



KYOGLE COUNCIL

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2014

Gateway to the Rainforests



KYOGLE COUNCIL

General Purpose Financial Statements for the financial year ended 30 June 2014

Contents	Page
1. Statement by Councillors & Management	2
2. Primary Financial Statements:	
- Income Statement	3
- Statement of Comprehensive Income	4
- Statement of Financial Position	5
- Statement of Changes in Equity	6
- Statement of Cash Flows	7
3. Notes to the Financial Statements	8
4. Independent Auditor's Reports:	
- On the Financial Statements (Sect 417 [2])	
- On the Conduct of the Audit (Sect 417 [3])	

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 detailed in Paragraph 8 of the LGA and includes giving Council;

- the ability to provide goods, services & facilities, and to carry out activities appropriate to the current & future needs of the local community and of the wider public,
- the responsibility for administering regulatory requirements under the LGA and
- a role in the management, improvement and development of the resources in the 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 27 October 2014. Council has the power to amend and reissue these financial statements.
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KYOGLE COUNCIL

General Purpose Financial Statements for the financial year ended 30 June 2014

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:

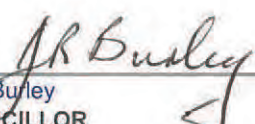
- present fairly the Council's operating result and financial position for the year, and
- accords with Council's accounting and other records.

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 27 October 2014.



Danielle Mulholland
MAYOR



John Burley
COUNCILLOR



Arthur Piggott
GENERAL MANAGER



Glenn Rose
RESPONSIBLE ACCOUNTING OFFICER

KYOGLE COUNCIL

Income Statement

for the financial year ended 30 June 2014

Budget ¹ 2014	\$ '000	Notes	Actual 2014	Actual 2013
Income from Continuing Operations				
Revenue:				
7,141	Rates & Annual Charges	3a	7,509	7,038
4,246	User Charges & Fees	3b	4,999	7,575
410	Interest & Investment Revenue	3c	641	800
9	Other Revenues	3d	100	23
5,113	Grants & Contributions provided for Operating Purposes	3e,f	4,640 ²	7,277
2,056	Grants & Contributions provided for Capital Purposes	3e,f	2,094	4,839
Other Income:				
366	Net gains from the disposal of assets	5	-	-
	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	-	-
19,341	Total Income from Continuing Operations		19,983	27,552
Expenses from Continuing Operations				
7,537	Employee Benefits & On-Costs	4a	7,211	6,625
110	Borrowing Costs	4b	132	121
3,825	Materials & Contracts	4c	5,770	9,477
7,721	Depreciation & Amortisation	4d	7,664	7,589
	Impairment	4d	-	-
1,953	Other Expenses	4e	1,931	1,812
	Interest & Investment Losses	3c	-	-
	Net Losses from the Disposal of Assets	5	1,907	1,493
	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	-	-
21,146	Total Expenses from Continuing Operations		24,615	27,117
(1,805)	Operating Result from Continuing Operations		(4,632)	435
Discontinued Operations				
	Net Profit/(Loss) from Discontinued Operations	24	-	-
(1,805)	Net Operating Result for the Year		(4,632)	435
(1,805)	Net Operating Result attributable to Council		(4,632)	435
	Net Operating Result attributable to Non-controlling Interests		-	-
(3,861)	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		(6,726)	(4,404)

¹ Original Budget as approved by Council - refer Note 16

² Financial Assistance Grants for 13/14 are lower, reflecting a timing difference due to a change in how the grant is paid - refer Note 3 (e)

KYOGLE COUNCIL

Statement of Comprehensive Income for the financial year ended 30 June 2014

\$ '000	Notes	Actual 2014	Actual 2013
Net Operating Result for the year (as per Income statement)		(4,632)	435
Other Comprehensive Income:			
<i>Amounts which will not be reclassified subsequently to the Operating Result</i>			
Gain (loss) on revaluation of I,PP&E	20b (ii)	7,345	10,916
Adjustment to correct prior period errors		-	-
Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-
Other Movements in reserves (enter details here)	20b (ii)	-	-
Other Movements		-	-
Total Items which will not be reclassified subsequently to the Operating Result		7,345	10,916
Total Other Comprehensive Income for the year		7,345	10,916
Total Comprehensive Income for the Year		2,713	11,351
Total Comprehensive Income attributable to Council		2,713	11,351
Total Comprehensive Income attributable to Non-controlling Interests		-	-

KYOGLE COUNCIL

Statement of Financial Position

as at 30 June 2014

\$ '000	Notes	Actual 2014	Actual 2013
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	14,776	18,135
Investments	6b	-	-
Receivables	7	5,562	4,334
Inventories	8	971	779
Other	8	-	265
Non-current assets classified as "held for sale"	22	-	-
Total Current Assets		21,309	23,513
Non-Current Assets			
Investments	6b	-	-
Receivables	7	-	-
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	292,541	288,064
Investments accounted for using the equity method	19	-	-
Investment Property	14	-	-
Intangible Assets	25	-	-
Non-current assets classified as "held for sale"	22	-	-
Other	8	-	-
Total Non-Current Assets		292,541	288,064
TOTAL ASSETS		313,850	311,577
LIABILITIES			
Current Liabilities			
Payables	10	1,288	1,497
Borrowings	10	271	32
Provisions	10	1,688	1,836
Total Current Liabilities		3,247	3,365
Non-Current Liabilities			
Payables	10	145	145
Borrowings	10	907	1,178
Provisions	10	1,575	1,626
Total Non-Current Liabilities		2,627	2,949
TOTAL LIABILITIES		5,874	6,314
Net Assets		307,976	305,263
EQUITY			
Retained Earnings	20	142,022	146,654
Revaluation Reserves	20	165,954	158,609
Council Equity Interest		307,976	305,263
Non-controlling Interests		-	-
Total Equity		307,976	305,263

This Statement should be read in conjunction with the accompanying Notes.

page 5

KYOGLE COUNCIL

Statement of Changes in Equity for the financial year ended 30 June 2014

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non- controlling Interest	Total Equity
2014						
Opening Balance (as per Last Year's Audited Accounts)		146,654	158,609	305,263	-	305,263
Revised Opening Balance (as at 1/7/13)		146,654	158,609	305,263	-	305,263
c. Net Operating Result for the Year		(4,632)	-	(4,632)	-	(4,632)
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	7,345	7,345	-	7,345
Equity - Balance at end of the reporting period		142,022	165,954	307,976	-	307,976

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non- controlling Interest	Total Equity
2013						
Opening Balance (as per Last Year's Audited Accounts)		146,219	147,693	293,912	-	293,912
Revised Opening Balance (as at 1/7/12)		146,219	147,693	293,912	-	293,912
c. Net Operating Result for the Year		435	-	435	-	435
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	10,916	10,916	-	10,916
Equity - Balance at end of the reporting period		146,654	158,609	305,263	-	305,263

KYOGLE COUNCIL

Statement of Cash Flows

for the financial year ended 30 June 2014

Budget 2014	\$ '000	Notes	Actual 2014	Actual 2013
Cash Flows from Operating Activities				
Receipts:				
7,141	Rates & Annual Charges		7,508	6,913
4,246	User Charges & Fees		2,992	8,954
410	Investment & Interest Revenue Received		591	814
7,169	Grants & Contributions		7,659	9,014
-	Bonds, Deposits & Retention amounts received	10	1	44
375	Other		108	53
Payments:				
(7,537)	Employee Benefits & On-Costs		(7,348)	(6,599)
(3,825)	Materials & Contracts		(6,238)	(10,077)
(110)	Borrowing Costs		(92)	(93)
(1,953)	Other		(1,702)	(2,079)
5,916	Net Cash provided (or used in) Operating Activities	11b	3,479	6,944
Cash Flows from Investing Activities				
Receipts:				
366	Sale of Infrastructure, Property, Plant & Equipment	5	460	569
Payments:				
(6,130)	Purchase of Infrastructure, Property, Plant & Equipment		(7,266)	(7,918)
(5,764)	Net Cash provided (or used in) Investing Activities		(6,806)	(7,349)
Cash Flows from Financing Activities				
Receipts:				
Nil				
Payments:				
(47)	Repayment of Borrowings & Advances		(32)	(31)
(47)	Net Cash Flow provided (used in) Financing Activities		(32)	(31)
105	Net Increase/(Decrease) in Cash & Cash Equivalents		(3,359)	(436)
13,397	plus: Cash & Cash Equivalents - beginning of year	11a	18,135	18,571
13,502	Cash & Cash Equivalents - end of the year	11a	14,776	18,135

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 2014

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	9 - 26
2(a)	Council Functions / Activities - Financial Information	27
2(b)	Council Functions / Activities - Component Descriptions	28
3	Income from Continuing Operations	29 - 34
4	Expenses from Continuing Operations	35 - 38
5	Gains or Losses from the Disposal of Assets	39
6(a)	Cash & Cash Equivalent Assets	40
6(b)	Investments	40
6(c)	Restricted Cash, Cash Equivalents & Investments - Details	41 - 42
7	Receivables	43
8	Inventories & Other Assets	44
9(a)	Infrastructure, Property, Plant & Equipment	45
9(b)	Externally Restricted Infrastructure, Property, Plant & Equipment	46
9(c)	Infrastructure, Property, Plant & Equipment - Current Year Impairments	47
10(a)	Payables, Borrowings & Provisions	48 - 49
10(b)	Description of (and movements in) Provisions	49
11	Statement of Cash Flows - Additional Information	50 - 51
12	Commitments for Expenditure	52 - 53
13	Statement of Performance Measures:	
	13a (i) Local Government Industry Indicators (Consolidated)	54
	13a (ii) Local Government Industry Graphs (Consolidated)	55 - 56
	13b Local Government Industry Indicators (by Fund)	57
14	Investment Properties	58
15	Financial Risk Management	59 - 62
16	Material Budget Variations	63 - 64
17	Statement of Developer Contributions	65 - 66
18	Contingencies and Other Liabilities/Assets not recognised	67
19	Controlled Entities, Associated Entities & Interests in Joint Ventures	68
20	Equity - Retained Earnings and Revaluation Reserves	69
21	Financial Result & Financial Position by Fund	70 - 71
26	Reinstatement, Rehabilitation & Restoration Liabilities	72
27	Fair Value Measurement	73 - 84

Kyogle Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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 (AASBs), 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 Australian Accounting 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 AASBs 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 AASBs.

(iii) New and amended standards adopted by Council

During the current year, the following relevant standards became mandatory for Council and have been adopted:

- AASB 13 Fair Value Measurement
- AASB 119 Employee Benefits

AASB 13 Fair Value Measurement has not affected the assets or liabilities which are to be measured at fair value, however it provides detailed guidance on how to measure fair value in accordance with the accounting standards.

It introduces the concept of highest and best use for non-financial assets and has caused the Council to review their valuation methodology.

The level of disclosures regarding fair value have increased significantly and have been included in the financial statements at Note 27.

AASB 119 Employee Benefits introduced revised definitions for short-term employee benefits.

Whilst the Council has reviewed the annual leave liability to determine the level of annual leave which is expected to be paid more than 12 months after the end of the reporting period, there has been no effect on the amounts disclosed as leave liabilities since Council's existing valuation policy was to discount annual leave payable more than 12 months after the end of the reporting period to present values.

(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 2013.

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

Kyogle Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

(v) Basis of Accounting

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

- (i) certain financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets 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 non-current assets (eg. Infrastructure, Property, Plant & Equipment and Investment Property) 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.

(vii) Critical Accounting Estimates

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

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 Council 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 infrastructure, property, plant and equipment.
- (ii) Estimated remediation provisions.

Critical judgements in applying Council'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 it 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.

Kyogle Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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).

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

Rental income is accounted for on a straight-line basis over the lease term.

Interest income from Cash & Investments is accounted for using the effective interest rate at the date that interest is earned.

Dividend Income

Revenue is recognised when the Council's right to receive the payment is established, which is generally when shareholders approve the dividend.

Other Income

Other income is recorded when the payment is due, the value of the payment is notified or the payment is received, whichever occurs first.

(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 June 2014) and **(ii)** all the related operating results (for the financial year ended the 30th June 2014).

Kyogle Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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:

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 are 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.

Kyogle Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

(v) County Councils

Council is a member of the Far North Coast County Council, a body corporate under the Local Government Act) to control the 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 and the recognition of a finance charge.

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

For Statement of Cash Flows (and Statement of Financial Position) presentation purposes, cash and cash equivalents includes:

- cash on hand,
- deposits held **at call** with financial institutions,
- other short-term, highly liquid investments **with original maturities of three months or less** that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and
- bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position but are incorporated into Cash & Cash Equivalents for presentation of the Statement of Cash Flows.

(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.**

Kyogle Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

Each classification depends on the purpose/intention for which the investment was acquired and 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 “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 and/or are expected to be realised within 12 months of the reporting 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 reporting date which are classified as non-current assets.

(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.

Kyogle Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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.

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.

(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 reporting date.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques.

Kyogle Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

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

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 using the effective interest method, 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 (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.

Kyogle Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

Land Held for Resale/Capitalisation of Borrowing Costs

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

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

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

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made.

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

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

Acquisition of assets

Council's non-current assets are continually revalued (over a 5 year period) in accordance with the fair valuation policy as mandated by the Office of Local Government.

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

- **Investment Properties** – refer Note 1(p),
- **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** (External 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 (i.e. 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:

Kyogle Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

- Increases in the combined carrying amounts of asset classes arising on revaluation are credited to the asset revaluation reserve.
- To the extent that a net asset class increase reverses a decrease previously recognised via the profit or loss, then increase is first recognised in profit or loss.
- Net decreases that reverse previous increases of the same asset class 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.

All assets are indexed annually between full revaluations in accordance with the latest indices.

For all 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 (purchases after 30/6/08)	100% Capitalised

Plant & Equipment

Office Furniture	> \$5,000
Office Equipment	> \$5,000
Other Plant & Equipment	> \$5,000

Buildings & Land Improvements

Park Furniture & Equipment	> \$5,000
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Building

- construction/extensions	100% Capitalised
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- renovations	> \$10,000
Other Structures	> \$5,000

Water & Sewer Assets

Reticulation extensions	> \$10,000
Other	> \$10,000

Stormwater Assets

Drains & Culverts	> \$10,000
Other	> \$10,000

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 years
- Office furniture	5 years
- Computer Equipment	3 years
- Vehicles	10 years
- Heavy Plant/Road Making equip.	10 years
- Other plant and equipment	10 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	100 to 150 years
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Kyogle Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

- Culverts 100 to 150 years

Transportation Assets

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

- Road Pavements 100 years
 - Kerb, Gutter & Paths 30 to 70 years

Water & Sewer Assets

- Civil Works 100 years
 - Mechanical and Electrical 25 years
 - Reticulation pipes : PVC 150 years
 - Reticulation pipes : Other 40 to 100 years
 - Pumps and telemetry 25 years

Other Infrastructure Assets

- Bulk earthworks Infinite

All asset residual values and useful lives are reviewed and adjusted (if appropriate), at each reporting 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(s) 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.

Kyogle Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

(p) Investment property

Council has not classified any property as investment property.

(q) 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, e.g. 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 reporting 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 reporting 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

Kyogle Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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.

(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.

Where an asset is not held principally for cash generating purposes (for example Infrastructure Assets) and would be replaced if the Council was deprived of it then depreciated replacement cost is used as value in use, otherwise value in use is estimated by using a discounted cash flow model.

Non-financial assets (other than goodwill) that suffered a prior period impairment are reviewed for possible reversal of the impairment at each reporting date.

(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 Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired.

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

(u) Borrowing costs

Borrowing costs are expensed.

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;

Kyogle Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

- 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 wholly 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.

All other short-term employee benefit obligations are presented as payables.

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 and 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 wholly 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.

Due to the nature of when and how Long Service Leave can be taken, all Long Service Leave for employees with 5 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 5 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

Kyogle Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

in the Statement of Financial Position, 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.

The last valuation of the Scheme was performed by Mr Martin Stevenson BSc, FIA, FIAA on 20 February 2014 and covers the period ended 30 June 2014.

However the position is monitored annually and the Actuary has estimated that as at 30 June 2014 the prior period deficit still exists.

Effective from 1 July 2009, employers are required to contribute additional contributions to assist in extinguishing this deficit.

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of Superannuation Expenses at Note 4(a) for the year ending 30 June 2014 was \$ 244,723.

The amount of additional contributions included in the total employer contribution advised above is \$ 96,995.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$ 387,980 as at 30 June 2014.

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 30/6/14.

(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

Kyogle Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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 Statement of Financial Position 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 Statement of Financial Position.

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

Investing and Financing cash flows are treated on a net basis (where recoverable from the ATO), i.e. 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 interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2014.

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, associated standards, AASB 2009-11 Amendment to Australian Accounting Standard arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and transitional disclosures and AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (effective from 1 January 2017)

AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities.

The standard is not applicable until 1 January 2015 but is available for early adoption.

When adopted, the standard will affect in particular Council's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other

Kyogle Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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 although there is currently a proposal by the IASB to introduce a fair value through other comprehensive income category for debt instruments.

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 de-recognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed.

The Council has not yet fully assessed the impact on the reporting financial position and performance on adoption of AASB 9.

Applicable to Local Government but no implications for Council;

AASB 2013-3 Amendments to AASB 136 Recoverable Amount Disclosures for Non-Financial Assets (effective for 30 June 2015 Financial Statements)

There are no changes to reported financial position or performance from AASB 2013 – 3, however additional disclosures may be required.

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

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 for 30 June 2015 Financial Statements for not-for-profit entities)

This suite of five new and amended standards 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.

Kyogle Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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 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 2015.

There are no other standards that are "not yet effective" and expected to have a material impact on Council 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.

(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 2014

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 2014	Actual 2014	Actual 2013	Original Budget 2014	Actual 2014	Actual 2013	Original Budget 2014	Actual 2014	Actual 2013	Actual 2014	Actual 2013	Actual 2014	Actual 2013
Governance	-	-	-	172	146	154	(172)	(146)	(154)	-	-	-	-
Administration	108	73	101	2,729	2,172	2,018	(2,621)	(2,099)	(1,917)	-	-	8,850	11,126
Public Order & Safety	39	21	21	440	461	383	(401)	(440)	(362)	-	(3)	2,276	2,371
Health	128	120	161	343	176	182	(215)	(56)	(21)	-	-	11	17
Environment	-	1,831	1,790	-	1,966	2,195	-	(135)	(405)	544	560	-	-
Community Services & Education	13	60	47	96	117	93	(83)	(57)	(46)	60	41	783	781
Housing & Community Amenities	2,056	272	273	2,057	508	528	(1)	(236)	(255)	44	94	21,601	20,652
Water Supplies	1,394	1,266	1,085	1,067	1,476	1,109	327	(210)	(24)	27	51	12,324	12,034
Sewerage Services	1,170	1,168	1,115	1,222	1,196	1,192	(52)	(28)	(77)	26	26	23,637	23,084
Recreation & Culture	184	487	2,004	2,039	2,136	2,059	(1,855)	(1,649)	(55)	291	55	12,582	12,725
Fuel & Energy	-	-	-	-	-	-	-	-	-	-	-	-	-
Agriculture	-	-	-	-	-	-	-	-	-	-	-	-	-
Mining, Manufacturing & Construction	374	242	695	367	257	509	7	(15)	186	-	-	1,964	1,950
Transport & Communication	6,220	6,850	11,084	10,455	13,862	16,543	(4,235)	(7,012)	(5,459)	2,273	4,081	229,822	226,837
Economic Affairs	8	8	20	159	142	152	(151)	(134)	(132)	-	-	-	-
Total Functions & Activities	11,694	12,398	18,396	21,146	24,615	27,117	(9,452)	(12,217)	(8,721)	3,265	4,905	313,850	311,577
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)													
General Purpose Income ¹	7,647	7,585	9,156				7,647	7,585	9,156	2,026	3,747		
Operating Result from Continuing Operations	19,341	19,983	27,552	21,146	24,615	27,117	(1,805)	(4,632)	435	5,291	8,652	313,850	311,577

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

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2014

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,

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.

