



KYOGLE COUNCIL

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2012

Gateway to the Rainforests



KYOGLE COUNCIL

General Purpose Financial Statements for the financial year ended 30 June 2012

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Overview

- (i) These financial statements are General Purpose Financial Statements and cover the consolidated operations for KYOGLE COUNCIL.
- (ii) KYOGLE COUNCIL is a body politic of NSW, Australia - being constituted as a Local Government area by proclamation and is duly empowered by the Local Government Act (LGA) 1993 of NSW.

Council's Statutory Charter is specified in Paragraph 8 of the LGA and includes;

- carrying out activities and providing goods, services & facilities appropriate to the current & future needs of the Local community and of the wider public
- responsibility for administering regulatory requirements under the LGA and other applicable legislation, &
- a role in the management, improvement and development of the resources of the local government area.

A description of the nature of Council's operations and its principal activities are provided in Note 2(b).

- (iii) All figures presented in these financial statements are presented in Australian Currency.
- (iv) These financial statements were authorised for issue by the Council on 30/10/12. Council has the power to amend and reissue the financial statements.
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KYOGLE COUNCIL

General Purpose Financial Statements for the financial year ended 30 June 2012

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 prepared in accordance with:

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

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

- present fairly the Council's operating result and financial position for the year, and
- 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.

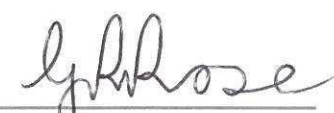
Signed in accordance with a resolution of Council made on 30 October 2012.



Ross Brown
MAYOR



Janet Wilson
DEPUTY MAYOR


Arthur Piggott
GENERAL MANAGER
Glenn Rose
RESPONSIBLE ACCOUNTING OFFICER

KYOGLE COUNCIL

Income Statement

for the financial year ended 30 June 2012

Budget ⁽¹⁾ 2012	\$ '000	Notes	Actual 2012	Actual 2011
Income from Continuing Operations				
Revenue:				
6,771	Rates & Annual Charges	3a	6,772	6,372
3,040	User Charges & Fees	3b	6,102	7,674
344	Interest & Investment Revenue	3c	985	864
49	Other Revenues	3d	87	30
5,004	Grants & Contributions provided for Operating Purposes	3e,f	8,600	7,143
1,588	Grants & Contributions provided for Capital Purposes	3e,f	4,582	1,802
Other Income:				
207	Net gains from the disposal of assets	5	-	-
	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	-	-
17,003	Total Income from Continuing Operations		27,128	23,885
Expenses from Continuing Operations				
9,318	Employee Benefits & On-Costs	4a	6,653	6,927
109	Borrowing Costs	4b	183	173
984	Materials & Contracts	4c	8,080	7,865
4,247	Depreciation & Amortisation	4d	7,658	7,579
	Impairment	4d	-	-
1,661	Other Expenses	4e	1,728	1,634
	Interest & Investment Losses	3c	-	-
	Net Losses from the Disposal of Assets	5	3,223	370
	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	-	-
16,319	Total Expenses from Continuing Operations		27,525	24,548
684	Operating Result from Continuing Operations		(397)	(663)
Discontinued Operations				
	Net Profit/(Loss) from Discontinued Operations		-	-
684	Net Operating Result for the Year		(397)	(663)
684	Net Operating Result attributable to Council		(397)	(663)
	Net Operating Result attributable to Minority Interests		-	-
(904)	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		(4,979)	(2,465)

(1) Original Budget as approved by Council - refer Note 16

KYOGLE COUNCIL

Statement of Comprehensive Income for the financial year ended 30 June 2012

\$ '000	Notes	Actual 2012	Actual 2011
Net Operating Result for the year (as per Income statement)		(397)	(663)
Other Comprehensive Income			
Gain (loss) on revaluation of I,PP&E	20b (ii)	21,715	11,049
Gain (loss) on revaluation of available-for-sale investments	20b (ii)	-	-
Gain (loss) on revaluation of other reserves	20b (ii)	-	-
Realised (gain) loss on available-for-sale investments recognised in P&L	20b (ii)	-	-
Realised (gain) loss from other reserves recognised in P&L	20b (ii)	-	-
Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-
Other Movements in Reserves - Recognition of Land Under Roads	20b (ii)	-	3,391
Total Other Comprehensive Income for the year		21,715	14,440
Total Comprehensive Income for the Year		21,318	13,777
Total Comprehensive Income attributable to Council		21,318	13,777
Total Comprehensive Income attributable to Minority Interests		-	-

KYOGLE COUNCIL

Balance Sheet

as at 30 June 2012

\$ '000	Notes	Actual 2012	Actual 2011
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	18,571	15,719
Investments	6b	-	-
Receivables	7	4,488	5,160
Inventories	8	736	954
Other	8	256	248
Non-current assets classified as "held for sale"		-	-
Total Current Assets		24,051	22,081
Non-Current Assets			
Investments	6b	-	-
Receivables	7	-	-
Infrastructure, Property, Plant & Equipment	9	277,394	257,690
Investments accounted for using the equity method	19	-	-
Investment Property	14	-	-
Intangible Assets		-	-
Other	8	-	-
Total Non-Current Assets		277,394	257,690
TOTAL ASSETS		301,445	279,771
LIABILITIES			
Current Liabilities			
Payables	10	2,553	1,681
Borrowings	10	31	29
Provisions	10	1,786	1,747
Total Current Liabilities		4,370	3,457
Non-Current Liabilities			
Payables	10	123	131
Borrowings	10	1,210	1,241
Provisions	10	1,830	2,348
Total Non-Current Liabilities		3,163	3,720
TOTAL LIABILITIES		7,533	7,177
Net Assets		293,912	272,594
EQUITY			
Retained Earnings	20	146,219	146,616
Revaluation Reserves	20	147,693	125,978
Council Equity Interest		293,912	272,594
Minority Equity Interest		-	-
Total Equity		293,912	272,594

KYOGLE COUNCIL

Statement of Changes in Equity for the financial year ended 30 June 2012

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Minority Interest	Total Equity
2012						
Opening Balance (as per Last Year's Audited Accounts)		146,616	125,978	272,594	-	272,594
a. Correction of Prior Period Errors		-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)		-	-	-	-	-
Revised Opening Balance (as at 1/7/10)		146,616	125,978	272,594	-	272,594
c. Net Operating Result for the Year		(397)		(397)	-	(397)
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)		21,715	21,715	-	21,715
Equity - Balance at end of the reporting period		146,219	147,693	293,912	-	293,912

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Minority Interest	Total Equity
2011						
Opening Balance (as per Last Year's Audited Accounts)		143,888	114,929	258,817	-	258,817
a. Correction of Prior Period Errors		-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)		-	-	-	-	-
Revised Opening Balance (as at 1/7/09)		143,888	114,929	258,817	-	258,817
c. Net Operating Result for the Year		(663)	-	(663)	-	(663)
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	11,049	11,049	-	11,049
- Land Under Roads Recognised	20b (i)	3,391	-	3,391	-	3,391
Equity - Balance at end of the reporting period		146,616	125,978	272,594	-	272,594

KYOGLE COUNCIL

Statement of Cash Flows

for the financial year ended 30 June 2012

Budget 2012	\$ '000	Notes	Actual 2012	Actual 2011
Cash Flows from Operating Activities				
Receipts:				
6,771	Rates & Annual Charges		6,432	6,223
3,040	User Charges & Fees		6,327	8,037
344	Investment & Interest Revenue Received		973	870
6,592	Grants & Contributions		12,335	8,519
	Bonds, Deposits & Retention amounts received		44	-
49	Other		153	427
Payments:				
(9,318)	Employee Benefits & On-Costs		(6,566)	(7,000)
(984)	Materials & Contracts		(7,492)	(8,449)
(109)	Borrowing Costs		(97)	(97)
	Bonds, Deposits & Retention amounts refunded		(61)	-
(1,661)	Other		(2,348)	(1,980)
<u>4,724</u>	Net Cash provided (or used in) Operating Activities	11b	<u>9,700</u>	<u>6,550</u>
Cash Flows from Investing Activities				
Receipts:				
507	Sale of Infrastructure, Property, Plant & Equipment		608	506
Payments:				
(5,470)	Purchase of Infrastructure, Property, Plant & Equipment		(7,427)	(5,238)
<u>(4,963)</u>	Net Cash provided (or used in) Investing Activities		<u>(6,819)</u>	<u>(4,732)</u>
Cash Flows from Financing Activities				
Receipts:				
300	Proceeds from Borrowings & Advances		-	-
Payments:				
(31)	Repayment of Borrowings & Advances		(29)	(27)
<u>269</u>	Net Cash Flow provided (used in) Financing Activities		<u>(29)</u>	<u>(27)</u>
30	Net Increase/(Decrease) in Cash & Cash Equivalents		2,852	1,791
15,687	plus: Cash & Cash Equivalents - beginning of year	11a	15,719	13,928
<u>15,717</u>	Cash & Cash Equivalents - end of the year	11a	<u>18,571</u>	<u>15,719</u>

Please refer to Note 11 for information on the following:

- Non Cash Financing & Investing Activities.
- Financing Arrangements.
- Net cash flow disclosures relating to any Discontinued Operations

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2012

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Kyogle Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies

The principal accounting policies adopted by Council in the preparation of these consolidated financial statements are set out below in order to assist in its general understanding.

Under Australian Accounting Standards (AASB's), accounting policies are defined as those specific principles, bases, conventions, rules and practices applied by a reporting entity (in this case Council) in preparing and presenting its financial statements.

(a) Basis of preparation

(i) Background

These financial statements are general purpose financial statements which have been prepared in accordance with;

- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board,
- the Local Government Act (1993) & Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

For the purpose of preparing these financial statements, Council has been deemed to be a not-for-profit entity.

(ii) Compliance with International Financial Reporting Standards (IFRSs)

Because Australian Accounting Standards (AASB's) are sector neutral, some standards either:

- (a) have local Australian content and prescription that is specific to the Not-For-Profit sector (including Local Government) which are not in compliance with IFRS's, or
- (b) specifically exclude application by Not for Profit entities.

Accordingly in preparing these financial statements and accompanying notes, Council has been unable to comply fully with International Accounting Standards, but has complied fully with Australian Accounting Standards.

Under the Local Government Act (LGA), Regulations and Local Government Code of Accounting Practice & Financial Reporting, it should be noted that Councils in NSW only have a requirement to comply with Australian Accounting Standards.

(iii) New and amended standards adopted by Council

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

(iv) Early adoption of Accounting Standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2011.

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

(v) Basis of Accounting

These financial statements have been prepared under the **historical cost convention** except for:

- (i) financial assets and liabilities at fair value through profit or loss, available-for-sale financial assets and investment properties which are all valued at fair value,
- (ii) the write down of any Asset on the basis of Impairment (if warranted) and
- (iii) certain classes of Infrastructure, property, plant & equipment that are accounted for at fair valuation.

The accrual basis of accounting has also been applied in their preparation.

(vi) Changes in Accounting Policies

Council's accounting policies have been consistently applied to all the years presented, unless otherwise stated.

There have also been no changes in accounting policies when compared with previous financial statements unless otherwise stated [refer Note 20(d)].

Kyogle Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

(vii) Critical Accounting Estimates

The preparation of financial statements requires the use of certain critical accounting estimates (in conformity with AASB's).

Accordingly this requires management to exercise its judgement in the process of applying the Council's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below.

- (i) Estimated fair values of investment properties
- (ii) Estimated fair values of infrastructure, property, plant and equipment.
- (iii) Estimated tip remediation provisions.

Critical judgements in applying the entity's accounting policies

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

(b) Revenue recognition

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that

future economic benefits will flow to the entity and specific criteria have been met for each of the Council's activities as described below.

Council bases any estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

A provision for the impairment on rates receivables has not been established as unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

Control over granted assets is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and is valued at their fair value at the date of transfer.

Revenue from Contributions is recognised when the Council either obtains control of the contribution or the right to receive it, **(i)** it is probable that the economic benefits comprising the contribution will flow to the Council and **(ii)** the amount of the contribution can be measured reliably.

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).

Kyogle Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

Note 3(g) also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

The Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of S94 of the EPA Act 1979.

Whilst Council generally incorporates these amounts as part of a Development Consents Order, such developer contributions are only recognised as income upon their physical receipt by Council, due to the possibility that individual Development Consents may not be acted upon by the applicant and accordingly would not be payable to Council.

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

A detailed Note relating to developer contributions can be found at Note 17.

User Charges, Fees and Other Income

User charges, fees and other income (including parking fees and fines) are recognised as revenue when the service has been provided, the payment is received, or when the penalty has been applied, whichever first occurs.

A provision for the impairment of these receivables is recognised when collection in full is no longer probable.

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

Sale of Infrastructure, Property, Plant and Equipment

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

Interest and Rents

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.

Interest Income from Cash & Investments is accounted for using the Effective Interest method in accordance with AASB 139.

(c) Principles of Consolidation

These financial statements incorporate (i) the assets and liabilities of Council and any Entities (or operations) that it **controls** (as at 30/6/12) and (ii) all the related operating results (for the financial year ended the 30th June 2012).

The financial statements also include Council's share of the assets, liabilities, income and expenses of any **Jointly Controlled Operations** under the appropriate headings.

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

(i) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the LGA 1993, all money and property received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

The Consolidated Fund and other entities through which the Council controls resources to carry on its functions have been included in the financial statements forming part of this report.

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

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

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

- Australia Day Committees
- Progress Associations

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

Kyogle Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

Total income from continuing operations \$0

Total expenditure from continuing operations \$10,000

Total net assets held (ie Equity) \$4,000

Note:

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

(ii) The Trust Fund

In accordance with the provisions of Section 411 of the Local Government Act 1993 (as amended), a separate and distinct Trust Fund is maintained to account for all money and property received by the Council in trust which must be applied only for the purposes of or in accordance with the trusts relating to those monies.

Trust monies and property subject to Council's control have been included in these statements.

Trust monies and property held by Council but not subject to the control of Council, have been excluded from these statements.

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

Jointly Controlled Assets & Operations

The proportionate interests in the assets, liabilities and expenses of a Joint Venture Activity have been incorporated throughout the financial statements under the appropriate headings.

Jointly Controlled Entities

Any interests in Joint Venture Entities & Partnerships are 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 retained earnings & reserves is recognised in the balance sheet.

(iv) Associated Entities

Where Council has the power to participate in the financial and operating decisions (of another entity), ie. where Council is deemed to have "significant influence" over the other entities operations but neither controls nor jointly controls the entity, then Council accounts for such interests using the equity method of accounting – in a similar fashion to Joint Venture Entities & Partnerships.

Such entities are usually termed Associates.

(v) 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.

(vi) Additional Information

Note 19 provides more information in relation to Joint Venture Entities, Associated Entities and Joint Venture Operations where applicable.

(d) Leases

All Leases entered into by Council are reviewed and classified on inception date as either a Finance Lease or an Operating Lease.

Finance Leases

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

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

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

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

Kyogle Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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

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

Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

(e) Cash and Cash Equivalents

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 but are incorporated into Cash & Cash Equivalents for presentation of the Cash Flow Statement.

(f) Investments and Other Financial Assets

Council (in accordance with AASB 139) classifies each of its investments into one of the following categories for measurement purposes:

- **financial assets at fair value through profit or loss**,
- **loans and receivables**,
- **held-to-maturity investments**, and
- **available-for-sale financial assets**.

Each classification depends on the purpose/intention for which the investment was acquired & at the time it was acquired.

Management determines each Investment classification at the time of initial recognition and re-evaluates this designation at each reporting date.

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

Financial assets at fair value through profit or loss include financial assets that are "held for trading".

A financial asset is classified in the "held for trading" category if it is acquired principally for the purpose of selling in the short term.

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

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

(ii) Loans and receivables

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

They arise when the Council provides money, goods or services directly to a debtor with no intention (or in some cases ability) of selling the resulting receivable.

They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

Kyogle Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

(iii) Held-to-maturity investments

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

In contrast to the "Loans & Receivables" classification, these investments are generally quoted in an active market.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Investments must be designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Accordingly, this classification principally comprises marketable equity securities, but can include all types of financial assets that could otherwise be classified in one of the other investment categories.

They are generally included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date or the term to maturity from the reporting date is less than 12 months.

Financial Assets – Reclassification

Council may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term.

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term.

Council may also choose to reclassify financial assets that would meet the definition of loans and

receivables out of the held-for-trading or available-for-sale categories if it has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made.

Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

Investments are initially recognised (and measured) at fair value, plus in the case of investments not at "fair value through profit or loss", directly attributable transactions costs

Purchases and sales of investments are recognised on trade-date - the date on which the Council commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Council has transferred substantially all the risks and rewards of ownership.

(ii) Subsequent Measurement

Available-for-sale financial assets and **financial assets at fair value through profit and loss** are subsequently carried at fair value.

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

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets classified as "**fair value through profit or loss**" category are included in the income statement in the period in which they arise.

Kyogle Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

Unrealised gains and losses arising from changes in the fair value of non monetary securities classified as **"available-for-sale"** are recognised in equity in the available-for-sale investments revaluation reserve.

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

Impairment

Council assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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 in determining whether the security is 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 are not reversed through the income statement.

If there is evidence of impairment for any of Council's financial assets carried at amortised cost (eg. loans and receivables), the amount of 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) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

(iii) Types of Investments

Council has an approved Investment Policy in order to undertake its investment of money in accordance with (and to comply with) Section 625 of the Local Government Act and S212 of the LG (General) Regulation 2005.

Investments are placed and managed in accordance with the Policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order.

Council maintains its investment Policy in compliance with the Act and ensures that it or its representatives exercise care, diligence and skill that a prudent person would exercise in investing Council funds.

Council amended its policy following revisions to the Ministerial Local Government Investment Order arising from the Cole Inquiry recommendations.

(g) Fair value estimation

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

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

Kyogle Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

(h) Receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost, less any provision for impairment.

Receivables (excluding Rates & Annual Charges) are generally due for settlement no more than 30 days from the date of recognition.

The collectibility of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off in accordance with Council's policy.

A provision for impairment (ie. an allowance account) relating to receivables is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of each receivable.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Impairment losses are recognised in the Income Statement within other expenses.

When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account.

Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

(i) Inventories

Raw Materials and Stores, Work in Progress and Finished Goods

Raw materials and stores, work in progress and finished goods in respect of business undertakings are all stated at the lower of cost and net realisable value.

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

Costs are assigned to individual items of inventory on the basis of weighted average costs.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventories held in respect of non-business undertakings have been valued at cost subject to adjustment for loss of service potential.

Land Held for Resale/Capitalisation of Borrowing Costs

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

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

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

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided

Kyogle Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

if the expenditure on the acquisition and development of the land had not been made.

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

(j) Infrastructure, Property, Plant and Equipment (I,PP&E)

Acquisition of assets

Council's non current assets have been progressively revalued to fair value in accordance with a staged implementation as advised by the Division of Local Government.

At balance date, the following classes of I,PP&E were stated at their Fair Value;

- **Water and Sewerage Networks**
(Internal Valuation)
- **Operational Land** (External Valuation)
- **Buildings – Specialised/Non Specialised**
(External Valuation)
- **Plant and Equipment**
(as approximated by depreciated historical cost)
- **Roads Assets incl. roads, bridges & footpaths**
(Internal Valuation)
- **Drainage Assets** (Internal Valuation)
- **Bulk Earthworks** (Internal Valuation)
- **Community Land** (External Valuation)
- **Land Improvements** (Internal Valuation)
- **Other Structures** (External Valuation)
- **Other Assets**
(as approximated by depreciated historical cost)

Initial Recognition

On initial recognition, an assets cost is measured at its fair value, plus all expenditure that is directly attributable to the acquisition.

Where settlement of any part of an asset's cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of recognition (ie. date of exchange) of the asset to arrive at fair value.

The discount rate used is the Council's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Where infrastructure, property, plant and equipment assets are acquired for no cost or for an amount other than cost, the assets are recognised in the financial statements at their fair value at acquisition date - being the amount that the asset could have been exchanged between knowledgeable willing parties in an arm's length transaction.

Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Asset Revaluations (including Indexation)

In accounting for Asset Revaluations relating to Infrastructure, Property, Plant & Equipment:

- Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve.
- To the extent that the increase reverses a decrease previously recognised via the profit or loss, then 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, with all other decreases charged to the Income statement.

Kyogle Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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 carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date.

If any such indication exists, Council determines the asset's fair value and revalues the asset to that amount.

Full revaluations are undertaken for all assets on a 5 year cycle.

