188	-
Domestic Waste Management	87	-	57	-
<b>Total Restrictions</b>	<b>530</b>	<b>-</b>	<b>512</b>	<b>-</b>
Unrestricted Receivables	4,630	-	3,427	-
<b>Total Receivables</b>	<b>5,160</b>	<b>-</b>	<b>3,939</b>	<b>-</b>

# KYOGLE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2011

### Note 8 - INVENTORIES & OTHER ASSETS

	2011 \$'000		2010 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
<b>INVENTORIES</b>				
Stores & Materials	670		618	
Trading Stock	284		344	
<b>Total Inventories</b>	<b>954</b>	<b>-</b>	<b>962</b>	<b>-</b>
<i>Inventories not expected to be realised within the next 12 months.</i>	-	-	-	-
<b>OTHER ASSETS</b>				
Prepayments	248		254	
<b>Total Other Assets</b>	<b>248</b>	<b>-</b>	<b>254</b>	<b>-</b>

Council has no externally restricted inventories or other assets.



## KYOGLÉ COUNCIL

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2011

#### Note 9(a) - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT - by Asset Type

	AT 30 JUNE 2010				MOVEMENTS DURING YEAR					AT 30 JUNE 2011			
	\$'000				\$'000					\$'000			
	COST / DEEMED COST	FAIR VALUE	ACCUM DEPN	WDV	ADDITIONS	WDV OF DISPOSALS	DEPN	Transfers, etc.	REVALUATION INCREMENTS / (DECREMENTS)	COST / DEEMED COST	FAIR VALUE	ACCUM DEPN	WDV
Capital Work-in-progress	165	-	-	165	1,153	-	-	-	-	1,318	-	-	1,318
Plant & Equipment	-	15,237	(6,381)	8,856	1,098	(420)	(1,127)	-	63	-	15,577	(7,107)	8,470
Office Equipment	-	1,136	(995)	141	75	-	(64)	-	-	-	1,211	(1,059)	152
Furniture & Fittings	-	96	(77)	19	2	-	(2)	-	-	-	98	(79)	19
Leased Plant & Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Land													
- Operational Land	-	4,677	-	4,677	-	-	-	-	-	-	4,677	-	4,677
- Community Land	-	952	-	952	-	-	-	-	64	-	1,016	-	1,016
Land under roads													
- pre 1 July 2008	-	-	-	-	-	-	-	3,391	-	-	3,391	-	3,391
- post 1 July 2008	-	-	-	-	-	-	-	-	-	-	-	-	-
Land Improvements - non-depreciable	-	-	-	-	-	-	-	-	-	-	-	-	-
Land Improvements - depreciable	-	2,057	(203)	1,854	-	-	(45)	-	60	-	2,124	(255)	1,869
Buildings - non-specialised	-	3,397	(1,721)	1,676	-	-	(79)	-	122	-	3,437	(1,718)	1,719
Buildings - specialised	-	17,302	(9,266)	8,036	104	-	(298)	-	248	-	18,119	(10,029)	8,090
Other Structures	-	18,239	(9,053)	9,186	48	-	(301)	-	331	-	18,904	(9,640)	9,264
Infrastructure													
- Roads, bridges, footpaths	-	239,701	(99,639)	140,062	2,313	(177)	(5,081)	-	6,482	-	251,035	(107,436)	143,599
- Bulk earthworks (non-deprec.)	-	41,524	-	41,524	-	-	-	-	1,871	-	43,395	-	43,395
- Stormwater drainage	-	22,968	(9,045)	13,923	198	(83)	(204)	-	986	-	24,456	(9,636)	14,820
- Water Supply Network	-	8,748	(5,532)	3,216	73	(4)	(103)	-	96	-	9,078	(5,800)	3,278
- Sewerage Network	-	20,369	(9,237)	11,132	174	(192)	(221)	-	726	-	20,960	(9,341)	11,619
Other Assets													
- Heritage Collections	-	-	-	-	-	-	-	-	-	-	-	-	-
- Library Books	-	-	-	-	-	-	-	-	-	-	-	-	-
- Other	-	2	(2)	-	-	-	-	-	-	-	2	(2)	-
Future Reinstatement Costs													
- Tips	934	-	(536)	398	594	-	(41)	-	-	1,528	-	(577)	951
- Quarries	180	-	(124)	56	-	-	(13)	-	-	180	-	(137)	43
- Other remediation assets	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Totals</b>	<b>1,279</b>	<b>396,405</b>	<b>(151,811)</b>	<b>245,873</b>	<b>5,832</b>	<b>(876)</b>	<b>(7,579)</b>	<b>3,391</b>	<b>11,049</b>	<b>3,026</b>	<b>417,480</b>	<b>(162,816)</b>	<b>257,690</b>

Asset acquisitions were apportioned between:

Building & Infrastructure Renewals	3,175
Building & Infrastructure New Assets	989
Other Assets	1,668

## KYOGLÉ COUNCIL

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2011

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

	ACTUAL 2011 \$'000				ACTUAL 2010 \$'000			
	COST	FAIR VALUE	ACCUM DEPN	WDV	COST	FAIR VALUE	ACCUM DEPN	WDV
<b><u>Water Supply</u></b>								
Plant & Equipment		1,339	454	885		1,297	400	897
Land								
- Operational		553		553		553		553
Buildings		210	152	58		204	145	59
Other Structures		8,967	5,409	3,559		8,689	5,174	3,515
Water Supply Infrastructure		9,289	5,800	3,488		8,913	5,532	3,381
<b>Total Water Supply</b>	-	20,358	11,815	8,543	-	19,656	11,251	8,405
<b><u>Sewerage Services</u></b>								
Plant & Equipment		1,701	780	921		1,648	702	946
Land								
- Operational		131		131		131		131
- non depreciable land improv'ts		1,328		1,328		1,287		1,287
Other Structures		4,561	1,478	3,083		4,420	1,388	3,032
Sewerage Infrastructure		20,960	9,341	11,619		20,369	9,236	11,133
<b>Total Sewerage Services</b>	-	28,681	11,599	17,082	-	27,855	11,326	16,529
<b><u>Domestic Waste Management</u></b>								
Land Improvements - depreciable		535	103	432		366	82	284
Future Reinstatement Costs	1,528		577	951	934		536	398
<b>Total Domestic Waste</b>	1,528	535	680	1,383	934	366	618	682
<b>TOTAL RESTRICTIONS</b>	1,528	49,574	24,094	27,008	934	47,877	23,195	25,616

# KYOGLÉ COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2011

### Note 10(a) - PAYABLES, BORROWINGS AND PROVISIONS

	2011 \$'000		2010 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
<b>PAYABLES</b>				
Goods & Services	1,265		835	
Accrued salaries & wages	218		199	
Accrued interest payable	7		7	
Accrued expenses - other	59		33	
Deposits, Retentions & Bonds	132	131	124	124
Other	-		1	
<b>Total Payables</b>	<b>1,681</b>	<b>131</b>	<b>1,199</b>	<b>124</b>

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

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#### **BORROWINGS**

Loans				
- Secured	29	1,241	27	1,270

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

#### **PROVISIONS**

Employee benefits - annual leave	548		533	
- long service leave	1,058	110	1,153	122
Reinstatement, Remediation, etc.		2,238		1,568
Other	141		143	
<b>Total Provisions</b>	<b>1,747</b>	<b>2,348</b>	<b>1,829</b>	<b>1,690</b>

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

900

981

#### **LIABILITIES relating to RESTRICTED ASSETS**

##### Domestic Waste Management

Provisions	-	1,950	-	1,293
Subtotal	-	1,950	-	1,293

##### Water Supplies

Payables	24	-	23	-
Interest Bearing Liabilities	10	277	9	287
Provisions	42	-	52	-
Subtotal	76	277	84	287

##### Sewerage Services

Payables	5	-	27	-
Interest Bearing Liabilities	19	964	18	983
Provisions	41	-	52	-
Subtotal	65	964	97	983
<b>TOTAL</b>	<b>141</b>	<b>3,191</b>	<b>181</b>	<b>2,563</b>

## KYOGLE COUNCIL

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2011

#### Note 10(b) - DESCRIPTION OF AND MOVEMENTS IN PROVISIONS

Class of Provision	Opening Balance \$'000	Increases in Provision \$'000	Payments \$'000	re- measurement \$'000	Closing Balance \$'000
Annual Leave	533	389	374	-	548
Long Service Leave	1,275	83	190	-	1,168
Asset Remediation	1,568	594	0	76	2,238
Other	143	-	2	-	141
<b>Total</b>	<b>3,519</b>	<b>1,066</b>	<b>566</b>	<b>76</b>	<b>4,095</b>

# KYOGLÉ COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2011

### Note 11 - RECONCILIATION OF OPERATING RESULT TO NET CASH MOVEMENT FROM OPERATING ACTIVITIES

**(a) Reconciliation of Cash**

	Notes	2011 \$'000	2010 \$'000
Total Cash Assets	6a	15,719	13,928
Less: Bank Overdraft	10	-	-
Balances per Statement of Cash Flows		15,719	13,928

**(b) Reconciliation of Net Operating Result to Cash Provided  
from Operating Activities**

Net Operating Result from Income Statement	(663)	3,564
Add: Depreciation, Amortisation & Impairment	7,579	4,341
Unwinding of present value discounts & premiums	76	79
Increase in provision for doubtful debts	94	-
Increase in employee benefits provisions	-	259
Increase in other provisions	592	-
Decrease in inventories	8	-
Decrease in other assets	6	-
Increase in trade creditors & other accruals	475	-
Increase in accrued interest payable	-	1
Increase in other payables	14	-
Loss on Sale of Assets	370	714
	8,551	8,958
Less: Decrease in provision for doubtful debts	-	33
Decrease in employee benefits provisions	92	-
Decrease in other provisions	-	70
Increase in receivables	1,315	627
Increase in inventories	-	116
Increase in other assets	-	254
Decrease in trade creditors & other accruals	-	1,440
Decrease in other payables	-	8
Non-cash Capital Grants and Contributions	594	(110)
<b>Net Cash provided by (or used in) operations</b>	<b>6,550</b>	<b>6,520</b>

# KYOGLE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2011

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

	2011 \$'000	2010 \$'000
<b>(c) Non-Cash Financing and Investing Activities</b>		
Acquisition of assets by means of:		
- Estimated future reinstatement, etc costs	<u>594</u>	<u>(110)</u>
	<u>594</u>	<u>(110)</u>

### (d) Financing Arrangements

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

Bank Overdrafts		
Total Facilities	-	-
Corporate Credit Cards	5	-

# KYOGLÉ COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2011

### Note 12 - COMMITMENTS FOR EXPENDITURE

	2011 \$'000	2010 \$'000
<b>(a) Capital Commitments (exclusive of GST)</b>		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Computer Equipment	204	252
Bridge Construction	774	-
	978	252
These expenditures are payable:		
Not later than one year	838	60
Later than one year and not later than 5 years	140	192
Later than 5 years	-	-
	978	252
<b>(b) Other Expenditure Commitments (exclusive of GST)</b>		
Other expenditure committed for (excluding inventories) at the reporting date but not recognised in the financial statements as liabilities:		
Audit Services	-	33
Waste Management Services	1,569	136
	1,569	169
These expenditures are payable:		
Not later than one year	262	169
Later than one year and not later than 5 years	1,046	-
Later than 5 years	261	-
	1,569	169
<b>(c) Finance Lease Commitments</b>		
Commitments under finance leases at the reporting date are as follows: None		
<b>(d) Operating Lease Commitments (Non-Cancellable)</b>		
Commitments under non-cancellable operating leases at the reporting date but not recognised in the financial statements are payable as follows:		
<u>Total Future Minimum Lease Payments</u>		
Not later than one year	11	18
Later than one year and not later than 5 years	-	11
Later than 5 years	-	-
	11	29
<b>(e) Remuneration Commitments</b>		
Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at reporting date but not recognised as liabilities, payable:		
Not later than one year	514	492
Later than one year and not later than 5 years	972	1,423
Later than 5 years	-	-
	1,486	1,915

# KYOGLÉ COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2011

### Note 13(a) - STATEMENT OF PERFORMANCE MEASURES - CONSOLIDATED RESULTS

	<u>Amounts</u>	<u>2011 Indicators</u>	2010	2009
<b>Unrestricted Current Ratio</b>				
<u>Unrestricted Current Assets (1)</u>	\$18,157	7.52	7.80	4.59
Current Liabilities not relating to Restricted Assets (2)	\$2,416			
<b>Debt Service Ratio</b>				
<u>Debt Service Cost</u>	\$124	0.007	0.007	0.005
Income from continuing operations excluding capital items and specific purpose grants / contributions	\$18,755			
<b>Rate &amp; Annual Charges Coverage Ratio</b>				
<u>Rates &amp; Annual Charges Revenues</u>	\$6,372	0.270	0.257	0.216
Income from continuing operations	\$23,885			
<b>Rates &amp; Annual Charges Outstanding Percentage</b>				
<u>Rates &amp; Annual Charges Outstanding</u>	\$758	10.56%	10.76%	8.51%
Rates & Annual Charges Collectible	\$7,176			
<b>Building &amp; Infrastructure Renewals Ratio</b>				
<u>Asset renewals</u>	\$3,175	0.530	1.379	2.734
Depreciation, Amortisation, Impairment	\$5,986			

### Note 13(b) - STATEMENT OF PERFORMANCE MEASURES BY FUND

	Current Year Indicators		
	General	Water	Sewer
<b>Unrestricted Current Ratio</b>			
<u>Unrestricted Current Assets</u>	7.52	13.12	20.22
Current Liabilities not relating to Restricted Assets			
<b>Debt Service Ratio</b>			
<u>Debt Service Cost</u>	0.000	0.036	0.085
Income from continuing operations excluding capital items and specific purpose grants / contributions			
<b>Rate &amp; Annual Charges Coverage Ratio</b>			
<u>Rates &amp; Annual Charges Revenues</u>	0.210	0.819	0.820
Income from continuing operations			
<b>Rates &amp; Annual Charges Outstanding Percentage</b>			
<u>Rates &amp; Annual Charges Outstanding</u>	9.72%	14.65%	12.60%
Rates & Annual Charges Collectible			
<b>Building &amp; Infrastructure Renewals Ratio</b>			
<u>Asset renewals</u>	0.533	0.291	0.637
Depreciation, Amortisation, Impairment			

Notes:

- (1) Refer to Notes 6 - 8 inclusive.
- (2) Refer to Note 10(a).