FUEL & ENERGY - Gas Supplies

AGRICULTURE

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, RMS 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 2014

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2014	Actual 2013
(a) Rates & Annual Charges			
Ordinary Rates			
Residential		2,051	1,922
Farmland		2,656	2,509
Mining		-	-
Business		237	220
Other		-	-
Total Ordinary Rates		4,944	4,651
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		796	751
Stormwater Management Services		-	-
Water Supply Services		630	549
Sewerage Services		934	891
Drainage		45	45
Waste Management Services (non-domestic)		160	151
Other		-	-
Total Annual Charges		2,565	2,387
<u>TOTAL RATES & ANNUAL CHARGES</u>		<u>7,509</u>	<u>7,038</u>

Council has used 2012 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 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(b) User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Domestic Waste Management Services		-	-
Water Supply Services		520	479
Sewerage Services		190	188
Drainage Services		-	-
Waste Management Services (non-domestic)		390	379
Other		-	-
Total User Charges		1,100	1,046
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
Art Galleries		5	5
Building Services - Other		32	23
Cemeteries		95	79
Inspection Services		45	62
Planning & Building Regulation		135	107
Pools		119	109
Private Works - Section 67		53	155
Quarries		195	662
RMS (formerly RTA) Charges (State Roads not controlled by Council)		3,086	5,140
Section 603 Certificates		15	12
Other		119	175
Total Fees & Charges - Statutory/Regulatory		3,899	6,529
TOTAL USER CHARGES & FEES		4,999	7,575

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(c) Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates)		98	138
- Interest earned on Investments (interest & coupon payment income)		537	647
- Interest & Dividend Income (Other)		6	15
Other		-	-
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>641</u>	<u>800</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges (General Fund)		77	116
General Council Cash & Investments		538	642
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		5	14
- Section 64		-	1
Water Fund Operations		4	5
Sewerage Fund Operations		10	15
Domestic Waste Management operations		7	7
<u>Total Interest & Investment Revenue Recognised</u>		<u>641</u>	<u>800</u>
(d) Other Revenues			
Insurance Claim Recoveries		71	-
Other		29	23
<u>TOTAL OTHER REVENUE</u>		<u>100</u>	<u>23</u>

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	2014 Operating	2013 Operating	2014 Capital	2013 Capital
(e) Grants				
General Purpose (Untied)				
Financial Assistance	1,907	3,631	-	-
Pensioners' Rates Subsidies - General Component	119	116	-	-
Other Grants	-	-	-	-
Total General Purpose	2,026	3,747	-	-
¹ The Financial Assistance Grant for 13/14 reflects a one off reduction due to the fact that this grant is no longer being paid in advance by up to 50% as has occurred in previous years - it does not represent a loss of income but is instead a timing difference.				
Specific Purpose				
Pensioners' Rates Subsidies:				
- Water	27	27	-	-
- Sewerage	26	26	-	-
- Domestic Waste Management	27	28	-	-
Water Supplies	-	-	-	24
Community Projects	73	28	53	25
Flood Restoration	67	384	-	-
Library	238	55	-	-
NSW Rural Fire Services	-	-	-	(3)
Street Lighting	32	32	-	-
Transport (Other Roads & Bridges Funding)	1,251	2,064	1,022	2,001
Flood Mitigation	-	-	320	-
Waste Sustainability	-	-	129	-
Other	-	50	-	164
Total Specific Purpose	1,741	2,694	1,524	2,211
Total Grants	3,767	6,441	1,524	2,211
Grant Revenue is attributable to:				
- Commonwealth Funding	5	3,634	832	829
- State Funding	3,762	2,807	692	1,382
- Other Funding	-	-	-	-
	3,767	6,441	1,524	2,211

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	2014 Operating	2013 Operating	2014 Capital	2013 Capital
(f) Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the LGA):				
S 94 - Contributions towards amenities/services	3	-	109	123
S 64 - Water Supply Contributions	-	-	4	2
S 64 - Sewerage Service Contributions	-	-	1	2
S 64 - Stormwater Contributions	-	-	-	1
Total Developer Contributions	3	-	114	128
	17			
Other Contributions:				
Crown Reserve Assets	-	-	-	1,785
Lions Club	-	-	8	42
Oxbow Road Infrastructure	-	-	-	384
RMS Contributions (Regional Roads, Block Grant)	836	825	421	241
Other	34	11	27	48
Total Other Contributions	870	836	456	2,500
Total Contributions	873	836	570	2,628
TOTAL GRANTS & CONTRIBUTIONS	4,640	7,277	2,094	4,839

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	Actual 2014	Actual 2013
(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	429	867
add: Grants & contributions recognised in the current period but not yet spent:	359	429
less: Grants & contributions recognised in a previous reporting period now spent:	(301)	(867)
Net Increase (Decrease) in Restricted Assets during the Period	58	(438)
Unexpended and held as Restricted Assets	487	429
Comprising:		
- Specific Purpose Unexpended Grants	295	47
- Developer Contributions	192	382
- Other Contributions	-	-
	487	429

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2014	Actual 2013
(a) Employee Benefits & On-Costs			
Salaries and Wages		5,578	5,468
Employee Leave Entitlements (ELE)		1,100	952
Superannuation - Defined Contribution Plans		520	451
Superannuation - Defined Benefit Plans		245	241
Workers' Compensation Insurance		317	221
Fringe Benefit Tax (FBT)		24	32
Training Costs (other than Salaries & Wages)		167	153
Other		125	66
Total Employee Costs		8,076	7,584
less: Capitalised Costs		(865)	(959)
TOTAL EMPLOYEE COSTS EXPENSED		7,211	6,625
Number of "Equivalent Full Time" Employees at year end		95	89
Number of "Equivalent Full Time" Employees at year end (incl. vacancies)			
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		91	93
Other Debts		-	-
Total Interest Bearing Liability Costs		91	93
less: Capitalised Costs		-	-
Total Interest Bearing Liability Costs Expensed		91	93
(ii) Other Borrowing Costs			
Discount adjustments relating to movements in Provisions (other than ELE)		-	-
- Remediation Liabilities	26	41	28
- Other Liabilities		-	-
Other Borrowing Costs		-	-
Total Other Borrowing Costs		41	28
TOTAL BORROWING COSTS EXPENSED		132	121

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(c) Materials & Contracts			
Raw Materials & Consumables		5,725	9,391
Auditors Remuneration ⁽¹⁾		45	47
Infringement Notice Contract Costs (SEINS)		-	-
Legal Expenses:			
- Legal Expenses: Other		-	39
Other		-	-
Total Materials & Contracts		5,770	9,477
less: Capitalised Costs		-	-
TOTAL MATERIALS & CONTRACTS		5,770	9,477

1. Auditor Remuneration

During the year, the following fees were incurred for services provided by the Council's Auditor (& the Auditors of other Consolidated Entities):

(i) Audit and Other Assurance Services

- Audit & review of financial statements: Council's Auditor	40	39
- Other Audit services	5	8
Remuneration for audit and other assurance services	45	47

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2014	Actual 2013	Actual 2014	Actual 2013
Plant and Equipment		-	-	1,035	988
Office Equipment		-	-	83	84
Furniture & Fittings		-	-	2	2
Land Improvements (depreciable)		-	-	66	64
Buildings - Non Specialised		-	-	71	74
Buildings - Specialised		-	-	322	308
Other Structures		-	-	166	187
Infrastructure:					
- Roads		-	-	4,345	4,524
- Bridges		-	-	853	809
- Footpaths		-	-	43	42
- Stormwater Drainage		-	-	126	106
- Water Supply Network		-	-	195	190
- Sewerage Network		-	-	201	193
- Swimming Pools		-	-	99	-
- Other Open Space/Recreational Asset		-	-	-	-
Asset Reinstatement Costs	9 & 26	-	-	57	18
Total Depreciation & Impairment Costs		-	-	7,664	7,589
less: Capitalised Costs		-	-	-	-
less: Impairments (to)/from ARR [Equity]	9a	-	-	-	-
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		-	-	7,664	7,589

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		44	40
Bad & Doubtful Debts		63	3
Councillor Expenses - Mayoral Fee		23	22
Councillor Expenses - Councillors' Fees		94	92
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		29	24
Donations, Contributions & Assistance to other organisations (Section 356)		218	226
Electricity & Heating		345	358
Emergency Services		191	138
Insurance		446	432
Regional Library		304	313
Street Lighting		88	83
Subscriptions & Publications		24	18
Telephone & Communications		62	63
Total Other Expenses		1,931	1,812
less: Capitalised Costs		-	-
<u>TOTAL OTHER EXPENSES</u>		<u>1,931</u>	<u>1,812</u>

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2014	Actual 2013
Property (excl. Investment Property)			
Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		460	569
less: Carrying Amount of P&E Assets Sold / Written Off		(435)	(484)
Net Gain/(Loss) on Disposal		25	85
Infrastructure			
Proceeds from Disposal - Infrastructure		-	-
less: Carrying Amount of Infrastructure Assets Sold / Written Off		(1,932)	(1,578)
Net Gain/(Loss) on Disposal		(1,932)	(1,578)
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(1,907)	(1,493)

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 6a. - Cash Assets and Note 6b. - Investments

\$ '000	Notes	2014	2014	2013	2013
		Actual Current	Actual Non Current	Actual Current	Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		3,370	-	5,235	-
Cash-Equivalent Assets ¹					
- Deposits at Call		11,406	-	12,900	-
Total Cash & Cash Equivalents		14,776	-	18,135	-

Investments (Note 6b)

Nil

¹ Those Investments where time to maturity (from date of purchase) is < 3 mths.

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2014

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

\$ '000	2014	2014	2013	2013
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investments	14,776	-	18,135	-
attributable to:				
External Restrictions (refer below)	1,617	-	1,426	-
Internal Restrictions (refer below)	13,159	-	16,709	-
Unrestricted	-	-	-	-
	14,776	-	18,135	-

2014 \$ '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	290	40	(40)	290
External Restrictions - Included in Liabilities	290	40	(40)	290

External Restrictions - Other

Developer Contributions - General (D)	354	121	(289)	186
Developer Contributions - Water Fund (D)	2	4	-	6
Developer Contributions - Sewer Fund (D)	26	1	(27)	-
RMS (formerly RTA) Contributions (E)	-	-	-	-
Specific Purpose Unexpended Grants (F)	47	1,085	(837)	295
Specific Purpose Unexpended Grants-Water Fund (F)	-	-	-	-
Specific Purpose Unexpended Grants-Sewer Fund (F)	-	-	-	-
Water Supplies (G)	-	4	-	4
Sewerage Services (G)	707	90	-	797
Domestic Waste Management (G)	-	39	-	39
Stormwater Management (G)	-	-	-	-
External Restrictions - Other	1,136	1,344	(1,153)	1,327
Total External Restrictions	1,426	1,384	(1,193)	1,617

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2014

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

2014 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Plant & Vehicle Replacement	4,994	2,400	(1,263)	6,131
Building Replacement	187	-	(37)	150
Employees Leave Entitlement	1,175	-	(134)	1,041
Carry Over Works	4,290	1,434	(4,290)	1,434
Commercial Waste	606	-	(42)	564
Emergency Works	300	-	-	300
Information Technology	100	-	-	100
Quarries	1,077	-	(28)	1,049
Roads & Bridges	1,490	-	(70)	1,420
Stormwater Management	200	-	-	200
Transport	2,290	-	(1,520)	770
Total Internal Restrictions	16,709	3,834	(7,384)	13,159
TOTAL RESTRICTIONS	18,135	5,218	(8,577)	14,776

- A** Loan moneys which must be applied for the purposes for which the loans were raised.
- B** Advances by Roads and Maritime Services for (RMS) 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** RMS 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 2014

Note 7. Receivables

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		1,166	85	1,165	26
Interest & Extra Charges		134	-	93	-
User Charges & Fees		2,759	-	754	-
Accrued Revenues					
- Interest on Investments		40	-	31	-
Government Grants & Subsidies		1,377	-	2,199	-
Net GST Receivable		103	-	111	-
Other Debtors		1	-	1	-
Total		5,580	85	4,354	26
less: Provision for Impairment					
Rates & Annual Charges		-	(85)	-	(26)
User Charges & Fees		(18)	-	(20)	-
Total Provision for Impairment - Receivables		(18)	(85)	(20)	(26)
<u>TOTAL NET RECEIVABLES</u>		<u>5,562</u>	<u>-</u>	<u>4,334</u>	<u>-</u>
Externally Restricted Receivables					
Nil					
Water Supply					
- Rates & Availability Charges		161	-	174	-
- Other		140	-	114	-
Sewerage Services					
- Rates & Availability Charges		177	-	214	-
- Other		75	-	70	-
Domestic Waste Management		127	-	141	-
Total External Restrictions		680	-	713	-
Unrestricted Receivables		4,882	-	3,621	-
TOTAL NET RECEIVABLES		5,562	-	4,334	-

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 9.00% (2013: 10.00%).
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 2014

Note 8. Inventories & Other Assets

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Inventories					
Stores & Materials		743	-	609	-
Trading Stock		228	-	170	-
Total Inventories		971	-	779	-
Other Assets					
Prepayments		-	-	265	-
Total Other Assets		-	-	265	-
TOTAL INVENTORIES / OTHER ASSETS		971	-	1,044	-

Externally Restricted Assets

There are no restrictions applicable to the above assets.

KYOGLE COUNCIL

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2013					Asset Movements during the Reporting Period						as at 30/6/2014				
	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	Impairment	Value							Cost	Fair Value	Dep'n	Impairment	Value
Capital Work in Progress	1,196	-	-	-	1,196	940			(602)			1,533	-	-	-	1,533
Plant & Equipment	-	12,915	6,526	-	6,389	2,001	(455)	(1,035)				-	13,386	6,486	-	6,900
Office Equipment	-	656	537	-	119	46		(83)				-	702	619	-	83
Furniture & Fittings	-	54	39	-	15			(2)				-	54	41	-	13
Plant & Equipment (under Finance Lease)	-	-	-	-	-			-				-	-	-	-	-
Land:																
- Operational Land	-	5,393	-	-	5,393	13						-	5,406	-	-	5,406
- Community Land	-	491	-	-	491							-	491	-	-	491
- Land under Roads (pre 1/7/08)	-	3,390	-	-	3,390							-	3,389	-	-	3,389
- Land under Roads (post 30/6/08)	-	2	-	-	2							-	3	-	-	3
Land Improvements - non depreciable	-	-	-	-	-							-	-	-	-	-
Land Improvements - depreciable	-	1,423	373	-	1,050			(66)	38		31	-	1,506	453	-	1,053
Buildings - Non Specialised	-	3,616	1,208	-	2,408			(71)			167	-	3,821	1,317	-	2,504
Buildings - Specialised	-	20,663	10,999	-	9,664	236	(6)	(322)	17		193	-	21,423	11,641	-	9,782
Other Structures	-	4,680	1,424	-	3,256	259		(166)			101	-	5,088	1,639	-	3,449
Infrastructure:																
- Roads	-	208,880	78,041	-	130,839	2,715	(1,157)	(4,345)	84		2,973	-	214,492	83,383	-	131,109
- Bridges	-	97,724	44,263	-	53,461	918	(622)	(853)	105		1,217	-	98,569	44,342	-	54,227
- Footpaths	-	3,070	1,057	-	2,013	79	(66)	(43)	20		46	-	3,169	1,121	-	2,048
- Bulk Earthworks (non-depreciable)	-	14,525	-	-	14,525						330	-	14,855	-	-	14,855
- Stormwater Drainage	-	23,592	5,639	-	17,953	14	(2)	(126)			493	-	24,247	5,915	-	18,332
- Water Supply Network	-	21,134	9,679	-	11,455	22	(7)	(195)			287	-	21,740	10,178	-	11,562
- Sewerage Network	-	28,104	6,265	-	21,839	161	(52)	(201)	227		590	-	29,079	6,515	-	22,564
- Swimming Pools	-	4,978	2,710	-	2,268			(99)			65	-	5,128	2,894	-	2,234
- Other Open Space/Recreational Assets	-	-	-	-	-			-			-	-	-	-	-	-
- Other Infrastructure	-	-	-	-	-			-			-	-	-	-	-	-
Other Assets:																
- Heritage Collections	-	-	-	-	-			-			-	-	-	-	-	-
- Library Books	-	-	-	-	-			-			-	-	-	-	-	-
- Other	-	-	-	-	-			-			-	-	-	-	-	-
Reinstatement, Rehabilitation & Restoration Assets (refer Note 26):																
- Tip Assets	-	752	452	-	300			(50)		(125)	852	-	1,427	450	-	977
- Quarry Assets	-	190	152	-	38			(7)		(5)		-	186	159	-	27
- Other Assets	-	-	-	-	-			-				-	-	-	-	-
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	1,196	456,232	169,364	-	288,064	7,404	(2,367)	(7,664)	(111)	(130)	7,345	1,533	468,161	177,153	-	292,541

Additions to Buildings & Infrastructure Assets are made up of Asset Renewals (\$4,642) and New Assets (\$702).

Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of other Infrastructure, Property, Plant & Equipment.

KYOGLE COUNCIL

Notes to the Financial Statements
for the financial year ended 30 June 2014

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

\$ '000 Class of Asset	Actual 2014				Actual 2013			
	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	451	-	-	451	307	-	-	307
Infrastructure	-	21,740	10,178	11,562	-	21,134	9,679	11,455
Other Assets	-	-	-	-	-	-	-	-
Total Water Supply	451	21,740	10,178	12,013	307	21,134	9,679	11,762
Sewerage Services								
WIP	25	-	-	25	227	-	-	227
Infrastructure	-	29,079	6,515	22,564	-	28,105	6,265	21,840
Other Assets	-	-	-	-	-	-	-	-
Total Sewerage Services	25	29,079	6,515	22,589	227	28,105	6,265	22,067
Domestic Waste Management								
WIP	-	-	-	-	7	-	-	7
- Improvements - depreciable	-	-	-	-	-	644	147	497
Buildings	-	-	-	-	-	15	-	15
Other Structures	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Future Reinstatement Costs	-	1,428	451	977	-	752	452	300
Other Assets	-	-	-	-	-	-	-	-
Total DWM	-	1,428	451	977	7	1,411	599	819
TOTAL RESTRICTED I,PP&E	476	52,247	17,144	35,579	541	50,650	16,543	34,648

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2014

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

\$ '000	Notes	Actual 2014	Actual 2013
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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 2014

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		802	-	1,078	-
Accrued Expenses:					
- Borrowings		6	-	6	-
- Salaries & Wages		197	-	220	-
- Other Expenditure Accruals		137	-	48	-
Advances		-	-	-	-
Security Bonds, Deposits & Retentions		146	145	145	145
Total Payables		1,288	145	1,497	145
Borrowings					
Loans - Secured ¹		271	907	32	1,178
Total Borrowings		271	907	32	1,178
Provisions					
Employee Benefits;					
Annual Leave		586	-	577	-
Long Service Leave		978	149	1,138	112
Sub Total - Aggregate Employee Benefits		1,564	149	1,715	112
Asset Remediation/Restoration (Future Works)	26	-	1,426	-	1,514
Other		124	-	121	-
Total Provisions		1,688	1,575	1,836	1,626
Total Payables, Borrowings & Provisions		3,247	2,627	3,365	2,949

(i) Liabilities relating to Restricted Assets

	2014		2013	
	Current	Non Current	Current	Non Current
Externally Restricted Assets				
Water	542	-	90	256
Sewer	93	907	85	923
Domestic Waste Management	-	1,128	-	1,213
Other	290	-	290	-
Liabilities relating to externally restricted assets	925	2,035	465	2,392

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 2014

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

\$ '000	Actual 2014	Actual 2013
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(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	839	977
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Note 10b. Description of and movements in Provisions

Class of Provision	2013	2014				Closing Balance as at 30/6/14
	Opening Balance as at 1/7/13	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	
Annual Leave	577	436	(427)	-	-	586
Long Service Leave	1,250	197	(320)	-	-	1,127
Asset Remediation	1,514	-	-	41	(129)	1,426
Other	121	3	-	-	-	124
TOTAL	3,462	636	(747)	41	(129)	3,263

- 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 2014

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2014	Actual 2013
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	14,776	18,135
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		14,776	18,135
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		(4,632)	435
Adjust for non cash items:			
Depreciation & Amortisation		7,664	7,589
Net Losses/(Gains) on Disposal of Assets		1,907	1,493
Non Cash Capital Grants and Contributions		102	(1,958)
Unwinding of Discount Rates on Reinstatement Provisions		40	28
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		(1,285)	154
Increase/(Decrease) in Provision for Doubtful Debts		57	-
Decrease/(Increase) in Inventories		(192)	(43)
Decrease/(Increase) in Other Assets		265	(9)
Increase/(Decrease) in Payables		(276)	(557)
Increase/(Decrease) in other accrued Expenses Payable		66	(50)
Increase/(Decrease) in Other Liabilities		1	44
Increase/(Decrease) in Employee Leave Entitlements		(114)	48
Increase/(Decrease) in Other Provisions		(125)	(230)
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		3,478	6,944

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Notes	Actual 2014	Actual 2013
(c) Non-Cash Investing & Financing Activities			
Subdivider Dedications		22	384
Estimated Future Reinstatement Costs		(129)	(211)
Other Dedications		5	1,785
Total Non-Cash Investing & Financing Activities		(102)	1,958
(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 2014

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2014	Actual 2013
(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		11	75
Bridge Construction		-	451
Total Commitments		11	526
These expenditures are payable as follows:			
Within the next year		11	515
Later than one year and not later than 5 years		-	11
Later than 5 years		-	-
Total Payable		11	526
Sources for Funding of Capital Commitments:			
Unrestricted General Funds		11	75
Future Grants & Contributions		-	160
Internally Restricted Reserves		-	291
Total Sources of Funding		11	526

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(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		11	22
Later than one year and not later than 5 years		-	12
Later than 5 years		-	-
Total Non Cancellable Operating Lease Commitments		11	34

b. Non Cancellable Operating Leases include the following assets:

Office Rentals

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 2014

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

\$ '000	Amounts 2014	Indicator 2014	Prior Periods	
			2013	2012
Local Government Industry Indicators - Consolidated				
1. Operating Performance Ratio				
Total continuing operating revenue ⁽¹⁾				
<u>(excl. Capital Grants & Contributions) - Operating Expenses</u>	<u>(4,819)</u>	-26.94%	-12.82%	-7.79%
Total continuing operating revenue ⁽¹⁾ (excl. Capital Grants & Contributions)	17,889			
2. Own Source Operating Revenue Ratio				
Total continuing operating revenue ⁽¹⁾				
<u>(less ALL Grants & Contributions)</u>	<u>13,249</u>	66.30%	56.02%	51.41%
Total continuing operating revenue ⁽¹⁾	19,983			
3. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽²⁾	<u>19,012</u>	12.82	11.01	8.39
Current Liabilities less Specific Purpose Liabilities ^(3, 4)	<u>1,483</u>			
4. Debt Service Cover Ratio				
Operating Result ⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation (EBITDA)	<u>2,977</u>	18.15	31.57	28.70
Principal Repayments (from the Statement of Cash Flows) + Borrowing Interest Costs (from the Income Statement)	<u>164</u>			
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual and Extra Charges Outstanding	<u>1,300</u>	14.66%	15.12%	14.96%
Rates, Annual and Extra Charges Collectible	<u>8,865</u>			
6. Cash Expense Cover Ratio				
Current Year's Cash and Cash Equivalents including All Term Deposits	<u>14,776</u>	11.50	11.53	13.43
Payments from cash flow of operating and financing activities	<u>1,284</u>			

Notes

(1) Excludes fair value adjustments and reversal of revaluation decrements, net gain/(loss) on sale of assets and net share of interests in joint ventures.