Capitalisation Thresholds

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

Land

- council land	100% Capitalised
- open space	100% Capitalised
- land under roads	100% Capitalised

Plant & Equipment

Office Furniture	> \$1,000
Office Equipment	> \$1,000
Other Plant & Equipment	> \$1,000

Buildings & Land Improvements

Park Furniture & Equipment	> \$2,000
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Building

- construction/extensions	100% Capitalised
- renovations	> \$10,000

Other Structures

> \$2,000

Water & Sewer Assets

Reticulation extensions	> \$5,000
Other	> \$5,000

Stormwater Assets

Drains & Culverts	> \$5,000
Other	> \$5,000

Transport Assets

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

Bridge construction & reconstruction	> \$10,000
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Depreciation

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

Land is not depreciated.

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

Plant & Equipment

- Office Equipment	5 to 10 years
- Office furniture	10 to 20 years
- Computer Equipment	3 years
- Vehicles	5 to 12 years
- Heavy Plant/Road Making equip.	5 to 12 years
- Other plant and equipment	5 to 15 years

Other Equipment

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

Buildings

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

Stormwater Drainage

- Drains	70 to 100 years
- Culverts	80 to 100 years

Transportation Assets

- Sealed Roads : Surface	10 to 30 years
- Sealed Roads : Structure	100 years
- Unsealed roads	20 years
- Bridge : Concrete	80 to 100 years
- Bridge : Other	50 years

- Road Pavements	60 years
- Kerb, Gutter & Paths	40 years

Kyogle Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

Water & Sewer Assets	
- Dams and reservoirs	80 to 100 years
- Bores	20 to 40 years
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- Reticulation pipes : PVC	80 years
- Reticulation pipes : Other	25 to 75 years
- Pumps and telemetry	15 to 20 years
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Other Infrastructure Assets	
- Bulk earthworks	Infinite

All asset residual values and useful lives are reviewed and adjusted (where 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 – refer Note 1(r) on Asset Impairment.

Disposal and De-recognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in Council's Income Statement in the year the asset is derecognised.

(k) Land

Land (other than Land under Roads) is in accordance with Part 2 of Chapter 6 of the Local Government Act (1993) classified as either Operational or Community.

This classification of Land is disclosed in Note 9(a).

(l) Land under roads

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

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

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

(m) Intangible Assets

Council has not classified any assets as Intangible.

(n) Crown Reserves

Crown Reserves under Council's care and control are recognised as assets of the Council.

While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

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

Representations are currently being sought across State and Local Government to develop a consistent accounting treatment for Crown Reserves across both tiers of government.

(o) Rural Fire Service assets

Under section 119 of the Rural Fires Act 1997, "*all fire fighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the fire fighting equipment has been purchased or constructed*".

At present, the accounting for such fire fighting equipment is not treated in a consistent manner across all Councils.

Until such time as discussions on this matter have concluded and the legislation changed, Council will continue to account for these assets as it has been

Kyogle Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

doing in previous years, which is to incorporate the assets, their values and depreciation charges within these financial statements.

(p) Provisions for close down, restoration and for environmental clean up costs – including Tips and Quarries

Close down, Restoration and Remediation costs include the dismantling and demolition of infrastructure, the removal of residual materials and the remediation of disturbed areas.

Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance.

Costs are estimated on the basis of a closure plan.

The cost estimates are calculated annually during the life of the operation to reflect known developments, eg updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Close down, Restoration and Remediation costs are a normal consequence of tip and quarry operations, and the majority of close down and restoration expenditure is incurred at the end of the life of the operations.

Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

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

This amortisation of the discount is disclosed as a borrowing cost in Note 4(b).

Other movements in the provisions for Close down, Restoration and Remediation costs including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are capitalised within property, plant and equipment.

These costs are then depreciated over the lives of the assets to which they relate.

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each 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.

Specific Information relating to Council's provisions relating to Close down, Restoration and Remediation costs can be found at Note 26.

Kyogle Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

(q) Non-Current Assets (or Disposal Groups) "Held for Sale" & Discontinued Operations

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of either (i) their carrying amount and (ii) fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The exception to this is plant and motor vehicles which are turned over on a regular basis. Plant and motor vehicles are retained in Non Current Assets under the classification of Infrastructure, Property, Plant and Equipment - unless the assets are to be traded in after 30 June and the replacement assets were already purchased and accounted for as at 30 June.

For any assets or disposal groups classified as Non-Current Assets "held for sale", an impairment loss is recognised at any time when the assets carrying value is greater than its fair value less costs to sell.

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

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

A Discontinued Operation is a component of the entity that has been disposed of or is classified as "held for sale" and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

The results of discontinued operations are presented separately on the face of the income statement.

(r) Impairment of assets

All Council's I,PP&E is subject to an annual assessment of impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in

circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For non-cash generating assets of Council such as roads, drains, public buildings etc - value in use is represented by the "deprival value" of the asset which is approximated as its written down replacement cost.

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Goodwill & other Intangible Assets that have an indefinite useful life and are not subject to amortisation are tested annually for impairment.

(s) Payables

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

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

(t) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred.

Borrowings are subsequently measured at amortised cost.

Amortisation results in any difference between the proceeds (net of transaction costs) and the redemption amount being recognised in the Income Statement over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

Kyogle Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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

(u) Borrowing costs

Borrowing costs are expensed, / except to the extent that they are incurred during the construction of qualifying assets.

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

(v) Provisions

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

- Council has a present legal or constructive obligation as a result of past events;
- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

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

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

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

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

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

(w) Employee benefits

(i) Short Term Obligations

Short term employee benefit obligations include liabilities for wages and salaries (including non-monetary benefits), annual leave and vesting sick leave expected to be settled within the 12 months after the reporting period.

Leave liabilities are recognised in the provision for employee benefits in respect of employees' services up to the reporting date with other short term employee benefit obligations disclosed under payables.

These provisions are measured at the amounts expected to be paid when the liabilities are settled.

Liabilities for non vesting sick leave are recognised at the time when the leave is taken and measured at the rates paid or payable, and accordingly no Liability has been recognised in these reports.

Wages & salaries, annual leave and vesting sick leave are all classified as Current Liabilities.

(ii) Other Long Term Obligations

The liability for all long service and annual leave in respect of services provided by employees up to the reporting date (which is not expected to be settled within the 12 months after the reporting period) are recognised in the provision for employee benefits.

These liabilities are measured at the present value of the expected future payments to be made using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are then discounted using market yields at the reporting date based on national government bonds with terms to maturity and currency that match as closely as possible the estimated future cash outflows.

Kyogle Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

Due to the nature of when and how Long Service Leave can be taken, all Long Service Leave for employees with 4 or more years of service has been classified as Current, as it has been deemed that Council does not have the unconditional right to defer settlement beyond 12 months – even though it is not anticipated that all employees with more than 4 years service (as at reporting date) will apply for and take their leave entitlements in the next 12 months.

(iii) Retirement benefit obligations

All employees of the Council are entitled to benefits on retirement, disability or death.

Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

Defined Benefit Plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the 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 can account for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans – i.e. as an expense when they become payable.

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named the "Local Government Superannuation Scheme – Pool B"

This Scheme has been deemed to be a "multi employer fund" for the purposes of AASB 119.

Sufficient information is not available to account for the Scheme as a defined benefit plan (in accordance with AASB 119) because the assets to the scheme are pooled together for all Councils.

Accordingly, Council's contributions to the scheme for the current reporting year have been recognised as an expense and disclosed as part of Superannuation Expenses at Note 4(a).

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 as disclosed in Note 18 of these financial statements.

As a result, they have asked for significant increases in future contributions to recover that deficiency.

Council's share of that deficiency cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils.

For this reason, no liability for the deficiency has been recognised in these financial statements.

Council has, however, disclosed a contingent liability in note 18 to reflect the possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

Defined Contribution Plans

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

(iv) Employee Benefit On-Costs

Council has recognised at year end the aggregate on-cost liabilities arising from employee benefits, and in particular those on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30/6/12.

Kyogle Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

(x) Self insurance

Council does not self insure.

(y) Allocation between current and non-current assets & liabilities

In the determination of whether an asset or liability is classified as current or non-current, consideration is given to the time when each asset or liability is expected to be settled.

The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operational cycle.

Exceptions

In the case of liabilities where Council does not have the unconditional right to defer settlement beyond 12 months (such as vested long service leave), the liability is classified as current even if not expected to be settled within the next 12 months.

In the case of inventories that are "held for trading", these are also classified as current even if not expected to be realised in the next 12 months.

(z) Taxes

The Council is exempt from both Commonwealth Income Tax and Capital Gains Tax.

Council does however have to comply with both Fringe Benefits Tax and Goods and Services Tax (GST).

Goods & Services Tax (GST)

Income, expenses and assets are all recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO).

In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the revenue / expense.

Receivables and payables within the Balance Sheet are stated inclusive of any applicable GST.

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

Operating cash flows within the Cash Flow Statement are on a gross basis, ie. they are inclusive of GST where applicable.

Investing and Financing cash flows are treated on a net basis (where recoverable from the ATO), ie. they are exclusive of GST. Instead, the GST component of investing and financing activity cash flows which are recoverable from or payable to the ATO are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from (or payable to) the ATO.

(aa) New accounting standards and UIG interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2012.

Council has not adopted any of these standards early.

Council's assessment of the impact of these new standards and interpretations is set out below.

Applicable to Local Government with implications:

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

Kyogle Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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 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 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

AASB 10 - Consolidated Financial Statements, AASB 11 - Joint Arrangements, AASB 12 - Disclosure of Interests in Other Entities, revised AASB 127 - Separate Financial Statements and AASB 128 - Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities.

The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation.

However, the standard introduces a single definition of control that applies to all entities.

It focuses on the need to have both power and rights or exposure to variable returns.

Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns.

There is also new guidance on participating and protective rights and on agent/principal relationships. Council does not expect the new standard to have a significant impact on its composition.

AASB 11 introduces a principles based approach to accounting for joint arrangements.

The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement.

Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture.

Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted.

Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard.

AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

Council's investment in the joint venture partnership will be classified as a joint venture under the new rules.

As Council already applies the equity method in accounting for this investment, AASB 11 will not have any impact on the amounts recognised in its financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128.

Application of this standard by Council will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to Council's investments.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also

Kyogle Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

introduce a “partial disposal” concept. Council is still assessing the impact of these amendments.

Council does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)

AASB 13 was released in September 2011.

It explains how to measure fair value and aims to enhance fair value disclosures. Council has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance.

It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements.

Council does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

Applicable to Local Government but no implications for Council;

None

Applicable to Local Government but not relevant to Council at this stage;

Revised AASB 119 Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements (effective 1 January 2013)

In September 2011, the AASB released a revised standard on accounting for employee benefits.

It requires the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset.

This replaces the expected return on plan assets that is currently included in profit or loss.

The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits.

The amendments will have to be implemented retrospectively.

Council does not recognise defined benefit assets and liabilities for the reasons set out in note 1 (w)(iii) and so these changes will not have an impact on its reported results.

Not applicable to Local Government per se;

None

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(ab) Rounding of amounts

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

Kyogle Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

(ac) Comparative Figures

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.

(ad) Disclaimer

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

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 2(a). Council Functions / Activities - Financial Information

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Actual	Actual	Actual	Actual
	2012	2012	2011	2012	2012	2011	2012	2012	2011	2012	2011	2012	2011
Governance	-	-	0	168	147	147	(168)	(147)	(147)	-	-	-	-
Administration	72	101	212	2,112	2,150	2,012	(2,040)	(2,049)	(1,800)	30	-	12,708	14,844
Public Order & Safety	609	(105)	158	560	459	484	49	(564)	(326)	(122)	134	1,833	2,070
Health	134	132	102	300	180	199	(166)	(48)	(97)	-	-	6	9
Environment	-	2,784	1,178	-	1,856	1,834	-	928	(656)	576	179	-	-
Community Services & Education	20	40	70	97	123	106	(77)	(83)	(36)	34	52	549	556
Housing & Community Amenities	1,440	236	258	2,011	644	498	(571)	(408)	(240)	38	30	20,195	17,168
Water Supplies	999	1,119	1,100	975	1,079	1,091	24	40	9	49	182	12,325	9,541
Sewerage Services	1,086	1,293	1,096	1,127	1,564	1,295	(41)	(271)	(199)	27	26	22,611	18,401
Recreation & Culture	157	214	329	1,515	2,140	2,025	(1,358)	(1,926)	(1,696)	56	162	8,618	8,428
Mining, Manufacturing & Construction	378	495	893	351	391	653	27	104	240	-	-	1,608	1,445
Transport & Communication	4,966	10,531	9,601	6,947	16,675	14,072	(1,981)	(6,144)	(4,471)	3,720	3,069	220,992	207,309
Economic Affairs	7	6	9	156	117	132	(149)	(111)	(123)	-	-	-	-
Total Functions & Activities	9,868	16,846	15,006	16,319	27,525	24,548	(6,451)	(10,679)	(9,542)	4,408	3,834	301,445	279,771
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)		-	-		-	-	-	-	-		-	-	-
General Purpose Income ¹	7,135	10,282	8,879				7,135	10,282	8,879	4,794	3,815	-	-
Operating Result from Continuing Operations	17,003	27,128	23,885	16,319	27,525	24,548	684	(397)	(663)	9,202	7,649	301,445	279,771

1. Includes: Rates & Annual Charges (incl. Ex-Gratia), United General Purpose Grants & Unrestricted Interest & Investment Income.

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 2(b). Council Functions / Activities - Component Descriptions

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

GOVERNANCE

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

Corporate Support and Other Support Services (not otherwise attributed to the listed functions / activities).

PUBLIC ORDER & SAFETY

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

HEALTH

Inspection, immunisations, food control, health centres, other, administration.

ENVIRONMENT

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

COMMUNITY SERVICES & EDUCATION

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

HOUSING & COMMUNITY AMENITIES

Housing, town planning, street lighting, other sanitation and garbage, 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 & 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 & CONSTRUCTION

Building control, abattoirs, quarries & pits, other.

TRANSPORT & COMMUNICATION

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

ECONOMIC AFFAIRS

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

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2012	Actual 2011
(a). Rates & Annual Charges			
Ordinary Rates			
Residential		1,860	1,779
Farmland		2,457	2,343
Mining		-	-
Business		224	208
Other		-	-
Total Ordinary Rates		4,541	4,330
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		699	515
Stormwater Management Services		-	-
Water Supply Services		512	469
Sewerage Services		833	899
Drainage		45	45
Waste Management Services (non-domestic)		142	114
Other		-	-
Total Annual Charges		2,231	2,042
<u>TOTAL RATES & ANNUAL CHARGES</u>		<u>6,772</u>	<u>6,372</u>

Council has used 2009 year valuations provided by the NSW Valuer General in calculating its rates.

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(b). User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Domestic Waste Management Services		-	-
Water Supply Services		443	431
Sewerage Services		192	135
Drainage Services		-	-
Waste Management Services (non-domestic)		376	385
Other		-	-
Total User Charges		1,011	951
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
RTA Claims - State Roads		4,043	5,175
Building Services - Other		32	27
Inspection Services		5	7
Planning & Building Regulation		95	203
Private Works		89	70
Section 603 Certificates		11	12
Art Galleries		4	5
Pools		85	120
Quarries		460	800
Cemeteries		103	92
Other		164	212
Total Fees & Charges - Statutory/Regulatory		5,091	6,723
TOTAL USER CHARGES & FEES		6,102	7,674

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(c). Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges		125	82
- Interest earned on Investments (interest & coupon payment income)		829	752
- Interest & Dividend Income (Other)		31	30
Other		-	-
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>985</u>	<u>864</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges (General Fund)		105	82
General Council Cash & Investments		802	722
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		30	30
- Section 64		1	-
Water Fund Operations		10	2
Sewerage Fund Operations		37	28
Total Interest & Investment Revenue Recognised		<u>985</u>	<u>864</u>
(d). Other Revenues			
Other		87	30
<u>TOTAL OTHER REVENUE</u>		<u>87</u>	<u>30</u>

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 3. Income from Continuing Operations (continued)

\$ '000	2012 Operating	2011 Operating	2012 Capital	2011 Capital
(e). Grants				
General Purpose (Untied)				
Financial Assistance	4,685	3,703	-	-
Pensioners' Rates Subsidies - General Component	109	112	-	-
Other Grants	-	-	-	-
Total General Purpose	4,794	3,815	-	-
Specific Purpose				
Pensioners' Rates Subsidies:				
- Water	27	27	-	-
- Sewerage	26	26	-	-
- Domestic Waste Management	33	28	-	-
Water Supplies	22	-	-	156
Sewerage Services	1	-	-	-
Community Projects	37	27	391	529
Flood Restoration	257	38	-	-
Library	39	38	-	-
NSW Rural Fire Services	(126)	134	3	-
Street Lighting	31	30	-	-
Transport (Other Roads & Bridges Funding)	2,637	2,115	682	681
Flood Mitigation	-	-	262	-
Other	30	5	56	-
Total Specific Purpose	3,014	2,468	1,394	1,366
Total Grants	7,808	6,283	1,394	1,366
Grant Revenue is attributable to:				
- Commonwealth Funding	4,685	3,703	1,062	1,255
- State Funding	3,123	2,580	332	111
- Other Funding	-	-	-	-
	7,808	6,283	1,394	1,366

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 3. Income from Continuing Operations (continued)

\$ '000	2012 Operating	2011 Operating	2012 Capital	2011 Capital
(f). Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the NSW LG Act):				
S 94 - Contributions towards amenities/services	-	-	111	112
S 64 - Water Supply Contributions	-	-	49	4
S 64 - Sewerage Service Contributions	-	-	49	3
S 64 - Stormwater Contributions	-	-	39	2
Other Developer Contributions	-	-	-	-
Total Developer Contributions	17	-	248	121
Other Contributions:				
Other Councils - Joint Works/Services	-	-	88	-
RMS Contributions (Regional Roads, Block Grant)	792	792	544	315
Lions Club	-	-	100	-
Goanna Creek Road Infrastructure	-	-	51	-
Ritchies IGA Infrastructure	-	-	140	-
Mayfield Estate Infrastructure	-	-	2,017	-
Other	-	68	-	-
Total Other Contributions	792	860	2,940	315
Total Contributions	792	860	3,188	436
TOTAL GRANTS & CONTRIBUTIONS	8,600	7,143	4,582	1,802

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 3. Income from Continuing Operations (continued)

\$ '000	Actual 2012	Actual 2011
(g). Restrictions relating to Grants and Contributions		
Certain grants & contributions are obtained by Council on condition that they be spent in a specified manner:		
Unexpended at the Close of the Previous Reporting Period	1,071	1,537
add: Grants & contributions recognised in the current period but not yet spent:	867	570
less: Grants & contributions recognised in a previous reporting period now spent:	(1,071)	(1,036)
Net Increase (Decrease) in Restricted Assets during the Period	(204)	(466)
Unexpended and held as Restricted Assets	<u><u>867</u></u>	<u><u>1,071</u></u>
Comprising:		
- Specific Purpose Unexpended Grants	298	476
- Developer Contributions	569	595
- Other Contributions	-	-
	<u><u>867</u></u>	<u><u>1,071</u></u>

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2012	Actual 2011
(a) Employee Benefits & On-Costs			
Salaries and Wages		5,040	5,401
Employee Leave Entitlements (ELE)		1,071	910
Superannuation - Defined Contribution Plans		421	379
Superannuation - Defined Benefit Plans		252	335
Workers' Compensation Insurance		402	428
Fringe Benefit Tax (FBT)		25	17
Training Costs (other than Salaries & Wages)		93	29
Other		70	23
Total Employee Costs		7,374	7,522
less: Capitalised Costs		(721)	(595)
TOTAL EMPLOYEE COSTS EXPENSED		6,653	6,927
Number of "Equivalent Full Time" Employees at year end		90	92
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		96	97
Other Debts		-	-
Total Interest Bearing Liability Costs Expensed		96	97
(ii) Other Borrowing Costs			
Discount adjustments relating to movements in Provisions (other than ELE)		-	-
- Remediation Liabilities	26	87	76
- Other Liabilities		-	-
Other Borrowing Costs		-	-
Total Other Borrowing Costs		87	76
TOTAL BORROWING COSTS EXPENSED		183	173

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(c) Materials & Contracts			
Raw Materials & Consumables		7,921	7,750
Auditors Remuneration ⁽¹⁾		46	52
Legal Expenses:			
- Legal Expenses: Planning & Development		108	31
- Legal Expenses: Other		5	32
Other		-	-
Total Materials & Contracts		8,080	7,865
less: Capitalised Costs		-	-
TOTAL MATERIALS & CONTRACTS		8,080	7,865

1. Auditor Remuneration

During the year, the following fees were incurred for services provided by the Council's Auditor Thomas Noble & Russell

(i) Audit and Other Assurance Services

- Audit & review of financial statements: Council's Auditor	46	52
Total Auditor Remuneration	46	52

