



KYOGLE COUNCIL

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Gateway to the Rainforests



KYOGLE COUNCIL

General Purpose Financial Statements for the year ended 30 June 2016

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Overview

- (i) These financial statements are General Purpose Financial Statements and cover the 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 1993* (LGA).

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

- the ability to provide goods, services and facilities, and to carry out activities appropriate to the current and 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 24 October 2016. Council has the power to amend and reissue these financial statements.
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KYOGLE COUNCIL

General Purpose Financial Statements for the year ended 30 June 2016

Statement by Councillors and Management

made pursuant to Section 413(2)(c) of the *Local Government Act 1993 (NSW)* (as amended)

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


- the *Local Government Act 1993 (NSW)* (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:

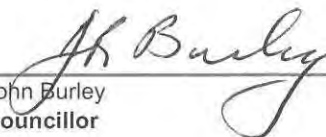
- present fairly the Council's operating result and financial position for the year, and
- accord with Council's accounting and other records.

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 24 October 2016.




Danielle Mulholland
Mayor



John Burley
Councillor



Graham Kennett
Acting General Manager



Glenn Rose
Responsible Accounting Officer

KYOGLE COUNCIL

Income Statement

for the year ended 30 June 2016

Budget ¹ 2016	\$ '000	Notes	Actual 2016	Actual 2015
Income from continuing operations				
Revenue:				
8,369	Rates and annual charges	3a	8,436	7,739
5,125	User charges and fees	3b	6,586	6,962
493	Interest and investment revenue	3c	574	602
10	Other revenues	3d	240	68
7,428	Grants and contributions provided for operating purposes	3e,f	7,743	6,374
9,806	Grants and contributions provided for capital purposes	3e,f	6,786	2,567
Other income:				
132	Net gains from the disposal of assets	5	–	–
	Net share of interests in joint ventures and associates using the equity method	19	–	–
31,363	Total income from continuing operations		30,365	24,312
Expenses from continuing operations				
8,074	Employee benefits and on-costs	4a	7,297	7,259
473	Borrowing costs	4b	202	119
4,197	Materials and contracts	4c	5,894	6,290
7,877	Depreciation and amortisation	4d	6,928	7,758
	Impairment	4d	–	–
2,053	Other expenses	4e	2,501	1,936
	Interest and investment losses	3c	–	–
	Net losses from the disposal of assets	5	2,640	1,605
	Net share of interests in joint ventures and associates using the equity method	19	–	–
22,674	Total expenses from continuing operations		25,462	24,967
8,689	Operating result from continuing operations		4,903	(655)
Discontinued operations				
	Net profit/(loss) from discontinued operations	24	–	–
8,689	Net operating result for the year		4,903	(655)
8,689	Net operating result attributable to Council		4,903	(655)
	Net operating result attributable to non-controlling interests		–	–
(1,117)	Net operating result for the year before grants and contributions provided for capital purposes		(1,883)	(3,222)

¹ Original budget as approved by Council – refer Note 16

KYOGLE COUNCIL

Statement of Comprehensive Income for the year ended 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
Net operating result for the year (as per Income Statement)		4,903	(655)
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)	2,019	51,970
Adjustment to correct prior period errors	20 (c)	(2,471)	–
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		(452)	51,970
Total other comprehensive income for the year		(452)	51,970
Total comprehensive income for the year		4,451	51,315
Total comprehensive income attributable to Council		4,451	51,315
Total comprehensive income attributable to non-controlling interests		–	–

KYOGLE COUNCIL

Statement of Financial Position as at 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
ASSETS			
Current assets			
Cash and cash equivalents	6a	21,838	20,958
Investments	6b	–	–
Receivables	7	3,944	4,365
Inventories	8	2,147	2,049
Other	8	25	–
Non-current assets classified as 'held for sale'	22	–	–
Total current assets		27,954	27,372
Non-current assets			
Investments	6b	–	–
Receivables	7	–	–
Inventories	8	–	–
Infrastructure, property, plant and equipment	9	344,301	340,932
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		344,301	340,932
TOTAL ASSETS		372,255	368,304
LIABILITIES			
Current liabilities			
Payables	10	1,382	2,044
Borrowings	10	231	221
Provisions	10	2,485	1,695
Total current liabilities		4,098	3,960
Non-current liabilities			
Payables	10	94	137
Borrowings	10	2,998	3,229
Provisions	10	1,323	1,687
Total non-current liabilities		4,415	5,053
TOTAL LIABILITIES		8,513	9,013
Net assets		363,742	359,291
EQUITY			
Retained earnings	20	144,829	141,367
Revaluation reserves	20	218,913	217,924
Council equity interest		363,742	359,291
Total equity		363,742	359,291

KYOGLE COUNCIL

Statement of Changes in Equity for the year ended 30 June 2016

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non- controlling Interest	Total equity
2016						
Opening balance (as per last year's audited accounts)		141,367	217,924	359,291	–	359,291
a. Correction of prior period errors	20 (c)	(1,441)	(1,030)	(2,471)		(2,471)
b. Changes in accounting policies (prior year effects)	20 (d)	–		–		–
Revised opening balance (as at 1/7/15)		139,926	216,894	356,820	–	356,820
c. Net operating result for the year		4,903		4,903	–	4,903
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	2,019	2,019		2,019
Equity – balance at end of the reporting period		144,829	218,913	363,742	–	363,742

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non- controlling Interest	Total Equity
2015						
Opening balance (as per last year's audited accounts)		142,022	165,954	307,976	–	307,976
a. Correction of prior period errors	20 (c)	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
Revised opening balance (as at 1/7/14)		142,022	165,954	307,976	–	307,976
c. Net operating result for the year		(655)	–	(655)	–	(655)
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	51,970	51,970	–	51,970
Equity – balance at end of the reporting period		141,367	217,924	359,291	–	359,291

KYOGLE COUNCIL

Statement of Cash Flows

for the year ended 30 June 2016

Budget 2016	\$ '000	Notes	Actual 2016	Actual 2015
Cash flows from operating activities				
Receipts:				
8,369	Rates and annual charges		8,428	8,250
5,125	User charges and fees		6,865	7,334
493	Investment and interest revenue received		587	688
17,234	Grants and contributions		14,454	9,085
	Bonds, deposits and retention amounts received		–	–
142	Other		226	30
Payments:				
(8,074)	Employee benefits and on-costs		(7,305)	(7,209)
(4,197)	Materials and contracts		(6,451)	(6,634)
(473)	Borrowing costs		(170)	(87)
	Bonds, deposits and retention amounts refunded		(85)	(17)
(2,053)	Other		(1,991)	(1,868)
	Net cash from boundary adjustments		–	–
16,566	Net cash provided (or used in) operating activities	11b	14,558	9,572
Cash flows from investing activities				
Receipts:				
	Sale of infrastructure, property, plant and equipment		457	438
Payments:				
(18,007)	Purchase of infrastructure, property, plant and equipment		(13,914)	(6,100)
(18,007)	Net cash provided (or used in) investing activities		(13,457)	(5,662)
Cash flows from financing activities				
Receipts:				
	Proceeds from borrowings and advances		–	2,549
Payments:				
(962)	Repayment of borrowings and advances		(221)	(277)
(962)	Net cash flow provided (used in) financing activities		(221)	2,272
(2,403)	Net increase/(decrease) in cash and cash equivalents		880	6,182
21,482	Plus: cash and cash equivalents – beginning of year	11a	20,958	14,776
19,079	Cash and cash equivalents – end of the year	11a	21,838	20,958

Please refer to Note 11 for information on the following:

- Non-cash financing and investing activities
- Financing arrangements
- Net cash flow disclosures relating to any discontinued operations

KYOGLE COUNCIL

Notes to the Financial Statements

for the year ended 30 June 2016

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Kyogle Council

Notes to the Financial Statements

for the financial year ended 30 June 2016

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

There have been no new accounting standards adopted in this year's financial statements which have had any material impact on reported financial position, performance or cash flows.

(iv) Early adoption of Accounting Standards

With the exception of AASB 2015-7, Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2015.

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

(v) Basis of Accounting

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

- (i) 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 and Property, Plant & Equipment that are accounted for at fair valuation.

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

(vi) Changes in Accounting Policies

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

Kyogle Council

Notes to the Financial Statements for the financial year ended 30 June 2016

Note 1. Summary of Significant Accounting Policies

There have also been no changes in accounting policies when compared with previous financial statements unless otherwise stated.

(vii) Significant 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.

Significant 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.

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

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

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in Note 3(g).

Kyogle Council

Notes to the Financial Statements for the financial year ended 30 June 2016

Note 1. Summary of Significant Accounting Policies

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 2016) and (ii) all the related operating results (for the financial year ended the 30th June 2016).

Detailed information relating to the entities that Council controls can be found at Note 19.

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

Kyogle Council

Notes to the Financial Statements for the financial year ended 30 June 2016

Note 1. Summary of Significant Accounting Policies

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 Arrangements

Joint Ventures

Joint Ventures represent operational arrangements where the parties joint control parties have rights to the net assets of the arrangement.

Any interests in Joint Ventures are accounted for using the equity method and are carried at cost.

Under the equity method, Council's share of the operation's profits/(losses) are recognised in the income statement, and its share of movements in retained earnings & reserves are recognised in the balance sheet.

Detailed information relating to Council's Joint Ventures can be found at Note 19.

(iv) Associates

Council has no interest in any Associates.

(v) County Councils

Council is a member of the following County Councils (which are bodies corporate under the Local Government Act);

- **Far North Coast County Council**
(Far North Coast Weeds)

Far North Coast Weeds provides administration of the Noxious Weeds Act 1993. This County Council contains six Constituent Councils

The governing body of each County Council is responsible for managing its own affairs. Council is of the opinion that it neither controls nor significantly influences the above County Council/s and accordingly these entities have not been consolidated or otherwise included within these financial statements.

(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.

Kyogle Council

Notes to the Financial Statements for the financial year ended 30 June 2016

Note 1. Summary of Significant Accounting Policies

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**.

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.

Kyogle Council

Notes to the Financial Statements

for the financial year ended 30 June 2016

Note 1. Summary of Significant Accounting Policies

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.

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.

Kyogle Council

Notes to the Financial Statements

for the financial year ended 30 June 2016

Note 1. Summary of Significant Accounting Policies

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.

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

Kyogle Council

Notes to the Financial Statements

for the financial year ended 30 June 2016

Note 1. Summary of Significant Accounting Policies

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.

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)

Kyogle Council

Notes to the Financial Statements for the financial year ended 30 June 2016

Note 1. Summary of Significant Accounting Policies

- **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:

- 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 |

Kyogle Council

Notes to the Financial Statements

for the financial year ended 30 June 2016

Note 1. Summary of Significant Accounting Policies

Plant & Equipment

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

Buildings & Land Improvements

Park Furniture & Equipment	> \$5,000
Building	
- construction/extensions	100% Capitalised
- 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

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 to 20 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
- Culverts	100 to 150 years

Transportation Assets

- Sealed Roads : Surface	10 to 25 years
- Sealed Roads : Structure	100 years
- Unsealed roads	20 to 38 years
- Bridge : Concrete	100 to 171 years
- Bridge : Timber	50 to 100 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
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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(r) on Asset Impairment.

Disposal and De-recognition

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

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

Kyogle Council

Notes to the Financial Statements for the financial year ended 30 June 2016

Note 1. Summary of Significant Accounting Policies

(k) Land

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

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

(l) Land under roads

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

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

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

(m) Intangible Assets

Council has not classified any assets as intangible.

(n) Crown Reserves

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

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

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

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

(o) Rural Fire Service assets

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

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

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

Kyogle Council

Notes to the Financial Statements for the financial year ended 30 June 2016

Note 1. Summary of Significant Accounting Policies

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 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.

Kyogle Council

Notes to the Financial Statements for the financial year ended 30 June 2016

Note 1. Summary of Significant Accounting Policies

(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;

- 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.

Kyogle Council

Notes to the Financial Statements for the financial year ended 30 June 2016

Note 1. Summary of Significant Accounting Policies

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 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 Richard Boyfield, FIAA on 24 February 2016 and covers the period ended 30 June 2015.

However the position is monitored annually and the Actuary has estimated that as at 30 June 2016 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

Kyogle Council

Notes to the Financial Statements

for the financial year ended 30 June 2016

Note 1. Summary of Significant Accounting Policies

expense and disclosed as part of Superannuation Expenses at Note 4(a) for the year ending 30 June 2016 was \$ 203,523.

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

The share of the deficit that can be broadly attributed to Council is estimated to be in the order of \$127,589 as at 30 June 2016.

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 30/6/16.

(x) Self insurance

Council does not self insure.

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

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

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

Exceptions

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

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

(z) Taxes

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

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

Goods & Services Tax (GST)

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

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

Receivables and payables within the 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.

Kyogle Council

Notes to the Financial Statements

for the financial year ended 30 June 2016

Note 1. Summary of Significant Accounting Policies

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 2016.

Apart from AASB 2015-7, which relieves Council from providing quantitative information about the significant unobservable inputs within level 3 fair value measurements, Council has not adopted any of these standards early.

Apart from the AASB disclosures below, there are no other standards that are 'not yet effective' that are expected to have a material impact on Council in the current or future reporting periods and on foreseeable future transactions.

Council's assessment of the impact of upcoming new standards and interpretations that are likely to have an effect are set out below.

AASB 9 - Financial Instruments (and associated amending standards)

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and has an effective date for reporting periods beginning on or after 1 January 2018 (and must be applied retrospectively).

The overriding impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets and financial liabilities.

These requirements are designed to improve and simplify the approach for classification and

measurement of financial assets compared with the requirements of AASB 139.

Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories:

- fair value and
- amortised cost (where financial assets will only be able to be measured at amortised cost when very specific conditions are met).

Council is yet to undertake a detailed assessment of the impact of AASB 9.

AASB 15 - Revenue from contracts with customers and associated amending standards

AASB 15 will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

AASB 15 will introduce a 5-step process for revenue recognition with the core principle of the new standard being that entities recognise revenue so as to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

The changes in revenue recognition requirements in AASB 15 may cause changes to accounting policies relating to the timing and amount of revenue recorded in the financial statements, as well as additional disclosures.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2018.

Council is yet to undertake a detailed assessment of the impact of AASB 15.

AASB ED 260 Income of Not-for-Profit Entities

The AASB previously issued exposure draft AASB ED 260 on Income of Not-for-Profit Entities in April 2015.

The exposure draft proposed specific not-for-profit entity requirements and guidance when applying the principles of AASB 15 to income from certain transactions.

Kyogle Council

Notes to the Financial Statements for the financial year ended 30 June 2016

Note 1. Summary of Significant Accounting Policies

Much of the material in AASB 1004 is expected to be replaced by material included in AASB ED 260.

Specific revenue items that may considerably change are Grants and Contributions.

The most likely financial statement impact is the deferred recognition of Grants and Contributions (i.e. recognition as unearned revenue [liability]) until Council has met the associated performance obligation/s relating to the Grants or Contribution.

At this stage there is no specific date of release for a standard nor a date of applicability.

AASB16 – Leases

AASB 116 Leases replaces AASB 117 Leases and some associated lease-related Interpretations.

AASB 16 introduces a single lease accounting model (for lessees) that will require all leases to be accounted for on the balance sheet (ie. recognition of both a right-of-use asset and a corresponding lease) for all leases with a term of more than 12 months unless the underlying assets are determined to be of 'low value'. There will also be detailed disclosure requirements for all lessees.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2019.

Council is yet to undertake a detailed assessment of the accounting impacts from AASB 16. However, based on preliminary assessments, impacts from the first time adoption of the standard are likely to include:

- a significant increase in lease assets and financial liabilities recognised on the balance sheet,
- a reduction in reported equity as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities,
- lower operating cash outflows and higher financing cash flows in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities.

AASB2015-6 – Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities

From 1 July 2016, AASB 124 Related Party Disclosures will apply to Council.

This means that Council will be required to disclose information about related parties and Council transactions with those related parties.

Related parties will more than likely include the Mayor, Councillors and certain Council staff. In addition, the close family members of those people and any organisations that they control or are associated with will be classified as related parties (and fall under the related party reporting requirements).

AASB 2014 – 10 Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the requirements in AASB 10 and those in AASB 128 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not).

A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2018.

This standard will only impact Council where there has been a sale or contribution of assets between the entity and the associate/joint venture.