(2) Refer Notes 6-8 inclusive.

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

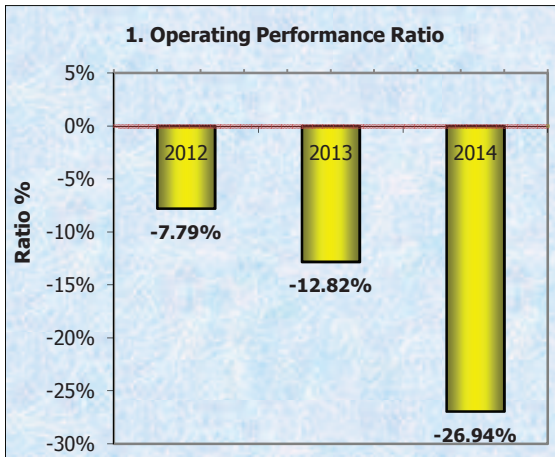
(3) Refer to Note 10(a).

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

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 13a(ii). Local Government Industry Indicators - Graphs (Consolidated)



— Minimum 0.00%

Source for Benchmark: Code of Accounting Practice and Financial Reporting

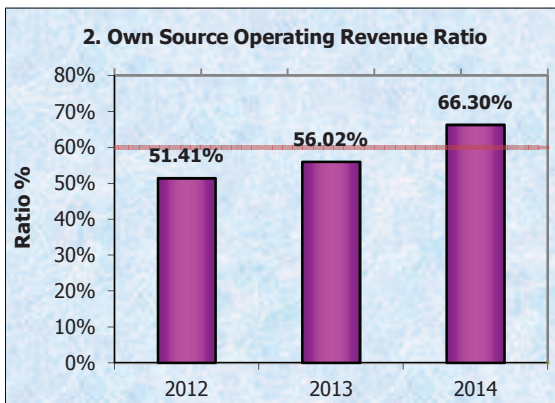
Purpose of Operating Performance Ratio

This ratio measures Council's achievement of containing operating expenditure within operating revenue.

Commentary on 2013/14 Result

2013/14 Ratio -26.94%

This ratio has worsened due mainly to a decrease in user charges & fees as well as a decrease in Financial Assistance Grants (only 2 quarterly payments received)



— Minimum 60.00%

Source for Benchmark: Code of Accounting Practice and Financial Reporting

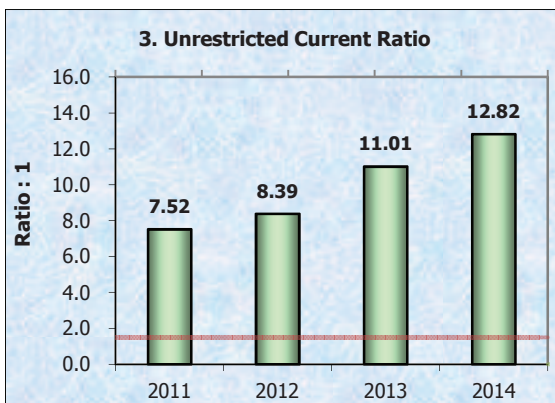
Purpose of Own Source Operating Revenue Ratio

This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants & contributions.

Commentary on 2013/14 Result

2013/14 Ratio 66.30%

Council's ability to generate its own sources of funding such as from rates and user fees is sound and in excess of NSW Treasury Corporations benchmark.



— Minimum 1.50

Source for Benchmark: Code of Accounting Practice and Financial Reporting

Purpose of Unrestricted Current Ratio

To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.

Commentary on 2013/14 Result

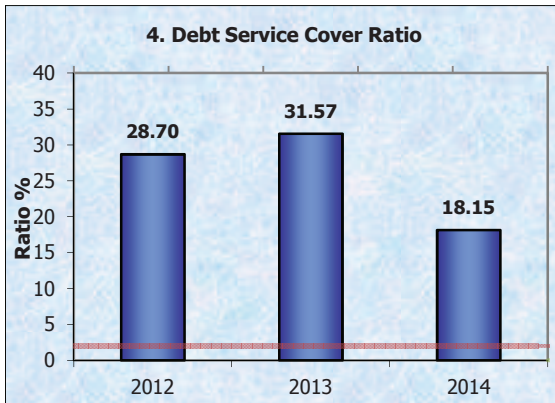
2013/14 Ratio 12.82

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. A large percentage of these reserves are being held to take advantage of \$ for \$ timber bridge grants.

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 13a(ii). Local Government Industry Indicators - Graphs (Consolidated)



— Minimum 2.00

Source for Benchmark: NSW Treasury Corporation

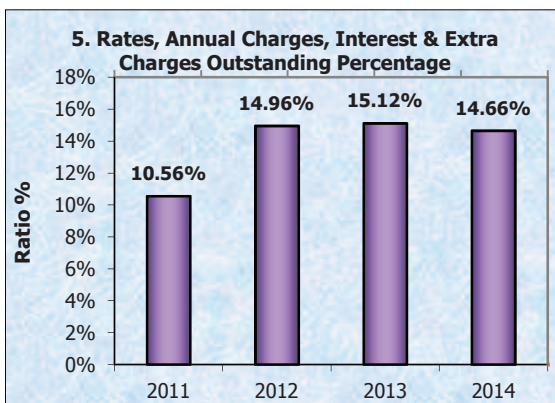
Purpose of Debt Service Cover Ratio

This ratio measures the availability of operating cash to service debt including interest, principal and lease payments

Commentary on 2013/14 Result

2013/14 Ratio 18.15

Council's ability to generate sufficient cash to cover its debt payments is sound and far in excess of NSW Treasury Corporations benchmark.



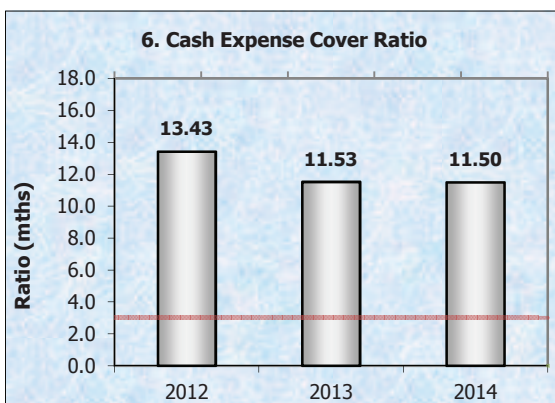
Purpose of Rates & Annual Charges Outstanding Ratio

To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.

Commentary on 2013/14 Result

2013/14 Ratio 14.66%

This ratio remains relatively high due to continued hardship within the timber industry



— Minimum 3.00

Source for Benchmark: Code of Accounting Practice and Financial Reporting

Purpose of Cash Expense Cover Ratio

This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.

Commentary on Result

2013/14 Ratio 11.50

Council's ability to continue paying for its immediate expenses without additional cash inflow is sound and is far in excess of NSW Treasury Corporations bench mark.

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2014

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

\$ '000	Water 2014	Sewer 2014	General ⁵ 2014
Local Government Industry Indicators - by Fund			
1. Operating Performance Ratio			
Total continuing operating revenue ⁽¹⁾			
<u>(excl. Capital Grants & Contributions) - Operating Expenses</u>	-16.40%	2.05%	-29.99%
Total continuing operating revenue ⁽¹⁾			
(excl. Capital Grants & Contributions)	prior period: -3.77%	-4.94%	-13.71%
2. Own Source Operating Revenue Ratio			
Total continuing operating revenue ⁽¹⁾			
<u>(less ALL Grants & Contributions)</u>	97.55%	97.69%	61.96%
Total continuing operating revenue ⁽¹⁾			
	prior period: 95.12%	97.49%	52.52%
3. Unrestricted Current Ratio			
<u>Current Assets less all External Restrictions⁽²⁾</u>	0.56 : 1	11.28 : 1	12.82 : 1
Current Liabilities less Specific Purpose Liabilities ^(3, 4)			
	prior period: 3.20	11.66	11.01
4. Debt Service Cover Ratio			
<u>Operating Result⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation (EBITDA)</u>	0.30	3.27	65.20
Principal Repayments (from the Statement of Cash Flows) + Borrowing Interest Costs (from the Income Statement)			
	prior period: 5.24	2.29	157.79
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage			
<u>Rates, Annual and Extra Charges Outstanding</u>	19.93%	15.28%	14.06%
Rates, Annual and Extra Charges Collectible			
	prior period: 24.61%	19.60%	13.34%
6. Cash Expense Cover Ratio			
<u>Current Year's Cash and Cash Equivalents including All Term Deposits</u> x12	0.09	9.94	12.73
Payments from cash flow of operating and financing activities			
	prior period: 0.03	8.83	12.31

Notes

(1) - (4) Refer to Notes at Note 13a(i) above.

(5) 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 2014

Note 14. Investment Properties

\$ '000	Notes	Actual 2014	Actual 2013
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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 2014

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	
	2014	2013	2014	2013
Financial Assets				
Cash and Cash Equivalents	14,776	18,135	14,776	18,135
Receivables	5,562	4,334	5,562	4,334
Other Financial Assets	-	-	-	-
Total Financial Assets	20,338	22,469	20,338	22,469
Financial Liabilities				
Payables	1,433	1,642	1,433	1,642
Loans / Advances	1,178	1,210	1,910	1,893
Total Financial Liabilities	2,611	2,852	3,343	3,535

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.

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of financial assets & liabilities

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2014

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 and investments whilst maintaining an adequate level of liquidity and preserving capital.

Council's Finance area manages the cash and investments portfolio with the assistance of independent advisors.

Council has an Investment Policy which complies with the Local Government Act & Minister's 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 risks associated with the investments held are:

- **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.
- **Interest Rate Risk** - the risk that movements in interest rates could affect returns and income.
- **Credit Risk** - the risk that the investment counterpart 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.

Council also seeks advice from independent advisers before placing any funds in Cash Equivalents & Investments.

The impact on result for the year and equity of a reasonably possible movement in the price of investments held is shown below. The reasonably possible movement was determined based on historical movements and economic conditions in place at the reporting date.

2014	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	148	148	n/a	n/a
2013				
Possible impact of a 10% movement in Market Values				
Possible impact of a 1% movement in Interest Rates	181	181	n/a	n/a

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2014

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:

	2014 Rates & Annual Charges	2014 Other Receivables	2013 Rates & Annual Charges	2013 Other Receivables
(i) Ageing of Receivables - %				
Current (not yet overdue)	12%	94%	11%	95%
Overdue	88%	6%	89%	5%
	100%	100%	100%	100%
(ii) Ageing of Receivables - value				
Current (not yet overdue)	157	4,156	130	3,023
Past due by up to 30 days	-	-	-	-
Past due between 31 and 60 days	1,094	258	1,061	166
Past due between 61 and 90 days	-	-	-	-
Past due by more than 90 days	-	-	-	-
	1,251	4,414	1,191	3,189
(iii) Movement in Provision for Impairment of Receivables			2014	2013
Balance at the beginning of the year			46	46
+ new provisions recognised during the year			57	-
Balance at the end of the year			103	46

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2014

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 maturity 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		
2014									
Trade/Other Payables	-	1,433	-	-	-	-	-	1,433	1,433
Loans & Advances	-	349	83	83	83	83	1,541	2,222	1,178
Total Financial Liabilities	-	1,782	83	83	83	83	1,541	3,655	2,611
2013									
Trade/Other Payables	-	1,642	-	-	-	-	-	1,642	1,642
Loans & Advances	-	122	150	150	150	150	1,624	2,344	1,210
Total Financial Liabilities	-	1,764	150	150	150	150	1,624	3,986	2,852

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:

	2014		2013	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	1,433	0.0%	1,642	0.0%
Loans & Advances - Fixed Interest Rate	1,178	7.6%	1,210	7.6%
	<u>2,611</u>		<u>2,852</u>	

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 13/14 was adopted by the Council on 24 June 2013.

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	2014 Budget	2014 Actual	2014 ----- Variance* -----	-----	-----
User Charges & Fees	4,246	4,999	753	18%	F
Level of RMS works higher than anticipated					
Interest & Investment Revenue	410	641	231	56%	F
Level of funds invested was higher than anticipated					
Other Revenues	9	100	91	1011%	F
Insurance claim not budgeted for					

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 16. Material Budget Variations (continued)

\$ '000	2014 Budget	2014 Actual	2014 ----- Variance* -----		
EXPENSES					
Borrowing Costs	110	132	(22)	(20%)	U
Exceeded budget due mainly to Quarries and Tips unwinding of present value discount not budgeted for					
<hr/>					
Materials & Contracts	3,825	5,770	(1,945)	(51%)	U
Level of RMS works higher than anticipated Additional projects approved through revotes and quarterly reviews					
<hr/>					
Net Losses from Disposal of Assets	(366)	1,907	(2,273)	621%	U
Council does not budget for disposal of infrastructure assets					
<hr/>					

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2014

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	-	-	-	-	-	-	-	4	(4)	-	-
Roads	292	101	-	3	(271)	-	125	101	(226)	-	-
Open Space	62	15	-	2	(18)	-	61	15	(76)	-	-
S94 Contributions - under a Plan	354	116	-	5	(289)	-	186	120	(306)	-	-
S94A Levies - under a Plan	-	-	-	-	-	-	-				-
Total S94 Revenue Under Plans	354	116	-	5	(289)	-	186				-
S94 not under Plans	-	-	-	-	-	-	-	-	-	-	-
S93F Planning Agreements	-						-				
S64 Contributions	28	5			(27)		6				
Total Contributions	382	121	-	5	(316)	-	192	120	(306)	-	-

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2014

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	-						-	4	(4)	-	
Roads	292	101		3	(271)		125	101	(226)	-	
Open Space	62	15		2	(18)		61	15	(76)	-	
Total	354	116	-	5	(289)	-	186	120	(306)	-	-

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position, but their knowledge & disclosure is considered relevant to the users of Council's Financial Report.

(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 2014 was \$244,723. The last valuation of the Scheme was performed by Mr Martin Stevenson BSc, FIA, FIAA on 20th February 2014 and covers the period ended 30 June 2014. However the position is monitored annually and the actuary has estimated that as at 30th June 2014 a deficit still exists.

Effective from 1 July 2014, employers are required to contribute additional contributions to assist in extinguishing this deficit. The annual amount of additional contributions payable until the deficit is extinguished is \$96,995. The additional contributions remitted during the year is included in the total employer contributions set out in the beginning of this paragraph.

The share of this deficit that can be broadly attributed to your organisation was estimated to be in the order of \$387,980 as at 30 June 2014.

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000

(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	2014	2013
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	29	Assets		45
New Capital Contributions	23	Liabilities		(22)
Operating Result	(29)	Net Equity		23
Adjustment to Equity Share	-	Revenues		
Distributions Paid	-	Net Profit		
Closing Equity Balance	23	Non-controlling Interest Share		
Non-controlling Interest Share				

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2014	Actual 2013
(a) Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		146,654	146,219
d. Net Operating Result for the Year		<u>(4,632)</u>	<u>435</u>
Balance at End of the Reporting Period		<u>142,022</u>	<u>146,654</u>

(b) Reserves

(i) Reserves are represented by:

- Infrastructure, Property, Plant & Equipment Revaluation Reserve	165,954	158,609
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(ii) Reconciliation of movements in Reserves:

Infrastructure, Property, Plant & Equipment Revaluation Reserve

- Opening Balance		158,609	147,693
- Revaluations for the year	9(a)	<u>7,345</u>	<u>10,916</u>
- Balance at End of Year		<u>165,954</u>	<u>158,609</u>

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 2014

Note 21. Financial Result & Financial Position by Fund

Income Statement by Fund \$ '000	Actual 2014	Actual 2014	Actual 2014
<u>Continuing Operations</u>	Water	Sewer	General¹
Income from Continuing Operations			
Rates & Annual Charges	630	934	5,945
User Charges & Fees	530	190	4,279
Interest & Investment Revenue	4	10	627
Other Revenues	71	8	21
Grants & Contributions provided for Operating Purposes	27	26	4,587
Grants & Contributions provided for Capital Purposes	4	1	2,089
Other Income			
Net Gains from Disposal of Assets	-	-	-
Total Income from Continuing Operations	1,266	1,169	17,548
Expenses from Continuing Operations			
Employee Benefits & on-costs	231	313	6,667
Borrowing Costs	22	69	41
Materials & Contracts	830	487	4,453
Depreciation & Amortisation	195	201	7,268
Other Expenses	191	74	1,666
Net Losses from the Disposal of Assets	7	52	1,848
Total Expenses from Continuing Operations	1,476	1,196	21,943
Operating Result from Continuing Operations	(210)	(27)	(4,395)
<u>Discontinued Operations</u>			
Net Profit/(Loss) from Discontinued Operations	-	-	-
Net Operating Result for the Year	(210)	(27)	(4,395)
Net Operating Result attributable to each Council Fund	(210)	(27)	(4,395)
Net Operating Result attributable to Non-controlling Interests	-	-	-
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	(214)	(28)	(6,484)

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

KYOGLE COUNCIL

Notes to the Financial Statements

as at 30 June 2014

Note 21. Financial Result & Financial Position by Fund (continued)

Statement of Financial Position by Fund \$ '000	Actual 2014	Actual 2014	Actual 2014
ASSETS	Water	Sewer	General¹
Current Assets			
Cash & Cash Equivalents	10	797	13,969
Receivables	301	252	5,009
Inventories	-	-	971
Total Current Assets	311	1,049	19,949
Non-Current Assets			
Infrastructure, Property, Plant & Equipment	12,013	22,589	257,939
TOTAL ASSETS	12,324	23,638	277,888
LIABILITIES			
Current Liabilities			
Payables	214	5	1,069
Borrowings	256	15	-
Provisions	72	73	1,543
Total Current Liabilities	542	93	2,612
Non-Current Liabilities			
Payables	-	-	145
Borrowings	-	907	-
Provisions	-	-	1,575
Total Non-Current Liabilities	-	907	1,720
TOTAL LIABILITIES	542	1,000	4,332
Net Assets	11,782	22,638	273,556
EQUITY			
Retained Earnings	7,718	8,871	125,433
Revaluation Reserves	4,064	13,767	148,123
Council Equity Interest	11,782	22,638	273,556
Non-controlling Interests	-	-	-
Total Equity	11,782	22,638	273,556

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 2014

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	
		2014	2013
Tip Remediation	2050	1,128	1,212
Quarry Remediation	2020	298	302
Balance at End of the Reporting Period	10(a)	1,426	1,514

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	1,212	302
Effect of a change in other calculation estimates used	(124)	(5)
Amortisation of discount (expensed to borrowing costs)	40	1
Total - Reinstatement, rehabilitation and restoration provision	1,128	298

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

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement

\$ '000

The Council measures the following asset and liability classes at fair value on a recurring basis:

- Infrastructure, Property, Plant and Equipment

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

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a "level" in the fair value hierarchy as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

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

(1) The following table presents all assets and liabilities that have been measured & recognised at fair values:

2014	Fair Value Measurement Hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring Fair Value Measurements				
Infrastructure, Property, Plant & Equipment				
Plant & Equipment	-	-	6,900	6,900
Office Equipment	-	-	83	83
Furniture & Fittings	-	-	13	13
Land Operational	-	-	5,406	5,406
Land Community	-	-	491	491
Land under Roads	-	-	3,392	3,392
Land Improvements	-	-	1,053	1,053
Buildings	-	-	12,286	12,286
Other Structures	-	-	3,449	3,449
Roads	-	-	131,109	131,109
Bridges	-	-	54,227	54,227
Footpaths	-	-	2,048	2,048
Earthworks	-	-	14,855	14,855
Stormwater Drainage	-	-	18,332	18,332
Water Supply	-	-	11,562	11,562
Sewerage Network	-	-	22,564	22,564
Swimming Pools	-	-	2,234	2,234
Reinstatement Assets	-	-	1,004	1,004
Total Infrastructure, Property, Plant & Equipment	-	-	291,008	291,008

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

(2) Transfers between Level 1 & Level 2 Fair Value Hierarchies

During the year, there were no transfers between Level 1 and Level 2 Fair Value hierarchies for recurring fair value measurements.