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2012	Actual 2011	Actual 2012	Actual 2011
Plant and Equipment		-	-	992	1,127
Office Equipment		-	-	87	64
Furniture & Fittings		-	-	2	2
Land Improvements (depreciable)		-	-	51	45
Buildings - Non Specialised		-	-	83	79
Buildings - Specialised		-	-	304	298
Other Structures		-	-	192	301
Infrastructure:					
- Roads, Bridges & Footpaths		-	-	5,411	5,081
- Stormwater Drainage		-	-	122	204
- Water Supply Network		-	-	188	103
- Sewerage Network		-	-	336	221
Asset Reinstatement Costs	9 & 26	-	-	54	54
Total Depreciation & Impairment Costs		-	-	7,822	7,579
less: Capitalised Costs		-	-	-	-
less: Asset Reinstatement Costs - Write Back		-	-	(164)	-
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		-	-	7,658	7,579

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		55	51
Bad & Doubtful Debts		(84)	96
Councillor Expenses - Mayoral Fee		22	23
Councillor Expenses - Councillors' Fees		90	86
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		24	33
Donations, Contributions & Assistance to other organisations (Section 356)		222	203
Electricity & Heating		302	184
Insurance		433	392
Street Lighting		105	107
Subscriptions & Publications		17	9
Telephone & Communications		51	49
Regional Library		289	266
Emergency Services		202	135
<u>TOTAL OTHER EXPENSES</u>		<u>1,728</u>	<u>1,634</u>

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2012	Actual 2011
Property (excl. Investment Property)			
Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		608	506
less: Carrying Amount of P&E Assets Sold / Written Off		(488)	(420)
Net Gain/(Loss) on Disposal		120	86
Infrastructure			
Proceeds from Disposal - Infrastructure		-	-
less: Carrying Amount of Infrastructure Assets Sold / Written Off		(3,343)	(456)
Net Gain/(Loss) on Disposal		(3,343)	(456)
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>(3,223)</u>	<u>(370)</u>

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 6a. - Cash Assets and Note 6b. - Investment Securities

\$ '000	Notes	2012 Actual Current	2012 Actual Non Current	2011 Actual Current	2011 Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		5,671	-	4,819	-
Cash-Equivalent Assets ¹					
- Deposits at Call		12,900	-	10,900	-
Total Cash & Cash Equivalents		18,571	-	15,719	-
Investment Securities (Note 6b)					
Nil					

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 6c. Restricted Cash, Cash Equivalents & Investments - Details

\$ '000	2012	2012	2011	2011
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investment Securities	18,571	-	15,719	-
attributable to:				
External Restrictions (refer below)	2,693	-	3,394	-
Internal Restrictions (refer below)	15,681	-	12,125	-
Unrestricted	197	-	200	-
	18,571	-	15,719	-

2012 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

Details of Restrictions

External Restrictions - Included in Liabilities

Specific Purpose Unexpended Loans-General (A)	-	-	-	-
Specific Purpose Unexpended Loans-Water (A)	-	-	-	-
Specific Purpose Unexpended Loans-Sewer (A)	-	-	-	-
RMS (formerly RTA) Advances (B)	-	-	-	-
Self Insurance Claims (C)	-	-	-	-
Retention Bonds & Deposits	263	44	(61)	246
External Restrictions - Included in Liabilities	263	44	(61)	246

External Restrictions - Other

Developer Contributions - General (D)	591	251	(296)	546
Developer Contributions - Water Fund (D)	-	49	(49)	-
Developer Contributions - Sewer Fund (D)	4	49	(30)	23
RMS (formerly RTA) Contributions (E)	-	-	-	-
Specific Purpose Unexpended Grants (F)	476	3,243	(3,421)	298
Water Supplies (G)	756	-	(119)	637
Sewerage Services (G)	1,113	-	(243)	870
Domestic Waste Management (G)	191	-	(118)	73
Stormwater Management (G)	-	-	-	-
External Restrictions - Other	3,131	3,592	(4,276)	2,447
Total External Restrictions	3,394	3,636	(4,337)	2,693

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 6c. Restricted Cash, Cash Equivalents & Investments - Details (continued)

2012 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Plant & Vehicle Replacement	3,827	2,354		6,181
Building Replacement	562		(100)	462
Employees Leave Entitlement	730	408		1,138
Carry Over Works	3,814	3,608	(3,814)	3,608
Quarries	602	282		884
Transport	370	194		564
Information Technology	80	20		100
Roads & Bridges	1,890		(400)	1,490
Emergency Works	100	200		300
Stormwater Management	-	200		200
Commercial Waste	150	604		754
Total Internal Restrictions	12,125	7,870	(4,314)	15,681
TOTAL RESTRICTIONS	15,519	11,506	(8,651)	18,374

- 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 (refer Note 17).
- E** RMA Contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.
- F** Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1)
- G** Water, Sewerage, Domestic Waste Management (DWM) & other Special Rates/Levies/Charges are externally restricted assets and must be applied for the purposes for which they were raised.

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 7. Receivables

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		1,040	21	700	105
Interest & Extra Charges		105	-	58	-
User Charges & Fees		2,138	-	2,363	-
Accrued Revenues					
- Interest on Investments		33	-	68	-
Government Grants & Subsidies		1,055	-	1,788	-
Net GST Receivable		141	-	207	-
Other Debtors		1	-	1	-
Total		4,513	21	5,185	105
less: Provision for Impairment					
Rates & Annual Charges		-	(21)	-	(105)
User Charges & Fees		(25)	-	(25)	-
<u>TOTAL NET RECEIVABLES</u>		<u>4,488</u>	<u>-</u>	<u>5,160</u>	<u>-</u>
Externally Restricted Receivables					
Water Supply					
- Rates & Availability Charges		148	-	241	-
- Other		152	-	-	-
Sewerage Services					
- Rates & Availability Charges		185	-	202	-
- Other		72	-	-	-
Domestic Waste Management		130		87	
Total External Restrictions		687	-	530	-
Unrestricted Receivables		3,801	-	4,630	-
<u>TOTAL NET RECEIVABLES</u>		<u>4,488</u>	<u>-</u>	<u>5,160</u>	<u>-</u>

Notes on Debtors above:

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates & charges at 11.00% (2011 9.00%).
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 8. Inventories & Other Assets

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
Inventories					
Stores & Materials		547	-	670	-
Trading Stock		189	-	284	-
Total Inventories		736	-	954	-
Other Assets					
Prepayments		256	-	248	-
Total Other Assets		256	-	248	-
TOTAL INVENTORIES / OTHER ASSETS		992	-	1,202	-

Externally Restricted Assets

There are no restrictions applicable to the above assets.

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2011				Asset Movements during the Reporting Period						as at 30/6/2012			
	At	At	Accumulated	Carrying	Asset Additions	WDV of Asset Disposals	Depreciation Expense	WIP Transfers	Adjustments & Transfers	Revaluation Increments to Equity (ARR)	At	At	Accumulated	Carrying
	Cost	Fair Value	Dep'n	Value							Cost	Fair Value	Dep'n	Value
Capital Work in Progress	1,318	-	-	1,318	1,088			(1,185)			1,221	-	-	1,221
Plant & Equipment	-	15,577	7,107	8,470	1,187	(488)	(992)		(1,806)		-	12,546	6,175	6,371
Office Equipment	-	1,211	1,059	152	101		(87)				-	630	463	167
Furniture & Fittings	-	98	79	19			(2)				-	69	52	17
Plant & Equipment (under Finance Lease)	-	-	-	-			-				-	-	-	-
Land:														
- Operational Land	-	4,677	-	4,677	295				(683)		-	4,289	-	4,289
- Community Land	-	1,016	-	1,016							-	1,016	-	1,016
- Land under Roads (pre 1/7/08)	-	3,391	-	3,391							-	3,391	-	3,391
- Land under Roads (post 30/6/08)	-	-	-	-	2						-	2	-	2
Land Improvements - non depreciable	-	-	-	-							-	-	-	-
Land Improvements - depreciable	-	2,124	255	1,869	114		(51)	436	(1,329)		-	1,346	306	1,040
Buildings - Non Specialised	-	3,437	1,718	1,719			(83)				-	3,437	1,801	1,636
Buildings - Specialised	-	18,119	10,029	8,090	40	(14)	(304)		(59)		-	17,932	10,179	7,753
Other Structures	-	18,904	9,640	9,264	250	(4)	(192)	8	(6,642)		-	5,591	2,906	2,685
Infrastructure:														
- Roads, Bridges, Footpaths	-	251,035	107,436	143,599	4,310	(2,873)	(5,411)	576		10,196	-	268,001	117,604	150,397
- Bulk Earthworks (non-depreciable)	-	43,395	-	43,395						3,326	-	46,721	-	46,721
- Stormwater Drainage	-	24,456	9,636	14,820	1,401	(113)	(122)			1,448	-	22,825	5,392	17,433
- Water Supply Network	-	9,078	5,800	3,278	673	(4)	(188)	165	5,055	2,248	-	20,489	9,261	11,228
- Sewerage Network	-	20,960	9,341	11,619	552	(335)	(336)		5,464	4,497	-	27,502	6,042	21,460
Other Assets:														
- Heritage Collections	-	-	-	-			-				-	-	-	-
- Library Books	-	-	-	-			-				-	-	-	-
- Other	-	2	2	-			-				-	2	2	-
Reinstatement, Rehabilitation & Restoration Assets (refer Note 26)														
- Tip Asset	1,528	-	577	951			(41)		(391)		963	-	444	519
- Quarry Asset	180	-	137	43	18		(13)				198	-	150	48
- Other Assets	-	-	-	-			-				-	-	-	-
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	3,026	417,480	162,816	257,690	10,031	(3,831)	(7,822)	-	(391)	21,715	2,382	435,789	160,777	277,394

Additions to Depreciable Land Improvements, Buildings, Other Structures & Infrastructure Assets are made up of Asset Renewals (\$5,607) and New Assets (\$2,839). Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 9b. Externally Restricted Infrastructure, Property, Plant & Equipment

\$ '000 Class of Asset	Actual 2012				Actual 2011			
	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
Water Supply								
WIP		160		160	211	-	-	211
Plant & Equipment				-	-	1,339	454	885
Land								
- Operational Land				-	-	553	-	553
Buildings				-	-	210	152	58
Other Structures				-	-	8,967	5,409	3,558
Infrastructure		20,489	9,261	11,228	-	9,078	5,800	3,278
Total Water Supply	-	20,649	9,261	11,388	211	20,147	11,815	8,543
Sewerage Services								
Plant & Equipment				-	-	1,701	780	921
Land								
- Operational Land				-	-	131	-	131
- Improvements non-depreciable				-	-	1,328	-	1,328
Other Structures				-	-	4,561	1,478	3,083
Infrastructure		27,502	6,042	21,460	-	20,960	9,341	11,619
Total Sewerage Services	-	27,502	6,042	21,460	-	28,681	11,599	17,082
Domestic Waste Management								
WIP				-	156	-	-	156
Land								
- Improvements - depreciable		609	121	488	-	379	103	276
Future Reinstatement Costs	963		444	519	1,528	-	577	951
Total DWM	963	609	565	1,007	1,684	379	680	1,383
TOTAL RESTRICTED I,PP&E	963	48,760	15,868	33,855	1,895	49,207	24,094	27,008

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 9c. Infrastructure, Property, Plant & Equipment - Current Year Impairments

\$ '000	Notes	Actual 2012	Actual 2011
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Council has recognised no impairment losses during the reporting period nor reversed any prior period losses.

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		1,635	-	1,265	-
Goods & Services - capital expenditure		471	-	-	-
Accrued Expenses:					
- Borrowings		6	-	7	-
- Salaries & Wages		242	-	218	-
- Other Expenditure Accruals		76	-	59	-
Security Bonds, Deposits & Retentions		123	123	132	131
Total Payables		2,553	123	1,681	131
Borrowings					
Loans - Secured ¹		31	1,210	29	1,241
Total Borrowings		31	1,210	29	1,241
Provisions					
Employee Benefits;					
Annual Leave		594	-	548	-
Long Service Leave		1,052	133	1,058	110
Sub Total - Aggregate Employee Benefits		1,646	133	1,606	110
Asset Remediation/Restoration (Future Works)	26	-	1,697	-	2,238
Other		140	-	141	-
Total Provisions		1,786	1,830	1,747	2,348
Total Payables, Borrowings & Provisions		4,370	3,163	3,457	3,720

(i) Liabilities relating to Restricted Assets

	2012		2011	
	Current	Non Current	Current	Non Current
Externally Restricted Assets				
Water	582	267	76	277
Sewer	70	943	65	964
Domestic Waste Management	90	1,382	-	1,950
Other	246	-	-	-
Total Liabilities relating to restricted assets	988	2,592	141	3,191

¹. Loans are secured over the General Rating Income of Council
Disclosures on Liability Interest Rate Risk Exposures, Fair Value Disclosures & Security can be found in Note 15.

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 10a. Payables, Borrowings & Provisions (continued)

\$ '000	2012	2011
(ii) Current Liabilities not anticipated to be settled within the next 12 months		
The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions - Employees Benefits	918	900

Note 10b. Description of and movements in Provisions

Class of Provision	2011	2012					Closing Balance as at 30/6/12
	Opening Balance as at 1/7/11	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Change in Estimates	Unused amounts reversed	
Annual Leave	548	409	(363)				594
Long Service Leave	1,168	267	(250)				1,185
Asset Remediation	2,238	-	(90)	87	(196)	(342)	1,697
Other	141	-	(1)				140
TOTAL	4,095	676	(704)	87	(196)	(342)	3,616

a. Employees Leave Entitlements & On-Costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.

b. Asset Remediation, Reinstatement & Restoration Provisions represent the Present Value estimate of future costs Council will incur in order to remove, restore & remediate assets &/or activities as a result of past operations.

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2012	Actual 2011
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	18,571	15,719
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		18,571	15,719
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		(397)	(663)
Adjust for non cash items:			
Depreciation & Amortisation		7,658	7,579
Net Losses/(Gains) on Disposal of Assets		3,223	370
Non Cash Capital Grants and Contributions		(1,580)	(594)
Unwinding of Discount Rates on Reinstatement Provisions		87	76
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		756	(1,315)
Increase/(Decrease) in Provision for Doubtful Debts		(84)	94
Decrease/(Increase) in Inventories		218	8
Decrease/(Increase) in Other Assets		(8)	6
Increase/(Decrease) in Payables		370	475
Increase/(Decrease) in Accrued Interest Payable		(1)	-
Increase/(Decrease) in other accrued Expenses Payable		41	14
Increase/(Decrease) in Other Liabilities		(17)	-
Increase/(Decrease) in Employee Leave Entitlements		63	(92)
Increase/(Decrease) in Other Provisions		(629)	592
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		9,700	6,550

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 11. Statement of Cash Flows - Additional Information (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(c) Non-Cash Investing & Financing Activities			
Subdivider Dedications		2,208	-
Estimated Future Reinstatement Costs		(628)	594
Total Non-Cash Investing & Financing Activities		1,580	594
(d) Financing Arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Credit Cards / Purchase Cards		5	5
Total Financing Arrangements		5	5

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2012	Actual 2011
(a) Capital Commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, Plant & Equipment			
Computer Equipment		140	204
Bridge Construction		-	774
Total Commitments		140	978
These expenditures are payable as follows:			
Within the next year		64	838
Later than one year and not later than 5 years		76	140
Later than 5 years		-	-
Total Payable		140	978
Sources for Funding of Capital Commitments:			
Unrestricted General Funds		140	978
Total Sources of Funding		140	978

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(b) Finance Lease Commitments			
Nil			
(c) Operating Lease Commitments (Non Cancellable)			
a. Commitments under Non Cancellable Operating Leases at the Reporting date, but not recognised as Liabilities are payable:			
Within the next year		22	11
Later than one year and not later than 5 years		34	-
Later than 5 years		-	-
Total Non Cancellable Operating Lease Commitments		56	11

b. Non Cancellable Operating Leases include the following assets:

Office Rental

Contingent Rentals may be payable depending on the condition of items or usage during the lease term.

Conditions relating to Operating Leases:

- All Operating Lease Agreements are secured only against the Leased Asset.
- No Lease Agreements impose any financial restrictions on Council regarding future debt etc.

(d) Investment Property Commitments

Nil

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 13a(i). Statement of Performance Measurement - Indicators (Consolidated)

\$ '000	Amounts 2012	Indicator 2012	Prior Periods	
			2011	2010
Local Government Industry Indicators				
1. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽¹⁾	<u>20,671</u>	8.39	7.52	7.80
Current Liabilities less Specific Purpose Liabilities ^(2,3)	<u>2,464</u>			
2. Debt Service Ratio				
Debt Service Cost	<u>125</u>	0.67%	0.66%	0.70%
Income from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions	<u>18,740</u>			
3. Rates & Annual Charges Coverage Ratio				
Rates & Annual Charges	<u>6,772</u>	24.96%	26.68%	25.70%
Income from Continuing Operations	<u>27,128</u>			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual & Extra Charges Outstanding	<u>1,145</u>	14.96%	10.56%	10.76%
Rates, Annual & Extra Charges Collectible	<u>7,655</u>			
5. Building & Infrastructure Renewals Ratio				
Asset Renewals ⁽⁴⁾	<u>5,607</u>	87.01%	53.00%	137.90%
Depreciation, Amortisation & Impairment	<u>6,444</u>			

Notes

⁽¹⁾ Refer Notes 6-8 inclusive.

Also excludes any Real Estate & Land for resale not expected to be sold in the next 12 months

⁽²⁾ Refer to Note 10(a).

⁽³⁾ Refer to Note 10(a)(ii) - excludes all payables & provisions not expected to be paid in the next 12 months (incl. ELE).

⁽⁴⁾ Asset Renewals represent the replacement &/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Asset Renewals include building and infrastructure assets only.

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 13a(ii). Statement of Performance Measurement - Graphs (Consolidated)

<p>1. Unrestricted Current Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>7.80</td> </tr> <tr> <td>2011</td> <td>7.52</td> </tr> <tr> <td>2012</td> <td>8.39</td> </tr> </tbody> </table>	Year	Ratio	2010	7.80	2011	7.52	2012	8.39	<p>Purpose of Unrestricted Current Ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2011/12 Result</p> <p>2011/12 Ratio 8.39</p> <p>Council has adequate unrestricted cash and internal reserves to satisfy its current obligations and has adequate levels of internally restricted funds to meet identified needs</p>
Year	Ratio									
2010	7.80									
2011	7.52									
2012	8.39									
<p>2. Debt Service Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>0.70%</td> </tr> <tr> <td>2011</td> <td>0.66%</td> </tr> <tr> <td>2012</td> <td>0.67%</td> </tr> </tbody> </table>	Year	Ratio %	2010	0.70%	2011	0.66%	2012	0.67%	<p>Purpose of Debt Service Ratio</p> <p>To assess the impact of loan principal & interest repayments on the discretionary revenue of council.</p>	<p>Commentary on 2011/12 Result</p> <p>2011/12 Ratio 0.67%</p> <p>Council's debt levels remain low, General Fund remains debt free</p>
Year	Ratio %									
2010	0.70%									
2011	0.66%									
2012	0.67%									
<p>3. Rates & Annual Charges Coverage Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>25.70%</td> </tr> <tr> <td>2011</td> <td>26.68%</td> </tr> <tr> <td>2012</td> <td>24.96%</td> </tr> </tbody> </table>	Year	Ratio %	2010	25.70%	2011	26.68%	2012	24.96%	<p>Purpose of Rates & Annual Charges Coverage Ratio</p> <p>To assess the degree of Council's dependence upon revenue from rates and annual charges and to assess the security of Council's income.</p>	<p>Commentary on 2011/12 Result</p> <p>2011/12 Ratio 24.96%</p> <p>Council's reliance on Rates and Annual Charges has remained relatively steady over the last 3 years</p>
Year	Ratio %									
2010	25.70%									
2011	26.68%									
2012	24.96%									
<p>4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>10.76%</td> </tr> <tr> <td>2011</td> <td>10.56%</td> </tr> <tr> <td>2012</td> <td>14.96%</td> </tr> </tbody> </table>	Year	Ratio %	2010	10.76%	2011	10.56%	2012	14.96%	<p>Purpose of Rates & Annual Charges Outstanding Ratio</p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p>Commentary on 2011/12 Result</p> <p>2011/12 Ratio 14.96%</p> <p>This ratio has risen mainly as a result of hardship within the timber industry as well as one large debtor that has subsequently been paid in July</p>
Year	Ratio %									
2010	10.76%									
2011	10.56%									
2012	14.96%									
<p>5. Building & Infrastructure Renewals Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>137.90%</td> </tr> <tr> <td>2011</td> <td>53.00%</td> </tr> <tr> <td>2012</td> <td>87.01%</td> </tr> </tbody> </table>	Year	Ratio %	2010	137.90%	2011	53.00%	2012	87.01%	<p>Purpose of Asset Renewals Ratio</p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p>Commentary on Result</p> <p>2011/12 Ratio 87.01%</p> <p>This ratio should also be considered in conjunction with the level of new asset additions and councils adopted asset management plan</p>
Year	Ratio %									
2010	137.90%									
2011	53.00%									
2012	87.01%									

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 13b. Statement of Performance Measurement - Indicators (by Fund)

\$ '000	Water 2012	Sewer 2012	General ¹ 2012
Local Government Industry Indicators			
1. Unrestricted Current Ratio			
<u>Current Assets less all External Restrictions</u> ⁽¹⁾	1.62	17.08	8.36
Current Liabilities less Specific Purpose Liabilities ^(2,3)			
prior period:	13.12	20.22	7.52
2. Debt Service Ratio			
<u>Debt Service Cost</u>	3.39%	8.32%	0.00%
Income from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions			
prior period:	3.60%	8.50%	0.00%
3. Rates & Annual Charges Coverage Ratio			
<u>Rates & Annual Charges</u>	45.67%	64.19%	21.97%
Income from Continuing Operations			
prior period:	81.90%	82.00%	21.00%
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage			
<u>Rates, Annual & Extra Charges Outstanding</u>	25.12%	19.69%	13.18%
Rates, Annual & Extra Charges Collectible			
prior period:	14.65%	12.60%	9.72%
5. Building & Infrastructure Renewals Ratio			
<u>Asset Renewals (Building & Infrastructure assets)</u>	93.61%	119.94%	84.93%
Depreciation, Amortisation & Impairment			
prior period:	29.10%	63.70%	53.30%

Notes

⁽¹⁾ General Fund refers to all of Council's activities except for its Water & Sewer activities which are listed separately.