Kyogle Council

Notes to the Financial Statements for the financial year ended 30 June 2016

Note 1. Summary of Significant Accounting Policies

(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 year ended 30 June 2016

Note 2(a). Council functions/activities – financial information

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current & non-current)	
	Original budget	Actual	Actual	Original budget	Actual	Actual	Original budget	Actual	Actual	Actual	Actual	Actual	Actual
	2016	2016	2015	2016	2016	2015	2016	2016	2015	2016	2015	2016	2015
Governance	–	–	–	182	164	153	(182)	(164)	(153)	–	–	–	–
Administration	126	76	73	3,181	2,134	2,101	(3,055)	(2,058)	(2,028)	–	–	18,148	12,076
Public order and safety	42	22	16	373	528	414	(331)	(506)	(398)	–	–	2,209	2,176
Health	136	152	132	383	200	185	(247)	(48)	(53)	–	–	6	8
Environment	–	2,237	3,007	–	1,844	2,304	–	393	703	602	1,579	–	–
Community services and education	2	19	1	128	231	148	(126)	(212)	(147)	20	1	759	770
Housing and community amenities	3,208	391	270	2,752	494	505	456	(103)	(235)	32	47	29,173	27,039
Water supplies	6,794	5,912	1,811	1,281	1,391	1,252	5,513	4,521	559	4,469	534	19,722	15,091
Sewerage services	1,407	1,456	1,213	1,169	1,212	1,328	238	244	(115)	26	25	24,492	23,842
Recreation and culture	203	326	323	2,220	2,442	2,216	(2,017)	(2,116)	(1,893)	105	75	12,740	12,796
Fuel and energy	–	–	–	–	–	–	–	–	–	–	–	–	–
Agriculture	–	–	–	–	–	–	–	–	–	–	–	–	–
Mining, manufacturing and construction	399	663	300	403	812	336	(4)	(149)	(36)	–	–	1,360	1,983
Transport and communication	10,442	9,024	7,613	10,456	13,900	13,899	(14)	(4,876)	(6,286)	3,802	1,372	263,646	272,523
Economic affairs	8	17	10	146	110	126	(138)	(93)	(116)	10	–	–	–
Total functions and activities	22,767	20,295	14,769	22,674	25,462	24,967	93	(5,167)	(10,198)	9,066	3,633	372,255	368,304
Share of gains/(losses) in associates and joint ventures (using the equity method)		–	–		–	–	–	–	–	–	–	–	–
General purpose income ¹	8,596	10,070	9,543			–	8,596	10,070	9,543	4,019	4,015		–
Operating result from continuing operations	31,363	30,365	24,312	22,674	25,462	24,967	8,689	4,903	(655)	13,085	7,648	372,255	368,304

1. Includes: rates and annual charges (incl. ex-gratia), untied general purpose grants and unrestricted interest and investment income.

KYOGLE COUNCIL

Notes to the Financial Statements

for the year ended 30 June 2016

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

Includes costs relating to 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, public disclosure (e.g. GIPA), and legislative compliance.

ADMINISTRATION

Includes corporate support and other support services, engineering works, and any Council policy compliance.

PUBLIC ORDER AND SAFETY

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

HEALTH

Includes immunisation, food control, health centres etc.

ENVIRONMENT

Includes noxious plants and insect/vermin control; other environmental protection; solid waste management, including domestic waste; other waste management; other sanitation; and garbage, street cleaning, drainage and stormwater management.

COMMUNITY SERVICES AND EDUCATION

Includes administration and education; social protection (welfare); migrant, Aboriginal and other community services and administration (excluding accommodation – as it is covered under 'housing and community amenities'); youth services; aged and disabled persons services; children's services, including family day care; child care; and other family and children services.

HOUSING AND COMMUNITY AMENITIES

Includes public cemeteries; public conveniences; street lighting; town planning; other community amenities, including housing development and accommodation for families and children, aged persons, disabled persons, migrants and Indigenous persons.

WATER SUPPLIES - all matters relating to the provision of Water Supplies.

SEWERAGE SERVICES - all matters relating to the provision of Sewerage Services.

RECREATION AND CULTURE

Includes public libraries; museums; art galleries; community centres and halls, including public halls and performing arts venues; sporting grounds and venues; swimming pools; parks; gardens; lakes; and other sporting, recreational and cultural services.

FUEL AND ENERGY – Gas supplies

AGRICULTURE

MINING, MANUFACTURING AND CONSTRUCTION

Includes building control, quarries and pits, mineral resources, and abattoirs.

TRANSPORT AND COMMUNICATION

Urban local, urban regional, includes sealed and unsealed roads, bridges, footpaths, parking areas, and aerodromes.

ECONOMIC AFFAIRS

Includes camping areas and caravan parks; tourism and area promotion; industrial development promotion; sale yards and markets; real estate development; commercial nurseries; and other business undertakings.

KYOGLE COUNCIL

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
(a) Rates and annual charges			
Ordinary rates			
Residential		2,292	2,064
Farmland		2,945	2,653
Mining		–	–
Business		259	233
Other		–	–
Total ordinary rates		5,496	4,950
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		861	850
Stormwater management services		–	–
Water supply services		668	675
Sewerage services		992	970
Drainage		159	45
Waste management services (non-domestic)		260	249
Other		–	–
Total annual charges		2,940	2,789
TOTAL RATES AND ANNUAL CHARGES		8,436	7,739

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 year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(b) User charges and fees			
Specific user charges (per s.502 – specific 'actual use' charges)			
Domestic waste management services		–	–
Water supply services		580	557
Sewerage services		226	200
Drainage services		–	–
Waste management services (non-domestic)		394	388
Other		–	–
Total user charges		1,200	1,145
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Art galleries		6	5
Building services – other		21	23
Cemeteries		203	95
Inspection services		65	61
Planning and building regulation		160	120
Pools		130	125
Private works – section 67		139	93
Quarries		609	260
RMS (formerly RTA) charges (state roads not controlled by council)		3,882	4,860
Section 603 certificates		26	16
Caravan parks		19	–
Other		126	159
Total fees and charges – statutory/regulatory		5,386	5,817
TOTAL USER CHARGES AND FEES		6,586	6,962

KYOGLE COUNCIL

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		58	130
– Interest earned on investments (interest and coupon payment income)		510	467
– Interest (other)		6	5
Other		–	–
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>		<u>574</u>	<u>602</u>
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		58	111
General Council cash and investments		497	467
Restricted investments/funds – external:			
Development contributions			
– Section 94		5	5
– Section 64		1	–
Water fund operations		4	5
Sewerage fund operations		5	8
Domestic waste management operations		4	6
Total interest and investment revenue recognised		<u>574</u>	<u>602</u>
(d) Other revenues			
Insurance claim recoveries		–	27
Bank guarantee defaults		223	–
Other		17	41
<u>TOTAL OTHER REVENUE</u>		<u>240</u>	<u>68</u>

KYOGLE COUNCIL

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
(e) Grants				
General purpose (untied)				
Financial assistance	3,898	3,897	–	–
Pensioners' rates subsidies – general component	121	118	–	–
Other grants	–	–	–	–
Total general purpose	4,019	4,015	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	27	25	–	–
– Sewerage	25	27	–	–
– Domestic waste management	31	33	–	–
Water supplies	–	–	4,413	508
Community projects	40	34	90	37
Flood restoration	–	105	–	–
Library	37	37	–	–
LIRS subsidy	30	–	–	–
Street lighting	32	32	–	–
Transport (other roads and bridges funding)	2,496	1,166	1,306	178
Flood mitigation	–	–	473	1,065
Waste sustainability	66	–	–	386
Other	–	–	–	–
Total specific purpose	2,784	1,459	6,282	2,174
Total grants	6,803	5,474	6,282	2,174
Grant revenue is attributable to:				
– Commonwealth funding	2,282	653	295	–
– State funding	4,521	4,821	5,987	2,174
– Other funding	–	–	–	–
	6,803	5,474	6,282	2,174

KYOGLE COUNCIL

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
S 94 – contributions towards amenities/services	3	3	71	26
S 64 – water supply contributions	–	–	6	3
S 64 – sewerage service contributions	–	–	202	3
S 64 – stormwater contributions	–	–	2	2
Total developer contributions	3	3	281	34
	17			
Other contributions:				
Lions club	–	–	40	5
Recreation and culture	–	–	–	59
Roads and bridges	–	–	–	109
RMS contributions (regional roads, block grant)	870	853	183	186
Water supplies (excl. section 64 contributions)	21	–	–	–
Other	46	44	–	–
Total other contributions	937	897	223	359
Total contributions	940	900	504	393
TOTAL GRANTS AND CONTRIBUTIONS	7,743	6,374	6,786	2,567

KYOGLE COUNCIL

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	Actual 2016	Actual 2015
(g) Restrictions relating to grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Unexpended at the close of the previous reporting period	1,722	487
Add: grants and contributions recognised in the current period but not yet spent:	175	1,333
Less: grants and contributions recognised in a previous reporting period now spent:	(1,263)	(98)
Net increase (decrease) in restricted assets during the period	(1,088)	1,235
Unexpended and held as restricted assets	634	1,722
Comprising:		
– Specific purpose unexpended grants	314	1,530
– Developer contributions	320	192
– Other contributions	–	–
	634	1,722

KYOGLE COUNCIL

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
(a) Employee benefits and on-costs			
Salaries and wages		6,197	5,685
Employee leave entitlements (ELE)		1,170	1,165
Superannuation – defined contribution plans		616	565
Superannuation – defined benefit plans		204	213
Workers' compensation insurance		196	97
Fringe benefit tax (FBT)		16	25
Training costs (other than salaries and wages)		102	122
Other		116	93
Total employee costs		8,617	7,965
Less: capitalised costs		(1,320)	(706)
TOTAL EMPLOYEE COSTS EXPENSED		7,297	7,259
Number of 'full-time equivalent' employees (FTE) at year end		113	101
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		169	93
Other debts		–	–
Total interest bearing liability costs		169	93
Less: capitalised costs		–	–
Total interest bearing liability costs expensed		169	93
(ii) Other borrowing costs			
– Remediation liabilities	26	33	26
– Other liabilities		–	–
Other borrowing costs		–	–
Total other borrowing costs		33	26
TOTAL BORROWING COSTS EXPENSED		202	119

KYOGLE COUNCIL

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Materials and contracts			
Raw materials and consumables		5,834	6,247
Auditors remuneration ⁽¹⁾		60	43
Other		–	–
Total materials and contracts		5,894	6,290
Less: capitalised costs		–	–
<u>TOTAL MATERIALS AND CONTRACTS</u>		<u>5,894</u>	<u>6,290</u>
1. Auditor remuneration			
During the year, the following fees were incurred for services provided by the Council's Auditor:			
(i) Audit and other assurance services			
– Audit and review of financial statements: Council's Auditor		41	40
– Other audit services		19	3
Remuneration for audit and other assurance services		60	43

KYOGLE COUNCIL

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Impairment costs		Depreciation/amortisation	
		Actual 2016	Actual 2015	Actual 2016	Actual 2015
Plant and equipment		–	–	1,125	1,110
Office equipment		–	–	37	84
Furniture and fittings		–	–	1	1
Land improvements (depreciable)		–	–	68	67
Infrastructure:					
– Buildings – non-specialised		–	–	76	74
– Buildings – specialised		–	–	339	332
– Other structures		–	–	192	176
– Roads		–	–	3,468	4,251
– Bridges		–	–	828	887
– Footpaths		–	–	50	45
– Stormwater drainage		–	–	74	150
– Water supply network		–	–	208	199
– Sewerage network		–	–	212	206
– Swimming pools		–	–	105	103
Asset reinstatement costs	9 & 26	–	–	145	73
Total depreciation and impairment costs		–	–	6,928	7,758
Less: capitalised costs		–	–	–	–
Less: IPP&E impairments (to)/from equity	9a	–	–	–	–
<u>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</u>		<u>–</u>	<u>–</u>	<u>6,928</u>	<u>7,758</u>

KYOGLE COUNCIL

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(e) Other expenses			
Advertising		90	50
Bad and doubtful debts		23	38
Councillor expenses – mayoral fee		24	23
Councillor expenses – councillors’ fees		99	97
Councillors’ expenses (incl. mayor) – other (excluding fees above)		21	26
Donations, contributions and assistance to other organisations (Section 356)		257	246
Electricity and heating		226	298
Emergency services		268	157
Fair value decrements – I,PP&E	9(a)	294	–
Insurance		521	500
Regional library		513	308
Street lighting		97	101
Subscriptions and publications		8	18
Telephone and communications		60	74
Total other expenses		2,501	1,936
Less: capitalised costs		–	–
<u>TOTAL OTHER EXPENSES</u>		<u>2,501</u>	<u>1,936</u>

KYOGLE COUNCIL

Notes to the Financial Statements

for the year ended 30 June 2016

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 2016	Actual 2015
Property (excl. investment property)			
Plant and equipment			
Proceeds from disposal – plant and equipment		457	438
Less: carrying amount of plant and equipment assets sold/written off		(397)	(387)
Net gain/(loss) on disposal		60	51
Infrastructure			
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(2,700)	(1,656)
Net gain/(loss) on disposal		(2,700)	(1,656)
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(2,640)	(1,605)

KYOGLE COUNCIL

Notes to the Financial Statements for the year ended 30 June 2016

Note 6a. – Cash assets and Note 6b. – investments

\$ '000	Notes	2016	2016	2015	2015
		Actual Current	Actual Non-current	Actual Current	Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		6,838	–	8,058	–
Cash-equivalent assets ¹					
– Deposits at call		15,000	–	12,900	–
Total cash and cash equivalents		21,838	–	20,958	–

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 year ended 30 June 2016

Note 6c. Restricted cash, cash equivalents and investments – details

\$ '000	2016	2016	2015	2015
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	21,838	–	20,958	–
attributable to:				
External restrictions (refer below)	4,229	–	5,108	–
Internal restrictions (refer below)	9,240	–	14,659	–
Unrestricted	8,369	–	1,191	–
	21,838	–	20,958	–

2016 \$ '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 and deposits	275	18	(104)	189
External restrictions – included in liabilities	275	18	(104)	189

External restrictions – other

Developer contributions – general (D)	192	79	(38)	232
Developer contributions – water fund (D)	–	–	–	–
Developer contributions – sewer fund (D)	–	209	(121)	88
RMS (formerly RTA) contributions (E)	–	–	–	–
Specific purpose unexpended grants (F)	1,530	47	(1,263)	314
Specific purpose unexpended grants-water fund (F)	–	–	–	–
Specific purpose unexpended grants-sewer fund (F)	–	–	–	–
Water supplies (G)	2,477	82	–	2,559
Water supplies – other (specify) (G)	–	–	–	–
Water supplies – other (specify) (G)	–	–	–	–
Sewerage services (G)	584	312	–	896
Sewerage services – other (specify) (G)	–	–	–	–
Sewerage services – other (specify) (G)	–	–	–	–
Domestic waste management (G)	50	–	(99)	(49)
Stormwater management (G)	–	–	–	–
External restrictions – other	4,833	729	(1,521)	4,040
Total external restrictions	5,108	747	(1,625)	4,229

KYOGLE COUNCIL

Notes to the Financial Statements

for the year ended 30 June 2016

Note 6c. Restricted cash, cash equivalents and investments – details (continued)

2016 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Plant and vehicle replacement	6,993	–	(4,976)	2,017
Employees leave entitlement	1,011	56	–	1,067
Carry over works	1,995	2,058	(1,995)	2,058
Building replacement	150	–	–	150
Commercial waste	622	602	–	1,224
Emergency works	500	–	–	500
Information technology	100	–	–	100
Quarries	1,121	–	(799)	322
Roads and bridges	1,000	–	–	1,000
Stormwater management	200	–	–	200
Transport	967	–	(365)	602
Total internal restrictions	14,659	2,716	(8,135)	9,240
TOTAL RESTRICTIONS	19,767	3,463	(9,760)	13,469

- 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 (b))
- G** Water, sewerage, domestic waste management (DWM) and 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 year ended 30 June 2016

Note 7. Receivables

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
Purpose					
Rates and annual charges		663	141	655	119
Interest and extra charges		28	–	52	–
User charges and fees		2,097	–	2,390	–
Accrued revenues					
– Interest on investments		47	–	36	–
Government grants and subsidies		960	–	1,111	–
Net GST receivable		155	–	134	–
Other debtors		1	–	8	–
Total		3,951	141	4,386	119
Less: provision for impairment					
Rates and annual charges		–	(141)	–	(119)
User charges and fees		(7)	–	(21)	–
Total provision for impairment – receivables		(7)	(141)	(21)	(119)
<u>TOTAL NET RECEIVABLES</u>		<u>3,944</u>	<u>–</u>	<u>4,365</u>	<u>–</u>
Externally restricted receivables					
Water supply					
– Rates and availability charges		175	–	174	–
– Other		156	–	121	–
Sewerage services					
– Rates and availability charges		179	–	172	–
– Other		57	–	74	–
Domestic waste management		142	–	136	–
Total external restrictions		709	–	677	–
Unrestricted receivables		3,235	–	3,688	–
<u>TOTAL NET RECEIVABLES</u>		<u>3,944</u>	<u>–</u>	<u>4,365</u>	<u>–</u>

Notes on debtors above:

- (i) Rates and 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 and charges at 8.50% (2015 8.50%).
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 year ended 30 June 2016

Note 8. Inventories and other assets

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
(a) Inventories					
(i) Inventories at cost					
Stores and materials		1,925	–	1,903	–
Trading stock		222	–	146	–
Total inventories at cost		2,147	–	2,049	–
(ii) Inventories at net realisable value (NRV)					
Nil					
Real estate for resale (refer below)		–	–	–	–
Stores and materials		–	–	–	–
Trading stock		–	–	–	–
Loose tools		–	–	–	–
Other		–	–	–	–
Total inventories at net realisable value (NRV)		–	–	–	–
TOTAL INVENTORIES		2,147	–	2,049	–
(b) Other assets					
Prepayments		25	–	–	–
TOTAL OTHER ASSETS		25	–	–	–

Externally restricted assets

There are no restrictions applicable to the above assets.