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

(3) Valuation techniques used to derive Level 2 and Level 3 Fair Values

Where Council is unable to derive Fair Valuations using quoted market prices of identical assets (ie. Level 1 inputs) Council instead utilises a spread of both observable inputs (Level 2 inputs) and unobservable inputs (Level 3 inputs).

The Fair Valuation techniques Council has employed while utilising Level 2 and Level 3 inputs are as follows:

Infrastructure, Property, Plant & Equipment

Plant & Equipment, Office Equipment and Furniture & Fittings

Plant & Equipment, Office Equipment and Furniture & Fittings are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. Examples of assets within these classes are as follows:

- Plant and Equipment - Graders, trucks, rollers, tractors and motor vehicles.
- Office Equipment - Computers, servers etc.
- Furniture & Fittings - Chairs & desks etc.

There has been no change to the valuation process during the reporting period.

Operational & Community Land & Land Improvements

The key unobservable input to the valuation of these classes of assets is the price per square metre. The last valuation was undertaken at 30 June 2013 and was performed by Valuers Australia, Director Rob Houlden AAPI (Val), Certified Practising Valuer, Registered Valuer No. 3734.

Generally, fair value is the most advantageous price reasonably obtainable by the seller and the most advantageous price reasonably obtained by the buyer. This is not necessarily the market selling price of the asset, rather, it is regarded as the maximum value that Council would rationally pay to acquire the asset if it did not hold it taking into account quoted market price in an active and liquid market, the current market price of the same or similar asset, the cost of replacing the asset, if management intend to replace the asset, the remaining useful life and condition of the asset; and cash flows from the future use and disposal.

There has been no change to the valuation process during the reporting period.

Land Under Roads

Land under roads has been valued using the square metres rates applicable for nearby or adjacent Community Land having regard to the highest and best use for this land.

There has been no change to the valuation process during the reporting period.

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

Buildings - Non-Specialised & Specialised

Buildings were valued by Valuers Australia in June 2013 using the cost approach. The approach estimated the replacement cost for each building by componentising the buildings into significant parts with different useful lives and taking into account a range of factors. While all buildings were physically inspected inputs such as estimates of residual value and pattern of consumption required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using Level 3 valuation inputs.

There has been no change to the valuation process during the reporting period.

Other Structures

Other Structures were valued by Valuers Australia in June 2013 using the cost approach. The approach estimated the replacement cost for each structure by componentising the structures into significant parts with different useful lives and taking into account a range of factors. While all structures were physically inspected inputs such as estimates of residual value and pattern of consumption required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using level 3 valuation inputs.

There has been no change to the valuation process during the reporting period.

Roads, Bridges & Footpaths (including Bulk Earthworks)

This asset class includes the road formation (bulk earthworks) road pavement and road seal, along with other road assets including kerb and guttering, guardrail and roadside furniture including signs and other traffic management devices. The cost Approach using Level 3 inputs was used to value this asset class. Valuations for this asset class were undertaken in-house based on actual costs and assumptions from Council's Engineering Department. No market based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class.

There has been no change to the valuation process during the reporting period.

Drainage Infrastructure

Assets within this class comprise pits and pipes.

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar could be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value.

There has been no change to the valuation process during the reporting period.

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

Water Supply

Assets within this class comprise reservoirs, pumping stations and, water pipelines.

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar may be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. These assets are indexed each year in line with the NSW Reference Rates Manual as published by the Office of Water.

There has been no change to the valuation process during the reporting period.

Sewerage Network

Assets within this class comprise treatment works, pumping stations and, sewerage mains.

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar may be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. These assets are indexed each year in line with the NSW Reference Rates Manual as published by the Office of Water.

There has been no change to the valuation process during the reporting period.

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (Level 3)

a. The following tables present the changes in Level 3 Fair Value Asset Classes.

	Plant & Equipment	Office Equipment	Furniture & Fittings	Operational Land	Total
Adoption of AASB 13	6,389	120	15	5,393	11,917
Purchases (GBV)	2,001	46	-	13	2,060
Disposals (WDV)	(455)	-	-	-	(455)
Depreciation & Impairment	(1,035)	(83)	(2)	-	(1,120)
Closing Balance - 30/6/14	6,900	83	13	5,406	12,402

	Community Land	Land Under Roads	Land Improve-ments	Buildings Non-Specialised	Total
Adoption of AASB 13	491	3,392	1,050	2,408	7,341
Purchases (GBV)	-	-	38	-	38
Disposals (WDV)	-	-	-	-	-
Depreciation & Impairment	-	-	(66)	(71)	(137)
FV Gains - Other Comprehensive Income	-	-	31	167	198
Closing Balance - 30/6/14	491	3,392	1,053	2,504	7,440

	Buildings Specialised	Other Structures	Roads	Bridges	Total
Adoption of AASB 13	9,664	5,523	130,839	53,462	199,488
Purchases (GBV)	253	259	2,799	1,023	4,334
Disposals (WDV)	(6)	-	(1,157)	(622)	(1,785)
Depreciation & Impairment	(322)	(265)	(4,345)	(853)	(5,785)
FV Gains - Other Comprehensive Income	193	166	2,973	1,217	4,549
Closing Balance - 30/6/14	9,782	5,683	131,109	54,227	200,801

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (Level 3) (continued)

a. The following tables present the changes in Level 3 Fair Value Asset Classes. (continued)

	Footpaths	Bulk Earthworks	Stormwater Drainage	Water Supply Network	Total
Adoption of AASB 13	2,012	14,525	17,953	11,455	45,945
Purchases (GBV)	99	-	14	22	135
Disposals (WDV)	(66)	-	(2)	(7)	(75)
Depreciation & Impairment	(43)	-	(126)	(195)	(364)
FV Gains - Other Comprehensive Income	46	330	493	287	1,156
Closing Balance - 30/6/14	2,048	14,855	18,332	11,562	46,797

	Sewerage Network	Reinstatement Assets	Total
Adoption of AASB 13	21,839	339	22,178
Purchases (GBV)	388	(130)	258
Disposals (WDV)	(52)	-	(52)
Depreciation & Impairment	(201)	(57)	(258)
FV Gains - Other Comprehensive Income	590	852	1,442
Closing Balance - 30/6/14	22,564	1,004	23,568

b. Information relating to the transfers into and out of the Level 3 Fair Valuation hierarchy (as disclosed in the Table above) includes:

No transfers were made in or out of the Level 3 Fair Value Hierarchy.

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (Level 3) (continued)

c. Significant unobservable valuation inputs used (for Level 3 asset classes) and their relationship to fair value.

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various Level 3 Asset Class fair values.

Class	Fair Value (30/6/14) \$'000	Unobservable Inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
I,PP&E				
Plant & Equipment	6,900	Gross Replacement Cost	Varies significantly from asset to asset	Significant changes in the gross replacement value, pattern of consumption effecting the remaining useful life would result in significant changes to fair value measurement.
		Remaining Useful Life	1 to 10 years	
Office Equipment	83	Gross Replacement Cost	Varies significantly from asset to asset	Significant changes in the gross replacement value, pattern of consumption effecting the remaining useful life would result in significant changes to fair value measurement.
		Remaining Useful Life	1 to 10 years	
Furniture & Fittings	13	Gross Replacement Cost	Varies significantly from asset to asset	Significant changes in the gross replacement value, pattern of consumption effecting the remaining useful life would result in significant changes to fair value measurement.
		Remaining Useful Life	1 to 20 years	
Operational Land	5,406	Land Value (price per square metre)	\$1 to \$660 per square metre	Significant changes in the price per square metre would result in significant changes to fair value measurement.
Community Land	491	Land Value (price per square metre)	\$1 to \$660 per square metre	Significant changes in the price per square metre would result in significant changes to fair value measurement.
Land under Roads	3,392	Land Value (price per square metre)	5.1 cents per square metre	Significant changes in the price per square metre would result in significant changes to fair value measurement.
Land Improvements	1,053	Gross Replacement	Varies significantly from asset to asset	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
		Asset Condition	Poor to excellent	
		Remaining Useful Life	1 to 20 years	
Buildings Non-Specialised	2,504	Residual Value	0 % to 20 %	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
		Gross Replacement	Varies significantly from asset to asset	
		Asset Condition	Poor to excellent	
		Remaining Useful Life	1 to 100 years	
		Residual Value	0 % to 20 %	

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (Level 3) (continued)

c. Significant unobservable valuation inputs used (for Level 3 asset classes) and their relationship to fair value.

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various Level 3 Asset Class fair values.

Class	Fair Value (30/6/14) \$'000	Unobservable Inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value	
Buildings Specialised	9,782	Gross Replacement	Varies significantly from asset to asset Poor to excellent	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.	
		Asset Condition			
		Remaining Useful Life			1 to 100 years
		Residual Value			0 % to 20 %
Other Structures	5,683	Gross Replacement	Varies significantly from asset to asset Poor to excellent	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.	
		Asset Condition			
		Remaining Useful Life			1 to 100 years
		Residual Value			0 % to 20 %
Roads	131,109	Gross Replacement	Varies significantly from asset to asset Poor to excellent	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.	
		Asset Condition			
		Remaining Useful Life			1 to 100 years
		Residual Value			10 % to 80 %
Bridges	54,227	Gross Replacement	Varies significantly from asset to asset Poor to excellent	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.	
		Asset Condition			
		Remaining Useful Life			1 to 100 years
		Residual Value			20 % to 30 %
Footpaths	2,048	Gross Replacement	Varies significantly from asset to asset Poor to excellent	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.	
		Asset Condition			
		Remaining Useful Life			1 to 40 years
		Residual Value			10 % to 20 %
Bulk Earthworks	14,855	Gross Replacement Cost	Varies significantly from asset to asset	Significant changes in the gross replacement value would result in significant changes to fair value measurement.	

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (Level 3) (continued)

c. Significant unobservable valuation inputs used (for Level 3 asset classes) and their relationship to fair value.

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various Level 3 Asset Class fair values.

Class	Fair Value (30/6/14) \$'000	Unobservable Inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value	
Stormwater Drainage	18,332	Gross Replacement	Varies significantly from asset to asset Poor to excellent	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.	
		Asset Condition			
		Remaining Useful Life			1 to 100 years
		Residual Value			20%
Water Supply	11,562	Gross Replacement	Varies significantly from asset to asset Poor to excellent	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.	
		Asset Condition			
		Remaining Useful Life			1 to 100 years
		Residual Value			30%
Sewerage Network	22,564	Gross Replacement	Varies significantly from asset to asset Poor to excellent	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.	
		Asset Condition			
		Remaining Useful Life			1 to 100 years
		Residual Value			60%
Reinstatement Assets	1,004	Discount Rate	2.56 % to 4.04 % 3 %	Significant changes in the discount rate or cost escalation rate would result in significant changes to fair value measurement.	
		Cost escalation rate			

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (Level 3) (continued)

d. The Valuation Process for Level 3 Fair Value Measurements

Fair Value Hierarchy

AASB 13 Fair Value measurement requires disclosure of fair value measurement by level of input, using the following hierarchy:

- * Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- * Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly.
- * Level 3 - Unobservable inputs for asset or liability.

Fair Value Techniques

The valuation techniques prescribed by AASB 13 can be summarised as:

'Cost Approach': A valuation technique that reflects the amount that would be required to replace the service capacity of an asset (current replacement cost).

'Income Approach': A valuation technique that converts future amounts (cash inflows / outflows) to signal the current (i.e. discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about these future amounts.

'Market Approach': A valuation technique that uses prices and other relevant information, generated by market transactions involving identical or comparable (similar) assets, liabilities or a group of assets and liabilities such as a business.

Valuation Techniques used to derive Level 2 and Level 3 Fair Values

Where Council is unable to derive Fair Valuations using quoted market prices of identical assets (i.e. level 1 inputs), Council instead utilises a spread of both observable inputs (Level 2 inputs) and unobservable inputs (Level 3 inputs).

The Fair Valuation techniques Council has employed while utilising Level 2 and Level 3 inputs are as follows:

Level 2 valuation process for some asset classes where the basis was Cost Approach under Level 2 input, whereby maximising observable inputs and minimising unobservable inputs as below:

- * Quoted prices for similar asset in active markets
- * Current replacement cost concept
- * Purchase price
- * Useful life

Level 3 valuation process for some asset classes where the basis was Cost Approach. The inputs used for this technique were:

- * Pattern of consumption
- * Residual value
- * Asset condition
- * Unit rates
- * Useful life

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

(5). Highest and best use

All of Council's non financial assets are considered as being utilised for their highest and best use.



**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 statement of financial position as at 30 June 2014, 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 2014 and of its performance 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 financial year ended 30 June 2014 included on Council's website. The Council is responsible for the integrity of the Council's 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 27th day of October 2014.

Kyogle Council

Report to Council under s417 of the Local Government Act 1993

30 June 2014



BRW.
CLIENT
CHOICE
AWARDS
2013
WINNER

BRW.
CLIENT
CHOICE
AWARDS
2014
WINNER



Thomas
Noble &
Russell

Accountants | Auditors | Business Advisers

CONTENTS

1.	THE AUDITOR’S ROLE & RESPONSIBILITY	89
2.	INCOME STATEMENT	90
2.1	Consolidated Operating Result	90
2.2	Operating Result by Fund	91
2.3	Material Items Impacting the Result After Depreciation & Before Capital Revenue and Other Significant Items	91
2.3.1	General Fund Result	91
2.3.2	Water and Sewer Funds	92
2.3.3	Operating Performance Ratio	92
2.3.4	Own Source Operating Revenue Ratio	93
2.4	Capital Grants & Contributions – All Funds	93
3.	STATEMENT OF FINANCIAL POSITION	94
3.1	Net Current Assets	95
3.1.1	Unrestricted Net Current Assets & Ratio.....	95
3.1.2	Cash & Cash Equivalents.....	96
3.1.3	Rates and Annual Charges Outstanding Percentage	97
3.2	Infrastructure, Property, Plant and Equipment (I,P,P&E).....	98
3.2.1	Depreciation	98
3.2.2	Asset Revaluations	99
3.2.3	Reassessment of Asset Useful Lives	99
3.2.4	Council Constructed / Purchased Additions.....	99
3.2.5	Asset Management Performance Indicators	100
3.3	Loan Liability	103
4.	OTHER MATTERS	104
4.1	Internal Control Environment	104
4.2	Financial Performance Measurement.....	104

We are pleased to advise that we have completed the audit of Council's financial reports for the year ended 30 June 2014, in accordance with Section 415 of the *Local Government Act 1993*. The financial reports that have been subject to independent audit are the:

- General purpose financial report; and
- Special purpose financial report.

1. THE AUDITOR'S ROLE & RESPONSIBILITY

Council's annual financial audit engagement has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial reports comply with Australian Accounting Standards as well as other statutory requirements and are free of material misstatement.

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

Our independent audit report is attached to each financial report.

This report should be read in conjunction with our audit opinion on the general purpose financial report provided under Section 417(2) of the *Local Government Act 1993*.

Reporting on the Conduct of the Audit

Section 417 (3) of the *Local Government Act 1993* requires us to consider and provide comment on the material items affecting the general purpose financial report and other matters pertinent to the audit. Arising from the audit, there are a number of observations we wish to raise concerning the trends in Council's finances. These observations are set out below.

2. INCOME STATEMENT

2.1 Consolidated Operating Result

Council's consolidated deficit from all activities for 2014 was \$4,632,000. This compares to a surplus in 2013 of \$435,000. This result can be summarised as follows:

	2014 \$'000	2013 \$'000	2012 \$'000
Revenues from continuing operations	17,889	22,713	22,546
Expenses from continuing operations	(15,044)	(18,035)	(16,644)
Surplus from continuing operations before depreciation	2,845	4,678	5,902
Less: depreciation expense	(7,664)	(7,589)	(7,658)
Operating deficit after depreciation & before capital revenue and other significant items	(4,819)	(2,911)	(1,756)
Significant items impacting the operating result			
Gain/(Loss) on disposal of assets	(1,907)	(1,493)	(3,223)
Operating deficit before capital revenue	(6,726)	(4,404)	(4,979)
Capital grants and contributions	2,094	4,839	4,582
Result from all activities	(4,632)	435	(397)

These results are more meaningfully analysed by operating Fund as detailed further in this report.

2.2 Operating Result by Fund

The consolidated operating result comprises the surpluses and deficits associated with Council's General, Sewer (waste water) and Water Funds. The results of each fund are provided below:

Operating Result by Fund	2014			2013		
	General \$'000	Water \$'000	Sewer \$'000	General \$'000	Water \$'000	Sewer \$'000
Revenues from continuing operations	15,459	1,262	1,168	20,539	1,061	1,113
Expenses from continuing operations	(12,827)	(1,274)	(943)	(16,149)	(911)	(975)
Result from continuing operations before depreciation	2,632	(12)	225	4,390	150	138
Less: depreciation expense	(7,268)	(195)	(201)	(7,206)	(190)	(193)
Operating result after depreciation & before capital revenue and other significant items	(4,636)	(207)	24	(2,816)	(40)	(55)
Significant items impacting the operating result						
Gain/(Loss) on disposal of assets	(1,848)	(7)	(52)	(1,459)	(10)	(24)
Operating deficit before capital revenue	(6,484)	(214)	(28)	(4,275)	(50)	(79)
Capital grants and contributions	2,089	4	1	4,811	26	2
Result from all activities	(4,395)	(210)	(27)	536	(24)	(77)

2.3 Material Items Impacting the Result After Depreciation & Before Capital Revenue and Other Significant Items

2.3.1 General Fund Result

The General Fund operating result after depreciation and before capital revenue and other significant items has declined by \$1,820,000 from a \$2,816,000 deficit in 2013 to a \$4,636,000 deficit in 2014. Some of the material components contributing to the increased overall deficit include:

Revenue

- Increase in ordinary rates income of \$293,000, mainly due to the 3.4% rate rise as approved by the Minister for Local Government;
- Decrease in other fees and charges of \$2,630,000, mainly due to decreased RMS charges of \$2,054,000 and decreased quarries income of \$467,000. These reductions are in line with a decrease in the works required by the RMS coupled with a major project undertaken in 2013;
- Decrease in general purpose grants of \$1,721,000, due to a reduction in financial assistance advances from the Federal government;
- Decrease in specific purpose grants of \$953,000, mainly due to a reduction in transport specific grants with the finalisation of flood damage works and blackspot projects in 2013.

Expenses

- Increase in employee costs of \$545,000;
- Decrease in raw materials and consumables of \$3,970,000, primarily the result of a decrease in RMS and flood damage works carried out in 2014.

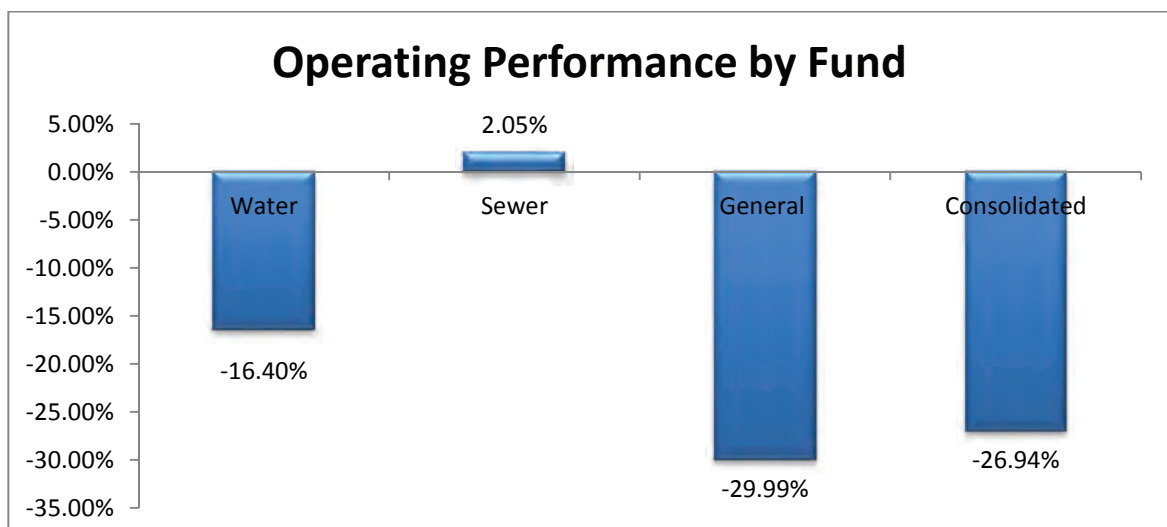
2.3.2 Water and Sewer Funds

The Water Fund operating result after depreciation and before capital revenue and other significant items has decreased from a deficit of \$40,000 in 2013 to a deficit of \$207,000 in 2014.

The Sewer Fund operating result after depreciation and before capital revenue and other significant items has improved from a deficit of \$55,000 in 2013 to a surplus of \$24,000 in 2014.

2.3.3 Operating Performance Ratio

The NSW Office of Local Government has introduced a ratio that measures a Council's achievement of containing operating expenditure within operating revenue (achieving a surplus after depreciation but before capital revenue). The benchmark is greater than 0%.