# **KYOGLE COUNCIL**

## **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2011**

### **Note 14 - INVESTMENT PROPERTY**

<b>2011</b>	<b>2010</b>
<b>\$'000</b>	<b>\$'000</b>

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

# KYOGLÉ COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2011

### Note 15 - FINANCIAL RISK MANAGEMENT

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

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

Council held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>Financial Assets</b>				
Cash and Cash Equivalents	15,719	13,928	15,719	13,928
Receivables	5,160	3,939	5,160	3,939
Financial assets at fair value through profit & loss	-	-	-	-
Available-for-sale financial assets	-	-	-	-
Held-to-maturity investments	-	-	-	-
	<b>20,879</b>	<b>17,867</b>	<b>20,879</b>	<b>17,867</b>
<b>Financial Liabilities</b>				
Payables	1,812	1,323	1,812	1,323
Borrowings	1,270	1,297	1,639	1,297
	<b>3,082</b>	<b>2,620</b>	<b>3,451</b>	<b>2,620</b>

Fair value is estimated as follows:

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

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

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

#### (a) 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 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 2011

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

Interest Sensitivity Analysis	2011 \$'000	2010 \$'000
Impact of a 10% movement in price of investments (for assets subject to price risk only)		
- Equity	-	-
- Income Statement	-	-
Impact of a 1% change in interest rates on cash & investments		
- Equity	157	139
- Income Statement	157	139

#### (b) 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.

	2011 \$'000	2010 \$'000
Percentage of Rates & Annual Charges		
- Current	5%	2%
- Overdue	95%	98%
Percentage of Other Receivables		
- Current	99%	97%
- Overdue	1%	3%

#### (c) 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. In addition, Council has access to overdraft facilities set out in Note 12.

#### Liquidity Sensitivity Table

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

	2011 '000	Due			Total Contractual Cash Flows	Carrying Value
		≤ 1 year	2 - 5 years	> 5 years		
<b>Payables</b>		1,681	131		1,812	1,812
<b>Borrowings</b>		125	680	1,789	2,594	1,270
		<b>1,806</b>	<b>811</b>	<b>1,789</b>	<b>4,406</b>	<b>3,082</b>
		<hr/>				
	2010 '000	Due			Total Contractual Cash Flows	Carrying Value
		≤ 1 year	2 - 5 years	> 5 years		
Payables		1,199	124		1,323	1,323
Borrowings		125	721	1,873	2,719	1,297
		<b>1,324</b>	<b>845</b>	<b>1,873</b>	<b>4,042</b>	<b>2,620</b>

# KYOGLE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2011

### 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. Bank overdraft and less than 10% of borrowings are at variable rates; the associated interest rate risk is not considered material.

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

	2011		2010	
	Wtd ave interest rate	Balance	Wtd ave interest rate	Balance
Overdraft		-		-
Loans - fixed interest rate	7.55%	1,270	7.55%	1,297
Loans - variable interest rate				
		<u>1,270</u>		<u>1,297</u>

## KYOGLE COUNCIL

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30th June 2011

#### Note 16 Material budget variations

Council's original budget was incorporated as part of the Management Plan adopted by the Council on 28 June 2010. 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 exceeded budget by \$4,968K (F) (184%) due mainly to RTA works not being budgeted for.

**2. Interest and Investment revenues**

The actual amount of interest revenue received exceeded budget by \$602K (F) (230%) due to an increase in funds invested and increases in interest rates during the year.

**3. Other revenues**

Other revenue was under budget by \$15K (U) (33%) due to reclassification of items to user charges and fees after the original budget was adopted.

**4. Grants and contributions – Operating**

The level of operating grants and contributions exceeded budget by \$957K (F) (15%) due mainly to additional grant funds becoming available after the original budget was adopted.

**5. Grants and contributions – Capital**

The level of capital grants and contributions was under budget by \$1,252K (U) (41%) due mainly to the deferral of projects after the original budget was adopted.

#### Expenses

**6. Materials & contracts**

Materials & contracts were over budget by \$3,822K (U) (95%) due mainly to RTA works not being budgeted for.

**7. Borrowing costs**

Borrowing costs were over budget by \$49K (U) (40%) due mainly to Quarries and Tips unwinding of present value discount not being budgeted for.

**8. Depreciation expense**

Depreciation expense was over budget by \$3,913K (U) (107%) due mainly to estimates not being adjusted to reflect the current level of depreciation expense each year.

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

Council has recorded a net loss on sale of assets of \$370K. This loss is largely represented by the disposal of infrastructure assets as a result of replacement, reconstruction or rehabilitation. Council does not budget for these items.

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

# KYOGLÉ COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2011

### Note 17 - STATEMENT OF DEVELOPER CONTRIBUTIONS

#### (a) SUMMARY OF DEVELOPER CONTRIBUTIONS

PURPOSE	OPENING BALANCE	CONTRIBUTIONS RECEIVED DURING YEAR		INTEREST EARNED DURING YEAR	EXPENDED DURING YEAR	INTERNAL BORROW- INGS (to)/from	HELD AS RESTR- ICTED ASSET	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		2			(2)		-	4	4		
Roads	544	118		25	(183)		504	127	631		
Open Space	87	5		4	(9)		87	10	97		
Subtotal S94 under plans	631	125		29	(194)		591	141	732		
Sec 94 not under plans											
Sec 94A levies											
Planning Agreements											
Sec 64 Contributions	2	7			(5)		4				
<b>Total Contributions</b>	<b>633</b>	<b>132</b>		<b>29</b>	<b>(199)</b>		<b>595</b>				

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

#### (b) CONTRIBUTION PLAN - No. 1

PURPOSE	OPENING BALANCE	CONTRIBUTIONS RECEIVED DURING YEAR		INTEREST EARNED DURING YEAR	EXPENDED DURING YEAR	INTERNAL BORROW- INGS (to)/from	HELD AS RESTR- ICTED ASSET	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	0	2			(2)		0	4	4		
Roads	544	118		25	(183)		504	127	631		
Open Space	87	5		4	(9)		87	10	97		
<b>Total</b>	<b>631</b>	<b>125</b>		<b>29</b>	<b>(194)</b>		<b>591</b>	<b>141</b>	<b>732</b>		

## KYOGLE COUNCIL

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30th June 2011

#### 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 2011 was \$335,385. The last valuation of the Scheme was performed by Mr Martin Stevenson BSc, FIA, FIAA on 16<sup>th</sup> February 2010 and covers the period ended 30 June 2009. However the position is monitored annually and the actuary has estimated that as at 30<sup>th</sup> June 2011 a deficit still 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 \$522,506 as at 30 June 2011.

# KYOGLE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2011

### Note 19 - INTERESTS IN JOINT VENTURES AND ASSOCIATES

#### (a) Jointly Controlled Assets

Council participates in a number of cooperative arrangements with other Councils and other bodies. Depending on the 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 Councils roads by policing of vehicles weight limits.'

	2011	2010
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	%	%
<u>Movements in Investment in Joint Operation</u>	<u>\$'000</u>	<u>\$'000</u>
Opening Balance	37	38
Amount recognised on inclusion in Council's accounts		
New Capital Contributions	21	20
Share in Operating Result	(21)	(21)
Distributions Received		
Adjustment to Equity Share		
<b>Share in Equity of Joint Operation</b>	<b>37</b>	<b>37</b>

#### Expenditure Commitments

Expenditure committed for (excluding inventories) at the reporting date but not recognised in the financial statements as liabilities:

#### Contingent Liabilities

Each of the partners in the Newlog joint venture is 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 2011

### Note 20 - RETAINED EARNINGS & REVALUATION RESERVES

(a) RETAINED EARNINGS	Notes	Actual 2011 \$'000	Actual 2010 \$'000
Movements in retained earnings were as follows:			
Balance at end of previous reporting period		143,888	229,879
Adjustment to correct prior period errors	20(d)	-	(107,084)
Restated opening balance		143,888	122,795
<b>Net operating result for the year</b>		<b>(663)</b>	<b>3,564</b>
Other comprehensive income			
Land under roads recognised (de-recognised)	9	3,391	-
Adjustment to correct prior period depreciation errors	20(d)	-	17,529
<b>Balance at end of the reporting period</b>		<b>146,616</b>	<b>143,888</b>
<b>(b) REVALUATION RESERVES</b>			
<i>Infrastructure, Property, Plant &amp; Equipment</i>		125,978	114,929
<b>Movements:</b>			
Balance at end of previous reporting period		114,929	28,096
Revaluation of infrastructure, property, plant & equipment	9	11,049	86,833
<b>Balance at end of reporting period</b>		<b>125,978</b>	<b>114,929</b>
<b>(c) NATURE AND PURPOSE OF RESERVES</b>			
<b>Infrastructure, Property, Plant &amp; Equipment Revaluation Reserve</b>			
The Infrastructure, property, plant & equipment revaluation reserve is used to record increments and decrements on the revaluation of non-current assets.			
<b>(d) CORRECTION OF ERRORS IN PREVIOUS YEARS</b>			
Earthworks previously overstated.		-	(107,084) (1)
Reassessment of remaining useful life for road assets previously understated.		-	17,529 (1)

Notes:

(1) Adjusted to Retained Earnings.

# KYOGLÉ COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2011

### NOTE 21 - RESULTS BY FUND

<b>INCOME STATEMENT</b>	<b>GENERAL FUND</b>	<b>WATER SUPPLY</b>	<b>SEWER</b>
	\$'000	\$'000	\$'000
<b>INCOME</b>			
Rates & Annual Charges	5,006	467	899
User Charges & Fees	7,083	456	135
Investment Revenues	834	2	28
Other Revenues	25	0	5
Grants & Contributions - Operating	7,090	27	26
Grants & Contributions - Capital	1,639	160	3
Profit from Disposal of Assets	0	0	0
<b>Total Income from Continuing Operations</b>	<b>21,677</b>	<b>1,112</b>	<b>1,096</b>
<b>EXPENSES</b>			
Employee Costs	6,641	143	143
Materials & Contracts	6,747	616	502
Borrowing Costs	76	24	73
Depreciation & Amortisation	7,031	215	333
Other Expenses	1,480	102	52
Interest and investment losses	0	0	0
Loss from Disposal of Assets	174	4	192
<b>Total expenses from Continuing Operations</b>	<b>22,149</b>	<b>1,104</b>	<b>1,295</b>
<b>OPERATING RESULT FROM CONTINUING OPERATIONS</b>	<b>(472)</b>	<b>8</b>	<b>(199)</b>
Operating result from discontinued operations	-	-	-
<b>NET OPERATING RESULT FOR YEAR</b>	<b>(472)</b>	<b>8</b>	<b>(199)</b>
Attributable to:			
KYOGLÉ COUNCIL	(472)	8	(199)
Minority Interests	-	-	-
	<b>(472)</b>	<b>8</b>	<b>(199)</b>
<i>Net operating result before capital grants and contributions</i>	<i>(2,111)</i>	<i>(152)</i>	<i>(202)</i>

# KYOGLÉ COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2011

### Note 21 - Results by Fund (cont)

	<b>GENERAL FUND</b>	<b>WATER SUPPLY</b>	<b>SEWER</b>
	\$'000	\$'000	\$'000
<b>BALANCE SHEET</b>			
<b>CURRENT ASSETS</b>			
Cash & cash equivalents	13,847	756	1,116
Receivables	4,717	241	202
Inventories	954	0	0
Other	248	0	0
<b>TOTAL CURRENT ASSETS</b>	<u>19,766</u>	<u>997</u>	<u>1,318</u>
<b>NON-CURRENT ASSETS</b>			
Infrastructure, Property, Plant & Equipment	232,065	8,543	17,082
<b>TOTAL ASSETS</b>	<u>251,831</u>	<u>9,540</u>	<u>18,400</u>
<b>CURRENT LIABILITIES</b>			
Payables	1,652	24	5
Borrowings	0	10	19
Provisions	1,664	42	41
<b>TOTAL CURRENT LIABILITIES</b>	<u>3,316</u>	<u>76</u>	<u>65</u>
<b>NON-CURRENT LIABILITIES</b>			
Payables	131	0	0
Borrowings	0	277	964
Provisions	2,348	0	0
<b>TOTAL NON CURRENT LIABILITIES</b>	<u>2,479</u>	<u>277</u>	<u>964</u>
<b>TOTAL LIABILITIES</b>	5,795	353	1,029
<b>NET ASSETS</b>	<u>246,036</u>	<u>9,187</u>	<u>17,371</u>
<b>EQUITY</b>			
Accumulated Surplus	129,459	7,911	9,246
Revaluation Reserves	116,577	1,276	8,125
Council Equity Interest	246,036	9,187	17,371
Minority Equity Interest	0	0	0
<b>TOTAL EQUITY</b>	<u>246,036</u>	<u>9,187</u>	<u>17,371</u>

# KYOGLE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2011

### 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 :

	2011 \$'000	2010 \$'000
<b>Tip Remediation</b>		
At beginning of year	1,293	1,356
Amounts capitalised		
Revised costs \ life \ discount rate	594	(125)
Amortisation of discount-expensed to borrowing costs	<u>63</u>	<u>62</u>
At end of year	<u>1,950</u>	<u>1,293</u>
<b>Quarry Remediation</b>		
At beginning of year	275	247
Amounts capitalised		
Revised costs \ life \ discount rate	0	15
Amortisation of discount-expensed to borrowing costs	<u>13</u>	<u>13</u>
At end of year	<u>288</u>	<u>275</u>



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

**Report on the Financial Statements**

We have audited the accompanying financial statements of Kyogle Council (the Council), which comprises the balance sheet as at 30 June 2011, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the statement by Councillors' and Management.