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 14. Investment Properties

\$ '000	Notes	Actual 2012	Actual 2011
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Council has not classified any Land or Buildings as "Investment Properties"

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 15. Financial Risk Management

\$ '000

Risk Management

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

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

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

Financial risk management is carried out by Council's Finance Section under policies approved by the Council.

A comparison by category of the carrying amounts and fair values of Council's Financial Assets & Financial Liabilities recognised in the financial statements is presented below.

	Carrying Value		Fair Value	
	2012	2011	2012	2011
Financial Assets				
Cash and Cash Equivalents	18,571	15,719	18,571	15,719
Investments				
Receivables	4,488	5,160	4,488	5,160
Other Financial Assets	-	-	-	-
Total Financial Assets	23,059	20,879	23,059	20,879
Financial Liabilities				
Payables	2,676	1,812	2,676	1,812
Loans / Advances	1,241	1,270	1,883	1,639
Total Financial Liabilities	3,917	3,082	4,559	3,451

Fair Value is determined as follows:

- **Cash & Cash Equivalents, Receivables, Payables** - are estimated to be the carrying value which approximates mkt value.
- **Borrowings & Held to Maturity Investments** - are based upon estimated future cash flows discounted by the current market interest rates applicable to assets & liabilities with similar risk profiles, unless quoted market prices are available.
- Financial Assets classified (i) "**at fair value through profit & loss**" or (ii) **Available for Sale** - are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 15. Financial Risk Management (continued)

\$ '000

(a) Fair Value Measurements

The fair value of financial assets and financial liabilities must be estimated in accordance with Accounting Standards for either recognition and measurement requirements or for disclosure purposes.

AASB 7 Financial Instruments: Disclosures, requires the disclosure of how fair valuations have been arrived at for all financial assets and financial liabilities that have been measured at fair value.

Arriving at fair values for financial assets & liabilities can be broken up into 3 distinct measurement hierarchies:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

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 nature of the financial assets held.

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 15. Financial Risk Management (continued)

\$ '000

(a) Cash & Cash Equivalents, Financial assets 'at fair value through the profit & Loss', "Available-for-sale" financial assets & "Held-to-maturity" Investments

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

Council's Finance area manages the Cash & Investments portfolio.

Council has an Investment Policy which complies with the Local Government Act & Minister's Investment Order. This Policy is regularly reviewed by Council and its staff and an Investment Report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

The major risk associated with Investments is price risk - the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.

Cash & Investments are also subject to interest rate risk - the risk that movements in interest rates could affect returns and income.

A further risk associated with Cash & Investments is credit risk - the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council - be it of a capital or income nature.

Council manages these risks (amongst other measures) by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees.

The following represents a summary of the sensitivity of Council's Income Statement and Accumulated Surplus (for the reporting period) due to a change in either the price of a financial asset or the interest rates applicable.

It is assumed that the change in interest rates would have been constant throughout the reporting period.

2012	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
Possible impact of a 10% movement in Market Values				
Possible impact of a 1% movement in Interest Rates	186	186		
2011				
Possible impact of a 10% movement in Market Values				
Possible impact of a 1% movement in Interest Rates	157	157		

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 15. Financial Risk Management (continued)

\$ '000

(b) Receivables

Council's major receivables comprise (i) Rates & Annual charges and (ii) User Charges & Fees.

The major risk associated with these receivables is credit risk - the risk that debts due and payable to Council may not be repaid in full.

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures. It also encourages ratepayers to pay their rates by the due date through incentives.

Credit risk on rates and annual charges is minimised by the ability of Council to secure a charge over the land relating to the debts - that is, the land can be sold to recover the debt. Council is also able to charge interest on overdue rates & annual charges at higher than market rates which further encourages the payment of debt.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

Council makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

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

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

	2012	2012	2011	2011
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(i) Ageing of Receivables				
Current (not yet overdue)	138	3,289	40	4,440
Past due by up to 30 days				
Past due between 31 and 180 days	923	184	765	45
Past due between 181 and 365 days				
Past due by more than 1 year				
	<u>1,061</u>	<u>3,473</u>	<u>805</u>	<u>4,485</u>
(ii) Movement in Provision for Impairment of Receivables			2012	2011
Balance at the beginning of the year			130	36
+ new provisions recognised during the year			-	94
- amounts already provided for & written off this year			(84)	-
Balance at the end of the year			<u>46</u>	<u>130</u>

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 15. Financial Risk Management (continued)

\$ '000

(c) Payables & Borrowings

Payables & Borrowings are both subject to liquidity risk - the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due.

Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer.

Payment terms can (in extenuating circumstances) also be extended & overdraft facilities utilised as required.

The contractual undiscounted cash outflows (ie. principal and interest) of Council's Payables & Borrowings are set out in the Liquidity Table below:

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2012									
Trade/Other Payables	246	2,430						2,676	2,676
Loans & Advances		125	123	349	83	83	1,706	2,469	1,241
Total Financial Liabilities	246	2,555	123	349	83	83	1,706	5,145	3,917
2011									
Trade/Other Payables	263	1,418	131	-	-	-	-	1,812	1,812
Loans & Advances	-	125	170	170	170	170	1,789	2,594	1,270
Total Financial Liabilities	263	1,543	301	170	170	170	1,789	4,406	3,082

Borrowings are also subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs & debt servicing requirements. Council manages this risk through the diversification of borrowing types, maturities & interest rate structures.

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

	2012		2011	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	2,676		1,812	
Loans & Advances - Fixed Interest Rate	1,241	7.56%	1,270	7.55%
	<u>3,917</u>		<u>3,082</u>	

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 11/12 was adopted by the Council on 27 June 2012.

While the Income Statement included in this General Purpose Financial Report must disclose the Original Budget adopted by Council, the Local Government Act requires Council to review its Financial Budget on a Quarterly Basis, so that it is able to manage the various variations between actuals versus budget that invariably occur throughout the year.

This Note sets out the details of MATERIAL VARIATIONS between Council's Original Budget and its Actual results for the year as per the Income Statement - even though such variations may have been adjusted for during each Quarterly Budget Review.

Note that for Variations* of Budget to Actual :

Material Variations represent those variances that amount to **10%** or more of the original budgeted figure.

F = Favourable Budget Variation, **U** = Unfavourable Budget Variation

\$ '000	2012 Budget	2012 Actual	2012 ----- Variance* -----		
REVENUES					
User Charges & Fees	3,040	6,102	3,062	101%	F
Level of RMS (formerly RTA) works higher than anticipated					
Interest & Investment Revenue	344	985	641	186%	F
Level of funds invested was higher than anticipated					
Other Revenues	49	87	38	78%	F
Exceeded budget due to various unanticipated amounts being received after original budget was adopted					
Operating Grants & Contributions	5,004	8,600	3,596	72%	F
Exceeded budget as additional grant funds were allocated after original budget was adopted					
Capital Grants & Contributions	1,588	4,582	2,994	189%	F
Donated assets from large residential and commercial developments not budgeted for					

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 16. Material Budget Variations (continued)

\$ '000	2012 Budget	2012 Actual	2012 ----- Variance* -----		
EXPENSES					
Employee Benefits & On-Costs	9,318	6,653	2,665	29%	F
Contractors utilised instead of additional staffing as per materials and contracts below Initial budgeting does not detail split between wages and contractors for all projects					
Borrowing Costs	109	183	(74)	(68%)	U
Exceeded budget due mainly to Quarries and Tips unwinding of present value discount not budgeted for					
Materials & Contracts	984	8,080	(7,096)	(721%)	U
Contractors utilised instead of additional staffing as per above Initial budgeting does not detail split between wages and contractors for all projects Level of RMS (formerly RTA) works higher than anticipated					
Depreciation & Amortisation	4,247	7,658	(3,411)	(80%)	U
Original estimate based on older depreciation expense figures as budget adopted prior to updated figures being available					
Net Losses from Disposal of Assets	(207)	3,223	(3,430)	1657%	U
Council does not budget for disposal of infrastructure assets					

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 17. Statement of Developer Contributions

\$ '000

Council recovers contributions, raises levies & enters into planning agreements on development works that are subject to a development consent issued by Council. All contributions must be spent/utilised for the specific purpose they were levied and any interest applicable to unspent funds must be attributed to remaining funds.

The following tables detail the receipt, interest and use of the above contributions & levies and the value of all remaining funds which are "restricted" in their future use.

SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	-	39	-	1	-	-	40	4	(44)	-	-
Roads	504	154	-	25	(235)	-	448	127	(575)	-	-
Open Space	87	26	-	4	(60)	-	57	10	(67)	-	-
S94 Contributions - under a Plan	591	219	-	30	(295)	-	545	141	(686)	-	-
S94A Levies - under a Plan	-	-	-	-	-	-	-				-
Total S94 Revenue Under Plans	591	219	-	30	(295)	-	545				-
S94 not under Plans	-	-	-	-	-	-	-	-	-	-	-
S93F Planning Agreements	-						-				
S64 Contributions	4	99		1	(80)		24				
Total Contributions	595	318	-	31	(375)	-	569	141	(686)	-	-

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN NUMBER 1

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	-	39		1			40	4	(44)	-	
Roads	504	154		25	(235)		448	127	(575)	-	
Open Space	87	26		4	(60)		57	10	(67)	-	
Total	591	219	-	30	(295)	-	545	141	(686)	-	-

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

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 2012 was \$252,273. The last valuation of the Scheme was performed by Mr Martin Stevenson BSc, FIA, FIAA on 16th February 2010 and covers the period ended 30 June 2009. However the position is monitored annually and the actuary has estimated that as at 30th June 2012 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 \$689,405 as at 30 June 2012.

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 19. Controlled Entities, Associated Entities & Interests in Joint Ventures

\$ '000

19(a) Jointly Controlled Assets

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.'

Name of Operation/Entity	Principal Activity	Type of Entity	Equity Holding	
			2012	2011
1. Newlog	Vehicle Weight Limits		12.5%	12.5%
Current Year Financial Movements in Total Operation/Entity		Gross Financial Summary of Subsidiary		
Opening Equity Balance	37	Assets		50
New Capital Contributions	22	Liabilities		(16)
Operating Result	(25)	Net Equity		34
Adjustment to Equity Share		Revenues		
Distributions Paid		Net Profit		
Closing Equity Balance	34	Minority Interest Share		
Minority Interest Share				

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2012	Actual 2011
a. Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		146,616	143,888
c. Other Comprehensive Income (excl. direct to Reserves transactions)		-	3,391
d. Net Operating Result for the Year		(397)	(663)
Balance at End of the Reporting Period		146,219	146,616

b. Reserves

(i) Reserves are represented by:

- Infrastructure, Property, Plant & Equipment Revaluation Reserve	147,693	125,978
---	---------	---------

(ii) Reconciliation of movements in Reserves:

Infrastructure, Property, Plant & Equipment Revaluation Reserve

- Opening Balance		125,978	114,929
- Revaluations for the year	9(a)	21,715	11,049
- Balance at End of Year		147,693	125,978

(iii) Nature & Purpose of Reserves

Infrastructure, Property, Plant & Equipment Revaluation Reserve

- The Infrastructure, Property, Plant & Equipment Revaluation Reserve is used to record increments/decrements of Non Current Asset values due to their revaluation.

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 21. Financial Result & Financial Position by Fund

Income Statement by Fund \$ '000	Actual 2012	Actual 2012	Actual 2012
Continuing Operations	Water	Sewer	General¹
Income from Continuing Operations			
Rates & Annual Charges	511	830	5,431
User Charges & Fees	454	192	5,456
Interest & Investment Revenue	11	37	937
Other Revenues	-	9	78
Grants & Contributions provided for Operating Purposes	49	27	8,524
Grants & Contributions provided for Capital Purposes	94	198	4,290
Other Income			
Net Gains from Disposal of Assets	-	-	-
Total Income from Continuing Operations	1,119	1,293	24,716
Expenses from Continuing Operations			
Employee Benefits & on-costs	210	215	6,228
Borrowing Costs	24	72	87
Materials & Contracts	550	549	6,981
Depreciation & Amortisation	188	336	7,134
Other Expenses	102	57	1,569
Interest & Investment Losses	-	-	-
Net Losses from the Disposal of Assets	4	335	2,884
Total Expenses from Continuing Operations	1,078	1,564	24,883
Operating Result from Continuing Operations	41	(271)	(167)
Discontinued Operations			
Net Profit/(Loss) from Discontinued Operations	-	-	-
Net Operating Result for the Year	41	(271)	(167)
Net Operating Result attributable to each Council Fund	41	(271)	(167)
Net Operating Result attributable to Minority Interests	-	-	-
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	(53)	(469)	(4,457)

¹ General Fund refers to all Council's activities other than Water & Sewer.

KYOGLE COUNCIL

Notes to the Financial Statements as at 30 June 2012

Note 21. Financial Result & Financial Position by Fund

Balance Sheet by Fund \$ '000	Actual 2012	Actual 2012	Actual 2012
ASSETS	Water	Sewer	General¹
Current Assets			
Cash & Cash Equivalents	636	893	17,042
Receivables	301	257	3,930
Inventories	-	-	736
Other	-	-	256
Total Current Assets	937	1,150	21,964
Non-Current Assets			
Infrastructure, Property, Plant & Equipment	11,388	21,460	244,546
TOTAL ASSETS	12,325	22,610	266,510
LIABILITIES			
Current Liabilities			
Payables	528	5	2,020
Borrowings	10	21	-
Provisions	44	44	1,698
Total Current Liabilities	582	70	3,718
Non-Current Liabilities			
Payables	-	-	123
Borrowings	267	943	-
Provisions	-	-	1,830
Total Non-Current Liabilities	267	943	1,953
TOTAL LIABILITIES	849	1,013	5,671
Net Assets	11,476	21,597	260,839
EQUITY			
Retained Earnings	7,952	8,975	129,292
Revaluation Reserves	3,524	12,622	131,547
Council Equity Interest	11,476	21,597	260,839
Minority Interests	-	-	-
Total Equity	11,476	21,597	260,839

¹ General Fund refers to all Council's activities other than Water & Sewer.

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 26. Reinstatement, Rehabilitation & Restoration Liabilities

\$ '000

Council has legal/public obligations to make restore, rehabilitate and reinstate the following assets/operations:

Asset/Operation	Estimated year of restoration	NPV of Provision	
		2012	2011
Tip Remediation	2050	1,382	1,950
Quarry Remediation	2020	315	288
Balance at End of the Reporting Period	10(a)	<u>1,697</u>	<u>2,238</u>

Under AASB 116 - Property, Plant & Equipment, where the use of an asset results in the obligation to dismantle or remove the asset and restore the site on which the asset stands, an estimate of such costs is required to be included in the cost of the asset.

An equivalent liability must be recognised under AASB 137 - Provisions, Contingent Liabilities and Contingent Assets.

The provision has been calculated by determining the present value of the future expenditures expected to be incurred. The discount rate used is the risk free borrowing rate applicable to Council.

Reconciliation of movement in Provision for year:

	Tip	Quarry
Balance at beginning of year	1,950	288
Reductions arising from payments	(90)	-
Effect of a change in other calculation estimates used	(213)	17
Settlement without cost	(343)	-
Amortisation of discount (expensed to borrowing costs)	77	10
Total - Reinstatement, rehabilitation and restoration provision	<u>1,382</u>	<u>315</u>

Amount of Expected Reimbursements

Of the above Provisions for Reinstatement, Rehabilitation and Restoration works, those applicable to Garbage Services & Waste Management are able to be funded through future charges incorporated within Council's Annual Domestic Waste Management Charge.



**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 2012, 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.



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 2012, and of its performance and its cash flows for the year then ended; and
 - iv. Are in accordance with applicable Accounting Standards, Interpretations and other mandatory professional reporting requirements in Australia;
- c) All information relevant to the conduct of the audit has been obtained; and
- d) There are no material deficiencies in the accounting records or financial report that have come to light in the course of the audit.

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 2012 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.

THOMAS NOBLE & RUSSELL CHARTERED ACCOUNTANTS

G W DWYER (Partner)
Registered Company Auditor

Dated at Lismore this 31st day of October 2012.



Thomas Noble & Russell
Accountants | Auditors | Business Advisers

Lismore, 31 October 2012

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 2012 under section 417 of the *Local Government Act 1993*.

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

Yours faithfully

THOMAS NOBLE & RUSSELL

Per:

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

G W DWYER (Partner)
Registered Company Auditor

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Thomas Noble & Russell is a member of International. A world-wide organization of accounting firms and business advisers

Kyogle Council

Report to Council Under s417 of the Local Government Act 1993 for the Year Ended 30 June 2012



Thomas
Noble &
Russell

Accountants | Auditors | Business Advisers



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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 2012 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

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

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

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

Forming Our Audit Opinion

Our function as auditors is to examine the general purpose and special purpose financial statements presented to us by the Council. Our audit responsibility does not extend to:

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

Accordingly, we do not express an opinion on such. As auditors of the Council we are not responsible for the preparation of the financial statements or for the maintenance of proper and adequate accounting records and proper 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 Councillors by the *Local Government Act and Regulations 1993*.

Reporting on the Conduct of the Audit

As part of our role as auditor of Council, Section 415 (3) of the *Local Government Act 1993* and the *Local Government (General) Regulation* requires us to consider and provide comment on the material items affecting the general purpose financial statements and other matters pertinent to the beneficial audit. The following section of this report provides an understanding of Council's financial position as at 30 June 2012, its performance for the year then ended, its cash flows and other material financial matters.

3. OPERATING RESULT

Council's result from all activities for the year ended 30 June 2012 was a \$397,000 deficit. This compares to a deficit of \$663,000 in 2011. The 2012 result can be summarised as follows:

	2012 \$'000	2011 \$'000	2010 \$'000
Revenues from continuing operations	22,546	22,083	19,719
Expenses from continuing operations	(16,644)	(16,599)	(15,165)
Result from continuing operations before depreciation and capital amounts	5,902	5,484	4,554
Depreciation	(7,658)	(7,579)	(4,341)
Result from continuing operations before capital amounts	(1,756)	(2,095)	213
Capital grants and contributions	4,582	1,802	4,065
Gain / (loss) on disposal of assets	(3,223)	(370)	(714)
Surplus / (Deficit) from all activities	(397)	(663)	3,564



3.1 Variations to 2011 by Income / Expenditure

The surplus from continuing operations before depreciation and capital amounts has increased by \$418,000 from \$5,484,000 in 2011 to \$5,902,000 in 2012. Some of the components contributing to the result included:

Account	Increase / (Decrease) \$'000	Reason for Increase / Decrease
REVENUE		
Rates and Annual Charges		
Ordinary Rates	211	The \$211,000 increase in ordinary rates, from \$4,330,000 in 2010/2011 to \$4,541,000 in 2011/2012, is largely attributable to increases in ordinary rates from the pegging amount of 2.8%, a 0.81% catch up amount and the impact of supplementary levies.
Domestic Waste Management Services	184	Domestic Waste Management Charge revenue increased by \$184,000, from \$515,000 in 2010/2011 to \$699,000 in 2011/2012. This increase is attributable to a 33% increase in the annual DWM charge, from \$293 to \$390 due to the impact of the State Waste Levy.
Sewerage Services	(66)	Sewerage annual charges decreased by \$66,000, from \$899,000 in 2010/2011 to \$833,000 in 2011/2012. This decrease is primarily due to non-residential sewerage charges, which are now only consumption based and no longer have an annual charge component. The non-residential annual sewerage charge for 2010/2011 amounted to \$72,000.
Water Supply Services	43	Water Supply Services revenue increased by \$43,000, from \$469,000 in 2010/2011 to \$512,000 in 2011/2012, due to a increase of 8% in the charge levied and an increase in the number of assessments.
Other Annual Charges revenue	28	Other annual charges revenue, consisting of Drainage annual charges and Non-Domestic Waste Management Services, remained relatively consistent with the previous year.
User Charges and Fees		
Specific User Charges	60	Specific user charges, consisting of Water Supply, Sewerage Services and Non-Domestic Waste Management Services, remained relatively consistent with the previous year with the largest movement relating to an increase in Sewerage Services charges of \$57,000 from the previous year.