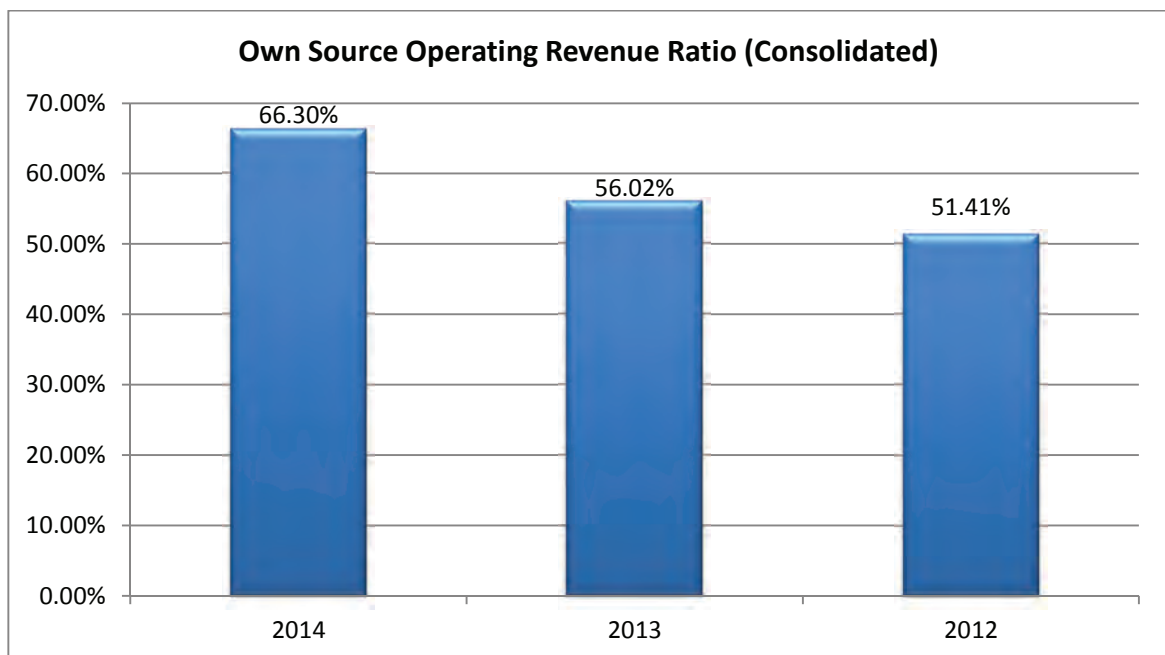
As previously illustrated Council's General Fund has an operating deficit after depreciation of \$4,636,000. This result was adversely impacted by the reduction in Financial Assistance Grant funding in the 2014 financial year to the extent of \$1,724,000. Without this negative impact, General Fund would have achieved an operating performance ratio of – 16.95%.

However, the benchmark for this ratio is greater than 0%, that is, Council should not be recording recurring operating deficits but should contain operating expenditure within operating revenue. In other words, the operating result after depreciation & before capital revenue and other significant items should be positive.

It is important to distinguish that this ratio is focussing on operating performance and hence capital grants and contributions and fair value adjustments are excluded.

2.3.4 Own Source Operating Revenue Ratio

Local Government performance benchmarking now analyses the ability of Council to generate its own revenue sources rather than over-reliance on grants and contributions (capital and operating) received from external sources. The graph below illustrates that Council sources 66.30% of its consolidated revenue from rates, annual charges, user charges, interest etc. which exceeds the industry benchmark of 60%.



Individually General, Water and Sewer Funds own source operating revenue ratio also exceed industry benchmarks.

2.4 Capital Grants & Contributions – All Funds

Council receives capital grants and contributions from various sources each financial year to renew existing assets as well as construct new assets. Capital contributions include developer contributions as well as dedications received by Council on the finalisation of a development.

Capital grants received during the year amounted to \$1,524,000 and included grants for transport asset - \$1,022,000 and grants for flood mitigation - \$320,000.

Capital contributions received during the year amounted to \$570,000. The table below provides an understanding of the nature and quantum of contributions received during the financial year:

	2014 \$'000	2013 \$'000	2012 \$'000
General S94	109	123	111
Sewer S64	1	2	49
Water S64	4	2	49
Stormwater S64	-	1	39
Total developer contributions	114	128	248
Non-cash developer dedications	-	384	2,208
Non-cash crown reserves	-	1,785	-
RMS contributions to roads	421	241	544
Other contributions	35	90	188
Total Capital Contributions	570	2,628	3,188

The use of cash contributions received during each year is restricted and accordingly they are not available for use in Council's general operations.

3. STATEMENT OF FINANCIAL POSITION

Council's Statement of Financial Position (Balance Sheet) is summarised below.

	2014 \$'000	2013 \$'000	2012 \$'000
Current Assets	21,309	23,513	24,051
Non-Current Assets	292,541	288,064	277,394
Total Assets	313,850	311,577	301,445
Current Liabilities	3,247	3,365	4,370
Non-Current Liabilities	2,627	2,949	3,163
Total Liabilities	5,874	6,314	7,533
Equity	307,976	305,263	293,912

We provide commentary on some of the material assets and liabilities appearing on Council's statement of financial position as at 30 June 2014 together with related NSW Office of Local Government benchmark data.

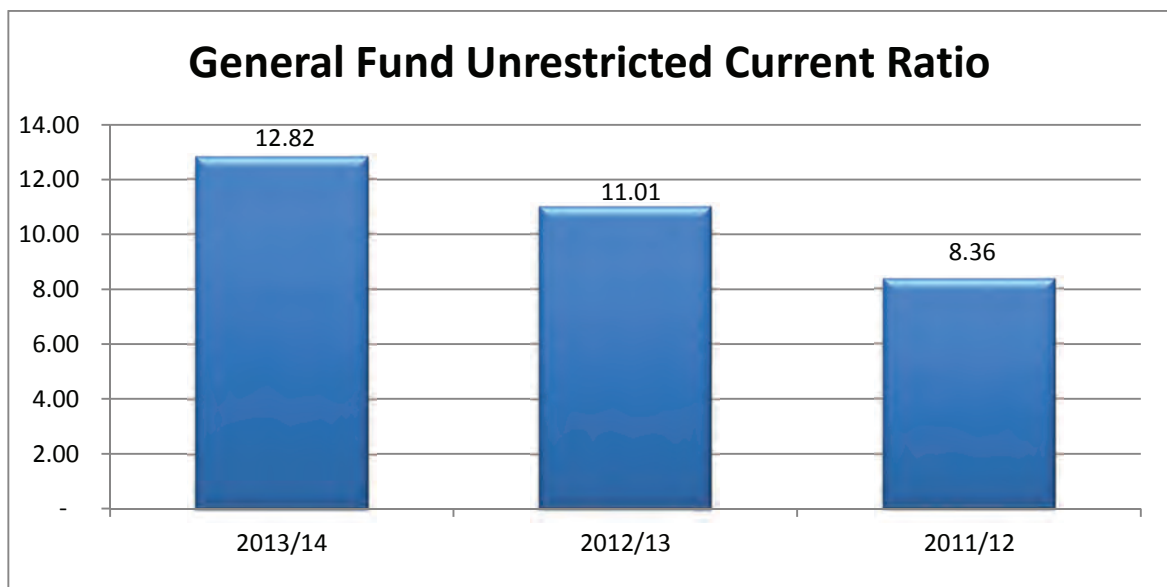
3.1 Net Current Assets

3.1.1 Unrestricted Net Current Assets & Ratio

	2014 \$'000	2013 \$'000	2012 \$'000
Current Assets	21,309	23,513	24,051
Externally restricted cash & investments	(1,617)	(1,426)	(2,693)
Externally restricted receivables	(680)	(713)	(687)
Current Assets less all External Restrictions	19,012	21,374	20,671
Current Liabilities	3,247	3,365	4,370
Externally restricted liabilities	(925)	(465)	(988)
Liabilities classified as current in the financial report but not expected to be paid in the next 12 months	(839)	(977)	(918)
Current Liabilities less Specific Purpose Liabilities	1,483	1,923	2,464
Unrestricted Current Net Assets before Internal Reserves	17,529	19,451	18,207

Council's unrestricted current asset position provides a measure of the organisation's capacity / liquidity to meet its commitments from current assets net of externally restricted cash, investments and receivables.

The unrestricted current ratio measures Council's net unrestricted current ratio. The NSW Office of Local Government considers that this ratio should be in the range of 1.5 – 2.0.



At 30 June 2014 Council's General Fund has \$12.82 in liquid current assets for every \$1 of current liabilities. This ratio is well above the industry benchmark.

At 30 June 2014 Council's Water Fund has an unrestricted current ratio of 0.56 (2013 – 3.20). A large contributor to the decrease is \$256,000 of loans which become due for repayment in the 2015 financial year. Council should continue to monitor the liquidity of the Water Fund.

3.1.2 Cash & Cash Equivalents

Included in Council's net current assets are cash and investments which are restricted in their use as follows:

	2014 \$'000	2013 \$'000	2012 \$'000
Externally Restricted (Current) <i>Monies can only be spent in accordance with legislation, grant agreement or developer contribution plan specifications</i>	1,617	1,426	2,693
Internally Restricted (Current) <i>Money set aside for special projects via Council resolution</i>	13,159	16,709	15,681
Unrestricted (Current) <i>Funds forming part of working capital used for day-to-day Council operations</i>	-	-	197
Total Current Cash & Cash Equivalents	14,776	18,135	18,571

Council is managing its investment portfolio in accordance with the Minister's Investment Order which is applicable to all local government authorities.

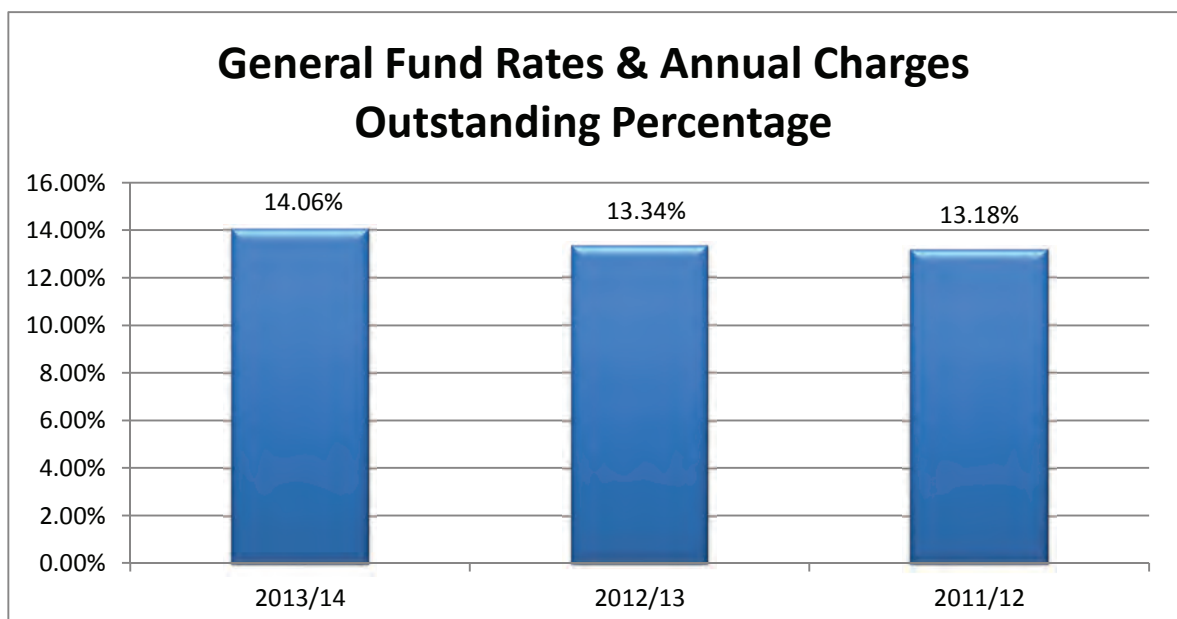
Total Internally Restricted Cash

Council has resolved to set aside the following special purpose reserves:

	2014 \$'000	2013 \$'000	2012 \$'000
Infrastructure Projects			
Roads & Bridges	1,420	1,490	1,490
Stormwater Management	200	200	200
Transport	770	2,290	564
Commercial Waste	564	606	754
Quarries	1,049	1,077	884
Carry Over Works	1,434	4,290	3,608
Emergency Works	300	300	300
	<hr/>	<hr/>	<hr/>
	5,737	10,253	7,800
Plant & Equipment Renewal			
Building Replacement	150	187	462
Information Technology	100	100	100
Plant/Fleet Replacement	6,131	4,994	6,181
	<hr/>	<hr/>	<hr/>
	6,381	5,281	6,743
Employee Entitlements	1,041	1,175	1,138
	<hr/>	<hr/>	<hr/>
Total Internally Restricted Cash	<u>13,159</u>	<u>16,709</u>	<u>15,681</u>

3.1.3 Rates and Annual Charges Outstanding Percentage

This is a financial performance indicator that assesses the effectiveness of Council's revenue collection processes.



Council's General Fund rates and annual charges outstanding ratio has increased from 13.34% in 2013 to 14.06% as at 30 June 2014. Ratio's for Water and Sewer Funds have declined but remain at levels similar to the General Fund.

The NSW Office of Local Government benchmark is <5% for urban and coastal Council's and <10% for rural Council's.

Whilst we understand the impact of the continued hardship within the timber industry we suggest that it would be prudent for Council to review its policies and procedures to determine the level of outstanding rates and annual charges it wishes to maintain.

3.2 Infrastructure, Property, Plant and Equipment (I,P,P&E)

The largest asset or liability appearing on Council's statement of financial position is I,P,P&E. Note 9 to the general purpose financial statements provides an understanding of Council's I,P,P&E and illustrates that Council is responsible for maintaining and improving assets with a written down value of approximately \$290 million.

3.2.1 Depreciation

	COST	WDV	DEP'N EXP	COST	WDV	DEP'N EXP
	2014	2014	2014	2013	2013	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Plant & equipment	14,142	6,996	1,120	13,625	6,523	1,074
Operational & community land	5,897	5,897	-	5,884	5,884	-
Land under roads	3,392	3,392	-	3,392	3,392	-
Land improvements depreciable	1,506	1,053	66	1,423	1,050	64
Buildings	25,244	12,286	393	24,279	12,072	382
Other structures	10,216	5,683	265	9,658	5,524	187
Infrastructure						
Roads, bridges & footpaths	316,230	187,384	5,241	309,674	186,313	5,375
Bulk Earthworks	14,855	14,855	-	14,525	14,525	-
Stormwater drainage	24,247	18,332	126	23,592	17,953	106
Water infrastructure	21,740	11,562	195	21,134	11,455	190
Sewer infrastructure	29,079	22,564	201	28,104	21,839	193
Work in progress	1,533	1,533	-	1,196	1,196	-
Tip and quarry assets	1,613	1,004	57	942	338	18
Total Infrastructure, Property, Plant & Equipment	469,694	292,541	7,664	457,428	288,064	7,589

The major movements in the above table for transport, stormwater drainage, water and sewer asset written down values are the result of the indexation referred to below.

3.2.2 Asset Revaluations

During the 2013/14 financial year no asset classes were subject to full revaluations. Instead all infrastructure assets were indexed in accordance with applicable indices. As a result of the indexation, net revaluation increments of \$7.345 million were recognised, these amounts were credited to the Asset Revaluation Reserve.

3.2.3 Reassessment of Asset Useful Lives

As no full revaluations were undertaken during the year no reassessment of asset useful lives and residual values has occurred.

It is important that Council regularly reassess the remaining useful lives of assets and their condition in future revaluations.

3.2.4 Council Constructed / Purchased Additions

Each year Council budgets to renew or capitalise new assets. An illustration of I,P,P&E capitalised over the past three years is provided below:

	2014 \$'000	2013 \$'000	2012 \$'000
<i>Non-cash grants / contributions</i>			
Land and Buildings	-	1,785	2
Roads and Drainage Network	-	384	2,012
Water Supply Network	-	-	45
Sewerage Network	-	-	149
<i>Council Constructed / Purchased Assets</i>			
Work in Progress	940	1,061	1,088
Land and Buildings	508	147	449
Plant and Equipment	2,001	1,490	1,187
Roads and Drainage Network	3,726	4,581	3,699
Water Supply Network	22	140	628
Sewerage Network	161	41	403
Other	46	36	369
Total Asset Additions	7,404	9,665	10,031
Consisting of:			
Asset Renewals – Buildings & Infrastructure	4,642	5,173	5,607
Dedicated Assets	-	2,169	2,208
New Assets	2,762	2,323	2,216
	7,404	9,665	10,031

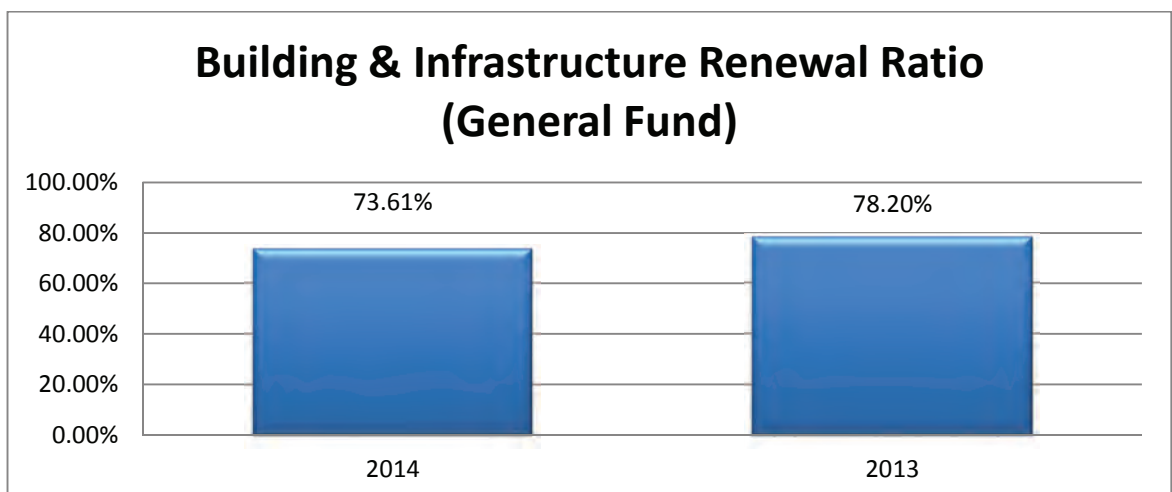
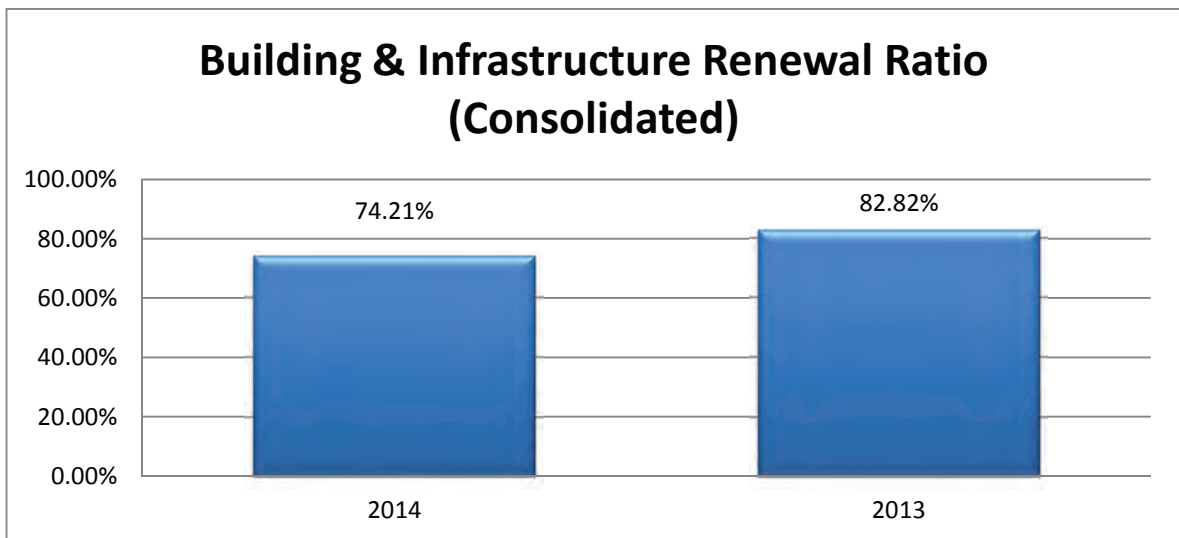
3.2.5 Asset Management Performance Indicators

The NSW Office of Local Government has introduced several performance indicators designed to provide Council with measures of asset management.

Asset Management Performance Indicators disclosed in Special Schedule 7 provide information on council's assets in addition to that contained in Note 9 - Infrastructure, Property, Plant and Equipment. The nature of the information in the Report on Infrastructure Assets is related to the condition, maintenance and renewal of infrastructure assets. This information and the following asset management performance indicators are not subject to audit this financial year. However, commencing 2014/2015 this information will be subject to audit.

Buildings & Infrastructure Renewals Ratio

Assessing the rate at which buildings and infrastructure assets are being renewed against the rate at which they are depreciating is measured using the buildings and infrastructure renewals ratio. The buildings and infrastructure renewals ratio is calculated based on replacement of existing assets with assets of equivalent capacity or performance as opposed to the acquisition of new assets. Expenditure incurred to add capacity to existing assets is excluded from this ratio.