**Councils' Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 statements.

Our audit responsibility does not extend to the original budget information included in the income statement, statement of cash flows, 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.



## Matters Relating to the Electronic Presentation of the Audited Financial Statements

This auditor's report relates to the general purpose financial statements of Kyogle Council for the year ended 30 June 2011 included on Council's website. The Council is responsible for the integrity of the website. We have not been engaged to report on the integrity of this website. The auditor's report refers only to the financial statements identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial statements. If users of the financial statements are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements to confirm the information contained in this website version of the financial statements.

### 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 accounting records have been kept in accordance with the requirements of the *Local Government Act, 1993*, Chapter 13, Part 3, Division 2;
- b) The financial statements:
  - i. Have been prepared in accordance with the requirements of this Division;
  - ii. Are consistent with the Council's accounting records;
  - iii. Present fairly, in all material respects, the Council's financial position as at 30 June 2011, and of its performance and its cash flows for the year then ended; and
  - iv. Are in accordance with applicable Accounting Standards;
- 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 report that have come to light in the course of the audit.

### THOMAS NOBLE & RUSSELL CHARTERED ACCOUNTANTS

G W DWYER (Partner)  
Registered Company Auditor

Dated at Lismore this 24<sup>th</sup> day of October 2011.

Lismore, 24 October 2011

Mayor and Councillors  
Kyogle Council  
Stratheden Street  
KYOGLÉ NSW 2474

Dear Councillors

We advise that we have completed our audit of the Council's general purpose and special purpose financial statements for the year ended 30 June 2011.

In accordance with section 417 of the *Local Government Act 1993*, we now report on the conduct of the audit.

## 1. COUNCIL'S FINANCIAL REPORTING REQUIREMENTS

Council is required to prepare two financial statements ready for audit each year:

### ***General Purpose Financial Statements***

These financial statements present the financial position and performance of the Council on a consolidated basis. It includes all controlled Council operations such as general, water and sewer funds as well as domestic waste management activities. Council has prepared its general purpose financial statements in accordance with the Division of Local Government Code of Accounting Practice Manual which adopts applicable Australian Accounting Standards as the framework for financial reporting.

### ***Special Purpose Financial Statements***

These financial statements provide an understanding of the financial position and performance of Council's declared business activities as required under National Competition Policy. Council's declared business activities for the 2011 financial year are:

- Water fund operations;
- Sewer fund operations;
- Domestic waste management;
- Quarry operations; and
- Transport.

Council is not required to adopt Australian Accounting Standards when preparing these financial statements, however the financial position and performance have been calculated by adopting applicable Accounting Standard requirements.



## 2. AUDITORS' RESPONSIBILITIES

Council's annual financial audit engagement has been conducted in accordance with Australian Auditing Standards.

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

### Forming Our Audit Opinion

Our function as auditors is to examine the general purpose and special purpose financial statements presented to us by the Council to allow us to express an audit opinion. Our audit opinion does not cover:

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

As auditors of the Council we are not responsible for the preparation of the financial statements or for the maintenance of accounting records or the organisation's systems of internal control. These responsibilities, together with the requirement to present financial statements, which give a true and fair view of the state of the Council's affairs and of its results are imposed on the Administrator by the *Local Government Act and Regulations 1993*.





### 3. CONSOLIDATED OPERATING RESULT

Council's deficit from all activities for the year ended 30 June 2011 totalled \$663,000. This compares to a surplus in 2010 of \$3,564,000. The 2011 result can be summarised as follows:

	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Revenues from continuing operations	22,083	19,719	21,668
Expenses from continuing operations	(16,599)	(15,165)	(14,251)
Result from continuing operations before depreciation and capital amounts	5,484	4,554	7,417
Less Depreciation	(7,579)	(4,341)	(4,130)
Result from continuing operations before capital amounts	(2,095)	213	3,287
Capital grants and contributions	1,802	4,065	5,498
Gain / (loss) on disposal of assets	(370)	(714)	(1,126)
Surplus / (Deficit) from all activities	(663)	3,564	7,659

#### 3.1 Variations to 2011 by Income / Expenditure

The surplus from continuing operations before depreciation and capital amounts has increased by \$930,000 from \$4,554,000 in 2010 to \$5,484,000 in 2011. Some of the components contributing to the result include:

##### Revenue

- *Increased RTA claims fees \$1,364,000*  
This resulted from the increased level of road maintenance works carried on State roads under the RTA Road Maintenance Council Contracts (RMCC).
- *Increased interest revenue \$305,000*  
This increase has occurred due to additional funds being available for investment and higher interest rates being available on short term deposits.
- *Increased quarries fees \$258,000*  
This is attributable to the increased road maintenance works carried out for the RTA.
- *Increased annual charges income \$163,000*  
This is largely attributable to increases in annual charges for DWM (up by 19%) and water supply (up by 10%).
- *Increased operating grants and contributions \$111,000*  
The Financial Assistance Grant was \$240,000 above the prior year. This increase was somewhat offset by declines in operating grants received for NSW Rural Fire Services.



## Expenditure

- *Increased employee costs \$694,000*

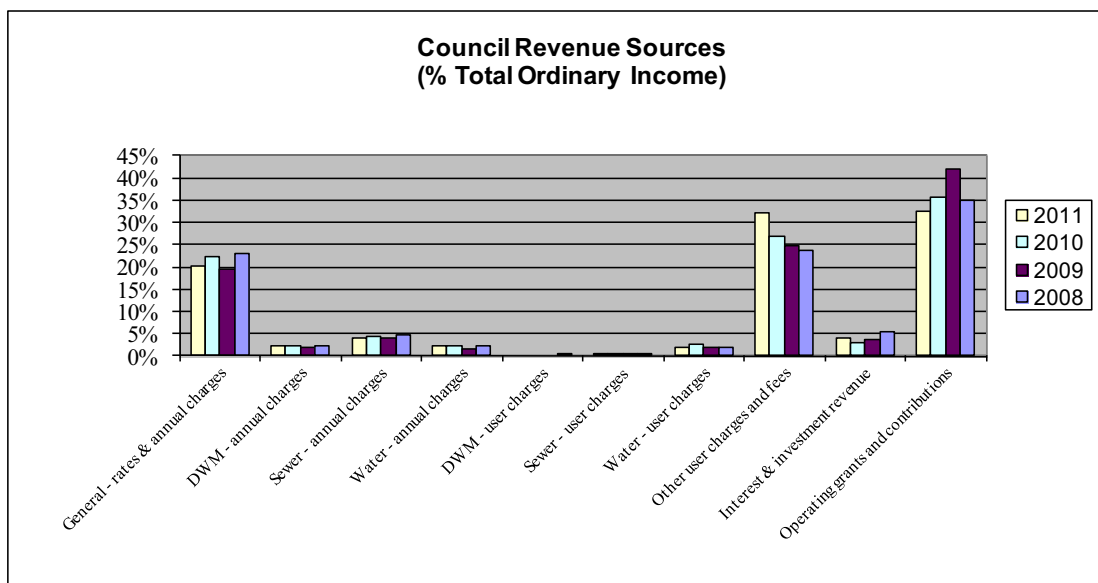
Salaries and wages increased by \$580,000 due to a 3.25% wage increase effective from November 2010 coupled with additional casual workers employed and overtime work done to complete the backlog works on flood damage, main street and RTA projects. Expenditure relating to workers' compensation increased by \$65,000 as premiums paid were higher compared to prior year.

- *Increased raw materials and consumables \$532,000*

This largely resulted from the additional road maintenance works carried on State roads.

### 3.2 Analysis of income sources

	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
General - rates & annual charges	4,489	4,374	4,231
DWM - annual charges	515	430	411
Sewer - annual charges	899	882	853
Water - annual charges	469	419	374
Total rates & annual charges	6,372	6,105	5,869
Sewer - user charges	135	101	110
Water - user charges	431	499	445
Other user charges and fees	7,108	5,281	5,346
Total user charges and fees	7,674	5,881	5,901
Interest & investment revenue	864	559	768
Other revenue	30	142	53
Operating grants and contributions	7,143	7,032	9,077
Total revenue before capital amounts	22,083	19,719	21,668





Council's relative reliance on various income streams as detailed has remained steady on a long term trending basis. Council continues to have a large reliance on user charges, particularly RTA claims for works carried out on State Roads, and operating grants and contributions.

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.

### 3.3 Depreciation

Depreciation expense increased by \$3,238,000 from 2010. This is largely attributable to an increase in roads, bridges and footpaths depreciation of \$2,972,000.

Council revalued its roads, bridges and footpaths infrastructure as at 30 June 2010 with a net increment of \$82,977,000. This revaluation, to fair value, has significantly increased depreciation expense for 2011 and future years.

### 3.4 Capital Grants and Contributions

Council receives capital grants and contributions from various sources each financial year. The extent of revenue received each year is influenced by the nature and extent of Council's capital improvements programme and general economic activity.

Capital grants received during the year amounted to \$1,366,000 and largely consisted of roads to recovery funds (\$701,000), Federal community infrastructure grant (\$240,000), and grant for Bonalbo water treatment plant (\$143,000).

Capital contributions received during the period amounted to \$436,000. This can be broken down as follows:

	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Section 94 Contributions - cash	112	94	172
Section 64 Contributions - cash	9	7	4
RTA Contributions *	315	1,049	2,324
Other contributions	-	-	69
<b>TOTAL</b>	<b>436</b>	<b>1,150</b>	<b>2,611</b>

\* RTA contributions were significantly higher in the previous year, with major contributions relating to Bean Creek bridges 3 and 4 and its approaches in that year. The largest components of the current year RTA contributions relate to the Boomi Creek bridge replacement of \$117,000 and Clarence Way rehabilitation of \$107,000.

At 30 June 2011 Council held \$591,000 as a restricted asset for S94 contributions and \$4,000 as a restricted asset for S64 contributions.



### 3.5 Gain / (Loss) on Disposal of Assets

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

	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Profit on sale of plant and equipment	86	32	287
Loss on write-off of infrastructure assets	(456)	(414)	(1,413)
Write-off resulting from review of asset register	-	(332)	-
	<u>(370)</u>	<u>(714)</u>	<u>(1,126)</u>

The write-off of infrastructure assets in the 2011 year consists of \$279,000 relating to stormwater drainage and sewer and water supply assets; and \$174,000 relating to reconstruction of bridges. Major disposals were attributed to Kyogle sewer relining program and Bean and Boomi Creek bridge replacements.

### 3.6 WATER SUPPLIES

#### (i) Operating Result

Water supply activities can be summarised as follows:

	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>
	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Rates and service availability charges	467	419	374
User charges	444	499	446
Interest	2	14	36
Other	12	81	12
Grants - Capital	156	621	197
Grants - Operating	27	27	27
Capital Contributions	4	1	16
<b>Total Revenue</b>	<u>1,112</u>	<u>1,662</u>	<u>1,108</u>
Management Expenses	315	248	256
Operating Costs	515	395	280
Other	31	101	88
Depreciation	215	184	176
Interest	24	14	-
Loss on Disposal	4	59	-
<b>Total Expenses</b>	<u>1,104</u>	<u>1,001</u>	<u>800</u>
<b>Operating Result</b>	<u>8</u>	<u>661</u>	<u>308</u>



**(ii) Explanations for Significant Variances**

**Revenue**

- Capital grants decreased by \$465,000 from the previous year due to fewer grants being received for the Bonalbo water treatment plant in 2011.
- Other income decreased by \$69,000 due to a reduction in income from forfeited bonds and guarantees.

**Expenses**

- Operating expenses rose by \$120,000. This was mainly attributed to costs associated with the operation of the Bonalbo water treatment plant which was brought into service in August 2010 (\$50,000), flood damage restoration to broken pressure mains (\$25,000) and major repair works required to the Kyogle raw water pump station (\$20,000).

**(iii) Key Indicators**

	<b>2011</b>	<b>2010</b>	<b>2009</b>
	\$	\$	\$
Average service availability charge per assessment	239	215	194
Average user charge per assessment	229	257	231
Management and operating cost per assessment	427	331	278

**3.7 Sewerage Services**

**(i) Operating Result**

Sewerage services activities can be summarised as follows:

	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>
	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Rates and service availability charges	899	891	862
User charges	135	120	128
Interest	28	14	42
Other	5	9	-
Grants - Capital	-	-	948
Grants - Operating	26	26	26
Capital Contributions	3	2	19
<b>Total Revenue</b>	<b>1,096</b>	<b>1,062</b>	<b>2,025</b>
Management Expenses	202	177	173
Operating Costs	483	457	385
Other	12	17	20
Depreciation	333	323	284
Loss on Disposal	192	-	-
Interest	73	74	75
<b>Total Expenses</b>	<b>1,295</b>	<b>1,048</b>	<b>937</b>
<b>Operating Result</b>	<b>(199)</b>	<b>14</b>	<b>1,088</b>



**(ii) Explanation for Significant Variances**

**Expenses**

- Write-off of assets relating to the Kyogle sewer relining program led to a loss on disposals of \$192,000.