Account	Increase / (Decrease) \$'000	Reason for Increase / Decrease
RMS Claims	(1,132)	RMS revenue decreased by \$1,132,000 from \$5,175,000 in 2010/2011 to \$4,043,000 in 2011/2012. This resulted from the decreased level of road maintenance works carried out on State roads under the RMS Road Maintenance Council Contracts (RMCC).
Planning and Building Regulation	(108)	Planning and Building Regulation revenue decreased by \$108,000 from \$203,000 in 2010/2011 to \$95,000 in 2011/2012. This decrease was attributable to a decline in Planning Development Fees - \$81,000; Construction Certificates - \$21,000 and Development Application Advertising - \$7,000.
Quarry Fees	(340)	Quarry Fees decreased by \$340,000, from \$800,000 in 2010/2011 to \$460,000 in 2011/2012. This decrease is attributable to the decreased road maintenance works carried out for the RMS.
Interest and Investment Revenue		
Interest Revenue	121	Interest revenue increased by \$121,000, from \$864,000 in 2010/2011 to \$985,000 in 2011/2012. This increase has occurred due to additional funds being available for investment on short term deposits, combined with increased revenue recognised on overdue rates and charges.
Other Revenue		
Other Revenue	57	Other revenue increased by \$57,000, to \$87,000 in 2011/2012. The largest component of this revenue is Commissions & Agency Fees, which accounts for \$57,000 of the 2011/2012 revenue.
Operating Grants and Contributions		
Financial Assistance	982	The Financial Assistance grants received in the 2011/2012 year were \$982,000 higher than that received in the 2010/2011 year. The revenue recognised for the 2011/2012 year represents five quarters, as the Division of Local Government has paid two quarters in advance, whereas previously had paid one quarter in advance.



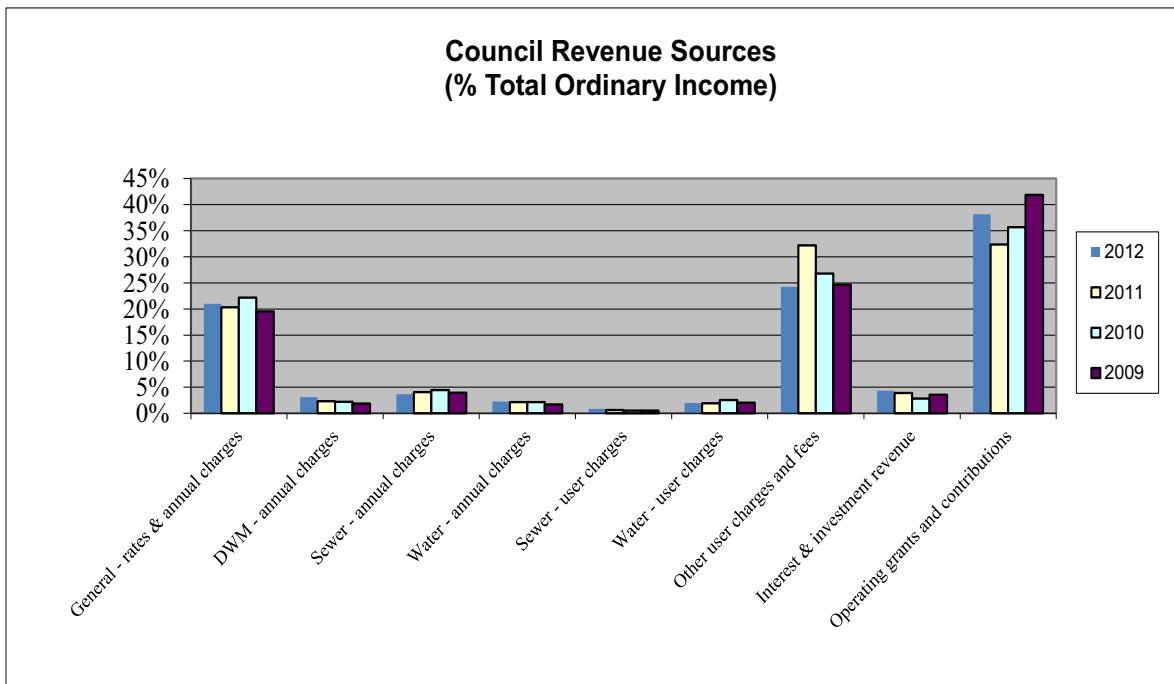
Account	Increase / (Decrease) \$'000	Reason for Increase / Decrease
Transport Grants	522	Operating Transport grants of \$2,637,000 were received in 2011/2012, compared to \$2,115,000 in 2010/2011. The amounts recognised in the 2011/2012 year included amounts of \$1,633,000 relating to the January 2011 flood event, an amount of \$886,000 relating to the January 2012 flood event and an amount of \$118,000 was also received for an extended regional roads block grant.
Flood Restoration	219	Flood Restoration grants of \$257,000 were received in 2011/2012, compared to \$38,000 in 2010/2011. The amount recognised in the 2011/2012 year, from the Department of Public Works, relates to the January 2011 flood event.
NSW Rural Fire Services	(260)	An amount of \$126,000 was recognised as revenue in 2010/2011. These amounts were not subsequently received and so have been reversed in 2011/2012, hence a turnaround (decrease in revenue) of \$260,000.
EXPENSES		
Employee Benefits and On-Costs	(148)	Salaries and wages decreased by \$361,000 due to less casuals being utilised in 2012, coupled with a decrease in staff numbers from 92 employees in 2011 to 90 employees in 2012 and more staff utilising long service leave in 2012. Expenditure relating to employee leave entitlements increased by \$161,000 with long service leave increasing by \$182,000, offset in part by a decrease in sick leave of \$64,000. Superannuation expenses were reduced by \$41,000, to \$673,000 in 2011/2012.
Materials & Contracts	215	Raw materials and consumables increased by \$171,000, from \$7,750,000 to \$7,921,000. Legal expenses related to planning and development increased by \$77,000, to \$108,000 in 2011/2012. The 2011/2012 costs related to action taken in the Land and Environment Court in relation to a refused Development Application which Council successfully defended.



Account	Increase / (Decrease) \$'000	Reason for Increase / Decrease
Other Expenses	94	<p>The Bad & Doubtful debts expense for the 2010/2011 year, being \$96,000, was largely reversed resulting in a negative expense of \$84,000 recognised in 2011/2012. This reversal related to arrears from the Kyogle Recreational Reserve. This resulted in a turnaround difference (net decrease in expenses) of \$180,000.</p> <p>Electricity and heating costs increased by \$118,000 to \$302,000 in 2011/2012.</p> <p>Emergency Services costs increased by \$67,000 to \$202,000 in 2011/2012.</p>

3.2 Analysis of income sources

	2012 \$'000	2011 \$'000	2010 \$'000
General - rates & annual charges	4,728	4,489	4,374
DWM - annual charges	699	515	430
Sewer - annual charges	833	899	882
Water - annual charges	512	469	419
Total rates & annual charges	6,772	6,372	6,105
Sewer - user charges	192	135	101
Water - user charges	443	431	499
Other user charges and fees	5,467	7,108	5,281
Total user charges and fees	6,102	7,674	5,881
Interest & investment revenue	985	864	559
Other revenue	87	30	142
Operating grants and contributions	8,600	7,143	7,032
Total revenue before capital amounts	22,546	22,083	19,719



Council's relative reliance on various income streams as detailed has remained relatively steady on a long term trending basis. Council continues to have a large reliance on user charges, particularly RMS 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 \$79,000 from \$7,579,000 in 2010/2011 to \$7,658,000 in 2011/2012. This is largely attributable to an increase in roads, bridges and footpaths depreciation of \$330,000 in accordance with indexation, offset by a write back of \$164,000 relating to the re-estimation of asset reinstatement costs (tip and quarry).

It is noted that the depreciation expense for Plant and Equipment and Other Structures have decreased from the previous year. This is attributable to a transfer of all water and sewer related assets from these asset categories into the Water Supply and Sewerage Network Infrastructure asset classes. As such, there is a corresponding increase in the depreciation expense for the Water Supply and Sewerage Network Infrastructure asset classes.

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 \$1,394,000 and largely consisted of Roads to Recovery funds - \$682,000; Federal community infrastructure grant (for Main St redevelopment project) - \$360,000; and grant for Flood Mitigation - \$262,000.

Capital contributions received during the period amounted to \$3,188,000. This can be broken down as follows:

	2012 \$'000	2011 \$'000	2010 \$'000
Section 94 Contributions - cash	111	112	94
Section 64 Contributions - cash	137	9	7
RMS Contributions *	544	315	1,049
Subdivider Dedications **	2,208	-	-
Other Contributions	188	-	-
TOTAL	3,188	436	1,150

* RMS contributions were higher in the current year, with major contributions relating to Boomi Creek Bridge - \$245,000; Boomi Creek approaches - \$127,000; and Bentley Road rehabilitation - \$135,000.

** Subdivider dedications largely relate to the Mayfield Estate - \$2,017,000 and the Kyogle Supermarket development - \$140,000.

At 30 June 2012 Council held \$545,000 as a restricted asset for S94 contributions and \$24,000 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.

	2012 \$'000	2011 \$'000	2010 \$'000
Profit on sale of plant and equipment	120	86	32
Loss on write-off of infrastructure assets	(3,343)	(456)	(414)
Write-off resulting from review of asset register	-	-	(332)
	(3,223)	(370)	(714)

The loss on disposal of assets largely represents the written-down value of infrastructure assets that have been disposed or rehabilitated in the normal course of Council's budgeted asset replacement program.

The write-off of infrastructure assets in the 2012 year included \$1,574,000 relating to roads and footpaths; and \$1,098,000 relating to reconstruction of bridges. Major disposals of bridges were attributed to the Boomi Creek bridge replacements.

3.6 Water Supplies

(i) Operating Result

Water supply activities can be summarised as follows:

	<i>Actual</i> 2012 \$'000	<i>Actual</i> 2011 \$'000	<i>Actual</i> 2010 \$'000
Rates and service availability charges	511	467	419
User charges	443	444	499
Interest	11	2	14
Other	11	12	81
Grants - Capital	-	156	621
Grants - Operating	49	27	27
Capital Contributions	94	4	1
Total Revenue	<u>1,119</u>	<u>1,112</u>	<u>1,662</u>
Management Expenses	210	315	248
Operating Costs	620	515	395
Other	32	31	101
Depreciation	188	215	184
Interest	24	24	14
Loss on Disposal	4	4	59
Total Expenses	<u>1,078</u>	<u>1,104</u>	<u>1,001</u>
Operating Result	<u>41</u>	<u>8</u>	<u>661</u>

(ii) Explanations for Significant Variances

Revenue

- Capital grants decreased by \$156,000 from the previous year due to no grants being received for the Bonalbo water treatment plant in 2012.
- Capital contributions increased by \$90,000 due to developer charges and assets provided by developers in relation to the Mayfield and Kyogle Supermarket developments.

Expenses

- Operating expenses increased by \$105,000. This was mainly attributed to costs associated with the Kyogle mains maintenance in 2012.
- Management expenses decreased by \$105,000 due to a one off bad debts expense of \$61,000 for Kyogle recreational reserves in 2011.

(iii) Key Indicators

	2012 \$	2011 \$	2010 \$
Average service availability charge per assessment	256	239	215
Average user charge per assessment	222	229	257
Management and operating cost per assessment	417	427	331

3.7 Sewerage Services

(i) Operating Result

Sewerage services activities can be summarised as follows:

	Actual 2012 \$'000	Actual 2011 \$'000	Actual 2010 \$'000
Rates and service availability charges	830	899	891
User charges	192	135	120
Interest	37	28	14
Other	9	5	9
Grants - Operating	27	26	26
Capital Contributions	198	3	2
Total Revenue	1,293	1,096	1,062
Management Expenses	235	202	177
Operating Costs	586	483	457
Other	-	12	17
Depreciation	336	333	323
Loss on Disposal	335	192	-
Interest	72	73	74
Total Expenses	1,564	1,295	1,048
Operating Result	(271)	(199)	14

(ii) Explanation for Significant Variances

Revenue

- Capital contributions increased by \$195,000 due to developer charges and assets provided by developers in relation to the Mayfield and Kyogle Supermarket developments.

Expenses

- Write-off of assets relating to the Kyogle sewer relining program led to a loss on disposals of \$335,000, an increase in 2012 of \$143,000.
- Operating expenses increased by \$103,000. This was mainly attributed to costs associated with the Kyogle mains maintenance in 2012.

(iii) Key Indicators

	2012	2011	2010
	\$	\$	\$
Average service availability charge per assessment	464	504	500
Average user charge per assessment	107	76	67
Management and operating cost per assessment	459	384	356

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 activities 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 notional subsidy from Council's General Fund activities. Dividends represent funds provided by the relevant business activity for other functions of Council.

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

Activity/Year	Revenue	Expenses	Result prior to capital amounts	Return on capital	Subsidy	Dividends Paid
	\$'000	\$'000	\$'000	%	\$'000	\$'000
2011/2012						
Water	1,025	1,078	(53)	(0.3)	-	-
Sewer	1,095	1,564	(469)	(1.8)	-	-
DWM	738	735	3	7.9	-	-
Quarry	460	325	135	27.2	-	-
Transport	4,043	3,855	188	n/a	-	220
	\$'000	\$'000	\$'000	%	\$'000	\$'000
2010/2011						
Water	952	1,104	(152)	(1.5)	-	-
Sewer	1,093	1,295	(202)	(0.8)	-	-
DWM	555	645	(90)	(2.0)	-	-
Quarry	800	559	241	45.3	-	-
Transport	5,175	4,143	1,032	n/a	-	395

Water and Sewer Operations

Council's water and sewer fund activities returned a deficit for the 2012 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 2012 Council estimates that it will cost approximately \$1,382,000 to rehabilitate its tip sites at Kyogle and Woodenbong. Some of the costs of remediation are to cap existing landfill cells and this expenditure will be satisfied by recurrent revenues or existing reserves. The final rehabilitation of each site is expected to be in the following time frames:



	Year	\$
Kyogle Final Rehabilitation	2050	1,075,000
Woodenbong Final Rehabilitation	2017	<u>307,000</u>
		<u>1,382,000</u>

Changes in the underlying assumptions affecting the net present value calculation of the expected future costs resulted in a decrease to the rehabilitation provision of \$568,000. The year of remediation for the Kyogle Final Cap has been reassessed from 2055 to 2050, and the Woodenbong Final Cap has been reassessed from 2020 to 2017.

Currently Council has \$73,000 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 \$135,000 in 2012, compared to a surplus of \$241,000 in 2011. Council quarries have a desired rate of return of 15% per annum. Council's profitability from quarry operations has remained above this rate, with a rate of return of 27%. As at 30 June 2012 Council has quarry reserves of \$884,000 (compared to \$602,000 at 30 June 2011).

Transport Operations

Council's Transport Operations represents road works under contract to the RMS. Transport activities have returned a surplus during the 2012 financial year of \$188,000. This compares to a surplus of \$1,032,000 in 2011, with the reduction due to reduced activity and profitability on works performed.

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 2012 Council has transport reserves of \$564,000 (compared to \$370,000 at 30 June 2011).

4. BALANCE SHEET

4.1 Net Current Assets

Council has net current assets of \$19,681,000 as at 30 June 2012, however, this includes \$918,000 in leave entitlements which are not expected to be settled within twelve months. Net current assets however, also contains \$2,693,000 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 \$687,000 of externally restricted receivables relating to water, sewerage and domestic waste management charges and rates.

	2012 \$'000	2011 \$'000	2010 \$'000
TOTAL CASH ASSETS	18,571	15,719	13,928
Less: Externally Restricted Reserves			
- Water	637	756	637
- Sewer	870	1,113	1,029
- DWM	73	191	346
- Developer Contributions	569	595	633
- Unexpended Grants	298	476	904
- Other	246	263	249
	2,693	3,394	3,798
Less: Internally Restricted Reserves	(15,681)	(12,125)	(9,930)
UNRESTRICTED CASH	197	200	200

At balance date Council has allocated \$15,681,000 to internally restricted cash to fund specific Council projects. We provide an understanding of internal reserve balances as at 30 June 2012:

	2012 \$'000	2011 \$'000	2010 \$'000
Internally Restricted Reserves			
Employee Entitlements	1,138	730	730
Buildings	462	562	622
Transport	564	370	-
Quarries	884	602	250
Plant	6,181	3,827	3,086
Revotes	3,608	3,814	2,902
Commercial Waste	754	150	150
Information Technology	100	80	130
Roads & Bridges	1,490	1,890	1,890
Emergency Works	300	100	100
Other - stormwater	200	0	70
	15,681	12,125	9,930

After funding internal and external restrictions Council has unrestricted cash assets of \$197,000.

4.2 Non-Current Assets and Liabilities

Council has a net non-current asset position of \$274,231,000, 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:

	2012 \$'000	2011 \$'000	2010 \$'000
<i>Non-cash grants / contributions</i>			
Land and Buildings	2	-	-
Roads and Drainage Network	2,012	-	-
Water Supply Network	45	-	-
Sewerage Network	149	-	-
<i>Council Constructed / Purchased Assets</i>			
Work in Progress	1,088	1,153	-
Land and Buildings	449	168	1,138
Plant and Equipment	1,187	1,098	1,588
Roads and Drainage Network	3,699	2,511	4,982
Water Supply Network	628	73	-
Sewerage Network	403	174	74
Other	369	719	95
	<u>10,031</u>	<u>5,896</u>	<u>7,877</u>

As illustrated above, Council has capitalised approximately \$10 million in infrastructure, property, plant and equipment during the 2012 financial year.

Major Council constructed/purchased assets were the Main Street Development - \$770,000; vehicle fleet additions - \$523,000 and a motor grader - \$349,000.

Asset Revaluations 2012

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.



During the year Council performed a full revaluation of the Water Supply, Sewerage and Stormwater Drainage Networks. As a result of the revaluation, a revaluation increment of \$2,248,000 was recognised for the Water Network, \$4,497,000 was recognised for the Sewerage Network and a revaluation increment of \$1,448,000 was recognised for the Stormwater Drainage Network.

Where material, fair value adjustments are made each year to keep all infrastructure assets at fair value. As a result, a 2011/2012 increment of \$10,196,000 for roads, bridges and footpaths was recognised. Bulk earthworks were also incremented by \$3,326,000.

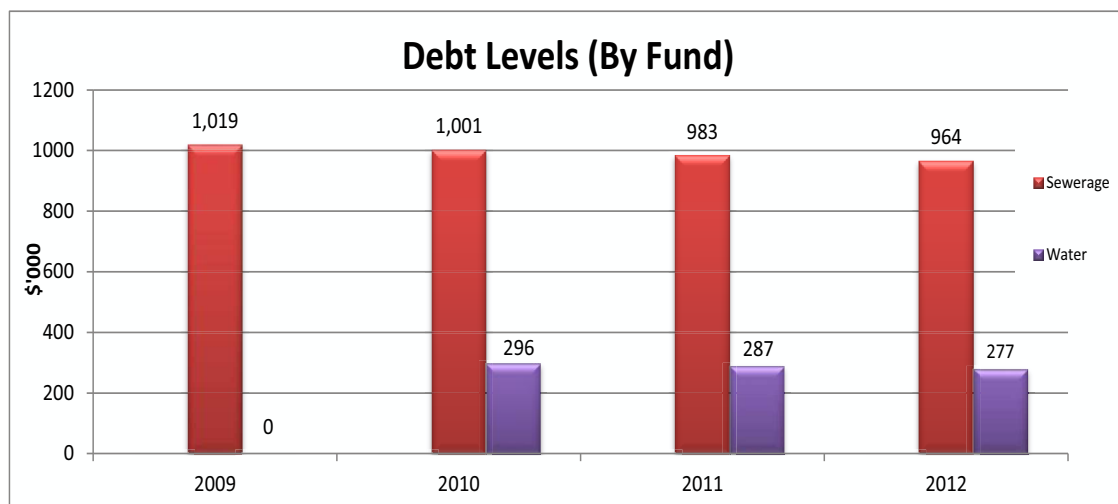
Regular Re-assessment of Useful Lives

It is important that Council regularly re-assesses the remaining useful lives of assets and their condition in future revaluations. The depreciation charge should reflect the consumption of the asset over its useful life. Fair value reporting of assets will require adequate internal resources in order to ensure the information from asset management reporting systems is accurate, timely and reflects the consumption of the assets.