Industry benchmarking recommends that asset renewals equate to the related depreciation expense or be in the range of 90 - 100%.

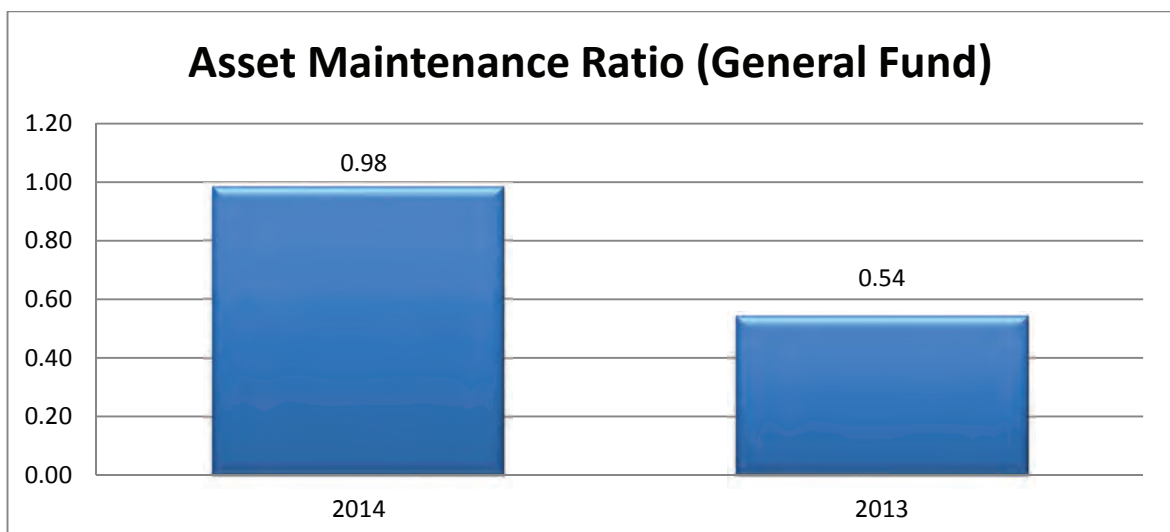
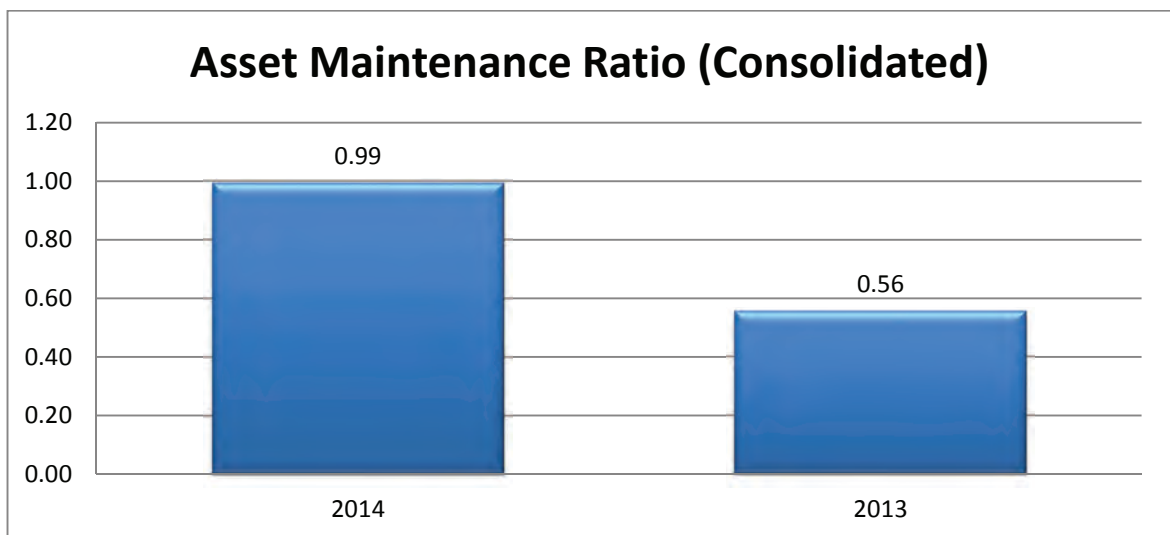
These graphs illustrate that Council is not renewing assets equivalent to the rate at which they are depreciating.

The challenge facing all local government authorities is to improve this ratio to satisfy this industry benchmark continuously, particularly in the General Fund, which is subject to rate pegging limits or special rate variations, if Council has successfully applied for such.

Asset Maintenance Ratio

This ratio compares actual versus required (as estimated by Council staff) annual asset maintenance. A ratio of above 1.0 indicates that the Council is investing enough funds within the year to stop the Infrastructure Backlog from growing. This ratio is highly dependent on accurate and consistent required maintenance and quantified infrastructure backlog calculations.

The benchmark for this ratio is greater than 1.0.

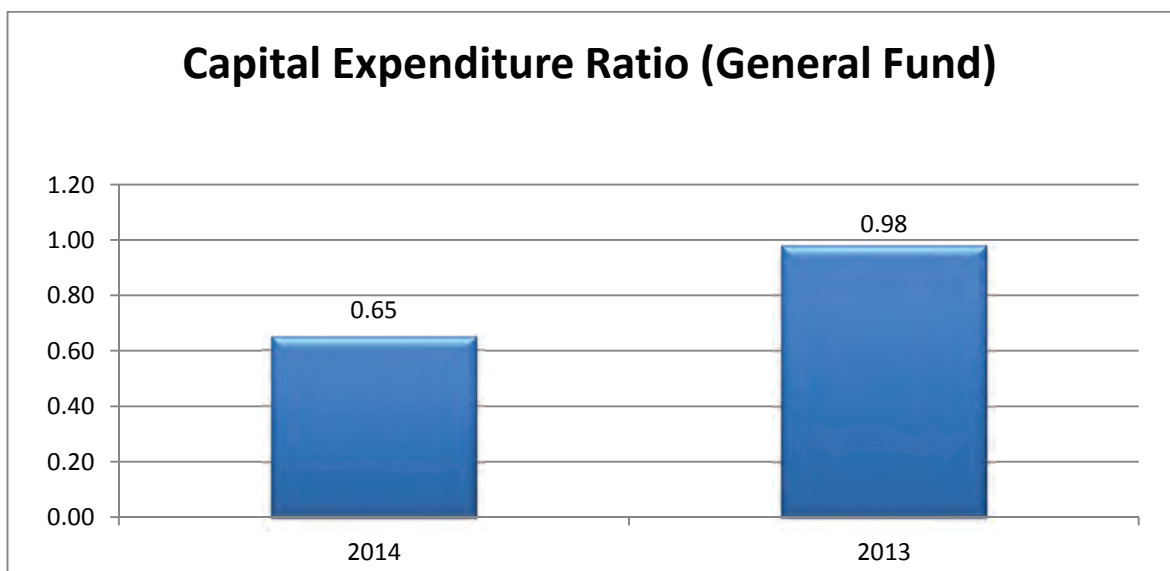
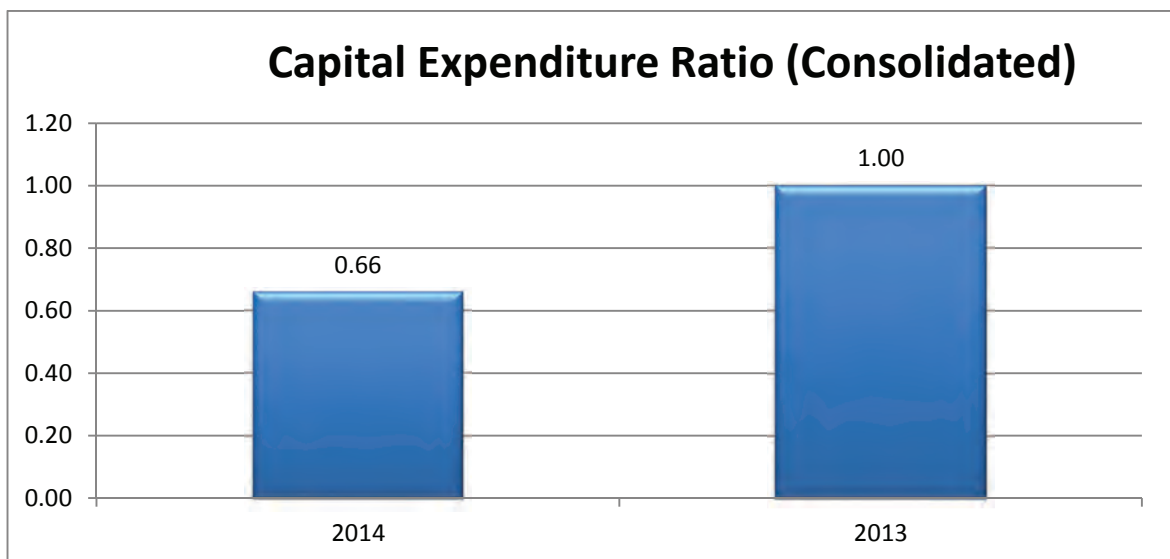


The ratios for 2014 indicate that Council is spending sufficient funds on asset maintenance to ensure their condition does not deteriorate below a satisfactory standard.

Capital Expenditure Ratio

This ratio indicates the extent to which Council is forecasting to expand its asset base with capital expenditure spent on both new assets as well as replacement and renewal of existing assets.

The benchmark for this ratio is greater than 1.0.



The ratios for 2014 indicate that Council spent only 66% of total depreciation expense on capital works for buildings and infrastructure assets.

Creating financial capacity to fund asset maintenance, renewals and new capital projects is one of the most difficult issues facing the Local Government industry in Australia. The ability to satisfy the industry parameters for asset renewals is a key goal for any local government authority which will only be achieved by:

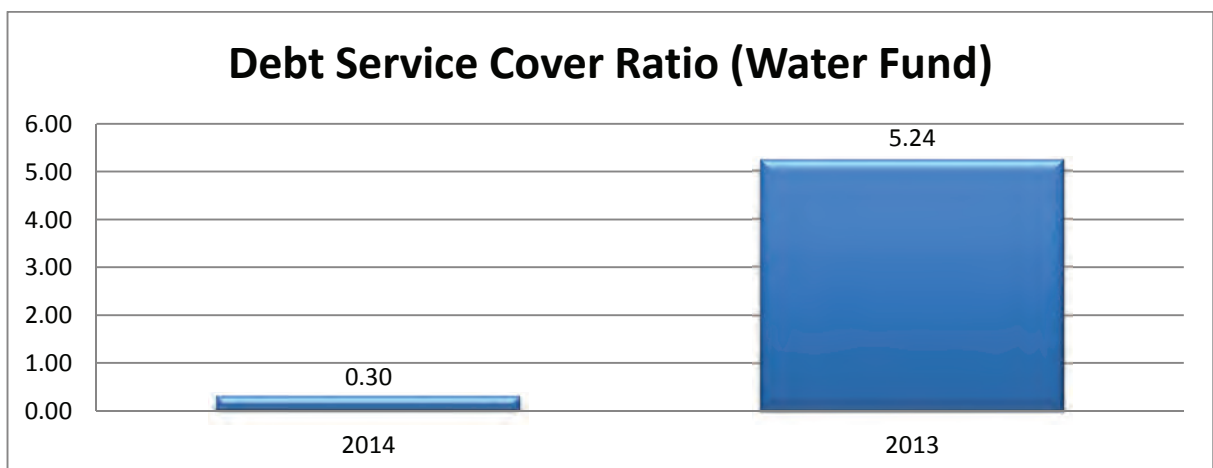
- having asset management and financial systems that accurately identify and record renewals expenditure throughout each year,
- ensuring that the depreciation expense disclosed in the financial report reflects the actual consumption of each asset,
- ensuring policies and procedures are updated so that Council personnel have sound guidance on capital v maintenance and renewals v new capital works,
- accurately recording renewals expenditure where projects include replacing an existing asset with greater capacity, and
- constantly reviewing Council's operations so that the maximum available resources can be directed toward asset renewal.

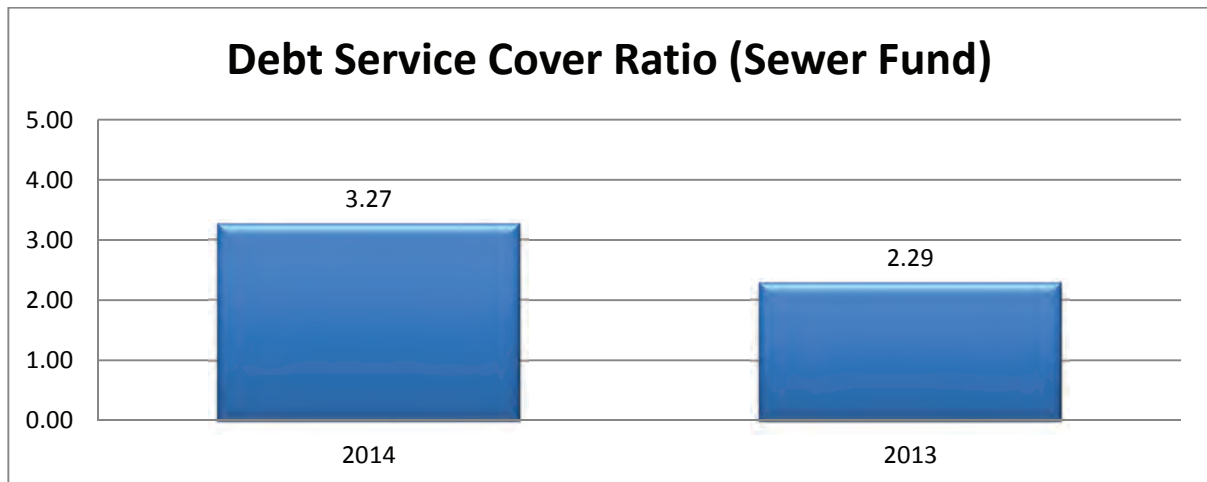
3.3 Loan Liability

	2014 \$'000	2013 \$'000	2012 \$'000
Current Loan Liability	271	32	31
Non-Current Loan Liability	907	1,178	1,210
Total Loan Liability	1,178	1,210	1,241
By Fund			
General Fund	-	-	-
Sewer Fund	922	943	964
Water Fund	256	267	277
Total	1,178	1,210	1,241

Debt Service Cover Ratio

A new ratio has been introduced to measure the availability of operating cash to service debt including interest, principal and lease payments. This ratio replaces the Debt Service Ratio which measured the Council's debt and interest repayment as a percentage of revenue. The benchmark for the new ratio is greater than 2.





The Water Fund's Debt Service Cover Ratio has reduced in 2014 in line with the deterioration in financial performance of this fund noted in section 2.3.2 of this report. For Water Fund we suggest that the ratio be analysed to determine if cash flow over the short to medium term is sufficient to allow this benchmark to be achieved.

4. OTHER MATTERS

4.1 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. We will issue a separate report to Council which identifies internal control weaknesses and other audit observations in due course.

4.2 Financial Performance Measurement

In 2015 Council's special schedule 7 will be subject to independent audit. Special schedule 7 contains asset management ratios, costs to bring assets to a satisfactory standard and information relating to actual and required maintenance expenditure levels. As this information has not been subject to independent review in prior years, it is important that Council:


- Review the information contained in special schedule 7 to ensure it is accurate;
- Have policies and procedures supporting the compilation of information that is included in special schedule 7 so that asset management ratios are calculated accurately;
- Aligns asset data collection to allow efficient compilation of the information contained in special schedule 7.

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

Yours faithfully

**THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS**

Per:

A handwritten signature in black ink, appearing to read 'G W Dwyer', is written over a horizontal dotted line. The signature is fluid and cursive.

G W DWYER (Partner)
Registered Company Auditor



KYOGLE COUNCIL

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2014

Gateway to the Rainforests



KYOGLE COUNCIL

Special Purpose Financial Statements

for the financial year ended 30 June 2014

Contents	Page
1. Statement by Councillors & Management	2
2. Special Purpose Financial Statements:	
Income Statement - Water Supply Business Activity	3
Income Statement - Sewerage Business Activity	4
Income Statement - Other Business Activities	5 - 6
Statement of Financial Position - Water Supply Business Activity	7
Statement of Financial Position - Sewerage Business Activity	8
Statement of Financial Position - Other Business Activities	9 - 10
3. Notes to the Special Purpose Financial Statements	11
4. Auditor's Report	

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 2014

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 27 October 2014.



Danielle Mulholland
MAYOR


John Burley
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 2014

\$ '000	Actual 2014	Actual 2013
Income from continuing operations		
Access charges	630	548
User charges	520	479
Fees	10	2
Interest	4	5
Grants and contributions provided for non capital purposes	27	27
Profit from the sale of assets	-	-
Other income	71	-
Total income from continuing operations	1,262	1,061
Expenses from continuing operations		
Employee benefits and on-costs	231	229
Borrowing costs	22	23
Materials and contracts	830	467
Depreciation and impairment	195	190
Water purchase charges	35	34
Loss on sale of assets	7	10
Calculated taxation equivalents	-	-
Debt guarantee fee (if applicable)	-	-
Other expenses	156	158
Total expenses from continuing operations	1,476	1,111
Surplus (deficit) from Continuing Operations before capital amounts	(214)	(50)
Grants and contributions provided for capital purposes	4	26
Surplus (deficit) from Continuing Operations after capital amounts	(210)	(24)
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	(210)	(24)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-
SURPLUS (DEFICIT) AFTER TAX	(210)	(24)
plus Opening Retained Profits	7,928	7,952
plus/less: Prior Period Adjustments	-	-
plus/less: Other Adjustments (details here...)	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	-	-
- Debt guarantee fees	-	-
- Corporate taxation equivalent	-	-
less:		
- Tax Equivalent Dividend paid	-	-
- Surplus dividend paid	-	-
Closing Retained Profits	7,718	7,928
Return on Capital %	-1.6%	-0.2%
Subsidy from Council	N / A	N / A
Calculation of dividend payable:		
Surplus (deficit) after tax	(210)	(24)
less: Capital grants and contributions (excluding developer contributions)	(2)	(24)
Surplus for dividend calculation purposes	-	-
Potential Dividend calculated from surplus	-	-

KYOGLE COUNCIL

Income Statement of Council's Sewerage Business Activity

for the financial year ended 30 June 2014

\$ '000	Actual 2014	Actual 2013
Income from continuing operations		
Access charges	934	891
User charges	173	170
Liquid Trade Waste charges	17	18
Fees	-	-
Interest	10	15
Grants and contributions provided for non capital purposes	26	26
Profit from the sale of assets	-	-
Other income	8	(7)
Total income from continuing operations	1,168	1,113
Expenses from continuing operations		
Employee benefits and on-costs	313	274
Borrowing costs	69	70
Materials and contracts	487	546
Depreciation and impairment	201	193
Loss on sale of assets	52	24
Calculated taxation equivalents	-	-
Debt guarantee fee (if applicable)	-	-
Other expenses	74	85
Total expenses from continuing operations	1,196	1,192
Surplus (deficit) from Continuing Operations before capital amounts	(28)	(79)
Grants and contributions provided for capital purposes	1	2
Surplus (deficit) from Continuing Operations after capital amounts	(27)	(77)
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	(27)	(77)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-
SURPLUS (DEFICIT) AFTER TAX	(27)	(77)
plus Opening Retained Profits	8,898	8,975
plus/less: Prior Period Adjustments	-	-
plus/less: Other Adjustments (details here...)	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	-	-
- Debt guarantee fees	-	-
- Corporate taxation equivalent	-	-
less:		
- Tax Equivalent Dividend paid	-	-
- Surplus dividend paid	-	-
Closing Retained Profits	8,871	8,898
Return on Capital %	0.2%	0.0%
Subsidy from Council	N / A	N / A
Calculation of dividend payable:		
Surplus (deficit) after tax	(27)	(77)
less: Capital grants and contributions (excluding developer contributions)	1	-
Surplus for dividend calculation purposes	-	-
Potential Dividend calculated from surplus	-	-

KYOGLE COUNCIL

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2014

\$ '000	Domestic Waste		Quarries	
	Category 2		Category 2	
	Actual 2014	Actual 2013	Actual 2014	Actual 2013
Income from continuing operations				
Access charges	796	750	-	-
User charges	-	-	195	662
Fees	-	-	-	-
Interest	7	7	-	-
Grants and contributions provided for non capital purposes	27	28	-	-
Profit from the sale of assets	-	-	-	-
Other income	-	-	-	-
Total income from continuing operations	830	785	195	662
Expenses from continuing operations				
Employee benefits and on-costs	-	223	31	64
Borrowing costs	40	41	1	(13)
Materials and contracts	1,294	541	112	352
Depreciation and impairment	50	34	32	36
Loss on sale of assets	-	-	6	-
Calculated taxation equivalents	-	-	-	-
Debt guarantee fee (if applicable)	-	-	-	-
Other expenses	-	-	-	-
Total expenses from continuing operations	1,384	839	182	439
Surplus (deficit) from Continuing Operations before capital amounts	(554)	(54)	13	223
Grants and contributions provided for capital purposes	-	30	-	-
Surplus (deficit) from Continuing Operations after capital amounts	(554)	(24)	13	223
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	(554)	(24)	13	223
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	(4)	(67)
SURPLUS (DEFICIT) AFTER TAX	(554)	(24)	9	156
plus Opening Retained Profits	(283)	(259)	1,196	973
plus/less: Prior Period Adjustments	-	-	-	-
plus/less: Other Adjustments (details here...)	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	-	-	-	-
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	-	-	4	67
add:				
- Subsidy Paid/Contribution To Operations	-	-	-	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	-	-	-	-
Closing Retained Profits	(837)	(283)	1,209	1,196
Return on Capital %	-52.6%	-1.6%	2.0%	29.9%
Subsidy from Council	549	44	10	-