**(iii) Key Indicators**

	<b>2011</b>	<b>2010</b>	<b>2009</b>
	\$	\$	\$
Average service availability charge per assessment	504	500	487
Average user charge per assessment	76	67	72
Management and operating cost per assessment	384	356	315

**3.8 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 statements.

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:

<b>Activity / Year</b>	<b>Revenue \$'000</b>	<b>Expenses \$'000</b>	<b>Result prior to capital amounts \$'000</b>	<b>Return on capital %</b>	<b>Subsidy \$'000</b>	<b>Dividends Paid \$'000</b>
<b>2011</b>						
Water	952	1,104	(152)	(1.50)	-	-
Sewer	1,093	1,295	(202)	(0.76)	-	-
DWM	555	645	(90)	(1.95)	-	-
Quarry	800	559	241	45.26	-	-
Transport	5,175	4,143	1,032	N/A	-	395
<b>2010</b>						
Water	1,040	1,001	39	0.64	-	-
Sewer	1,060	1,048	12	0.52	-	-
DWM	466	596	(130)	(9.99)	-	-
Quarry	542	599	(57)	(7.63)	134	-
Transport	3,811	3,627	184	N/A	-	346



An unqualified audit report was issued for Council's special purpose financial statements for the year ended 30 June 2011.

### **Water and Sewer Operations**

Council's water and sewer fund activities returned a deficit for the 2011 financial year. Water and sewer operations should generate sufficient surpluses to provide for future infrastructure requirements. Council needs to continually monitor the return on each fund to ensure it is sufficient to repair and replace capital in accordance with prepared asset management projections.

The more significant factors affecting the results of the water and sewer funds were discussed at 3.6 and 3.7 above.

### **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. Council recognises a liability for rehabilitation of its tip sites. As at 30 June 2011 Council estimates that it will cost approximately \$1,950,000 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:

	<b>Year</b>	<b>\$</b>
Kyogle Final Rehabilitation	2055	1,103,000
Woodenbong Final Rehabilitation	2017	371,000
Rehabilitation of landfill cells within each site	Ongoing	<u>476,000</u>
		<u>1,950,000</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 \$657,000. The year of remediation for the Kyogle Final Cap has been reassessed from 2035 to 2055.

Currently Council has \$191,000 in DWM cash reserves. Council should continually reassess the timing and cost of rehabilitation of each site to ensure that DWM revenues are sufficient to generate cash reserves to fund the expenditure.

### **Quarry Operations**

Council's quarry operations returned a surplus of \$241,000 in 2011, compared to a loss of \$57,000 in 2010. Council quarries have a desired rate of return of 15% per annum. Council's profitability from quarry operations has improved significantly resulting in a rate of return of 45%. Council should continue to monitor the costs of quarry operations and the pricing of quarry products with a view to maintaining profitability so that adequate reserves are maintained to fund future rehabilitations.



## 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 2011 financial year of \$1,032,000. This compares to a surplus of \$184,000 in 2010. 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 2011 Council has transport reserves of \$370,000 (compared to \$Nil at 30 June 2010).

## 4. BALANCE SHEET

### 4.1 NET CURRENT ASSETS

Council has net current assets of \$18,624,000 as at 30 June, 2011, however, this includes \$900,000 in leave entitlements which are not expected to be settled within twelve months. Net current assets however, also contains \$3,394,000 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 \$530,000 of externally restricted receivables relating to water, sewerage and domestic waste management charges and rates.

	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>TOTAL CASH ASSETS</b>	15,719	13,928	14,528
Less: Externally Restricted Reserves			
- Water	756	637	621
- Sewer	1,113	1,029	563
- DWM	191	346	416
- Developer Contributions	595	633	657
- Unexpended Grants	476	904	615
- Other	263	249	257
	3,394	3,798	3,129
Less: Internally Restricted Reserves	(12,125)	(9,930)	(11,199)
<b>UNRESTRICTED CASH</b>	200	200	200

At balance date Council has allocated \$12,125,000 to internally restricted cash to fund specific Council projects. We provide an understanding of internal reserve balances as at 30 June 2011:





	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Internally Restricted Reserves</b>			
Employee Entitlements	730	730	920
Buildings	562	622	682
Transport	370	-	715
Quarries	602	250	274
Plant	3,827	3,086	2,019
Revotes	3,814	2,902	4,074
Commercial Waste	150	150	-
Information Technology	80	130	80
Roads & Bridges	1,890	1,890	2,265
Emergency Works	100	100	100
Other	-	70	70
	12,125	9,930	11,199
	12,125	9,930	11,199

After funding internal and external restrictions Council has unrestricted cash assets of \$200,000.

## 4.2 NON-CURRENT ASSETS AND LIABILITIES

Council has a net non-current asset position of \$253,970,000, which consists largely of property, plant and equipment, infrastructure assets, loans, and provisions for employee benefits and rehabilitation of tip sites and quarries.

### 4.2.1 PROPERTY, PLANT & EQUIPMENT

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

	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<i>Non-cash grants / contributions</i>			
Bush Fire Council	-	-	209
<i>Council Constructed / Purchased Assets</i>			
Land and Buildings	540	1,138	847
Plant and Equipment	1,098	1,588	1,732
Roads and Drainage Network	3,173	4,982	8,125
Water Supply Network	119	-	631
Sewerage Network	174	74	1,403
Other	728	95	82
	5,832	7,877	13,029
	5,832	7,877	13,029

As illustrated above, Council has capitalised approximately \$6 million in infrastructure, property, plant and equipment during the 2011 financial year.



The larger amounts included in the above Roads and Drainage additions were Bean Creek Bridge No. 4 (\$543,000), Fawcetts Plain Road pavement (\$276,000), Omagh Road pavement (\$246,000) and Clarence Way seal (\$225,000).

The larger plant and equipment additions included additions to the vehicle fleet (\$483,000) and a motor grader (\$352,000).

### **Asset Revaluations 2011**

The Division 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.

#### *Land Under Roads*

In accordance with the directives of the Division of Local Government, the NSW local government sector has determined a methodology for valuing land under roads. Land under roads owned and controlled by Council are required to be recognised in accordance with Australian Accounting Standard AASB 1051 "Land Under Roads". The value of land under roads brought to account for the first time as at 30 June 2011 was \$3,391,000.

In prior year's, Council had elected to recognise land under roads acquired on or after 1 July 2008 as allowed by AASB 1051. When applying the valuation methodology to land under roads in 2011 Council amended its accounting policy so that it recognised all land under roads (acquired pre and post 1 July 2008). This change in accounting policy has resulted in the valuation of land under roads being processed to retained earnings and has been disclosed in the general purpose financial report as a change in accounting policy.

#### *Other Infrastructure Assets*

Where material, indexation adjustments are made each year to keep all infrastructure assets at fair value. As a result, a 2011 increment of \$11,049,000 was credited to the Asset Revaluation Reserve.

### **Asset Management**

As at 30 June 2011, Council controls plant, equipment, land, buildings and infrastructure assets with a written down replacement cost of \$258 million.

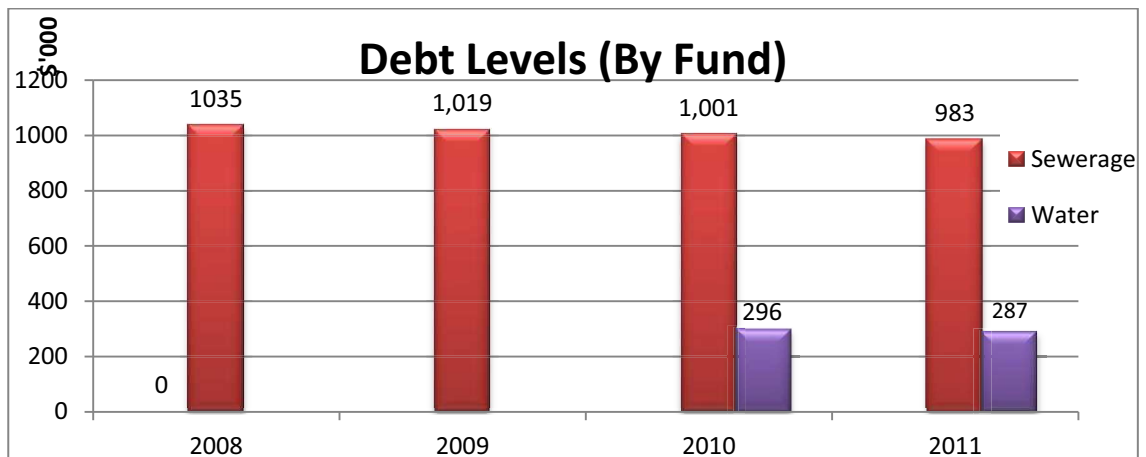
Infrastructure, property, plant and equipment represents the largest asset group on Council's balance sheet. To ensure Council is able to manage its large infrastructure portfolio it is important that it continues to develop asset management systems and associated resources so that revenue is utilised effectively and efficiently and integrated strategic planning goals are achieved.



## 4.2.2 LOANS

Total borrowings at 30 June 2011 amounted to \$1,270,000, which reduced from prior year's balance of \$1,297,000.

The majority of outstanding borrowings relate to the sewerage fund, with total borrowings of \$983,000 consisting primarily of a loan taken out in December 2007 to finance sewage treatment plant augmentation works. Borrowings in the water fund totalling \$287,000 relate to a loan taken out in 2010 for the Bonalbo and Woodenbong water treatment works.



Further borrowings of \$300,000 are expected to be taken during the 2011/12 year for the general fund (for installation of waste compactor for tip operations).

## 5. PERFORMANCE INDICATORS

Council's performance can be measured using selected indicators. The local government sector utilises certain key performance indicators to measure some aspects of its financial position and performance. Note 13 to the general purpose financial statements provides details of local government sector key performance indicators. We provide an analysis of some of these key performance indicators on a fund by fund basis.

When interpreting the ratios below it is important to recognise that they represent a measure of certain aspects of Council's operations at a particular point in time and do not provide a complete assessment of Council's financial performance or position nor do they consider the plans Council has in place to manage its operations into the future.

### ***Unrestricted Current Ratio***

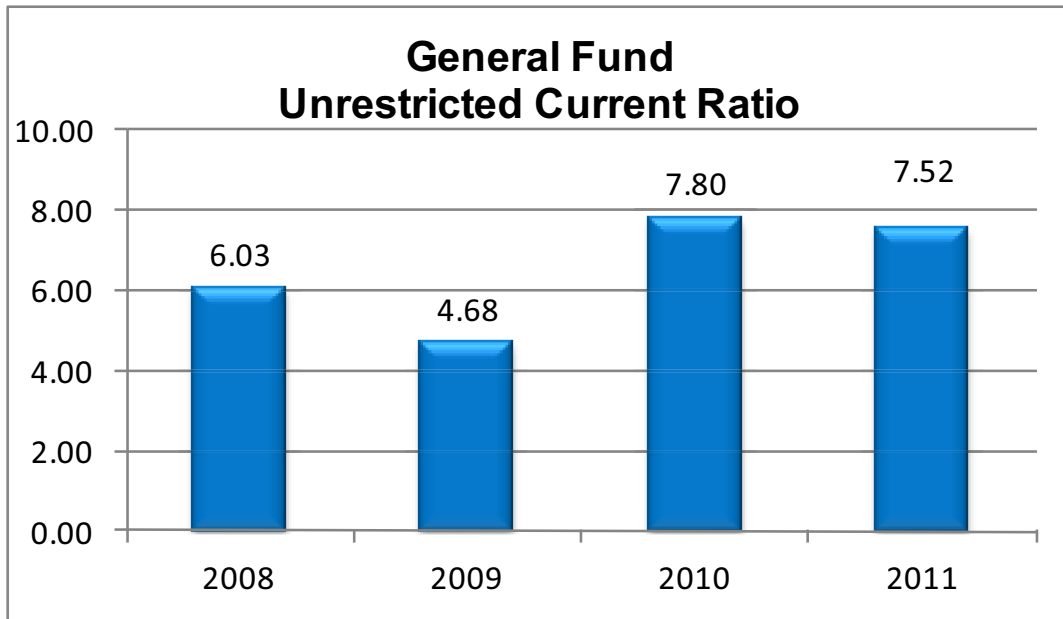
The unrestricted current ratio represents Council's capacity to meet its commitments from current assets net of externally restricted cash, investments and receivables.

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; and
- Credit management policies and economic circumstances.



*General Fund Unrestricted Current Ratio*



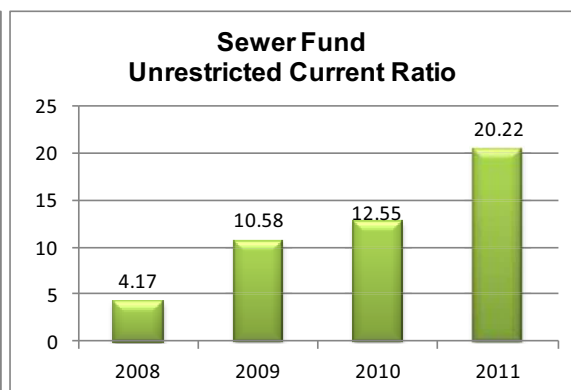
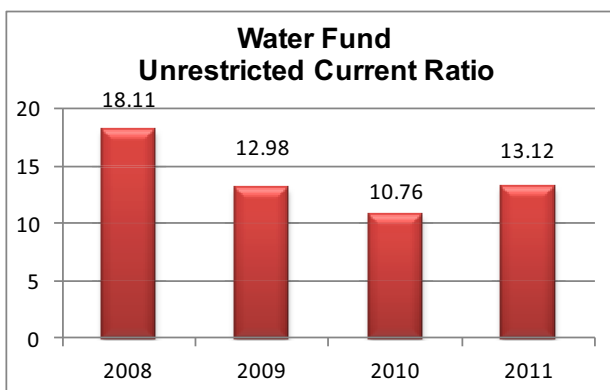
Council's general fund unrestricted current ratio has remained relatively stable from 2010 at 7.52.