Notes to the Financial Statements
for the year ended 30 June 2016

Note 9a. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2015					Asset movements during the reporting period									as at 30/6/2016					
	At	At	Accumulated	Carrying	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments & transfers	Revaluation decrements to equity (Retained Earnings) from prior period error	Revaluation decrements to P&L	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	At	At	Accumulated	Carrying		
	cost	fair value	depreciation	impairment											value	cost	fair value	dep'n	impairment	value
Capital work in progress	2,088	-	-	-	2,088	301	648			(1,648)					1,389	-	-	-	1,389	
Plant and equipment	-	13,281	6,350	-	6,931	1,333		(397)	(1,125)						-	13,030	6,288	-	6,742	
Office equipment	-	616	550	-	66				(37)						-	537	508	-	29	
Furniture and fittings	-	33	21	-	12				(1)						-	31	20	-	11	
Plant and equipment (under finance lease)	-	-	-	-	-				-						-	-	-	-	-	
Land:																				
- Operational land	-	5,693	-	-	5,693		27			(861)				139	-	4,998	-	-	4,998	
- Community land	-	516	-	-	516									14	-	530	-	-	530	
- Land under roads (pre 1/7/08)	-	3,559	-	-	3,559					861	(1,440)	(294)	(1,030)		-	1,656	-	-	1,656	
- Land under roads (post 30/6/08)	-	3	-	-	3						(1)				-	2	-	-	2	
Land improvements – non-depreciable	-	-	-	-	-										-	-	-	-	-	
Land improvements – depreciable	-	1,592	532	-	1,060				(68)					28	-	1,638	618	-	1,020	
Infrastructure:																				
- Buildings	-	-	-	-	-				-						-	-	-	-	-	
- Buildings – non-specialised	-	3,915	1,425	-	2,490		6		(76)					69	-	4,033	1,544	-	2,489	
- Buildings – specialised	-	22,013	12,266	-	9,747	34	31		(339)	19				361	-	22,732	12,879	-	9,853	
- Other structures	-	5,938	1,855	-	4,083	7	201		(192)	56				131	-	6,402	2,116	-	4,286	
- Roads	-	220,093	65,103	-	154,990	4,640		(2,594)	(3,468)	397				1,218	-	224,325	69,142	-	155,183	
- Bridges	-	116,412	43,965	-	72,447	864		(90)	(828)	190					-	117,031	45,462	-	71,569	
- Footpaths	-	3,245	453	-	2,792	142	80	(16)	(50)						-	3,438	490	-	2,948	
- Other road assets	-	-	-	-	-				-						-	-	-	-	-	
- Bulk earthworks (non-depreciable)	-	14,697	-	-	14,697				-						-	14,697	-	-	14,697	
- Stormwater drainage	-	24,800	3,015	-	21,785	145	1,748		(74)	645				319	-	27,682	3,114	-	24,568	
- Water supply network	-	22,208	10,456	-	11,752		3,836		(208)	197				278	-	26,706	10,851	-	15,855	
- Sewerage network	-	29,646	6,634	-	23,012		15		(212)					417	-	30,134	6,902	-	23,232	
- Swimming pools	-	5,253	3,069	-	2,184				(105)					59	-	5,405	3,267	-	2,138	
- Other open space/recreational assets	-	-	-	-	-				-						-	-	-	-	-	
- Other infrastructure	-	-	-	-	-				-						-	-	-	-	-	
Other assets:																				
- Heritage collections	-	-	-	-	-				-						-	-	-	-	-	
- Library books	-	-	-	-	-				-						-	-	-	-	-	
- Other	-	-	-	-	-				-						-	-	-	-	-	
Reinstatement, rehabilitation and restoration assets (refer Note 26):																				
- Tip assets	-	1,521	516	-	1,005				(65)	(44)					-	1,477	581	-	896	
- Quarry assets	-	185	165	-	20				(80)	270					-	401	191	-	210	
- Other assets	-	-	-	-	-				-						-	-	-	-	-	
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	2,088	495,219	156,375	-	340,932	7,466	6,592	(3,097)	(6,928)	(144)	226	(1,441)	(294)	(2,044)	3,033	1,389	506,885	163,973	-	344,301

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 and equipment.

KYOGLE COUNCIL

Notes to the Financial Statements for the year ended 30 June 2016

Note 9b. Externally restricted infrastructure, property, plant and equipment

\$ '000 Class of asset	Actual 2016				Actual 2015			
	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	978			978	567	–	–	567
Infrastructure		26,705	10,851	15,854	–	22,208	10,456	11,752
Other assets				–	–	–	–	–
Total water supply	978	26,705	10,851	16,832	567	22,208	10,456	12,319
Sewerage services								
WIP	40			40	–	–	–	–
Infrastructure		30,134	6,902	23,232	–	29,646	6,634	23,012
Other assets				–	–	–	–	–
Total sewerage services	40	30,134	6,902	23,272	–	29,646	6,634	23,012
Domestic waste management								
Future Reinstatement Costs				–	–	1,521	516	1,005
Other assets				–	–	–	–	–
Total DWM	–	–	–	–	–	1,521	516	1,005
TOTAL RESTRICTED I,PP&E	1,018	56,839	17,753	40,104	567	53,375	17,606	36,336

KYOGLE COUNCIL

Notes to the Financial Statements for the year ended 30 June 2016

Note 9c. Infrastructure, property, plant and equipment – current year impairments

\$ '000	Notes	Actual 2016	Actual 2015
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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 year ended 30 June 2016

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
Payables					
Goods and services – operating expenditure		1,077	–	1,536	–
Accrued expenses:					
– Borrowings		11	–	12	–
– Salaries and wages		78	–	246	–
– Other expenditure accruals		121	–	113	–
Advances		–	–	–	–
Security bonds, deposits and retentions		95	94	137	137
Total payables		1,382	94	2,044	137
Borrowings					
Loans – secured ¹		231	2,998	221	3,229
Total borrowings		231	2,998	221	3,229
Provisions					
Employee benefits:					
Annual leave		719	–	619	–
Long service leave		1,019	136	954	141
Sub-total – aggregate employee benefits		1,738	136	1,573	141
Asset remediation/restoration (future works)	26	618	1,187	–	1,546
Other		129	–	122	–
Total provisions		2,485	1,323	1,695	1,687
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		4,098	4,415	3,960	5,053

(i) Liabilities relating to restricted assets

	2016		2015	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Water	364	1,875	344	2,063
Sewer	100	873	93	891
Domestic waste management	–	–	–	1,244
Other	189	–	274	–
Liabilities relating to externally restricted assets	653	2,748	711	4,198

¹ Loans are secured over the general rating income of Council

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 15.

KYOGLE COUNCIL

Notes to the Financial Statements

for the year ended 30 June 2016

Note 10a. Payables, borrowings and provisions (continued)

\$ '000	Actual 2016	Actual 2015
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(ii) Current liabilities not anticipated to be settled within the next twelve months

The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.

Provisions – employees benefits	869	823
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- a. Employees leave entitlements and 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 and restoration provisions represent the present value estimate of future costs Council will incur in order to remove, restore and remediate assets and/or activities as a result of past operations.

KYOGLE COUNCIL

Notes to the Financial Statements for the year ended 30 June 2016

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2016	Actual 2015
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	21,838	20,958
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		21,838	20,958
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		4,903	(655)
Adjust for non-cash items:			
Depreciation and amortisation		6,928	7,758
Net losses/(gains) on disposal of assets		2,640	1,605
Non-cash capital grants and contributions		(226)	(122)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Write offs relating to the fair valuation of I,PP&E		294	–
Unwinding of discount rates on reinstatement provisions		33	26
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		413	1,160
Increase/(decrease) in provision for doubtful debts		8	37
Decrease/(increase) in inventories		(98)	(1,078)
Decrease/(increase) in other assets		(25)	–
Increase/(decrease) in payables		(459)	734
Increase/(decrease) in accrued interest payable		(1)	6
Increase/(decrease) in other accrued expenses payable		(160)	25
Increase/(decrease) in other liabilities		(85)	(17)
Increase/(decrease) in employee leave entitlements		160	1
Increase/(decrease) in other provisions		233	92
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		14,558	9,572

KYOGLE COUNCIL

Notes to the Financial Statements

for the year ended 30 June 2016

Note 11. Statement of cash flows – additional information (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Non-cash investing and financing activities			
Other dedications		–	28
Estimated Future Reinstatement Costs		226	94
Total non-cash investing and financing activities		226	122
(d) Financing arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Credit cards/purchase cards		7	7
Total financing arrangements		7	7

KYOGLE COUNCIL

Notes to the Financial Statements for the year ended 30 June 2016

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2016	Actual 2015
(a) Capital commitments (exclusive of GST)			
Property, plant and equipment			
Water Supply Infrastructure		3,769	2,930
Flood Mitigation Works		–	1,130
Total commitments		3,769	4,060
These expenditures are payable as follows:			
Within the next year		3,769	4,060
Later than one year and not later than 5 years		–	–
Later than 5 years		–	–
Total payable		3,769	4,060
Sources for funding of capital commitments:			
Unrestricted general funds		–	–
Future grants and contributions		3,769	4,060
Total sources of funding		3,769	4,060

KYOGLE COUNCIL

Notes to the Financial Statements for the year ended 30 June 2016

Note 12. Commitments for expenditure (continued)

\$ '000	Notes	Actual 2016	Actual 2015
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(b) Finance lease commitments

Nil

(c) Operating lease commitments (non-cancellable)

Nil

KYOGLE COUNCIL

Notes to the Financial Statements for the year ended 30 June 2016

Note 13a(i). Statement of performance measurement – indicators (consolidated)

\$ '000	Amounts 2016	Indicator 2016	Prior periods	
			2015	2014
Local government industry indicators – consolidated				
1. Operating performance ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>1,051</u>	4.46%	-7.44%	-26.94%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>23,579</u>			
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>15,836</u>	52.15%	63.22%	66.30%
Total continuing operating revenue ⁽¹⁾	<u>30,365</u>			
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	<u>23,016</u>	8.93x	8.90x	12.82x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>2,576</u>			
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>8,181</u>	19.34x	15.81x	18.15x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>423</u>			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	<u>691</u>	7.51%	7.71%	14.66%
Rates, annual and extra charges collectible	<u>9,201</u>			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	<u>21,838</u>	16.15 mths	15.6 mths	11.5 mths
Payments from cash flow of operating and financing activities	<u>1,352</u>			

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

Also excludes any real estate and land for resale not expected to be sold in the next 12 months.

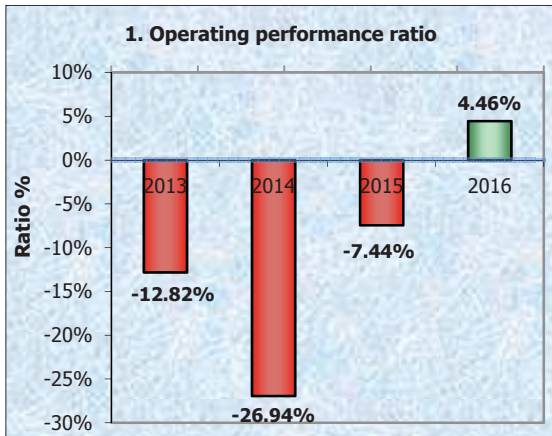
⁽³⁾ Refer to Note 10(a).

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

KYOGLE COUNCIL

Notes to the Financial Statements for the year ended 30 June 2016

Note 13a(ii). Local government industry indicators – graphs (consolidated)



Purpose of operating performance ratio

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

Commentary on 2015/16 result

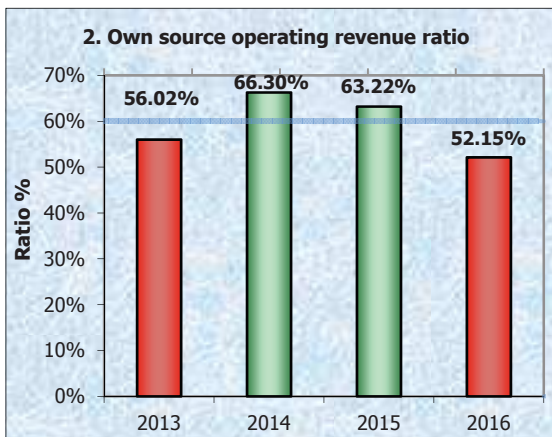
2015/16 ratio 4.46%

Council's Operating Performance Ratio is above the benchmark of 0%. Council is in its first year of a special rate variation, approved over a 5 year period. This has allowed Council to take steps to address this ratio, resulting in a significant improvement on previous years.

Benchmark: Minimum $\geq 0.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark
 Ratio is outside benchmark



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 and contributions.

Commentary on 2015/16 result

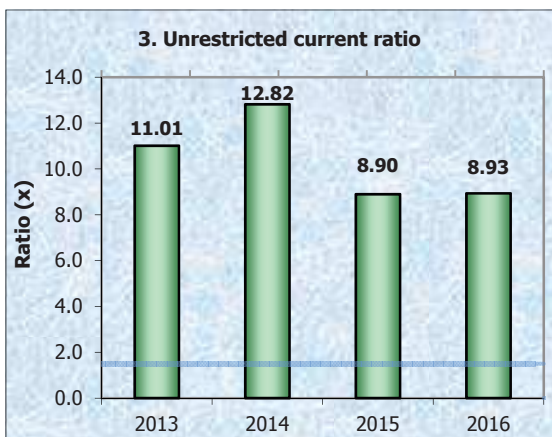
2015/16 ratio 52.15%

This ratio can fluctuate dramatically each year depending on the level of grant funding. Water security grants of \$4.4 million for Kyogle offstream storage have impacted this ratio.

Benchmark: Minimum $\geq 60.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark
 Ratio is outside benchmark



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 2015/16 result

2015/16 ratio 8.93x

Council has adequate unrestricted cash & internal reserves to satisfy its current obligations & 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.

Benchmark: Minimum ≥ 1.50

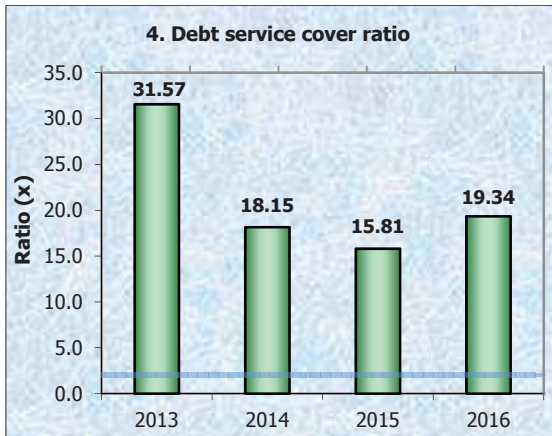
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark
 Ratio is outside benchmark

KYOGLE COUNCIL

Notes to the Financial Statements for the year ended 30 June 2016

Note 13a(ii). Local government industry indicators – graphs (consolidated)



Benchmark: — Minimum ≥ 2.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Purpose of debt service cover ratio

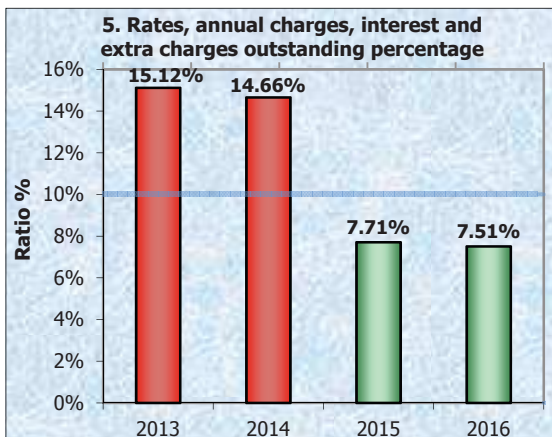
This ratio measures the availability of operating cash to service debt including interest, principal and lease payments

Commentary on 2015/16 result

2015/16 ratio 19.34x

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

Ratio achieves benchmark
 Ratio is outside benchmark



Benchmark: — Maximum $< 10.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #24

Purpose of rates and annual charges outstanding ratio

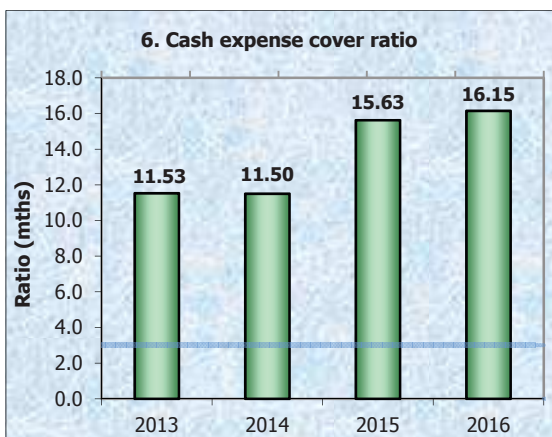
To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.