4.2.2 LOANS

Total borrowings at 30 June 2012 amounted to \$1,241,000, which reduced from prior year’s balance of \$1,270,000.

The majority of outstanding borrowings relate to the sewerage fund, with total borrowings of \$964,000 consisting primarily of a loan taken out in December 2007 to finance sewerage treatment plant augmentation works. Borrowings in the water fund totalling \$277,000 relate to a loan taken out in 2010 for the Bonalbo and Woodenbong water treatment works.



Council is projecting to borrow \$300,000 in the 2012/2013 year for Waste Services.

5. KEY 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.

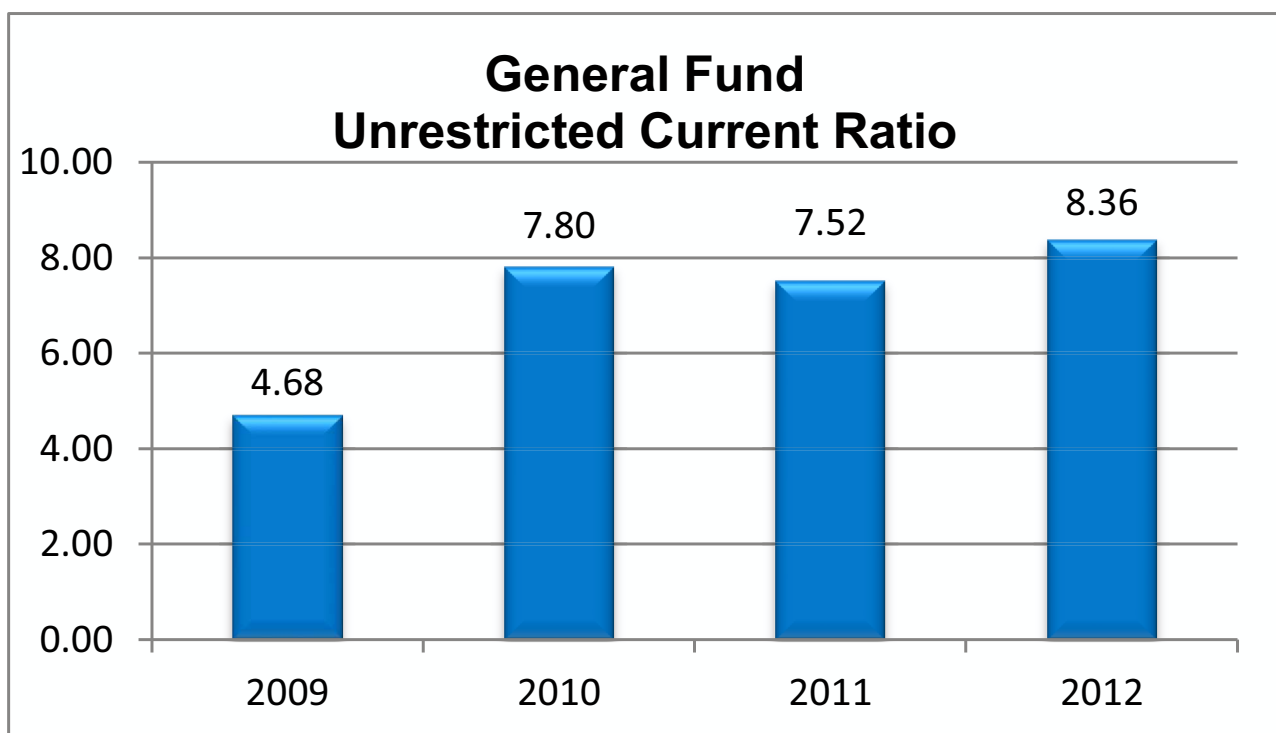
Unrestricted Current Ratio

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



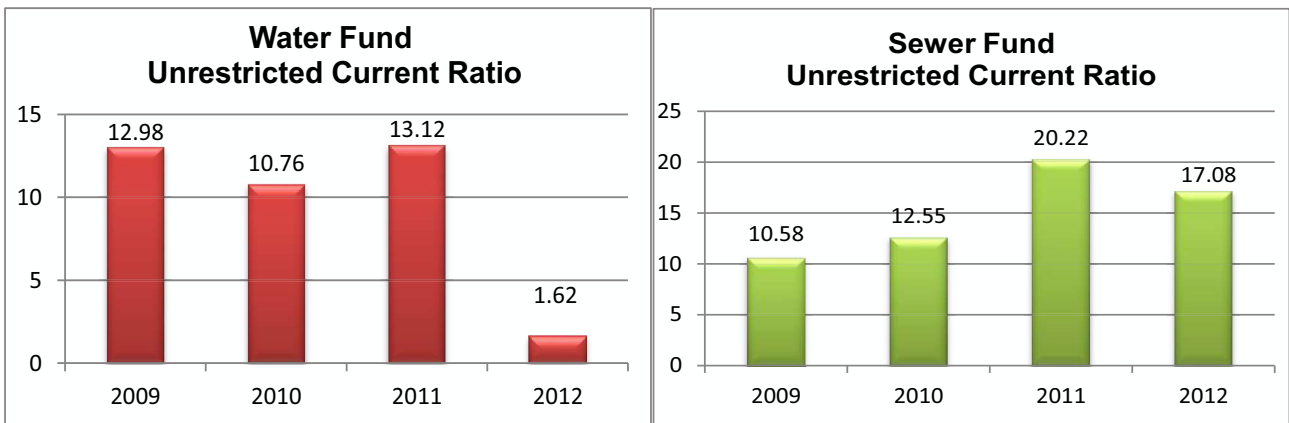
Council's general fund unrestricted current ratio has increased from 7.52 to 8.36, due to an improved net current asset position. This means that Council has \$8.36 in unrestricted net current assets for every \$1 of unrestricted current liabilities.

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 2012 means that the organisation has adequate unrestricted cash and internal reserves to satisfy its current obligations and illustrates Council's strong 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

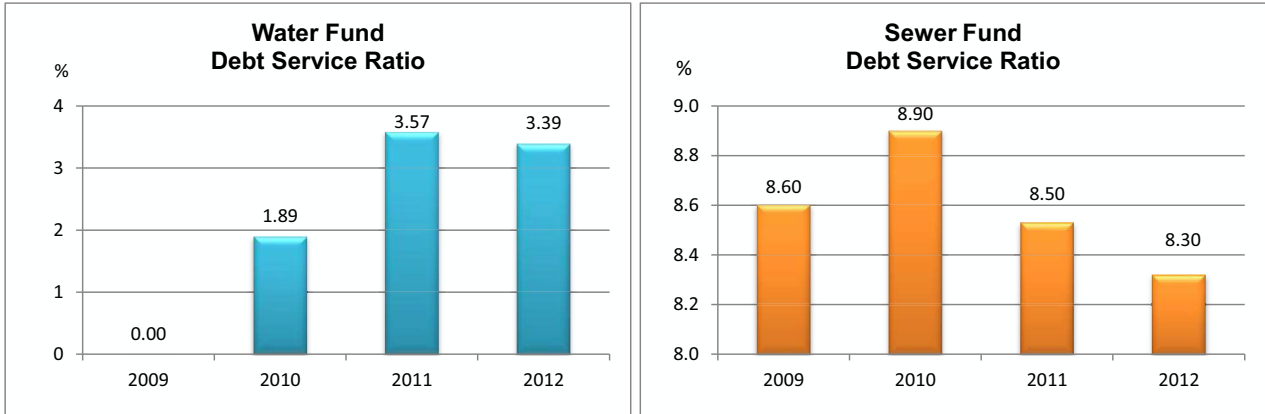
This indicator assesses the degree to which revenues from continuing operations are committed to the repayment of debt.

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.



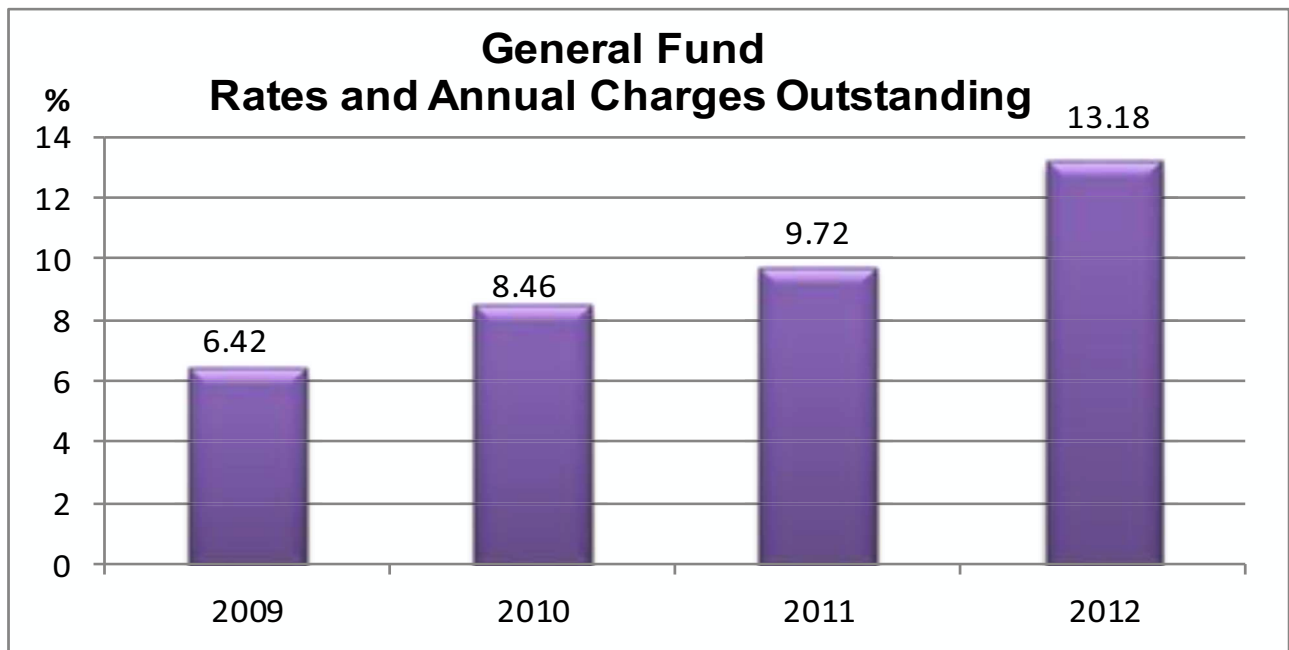
Rates and Annual Charges Outstanding Percentage

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

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

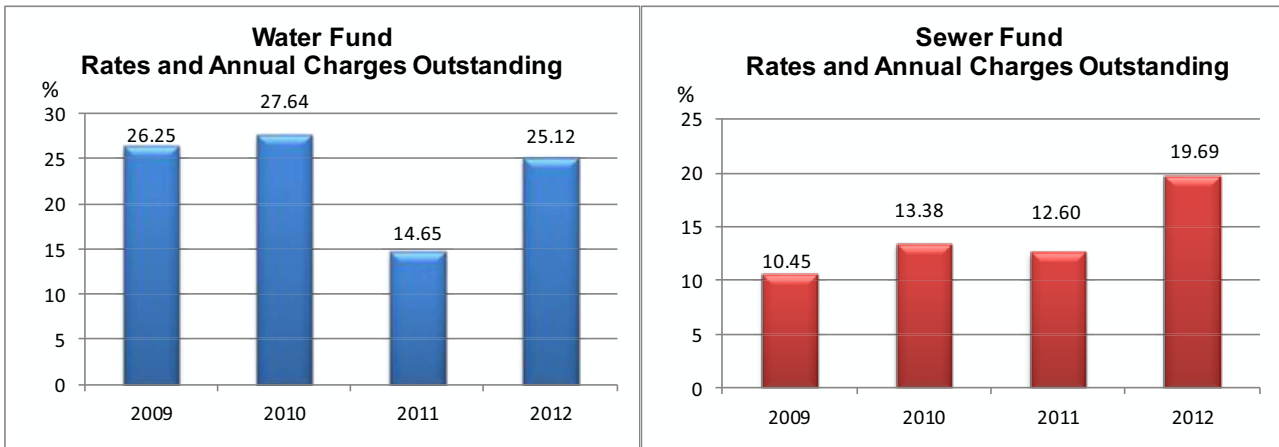
- Council's rating policy;
- Credit management policies;
- The socio-economic characteristics of the area; and
- Environmental factors influencing ratepayers' ability to satisfy their obligations.

General Fund Rates and Annual Charges Outstanding Percentage



Council's general fund rates and annual charges outstanding percentage has increased from 9.72% in 2011 to 13.18% in 2012. 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 increased from 53.00% to 87.01%.


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

6. INTERNAL CONTROL ENVIRONMENT

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 modified 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


G W DWYER (Partner)
Registered Company Auditor



KYOGLE COUNCIL

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2012

Gateway to the Rainforests



KYOGLE COUNCIL

Special Purpose Financial Statements

for the financial year ended 30 June 2012

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Background

(i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Division of Local Government in fulfilling their requirements under National Competition Policy.

(ii) The principle of competitive neutrality is based on the concept of a "level playing field" between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, State or Local, should operate without net competitive advantages over other businesses as a result of their public ownership.

(iii) For Council, the principle of competitive neutrality & public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation and **(b)** those activities with a turnover of over \$2 million that Council has formally declared as a Business Activity (defined as Category 1 activities).

(iv) In preparing these financial statements for Council's self classified Category 1 businesses and ABS defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax equivalent regime payments & debt guarantee fees (where the business benefits from councils borrowing position by comparison with commercial rates).

KYOGLE COUNCIL

Special Purpose Financial Statements for the financial year ended 30 June 2012

Statement by Councillors and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

The attached Special Purpose Financial Statements have been prepared in accordance with:

- The NSW Government Policy Statement "Application of National Competition Policy to Local Government".
- The Division of Local Government Guidelines "Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality".
- The Local Government Code of Accounting Practice and Financial Reporting.
- The NSW Office of Water (Department of Environment, Climate Change and Water) Guidelines - "Best Practice Management of Water and Sewerage".

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


- Present fairly the Operating Result and Financial Position for each of Council's declared Business Activities for the year, and
- Accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 30 October 2012.



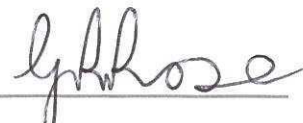
Ross Brown
MAYOR



Janet Wilson
COUNCILLOR



Arthur Piggott
GENERAL MANAGER



Glenn Rose
RESPONSIBLE ACCOUNTING OFFICER

KYOGLE COUNCIL

Income Statement of Council's Water Supply Business Activity

for the financial year ended 30 June 2012

\$ '000	Actual 2012	Actual 2011	Actual 2010
Income from continuing operations			
Access charges	511	467	419
User charges	443	444	499
Fees	11	12	81
Interest	11	2	14
Grants and contributions provided for non capital purposes	49	27	27
Profit from the sale of assets	-	-	-
Other income	-	-	-
Total income from continuing operations	1,025	952	1,040
Expenses from continuing operations			
Employee benefits and on-costs	210	143	110
Borrowing costs	24	24	14
Materials and contracts	550	585	542
Depreciation and impairment	188	215	184
Water purchase charges	32	31	45
Loss on sale of assets	4	4	59
Calculated taxation equivalents	-	-	-
Debt guarantee fee (if applicable)	-	-	-
Other expenses	70	102	47
Total expenses from continuing operations	1,078	1,104	1,001
Surplus (deficit) from Continuing Operations before capital amounts	(53)	(152)	39
Grants and contributions provided for capital purposes	94	160	622
Surplus (deficit) from Continuing Operations after capital amounts	41	8	661
Surplus (deficit) from discontinued operations	-	-	-
Surplus (deficit) from ALL Operations before tax	41	8	661
less: Corporate Taxation Equivalent	-	-	(12)
SURPLUS (DEFICIT) AFTER TAX	41	8	649
plus Opening Retained Profits	7,911	7,903	7,242
plus/less: Prior Period Adjustments	-	-	-
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	-	-	-
- Debt guarantee fees	-	-	-
- Corporate taxation equivalent	-	-	12
less:			
- Tax Equivalent Dividend paid	-	-	-
- Surplus dividend paid	-	-	-
Closing Retained Profits	7,952	7,911	7,903
Return on Capital %	-0.3%	-1.5%	0.63%
Subsidy from Council	N/A	N/A	N/A
Calculation of dividend payable:			
Surplus (deficit) after tax	41	8	649
less: Capital grants and contributions (excluding developer contributions)	1	(156)	(621)
Surplus for dividend calculation purposes	42	(148)	28
Potential Dividend calculated from surplus	21	-	-

KYOGLE COUNCIL

Income Statement of Council's Sewerage Business Activity

for the financial year ended 30 June 2012

\$ '000	Actual 2012	Actual 2011	Actual 2010
Income from continuing operations			
Access charges	830	899	891
User charges	177	118	101
Liquid Trade Waste charges	15	17	19
Fees	-	-	-
Interest	37	28	14
Grants and contributions provided for non capital purposes	27	26	26
Profit from the sale of assets	-	-	-
Other income	9	5	9
Total income from continuing operations	1,095	1,093	1,060
Expenses from continuing operations			
Employee benefits and on-costs	215	143	146
Borrowing costs	72	73	74
Materials and contracts	549	502	457
Depreciation and impairment	336	333	323
Loss on sale of assets	335	192	-
Calculated taxation equivalents	-	-	-
Debt guarantee fee (if applicable)	-	-	-
Other expenses	57	52	48
Total expenses from continuing operations	1,564	1,295	1,048
Surplus (deficit) from Continuing Operations before capital amounts	(469)	(202)	12
Grants and contributions provided for capital purposes	198	3	2
Surplus (deficit) from Continuing Operations after capital amounts	(271)	(199)	14
Surplus (deficit) from discontinued operations	-	-	-
Surplus (deficit) from ALL Operations before tax	(271)	(199)	14
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	(4)
SURPLUS (DEFICIT) AFTER TAX	(271)	(199)	10
plus Opening Retained Profits	9,246	9,445	9,431
plus/less: Prior Period Adjustments	-	-	-
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	-	-	-
- Debt guarantee fees	-	-	-
- Corporate taxation equivalent	-	-	4
less:			
- Tax Equivalent Dividend paid	-	-	-
- Surplus dividend paid	-	-	-
Closing Retained Profits	8,975	9,246	9,445
Return on Capital %	-1.8%	-0.76%	0.52%
Subsidy from Council	N/A	N/A	N/A
Calculation of dividend payable:			
Surplus (deficit) after tax	(271)	(199)	10
less: Capital grants and contributions (excluding developer contributions)	-	(3)	(2)
Surplus for dividend calculation purposes	-	(202)	8
Potential Dividend calculated from surplus	-	-	-

KYOGLE COUNCIL

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2012

\$ '000	Domestic Waste		Quarries	
	Category 2		Category 2	
	Actual 2012	Actual 2011	Actual 2012	Actual 2011
Income from continuing operations				
Access charges	699	515	-	-
User charges	-	-	460	800
Fees	-	-	-	-
Interest	6	-	-	-
Grants and contributions provided for non capital purposes	33	40	-	-
Profit from the sale of assets	-	-	-	-
Other income	-	-	-	-
Total income from continuing operations	738	555	460	800
Expenses from continuing operations				
Employee benefits and on-costs	229	224	33	77
Borrowing costs	77	63	10	12
Materials and contracts	534	299	239	432
Depreciation and impairment	(105)	59	43	38
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	-	-	-	-
Debt guarantee fee (if applicable)	-	-	-	-
Other expenses	-	-	-	-
Total expenses from continuing operations	735	645	325	559
Surplus (deficit) from Continuing Operations before capital amounts	3	(90)	135	241
Grants and contributions provided for capital purposes	28	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	31	(90)	135	241
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	31	(90)	135	241
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(1)	-	(41)	(72)
SURPLUS (DEFICIT) AFTER TAX	30	(90)	95	169
plus Opening Retained Profits	(289)	(199)	838	597
plus/less: Prior Period Adjustments		-		-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	-	-	-	-
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	1	-	41	72
add:				
- Subsidy Paid/Contribution To Operations		-		-
less:				
- TER dividend paid		-		-
- Dividend paid		-		-
Closing Retained Profits	(258)	(289)	973	838
Return on Capital %	7.9%	-2.0%	27.2%	45.3%
Subsidy from Council	-	-	-	-