An unrestricted current ratio of 7.52 means that Council has \$7.52 in unrestricted liquid current assets for every \$1 of unrestricted current liabilities. An unrestricted current ratio of 2:00 is considered to be a strong short term position. Council's unrestricted current ratio as at 30 June 2011 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.

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.

*Water and Sewer 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***

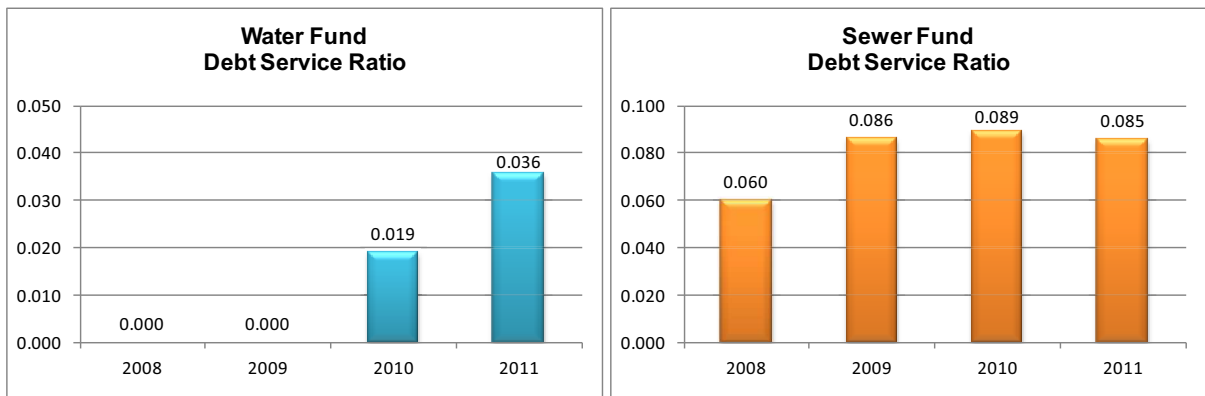
This indicator assesses the degree to which revenues from ordinary activities are committed to the repayment of debt.

Factors influencing a council's debt service ratio include:

- The rate of new development in the Council area and the need to borrow to fund new infrastructure;
- 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; and
- The state of Council's infrastructure assets and the need to borrow to replace them.

### ***Water and Sewer Fund Debt Service Ratio***

Whilst the general fund is debt free, the below graphs illustrate the effects of the loans taken up by the water and sewer funds in 2010 and 2008 respectively.



### ***Rates and Annual Charges Outstanding Percentage***

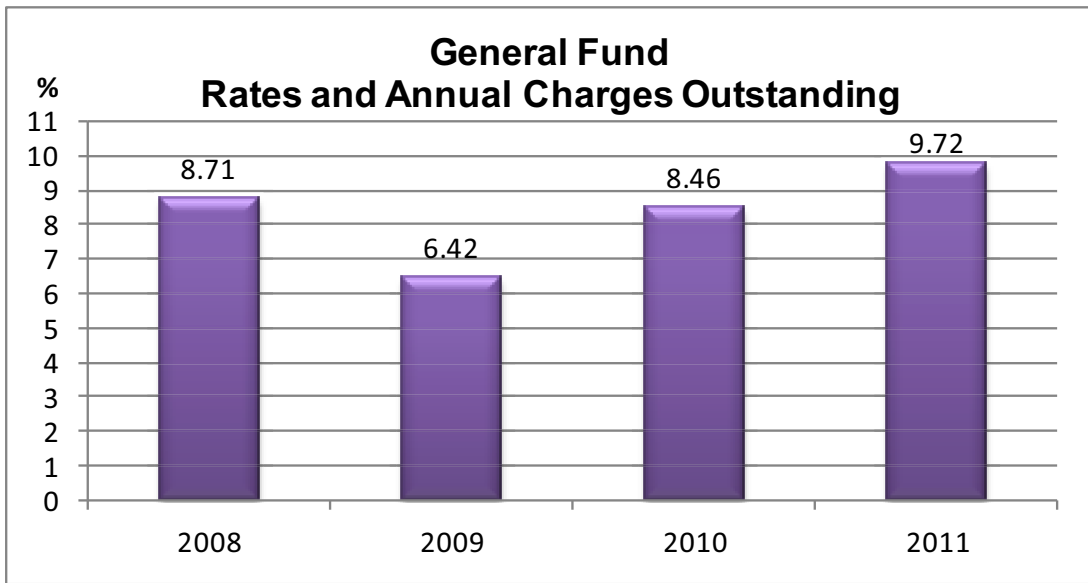
This indicator assesses the effectiveness of Council's revenue collection.

Factors influencing Council's rates and annual charges outstanding percentage include:

- Council's rating policy;
- Credit management policies;
- The socio-economic characteristics of the area; and
- Environmental factors influencing ratepayers' ability to satisfy their obligations.

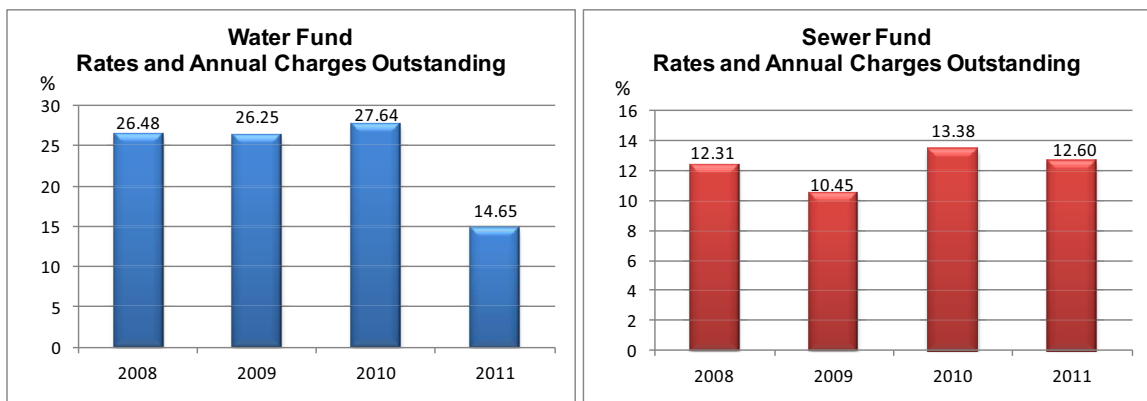


*General Fund Rates and Annual Charges Outstanding Percentage*



Council's general fund rates and annual charges outstanding percentage has increased from 8.46% in 2010 to 9.72% in 2011. We recommend that Council review its collection procedures to determine whether this ratio can be reduced to more acceptable parameters.

*Water and Sewer Fund Rates and Annual Charges Outstanding Percentage*



The above graphs illustrate the rates and annual charges outstanding percentages for water and sewer funds. These percentages can often be influenced by the invoicing of charges at the end of the financial year.

***Buildings and Infrastructure Renewals Ratio***

The purpose of this ratio is to assess the rate at which building and infrastructure assets are being renewed against the rate at which they are depreciating. Renewals are defined as replacement of existing assets with equivalent capacity or performance as opposed to the acquisition of new assets.

The consolidated building and infrastructure renewals ratio has decreased from 1.379 to 0.530.

This ratio should also be considered in conjunction with the level of new asset additions.



## 6. 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 purple ink, appearing to read 'G W Dwyer', written over a horizontal line.

G W DWYER (Partner)  
Registered Company Auditor

# KYOGLE COUNCIL

## Special Purpose Financial Statements

for the year ended 30th June 2011

### TABLE OF CONTENTS

	<u>Page</u>
<b>SPECIAL PURPOSE FINANCIAL STATEMENTS</b>	
<b>Council Certificate</b>	1
<b>Income Statement</b>	
Water Supply Business Activity	2
Sewerage Business Activity	3
Other Business Activities	4
<b>Balance Sheet</b>	
Water Supply Business Activity	5
Sewerage Business Activity	6
Other Business Activities	7
<b>Notes to, and forming part of, the Special Purpose Financial Statements</b>	
Note 1 - Significant Accounting Policies	8 - 10
Note 2 - Best Practice Management Disclosures - Water Supply	11
Note 3 - Best Practice Management Disclosures -Sewerage	12
<b>Auditors Report</b>	



# KYOGLE COUNCIL

## SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

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

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

- NSW Government Policy Statement *"Application of National Competition Policy to Local Government"*.
- Division of Local Government guidelines *"Pricing & Costing for Council Businesses: A Guide to Competitive Neutrality"*.
- The NSW Office of Water, Department of Environment, Climate Change and Water Guidelines.

To the best of our knowledge and belief, these reports

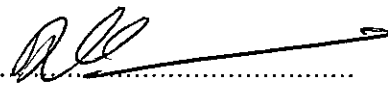
- Present fairly the financial position and operating result for each of Council's declared Business Activities for the year, and
- Accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 24 October 2011



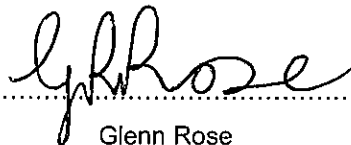
Ross Brown  
**MAYOR**



Robert Leadbeatter  
**DEPUTY MAYOR**



Arthur Piggott  
**GENERAL MANAGER**



Glenn Rose  
**RESPONSIBLE ACCOUNTING OFFICER**

## KYOGLE COUNCIL

**INCOME STATEMENT**  
**WATER SUPPLY BUSINESS ACTIVITY**  
for the year ended 30th June 2011

	Notes	2011 '000	2010 '000	2009 '000
<b>INCOME FROM CONTINUING OPERATIONS</b>				
Access Charges		467	419	374
User Charges		444	499	445
Fees		12	81	12
Interest Received		2	14	37
Grants & Contributions - Operating		27	27	43
Gain on Disposal of Assets		-	-	-
Other Operating Revenues		-	-	-
<b>TOTAL</b>		<u>952</u>	<u>1,040</u>	<u>911</u>
<b>EXPENSES FROM CONTINUING OPERATIONS</b>				
Employee Costs		143	110	92
Materials & Contracts		585	542	464
Borrowing Costs		24	14	-
Depreciation & Amortisation		215	184	176
Water Purchase Charges		31	45	34
Loss on Disposal of Assets		4	59	-
NCP Tax Equivalents		-	-	-
Debt Guarantee Fee		-	-	-
Other Operating Expenses		102	47	34
<b>TOTAL</b>		<u>1,104</u>	<u>1,001</u>	<u>800</u>
<b>CONTINUING OPERATIONS RESULT BEFORE CAPITAL AMOUNTS</b>		(152)	39	111
Grants & Contributions - Capital		160	622	197
<b>RESULT FROM CONTINUING OPERATIONS</b>		<u>8</u>	<u>661</u>	<u>308</u>
Discontinued Operations				
<b>SURPLUS (DEFICIT) BEFORE TAX</b>		<u>8</u>	<u>661</u>	<u>308</u>
Corporate Taxation Equivalent		2	12	33
<b>SURPLUS (DEFICIT) FOR YEAR</b>		<u>6</u>	<u>649</u>	<u>275</u>
Add: Accumulated Surplus brought forward		7,903	7,242	6,934
Adjustments for amounts unpaid				
NCP Tax Equivalents retained				
Debt Guarantee Fee retained				
Corporate Tax Equivalent retained		2	12	33
Less: Dividends Paid				
<b>ACCUMULATED SURPLUS</b>		<u>7,911</u>	<u>7,903</u>	<u>7,242</u>
<b>RATE OF RETURN ON CAPITAL</b>		(1.50%)	0.63%	1.56%
<b>NOTIONAL SUBSIDY FROM COUNCIL</b>		N/A	N/A	N/A
<i>Calculation of Dividend Payable during next financial year</i>				
Surplus after tax		6	649	275
Less: Capital grants & contribs from LWUs		(160)	622	197
Surplus for dividend calculation purposes		<u>(154)</u>	<u>27</u>	<u>78</u>
Dividend calculated from surplus		0	0	0

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

## KYOGLÉ COUNCIL

**INCOME STATEMENT**  
**SEWERAGE BUSINESS ACTIVITY**  
for the year ended 30th June 2011

	Notes	2011 '000	2010 '000	2009 '000
<b>INCOME FROM CONTINUING OPERATIONS</b>				
Access Charges		899	891	862
User Charges		118	101	110
Liquid Trade Waste Charges		17	19	18
Fees		-	-	-
Interest Received		28	14	42
Grants & Contributions - Operating		26	26	45
Gain on Disposal of Assets		-	-	-
Other Operating Revenues		5	9	-
<b>TOTAL</b>		<b>1,093</b>	<b>1,060</b>	<b>1,077</b>
<b>EXPENSES FROM CONTINUING OPERATIONS</b>				
Employee Costs		143	146	57
Materials & Contracts		502	457	471
Borrowing Costs		73	74	75
Depreciation & Amortisation		333	323	284
Loss on Disposal of Assets		192	-	-
NCP Tax Equivalents		-	-	-
Debt Guarantee Fee		-	-	-
Other Operating Expenses		52	48	50
<b>TOTAL</b>		<b>1,295</b>	<b>1,048</b>	<b>937</b>
<b>CONTINUING OPERATIONS RESULT BEFORE CAPITAL AMOUNTS</b>		<b>(202)</b>	<b>12</b>	<b>140</b>
Grants & Contributions - Capital		3	2	948
<b>RESULT FROM CONTINUING OPERATIONS</b>		<b>(199)</b>	<b>14</b>	<b>1,088</b>
Discontinued Operations				
<b>SURPLUS (DEFICIT) BEFORE TAX</b>		<b>(199)</b>	<b>14</b>	<b>1,088</b>
Corporate Taxation Equivalent		-	4	42
<b>SURPLUS (DEFICIT) FOR YEAR</b>		<b>(199)</b>	<b>10</b>	<b>1,046</b>
Add: Accumulated Profits brought forward		9,445	9,431	8,343
<i>Adjustments for amounts unpaid</i>				
NCP Tax Equivalents retained		-	-	-
Debt Guarantee Fee retained		-	-	-
Corporate Tax Equivalent retained		-	4	42
Less: Dividends Paid		-	-	-
<b>ACCUMULATED SURPLUS</b>		<b>9,246</b>	<b>9,445</b>	<b>9,431</b>
<i>RATE OF RETURN ON CAPITAL</i>		<b>(0.76%)</b>	0.52%	1.32%
<i>NOTIONAL SUBSIDY FROM COUNCIL</i>		<b>N/A</b>	N/A	N/A
<i>Calculation of Dividend Payable during next financial year</i>				
Surplus after tax		(199)	10	1,046
Less: Capital grants & contribs from LWUs		3	2	948
Surplus for dividend calculation purposes		<b>(202)</b>	<b>8</b>	<b>98</b>
Dividend calculated from surplus		0	0	0