Commentary on 2015/16 result

2015/16 ratio 7.51%

This ratio is within NSW Treasury Corporations benchmark of $< 10.00\%$. Council will continue to monitor & pursue all outstanding debts.

Ratio is within Benchmark
 Ratio is outside Benchmark



Benchmark: — Minimum ≥ 3.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

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 2015/16 result

2015/16 ratio 16.15 mths

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

Ratio achieves benchmark
 Ratio is outside benchmark

KYOGLE COUNCIL

Notes to the Financial Statements for the year ended 30 June 2016

Note 13b. Statement of performance measurement – indicators (by fund)

\$ '000	Water 2016	Sewer 2016	General ⁵ 2016
Local government industry indicators – by fund			
1. Operating performance ratio			
<u>Total continuing operating revenue⁽¹⁾ excluding capital grants and contributions less operating expenses</u>	6.83%	3.35%	4.35%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	prior period: 3.08%	-1.57%	-8.52%
2. Own source operating revenue ratio			
<u>Total continuing operating revenue⁽¹⁾ excluding all grants and contributions</u>	23.93%	84.34%	57.37%
Total continuing operating revenue ⁽¹⁾	prior period: 69.91%	97.69%	60.69%
3. Unrestricted current ratio			
<u>Current assets less all external restrictions⁽²⁾</u>	7.94x	11.32x	8.93x
Current liabilities less specific purpose liabilities ^(3, 4)	prior period: 8.06x	8.92x	8.90x
4. Debt service cover ratio			
<u>Operating result⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation</u>	1.48x	3.87x	105.08x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	prior period: 0.92x	1.50x	209.79x
5. Rates, annual charges, interest and extra charges outstanding percentage			
<u>Rates, annual and extra charges outstanding</u>	20.71%	15.33%	4.69%
Rates, annual and extra charges collectible	prior period: 20.69%	15.05%	5.02%
6. Cash expense cover ratio			
<u>Current year's cash and cash equivalents plus all term deposits</u> x12	22.53 mths	11.62 mths	15.86 mths
Payments from cash flow of operating and financing activities	prior period: 22.47 mths	6.74 mths	15.64 mths

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 and sewer activities which are listed separately.

KYOGLE COUNCIL

Notes to the Financial Statements for the year ended 30 June 2016

Note 14. Investment properties

\$ '000	Notes	Actual 2016	Actual 2015
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Council has not classified any land or buildings as 'investment properties'.

KYOGLE COUNCIL

Notes to the Financial Statements

for the year ended 30 June 2016

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 and financial liabilities recognised in the financial statements is presented below.

	Carrying value		Fair value	
	2016	2015	2016	2015
Financial assets				
Cash and cash equivalents	21,838	20,958	21,838	20,958
Receivables	3,944	4,365	3,944	4,365
Other financial assets	–	–	–	–
Total financial assets	25,782	25,323	25,782	25,323
Financial liabilities				
Payables	1,476	2,181	1,476	2,181
Loans/advances	3,229	3,450	3,901	4,162
Total financial liabilities	4,705	5,631	5,377	6,343

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings and held-to-maturity** investments – are based upon estimated future cash flows discounted by the current mkt interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified (i) **'at fair value through profit and 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 and liabilities.

KYOGLE COUNCIL

Notes to the Financial Statements

for the year ended 30 June 2016

Note 15. Financial risk management (continued)

\$ '000

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 1993* and Minister's investment order. This policy is regularly reviewed by Council and it's staff and an investment report is tabled before Council 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 there 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 counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

Council also seeks advice from independent advisers before placing any funds in cash equivalents and investments.

(a) Market risk – price risk and interest rate risk

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

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

2016	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	218	218	n/a	n/a
2015				
Possible impact of a 10% movement in market values				
Possible impact of a 1% movement in interest rates	210	210	n/a	n/a

KYOGLE COUNCIL

Notes to the Financial Statements

for the year ended 30 June 2016

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

Council's major receivables comprise (i) rates and annual charges and (ii) user charges and 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 and 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:

	2016 Rates and annual charges	2016 Other receivables	2015 Rates and annual charges	2015 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	8%	93%	12%	94%
Overdue	92%	7%	88%	6%
	100%	100%	100%	100%
(ii) Ageing of receivables – value				
Rates and annual charges	Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
Current	66	3,079	96	3,509
< 1 year overdue	738	–	678	–
1 – 2 years overdue	–	209	–	222
2 – 5 years overdue	–	–	–	–
> 5 years overdue	–	–	–	–
	804	3,288	774	3,731
(iii) Movement in provision for impairment of receivables			2016	2015
Balance at the beginning of the year			140	103
+ new provisions recognised during the year			8	37
Balance at the end of the year			148	140

KYOGLE COUNCIL

Notes to the Financial Statements

for the year ended 30 June 2016

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

Payables and 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 and overdraft facilities utilised as required.

The contractual undiscounted cash outflows (ie. principal and interest) of Council's payables and 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		
2016									
Trade/other payables	189	1,287						1,476	1,476
Loans and advances		391	391	391	552	366	2,503	4,594	3,229
Total financial liabilities	189	1,678	391	391	552	366	2,503	6,070	4,705
2015									
Trade/other payables	–	2,181	–	–	–	–	–	2,181	2,181
Loans and advances	–	391	391	391	391	552	2,868	4,984	3,450
Total financial liabilities	–	2,572	391	391	391	552	2,868	7,165	5,631

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

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

	2016		2015	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Bank overdraft	–		–	
Trade/other payables	1,476	0.00%	2,181	0.00%
Loans and advances – fixed interest rate	3,229	5.29%	3,450	5.24%
	<u>4,705</u>		<u>5,631</u>	

KYOGLE COUNCIL

Notes to the Financial Statements

for the year ended 30 June 2016

Note 16. Material budget variations

\$ '000

Council's original financial budget for 15/16 was adopted by the Council on 29 June 2015.

While the Income Statement included in this General Purpose Financial Report must disclose the original budget adopted by Council, the *Local Government Act 1993* 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	2016 Budget	2016 Actual	2016 Variance*		
REVENUES					
User charges and fees	5,125	6,586	1,461	29%	F
Level of RMS works higher than anticipated					
Interest and investment revenue	493	574	81	16%	F
Level of funds invested was higher than anticipated					
Other revenues	10	240	230	2300%	F
Bank guarantee defaults not budgetted for					
Capital grants and contributions	9,806	6,786	(3,020)	(31%)	U
Unsuccessful grant applications for National stronger regions and Fixing country roads Grant funding not yet paid for unfinished capital projects					

KYOGLE COUNCIL

Notes to the Financial Statements for the year ended 30 June 2016

Note 16. Material budget variations (continued)

\$ '000	2016 Budget	2016 Actual	2016 ----- Variance* -----		
EXPENSES					
Borrowing costs	473	202	271	57%	F
General fund borrowings deferred to 2016 / 17					
<hr/>					
Materials and contracts	4,197	5,894	(1,697)	(40%)	U
Level of RMS works higher than anticipated Additional projects approved through revotes					
<hr/>					
Depreciation and amortisation	7,877	6,928	949	12%	F
Roads revaluation 2014 / 15 finalised after original estimates adopted					
<hr/>					
Other expenses	2,053	2,501	(448)	(22%)	U
Revaluation decrement not budgetted for Mobile library van contribution not in original estimates					
<hr/>					
Net losses from disposal of assets	(132)	2,640	(2,772)	2100%	U
Council does not budget for disposal of infrastructure assets					

KYOGLE COUNCIL

Notes to the Financial Statements

for the year ended 30 June 2016

Note 17. Statement of developer contributions

\$ '000

Council recovers contributions, raises levies and 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 and levies and the value of all remaining funds which are 'restricted' in their future use.

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	–	2	–	–	(2)	–	–	–
Roads	134	68	–	4	(38)	–	168	–
Open space	58	6	–	1	(1)	–	64	–
S94 contributions – under a plan	192	76	–	5	(41)	–	232	–
S94A levies – under a plan	–	–	–	–	–	–	–	–
Total S94 revenue under plans	192	76	–	5	(41)	–	232	–
S94 not under plans	–	–	–	–	–	–	–	–
S93F planning agreements	–	–	–	–	–	–	–	–
S64 contributions	–	208	–	1	(121)	–	88	–
Total contributions	192	284	–	6	(162)	–	320	–

KYOGLE COUNCIL

Notes to the Financial Statements for the year ended 30 June 2016

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	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	–	2			(2)		–	
Roads	134	68		4	(38)		168	
Open space	58	6		1	(1)		64	
Total	192	76	–	5	(41)	–	232	–

KYOGLE COUNCIL

Notes to the Financial Statements

for the year ended 30 June 2016

Note 18. Contingencies and 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 2016 was \$203,523. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 24th February 2016 and covers the period ended 30 June 2015. However the position is monitored annually and the actuary has estimated that as at 30th June 2016 a deficit still exists.

Effective from 1 July 2014, employers are required to contribute additional contributions to assist in extinguishing this deficit. The amount of additional contributions payable until the deficit is extinguished is \$272,000.

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 Council was estimated to be in the order of \$127,589 as at 30 June 2016.

KYOGLE COUNCIL

Notes to the Financial Statements for the year ended 30 June 2016

Note 19. Interests in other entities

\$ '000

Subsidiaries, joint arrangements and associates not recognised

The following subsidiaries, joint arrangements and associates have not been recognised in this financial report.

Name of entity/operation	Principal activity/type of entity	2016 Net profit	2016 Net assets
Newlog	Vehicle Weight Limits	(232)	181

Reasons for non-recognition

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.

Council's share of the operations (12.5%) have been deemed as "immaterial" and therefore have not been incorporated into these Financial Statements.

KYOGLE COUNCIL

Notes to the Financial Statements

for the year ended 30 June 2016

Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

\$ '000	Notes	Actual 2016	Actual 2015
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		141,367	142,022
a. Correction of prior period errors	9(a), 20 (c)	(1,441)	–
b. Changes in accounting policies (prior period effects)	20 (d)	–	–
c. Other comprehensive income (excl. direct to reserves transactions)		–	–
d. Net operating result for the year		4,903	(655)
e. Distributions to/(contributions from) non-controlling Interests		–	–
f. Transfers between equity		–	–
g. Land under roads de-recognised		–	–
Balance at end of the reporting period		144,829	141,367
(b) Revaluation reserves			
(i) Reserves are represented by:			
– Infrastructure, property, plant and equipment revaluation reserve		218,913	217,924
(ii) Reconciliation of movements in reserves:			
Infrastructure, property, plant and equipment revaluation reserve			
– Opening balance		217,924	165,954
– Revaluations for the year	9(a)	2,019	51,970
– Correction of prior period errors	9(a), 20 (c)	(1,030)	–
– Balance at end of year		218,913	217,924
TOTAL VALUE OF RESERVES		218,913	217,924
(iii) Nature and purpose of reserves			
Infrastructure, property, plant and equipment revaluation reserve			
– The infrastructure, property, plant and equipment revaluation reserve is used to record increments/decrements of non-current asset values due to their revaluation.			
(c) Correction of error/s relating to a previous reporting period			
Arising from the current year revaluation of land under roads it was determined that the area of such land was inadvertently overstated in the previous revaluation performed in 2011. The extent of this overstatement in 2011 was 2.471 million. It was not considered practicable to adjust comparative information, instead this prior period error has been corrected in the current year.			

KYOGLE COUNCIL

Notes to the Financial Statements

for the year ended 30 June 2016

Note 21. Financial result and financial position by fund

Income Statement by fund \$ '000	Actual 2016	Actual 2016	Actual 2016
<u>Continuing operations</u>	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	667	990	6,779
User charges and fees	590	225	5,771
Interest and investment revenue	4	6	564
Other revenues	155	7	78
Grants and contributions provided for operating purposes	78	26	7,639
Grants and contributions provided for capital purposes	4,418	202	2,166
Other income			
Net gains from disposal of assets	–	–	–
Share of interests in joint ventures and associates using the equity method			–
Total income from continuing operations	5,912	1,456	22,997
Expenses from continuing operations			
Employee benefits and on-costs	286	264	6,747
Borrowing costs	89	67	46
Materials and contracts	687	607	4,600
Depreciation and amortisation	208	212	6,508
Other expenses	121	62	2,318
Net losses from the disposal of assets	–	–	2,640
Total expenses from continuing operations	1,391	1,212	22,859
Operating result from continuing operations	4,521	244	138
<u>Discontinued operations</u>			
Net profit/(loss) from discontinued operations	–	–	–
Net operating result for the year	4,521	244	138
Net operating result attributable to each council fund	4,521	244	138
Net operating result attributable to non-controlling interests	–	–	–
Net operating result for the year before grants and contributions provided for capital purposes	103	42	(2,028)

¹ General fund refers to all Council's activities other than Water and Sewer.

KYOGLE COUNCIL

Notes to the Financial Statements

as at 30 June 2016

Note 21. Financial result and financial position by fund (continued)

Statement of Financial Position by fund \$ '000	Actual 2016	Actual 2016	Actual 2016
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	2,559	984	18,295
Receivables	331	236	3,377
Inventories	–	–	2,147
Other	–	–	25
Total current assets	2,890	1,220	23,844
Non-current assets			
Infrastructure, property, plant and equipment	16,832	23,272	304,197
TOTAL ASSETS	19,722	24,492	328,041
LIABILITIES			
Current liabilities			
Payables	98	4	1,280
Borrowings	188	18	25
Provisions	78	78	2,329
Total current liabilities	364	100	3,634
Non-current liabilities			
Payables	–	–	94
Borrowings	1,875	873	250
Provisions	–	–	1,323
Total non-current liabilities	1,875	873	1,667
TOTAL LIABILITIES	2,239	973	5,301
Net assets	17,483	23,519	322,740
EQUITY			
Retained earnings	12,789	8,971	123,069
Revaluation reserves	4,694	14,548	199,671
Council equity interest	17,483	23,519	322,740
Non-controlling interests	–	–	–
Total equity	17,483	23,519	322,740

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

KYOGLE COUNCIL

Notes to the Financial Statements

for the year ended 30 June 2016

Note 26. Reinstatement, rehabilitation and 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	
		2016	2015
Tip Remediation - Kyogle	2050	924	944
Tip Remediation - Woodenbong	2017	300	300
Quarry Remediation - Millers	2017	161	64
Quarry Remediation - Medhurst	2020	209	79
Quarry Remediation - Griffiths	2017	157	60
Quarry Remediation - Chadburns	2016	–	82
Quarry Remediation - Lloyds	2020	54	17
Balance at end of the reporting period		1,805	1,546

10(a)

Under AASB 116 – Property, Plant and 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:

Balance at beginning of year	1,546	1,426
Effect of a change in other calculation estimates used	226	94
Amortisation of discount (expensed to borrowing costs)	33	26
Total – reinstatement, rehabilitation and restoration provision	1,805	1,546

Amount of expected reimbursements

Of the above provisions for reinstatement, rehabilitation and restoration works, those applicable to garbage services and 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 year ended 30 June 2016

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 and recognised at fair values:

2016	Date of latest valuation	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 and equipment					
Plant & Equipment	30/06/16	–	–	6,742	6,742
Office Equipment	30/06/16	–	–	29	29
Furniture & Fittings	30/06/16	–	–	11	11
Land Operational	30/06/13	–	–	4,998	4,998
Land Community	30/06/13	–	–	530	530
Land under Roads	30/06/16	–	–	1,658	1,658
Land Improvements	30/06/13	–	–	1,020	1,020
Buildings	30/06/13	–	–	12,343	12,343
Other Structures	30/06/13	–	–	4,286	4,286
Roads	30/06/15	–	–	155,182	155,182
Bridges	30/06/15	–	–	71,569	71,569
Footpaths	30/06/15	–	–	2,948	2,948
Earthworks	30/06/15	–	–	14,697	14,697
Stormwater Drainage	30/06/12	–	–	24,568	24,568
Water Supply	30/06/12	–	–	15,855	15,855
Sewerage Network	30/06/12	–	–	23,233	23,233
Swimming Pools	30/06/13	–	–	2,138	2,138
Reinstatement Assets	30/06/16	–	–	1,106	1,106
Total infrastructure, property, plant and equipment		–	–	342,913	342,913

KYOGLE COUNCIL

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement

\$ '000

2015	Date of latest valuation	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 and equipment					
Plant & Equipment	30/06/15	—	—	6,931	6,931
Office Equipment	30/06/15	—	—	66	66
Furniture & Fittings	30/06/15	—	—	12	12
Land Operational	30/06/13	—	—	5,693	5,693
Land Community	30/06/13	—	—	516	516
Land under Roads	30/06/11	—	—	3,562	3,562
Land Improvements	30/06/13	—	—	1,060	1,060
Buildings	30/06/13	—	—	12,237	12,237
Other Structures	30/06/13	—	—	4,083	4,083
Roads	30/06/15	—	—	154,990	154,990
Bridges	30/06/15	—	—	72,447	72,447
Footpaths	30/06/15	—	—	2,792	2,792
Earthworks	30/06/15	—	—	14,697	14,697
Stormwater Drainage	30/06/12	—	—	21,785	21,785
Water Supply	30/06/12	—	—	11,752	11,752
Sewerage Network	30/06/12	—	—	23,012	23,012
Swimming Pools	30/06/13	—	—	2,184	2,184
Reinstatement Assets	30/06/14	—	—	1,025	1,025
Total infrastructure, property, plant and equipment		—	—	338,844	338,844

(2) Transfers between level 1 and 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 year ended 30 June 2016

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 and equipment (IPP&E)

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 Practicing 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 year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

(3) Valuation techniques used to derive level 2 and level 3 fair values (continued)

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.