KYOGLE COUNCIL

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2012

Transport

Category 1

\$ '000	Actual 2012	Actual 2011
Income from continuing operations		
Access charges	-	-
User charges	4,043	5,175
Fees	-	-
Interest	-	-
Grants and contributions provided for non capital purposes	-	-
Profit from the sale of assets	-	-
Other income	-	-
Total income from continuing operations	4,043	5,175
Expenses from continuing operations		
Employee benefits and on-costs	713	643
Borrowing costs	-	-
Materials and contracts	3,142	3,500
Depreciation and impairment	-	-
Loss on sale of assets	-	-
Calculated taxation equivalents	-	-
Debt guarantee fee (if applicable)	-	-
Other expenses	-	-
Total expenses from continuing operations	3,855	4,143
Surplus (deficit) from Continuing Operations before capital amounts	188	1,032
Grants and contributions provided for capital purposes	-	-
Surplus (deficit) from Continuing Operations after capital amounts	188	1,032
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	188	1,032
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(56)	(310)
SURPLUS (DEFICIT) AFTER TAX	132	722
plus Opening Retained Profits	2,500	1,863
plus/less: Prior Period Adjustments		-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	-	-
- Debt guarantee fees	-	-
- Corporate taxation equivalent	56	310
add:		
- Subsidy Paid/Contribution To Operations		-
less:		
- TER dividend paid		-
- Dividend paid	(220)	(395)
Closing Retained Profits	2,468	2,500
Return on Capital %	n/a	n/a
Subsidy from Council	-	-

KYOGLE COUNCIL

Balance Sheet of Council's Water Supply Business Activity

as at 30 June 2012

\$ '000	Actual 2012	Actual 2011
ASSETS		
Current Assets		
Cash and cash equivalents	636	756
Receivables	301	241
Total Current Assets	937	997
Non-Current Assets		
Infrastructure, property, plant and equipment	11,388	8,543
Total non-Current Assets	11,388	8,543
TOTAL ASSETS	12,325	9,540
LIABILITIES		
Current Liabilities		
Payables	528	24
Interest bearing liabilities	10	10
Provisions	44	42
Total Current Liabilities	582	76
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	267	277
Provisions	-	-
Total Non-Current Liabilities	267	277
TOTAL LIABILITIES	849	353
NET ASSETS	11,476	9,187
EQUITY		
Retained earnings	7,952	7,911
Revaluation reserves	3,524	1,276
Council equity interest	11,476	9,187
Minority equity interest	-	-
TOTAL EQUITY	11,476	9,187

KYOGLE COUNCIL

Balance Sheet of Council's Sewerage Business Activity

as at 30 June 2012

\$ '000	Actual 2012	Actual 2011
ASSETS		
Current Assets		
Cash and cash equivalents	893	1,116
Receivables	257	202
Total Current Assets	1,150	1,318
Non-Current Assets		
Infrastructure, property, plant and equipment	21,460	17,082
Total non-Current Assets	21,460	17,082
TOTAL ASSETS	22,610	18,400
LIABILITIES		
Current Liabilities		
Payables	5	5
Interest bearing liabilities	21	19
Provisions	44	41
Total Current Liabilities	70	65
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	943	964
Provisions	-	-
Total Non-Current Liabilities	943	964
TOTAL LIABILITIES	1,013	1,029
NET ASSETS	21,597	17,371
EQUITY		
Retained earnings	8,975	9,246
Revaluation reserves	12,622	8,125
Council equity interest	21,597	17,371
Minority equity interest	-	-
TOTAL EQUITY	21,597	17,371

KYOGLE COUNCIL

Balance Sheet of Council's Other Business Activities

as at 30 June 2012

\$ '000	Domestic Waste		Quarries	
	Category 2		Category 2	
	Actual 2012	Actual 2011	Actual 2012	Actual 2011
ASSETS				
Current Assets				
Cash and cash equivalents	73	191	884	602
Receivables	133	87	-	-
Inventories	-	-	190	284
Total Current Assets	206	278	1,074	886
Non-Current Assets				
Infrastructure, property, plant and equipment	1,007	1,383	534	559
Total Non-Current Assets	1,007	1,383	534	559
TOTAL ASSETS	1,213	1,661	1,608	1,445
LIABILITIES				
Current Liabilities				
Payables	90	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	-	-	-	-
Total Current Liabilities	90	-	-	-
Non-Current Liabilities				
Provisions	1,382	1,950	315	287
Total Non-Current Liabilities	1,382	1,950	315	287
TOTAL LIABILITIES	1,472	1,950	315	287
NET ASSETS	(259)	(289)	1,293	1,158
EQUITY				
Retained earnings	(259)	(289)	973	838
Revaluation reserves	-	-	320	320
Council equity interest	(259)	(289)	1,293	1,158
Minority equity interest	-	-	-	-
TOTAL EQUITY	(259)	(289)	1,293	1,158

KYOGLE COUNCIL

Balance Sheet of Council's Other Business Activities

as at 30 June 2012

Transport

Category 1

\$ '000	Actual 2012	Actual 2011
ASSETS		
Current Assets		
Cash and cash equivalents	564	370
Receivables	1,904	2,130
Total Current Assets	2,468	2,500
Non-Current Assets		
Total Non-Current Assets	-	-
TOTAL ASSETS	2,468	2,500
LIABILITIES		
Current Liabilities		
Payables	-	-
Interest bearing liabilities	-	-
Provisions	-	-
Total Current Liabilities	-	-
Non-Current Liabilities		
Total Non-Current Liabilities	-	-
TOTAL LIABILITIES	-	-
NET ASSETS	2,468	2,500
EQUITY		
Retained earnings	2,468	2,500
Revaluation reserves	-	-
Council equity interest	2,468	2,500
Minority equity interest	-	-
TOTAL EQUITY	2,468	2,500

KYOGLE COUNCIL

Special Purpose Financial Statements

for the financial year ended 30 June 2012

Contents of the Notes accompanying the Financial Statements

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

Kyogle Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2012

Note 1. Significant Accounting Policies

These financial statements are a Special Purpose Financial Statements (SPFS) prepared for use by Council and the Division of Local Government.

For the purposes of these statements, the Council's business activities (reported herein) are not reporting entities.

These special purpose financial statements, unless otherwise stated, have been prepared in accordance with;

- applicable Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board,
- Australian Accounting Interpretations,
- the Local Government Act and 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 nor current values of non-current assets (except where specifically stated).

Certain taxes and other costs (appropriately described) have been imputed for the purposes of the National Competition Policy.

National Competition Policy

Council has adopted the principle of 'competitive neutrality' to its business activities as part of the national competition policy which is being applied throughout Australia at all levels of government.

The framework for its application is set out in the June 1996 Government Policy statement on the "Application of National Competition Policy to Local Government".

The "Pricing & Costing for Council Businesses A Guide to Competitive Neutrality" issued by the 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

(where gross operating turnover is over \$2 million)

- a. **Transport**
Contract Road Construction and Maintenance

Category 2

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

- a. **Water**
Water Supply
- b. **Sewer**
Sewerage Services
- c. **Domestic Waste**
Domestic Waste Management
- d. **Quarries**
Quarrying Operations

Monetary Amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest one thousand dollars, with the exception of some figures disclosed in Note 2 (Water Supply Best Practice Management Disclosures) and Note 3 (Sewerage Best Practice Management Disclosures).

As required by the NSW Office of Water (Department of Environment, Climate Change and Water) some amounts shown in Notes 2 and Note 3 are disclosed in whole dollars.

Kyogle Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2012

Note 1. Significant Accounting Policies (continued)

(i) Taxation Equivalent Charges

Council is liable to pay various taxes and financial duties in undertaking its business activities. Where this is the case, they are disclosed in these statements as a cost of operations just like all other costs.

However, where Council is exempt from paying taxes which are generally paid by private sector businesses (such as income tax), equivalent tax payments have been applied to all Council nominated business activities and are reflected in these financial statements.

For the purposes of disclosing comparative information relevant to the private sector equivalent, the following taxation equivalents have been applied to all council nominated business activities (this does not include council's non-business activities):

Notional Rate Applied %

Corporate Income Tax Rate – 30%

Land Tax – The first **\$396,000** of combined land values attracts **0%**. From \$396,001 to \$2,421,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,421,000, a premium marginal rate of **2.0%** applies.

Payroll Tax – **5.45%** on the value of taxable salaries and wages in excess of \$678,000.

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 positive gain/(loss) from ordinary activities before capital amounts has been achieved.

Since this taxation equivalent is notional - that is, it is payable to the “Council” as the owner of business operations, it represents an internal payment and has no effect on the operations of the council. Accordingly, there is no need for disclosure of internal charges in Council's GPFS.

The rate applied of 30% is the equivalent company tax rate prevalent as at balance date. No adjustments have been made for variations that have occurred during the year.

Local Government Rates & Charges

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

Loan & Debt Guarantee Fees

The debt guarantee fee is designed to ensure that council business activities face “true” commercial borrowing costs in line with private sector competitors.

In order to calculate a debt guarantee fee, council has determined what the differential borrowing rate

Kyogle Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2012

Note 1. Significant Accounting Policies (continued)

would have been between the commercial rate and the council's borrowing rate for its business activities.

(ii) Subsidies

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

Subsidies occur where council provides services on a less than cost recovery basis. This option is exercised on a range of services in order for council to meet its community service obligations.

Accordingly, Subsidies disclosed (in relation to National Competition Policy) represents the difference between revenue generated from 'rate of return' pricing and revenue generated from prices set by the council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of 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".

Such funds are subsequently available for meeting commitments or financing future investment strategies.

The Rate of Return on Capital is calculated as follows:

Operating Result before Capital Income + Interest Expense

Written Down Value of I,PP&E as at 30 June

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 5.21% at 30/6/12.

The actual rate of return achieved by each business activity is disclosed at the foot of each respective Income Statement.

(iv) Dividends

Council is not required to pay dividends to either itself as owner of a range of businesses or to any external entities.

Local Government Water Supply and Sewerage Businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

The dividend, calculated and approved in accordance with the Best Practice Management Guidelines, must not exceed either (i) 50% of this surplus in any one year, or (ii) the number of water supply or sewerage assessments at 30 June 2012 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the guidelines for Best Practice Management of Water Supply and Sewerage, a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the NSW Office of Water prior to making the dividend and only after it has approved its payment.

KYOGLE COUNCIL

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2012

Note 2. Water Supply Business Best Practice Management disclosure requirements

Dollars Amounts shown below are in **WHOLE DOLLARS** (unless otherwise indicated)

2012

1. Calculation and Payment of Tax-Equivalents

[All Local Government Local Water Utilities must pay this dividend for tax-equivalents]

(i)	Calculated Tax Equivalents	-
(ii)	No of assessments multiplied by \$3/assessment	5,976
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	-
(iv)	Amounts actually paid for Tax Equivalents	

2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	21,000
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	59,760
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2012, less the cumulative dividends paid for the 2 years to 30 June 2011 & 30 June 2010	(77,700)

2012 Surplus	42,000	2011 Surplus	(148,000)	2010 Surplus	28,300
		2011 Dividend	-	2010 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	n/a
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]	

3. Required outcomes for 6 Criteria

[To be eligible for the payment of a "Dividend from Surplus", ALL the Criteria below need a "YES"]

(i)	Completion of Strategic Business Plan (including Financial Plan)	YES
(ii)	Full Cost Recovery, without significant cross subsidies [Refer Item 2(a) in Table 1 on page 22 of the Best Practice Guidelines]	YES
	- Complying charges [Item 2(b) in Table 1]	YES
	- DSP with Commercial Developer Charges [Item 2(e) in Table 1]	YES
	- If Dual Water Supplies, Complying Charges [Item 2(g) in Table 1]	NO
(iii)	Sound Water Conservation and Demand Management implemented	YES
(iv)	Sound Drought Management implemented	YES
(v)	Complete Performance Reporting Form (by 15 September each year)	YES
(vi)	a. Integrated Water Cycle Management Evaluation	YES
	b. Complete and implement Integrated Water Cycle Management Strategy	YES

KYOGLE COUNCIL

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2012

Note 2. Water Supply Business Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)		2012
National Water Initiative (NWI) Financial Performance Indicators		
NWI F1	Total Revenue (Water) Total Income (w13) - Grants for the Acquisition of Assets (w11a) - Interest Income (w9)	\$'000 1,119
NWI F4	Revenue from Residential Usage Charges (Water) Income from Residential Usage Charges (w6b) x 100 divided by the sum of [Income from Residential Usage Charges (w6a) + Income from Residential Access Charges (w6b)]	% 42.66%
NWI F9	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000 11,388
NWI F11	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000 862
NWI F14	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000 788
NWI F17	Economic Real Rate of Return (Water) [Total Income (w13) - Interest Income (w9) - Grants for acquisition of assets (w11a) - Operating Costs (NWI F11) - Current Cost Depreciation (w3)] x 100 divided by [Written Down Current Cost of System Assets (w47) + Plant & Equipment (w33b)]	% 0.61%
NWI F26	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000 -

- Notes:
- References to w (eg. w12) refer to item numbers within Special Schedules No. 3 & 4 of Council's Annual Financial Statements.
 - The NWI Performance Indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators & Definitions.

KYOGLE COUNCIL

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2012

Note 3. Sewerage Business Best Practice Management disclosure requirements

Dollars Amounts shown below are in **WHOLE DOLLARS** (unless otherwise indicated)

2012

1. Calculation and Payment of Tax-Equivalents

[All Local Government Local Water Utilities must pay this dividend for tax-equivalents]

(i)	Calculated Tax Equivalents	-
(ii)	No of assessments multiplied by \$3/assessment	5,367
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	-
(iv)	Amounts actually paid for Tax Equivalents	

2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	-
(ii)	No. of assessments x (\$30 less tax equivalent charges per assessment)	53,670
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2012, less the cumulative dividends paid for the 2 years to 30 June 2011 & 30 June 2010	(459,600)

2012 Surplus	(271,000)	2011 Surplus	(199,000)	2010 Surplus	10,400
		2011 Dividend	-	2010 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	n/a
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]	

3. Required outcomes for 4 Criteria

[To be eligible for the payment of a "Dividend from Surplus", ALL the Criteria below need a "YES"]

(i)	Completion of Strategic Business Plan (including Financial Plan)	YES
(ii)	Pricing with full cost-recovery, without significant cross subsidies [Refer Item 2(a) in Table 1 on page 22 of the Best Practice Guidelines]	YES
	Complying charges (a) Residential [Item 2(c) in Table 1]	YES
	(b) Non Residential [Item 2(c) in Table 1]	YES
	(c) Trade Waste [Item 2(d) in Table 1]	YES
	DSP with Commercial Developer Charges [Item 2(e) in Table 1]	YES
	Liquid Trade Waste Approvals & Policy [Item 2(f) in Table 1]	YES
(iii)	Complete Performance Reporting Form (by 15 September each year)	YES
(iv)	a. Integrated Water Cycle Management Evaluation	YES
	b. Complete and implement Integrated Water Cycle Management Strategy	YES

KYOGLÉ COUNCIL

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2012

Note 3. Sewerage Business Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in **WHOLE DOLLARS** (unless otherwise indicated) **2012**

National Water Initiative (NWI) Financial Performance Indicators

NWI F2	Total Revenue (Sewerage) Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10)	\$'000	1,266
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	21,460
NWI F12	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	821
NWI F15	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	552
NWI F18	Economic Real Rate of Return (Sewerage) [Total Income (s14) - Interest Income (s10) - Grants for acquisition of Assets (s12a) - Operating cost (NWI F12) - Current cost depreciation (s3)] x 100 divided by [Written down current cost (ie. WDCC) of System Assets (s48) + Plant & Equipment (s34b)]	%	0.51%
NWI F27	Capital Works Grants (Sewerage) Grants for the Acquisition of Assets (12a)	\$'000	-

National Water Initiative (NWI) Financial Performance Indicators Water & Sewer (combined)

NWI F3	Total Income (Water & Sewerage) Total Income (w13 + s14) + Gain/Loss on disposal of assets (w14 + s15) minus Grants for acquisition of assets (w11a + s12a) - Interest Income (w9 + s10)	\$'000	2,046
NWI F8	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	2.54%
NWI F16	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	1,340
NWI F19	Economic Real Rate of Return (Water & Sewerage) [Total Income (w13 + s14) - Interest Income (w9 + s10) - Grants for acquisition of assets (w11a + s12a) - Operating Cost (NWI F11 + NWI F12) - Current cost depreciation (w3 + s3)] x 100 divided by [Written down replacement cost of fixed assets (NWI F9 + NWI F10) + Plant & equipment (w33b + s34b)]	%	0.54%
NWI F20	Dividend (Water & Sewerage) Dividend paid from surplus (2(v) of Note 2 + 2(v) of Note 3)	\$'000	-
NWI F21	Dividend Payout Ratio (Water & Sewerage) Dividend (NWI F20) x 100 divided by Net Profit after tax (NWI F24)	%	0.00%

KYOGLE COUNCIL

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2012

Note 3. Sewerage Business Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)

2012

National Water Initiative (NWI) Financial Performance Indicators Water & Sewer (combined)

NWI F22	Net Debt to Equity (Water & Sewerage) Overdraft (w36 + s37) + Borrowings (w38 + s39) - Cash & Investments (w30 + s31) x 100 divided by [Total Assets (w35 + s36) - Total Liabilities (w40 + s41)]	%	-0.87%
NWI F23	Interest Cover (Water & Sewerage) Earnings before Interest & Tax (EBIT) divided by Net Interest Earnings before Interest & Tax (EBIT): 178 Operating Result (w15a + s16a) + Interest expense (w4a + s4a) - Interest Income (w9 + s10) - Gain/Loss on disposal of assets (w14 + s15) + Miscellaneous Expenses (w4b + w4c + s4b + s4c) Net Interest: 69 Interest Expense (w4a + s4a) - Interest Income (w9 + s10)		3
NWI F24	Net Profit After Tax (Water & Sewerage) Surplus before dividends (w15a + s16a) - Tax equivalents paid (Note 2-1(iv) + Note 3-1(iv))	\$'000	(230)
NWI F25	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	52

- Notes:
- References to w (eg. s12) refer to item numbers within Special Schedules No. 5 & 6 of Council's Annual Financial Statements.
 - The NWI Performance Indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators & Definitions.



Thomas Noble & Russell
Accountants | Auditors | Business Advisers

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 2012, 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.

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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:

- a) Have been prepared in accordance with the requirements of those applicable Australian Accounting Standards detailed in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting;
 - i. Are consistent with the Council's accounting records;
 - ii. Present fairly, in all material respects, the financial position of Council's nominated Business Activities as at 30 June 2012 and the results of their operations for the year then ended;
- b) All information relevant to the conduct of the audit has been obtained; and
- c) There are no material deficiencies in the accounting records or financial statements that we have become aware of in the course of the audit.

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.

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 2012 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.

THOMAS NOBLE & RUSSELL CHARTERED ACCOUNTANTS

G W DWYER (Partner)
Registered Company Auditor

Dated at Lismore this 31st day of October 2012.



KYOGLE COUNCIL

SPECIAL SCHEDULES
for the year ended 30 June 2012

Gateway to the Rainforests



KYOGLE COUNCIL

Special Schedules

for the financial year ended 30 June 2012

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¹ Special Purpose Schedules are not audited.

Background

- (i) These Special Schedules have been designed to meet the requirements of special purpose users such as;
- the NSW Grants Commission
 - the Australian Bureau of Statistics (ABS),
 - the NSW Office of Water,
 - the Department of Environment, Climate Change and Water, and
 - the Division of Local Government (DLG).
- (ii) The financial data is collected for various uses including;
- the allocation of Financial Assistance Grants,
 - the incorporation of Local Government financial figures in national statistics,
 - the monitoring of loan approvals,
 - the allocation of borrowing rights, and
 - the monitoring of the financial activities of specific services.