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

## KYOGLE COUNCIL

**INCOME STATEMENT BY BUSINESS ACTIVITIES**  
 for the year ended 30th June 2011

	BUSINESS ACTIVITIES					
	DWM '000		QUARRIES '000		TRANSPORT '000	
	2011	2010	2011	2010	2011	2010
<b>REVENUE FROM CONTINUING OPERATIONS</b>	Notes					
Rates & Annual Charges	515	430	800	542	5,175	3,811
User Charges & Fees						
Interest Received						
Grants & Contributions - Operating	40	36				
Gain on Disposal of Assets						
Other Operating Revenues						
<b>TOTAL</b>	<b>555</b>	<b>466</b>	<b>800</b>	<b>542</b>	<b>5,175</b>	<b>3,811</b>
<b>EXPENSES FROM CONTINUING OPERATIONS</b>						
Employee Costs	224		77	39	643	347
Materials & Contracts	299	485	432	518	3,500	3,280
Borrowing Costs	63	62	12	12		
Depreciation & Amortisation	59	54	38	30		
Other Operating Expenses		(5)				
Loss on Disposal of Assets						
NCP Imputation Payments						
<b>TOTAL</b>	<b>645</b>	<b>596</b>	<b>559</b>	<b>599</b>	<b>4,143</b>	<b>3,627</b>
<b>CONTINUING OPERATIONS RESULT BEFORE CAPITAL AMOUNTS</b>	<b>(90)</b>	<b>(130)</b>	<b>241</b>	<b>(57)</b>	<b>1,032</b>	<b>184</b>
Grants & Contributions - Capital						
<b>RESULT FROM ORDINARY ACTIVITIES</b>	<b>(90)</b>	<b>(130)</b>	<b>241</b>	<b>(57)</b>	<b>1,032</b>	<b>184</b>
Discontinued Operations						
<b>SURPLUS (DEFICIT) BEFORE TAX</b>	<b>(90)</b>	<b>(130)</b>	<b>241</b>	<b>(57)</b>	<b>1,032</b>	<b>184</b>
Corporate Taxation Equivalent	-	-	72	-	310	55
<b>SURPLUS (DEFICIT) FOR YEAR</b>	<b>(90)</b>	<b>(130)</b>	<b>169</b>	<b>(57)</b>	<b>722</b>	<b>129</b>
Add: Accumulated Profits brought forward	(199)	(69)	597	654	1,863	2,025
NCP Imputation Payments retained			72		310	55
Less: Dividends Paid - TER						-
- Surplus Dividend					(395)	(346)
<b>ACCUMULATED SURPLUS</b>	<b>(289)</b>	<b>(199)</b>	<b>838</b>	<b>597</b>	<b>2,500</b>	<b>1,863</b>
RATE OF RETURN ON CAPITAL	(1.95%)	(9.99%)	45.26%	(7.63%)	N/A	N/A
NOTIONAL SUBSIDY FROM COUNCIL	N/A	N/A	0	134	0	0

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

**KYOGLE COUNCIL**  
**BALANCE SHEET**  
**WATER SUPPLY BUSINESS ACTIVITY**  
for the year ended 30th June 2011

	2011 '000	2010 '000
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash & cash equivalents	756	639
Receivables	241	267
<b>TOTAL CURRENT ASSETS</b>	<u>997</u>	<u>906</u>
<b>NON-CURRENT ASSETS</b>		
Infrastructure, Property, Plant & Equipment	8,543	8,405
<b>TOTAL NON-CURRENT ASSETS</b>	<u>8,543</u>	<u>8,405</u>
<b>TOTAL ASSETS</b>	<u>9,540</u>	<u>9,311</u>
<b>CURRENT LIABILITIES</b>		
Payables	24	23
Interest bearing liabilities	10	9
Provisions	42	52
<b>TOTAL CURRENT LIABILITIES</b>	<u>76</u>	<u>84</u>
<b>NON-CURRENT LIABILITIES</b>		
Payables		
Interest bearing liabilities	277	287
Provisions		
<b>TOTAL NON CURRENT LIABILITIES</b>	<u>277</u>	<u>287</u>
<b>TOTAL LIABILITIES</b>	<u>353</u>	<u>371</u>
<b>NET ASSETS</b>	<u>\$ 9,187</u>	<u>8,940</u>
<b>EQUITY</b>		
Retained Earnings	7,911	7,903
Asset Revaluation Reserve	1,276	1,037
<b>TOTAL EQUITY</b>	<u>\$ 9,187</u>	<u>8,940</u>

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

**KYOGLE COUNCIL****BALANCE SHEET  
SEWERAGE BUSINESS ACTIVITY  
for the year ended 30th June 2011**

	2011 '000	2010 '000
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash & cash equivalents	1,116	1,030
Receivables	202	188
<b>TOTAL CURRENT ASSETS</b>	<u>1,318</u>	<u>1,218</u>
<b>NON-CURRENT ASSETS</b>		
Infrastructure, Property, Plant & Equipment	17,082	16,529
<b>TOTAL NON-CURRENT ASSETS</b>	<u>17,082</u>	<u>16,529</u>
<b>TOTAL ASSETS</b>	<u>18,400</u>	<u>17,747</u>
<b>CURRENT LIABILITIES</b>		
Payables	5	27
Interest bearing liabilities	19	18
Provisions	41	52
<b>TOTAL CURRENT LIABILITIES</b>	<u>65</u>	<u>97</u>
<b>NON-CURRENT LIABILITIES</b>		
Payables		
Interest bearing liabilities	964	983
Provisions		
<b>TOTAL NON CURRENT LIABILITIES</b>	<u>964</u>	<u>983</u>
<b>TOTAL LIABILITIES</b>	<u>1,029</u>	<u>1,080</u>
<b>NET ASSETS</b>	<u>\$ 17,371</u>	<u>16,667</u>
<b>EQUITY</b>		
Retained Earnings	9,246	9,445
Asset Revaluation Reserve	8,125	7,222
<b>TOTAL EQUITY</b>	<u>\$ 17,371</u>	<u>16,667</u>

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

## KYOGLE COUNCIL

BALANCE SHEET by BUSINESS ACTIVITIES  
for the year ended 30th June 2011

	BUSINESS ACTIVITIES					
	DWM '000		QUARRIES '000		TRANSPORT '000	
	2011	2010	2011	2010	2011	2010
<b>CURRENT ASSETS</b>						
Cash & cash equivalents	191	346	602	250	370	(48)
Receivables	87	57			2,130	1,911
Inventories			284	344		
<b>TOTAL CURRENT ASSETS</b>	<b>278</b>	<b>403</b>	<b>886</b>	<b>594</b>	<b>2,500</b>	<b>1,863</b>
<b>NON-CURRENT ASSETS</b>						
Property, Plant & Equipment	1,383	681	559	590		
<b>TOTAL NON-CURRENT ASSETS</b>	<b>1,383</b>	<b>681</b>	<b>559</b>	<b>590</b>		
<b>TOTAL ASSETS</b>	<b>1,661</b>	<b>1,084</b>	<b>1,445</b>	<b>1,184</b>	<b>2,500</b>	<b>1,863</b>
<b>CURRENT LIABILITIES</b>						
Payables						
Interest bearing liabilities						
Provisions						
<b>TOTAL CURRENT LIABILITIES</b>						
<b>NON-CURRENT LIABILITIES</b>						
Provisions	1,950	1,293	287	275		
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>1,950</b>	<b>1,293</b>	<b>287</b>	<b>275</b>		
<b>TOTAL LIABILITIES</b>	<b>1,950</b>	<b>1,293</b>	<b>287</b>	<b>275</b>		
<b>NET ASSETS</b>	<b>\$(289)</b>	<b>(209)</b>	<b>1,158</b>	<b>909</b>	<b>2,500</b>	<b>1,863</b>
<b>EQUITY</b>						
Retained Earnings	(289)	(199)	838	597	2,500	1,863
Asset Revaluation Reserve	-	(10)	320	312		
<b>TOTAL EQUITY</b>	<b>\$(289)</b>	<b>(209)</b>	<b>1,158</b>	<b>909</b>	<b>2,500</b>	<b>1,863</b>

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

## KYOGLE COUNCIL

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

For the year ended 30<sup>th</sup> June 2011

#### Note 1 Significant accounting policies

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

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

The figures presented in these special purpose financial statements have been prepared in accordance with the recognition criteria of applicable Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations. The disclosures in these special purpose financial statements have been prepared in accordance with the Local Government Act and Regulation and the Local Government Code of Accounting Practice and Financial Reporting.

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 Division 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 NSW Office of Water, Department of Environment, Climate Change and Water, 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 STATEMENTS

For the year ended 30<sup>th</sup> June 2011

#### 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 Statements) 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 SPFS. 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	1.6% + \$100 in excess of \$376,000
Stamp Duty	Sliding rate according to NSW Legislation
Payroll Tax	5.65% of the excess over \$638,000

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 STATEMENTS**

**For the year ended 30<sup>th</sup> June 2011**

**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 2011 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 NSW Office of Water.

# KYOGLÉ COUNCIL

## NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE STATEMENTS for the year ended 30th June 2011

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

		2011
<i>Values shown in this Note are expressed in WHOLE DOLLARS</i>		\$
<b>Calculation and Payment of Tax-Equivalents</b>		
(i) Calculated Tax Equivalents		0
(ii) No of assessments multiplied by \$3/assessment		5,829
(iii) Amounts payable for Tax Equivalents		0
(iv) Tax Equivalents paid		0
<b>Dividend from Surplus</b>		
(i) 50% of Surplus before Dividends <i>(Calculated in accordance with Best Practice Management for Water Supply and Sewerage guidelines.)</i>		0
(ii) No of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment		58,290
(iii) Cumulative Surplus before Dividends for 3 years to 30 June 2011, less cumulative dividends paid for 2 years to 30 June 2010		0
(iv) Maximum Dividend from Surplus <i>(least of (i), (ii) and (iii) )</i>		0
(v) Dividend paid from Surplus		
<b>Required Outcomes for 6 Criteria</b>		
(i) Completion of Strategic Business Plan (including Financial Plan)		Yes
(ii) Pricing with full cost-recovery, without significant cross subsidies <i>(Item 2(a) in Table 1 on page 22 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>		Yes
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
<b>National Water Initiative (NWI) Financial Performance Indicators</b>		
NWI F1 <i>Total Revenue (Water)</i>	\$'000	956
NWI F4 <i>Residential Revenue from Usage Charges (Water)</i>	%	45.06
NWI F9 <i>Written Down Replacement Cost of Fixed Assets (Water)</i>	\$'000	8,543
NWI F11 <i>Operating Cost (OMA) (Water)</i>	\$'000	861
NWI F14 <i>Capital Expenditure (Water)</i>	\$'000	119
NWI F17 <i>Economic Real Rate of Return (Water)</i>	%	-1.27
NWI F20 <i>Capital Works Grants (Water)</i>	\$'000	156

## KYOGLÉ COUNCIL

### NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE STATEMENTS for the year ended 30th June 2011

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

		2011 \$
<i>Values shown in this Note are expressed in WHOLE DOLLARS</i>		
<b>Calculation and Payment of Tax-Equivalents</b>		
(i) Calculated Tax Equivalents		0
(ii) No of assessments multiplied by \$3/assessment		5,349
(iii) Amounts payable for Tax Equivalents (lesser of (i) and (ii) )		0
(iv) Tax Equivalents paid		0
<b>Dividend from Surplus</b>		
(i) 50% of Surplus before Dividends <i>(Calculated in accordance with Best Practice Management for Water Supply and Sewerage guidelines.)</i>		0
(ii) No of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment		53,490
(iii) Cumulative Surplus before Dividends for 3 years to 30 June 2011, less cumulative dividends paid for 2 years to 30 June 2010		
(iv) Maximum Dividend from Surplus (least of (i), (ii) and (iii) )		0
(v) Dividend paid from Surplus		
<b>Required Outcomes for 4 Criteria</b>		
(i) Complete current 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)		Yes
Liquid Trade Waste Approvals & Policy (Item 2(f) in Table 1)		Yes
(iii) Complete Performance Reporting Form (by 15 September each year)		Yes
(iv) a. Complete Integrated Water Cycle Management Evaluation		Yes
(iv) b. Complete and implement Integrated Water Cycle Management Strategy		Yes
<b>National Water Initiative (NWI) Financial Performance Indicators</b>		
NWI F2 Total Revenue (Sewerage)	\$'000	1,068
NWI F10 Written Down Replacement Cost of Fixed Assets (Sewerage)	\$'000	17,082
NWI F12 Operating Cost (Sewerage)	\$'000	685
NWI F15 Capital Expenditure (Sewerage)	\$'000	174
NWI F18 Economic Real Rate of Return (Sewerage)	%	0
NWI F27 Capital Works Grants (Sewer)	\$'000	0
NWI F3 Total Income (Water & Sewerage)	\$'000	1,828
NWI F5 Revenue from Community Service Obligations (Water & Sewerage)	%	3
NWI F16 Capital Expenditure (Water & Sewerage)	\$'000	293
NWI F19 Economic Real Rate of Return (Water & Sewerage)	%	0
NWI F20 Dividend (Water & Sewerage)	\$'000	0
NWI F21 Dividend Payout Ratio (Water & Sewerage)	%	0
NWI F22 Net Debt to Equity (Water & Sewerage)	%	-2
NWI F23 Interest Cover (Water & Sewerage)	times	0
NWI F24 Net Profit after Tax (Water & Sewerage)	\$'000	-347
NWI F25 Community Service Obligations (Water & Sewerage)	\$'000	53



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

**Report on the Financial Statements**

We have audited the accompanying financial statements, being special purpose financial statements, of Kyogle Council (the Council), which comprises the balance sheet as at 30 June 2011, the income statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the statement by Councillors' and Management.