KYOGLE COUNCIL

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2014

Transport

Category 1

\$ '000	Actual 2014	Actual 2013
Income from continuing operations		
Access charges	-	-
User charges	3,085	5,140
Fees	-	-
Interest	-	-
Grants and contributions provided for non capital purposes	-	-
Profit from the sale of assets	-	-
Other income	-	-
Total income from continuing operations	3,085	5,140
Expenses from continuing operations		
Employee benefits and on-costs	455	542
Borrowing costs	-	-
Materials and contracts	1,942	4,056
Depreciation and impairment	-	-
Loss on sale of assets	-	-
Calculated taxation equivalents	-	-
Debt guarantee fee (if applicable)	-	-
Other expenses	-	-
Total expenses from continuing operations	2,397	4,598
Surplus (deficit) from Continuing Operations before capital amounts	688	542
Grants and contributions provided for capital purposes	-	-
Surplus (deficit) from Continuing Operations after capital amounts	688	542
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	688	542
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(206)	(163)
SURPLUS (DEFICIT) AFTER TAX	482	379
plus Opening Retained Profits	2,805	2,468
plus/less: Prior Period Adjustments	-	-
plus/less: Other Adjustments (details here...)	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	-	-
- Debt guarantee fees	-	-
- Corporate taxation equivalent	206	163
add:		
- Subsidy Paid/Contribution To Operations	-	-
less:		
- TER dividend paid	-	-
- Dividend paid	(205)	(205)
Closing Retained Profits	3,288	2,805
Return on Capital %	n/a	n/a
Subsidy from Council	-	-

KYOGLE COUNCIL

Statement of Financial Position - Council's Water Supply Business Activity as at 30 June 2014

\$ '000	Actual 2014	Actual 2013
ASSETS		
Current Assets		
Cash and cash equivalents	10	2
Receivables	301	288
Total Current Assets	311	290
Non-Current Assets		
Infrastructure, property, plant and equipment	12,013	11,762
Total non-Current Assets	12,013	11,762
TOTAL ASSETS	12,324	12,052
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	18
Payables	214	1
Interest bearing liabilities	256	12
Provisions	72	60
Total Current Liabilities	542	91
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	-	255
Provisions	-	-
Total Non-Current Liabilities	-	255
TOTAL LIABILITIES	542	346
NET ASSETS	11,782	11,706
EQUITY		
Retained earnings	7,718	7,928
Revaluation reserves	4,064	3,778
Council equity interest	11,782	11,706
Non-controlling equity interest	-	-
TOTAL EQUITY	11,782	11,706

KYOGLE COUNCIL

Statement of Financial Position - Council's Sewerage Business Activity

as at 30 June 2014

\$ '000	Actual 2014	Actual 2013
ASSETS		
Current Assets		
Cash and cash equivalents	797	733
Receivables	252	284
Total Current Assets	1,049	1,017
Non-Current Assets		
Infrastructure, property, plant and equipment	22,589	22,067
Total non-Current Assets	22,589	22,067
TOTAL ASSETS	23,638	23,084
LIABILITIES		
Current Liabilities		
Payables	5	5
Interest bearing liabilities	15	20
Provisions	73	60
Total Current Liabilities	93	85
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	907	923
Provisions	-	-
Total Non-Current Liabilities	907	923
TOTAL LIABILITIES	1,000	1,008
NET ASSETS	22,638	22,076
EQUITY		
Retained earnings	8,871	8,898
Revaluation reserves	13,767	13,178
Council equity interest	22,638	22,076
Non-controlling equity interest	-	-
TOTAL EQUITY	22,638	22,076

KYOGLE COUNCIL

Statement of Financial Position - Council's Other Business Activities

as at 30 June 2014

\$ '000	Domestic Waste		Quarries	
	Category 2		Category 2	
	Actual 2014	Actual 2013	Actual 2014	Actual 2013
ASSETS				
Current Assets				
Cash and cash equivalents	39	-	1,049	1,077
Receivables	127	141	-	-
Inventories	-	-	228	170
Total Current Assets	166	141	1,277	1,247
Non-Current Assets				
Infrastructure, property, plant and equipment	977	819	687	703
Total Non-Current Assets	977	819	687	703
TOTAL ASSETS	1,143	960	1,964	1,950
LIABILITIES				
Current Liabilities				
Bank Overdraft	-	30	-	-
Total Current Liabilities	-	30	-	-
Non-Current Liabilities				
Provisions	1,128	1,213	299	302
Total Non-Current Liabilities	1,128	1,213	299	302
TOTAL LIABILITIES	1,128	1,243	299	302
NET ASSETS	15	(283)	1,665	1,648
EQUITY				
Retained earnings	(837)	(283)	1,209	1,196
Revaluation reserves	852	-	456	452
Council equity interest	15	(283)	1,665	1,648
Non-controlling equity interest	-	-	-	-
TOTAL EQUITY	15	(283)	1,665	1,648

KYOGLE COUNCIL

Statement of Financial Position - Council's Other Business Activities

as at 30 June 2014

Transport

Category 1

\$ '000	Actual 2014	Actual 2013
ASSETS		
Current Assets		
Cash and cash equivalents	770	2,291
Receivables	2,518	514
Total Current Assets	3,288	2,805
Non-Current Assets		
Total Non-Current Assets	-	-
TOTAL ASSETS	3,288	2,805
LIABILITIES		
Current Liabilities		
Payables	-	-
Interest bearing liabilities	-	-
Provisions	-	-
Total Current Liabilities	-	-
Non-Current Liabilities		
Total Non-Current Liabilities	-	-
TOTAL LIABILITIES	-	-
NET ASSETS	3,288	2,805
EQUITY		
Retained earnings	3,288	2,805
Revaluation reserves	-	-
Council equity interest	3,288	2,805
Non-controlling equity interest	-	-
TOTAL EQUITY	3,288	2,805

KYOGLE COUNCIL

Special Purpose Financial Statements

for the financial year ended 30 June 2014

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 2014

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 is a non-reporting not-for-profit entity.

The figures presented in these special purpose financial statements, unless otherwise stated, have been prepared in accordance with:

- the recognition and measurement criteria of relevant Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB) &
- Australian Accounting Interpretations.

The disclosures in these special purpose financial statements have been prepared in accordance with:

- the Local Government Act and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

The statements are also prepared on an accruals basis, 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 A514).

As required by the NSW Office of Water (Department of Primary Industries) the 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 2014

Note 1. Significant Accounting Policies

(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 **\$412,000** of combined land values attracts **0%**. From \$406,001 to \$2,519,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,519,000, a premium marginal rate of **2.0%** applies.

Payroll Tax – **5.45%** on the value of taxable salaries and wages in excess of \$689,000.

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 each reported business activity.

Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account of in terms of assessing the rate of return required on capital invested.

Accordingly, the return on capital invested is set at a pre-tax level (gain/(loss) from ordinary activities before capital amounts) as would be applied by a private sector competitor – that is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

Income Tax is only applied where a gain from ordinary activities before capital amounts has been achieved.

Since 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 General Purpose Financial Statements.

The rate applied of 30% is the equivalent company tax rate prevalent as at reporting date.

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

Kyogle Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2014

Note 1. Significant Accounting Policies

(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 each reported Business Activity.

(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 3.54% at 30/6/14.

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 2014 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.

KYOGLE COUNCIL

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2014

Note 2. Water Supply Business Best Practice Management disclosure requirements

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

2014

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	5,850
(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 multiplied by \$30/assessment, less tax equivalent charges/assessment	58,500
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2014, less the cumulative dividends paid for the 2 years to 30 June 2013 & 30 June 2012	(218,000)

2014 Surplus	(212,000)	2013 Surplus	(48,000)	2012 Surplus	42,000
		2013 Dividend	-	2012 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 2014

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

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

2014

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) - Aboriginal Communities W&S Program Income (w10a)	\$'000	1,266
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)]	%	41.61%
NWI F9	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	12,013
NWI F11	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	1,244
NWI F14	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	165
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)]	%	-1.44%
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 2014

Note 3. Sewerage Business Best Practice Management disclosure requirements

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

2014

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	5,388
(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)	53,880
(iii) Cumulative surplus before dividends for the 3 years to 30 June 2014, less the cumulative dividends paid for the 2 years to 30 June 2013 & 30 June 2012	(374,000)

2014 Surplus	(26,000)	2013 Surplus	(77,000)	2012 Surplus	(271,000)
		2013 Dividend	-	2012 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

KYOGLE COUNCIL

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2014

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

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2014

National Water Initiative (NWI) Financial Performance Indicators

NWI F2	Total Revenue (Sewerage) Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10) - Aboriginal Communities W&S Program Income (w10a)	\$'000	1,168
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	22,589
NWI F12	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	873
NWI F15	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	186
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)]	%	0.42%
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	2,375
NWI F8	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	2.23%
NWI F16	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	351
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)]	%	-0.23%
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 2014

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

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

2014

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)]	%	1.08%
NWI F23	Interest Cover (Water & Sewerage) Earnings before Interest & Tax (EBIT) divided by Net Interest Earnings before Interest & Tax (EBIT): - 79 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: 91 Interest Expense (w4a + s4a) - Interest Income (w9 + s10)		-
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	(237)
NWI F25	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	53

- 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.

**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 statement of financial position as at 30 June 2014, 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 NSW Office 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.



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 2014 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 describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the financial reporting requirements of the NSW Office 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 financial year ended 30 June 2014 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 27th day of October 2014



KYOGLE COUNCIL

SPECIAL SCHEDULES
for the year ended 30 June 2014

Gateway to the Rainforests



KYOGLE COUNCIL

Special Schedules

for the financial year ended 30 June 2014

Contents

Page

Special Schedules¹

- Special Schedule No. 1	Net Cost of Services	2 - 3
- Special Schedule No. 2(a)	Statement of Long Term Debt (all purposes)	4
- Special Schedule No. 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993)	5
- Special Schedule No. 3	Water Supply Operations - incl. Income Statement	6 - 9
- Special Schedule No. 4	Water Supply - Statement of Financial Position	10
- Special Schedule No. 5	Sewerage Service Operations - incl. Income Statement	11 - 14
- Special Schedule No. 6	Sewerage Service - Statement of Financial Position	15
- Notes to Special Schedules No. 3 & 5		16
- Special Schedule No. 7	Report on Infrastructure Assets (as at 30 June 2014)	17 - 22
- Special Schedule No. 8	Financial Projections	23
- Special Schedule No. 9	Permissible Income Calculation	24

¹ Special Schedules are not audited (with the exception of Special Schedule 9).

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 (NOW), and
 - the Office of Local Government (OLG).
- (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 2014

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Governance	146	-	-	(146)
Administration	2,172	73	-	(2,099)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	344	-	-	(344)
Beach Control	-	-	-	-
Enforcement of Local Govt. Regulations	-	-	-	-
Animal Control	117	21	-	(96)
Other	-	-	-	-
Total Public Order & Safety	461	21	-	(440)
Health	176	120	-	(56)
Environment				
Noxious Plants and Insect/Vermin Control	109	-	-	(109)
Other Environmental Protection	-	-	-	-
Solid Waste Management	1,659	1,270	129	(260)
Street Cleaning	-	-	-	-
Drainage	-	-	-	-
Stormwater Management	198	112	320	234
Total Environment	1,966	1,382	449	(135)
Community Services and Education				
Administration & Education	117	60	-	(57)
Social Protection (Welfare)	-	-	-	-
Aged Persons and Disabled	-	-	-	-
Children's Services	-	-	-	-
Total Community Services & Education	117	60	-	(57)
Housing and Community Amenities				
Public Cemeteries	149	95	-	(54)
Public Conveniences	-	-	-	-
Street Lighting	88	32	-	(56)
Town Planning	271	145	-	(126)
Other Community Amenities	-	-	-	-
Total Housing and Community Amenities	508	272	-	(236)
Water Supplies	1,476	1,262	4	(210)
Sewerage Services	1,196	1,167	1	(28)

KYOGLE COUNCIL

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

for the financial year ended 30 June 2014

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Recreation and Culture				
Public Libraries	361	240	-	(121)
Museums	-	-	-	-
Art Galleries	79	5	-	(74)
Community Centres and Halls	417	37	1	(379)
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	-	-	-	-
Sporting Grounds and Venues	-	-	-	-
Swimming Pools	731	119	30	(582)
Parks & Gardens (Lakes)	548	12	43	(493)
Other Sport and Recreation	-	-	-	-
Total Recreation and Culture	2,136	413	74	(1,649)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	75	47	-	(28)
Other Mining, Manufacturing & Construction	182	195	-	13
Total Mining, Manufacturing and Const.	257	242	-	(15)
Transport and Communication				
Urban Roads (UR) - Local	706	(3)	94	(615)
Urban Roads - Regional	-	-	-	-
Sealed Rural Roads (SRR) - Local	4,249	965	605	(2,679)
Sealed Rural Roads (SRR) - Regional	2,111	1,130	561	(420)
Unsealed Rural Roads (URR) - Local	3,056	-	-	(3,056)
Unsealed Rural Roads (URR) - Regional	-	-	-	-
Bridges on UR - Local	-	-	-	-
Bridges on SRR - Local	2,187	2	306	(1,879)
Bridges on URR - Local	-	-	-	-
Bridges on Regional Roads	-	-	-	-
Parking Areas	-	-	-	-
Footpaths	-	-	-	-
Aerodromes	-	-	-	-
Other Transport & Communication	1,553	3,190	-	1,637
Total Transport and Communication	13,862	5,284	1,566	(7,012)
Economic Affairs				
Camping Areas & Caravan Parks	-	-	-	-
Other Economic Affairs	142	8	-	(134)
Total Economic Affairs	142	8	-	(134)
Totals – Functions	24,615	10,304	2,094	(12,217)
General Purpose Revenues ⁽²⁾		7,585		7,585
Share of interests - joint ventures & associates using the equity method	-	-		-
NET OPERATING RESULT ⁽¹⁾	24,615	17,889	2,094	(4,632)

(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) & Interest on overdue Rates & Annual Charges

KYOGLE COUNCIL

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

for the financial year ended 30 June 2014

\$'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	32	1,178	1,210		32			91	271	907	1,178
Other	-	-	-							-	-
Total Loans	32	1,178	1,210	-	32	-	-	91	271	907	1,178
Other Long Term Debt											
Ratepayers Advances	-	-	-							-	-
Government Advances	-	-	-							-	-
Finance Leases	-	-	-							-	-
Deferred Payments	-	-	-							-	-
Total Long Term Debt	-	-	-	-	-	-	-	-	-	-	-
Total Debt	32	1,178	1,210	-	32	-	-	91	271	907	1,178

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 2014

\$'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 2014

\$'000	Actuals 2014	Actuals 2013
A Expenses and Income Expenses		
1. Management expenses		
a. Administration	219	230
b. Engineering and Supervision	68	83
2. Operation and Maintenance expenses		
- Dams & Weirs		
a. Operation expenses	-	-
b. Maintenance expenses	-	-
- Mains		
c. Operation expenses	-	-
d. Maintenance expenses	124	104
- Reservoirs		
e. Operation expenses	-	-
f. Maintenance expenses	19	37
- Pumping Stations		
g. Operation expenses (excluding energy costs)	-	-
h. Energy costs	58	98
i. Maintenance expenses	75	41
- Treatment		
j. Operation expenses (excluding chemical costs)	612	196
k. Chemical costs	33	44
l. Maintenance expenses	-	-
- Other		
m. Operation expenses	-	-
n. Maintenance expenses	-	-
o. Purchase of water	36	34
3. Depreciation expenses		
a. System assets	195	190
b. Plant and equipment	-	-
4. Miscellaneous expenses		
a. Interest expenses	22	23
b. Revaluation Decrements	-	-
c. Other expenses	8	21
d. Impairment - System assets	-	-
e. Impairment - Plant and equipment	-	-
f. Aboriginal Communities Water & Sewerage Program	-	-
g. Tax Equivalent Dividends (actually paid)	-	-
5. Total expenses	1,469	1,101

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 2014

\$'000	Actuals 2014	Actuals 2013
Income		
6. Residential charges		
a. Access (including rates)	470	403
b. Usage charges	335	287
7. Non-residential charges		
a. Access (including rates)	160	145
b. Usage charges	195	190
8. Extra charges	4	5
9. Interest income	-	-
10. Other income	71	4
10a. Aboriginal Communities Water and Sewerage Program	-	-
11. Grants		
a. Grants for acquisition of assets	-	24
b. Grants for pensioner rebates	27	27
c. Other grants	-	-
12. Contributions		
a. Developer charges	4	2
b. Developer provided assets	-	-
c. Other contributions	-	-
13. Total income	<u>1,266</u>	<u>1,087</u>
14. Gain (or loss) on disposal of assets	(7)	(10)
15. Operating Result	<u>(210)</u>	<u>(24)</u>
15a. Operating Result (less grants for acquisition of assets)	(210)	(48)

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 2014

\$'000	Actuals 2014	Actuals 2013
B Capital transactions		
Non-operating expenditures		
16. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	-	-
b. New Assets for Growth	22	-
c. Renewals	143	320
d. Plant and equipment	-	-
17. Repayment of debt		
a. Loans	11	10
b. Advances	-	-
c. Finance leases	-	-
18. Transfer to sinking fund	-	-
19. Totals	176	330
Non-operating funds employed		
20. Proceeds from disposal of assets	-	10
21. Borrowing utilised		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
22. Transfer from sinking fund	-	-
23. Totals	-	10
C Rates and charges		
24. Number of assessments		
a. Residential (occupied)	1,566	1,546
b. Residential (unoccupied, ie. vacant lot)	93	106
c. Non-residential (occupied)	291	300
d. Non-residential (unoccupied, ie. vacant lot)	-	-
25. Number of ETs for which developer charges were received	2 ET	1 ET
26. Total amount of pensioner rebates (actual dollars)	\$ 48,595	\$ 48,551

KYOGLE COUNCIL

Special Schedule No. 3 - Water Supply Cross Subsidies for the financial year ended 30 June 2014

\$'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"/>	<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"/>	<input type="checkbox"/>	
b. Total cross-subsidy in water supply developer charges for 2012/13 (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 Statement of Financial Position

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2014

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
30. Cash and investments			
a. Developer charges	6	-	6
b. Special purpose grants	-	-	-
c. Accrued leave	43	-	43
d. Unexpended loans	-	-	-
e. Sinking fund	-	-	-
f. Other	(39)	-	(39)
31. Receivables			
a. Specific purpose grants	-	-	-
b. Rates and Availability Charges	161	-	161
c. User Charges	132	-	132
d. Other	8	-	8
32. Inventories	-	-	-
33. Property, plant and equipment			
a. System assets	-	12,013	12,013
b. Plant and equipment	-	-	-
34. Other assets	-	-	-
35. Total assets	<u>311</u>	<u>12,013</u>	<u>12,324</u>
LIABILITIES			
36. Bank overdraft	-	-	-
37. Creditors	214	-	214
38. Borrowings			
a. Loans	256	-	256
b. Advances	-	-	-
c. Finance leases	-	-	-
39. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	72	-	72
40. Total liabilities	<u>542</u>	<u>-</u>	<u>542</u>
41. NET ASSETS COMMITTED	<u>(231)</u>	<u>12,013</u>	<u>11,782</u>
EQUITY			
42. Accumulated surplus			7,718
43. Asset revaluation reserve			4,064
44. TOTAL EQUITY			<u>11,782</u>
Note to system assets:			
45. Current replacement cost of system assets			22,191
46. Accumulated current cost depreciation of system assets			(10,178)
47. Written down current cost of system assets			<u>12,013</u>

KYOGLE COUNCIL

Special Schedule No. 5 - Sewerage Service Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2014

\$'000	Actuals 2014	Actuals 2013
A Expenses and Income Expenses		
1. Management expenses		
a. Administration	218	179
b. Engineering and Supervision	58	67
2. Operation and Maintenance expenses		
- Mains		
a. Operation expenses	-	-
b. Maintenance expenses	51	71
- Pumping Stations		
c. Operation expenses (excluding energy costs)	149	164
d. Energy costs	38	49
e. Maintenance expenses	-	-
- Treatment		
f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	323	326
g. Chemical costs	18	30
h. Energy costs	18	19
i. Effluent Management	-	-
j. Biosolids Management	-	-
k. Maintenance expenses	-	-
- Other		
l. Operation expenses	-	-
m. Maintenance expenses	-	-
3. Depreciation expenses		
a. System assets	201	193
b. Plant and equipment	-	-
4. Miscellaneous expenses		
a. Interest expenses	69	70
b. Revaluation Decrements	-	-
c. Other expenses	-	-
d. Impairment - System assets	-	-
e. Impairment - Plant and equipment	-	-
f. Aboriginal Communities Water & Sewerage Program	-	-
g. Tax Equivalents Dividends (actually paid)	-	-
5. Total expenses	1,143	1,168