This class of assets was revalued as at 30 June 2015.

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 year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

(3) Valuation techniques used to derive level 2 and level 3 fair values (continued)

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 year ended 30 June 2016

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
Opening balance – 1/7/14	6,900	83	13	5,406	12,402
Purchases (GBV)	1,528	67	–	16	1,611
Disposals (WDV)	(387)	–	–	–	(387)
Depreciation and impairment	(1,110)	(84)	(1)	–	(1,195)
FV gains – other comprehensive income	–	–	–	271	271
Closing balance – 30/6/15	6,931	66	12	5,693	12,702
Purchases (GBV)	1,333	–	–	27	1,360
Disposals (WDV)	(397)	–	–	–	(397)
Depreciation and impairment	(1,125)	(37)	(1)	–	(1,163)
FV gains – other comprehensive income	–	–	–	(722)	(722)
Closing balance – 30/6/16	6,742	29	11	4,998	11,780

	Community Land	Land Under Roads	Land Improve -ments	Buildings Non- Specialised	Total
Opening balance – 1/7/14	491	3,392	1,053	2,504	7,440
Purchases (GBV)	–	–	49	–	49
Disposals (WDV)	–	–	–	–	–
Depreciation and impairment	–	–	(67)	(74)	(141)
FV gains – other comprehensive income	25	170	25	60	280
Closing balance – 30/6/15	516	3,562	1,060	2,490	7,628
Purchases (GBV)	–	–	–	6	6
Disposals (WDV)	–	–	–	–	–
Depreciation and impairment	–	–	(68)	(76)	(144)
FV gains – other comprehensive income	14	(1,904)	28	69	(1,793)
Closing balance – 30/6/16	530	1,658	1,020	2,489	5,697

KYOGLE COUNCIL

Notes to the Financial Statements

for the year ended 30 June 2016

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)

	Buildings Specialised	Other Structures	Roads	Bridges	Total
Opening balance – 1/7/14	9,782	5,683	131,109	54,227	200,801
Purchases (GBV)	70	716	1,344	795	2,925
Disposals (WDV)	(5)	(4)	(834)	(456)	(1,299)
Depreciation and impairment	(332)	(279)	(4,251)	(887)	(5,749)
FV gains – other comprehensive income	232	151	27,622	18,768	46,773
Closing balance – 30/6/15	9,747	6,267	154,990	72,447	243,451
Purchases (GBV)	85	264	5,037	1,054	6,440
Disposals (WDV)	–	–	(2,594)	(90)	(2,684)
Depreciation and impairment	(339)	(297)	(3,468)	(828)	(4,932)
FV gains – other comprehensive income	361	190	1,217	(1,014)	754
Closing balance – 30/6/16	9,854	6,424	155,182	71,569	243,029

	Footpaths	Bulk Earthworks	Stormwater Drainage	Water Supply Network	Total
Opening balance – 1/7/14	2,048	14,855	18,332	11,562	46,797
Purchases (GBV)	27	–	505	39	571
Disposals (WDV)	–	–	(228)	(1)	(229)
Depreciation and impairment	(45)	–	(150)	(199)	(394)
FV gains – other comprehensive income	762	(158)	3,326	351	4,281
Closing balance – 30/6/15	2,792	14,697	21,785	11,752	51,026
Purchases (GBV)	222	–	2,538	4,033	6,793
Disposals (WDV)	(16)	–	–	–	(16)
Depreciation and impairment	(50)	–	(74)	(208)	(332)
FV gains – other comprehensive income	–	–	319	278	597
Closing balance – 30/6/16	2,948	14,697	24,568	15,855	58,068

KYOGLE COUNCIL

Notes to the Financial Statements

for the year ended 30 June 2016

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)

	Sewerage Network	Reinstatement Assets	Total
Opening balance – 1/7/14	22,564	1,004	23,568
Purchases (GBV)	417	–	417
Disposals (WDV)	(128)	–	(128)
Depreciation and impairment	(206)	(73)	(279)
FV gains – other comprehensive income	365	–	365
FV gains – Income Statement ¹	–	–	–
Reinstatement Remeasurement	–	94	94
Closing balance – 30/6/15	23,012	1,025	24,037
Purchases (GBV)	15	–	15
Disposals (WDV)	–	–	–
Depreciation and impairment	(211)	(145)	(356)
FV gains – other comprehensive income	417	–	417
FV gains – Income Statement ¹	–	–	–
Reinstatement Remeasurement	–	226	226
Closing balance – 30/6/16	23,233	1,106	24,339

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 year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

c. 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 year ended 30 June 2016

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 AUDITOR'S 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 2016, 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.

Council's Responsibility for the Financial Statements

The Council is responsible for the preparation and fair presentation of the financial statements 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 and fair presentation 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) and Note 16 material budget variation explanations, 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.

Opinion

In our opinion:

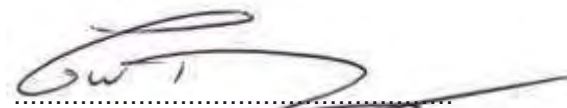
- a) The Council's accounting records have been kept in accordance with the requirements of the *Local Government Act, 1993*, Chapter 13, Part 3, Division 2;
- b) The financial statements:
 - i. Have been prepared in accordance with the requirements of this Division;
 - ii. Are consistent with the Council's accounting records;
 - iii. Present fairly, in all material respects, the Council's financial position as at 30 June 2016, and of its performance and its cash flows for the year then ended; and
 - iv. Are in accordance with applicable Accounting Standards;
- c) All information relevant to the conduct of the audit has been obtained; and
- d) There are no material deficiencies in the accounting records or financial statements 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 2016 published in the annual report and 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.

Dated at Lismore this 24th day of October 2016

**THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS**



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G W DWYER (Partner)
Registered Company Auditor

Kyogle Council

Report to Council under s417 of the Local Government Act 1993

30 June 2016



www.tnr.com.au

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Overview

We are pleased to advise that we have completed the audit of Council's financial reports for the year ended 30 June 2016, 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.

Unmodified independent audit reports have been issued to the Council for the 2016 year and these are attached to each financial report. Further commentary as required by the *Local Government Act 1993* is provided in this 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*. 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.

Income Statement










This section provides Council with an overview of your financial results and includes commentary on key elements of the financial statements.

Consolidated Operating Result	Current Year	Prior Year	Audit Comments
	(\$'000)	(\$'000)	
Revenues from continuing operations	23,579	21,745	Council's consolidated surplus from all activities for 2016 was \$4,903,000. This compares to a deficit in 2015 of \$655,000. Refer to the 'Material Revenue and Expense Movements' section of this report for audit comments in relation to material movements in operating results.
Expenses from continuing operations	(15,894)	(15,604)	
Result from continuing operations before depreciation, capital revenue and loss on disposal of assets	7,685	6,141	
Less: depreciation expense	(6,928)	(7,758)	
Operating result after depreciation and before capital revenue and loss on disposal of assets	757	(1,617)	
Capital grants and contributions	6,786	2,567	
Loss on disposal of assets	(2,640)	(1,605)	
Operating result from all activities	4,903	(655)	

Results by Fund

Operating Result by Fund	General		Water		Sewer	
	Current Year (\$'000)	Prior Year (\$'000)	Current Year (\$'000)	Prior Year (\$'000)	Current Year (\$'000)	Prior Year (\$'000)
Revenues from continuing operations	20,831	19,235	1,494	1,300	1,254	1,210
Expenses from continuing operations	(13,711)	(13,519)	(1,183)	(1,061)	(1,000)	(1,024)
Result from continuing operations before depreciation, capital revenue and disposal of assets	7,120	5,716	311	239	254	186
Less: depreciation expense	(6,508)	(7,354)	(208)	(199)	(212)	(205)
Operating result after depreciation and before capital revenue and loss on disposal of assets	612	(1,638)	103	40	42	(19)
Capital grants and contributions	2,166	2,053	4,418	511	202	3
Loss on disposal of assets	(2,640)	(1,476)	-	(1)	-	(128)
Operating result from all activities	138	(1,061)	4,521	550	244	(144)

Material Revenue and Expense Movements

Line Item	Increase / (Decrease)	Audit Comment
Revenues		
Rates & annual charges	 697,000	Largely attributable to the annual rate rise and the special rate variation approved by the Minister for Local Government totalling 12.43%.
RMS charges	 (978,000)	RMS charges vary from year to year depending on state road maintenance requirements.
Transport (Other roads and bridges funding) - Operating	 1,330,000	The Federal Government has allocated additional Roads to Recovery funding for the 2015/16 and 2016/17 financial years.
Transport (Other roads and bridges funding) - Capital	 1,128,000	During the year Council received additional funding under the Black Spot Program, Bridges Renewal Program and Fixing Country Roads.
Flood mitigation - Capital	 (592,000)	Most of the flood mitigation works were completed in 2014/15.
Water supplies - Capital	 3,905,000	Largely attributable to funding received for the Kyogle Off Stream Storage project.
Expenses		
Salaries and wages	 512,000	Attributable to an increase in full time equivalent employees and Local Government State Award increases.
Depreciation	 (830,000)	Largely relates to reduced depreciation for roads, bridges and footpaths. This is reflective of revised useful life and condition assessments made for these asset classes as part of the 30 June 2015 revaluation.
Other expenses	 565,000	Largely attributable to additional Regional Library contributions and current year revaluation decrement for Land Under Roads.

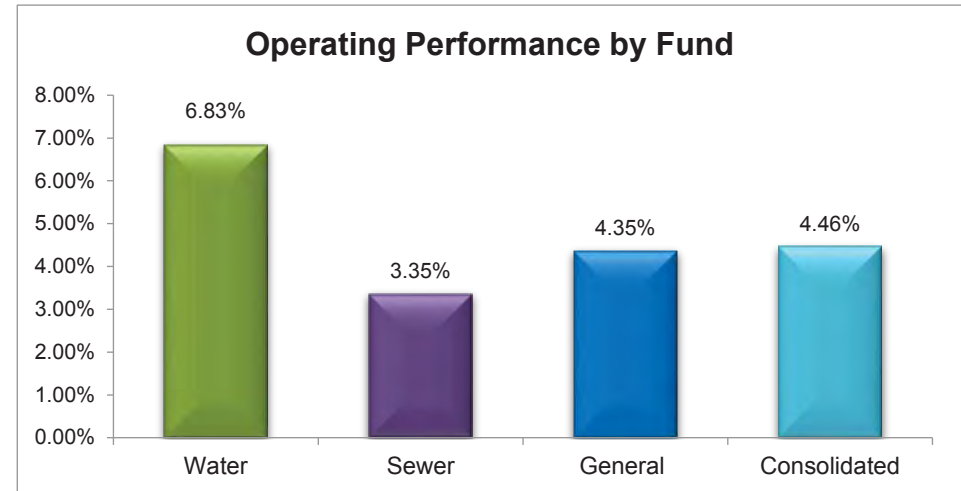
Income Statement ratios

Operating Performance Ratio

This ratio measures a Council's achievement of containing operating expenditure within operating revenue (achieving a surplus after depreciation but before capital items). The benchmark is greater than 0%.

Council's consolidated ratio has improved from -7.44% in 2014/15 to 4.46% in 2015/16. This improvement has arisen from the revenue and expense movements explained earlier.

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

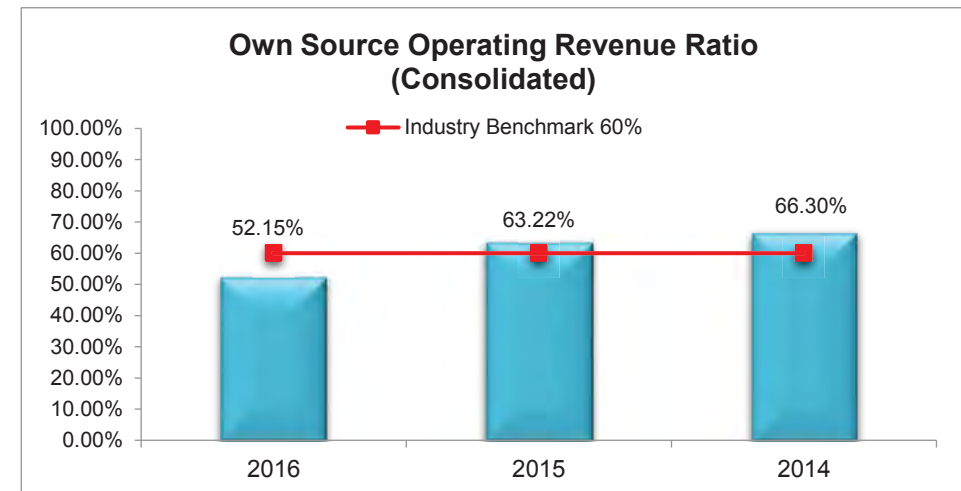


Own Source Operating Revenue Ratio

Local Government performance benchmarking 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 illustrates that for 2015/16 Council sourced 52.15% of its consolidated revenue from rates, annual charges, user charges, interest etc. which is below the industry benchmark of 60%.

The 2015/16 ratio has been significantly impacted by capital grants received in the Water Fund for the Kyogle Off Stream Storage project.



Capital Grants & Contributions

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 \$6,282,000 (2014/15 - \$2,174,000) and included grants for water supplies - \$4,413,000, grants for transport assets - \$1,306,000 and grants for flood mitigation - \$473,000. The increase in capital grants has been explained earlier.