**Councils' Responsibility for the Financial Statements**

The Council is responsible for the preparation of the financial statements and has determined that the basis of preparation described in Note 1 to the financial statements is appropriate to meet the requirements of the *Local Government Act 1993* and meet the needs of the Division of Local Government. The Council's responsibility also includes such internal control as the Council determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council's preparation of the financial statements that gives a true and fair view 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 statements.

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.

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



## **Matters Relating to the Electronic Presentation of the Audited Financial Statements**

This auditor's report relates to the special purpose financial statements of Kyogle Council for the year ended 30 June 2011 included on Council's website. The Council is responsible for the integrity of the website. We have not been engaged to report on the integrity of this website. The auditor's report refers only to the financial statements identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial statements. If users of the financial statements are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements to confirm the information contained in this website version of the financial statements.

### **Independence**

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

### **Audit Opinion**

In our opinion, the special purpose financial statements of Kyogle Council are presented fairly 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.

### **Basis of Accounting**

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describe the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the financial reporting requirements of the Division of Local Government. As a result, the financial statements may not be suitable for another purpose.

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

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

G W DWYER (Partner)  
Registered Company Auditor

Dated at Lismore this 24<sup>th</sup> day of October 2011.

# KYOGLE COUNCIL

## Special Schedules

for the year ended 30th June 2011

### TABLE OF CONTENTS

	<u>Page</u>
<b>SPECIAL SCHEDULES (<i>not Audited</i>)</b>	
Special Schedule 1 - Net Cost of Services	1 - 2
Special Schedule 2(a) - Statement of Long Tern Debt	3
Special Schedule 2(b) - Statement of Internal Loans	4
Special Schedule 3 - Water Supply Operations	5 - 6
Special Schedule 4 - Water Supply - Net Assets Committed	7
Special Schedule 5 - Sewerage Services Operations	8 - 9
Special Schedule 6 - Sewerage Services - Net Assets Committed	10
Special Schedule 7 - Condition of Public Works	11 - 13
Special Schedule 8 - Financial Projections	14

**KYOGLE COUNCIL**  
**SPECIAL SCHEDULE NO 1**  
**NET COST OF SERVICES**  
**for the year ended 30th June 2011**

**\$'000**

Function or Activity	Expenses from continuing operations	Income from continuing operations (non-capital)	Income from continuing operations (capital)	NET COST OF SERVICES
<b>GOVERNANCE</b>	147	-	-	147
<b>ADMINISTRATION</b>	2,012	212	-	1,800
<b>PUBLIC ORDER &amp; SAFETY</b>				
Fire Service Levy, Fire Protection, Emergency Services	375	134	-	241
Beach Control	-	-	-	-
Enforcement of Local Govt Regulations	-	-	-	-
Animal Control	109	24	-	85
Other	-	-	-	-
<b>Total Public Order &amp; Safety</b>	484	158	-	326
<b>HEALTH</b>	199	102	-	97
<b>ENVIRONMENT</b>				
Noxious Plants and Insect / Vermin Control	99	-	-	99
Other Environmental Protection	-	-	-	-
Solid Waste Management	1,280	982	-	298
Street Cleaning	-	-	-	-
Drainage	455	82	114	259
Stormwater Management	-	-	-	-
<b>Total Environment</b>	1,834	1,064	114	656
<b>COMMUNITY SERVICES &amp; EDUCATION</b>				
Administration & Education	106	45	25	36
Social Protection (welfare)	-	-	-	-
Aged Persons & Disabled	-	-	-	-
Childrens Services	-	-	-	-
<b>Total Community Services &amp; Education</b>	106	45	25	36
<b>HOUSING &amp; COMMUNITY AMENITIES</b>				
Public Cemeteries	116	92	-	24
Public Conveniences	20	-	-	20
Street Lighting	107	30	-	77
Town Planning	255	136	-	119
Other Community Amenities	-	-	-	-
<b>Total Housing &amp; Community Amenities</b>	498	258	-	240
<b>WATER SUPPLIES</b>	1,091	940	160	(9)
<b>SEWERAGE SERVICES</b>	1,295	1,093	3	199



## KYOGLE COUNCIL

### SPECIAL SCHEDULE NO 1 - NET COST OF SERVICES (cont) for the year ended 30th June 2011

**\$'000**

Function or Activity	Expenses from continuing operations	Income from continuing operations (non-capital)	Income from continuing operations (capital)	NET COST OF SERVICES
<b>RECREATION &amp; CULTURE</b>				
Public Libraries	315	39	-	276
Museums	-	-	-	-
Art Galleries	68	5	-	63
Community Centres and Halls	475	34	-	441
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	-	-	-	-
Sporting Grounds	-	-	-	-
Swimming Pools	616	120	-	496
Parks & Gardens, Lakes	551	7	124	420
Other Sport & Recreation	-	-	-	-
<b>Total Recreation &amp; Culture</b>	<b>2,025</b>	<b>205</b>	<b>124</b>	<b>1,696</b>
<b>FUEL &amp; ENERGY</b>				
	-	-	-	-
<b>AGRICULTURE</b>				
	-	-	-	-
<b>MINING, MANUFACTURING &amp; CONSTRUCTION</b>				
Building Control	94	93	-	1
Other Mining Manufacturing & Construction	559	800	-	(241)
<b>Total Mining Manufacturing &amp; Construction</b>	<b>653</b>	<b>893</b>	<b>-</b>	<b>(240)</b>
<b>TRANSPORT &amp; COMMUNICATION</b>				
Urban Roads: Local	683	11	278	394
Urban Roads: Regional	-	-	-	-
Sealed Rural Roads: Local	1,719	-	534	1,185
Sealed Rural Roads: Regional	2,442	1,374	304	764
Unsealed Rural Roads: Local	4,178	1,522	-	2,656
Unsealed Rural Roads: Regional	-	-	-	-
Bridges - Urban Roads: Local	-	-	-	-
Bridges - Sealed Rural Roads: Local	1,450	-	260	1,190
Bridges - Unsealed Rural Roads: Local	-	-	-	-
Bridges on Regional Roads	-	-	-	-
Parking Areas	-	-	-	-
Footpaths	-	-	-	-
Aerodromes	-	-	-	-
Other Transport & Communication	3,600	5,318	-	(1,718)
<b>Total Transport &amp; Communication</b>	<b>14,072</b>	<b>8,225</b>	<b>1,376</b>	<b>4,471</b>
<b>ECONOMIC AFFAIRS</b>				
Camping Areas & Caravan Parks	-	-	-	-
Other Economic Affairs	132	9	-	123
<b>Total Economic Affairs</b>	<b>132</b>	<b>9</b>	<b>-</b>	<b>123</b>
<b>TOTALS - FUNCTIONS</b>				
	<b>24,548</b>	<b>13,204</b>	<b>1,802</b>	<b>9,542</b>
<b>General Purpose Revenues</b>				<b>8,879</b>
<b>Equity accounted income (loss)</b>				<b>-</b>
				<b>8,879</b>
<b>NET OPERATING RESULT FOR YEAR</b>				<b>(663)</b>

**KYOGLE COUNCIL**  
**SPECIAL SCHEDULE NO 2 (a)**  
**STATEMENT OF LONG TERM DEBT (ALL PURPOSE)**  
**for the year ended 30th June 2011**

**\$'000**

Classification of Debt	Principal Outstanding at beginning of year			New Loans Raised	Debt Redemption		Tfrs to Sinking Funds	Interest applicable for year	Principal outstanding at end of year		
	Current	Non-Current	Total		From Revenue	Sinking Funds			Current	Non-Current	Total
<b>LOANS (by source)</b>											
Commonwealth Government			-								-
Treasury Corporation			-								-
Other State Government			-								-
Public Subscription			-								-
Financial Institutions	27	1,270	1,297		27			97	29	1,241	1,270
Other			-								-
<b>Total Loans</b>	<b>27</b>	<b>1,270</b>	<b>1,297</b>	<b>-</b>	<b>27</b>	<b>-</b>	<b>-</b>	<b>97</b>	<b>29</b>	<b>1,241</b>	<b>1,270</b>
<b>OTHER LONG TERM DEBT</b>											
Ratepayers' Advances			-								-
Government Advances			-								-
Finance Leases			-								-
Deferred Payment			-								-
Other			-								-
<b>Total Other Long Term Debt</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL LONG TERM DEBT</b>	<b>27</b>	<b>1,270</b>	<b>1,297</b>	<b>-</b>	<b>27</b>	<b>-</b>	<b>-</b>	<b>97</b>	<b>29</b>	<b>1,241</b>	<b>1,270</b>

This Schedule excludes Internal Loans and refinancing of existing borrowings.

**KYOGLE COUNCIL**

**SPECIAL SCHEDULE NO 2 (b)  
STATEMENT OF INTERNAL LOANS  
for the year ended 30th June 2011**

**\$'000**

**SUMMARY OF INTERNAL LOANS**

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

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

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

**KYOGLE COUNCIL**

**SPECIAL SCHEDULE NO 3**

**WATER SUPPLY OPERATIONS**

**(Gross including Internal Transactions)**

**for the year ended 30th June 2011**

<b><u>A. EXPENSES &amp; REVENUES</u></b>	<b>2011</b>	<b>2010</b>
<b><u>EXPENSES</u></b>	<b>\$'000</b>	<b>\$'000</b>
1.a. Management - Administration	236	171
b. - Engineering & Supervision	79	77
2 Operations		
a. - Dams & Weirs - Operation Expenses		
b. - Maintenance Expenses		
c. - Mains - Operation Expenses		
d. -Maintenance Expenses	91	183
e. - Reservoirs - Operation Expenses		
f. - Maintenance Expenses	13	12
g. - Pumping Stations - Operation Expenses		
h. - Energy Costs	66	28
i. - Maintenance Expenses	101	-
j. - Treatment - Operation Expenses	195	75
k. - Chemical Costs	8	7
l. - Maintenance Expenses		
m. - Other - Operation Expenses	-	4
n. - Maintenance Expenses	41	27
o. - Purchase of Water	31	45
3.a. Depreciation - System Assets	175	166
b. - Plant & Equipment	40	18
4.a. Miscellaneous - Interest	24	14
b. - Revaluation decrements		
c. - Other	-	115
c. - NCP Tax & Other Equivalents	-	-
<b>5 Total Expenses</b>	<b><u>1,100</u></b>	<b><u>942</u></b>
 <b><u>REVENUE</u></b>		
6 Residential Charges		
a. - Access (including rates)	328	299
b. - User Charges	269	293
7 Non-Residential Charges		
a. - Access (including rates)	139	120
b. - User Charges	175	206
8 Extra Charges	2	7
9 Interest	-	7
10 Other Income	12	81
11.a. Grants - Acquisition of Assets	156	621
b. - Pensioner Rebates	27	27
c. - Other		
12.a. Contributions - Developer Charges	4	1
b. - Developer Provided Assets	-	
c. - Other Contributions		
<b>13 Total Revenues</b>	<b><u>1,112</u></b>	<b><u>1,662</u></b>
 14 Gain (Loss) on Disposal of Assets	<b><u>(4)</u></b>	<b><u>(59)</u></b>
<b>15 OPERATING RESULT</b>	<b><u>8</u></b>	<b><u>661</u></b>
 15a. Operating Result before Grants for Acquisition of Assets	<b><u>(148)</u></b>	<b><u>40</u></b>

# KYOGLE COUNCIL

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

	2011 \$'000	2010 \$'000
<b><u>B. CAPITAL TRANSACTIONS</u></b>		
<b><u>Non - Operating Expenditure</u></b>		
16 Acquisition of Fixed Assets		
a. - New assets for improved standards		
b. - New assets for growth	68	821
c. - Renewals	51	
d. - Plant & Equipment		413
17 Repayment of Debt		
a. - Loans	9	4
b. - Advances		
c. - Finance Leases		
18 Transfers to Sinking Funds		
19 <b>Total Non-Operating Expenditure</b>	<b>128</b>	<b>1,238</b>
<b><u>Non-Operating Funds Employed</u></b>		
20 Proceeds from Disposal of Assets		
21 Borrowings Utilised		
a. - Loans	-	300
b. - Advances		
c. - Finance Leases		
22 Transfers from Sinking Funds		
23 <b>Total Non-Operating Funds Employed</b>	<b>-</b>	<b>300</b>
<b><u>C. RATES &amp; CHARGES</u></b>		
24 Number of Assessments		
a. - Residential (occupied)	1499	
b. - Residential (unoccupied - vacant land)	88	
c. - Non-Residential (occupied)	356	
d. - Non -Residential (unoccupied - vacant land)	0	
25 Number of ETs for which Developer Charges were	4 ET	
26 Total Amount of Pensioner Rebates	49 \$'000	
<b><u>D. BEST PRACTICE ANNUAL CHARGES &amp; DEVELOPER CHARGES</u></b>		
<b>27 Annual Charges</b>		
a	Does Council have best-practice water supply annual charges and usage charges?	<input checked="" type="checkbox"/> Yes
	If Yes, go to 28a.	
	If No, has Council removed <b>land value</b> from access charges (i.e. rates)	<input type="checkbox"/>
b	Cross subsidy <b>from</b> residential customers using less than allowance	_____
c	Cross subsidy <b>to</b> non-residential customers	_____
d	Cross subsidy <b>to</b> large connections in unmetered supplies	_____
<b>28 Developer Charges</b>		
a	Has Council completed a water supply Development Servicing Plan?	<input checked="" type="checkbox"/> Yes
b	Total cross-subsidy in water supply developer charges	_____
<b>29 TOTAL OF CROSS SUBSIDIES</b>		<b>-</b>