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 2014

\$'000	Actuals 2014	Actuals 2013
Income		
6. Residential charges (including rates)	922	880
7. Non-residential charges		
a. Access (including rates)	-	-
b. Usage charges	173	170
8. Trade Waste Charges		
a. Annual Fees	11	11
b. Usage charges	17	18
c. Excess mass charges	-	-
d. Re-inspection fees	-	-
9. Extra charges	10	10
10. Interest income	-	5
11. Other income	8	(7)
11a. Aboriginal Communities Water & Sewerage Program	-	-
12. Grants		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	26	26
c. Other grants	-	-
13. Contributions		
a. Developer charges	1	2
b. Developer provided assets	-	-
c. Other contributions	-	-
14. Total income	<u>1,168</u>	<u>1,115</u>
15. Gain (or loss) on disposal of assets	(52)	(24)
16. Operating Result	<u>(27)</u>	<u>(77)</u>
16a. Operating Result (less grants for acquisition of assets)	(27)	(77)

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 2014

\$'000	Actuals 2014	Actuals 2013
B Capital transactions		
Non-operating expenditures		
17. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	-	-
b. New Assets for Growth	-	-
c. Renewals	186	268
d. Plant and equipment	-	-
18. Repayment of debt		
a. Loans	21	21
b. Advances	-	-
c. Finance leases	-	-
19. Transfer to sinking fund	-	-
20. Totals	207	289
Non-operating funds employed		
21. Proceeds from disposal of assets	-	24
22. Borrowing utilised		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
23. Transfer from sinking fund	-	-
24. Totals	-	24
C Rates and charges		
25. Number of assessments		
a. Residential (occupied)	1,509	1,494
b. Residential (unoccupied, ie. vacant lot)	102	110
c. Non-residential (occupied)	185	192
d. Non-residential (unoccupied, ie. vacant lot)		-
26. Number of ETs for which developer charges were received	1 ET	1 ET
27. Total amount of pensioner rebates (actual dollars)	\$ 46,616	\$ 46,560

KYOGLE COUNCIL

Special Schedule No. 5 - Sewerage Cross Subsidies for the financial year ended 30 June 2014

\$'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"/>	<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"/>	<input type="checkbox"/>	
b. Total cross-subsidy in sewerage developer charges for 2012/13 (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 Service Statement of Financial Position

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2014

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
31. Cash and investments			
a. Developer charges	-	-	-
b. Special purpose grants	-	-	-
c. Accrued leave	43	-	43
d. Unexpended loans	-	-	-
e. Sinking fund	-	-	-
f. Other	754	-	754
32. Receivables			
a. Specific purpose grants	-	-	-
b. Rates and Availability Charges	177	-	177
c. User Charges	48	-	48
d. Other	27	-	27
33. Inventories	-	-	-
34. Property, plant and equipment			
a. System assets	-	22,589	22,589
b. Plant and equipment	-	-	-
35. Other assets	-	-	-
36. Total Assets	<u>1,049</u>	<u>22,589</u>	<u>23,638</u>
LIABILITIES			
37. Bank overdraft	-	-	-
38. Creditors	5	-	5
39. Borrowings			
a. Loans	16	907	923
b. Advances	-	-	-
c. Finance leases	-	-	-
40. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	72	-	72
41. Total Liabilities	<u>93</u>	<u>907</u>	<u>1,000</u>
42. NET ASSETS COMMITTED	<u>956</u>	<u>21,682</u>	<u>22,638</u>
EQUITY			
42. Accumulated surplus			8,871
44. Asset revaluation reserve			13,767
45. TOTAL EQUITY			<u>22,638</u>
Note to system assets:			
46. Current replacement cost of system assets			29,104
47. Accumulated current cost depreciation of system assets			(6,515)
48. Written down current cost of system assets			<u>22,589</u>

KYOGLE COUNCIL

Notes to Special Schedule No.'s 3 & 5 for the financial year ended 30 June 2014

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 fair value.

Impairment Losses (item 4d & 4e of Special Schedules 3 and 5) are to be used when the carrying amount of an asset exceeds its recoverable amount (refer to page D-31).

Aboriginal Communities Water and Sewerage Program (item 4f of Special Schedules 3 and 5) is to be used when operation and maintenance work has been undertaken on behalf of the Aboriginal Communities Water and Sewerage Program. Similarly, income for item 11a of Special Schedule 3 and item 12a of Special Schedule 5 are for services provided to the Aboriginal Communities Water and Sewerage Program and is not part of Council's water supply and sewerage revenue.

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) include 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. 7 - Report on Infrastructure Assets

as at 30 June 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard ⁽¹⁾	Required ⁽²⁾ Annual Maintenance	Actual ⁽³⁾ Maintenance 2013/14	Written Down Value (WDV) ⁽⁴⁾	Assets in Condition as a % of WDV ^{(4), (5)}				
						1	2	3	4	5
Buildings	Buildings	1,083	85	97	12,286	16%	34%	45%	5%	0%
	sub total	1,083	85	97	12,286	16.4%	34.2%	44.8%	4.6%	0.0%
Other Structures	Other Structures	293	105	125	3,449	27%	46%	25%	2%	0%
	sub total	293	105	125	3,449	27.5%	45.6%	25.3%	1.7%	0.0%
Roads	Sealed Roads	14,061	1,510	1,427	103,191	46%	34%	14%	5%	2%
	Unsealed Roads	8,520	1,590	1,364	27,918	11%	27%	46%	15%	1%
	Bridges	19,584	630	850	54,227	7%	65%	11%	10%	6%
	Footpaths	327	80	78	2,048	69%	9%	11%	10%	1%
	sub total	42,492	3,810	3,719	187,384	30.0%	41.4%	18.0%	7.8%	2.8%

KYOGLE COUNCIL

Special Schedule No. 7 - Condition of Public Works (continued) as at 30 June 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard ⁽¹⁾	Required ⁽²⁾ Annual Maintenance	Actual ⁽³⁾ Maintenance 2013/14	Written Down Value (WDV) ⁽⁴⁾	Assets in Condition as a % of WDV ^{(4), (5)}				
						1	2	3	4	5
Water Supply	Reticulation	194	139	125	5,194	39%	6%	51%	4%	0%
	Transport & Treatment	3,078	100	104	6,368	61%	18%	14%	8%	0%
	sub total	3,272	239	229	11,562	50.7%	12.8%	30.2%	6.1%	0.2%
Sewerage	Reticulation	665	64	48	16,526	48%	15%	26%	5%	6%
	Transport & Treatment	115	120	189	6,038	55%	37%	7%	1%	0%
	sub total	780	184	237	22,564	49.6%	20.9%	20.8%	4.2%	4.4%

KYOGLE COUNCIL

Special Schedule No. 7 - Condition of Public Works (continued) as at 30 June 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard ⁽¹⁾	Required ⁽²⁾ Annual Maintenance	Actual ⁽³⁾ Maintenance 2013/14	Written Down Value (WDV) ⁽⁴⁾	Assets in Condition as a % of WDV ^{(4), (5)}				
						1	2	3	4	5
Stormwater	Urban Stormwater	318	40	32	18,332	26%	68%	1%	4%	0%
	sub total	318	40	32	18,332	26.2%	68.1%	1.4%	4.0%	0.4%
Open Space / Recreational Assets	Swimming Pools	-	53	51	2,234			100%		0%
	sub total	-	53	51	2,234	0.0%	0.0%	100.0%	0.0%	0.0%
	TOTAL - ALL ASSETS	48,238	4,516	4,490	257,811	31.4%	39.6%	19.7%	6.8%	2.5%

Notes:

- (1). Satisfactory is defined as "satisfying expectations or needs, leaving no room for complaint, causing satisfaction, adequate".
The estimated cost to bring assets to a satisfactory standard is the amount of money that is required to be spent on an asset to ensure that it is in a satisfactory standard.
This estimated cost should not include any planned enhancements (ie.to heighten, intensify or improve the facilities).
- (2). Required Annual Maintenance is "what should be spent to maintain assets in a satisfactory standard.
- (3). Actual Maintenance is what has been spent in the current year to maintain the assets.
Actual Maintenance may be higher or lower than the required annual maintenance due to the timing of when the maintenance actually occurs.
- (4). Written Down Value is in accordance with Note 9 of Council's General Purpose Financial Statements
- (5). **Infrastructure Asset Condition Assessment "Key"**

1	Excellent	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Average	Maintenance work required
4	Poor	Renewal required
5	Very Poor	Urgent renewal/upgrading required

KYOGLE COUNCIL

Special Schedule No. 7 - Report on Infrastructure Assets (continued) for the financial year ended 30 June 2014

\$ '000	Amounts	Indicator	Prior Periods	
	2014	2014	2013	2012
Infrastructure Asset Performance Indicators Consolidated				
1. Building and Infrastructure Renewals Ratio				
Asset Renewals (Building and Infrastructure) ⁽¹⁾	<u>4,642</u>	74.21%	82.82%	87.01%
Depreciation, Amortisation & Impairment	<u>6,255</u>			
2. Infrastructure Backlog Ratio				
Estimated Cost to bring Assets to a Satisfactory Condition	<u>48,238</u>	0.19	0.17	0.20
Total value ⁽²⁾ of Infrastructure, Building, Other Structures & depreciable Land Improvement Assets	<u>257,811</u>			
3. Asset Maintenance Ratio				
Actual Asset Maintenance	<u>4,490</u>	0.99	0.56	0.70
Required Asset Maintenance	<u>4,516</u>			
4. Capital Expenditure Ratio				
Annual Capital Expenditure	<u>5,037</u>	0.66	1.00	0.81
Annual Depreciation	<u>7,664</u>			

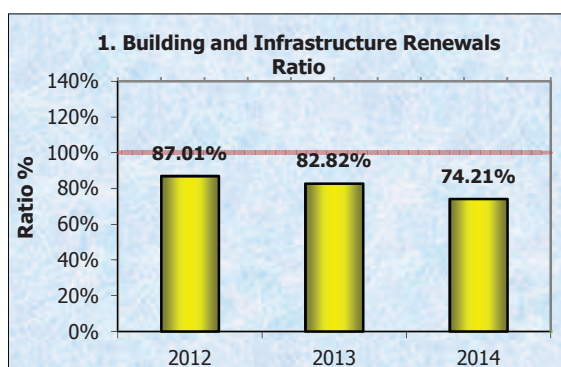
Notes

⁽¹⁾ 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.

⁽²⁾ Written down value

KYOGLE COUNCIL

Special Schedule No. 7 - Report on Infrastructure Assets (continued) for the financial year ended 30 June 2014



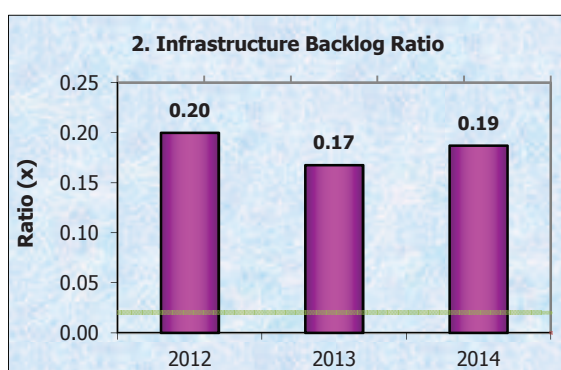
— Minimum 100.00%

Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

Purpose of Asset Renewals Ratio

To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

Commentary on 2013/14 Result	
2013/14 Ratio	74.21%
Council acknowledges it's Building and Infrastructure Renewals Ratio is below Tcorp's benchmark. Council is continually focusing on asset expenditure but like all other NSW council's faces a large impost associated with asset backlogs and maintenance. Council will continue to focus on this area of expenditure.	



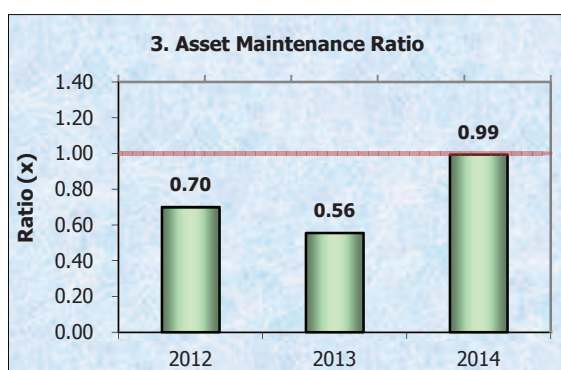
— Maximum .02

Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

Purpose of Infrastructure Backlog Ratio

This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

Commentary on 2013/14 Result	
2013/14 Ratio	0.19
Council acknowledges it's Infrastructure Backlog Ratio is above Tcorp's benchmark. Council is continually focusing on asset expenditure but like all other NSW council's faces a large impost associated with asset backlogs and maintenance. Council will continue to focus on this area of expenditure.	



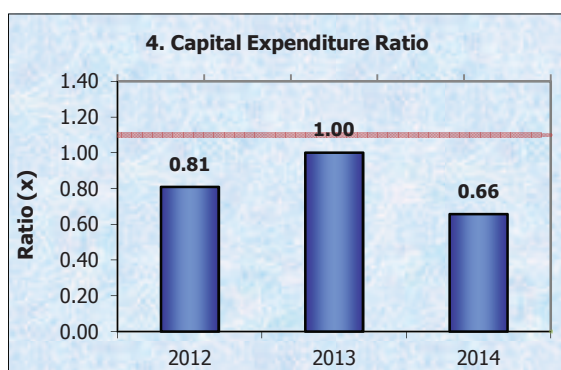
— Minimum 1.00

Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

Purpose of Asset Maintenance Ratio

Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the Infrastructure Backlog growing.

Commentary on 2013/14 Result	
2013/14 Ratio	0.99
Council acknowledges it's Asset Maintenance Ratio is below Tcorp's benchmark. Council is continually focusing on asset expenditure but like all other NSW council's faces a large impost associated with asset backlogs and maintenance. Council will continue to focus on this area of expenditure.	



— Minimum 1.10

Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

Purpose of Capital Expenditure Ratio

To assess the extent to which a Council is expanding its asset base thru capital expenditure on both new assets and the replacement and renewal of existing assets.

Commentary on 2013/14 Result	
2013/14 Ratio	0.66
Council acknowledges it's Capital Expenditure Ratio is below Tcorp's benchmark. Council is continually focusing on asset expenditure but like all other NSW council's faces a large impost associated with asset backlogs and maintenance. Council will continue to focus on this area of expenditure.	

KYOGLE COUNCIL

Special Schedule No. 7 - Report on Infrastructure Assets (continued) for the financial year ended 30 June 2014

\$ '000	Water 2014	Sewer 2014	General ⁽¹⁾ 2014
Infrastructure Asset Performance Indicators By Fund			
1. Building and Infrastructure Renewals Ratio			
<u>Asset Renewals (Building and Infrastructure)⁽¹⁾</u>	73.33%	92.54%	73.61%
Depreciation, Amortisation & Impairment			
prior period:	168.42%	138.86%	78.20%
2. Infrastructure Backlog Ratio			
<u>Estimated Cost to bring Assets to a Satisfactory Condition</u>			
Total value ⁽³⁾ of Infrastructure, Building, Other Structures & Depreciable Land Improvement Assets	0.28	0.03	0.20
prior period:	0.46	0.27	0.14
3. Asset Maintenance Ratio			
<u>Actual Asset Maintenance</u>			
Required Asset Maintenance	0.96	1.29	0.98
prior period:	0.74	0.79	0.54
4. Capital Expenditure Ratio			
<u>Annual Capital Expenditure</u>			
Annual Depreciation	0.81	0.67	0.65
prior period:	1.63	1.26	0.98

Notes

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

⁽²⁾ 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.

⁽³⁾ Written down value

KYOGLE COUNCIL

Special Schedule No. 8 - Financial Projections

as at 30 June 2014

\$'000	Actual ⁽¹⁾ 13/14	Forecast ⁽³⁾ 14/15	Forecast ⁽³⁾ 15/16	Forecast ⁽³⁾ 16/17	Forecast ⁽³⁾ 17/18	Forecast ⁽³⁾ 18/19	Forecast ⁽³⁾ 19/20	Forecast ⁽³⁾ 20/21	Forecast ⁽³⁾ 21/22	Forecast ⁽³⁾ 22/23	Forecast ⁽³⁾ 23/24
(i) OPERATING BUDGET											
Income from continuing operations	19,983	22,548	23,523	20,883	21,424	21,824	22,599	23,253	23,742	24,721	25,249
Expenses from continuing operations	24,615	22,504	22,904	23,308	23,482	23,850	24,278	24,741	25,075	25,604	26,098
Operating Result from Continuing Operations	(4,632)	44	619	(2,425)	(2,058)	(2,026)	(1,679)	(1,488)	(1,333)	(883)	(849)
(ii) CAPITAL BUDGET											
New Capital Works ⁽²⁾	702	723	745	767	790	814	838	863	889	916	943
Replacement/Refurbishment of Existing Assets	6,702	9,915	10,391	4,559	4,614	4,494	4,864	4,915	4,895	5,273	5,184
Total Capital Budget	7,404	10,638	11,136	5,326	5,404	5,308	5,702	5,778	5,784	6,189	6,127
Funded by:											
– Loans	-	2,000	-	-	-	-	-	-	-	-	-
– Asset sales	460	347	526	542	558	575	592	610	628	647	667
– Reserves	2,490	1,490	4,863	1,919	1,917	2,029	2,063	2,141	2,278	2,272	2,340
– Grants/Contributions	2,094	4,434	4,625	1,470	1,433	1,285	1,438	1,451	1,294	1,607	1,450
– Recurrent revenue	2,360	2,367	1,122	1,395	1,496	1,419	1,609	1,576	1,584	1,663	1,670
– Other	-	-	-	-	-	-	-	-	-	-	-
	7,404	10,638	11,136	5,326	5,404	5,308	5,702	5,778	5,784	6,189	6,127

Notes:

(1) From 13/14 Income Statement.

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

(3) Financial projections should be in accordance with Council's Integrated Planning and Reporting framework.

KYOGLE COUNCIL

Special Schedule No. 9 - Permissible Income Calculation

for the financial year ended 30 June 2015

\$'000		Calculation 2013/14	Calculation 2014/15
Notional General Income Calculation ⁽¹⁾			
Last Year Notional General Income Yield	a	4,851	5,145
Plus or minus Adjustments ⁽²⁾	b	8	23
Notional General Income	c	4,859	5,168
Permissible Income Calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
or Rate peg percentage	e	3.40%	2.30%
or Crown land adjustment incl. rate peg percentage	f	0.00%	0.00%
less expiring Special variation amount	g	-	-
plus Special variation amount	h = c x d	-	-
or plus Rate peg amount	i = c x e	165	119
or plus Crown land adjustment and rate peg amount	j = c x f	-	-
sub-total	k = (c+g+h+i+j)	5,024	5,287
plus (or minus) last year's Carry Forward Total	l	69	(52)
less Valuation Objections claimed in the previous year	m	-	-
sub-total	n = (l + m)	69	(52)
Total Permissible income	o = k + n	5,093	5,235
less Notional General Income Yield	p	5,145	5,165
Catch-up or (excess) result	q = o - p	(52)	70
plus Income lost due to valuation objections claimed ⁽⁴⁾	r	-	2
less Unused catch-up ⁽⁵⁾	s	-	-
Carry forward to next year	t = q + r - s	(52)	72

Notes

- ¹ The Notional General Income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- ² Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called "supplementary valuations" as defined in the Valuation of Land Act 1916.
- ³ The Special Variation Percentage is inclusive of the Rate Peg percentage and where applicable crown land adjustment.
- ⁴ Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- ⁵ Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.

KYOGLE COUNCIL
SPECIAL SCHEDULE NO 9
INDEPENDENT AUDITORS' REPORT

REPORT ON SPECIAL SCHEDULE NO 9

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 9) of Kyogle Council for the year ending 30 June 2015.

Responsibility of Council for Special Schedule No. 9

The Council is responsible for the preparation and fair presentation of Special Schedule No. 9 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 22. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule No. 9 that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on Special Schedule No. 9 based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether Special Schedule No. 9 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in Special Schedule No. 9. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of Special Schedule No. 9, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of Special Schedule No. 9.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.

In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule No. 9 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 entity's internal control.

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 followed applicable independence requirements of Australian professional ethical pronouncements.

Audit Opinion

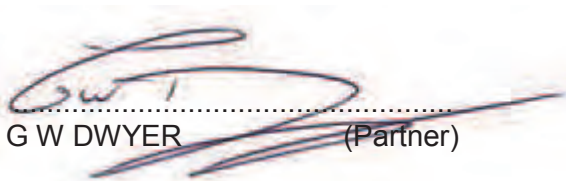
In our opinion, Special Schedule No. 9 of Kyogle Council for 2014/15 is properly drawn up in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

Basis of Accounting

Without modifying our opinion, we advise that this schedule has been prepared for distribution to the Office of Local Government for the purposes of confirming that Council's reconciliation of Council's total permissible general income is presented fairly. As a result, the schedule may not be suitable for another purpose.

THOMAS NOBLE & RUSSELL CHARTERED ACCOUNTANTS

Per:

A handwritten signature in black ink, appearing to read 'G W Dwyer', is written over a horizontal dotted line. Below the signature, the text 'G W DWYER (Partner)' is printed in a black, sans-serif font.

Dated at Lismore this 20th day of October 2014