Capital contributions received during the year amounted to \$504,000. The table below provides an understanding of the nature and quantum of contributions received during the financial year:

Capital Contribution Type	Current Year (\$'000)	Prior Year (\$'000)	Audit Comments
S 94 - Contributions towards amenities/services	71	26	Capital contributions have increased from 2015 by \$111,000. The use of cash contributions received during each year is restricted and accordingly they are not available for use in Council's general operations.
S 64 - Water supply contributions	6	3	
S 64 - Sewerage service contributions	202	3	
S 64 - Stormwater contributions	2	2	
Total Developer Contributions	281	34	
Other contributions	223	359	
Total	504	393	

Statement of Cashflows

Line item	Current Year (\$'000)	Prior Year (\$'000)	Audit Comments
Cash flows from operating activities			The cash result from operations has improved from \$9,572,000 in 2015 to \$14,558,000 in 2016. This surplus is used to fund capital works.
Operating & capital receipts	30,560	25,387	
Operating payments	(16,002)	(15,815)	
Net cash result from operations	14,558	9,572	
Net sale/ (purchase) of I,P,P&E	(13,457)	(5,662)	Purchase of I,P,P&E can fluctuate year on year depending on the timing of capital programs. Details of capital additions are provided in the I,P,P&E matters section.
New borrowings	-	2,549	No new borrowings were drawn in the current year.
Repayment of borrowings	(221)	(277)	
Net movement in cash	880	6,182	
Cash at beginning of year	20,958	14,776	
Overall cash and cash equivalents	21,838	20,958	

Statement of Financial Position

Line Item	Current Year (\$'000)	Prior Year (\$'000)	Audit Comments
Current assets	27,954	27,372	We provide commentary on some of the material assets and liabilities appearing on Council's statement of financial position as at 30 June 2016 together with related Office of Local Government benchmark data in this report.
Non-Current assets	344,301	340,932	
Total Assets	372,255	368,304	
Current liabilities	4,098	3,960	
Non-Current liabilities	4,415	5,053	
Total Liabilities	8,513	9,013	
Equity	363,742	359,921	

Unrestricted Net Current Assets

Line Item	Current Year (\$'000)	Prior Year (\$'000)	Audit Comments
Current Assets	27,954	27,372	Council's unrestricted current asset position provides a measure of the Council's capacity / liquidity to meet its commitments from current assets net of externally restricted cash, investments and receivables. At 30 June 2016 Council held \$20,440,000 of unrestricted current net assets being \$1,279,000 more than 30 June 2015. Trends in general funds unrestricted current ratio are shown later in this report.
Externally restricted cash & investments	(4,229)	(5,108)	
Externally restricted receivables	(709)	(677)	
Current Assets less all External restrictions	23,016	21,587	
Current Liabilities	4,098	3,960	
Externally restricted liabilities	(653)	(711)	
Liabilities classified as current in the financial report but not expected to be paid in the next 12 months	(869)	(823)	
Current Liabilities less Specific Purpose Liabilities	2,576	2,426	
Unrestricted Current Net Assets before Internal Reserves	20,440	19,161	

Cash & Investments

Cash & Investments	Current Year (\$'000)	Prior Year (\$'000)	Audit Comments
Externally Restricted <i>Monies can only be spent in accordance with legislation, grant agreement or developer contribution plan specifications</i>	4,229	5,108	Council is managing its investment portfolio in accordance with the Minister's Investment Order which is applicable to all local government authorities. Council has set aside internally restricted reserves at 30 June 2016 which are shown in the table below.
Internally Restricted <i>Money set aside for special projects via Council resolution</i>	9,240	14,659	
Unrestricted <i>Funds forming part of working capital used for day-to-day Council operations</i>	8,369	1,191	
Total Cash & Investments	21,838	20,958	

Internally Restricted Cash	Current Year (\$'000)	Prior Year (\$'000)	Audit Comments
Plant & vehicle replacement	2,107	6,993	Council has resolved to set aside funds for these special purpose reserves. There have been significant decreases in reserves for plant & vehicle replacement, quarries and transport. These decreases have led to an offsetting increase in unrestricted cash available for day-to-day Council operations including renewal of infrastructure assets.
Employees leave entitlement	1,067	1,011	
Carry over works	2,058	1,995	
Building replacement	150	150	
Commercial waste	1,224	622	
Emergency works	500	500	
Information technology	100	100	
Quarries	322	1,121	
Roads and bridges	1,000	1,000	
Stormwater management	200	200	
Transport	602	967	
Total Internal Restrictions	9,240	14,659	

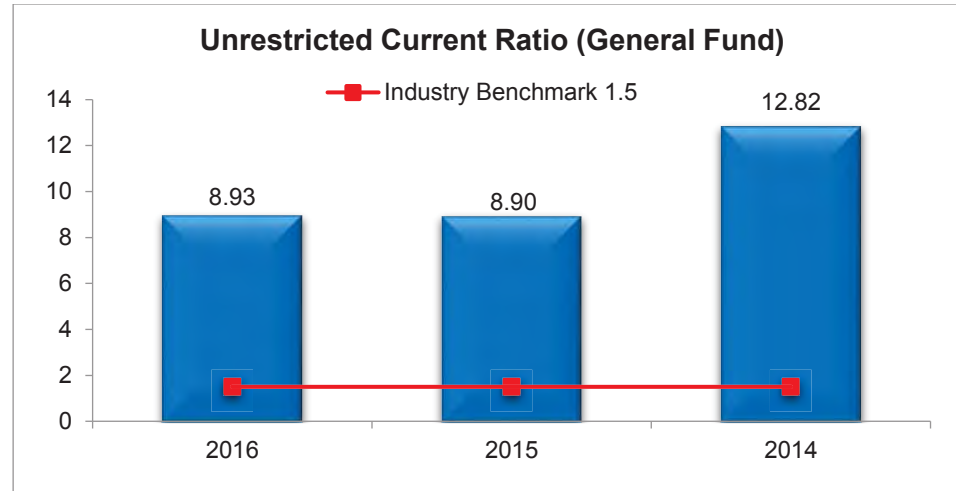
Statement of Financial Position Ratios

Unrestricted Current Ratio

The unrestricted current ratio provides a measure of Council's capacity / liquidity to meet its commitments from current assets net of externally restricted assets.

The Office of Local Government and NSW Treasury consider that this ratio should be at least 1.5.

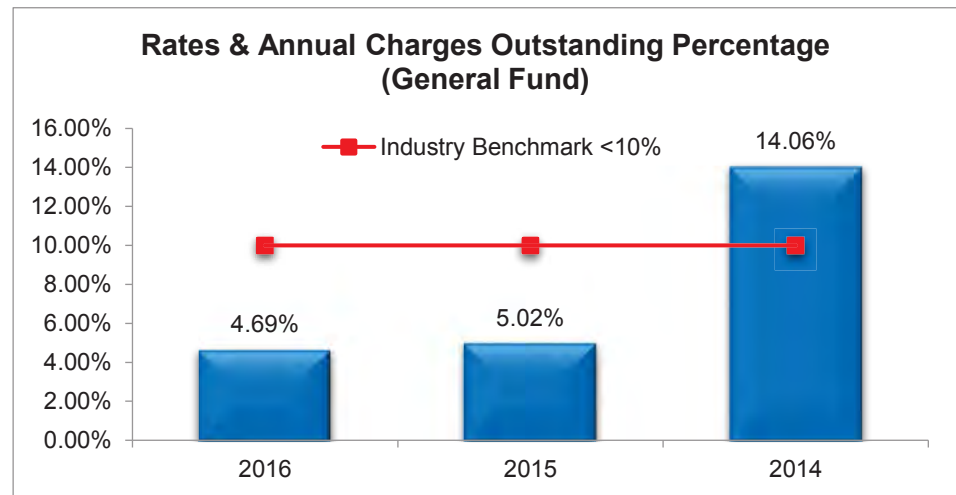
At 30 June 2016 Council's General Fund has \$8.93 in liquid current assets for every \$1 of current liabilities. This is above the industry benchmark. Individually Water and Sewer Funds unrestricted current ratio also exceed industry benchmarks.



Rates & Annual Charges Outstanding Ratio

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 decreased from 5.02% in 2015 to 4.69% as at 30 June 2016. The NSW Office of Local Government benchmark is less than 10% for rural Council's.



Infrastructure, Property, Plant & Equipment Matters

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 two years is provided below:

Line Item	Current Year (\$'000)	Prior Year (\$'000)	Audit Comments
Council Constructed / Purchased Assets:			<p>There were major capital projects completed during the current financial year such as Kyogle Flood Mitigation works - \$2.4 million and Kyogle Off Stream Storage - \$3.5 million.</p> <p>The rate at which Council's assets are being renewed is measured by the Building and Infrastructure Renewal Ratio.</p>
Infrastructure under construction - WIP	949	951	
Land, buildings & other structures	306	719	
Plant and equipment	1,333	1,528	
Roads and drainage network	7,619	2,433	
Water supply network	3,836	39	
Sewerage network	15	393	
Other assets	-	67	
Total Asset Additions	14,058	6,130	
Asset additions – Renewals	7,466	2,918	
Asset additions – New	6,592	3,212	

Depreciation

Asset Class	Current Year		Previous Year		Audit Comments
	WDV \$'000	Depreciation Expense \$'000	WDV \$'000	Depreciation Expense \$'000	
Plant & equipment	6,782	(1,163)	7,009	(1,195)	<p>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 \$344 million.</p> <p>The movements in roads, bridges and footpaths' depreciation are the result of revised useful life and condition assessments made for these asset classes as part of the 30 June 2015 revaluation.</p>
Operational & community land	5,528	-	6,209	-	
Land under roads	1,658	-	3,562	-	
Land improvements depreciable	1,020	(68)	1,060	(67)	
Buildings	12,342	(415)	12,237	(406)	
Other structures	4,286	(192)	5,242	(176)	
Infrastructure					
Roads, bridges & footpaths	229,700	(4,346)	230,229	(5,183)	
Bulk earthworks	14,697	-	14,697	-	
Stormwater drainage	24,568	(74)	21,785	(150)	
Water infrastructure	15,855	(208)	11,752	(199)	
Sewer infrastructure	23,232	(212)	23,012	(206)	
Work in progress	1,389	-	2,088	-	
Swimming pools	2,138	(105)	2,184	(103)	
Tip and quarry assets	1,106	(145)	1,025	(73)	
Total Infrastructure, Property, Plant & Equipment	344,301	(6,928)	340,932	(7,758)	

Asset Revaluations

In the current year, the Council performed a revaluation of Land Under Roads. The result of this revaluation was a decrement to values of \$2,765,000. In conducting the revaluation it was noted that the land area previously recorded in 2011 was inadvertently overstated and as a result \$2,471,000 of the decrement has been treated as a prior period error.

In accordance with the requirement to maintain assets at fair value, the Council has considered applying indices to all other land, buildings and infrastructure asset classes. As a result of the indexation increments of \$1,991,000 were recognised, these amounts were credited to the Asset Revaluation Reserve.

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

Asset Management Performance Indicators

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

Audit of Asset Management Information

The Office of Local Government is planning to introduce an audit of special schedule 7. At this point in time it is unclear when the first audit will be undertaken as the framework to allow information to be prepared consistently across all NSW council's is yet to be finalised. In early 2016, the Office of Local Government undertook a review of each council's preparedness for the audit of special schedule 7. The results of this review indicated that most local government authorities require greater investment in asset management practices. The review of Kyogle Council's asset management practices indicated that there is sound compliance with most aspects of asset management best practice.

To ensure Council's asset management practices and systems continue to mature and also prepare for a possible audit of special schedule 7 it will be important to:

- Review the information contained in special schedule 7 to ensure it is accurate;
- Continue to review and update asset management plans, policies and procedures;
- Ensure that asset management is appropriately resourced to maximise the effectiveness of infrastructure management; and
- Continue to collect and analyse asset data to inform the asset management process and inform decision-making on building new infrastructure or renewing or repairing existing 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.

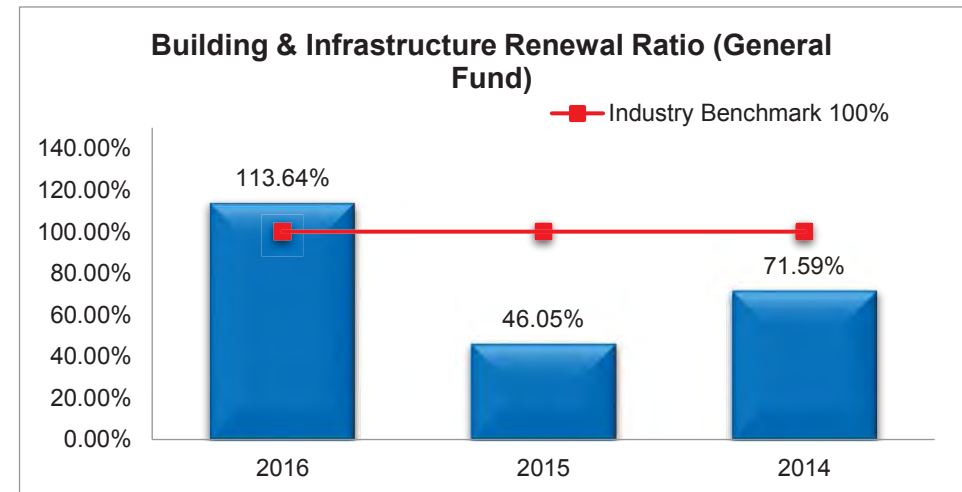
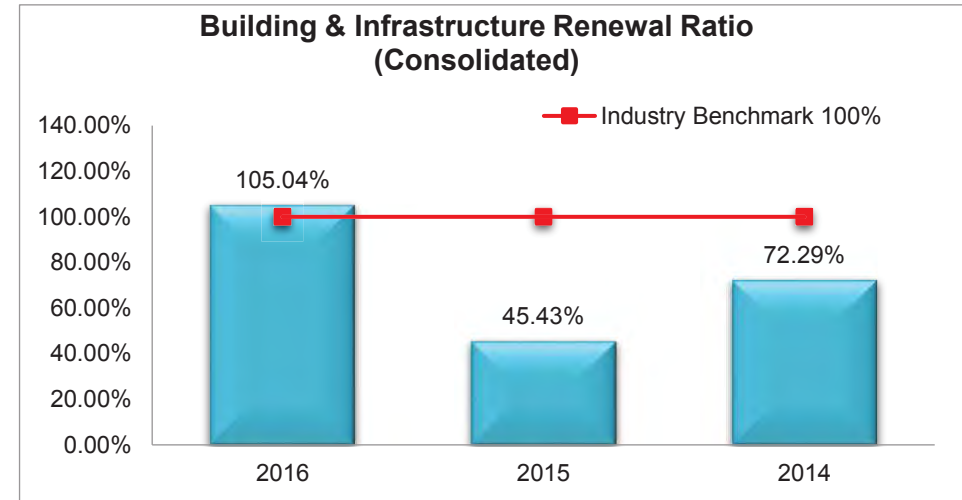
Buildings & Infrastructure Renewals Ratio

This ratio assesses the rate at which buildings and infrastructure assets are being renewed against the rate at which they are depreciating. 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 100% of the related depreciation expense.

Council has satisfied this benchmark in the current year which means Council has renewed assets in excess of the rate at which they are depreciating.

The challenge facing all local government authorities is to maintain this ratio to satisfy this industry benchmark continuously, particularly in the General Fund, which is subject to rate pegging limits and special rate variations.

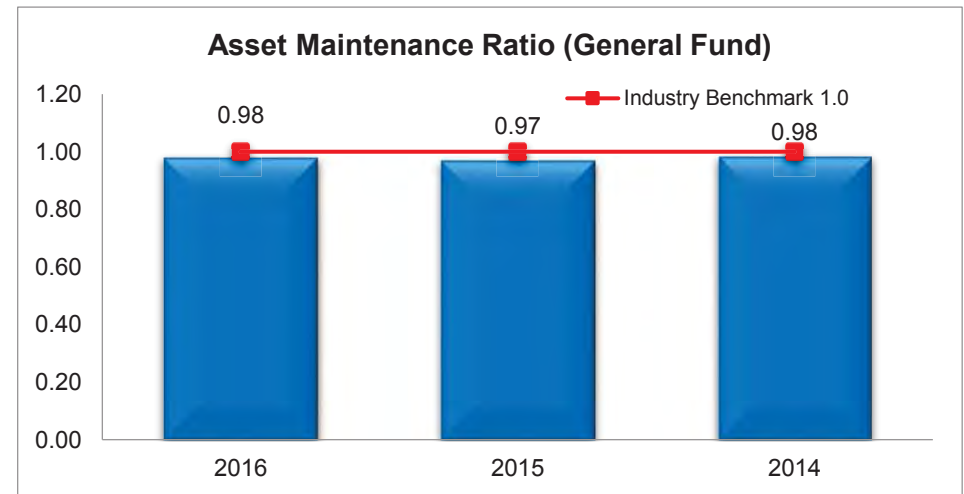
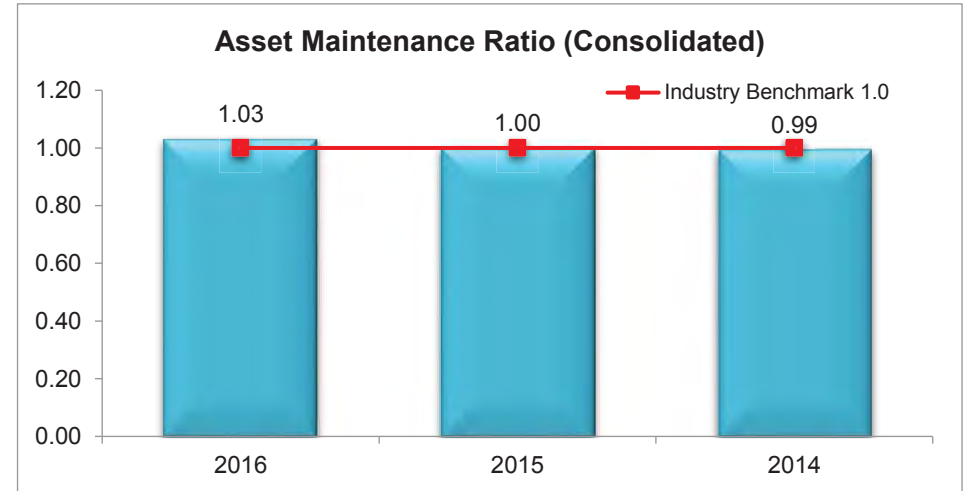


Asset Maintenance Ratio

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.

Council's ratios have improved and these graphs illustrate that Council is spending sufficient funds on asset maintenance at a consolidated level to ensure their condition does not deteriorate below a satisfactory standard.