KYOGLE COUNCIL

Special Schedule No. 1 - Net Cost of Services

for the financial year ended 30 June 2012

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Governance	147	-	-	(147)
Administration	2,150	101	-	(2,049)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	328	(126)	3	(451)
Beach Control	-	-	-	-
Enforcement of Local Govt. Regulations	-	-	-	-
Animal Control	131	18	-	(113)
Other	-	-	-	-
Total Public Order & Safety	459	(108)	3	(564)
Health	180	132	-	(48)
Environment				
Noxious Plants and Insect/Vermin Control	101	-	-	(101)
Other Environmental Protection	-	-	-	-
Solid Waste Management	1,384	1,308	55	(21)
Street Cleaning	-	-	-	-
Drainage	371	122	1,299	1,050
Stormwater Management	-	-	-	-
Total Environment	1,856	1,430	1,354	928
Community Services and Education				
Administration & Education	123	20	20	(83)
Social Protection (Welfare)	-	-	-	-
Aged Persons and Disabled	-	-	-	-
Children's Services	-	-	-	-
Total Community Services & Education	123	20	20	(83)
Housing and Community Amenities				
Public Cemeteries	157	102	-	(55)
Public Conveniences	34	-	-	(34)
Street Lighting	104	31	-	(73)
Town Planning	349	103	-	(246)
Other Community Amenities	-	-	-	-
Total Housing and Community Amenities	644	236	-	(408)
Water Supplies	1,079	1,024	95	40
Sewerage Services	1,564	1,095	198	(271)

KYOGLE COUNCIL

Special Schedule No. 1 - Net Cost of Services (continued)

for the financial year ended 30 June 2012

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Recreation and Culture				
Public Libraries	345	41	-	(304)
Museums	-	-	-	-
Art Galleries	65	4	-	(61)
Community Centres and Halls	517	32	2	(483)
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	-	-	-	-
Sporting Grounds and Venues	-	-	-	-
Swimming Pools	625	85	-	(540)
Parks & Gardens (Lakes)	588	18	32	(538)
Other Sport and Recreation	-	-	-	-
Total Recreation and Culture	2,140	180	34	(1,926)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	66	35	-	(31)
Other Mining, Manufacturing & Construction	325	460	-	135
Total Mining, Manufacturing and Const.	391	495	-	104
Transport and Communication				
Urban Roads (UR) - Local	642	15	1,394	767
Urban Roads - Regional	-	-	-	-
Sealed Rural Roads (SRR) - Local	5,112	2,050	520	(2,542)
Sealed Rural Roads (SRR) - Regional	2,420	1,380	544	(496)
Unsealed Rural Roads (URR) - Local	2,935	-	-	(2,935)
Unsealed Rural Roads (URR) - Regional	-	-	-	-
Bridges on UR - Local	-	-	-	-
Bridges on SRR - Local	2,496	-	420	(2,076)
Bridges on URR - Local	-	-	-	-
Bridges on Regional Roads	-	-	-	-
Parking Areas	-	-	-	-
Footpaths	-	-	-	-
Aerodromes	-	-	-	-
Other Transport & Communication	3,070	4,208	-	1,138
Total Transport and Communication	16,675	7,653	2,878	(6,144)
Economic Affairs				
Camping Areas & Caravan Parks	-	-	-	-
Other Economic Affairs	117	6	-	(111)
Total Economic Affairs	117	6	-	(111)
Totals – Functions	27,525	12,264	4,582	(10,679)
General Purpose Revenues⁽²⁾		10,282		10,282
Share of interests - joint ventures & associates using the equity method	-	-		-
NET OPERATING RESULT⁽¹⁾	27,525	22,546	4,582	(397)

(1) As reported in the Income Statement | (2) Includes: Rates & Annual Charges (incl. Ex Gratia, excl. Water & Sewer), Non Capital General Purpose Grants & Interest on Investments (excl. Ext. Restricted Assets)

KYOGLE COUNCIL

Special Schedule No. 2(a) - Statement of Long Term Debt (all purpose)

for the financial year ended 30 June 2012

\$'000

Classification of Debt	Principal outstanding at beginning of the year			New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the year		
	Current	Non Current	Total		From Revenue	Sinking Funds			Current	Non Current	Total
Loans (by Source)											
Commonwealth Government	-	-	-							-	-
Treasury Corporation	-	-	-							-	-
Other State Government	-	-	-							-	-
Public Subscription	-	-	-							-	-
Financial Institutions	29	1,241	1,270		29			96	31	1,210	1,241
Other	-	-	-							-	-
Total Loans	29	1,241	1,270	-	29	-	-	96	31	1,210	1,241
Other Long Term Debt											
Ratepayers Advances	-	-	-							-	-
Government Advances	-	-	-							-	-
Finance Leases	-	-	-							-	-
Deferred Payments	-	-	-							-	-
Total Long Term Debt	-	-	-	-	-	-	-	-	-	-	-
Total Debt	29	1,241	1,270	-	29	-	-	96	31	1,210	1,241

Notes: Excludes (i) Internal Loans & (ii) Principal Inflows/Outflows relating to Loan Re-Financing.

This Schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which are reported in the GPFS).

KYOGLE COUNCIL

Special Schedule No. 2(b) - Statement of Internal Loans [Section 410(3) LGA 1993] for the financial year ended 30 June 2012

\$'000

Summary of Internal Loans

Borrower (by purpose)	Amount originally raised	Total repaid during the year (Principal & Interest)	Principal Outstanding at end of year
General			
Water			
Sewer			
Domestic Waste Management			
Gas			
Other			
Totals	-	-	-

Note: The summary of Internal Loans (above) represents the total of Council's Internal Loans categorised according to the borrower.

Details of Individual Internal Loans

Borrower (by purpose)	Lender (by purpose)	Date of Minister's Approval	Date Raised	Term (years)	Dates of Maturity	Rate of Interest	Amount Originally raised	Total repaid during year (Princ. & Int.)	Principal Outstanding at end of year
Totals							-	-	-

KYOGLE COUNCIL

Special Schedule No. 3 - Water Supply Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2012

\$'000	Actuals 2012	Actuals 2011
A Expenses and Income Expenses		
1. Management expenses		
a. Administration	129	236
b. Engineering and Supervision	81	79
2. Operation and Maintenance expenses		
- Dams & Weirs		
a. Operation expenses	-	-
b. Maintenance expenses	-	-
- Mains		
c. Operation expenses	-	-
d. Maintenance expenses	148	91
- Reservoirs		
e. Operation expenses	-	-
f. Maintenance expenses	41	13
- Pumping Stations		
g. Operation expenses (excluding energy costs)	-	-
h. Energy costs	80	66
i. Maintenance expenses	105	101
- Treatment		
j. Operation expenses (excluding chemical costs)	235	195
k. Chemical costs	11	8
l. Maintenance expenses	-	-
- Other		
m. Operation expenses	-	-
n. Maintenance expenses	-	41
o. Purchase of water	32	31
3. Depreciation expenses		
a. System assets	188	215
b. Plant and equipment	-	-
4. Miscellaneous expenses		
a. Interest expenses	24	24
b. Revaluation Decrements	-	-
c. Other expenses	-	-
d. Tax Equivalents Dividends (actually paid)	-	-
5. Total expenses	1,074	1,100

KYOGLE COUNCIL

Special Schedule No. 3 - Water Supply Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2012

\$'000	Actuals 2012	Actuals 2011
Income		
6. Residential charges		
a. Access (including rates)	371	328
b. Usage charges	276	269
7. Non-residential charges		
a. Access (including rates)	140	139
b. Usage charges	166	175
8. Extra charges	11	2
9. Interest income	-	-
10. Other income	13	12
11. Grants		
a. Grants for acquisition of assets	-	156
b. Grants for pensioner rebates	26	27
c. Other grants	22	-
12. Contributions		
a. Developer charges	49	4
b. Developer provided assets	45	-
c. Other contributions	-	-
13. Total income	<u>1,119</u>	<u>1,112</u>
14. Gain (or loss) on disposal of assets	(4)	(4)
15. Operating Result	<u>41</u>	<u>8</u>
15a. Operating Result (less grants for acquisition of assets)	41	(148)

KYOGLE COUNCIL

Special Schedule No. 3 - Water Supply Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2012

\$'000	Actuals 2012	Actuals 2011
B Capital transactions		
Non-operating expenditures		
16. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	-	-
b. New Assets for Growth	612	68
c. Renewals	176	51
d. Plant and equipment	-	-
17. Repayment of debt		
a. Loans	10	9
b. Advances	-	-
c. Finance leases	-	-
18. Transfer to sinking fund	-	-
19. Totals	798	128
Non-operating funds employed		
20. Proceeds from disposal of assets	-	-
21. Borrowing utilised		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
22. Transfer from sinking fund	-	-
23. Totals	-	-
C Rates and charges		
24. Number of assessments		
a. Residential (occupied)	1,641	1,499
b. Residential (unoccupied, ie. vacant lot)	94	88
c. Non-residential (occupied)	257	356
d. Non-residential (unoccupied, ie. vacant lot)	-	-
25. Number of ETs for which developer charges were received	49 ET	4 ET
26. Total amount of pensioner rebates (actual dollars)	\$ 48,429	\$ 48,824

KYOGLE COUNCIL

Special Schedule No. 3 - Water Supply Cross Subsidies for the financial year ended 30 June 2012

\$'000	Yes	No	Amount
D Best practice annual charges and developer charges*			
27. Annual charges			
a. Does Council have best-practice water supply annual charges and usage charges*?	<input type="checkbox"/> Yes	<input type="checkbox"/>	
If Yes, go to 28a.			
If No, please report if council has removed land value from access charges (ie rates)?	<input type="checkbox"/>	<input type="checkbox"/>	
NB. Such charges for both residential customers and non-residential customers comply with section 3.2 of Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.			
b. Cross-subsidy from residential customers using less than allowance (page 25 of Guidelines)			<input type="text"/>
c. Cross-subsidy to non-residential customers (page 24 of Guidelines)			<input type="text"/>
d. Cross-subsidy to large connections in unmetered supplies (page 26 of Guidelines)			<input type="text"/>
28. Developer charges			
a. Has council completed a water supply Development Servicing** Plan?	<input type="checkbox"/> Yes	<input type="checkbox"/>	
b. Total cross-subsidy in water supply developer charges for 2011/12 (page 47 of Guidelines)			<input type="text"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
29. Disclosure of cross-subsidies			
Total of cross-subsidies (27b +27c + 27d + 28b)			<input type="text" value="-"/>

* 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 Balance Sheet

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2012

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
30. Cash and investments			
a. Developer charges	-	-	-
b. Special purpose grants	-	-	-
c. Accrued leave	44	-	44
d. Unexpended loans	-	-	-
e. Sinking fund	-	-	-
f. Other	593	-	593
31. Receivables			
a. Specific purpose grants	-	-	-
b. Rates and Availability Charges	148	-	148
c. Other (including User Charges)	152	-	152
32. Inventories	-	-	-
33. Property, plant and equipment			
a. System assets	-	11,388	11,388
b. Plant and equipment	-	-	-
34. Other assets	-	-	-
35. Total assets	<u>937</u>	<u>11,388</u>	<u>12,325</u>
LIABILITIES			
36. Bank overdraft	-	-	-
37. Creditors	528	-	528
38. Borrowings			
a. Loans	10	267	277
b. Advances	-	-	-
c. Finance leases	-	-	-
39. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	44	-	44
40. Total liabilities	<u>582</u>	<u>267</u>	<u>849</u>
41. NET ASSETS COMMITTED	<u>355</u>	<u>11,121</u>	<u>11,476</u>
EQUITY			
42. Accumulated surplus			7,952
43. Asset revaluation reserve			3,524
44. TOTAL EQUITY			<u>11,476</u>
Note to system assets:			
45. Current replacement cost of system assets			20,649
46. Accumulated current cost depreciation of system assets			(9,261)
47. Written down current cost of system assets			<u>11,388</u>

KYOGLE COUNCIL

Special Schedule No. 5 - Sewerage Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2012

\$'000	Actuals 2012	Actuals 2011
A Expenses and Income Expenses		
1. Management expenses		
a. Administration	170	139
b. Engineering and Supervision	65	63
2. Operation and Maintenance expenses		
- Mains		
a. Operation expenses	-	-
b. Maintenance expenses	58	66
- Pumping Stations		
c. Operation expenses (excluding energy costs)	151	85
d. Energy costs	38	9
e. Maintenance expenses	-	-
- Treatment		
f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	271	256
g. Chemical costs	51	49
h. Energy costs	17	18
i. Effluent Management	-	-
j. Biosolids Management	-	-
k. Maintenance expenses	-	-
- Other		
l. Operation expenses	-	-
m. Maintenance expenses	-	-
3. Depreciation expenses		
a. System assets	336	333
b. Plant and equipment	-	-
4. Miscellaneous expenses		
a. Interest expenses	72	73
b. Revaluation Decrements	-	-
c. Other expenses	-	12
d. Tax Equivalent Dividends (actually paid)	-	-
5. Total expenses	1,229	1,103

KYOGLE COUNCIL

Special Schedule No. 5 - Sewerage Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2012

\$'000	Actuals 2012	Actuals 2011
Income		
6. Residential charges (including rates)	820	817
7. Non-residential charges		
a. Access (including rates)	-	72
b. Usage charges	177	118
8. Trade Waste Charges		
a. Annual Fees	10	10
b. Usage charges	15	17
c. Excess mass charges	-	-
d. Re-inspection fees	-	-
9. Extra charges	10	-
10. Interest income	27	28
11. Other income	9	5
12. Grants		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	26	26
c. Other grants	1	-
13. Contributions		
a. Developer charges	49	3
b. Developer provided assets	149	-
c. Other contributions	-	-
14. Total income	<u>1,293</u>	<u>1,096</u>
15. Gain (or loss) on disposal of assets	(335)	(192)
16. Operating Result	<u>(271)</u>	<u>(199)</u>
16a. Operating Result (less grants for acquisition of assets)	(271)	(199)

KYOGLE COUNCIL

Special Schedule No. 5 - Sewerage Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2012

\$'000	Actuals 2012	Actuals 2011
B Capital transactions		
Non-operating expenditures		
17. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	-	-
b. New Assets for Growth	149	-
c. Renewals	403	174
d. Plant and equipment	-	-
18. Repayment of debt		
a. Loans	19	27
b. Advances	-	-
c. Finance leases	-	-
19. Transfer to sinking fund	-	-
20. Totals	571	201
Non-operating funds employed		
21. Proceeds from disposal of assets	-	-
22. Borrowing utilised		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
23. Transfer from sinking fund	-	-
24. Totals	-	-
C Rates and charges		
25. Number of assessments		
a. Residential (occupied)	1,464	1,490
b. Residential (unoccupied, ie. vacant lot)	129	97
c. Non-residential (occupied)	196	196
d. Non-residential (unoccupied, ie. vacant lot)	-	-
26. Number of ETs for which developer charges were received	49 ET	3 ET
27. Total amount of pensioner rebates (actual dollars)	\$ 46,441	\$ 46,855

KYOGLE COUNCIL

Special Schedule No. 5 - Sewerage Cross Subsidies for the financial year ended 30 June 2012

\$'000	Yes	No	Amount
D Best practice annual charges and developer charges*			
28. Annual charges			
a. Does Council have best-practice sewerage annual charges, usage charges and trade waste fees & charges*?	<input type="checkbox"/> Yes	<input type="checkbox"/>	
If Yes, go to 29a.			
If No, please report if council has removed land value from access charges (ie rates)?	<input type="checkbox"/>	<input type="checkbox"/>	
NB. Such charges for both residential customers and non-residential customers comply with section 4.2 & 4.3 of the Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.			
b. Cross-subsidy to non-residential customers (page 45 of Guidelines)			<input type="text"/>
c. Cross-subsidy to trade waste discharges (page 46 of Guidelines)			<input type="text"/>
29. Developer charges			
a. Has council completed a sewerage Development Servicing** Plan?	<input type="checkbox"/> Yes	<input type="checkbox"/>	
b. Total cross-subsidy in sewerage developer charges for 2011/12 (page 47 of Guidelines)			<input type="text"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
30. Disclosure of cross-subsidies			
Total of cross-subsidies (28b + 28c + 29b)			<input type="text" value="-"/>

* Councils which have not yet implemented best practice sewer pricing & liquid 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 waste pricing and is phasing in such pricing over a period of 3 years.

KYOGLE COUNCIL

Special Schedule No. 6 - Sewerage Balance Sheet

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2012

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
31. Cash and investments			
a. Developer charges	23	-	23
b. Special purpose grants	-	-	-
c. Accrued leave	44	-	44
d. Unexpended loans	-	-	-
e. Sinking fund	-	-	-
f. Other	826	-	826
32. Receivables			
a. Specific purpose grants	-	-	-
b. Rates and Availability Charges	185	-	185
c. Other (including User Charges)	72	-	72
33. Inventories	-	-	-
34. Property, plant and equipment			
a. System assets	-	21,460	21,460
b. Plant and equipment	-	-	-
35. Other assets	-	-	-
36. Total Assets	<u>1,150</u>	<u>21,460</u>	<u>22,610</u>
LIABILITIES			
37. Bank overdraft	-	-	-
38. Creditors	5	-	5
39. Borrowings			
a. Loans	21	943	964
b. Advances	-	-	-
c. Finance leases	-	-	-
40. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	44	-	44
41. Total Liabilities	<u>70</u>	<u>943</u>	<u>1,013</u>
42. NET ASSETS COMMITTED	<u>1,080</u>	<u>20,517</u>	<u>21,597</u>
EQUITY			
42. Accumulated surplus			8,975
44. Asset revaluation reserve			12,622
45. TOTAL EQUITY			<u>21,597</u>
Note to system assets:			
46. Current replacement cost of system assets			27,502
47. Accumulated current cost depreciation of system assets			(6,042)
48. Written down current cost of system assets			<u>21,460</u>

KYOGLE COUNCIL

Notes to Special Schedule No.'s 3 & 5 for the financial year ended 30 June 2012

Administration ⁽¹⁾

(item 1a of Special Schedules 3 and 5) comprises the following:

- Administration staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.
- Meter reading.
- Bad and doubtful debts.
- Other administrative/corporate support services.

Engineering and supervision ⁽¹⁾

(item 1b of Special Schedules 3 and 5) comprises the following:

- Engineering staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.
- Other technical and supervision staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.

Operational expenses (item 2 of Special Schedules 3 and 5) comprise the day to day operational expenses excluding maintenance expenses.

Maintenance expenses (item 2 of Special Schedules 3 and 5) comprise the day to day repair and maintenance expenses. (Refer to Section 5 of the Local Government Asset Accounting Manual regarding capitalisation principles and the distinction between capital and maintenance expenditure).

Other expenses (item 4c of Special Schedules 3 and 5) includes all expenses not recorded elsewhere.

Revaluation decrements (item 4b of Special Schedules 3 and 5) is to be used when I,PP&E decreases in FV.

Residential charges ⁽²⁾ (items 6a, 6b and item 6 of Special Schedules 3 and 5 respectively) include all income from residential charges. Item 6 of Schedule 3 should be separated into 6a Access Charges (including rates if applicable) and 6b Usage Charges.

Non-residential charges ⁽²⁾ (items 7a, 7b of Special Schedules 3 and 5) include all income from non-residential charges separated into 7a Access Charges (including rates if applicable) and 7b Usage Charges.

Trade waste charges (item 8 of Special Schedule 5) include all income from trade waste charges separated into 8a Annual Fees, 8b Usage Charges and 8c Excess Mass Charges and 8d Re-inspection Fees.

Other income (items 10 and 11 of Special Schedules 3 and 5 respectively) include all income not recorded elsewhere.

Other contributions (items 12c and 13c of Special Schedules 3 and 5 respectively) incl. capital contributions for water supply or sewerage services received by Council under Section 565 of the Local Government Act.

Notes:

⁽¹⁾ Administration and engineering costs for the development of capital works projects should be reported as part of the capital cost of the project and not as part of the recurrent expenditure (ie. in item 16 for water supply and item 17 for sewerage, and **not** in items 1a and 1b).

⁽²⁾ To enable accurate reporting of **residential revenue from usage charges**, it is essential for councils to accurately separate their residential (item 6) charges and non-residential (item 7) charges.

KYOGLE COUNCIL

Special Schedule No. 8 - Financial Projections

as at 30 June 2012

\$'000	Actual ⁽¹⁾ 11/12	Forecast 12/13	Forecast 13/14	Forecast ⁽³⁾ 14/15	Forecast ⁽³⁾ 15/16
(i) OPERATING BUDGET					
Income from continuing operations	27,128	18,403	18,217	20,994	18,588
Expenses from continuing operations	27,525	16,864	17,171	17,674	18,164
Operating Result from Continuing Operations	<u>(397)</u>	<u>1,539</u>	<u>1,046</u>	<u>3,320</u>	<u>424</u>
(ii) CAPITAL BUDGET					
New Capital Works ⁽²⁾	2,839	1,086	856	4,745	740
Replacement/Refurbishment of Existing Assets	7,192	5,813	5,104	4,741	4,163
Total Capital Budget	<u>10,031</u>	<u>6,899</u>	<u>5,960</u>	<u>9,486</u>	<u>4,903</u>
Funded by:					
– Loans	-	300	-	2,000	-
– Asset sales	608	524	540	556	573
– Reserves	2,777	2,008	2,177	2,710	1,659
– Grants/Contributions	4,582	2,266	1,980	4,220	1,260
– Recurrent revenue	2,064	1,801	1,263	-	1,411
– Other	-	-	-	-	-
	<u>10,031</u>	<u>6,899</u>	<u>5,960</u>	<u>9,486</u>	<u>4,903</u>

Notes:

(1) From 11/12 Income Statement.

(2) New Capital Works are major non-recurrent projects, eg new Leisure Centre, new Library, new Swimming pool etc.

(3) If Council has only adopted 3 years of projections then only show 3 years.

(4) Financial Projections should be in accordance with Council's Integrated Planning & Reporting framework.