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

**KYOGLE COUNCIL**  
**SPECIAL SCHEDULE NO 4**  
**WATER SUPPLY - NET ASSETS COMMITTED**  
(Gross including Internal Transactions)  
for the year ended 30th June 2011

<u>ASSETS</u>	<u>Current</u> \$'000	<u>Non-Current</u> \$'000	<u>Total</u> \$'000
30 Cash and Investments			
a. - Developer Charges			-
b. - Specific Purpose Grants			-
c. - Accrued Leave	41		41
d. - Unexpended Loans			-
e. - Sinking Funds			-
f. - Other	715		715
31 Receivables			
a. - Specific Purpose Grants			-
b. - Rates & Availability Charges	221		221
c. - Other	20		20
32 Inventories			-
33 Property, Plant & Equipment			
a. - System Assets		7,658	7,658
b. - Plant & Equipment		885	885
34 Other			-
35 <b>Total Assets</b>	<u>997</u>	<u>8,543</u>	<u>9,540</u>
 <u>LIABILITIES</u>			
36 Bank Overdraft			-
37 Creditors	24		24
38 Borrowings			
a. - Loans	10	277	287
b. - Advances			-
c. - Finance Leases			-
39 Provisions			
- Tax Equivalents			-
a. - Dividend	-		-
b. - Other	42		42
40 <b>Total Liabilities</b>	<u>76</u>	<u>277</u>	<u>353</u>
41 <b>NET ASSETS COMMITTED</b>	<u>921</u>	<u>8,266</u>	<u>9,187</u>
 <u>EQUITY</u>			
42 Accumulated Surplus			7,911
43 Asset Revaluation Reserve			1,276
44 <b>Total Equity</b>			<u>9,187</u>
45 Current Replacement Cost of System Assets			20,358
46 Accumulated Current Cost Depreciation of System Assets			11,815
47 Written Down Current Cost of System Assets			<u>8,543</u>

**KYOGLE COUNCIL**

**SPECIAL SCHEDULE NO 5**

**SEWERAGE SERVICE OPERATIONS**

**(Gross including Internal Transactions)**

**for the year ended 30th June 2011**

<b><u>A. EXPENSES &amp; REVENUES</u></b>	<b>2011</b>	<b>2010</b>
<b><u>EXPENSES</u></b>	<b>\$'000</b>	<b>\$'000</b>
1.a. Management - Administration	139	114
b. - Engineering & Supervision	63	63
2 Operations & Maintenance Expenses		
a. -Mains - Operation Expenses		
b. -Maintenance Expenses	66	46
c. - Pumping Stations - Operation Expenses	85	49
d. - Energy Costs	9	20
e. - Maintenance Expenses	-	3
f. - Treatment - Operation Expenses	256	268
g. - Chemical Costs	49	49
h. - Energy Costs	18	22
i. - Effluent Management		
j. - Biosolids Management		
k. - Maintenance Expenses		
l. - Other - Operation Expenses		
m. - Maintenance Expenses		
3.a. Depreciation - System Assets	273	267
b. - Plant & Equipment	60	56
4.a. Miscellaneous - Interest	73	74
b. - Revaluation decrements		
c. - Other	12	17
c. - NCP Tax & Other Equivalents	-	
5 <b>Total Expenses</b>	<b><u>1,103</u></b>	<b><u>1,048</u></b>
<b><u>REVENUE</u></b>		
6 Residential Charges (including rates)	817	812
7 Non-Residential Charges		
a. Access (including rates)	72	70
b. User Charges	118	101
8 Trade Waste Charges		
a. Annual Fees	10	9
b. User Charges	17	19
c. Excess Mass Charges		
Re-inspection charges		
9 Extra Charges		
10 Interest	28	14
11 Other Income	5	9
12.a. Grants - Acquisition of Assets		
b. - Pensioner Rebates	26	26
c. - Other		
13.a. Contributions - Developer Charges	3	2
b. - Developer Provided Assets		
c. - Other Contributions		
14 <b>Total Revenues</b>	<b><u>1,096</u></b>	<b><u>1,062</u></b>
15 Gain (Loss) on Disposal of Assets	<b><u>(192)</u></b>	
16 <b>OPERATING RESULT</b>	<b><u>(199)</u></b>	<b><u>14</u></b>
16.a. Operating Result before Grants for Acquisition of Assets	<b><u>(199)</u></b>	<b><u>14</u></b>

**KYOGLE COUNCIL**

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

	2011 \$'000	2010 \$'000
<b><u>B. CAPITAL TRANSACTIONS</u></b>		
<b><u>Non - Operating Expenditure</u></b>		
17 Acquisition of Fixed Assets		
a. - New assets for improved standards		
b. - New assets for growth		62
c. - Renewals	174	12
d. - Plant & Equipment		
18 Repayment of Debt		
a. - Loans	27	11
b. - Advances		
c. - Finance Leases		
19 Transfers to Sinking Funds		
20 <b>Total Non-Operating Expenditure</b>	<u>201</u>	<u>85</u>
 <b><u>Non-Operating Funds Employed</u></b>		
21 Proceeds of Disposal of Assets		
22 Borrowings Utilised		
a. - Loans		
b. - Advances		
c. - Finance Leases		
23 Transfers from Sinking Funds		
24 <b>Total Non-Operating Funds Employed</b>	<u>-</u>	<u>-</u>
 <b><u>C. RATES AND CHARGES</u></b>		
25 Number of Assessments		
a. - Residential (occupied)	1490	
b. - Residential (unoccupied - vacant land)	97	
c. - Non-Residential (occupied)	196	
d. - Non-Residential (unoccupied - vacant land)	0	
26 Number of ETs for which Developer Charges were	3 ET	
27 Total Amount of Pensioner Rebates	47 \$'000	
 <b><u>D. BEST PRACTICE ANNUAL CHARGES &amp; DEVELOPER CHARGES</u></b>		
28 <b>Annual Charges</b>		
a Does Council have best-practice sewerage annual charges, usage charges and trade waste fees and charges?		<input type="checkbox"/> Yes
If Yes, go to 29a.		
If No, has Council removed <b>land value</b> from access charges (i.e. rates)		<input type="checkbox"/>
b Cross subsidy <b>to</b> non-residential customers		_____
c Cross subsidy <b>to</b> trade waste dischargers		_____
29 <b>Developer Charges</b>		
a Has Council completed a sewerage Development Servicing Plan?		<input type="checkbox"/> Yes
b Total cross-subsidy in sewerage developer charges		_____
30 <b>TOTAL OF CROSS SUBSIDIES</b>		<u>-</u>

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 2011

<u>ASSETS</u>	<u>Current</u> \$'000	<u>Non-Current</u> \$'000	<u>Total</u> \$'000
31 Cash and Investments			
a. - Developer Charges	4		4
b. - Specific Purpose Grants			-
c. - Accrued Leave	41		41
d. - Unexpended Loans			-
e. - Sinking Funds			-
f. - Other	1,071		1,071
32 Receivables			
a. - Specific Purpose Grants			-
b. - Rates & Availability Charges	182		182
c. - Other	20		20
33 Inventories			-
34 Property, Plant & Equipment			
a. - System Assets		16,161	16,161
b. - Plant & Equipment		921	921
35 Other			-
36 <b>Total Assets</b>	<u>1,318</u>	<u>17,082</u>	<u>18,400</u>
<u>LIABILITIES</u>			
37 Bank Overdraft			-
38 Creditors	5		5
39 Borrowings			
a. - Loans	19	964	983
b. - Advances			-
c. - Finance Leases			-
40 Provisions			
- Tax Equivalents			-
a. - Dividend	-		-
b. - Other	41		41
41 <b>Total Liabilities</b>	<u>65</u>	<u>964</u>	<u>1,029</u>
42 <b>NET ASSETS COMMITTED</b>	<u>1,253</u>	<u>16,118</u>	<u>17,371</u>
<u>EQUITY</u>			
43 Accumulated Surplus			9,246
44 Asset Revaluation Reserve			8,125
45 <b>Total Equity</b>			<u>17,371</u>
46 Current Replacement Cost of System Assets			28,681
47 Accumulated Current Cost Depreciation of System Assets			11,599
48 Written Down Current Cost of System Assets			<u>17,082</u>

**KYOGLE COUNCIL**  
**SPECIAL SCHEDULE NO 7**  
**CONDITION OF PUBLIC WORKS**  
**as at 30th June 2011**

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%	36		2,317	795	1,522	83%	17	16	5
	Bushfire	1%	20		1,152	494	658	65%	50	7	8
	Health	1%	-		136	136	-	15%	70	1	4
	Animal Control	1%	1		38	18	20	84%	-	2	2
	Emergency Services	1%	2		115	46	69	68%	5	3	1
	Preschools	1%	13		897	374	523	60%	60	6	6
	Cemeteries	1%	1		36	30	6	50%	20	2	4
	Library	1%	10		829	369	460	60%	30	5	5
	Public Halls	1%	165		10,287	6,452	3,835	50%	1,450	32	30
	Pools	1%	27		1,636	797	839	50%	180	20	20
	Parks & Gardens	1%	47		2,248	1,262	986	60%	160	12	16
	Commercial Waste	1%	2		76	54	22	40%	10	2	6
	Water Fund	1%	2		210	152	58	40%	5	2	2
	Quarries	1%	1		42	33	9	40%	4	2	1
	Works Depot	1%	50		1,537	735	802	50%	30	10	8
	<b>Subtotal</b>		<b>377</b>	<b>-</b>	<b>21,556</b>	<b>11,747</b>	<b>9,809</b>		<b>2,091</b>	<b>122</b>	<b>118</b>
Public Roads	Urban Sealed	5%	260		11,835	5,192	6,643	80%	680	320	235
	Rural Sealed	5%	1,090		49,551	19,159	30,392	70%	5,900	630	572
	Regional Sealed	5%	957		50,713	16,348	34,365	65%	9,300	720	665
	Rural Unsealed	5%	1,710		41,235	21,864	19,371	60%	5,300	2,090	2,085
	Regional Unsealed	5%	88		1,770	1,151	619	80%	100	55	54
	Roadside Furniture	5%	156		2,106	827	1,279	85%	315	150	135
	Bridges - Rural	2%	649		77,559	38,169	39,390	53%	3,150	650	643
	Bridges - Regional	2%	144		13,983	3,773	10,210	98%	1,400	54	-
	Footpaths	5%	27		2,283	953	1,330	85%	300	40	20
	<b>Subtotal</b>		<b>5,081</b>	<b>-</b>	<b>251,035</b>	<b>107,436</b>	<b>143,599</b>		<b>26,445</b>	<b>4,709</b>	<b>4,409</b>
Other Structures	Structures not included in Buildings	5%	301		18,904	9,640	9,264	50%	463	200	140

*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 2011**

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%	4		320	85	235	75%	22	16	6
	Mains	1.0%	96		7,954	4,943	3,011	40%	3,195	82	53
	Meters	2.5%	3		805	773	32	15%	404	21	11
	<b>Subtotal</b>		103	-	9,079	5,801	3,278		3,621	119	70
Sewerage	Services	1.0%	20		1,884	914	970	60%	318	31	10
	Mains	1.0%	199		18,869	8,290	10,579	60%	5,734	61	40
	Air Vent Stacks	1.0%	2		207	137	70	40%	32	4	1
	<b>Subtotal</b>		221	-	20,960	9,341	11,619		6,084	96	51
Drainage Works	Infrastructure	2.5%	204		24,456	9,636	14,820	70%	2,195	61	40
	<b>Subtotal</b>		204	-	24,456	9,636	14,820		2,195	61	40
<b>Total Classes - All Assets</b>			6,287	-	345,990	153,601	192,389		40,899	5,307	4,828

*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 2011**

#### **"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 2011**

	2011 \$'000	2012 \$'000	2013 \$'000	2014 \$'000
<b>Recurrent Budget</b>				
Income from continuing operations	23,885	16,700	16,950	17,475
Expenses from continuing operations	24,548	11,453	11,856	12,141
Operating result from continuing operations	<u>(663)</u>	<u>5,247</u>	<u>5,094</u>	<u>5,334</u>
<b>Capital Budget</b>				
New Works	989	1,018	819	740
Replacement of existing assets	4,843	4,489	4,385	4,411
	<u>5,832</u>	<u>5,507</u>	<u>5,204</u>	<u>5,151</u>
<i>Funded by</i>				
- Loans	-	300	-	-
- Asset Sales	506	509	524	540
- Reserves	2,136	1,748	2,165	1,970
- Grants/Contributions	1,802	1,523	1,289	1,366
- Recurrent revenue	1,388	1,427	1,226	1,275
- Other	-	-	-	-
	<u>5,832</u>	<u>5,507</u>	<u>5,204</u>	<u>5,151</u>