Debt Levels

Line Item	Current Year (\$'000)	Prior Year (\$'000)	Audit Comments
Current loan liability	231	221	The reduction in overall loan liabilities is due to principle repayments during the financial year.
Non-current loan liability	2,998	3,229	
Total Loan Liability	3,229	3,450	
By Fund			
General fund (incl. domestic waste)	275	300	
Water fund	2,063	2,243	
Sewer fund	891	907	
Total	3,229	3,450	

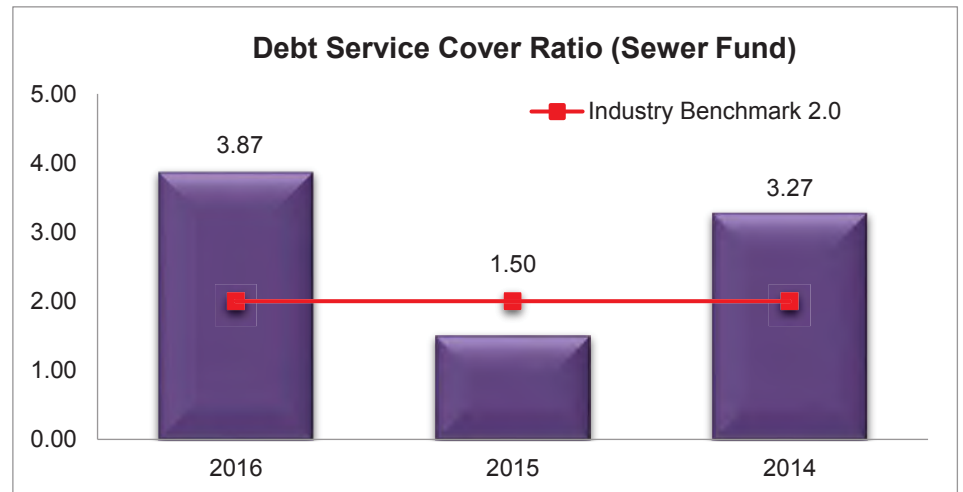
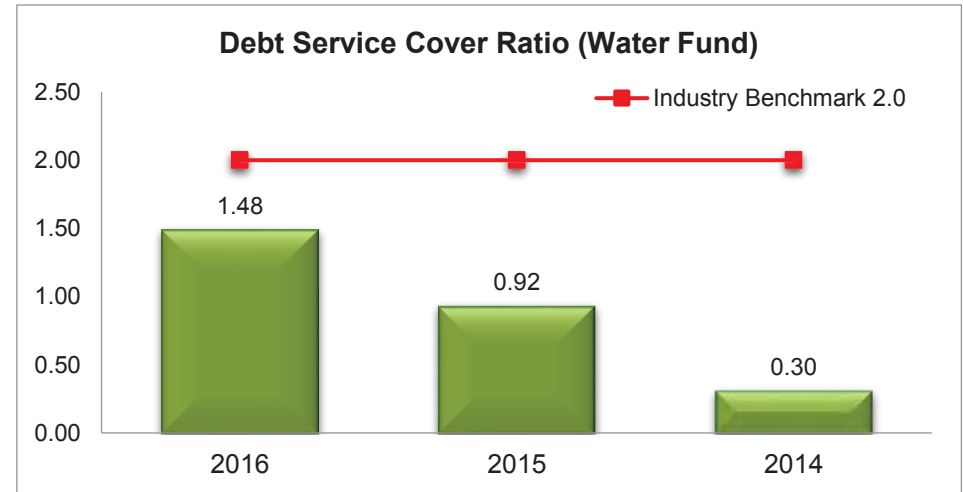
Debt Service Cover Ratio

This ratio measures the availability of operating cash to service debt including interest, principal and lease payments. The benchmark for the ratio is greater than 2.

For Water Fund, we suggest analysis to determine if cash flow over the short to medium term is sufficient to allow this benchmark to be achieved in the future.

For Sewer Fund, the graph illustrates that Council is generating sufficient cash to satisfy its debt repayment obligations.

General Fund is not illustrated as it has a ratio of 105.08, which is well above the benchmark.



Other matters

Financial Report Planning

The 2017 and future financial years will be impacted by several Australian Accounting Standards:

AASB No.	Application Date	Impact
AASB 124 <i>Related Parties</i>	1 July 2017	Introduces reporting of related party transactions to local government.
AASB 9 <i>Financial Instruments</i>	1 January 2018	Impacts recognition and reporting of certain financial instruments as well as the calculation of the provision for impairment relating to receivables.
AASB 15 <i>Revenue From Contracts With Customers</i>	1 January 2019	Introduces changes to the way in which certain revenue streams are recognised and reported. Comparative information will be required relating to the 2018 financial year.
AASB 16 <i>Leases</i>	1 January 2019	Requires financial statements to capitalise certain operating leases.

Council's finance team should assess the impact of new Accounting Standards well in advance of their implementation period to determine the likely impact on future financial reporting. This information should be presented to the Internal Audit Committee and be included in the notes to the financial statements.

Local Government Act Amendment

The NSW Parliament recently passed the Local Government Amendment (Governance & Planning) Bill 2016. There are a number of important amendments contained in this bill which are discussed below:

■ Introduction of NSW Auditor-General as Auditor of Local Government in NSW

The Bill appoints the Auditor-General as the auditor of all NSW Local Government Authorities. This appointment is effective 1 July 2016 and will result in most existing local government auditors being appointed as contractors to the Auditor-General. The NSW Audit Office will release information on how the audit of local government in NSW will be conducted for the 2017 and future years.

■ Audit, Risk & Improvement Committee

Section 428A of the Local Government Amendment (Governance & Planning) Bill 2016 requires all Councils to establish an Audit, Risk & Improvement Committee. Whilst Council already has an Internal Audit Committee, the legislation changes the name of the committee and is a little more prescriptive in what its responsibilities are.

Aside from the traditional responsibilities of a committee of this nature, the additional areas prescribed as being the responsibility of the Audit, Risk and Improvements Committee include review of:

- implementation of the strategic plan, delivery program and strategies
- service reviews
- collection of performance measurement data by the council, and
- providing information on how to improve the council's performance.

Council is not required to establish an Audit, Risk and Improvement Committee until 6 months after the recent ordinary election of councillors however it would be prudent to commence a review of the existing Committee charter to ensure it reflects the new legislative requirements and allow all committee members and Council staff to develop an approach that will achieve the desired outcomes.


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.

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.

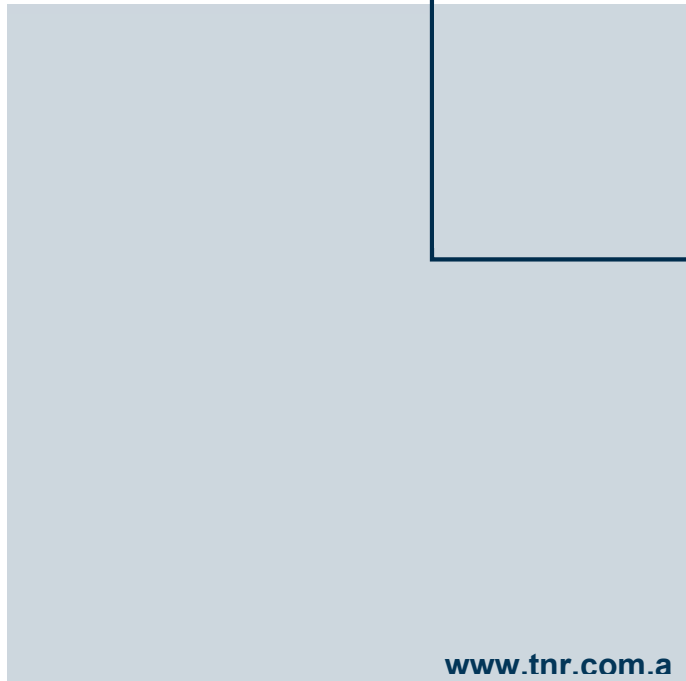
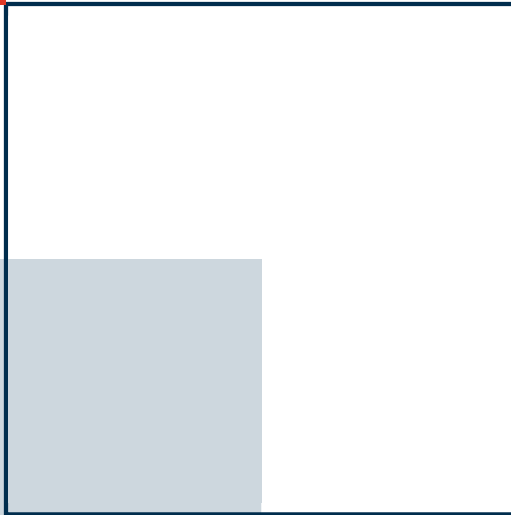
Yours faithfully

THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS



.....
G W DWYER (PARTNER)
REGISTERED COMPANY AUDITOR

Dated at Lismore this 24th day of October 2016



www.tnr.com.au



Thomas
Noble &
Russell

Accountants | Auditors | Business Advisers

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KYOGLE COUNCIL

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Gateway to the Rainforests



KYOGLE COUNCIL

Special Purpose Financial Statements

for the year ended 30 June 2016

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Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office 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 and 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 more than \$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 and debt guarantee fees (where the business benefits from Council’s borrowing position by comparison with commercial rates).
-

KYOGLE COUNCIL

Special Purpose Financial Statements for the year ended 30 June 2016

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 and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,
- the NSW Office of Water Best-Practice Management of Water and Sewerage Guidelines.

To the best of our knowledge and belief, these financial statements:

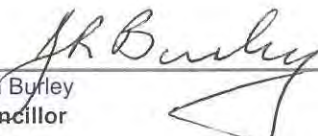
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.

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 24 October 2016.




Danielle Mulholland
Mayor



John Burley
Councillor



Graham Kennett
Acting General Manager



Glenn Rose
Responsible Accounting Officer

KYOGLE COUNCIL

Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2016

\$ '000	Actual 2016	Actual 2015
Income from continuing operations		
Access charges	667	675
User charges	580	556
Fees	10	9
Interest	4	5
Grants and contributions provided for non-capital purposes	78	34
Profit from the sale of assets	–	–
Other income	155	21
Total income from continuing operations	1,494	1,300
Expenses from continuing operations		
Employee benefits and on-costs	286	260
Borrowing costs	89	22
Materials and contracts	687	624
Depreciation and impairment	208	199
Water purchase charges	–	–
Loss on sale of assets	–	1
Calculated taxation equivalents	–	–
Debt guarantee fee (if applicable)	–	–
Other expenses	121	155
Total expenses from continuing operations	1,391	1,261
Surplus (deficit) from continuing operations before capital amounts	103	39
Grants and contributions provided for capital purposes	4,418	511
Surplus (deficit) from continuing operations after capital amounts	4,521	550
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	4,521	550
Less: corporate taxation equivalent (30%) [based on result before capital]	(31)	(12)
SURPLUS (DEFICIT) AFTER TAX	4,490	538
Plus opening retained profits	8,268	7,718
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	31	12
Less:		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
Closing retained profits	12,789	8,268
Return on capital %	1.1%	0.5%
Subsidy from Council	n/a	n/a
Calculation of dividend payable:		
Surplus (deficit) after tax	4,490	538
Less: capital grants and contributions (excluding developer contributions)	(4,415)	(508)
Surplus for dividend calculation purposes	75	30
Potential dividend calculated from surplus	38	15

KYOGLE COUNCIL

Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2016

\$ '000	Actual 2016	Actual 2015
Income from continuing operations		
Access charges	990	958
User charges	180	184
Liquid trade waste charges	45	28
Fees	–	–
Interest	6	8
Grants and contributions provided for non-capital purposes	26	25
Profit from the sale of assets	–	–
Other income	7	7
Total income from continuing operations	1,254	1,210
Expenses from continuing operations		
Employee benefits and on-costs	264	270
Borrowing costs	67	68
Materials and contracts	607	613
Depreciation and impairment	212	205
Loss on sale of assets	–	128
Calculated taxation equivalents	–	–
Debt guarantee fee (if applicable)	–	–
Other expenses	62	73
Total expenses from continuing operations	1,212	1,357
Surplus (deficit) from continuing operations before capital amounts	42	(147)
Grants and contributions provided for capital purposes	202	3
Surplus (deficit) from continuing operations after capital amounts	244	(144)
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	244	(144)
Less: corporate taxation equivalent (30%) [based on result before capital]	(13)	–
SURPLUS (DEFICIT) AFTER TAX	231	(144)
Plus opening retained profits	8,727	8,871
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	13	–
Less:		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
Closing retained profits	8,971	8,727
Return on capital %	0.5%	-0.3%
Subsidy from Council	n/a	n/a
Calculation of dividend payable:		
Surplus (deficit) after tax	231	(144)
Less: capital grants and contributions (excluding developer contributions)	(200)	(1)
Surplus for dividend calculation purposes	32	–
Potential dividend calculated from surplus	16	–

KYOGLE COUNCIL

Income Statement of Council's Other Business Activities

for the year ended 30 June 2016

\$ '000	Domestic Waste		Quarries	
	Category 2		Category 2	
	Actual 2016	Actual 2015	Actual 2016	Actual 2015
Income from continuing operations				
Access charges	861	850	–	–
User charges	–	–	609	260
Fees	–	–	–	–
Interest	4	6	–	–
Grants and contributions provided for non-capital purposes	31	33	–	–
Profit from the sale of assets	–	–	–	–
Other income	–	–	–	–
Total income from continuing operations	896	889	609	260
Expenses from continuing operations				
Employee benefits and on-costs	–	–	99	35
Borrowing costs	–	22	9	3
Materials and contracts	990	869	526	204
Depreciation and impairment	–	66	100	28
Loss on sale of assets	–	–	–	–
Calculated taxation equivalents	–	–	–	–
Debt guarantee fee (if applicable)	–	–	–	–
Other expenses	–	–	–	–
Total expenses from continuing operations	990	957	734	270
Surplus (deficit) from continuing operations before capital amounts	(94)	(68)	(125)	(10)
Grants and contributions provided for capital purposes	–	–	–	–
Surplus (deficit) from continuing operations after capital amounts	(94)	(68)	(125)	(10)
Surplus (deficit) from discontinued operations	–	–	–	–
Surplus (deficit) from all operations before tax	(94)	(68)	(125)	(10)
Less: corporate taxation equivalent (30%) [based on result before capital]	–	–	–	–
SURPLUS (DEFICIT) AFTER TAX	(94)	(68)	(125)	(10)
Plus opening retained profits	(905)	(837)	1,199	1,209
Plus/less: prior period adjustments	–	–	–	–
Plus/less: other adjustment - net liability transferred to General fund	1,091	–	–	–
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	–	–	–	–
– Debt guarantee fees	–	–	–	–
– Corporate taxation equivalent	–	–	–	–
Add:				
– Subsidy paid/contribution to operations	–	–	–	–
Less:				
– TER dividend paid	–	–	–	–
– Dividend paid	–	–	(795)	–
Closing retained profits	92	(905)	279	1,199
Return on capital %	n/a	-4.6%	-14.2%	-1.0%
Subsidy from Council	–	76	132	29

KYOGLE COUNCIL

Income Statement of Council's Other Business Activities for the year ended 30 June 2016

	Transport	
	Category 1	
\$ '000	Actual 2016	Actual 2015
Income from continuing operations		
Access charges	–	–
User charges	3,882	4,860
Fees	–	–
Interest	–	–
Grants and contributions provided for non-capital purposes	–	–
Profit from the sale of assets	–	–
Other income	–	–
Total income from continuing operations	3,882	4,860
Expenses from continuing operations		
Employee benefits and on-costs	501	765
Borrowing costs	–	–
Materials and contracts	3,177	3,701
Depreciation and impairment	–	–
Loss on sale of assets	–	–
Calculated taxation equivalents	–	–
Debt guarantee fee (if applicable)	–	–
Other expenses	–	–
Total expenses from continuing operations	3,678	4,466
Surplus (deficit) from continuing operations before capital amounts	204	394
Grants and contributions provided for capital purposes	–	–
Surplus (deficit) from continuing operations after capital amounts	204	394
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	204	394
Less: corporate taxation equivalent (30%) [based on result before capital]	(61)	(118)
SURPLUS (DEFICIT) AFTER TAX	143	276
Plus opening retained profits	3,107	3,288
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	61	118
Add:		
– Subsidy paid/contribution to operations		–
Less:		
– TER dividend paid		–
– Dividend paid	(870)	(575)
Closing retained profits	2,441	3,107
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 2016

\$ '000	Actual 2016	Actual 2015
ASSETS		
Current assets		
Cash and cash equivalents	2,559	2,477
Receivables	331	295
Total current assets	2,890	2,772
Non-current assets		
Infrastructure, property, plant and equipment	16,832	12,319
Total non-current assets	16,832	12,319
TOTAL ASSETS	19,722	15,091
LIABILITIES		
Current liabilities		
Payables	98	92
Borrowings	188	180
Provisions	78	72
Total current liabilities	364	344
Non-current liabilities		
Payables	–	–
Borrowings	1,875	2,063
Provisions	–	–
Total non-current liabilities	1,875	2,063
TOTAL LIABILITIES	2,239	2,407
NET ASSETS	17,483	12,684
EQUITY		
Retained earnings	12,789	8,268
Revaluation reserves	4,694	4,416
Council equity interest	17,483	12,684
Non-controlling equity interest	–	–
TOTAL EQUITY	17,483	12,684

KYOGLE COUNCIL

Statement of Financial Position – Council's Sewerage Business Activity as at 30 June 2016

\$ '000	Actual 2016	Actual 2015
ASSETS		
Current assets		
Cash and cash equivalents	984	584
Receivables	236	246
Total Current Assets	1,220	830
Non-current assets		
Infrastructure, property, plant and equipment	23,272	23,012
Total non-current assets	23,272	23,012
TOTAL ASSETS	24,492	23,842
LIABILITIES		
Current liabilities		
Payables	4	5
Borrowings	18	16
Provisions	78	72
Total current liabilities	100	93
Non-current liabilities		
Payables	–	–
Borrowings	873	891
Provisions	–	–
Total non-current liabilities	873	891
TOTAL LIABILITIES	973	984
NET ASSETS	23,519	22,858
EQUITY		
Retained earnings	8,971	8,727
Revaluation reserves	14,548	14,131
Council equity interest	23,519	22,858
Non-controlling equity interest	–	–
TOTAL EQUITY	23,519	22,858

KYOGLE COUNCIL

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2016

\$ '000	Domestic Waste		Quarries	
	Category 2		Category 2	
	Actual 2016	Actual 2015	Actual 2016	Actual 2015
ASSETS				
Current assets				
Cash and cash equivalents	–	50	322	1,121
Receivables	142	136	–	–
Inventories	–	–	222	146
Total Current Assets	142	186	544	1,267
Non-current assets				
Infrastructure, property, plant and equipment	–	1,005	815	716
Total non-current assets	–	1,005	815	716
TOTAL ASSETS	142	1,191	1,359	1,983
LIABILITIES				
Current liabilities				
Bank overdraft	50	–	–	–
Payables	–	–	–	–
Borrowings	–	–	–	–
Provisions	–	–	318	–
Total current liabilities	50	–	318	–
Non-current liabilities				
Provisions	–	1,244	263	302
Total non-current liabilities	–	1,244	263	302
TOTAL LIABILITIES	50	1,244	581	302
NET ASSETS	92	(53)	778	1,681
EQUITY				
Retained earnings	92	(905)	279	1,199
Revaluation reserves	–	852	499	482
Council equity interest	92	(53)	778	1,681
Non-controlling equity interest	–	–	–	–
TOTAL EQUITY	92	(53)	778	1,681

KYOGLE COUNCIL

Statement of Financial Position – Council's Other Business Activities as at 30 June 2016

\$ '000	Transport	
	Category 1	
	Actual 2016	Actual 2015
ASSETS		
Current assets		
Cash and cash equivalents	602	967
Receivables	1,839	2,140
Total Current Assets	2,441	3,107
Non-current assets		
Total non-current assets	-	-
TOTAL ASSETS	2,441	3,107
LIABILITIES		
Current liabilities		
Payables	-	-
Borrowings	-	-
Provisions	-	-
Total current liabilities	-	-
Non-current liabilities		
Total non-current liabilities	-	-
TOTAL LIABILITIES	-	-
NET ASSETS	2,441	3,107
EQUITY		
Retained earnings	2,441	3,107
Revaluation reserves	-	-
Council equity interest	2,441	3,107
Non-controlling equity interest	-	-
TOTAL EQUITY	2,441	3,107

KYOGLE COUNCIL

Special Purpose Financial Statements

for the year ended 30 June 2016

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 2016

Note 1. Significant Accounting Policies

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

For the purposes of these statements, the Council is not a 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 Office of Local Government in July 1997 has also been adopted.

The pricing & costing guidelines outline the process for identifying and allocating costs to activities and provide a standard of disclosure requirements. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents; council subsidies; return on investments (rate of return); and dividends paid.

Declared Business Activities

In accordance with *Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality*, Council has declared that the following are to be considered as business activities:

Category 1

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

a. Transport

Contract Road Construction and Maintenance

Category 2

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

a. Water

Water Supply

b. Sewer

Sewerage Services

c. Domestic Waste

Domestic Waste Management

d. Quarries

Quarrying Operations

Monetary Amounts

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

As required by the NSW Office of Water (Department of 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 2016

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 **\$482,000** of combined land values attracts **0%**. From \$482,001 to \$2,947,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,947,000, a premium marginal rate of **2.0%** applies.

Payroll Tax – **5.45%** on the value of taxable salaries and wages in excess of \$750,000.

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

Since this taxation equivalent is notional - that is, it is payable to the "Council" as the owner of business operations, it represents an internal payment and has no effect on the operations of the council.

Accordingly, there is no need for disclosure of internal charges in Council's General Purpose Financial Statements.

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

Local Government Rates & Charges

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

Loan & Debt Guarantee Fees

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

In order to calculate a debt guarantee fee, council has determined what the differential borrowing rate 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 2016

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 1.99% at 30/6/16.

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 2016 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

KYOGLE COUNCIL

Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

Note 2. Water supply business best-practice management disclosure requirements

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2016

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)	Number of assessments multiplied by \$3/assessment	5,916
(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]	37,505
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	59,160
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	(106,811)

2016 Surplus	75,009	2015 Surplus	30,180	2014 Surplus	(212,000)
		2015 Dividend	-	2014 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]	
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? ^a	YES

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 year ended 30 June 2016

Note 2. Water supply business best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2016

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	1,499
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)]	%	43.05%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	16,832
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	1,056
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	3,836
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 and equipment (w33b)]	%	1.40%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	4,413

- Notes:
- References to w (e.g. w12) refer to item numbers within Special Schedules 3 and 4 of Council's Annual Financial Statements.
 - The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
- a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007

KYOGLE COUNCIL

Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

Note 3. Sewerage business best-practice management disclosure requirements

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2016

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)	Number of assessments multiplied by \$3/assessment	5,427
(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]	15,774
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	54,270
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	(139,325)

2016 Surplus	31,548	2015 Surplus	(144,873)	2014 Surplus	(26,000)
		2015 Dividend	-	2014 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]	
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? ^a	YES

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 and 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 year ended 30 June 2016

Note 3. Sewerage business best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2016

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	1,456
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	23,272
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	933
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	15
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 (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	1.34%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

National Water Initiative (NWI) financial performance indicators Water and sewer (combined)

NWI F3	Total income (water and 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	2,955
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.79%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	3,851
NWI F19	Economic real rate of return (water and 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 and equipment (w33b + s34b)]	%	1.36%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
NWI F21	Dividend payout ratio (water and 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 year ended 30 June 2016

Note 3. Sewerage business best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2016

National Water Initiative (NWI) financial performance indicators Water and sewer (combined)

NWI F22	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	-1.44%
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest Earnings before interest and tax (EBIT): 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: Interest expense (w4a + s4a) – interest income (w9 + s10)		- 546 156
NWI F24	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	352
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	53

- Notes:
1. References to w (eg. s12) refer to item numbers within Special Schedules 5 and 6 of Council's Annual Financial Statements.
 2. The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
- a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007



**KYOGLE COUNCIL
SPECIAL PURPOSE FINANCIAL STATEMENTS
INDEPENDENT AUDITOR'S 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 2016, 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.

Council's Responsibility for the Financial Statements

The Council is responsible for the preparation and fair presentation 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 and fair presentation 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 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.

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 2016 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 2016 published in the annual report and 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.

Dated at Lismore this 24th day of October 2016

**THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS**

G W DWYER (Partner)
Registered Company Auditor



KYOGLE COUNCIL

SPECIAL SCHEDULES
for the year ended 30 June 2016

Gateway to the Rainforests



KYOGLE COUNCIL

Special Schedules for the year ended 30 June 2016

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¹ Special Schedules are not audited (with the exception of Special Schedule 8).

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 1 – Net Cost of Services for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	164	–	–	(164)
Administration	2,134	76	–	(2,058)
Public order and safety				
Fire service levy, fire protection, emergency services	414	7	–	(407)
Beach control	–	–	–	–
Enforcement of local government regulations	–	–	–	–
Animal control	114	15	–	(99)
Other	–	–	–	–
Total public order and safety	528	22	–	(506)
Health	200	152	–	(48)
Environment				
Noxious plants and insect/vermin control	114	–	–	(114)
Other environmental protection	–	–	–	–
Solid waste management	1,615	1,504	31	(80)
Street cleaning	–	–	–	–
Drainage	–	–	–	–
Stormwater management	115	227	475	587
Total environment	1,844	1,731	506	393
Community services and education				
Administration and education	231	19	–	(212)
Social protection (welfare)	–	–	–	–
Aged persons and disabled	–	–	–	–
Children's services	–	–	–	–
Total community services and education	231	19	–	(212)
Housing and community amenities				
Public cemeteries	157	203	–	46
Public conveniences	–	–	–	–
Street lighting	105	32	–	(73)
Town planning	232	156	–	(76)
Other community amenities	–	–	–	–
Total housing and community amenities	494	391	–	(103)
Water supplies	1,391	1,494	4,418	4,521
Sewerage services	1,212	1,254	202	244

KYOGLE COUNCIL

Special Schedule 1 – Net Cost of Services (continued) for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	566	41	–	(525)
Museums	–	–	–	–
Art galleries	88	5	–	(83)
Community centres and halls	461	74	–	(387)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	–	–	–	–
Sporting grounds and venues	–	–	–	–
Swimming pools	693	130	–	(563)
Parks and gardens (lakes)	634	10	66	(558)
Other sport and recreation	–	–	–	–
Total recreation and culture	2,442	260	66	(2,116)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	78	54	–	(24)
Other mining, manufacturing and construction	734	609	–	(125)
Total mining, manufacturing and construction	812	663	–	(149)
Transport and communication				
Urban roads (UR) – local	730	163	6	(561)
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	4,913	943	98	(3,872)
Sealed rural roads (SRR) – regional	1,677	1,788	1,440	1,551
Unsealed rural roads (URR) – local	2,753	–	–	(2,753)
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	–	–	–	–
Bridges on SRR – local	1,598	476	50	(1,072)
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	–	–	–	–
Footpaths	–	–	–	–
Aerodromes	–	–	–	–
Other transport and communication	2,229	4,060	–	1,831
Total transport and communication	13,900	7,430	1,594	(4,876)
Economic affairs				
Camping areas and caravan parks	–	–	–	–
Other economic affairs	110	17	–	(93)
Total economic affairs	110	17	–	(93)
Totals – functions	25,462	13,509	6,786	(5,167)
General purpose revenues ⁽¹⁾		10,070		10,070
Share of interests – joint ventures and associates using the equity method	–	–		–
NET OPERATING RESULT ⁽²⁾	25,462	23,579	6,786	4,903

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges (2) As reported in the Income Statement

KYOGLE COUNCIL

Special Schedule 2(a) – Statement of Long Term Debt (all purpose)

for the year ended 30 June 2016

\$'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	221	3,229	3,450		221			169	231	2,998	3,229
Other	–	–	–							–	–
Total loans	221	3,229	3,450	–	221	–	–	169	231	2,998	3,229
Other long term debt											
Ratepayers advances	–	–	–							–	–
Government advances	–	–	–							–	–
Finance leases	–	–	–							–	–
Deferred payments	–	–	–							–	–
Total long term debt	–	–	–	–	–	–	–	–	–	–	–
Total debt	221	3,229	3,450	–	221	–	–	169	231	2,998	3,229

Notes: excludes (i) internal loans and (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 2(b) – Statement of Internal Loans [Section 410(3) of the *Local Government Act* 1993] for the year ended 30 June 2016

\$'000

Summary of internal loans

Borrower (by purpose)	Amount originally raised	Total repaid during the year (principal and 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. and int.)	Principal outstanding at end of year
Totals							-	-	-

KYOGLE COUNCIL

Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	242	206
b. Engineering and supervision	76	75
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
– Mains		
c. Operation expenses	–	–
d. Maintenance expenses	135	148
– Reservoirs		
e. Operation expenses	–	–
f. Maintenance expenses	23	41
– Pumping stations		
g. Operation expenses (excluding energy costs)	–	–
h. Energy costs	28	35
i. Maintenance expenses	95	93
– Treatment		
j. Operation expenses (excluding chemical costs)	415	400
k. Chemical costs	42	32
l. Maintenance expenses	–	–
– Other		
m. Operation expenses	–	–
n. Maintenance expenses	–	–
o. Purchase of water	–	–
3. Depreciation expenses		
a. System assets	208	199
b. Plant and equipment	–	–
4. Miscellaneous expenses		
a. Interest expenses	89	22
b. Revaluation decrements	–	–
c. Other expenses	38	9
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	1,391	1,260

KYOGLE COUNCIL

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
Income		
6. Residential charges		
a. Access (including rates)	496	506
b. Usage charges	375	350
7. Non-residential charges		
a. Access (including rates)	170	169
b. Usage charges	213	215
8. Extra charges	4	5
9. Interest income	–	–
10. Other income	157	21
10a. Aboriginal Communities Water and Sewerage Program	–	–
11. Grants		
a. Grants for acquisition of assets	4,413	508
b. Grants for pensioner rebates	27	27
c. Other grants	30	–
12. Contributions		
a. Developer charges	6	3
b. Developer provided assets	–	–
c. Other contributions	21	7
13. Total income	5,912	1,811
14. Gain (or loss) on disposal of assets	–	(1)
15. Operating result	4,521	550
15a. Operating result (less grants for acquisition of assets)	108	42

KYOGLE COUNCIL

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	3,836	132
c. Renewals	–	23
d. Plant and equipment	–	–
17. Repayment of debt	180	262
18. Totals	4,016	417
Non-operating funds employed		
19. Proceeds from disposal of assets	–	–
20. Borrowing utilised	–	–
21. Totals	–	–
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	1,589	1,575
b. Residential (unoccupied, ie. vacant lot)	85	89
c. Non-residential (occupied)	298	291
d. Non-residential (unoccupied, ie. vacant lot)	–	–
23. Number of ETs for which developer charges were received	2 ET	2 ET
24. Total amount of pensioner rebates (actual dollars)	\$ 48,295	\$ 48,305

KYOGLE COUNCIL

Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
25. Cash and investments			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	44	–	44
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	2,515	–	2,515
26. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	175	–	175
c. User charges	156	–	156
d. Other	–	–	–
27. Inventories	–	–	–
28. Property, plant and equipment			
a. System assets	–	16,832	16,832
b. Plant and equipment	–	–	–
29. Other assets	–	–	–
30. Total assets	<u>2,890</u>	<u>16,832</u>	<u>19,722</u>
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	98	–	98
33. Borrowings	188	1,875	2,063
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	78	–	78
35. Total liabilities	<u>364</u>	<u>1,875</u>	<u>2,239</u>
36. NET ASSETS COMMITTED	<u>2,526</u>	<u>14,957</u>	<u>17,483</u>
EQUITY			
37. Accumulated surplus			12,789
38. Asset revaluation reserve			4,694
39. TOTAL EQUITY			<u>17,483</u>
Note to system assets:			
40. Current replacement cost of system assets			27,683
41. Accumulated current cost depreciation of system assets			(10,851)
42. Written down current cost of system assets			<u>16,832</u>

KYOGLE COUNCIL

Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	221	215
b. Engineering and supervision	61	59
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	–	–
b. Maintenance expenses	105	77
– Pumping stations		
c. Operation expenses (excluding energy costs)	112	132
d. Energy costs	29	35
e. Maintenance expenses	–	–
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	374	405
g. Chemical costs	20	20
h. Energy costs	11	13
i. Effluent management	–	–
j. Biosolids management	–	–
k. Maintenance expenses	–	–
– Other		
l. Operation expenses	–	–
m. Maintenance expenses	–	–
3. Depreciation expenses		
a. System assets	212	205
b. Plant and equipment	–	–
4. Miscellaneous expenses		
a. Interest expenses	67	68
b. Revaluation decrements	–	–
c. Other expenses	–	–
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	1,212	1,229

KYOGLE COUNCIL

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
Income		
6. Residential charges (including rates)	978	959
7. Non-residential charges		
a. Access (including rates)	–	–
b. Usage charges	180	184
8. Trade waste charges		
a. Annual fees	11	11
b. Usage charges	45	16
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
9. Extra charges	6	8
10. Interest income	–	–
11. Other income	8	7
11a. Aboriginal Communities Water and Sewerage Program	–	–
12. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	26	25
c. Other grants	–	–
13. Contributions		
a. Developer charges	202	3
b. Developer provided assets	–	–
c. Other contributions	–	–
14. Total income	<u>1,456</u>	<u>1,213</u>
15. Gain (or loss) on disposal of assets	–	(128)
16. Operating result	<u>244</u>	<u>(144)</u>
16a. Operating result (less grants for acquisition of assets)	244	(144)

KYOGLE COUNCIL

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	15	268
c. Renewals	–	124
d. Plant and equipment	–	–
18. Repayment of debt	16	16
19. Totals	31	408
Non-operating funds employed		
20. Proceeds from disposal of assets	–	–
21. Borrowing utilised	–	–
22. Totals	–	–
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	1,534	1,524
b. Residential (unoccupied, ie. vacant lot)	89	90
c. Non-residential (occupied)	186	184
d. Non-residential (unoccupied, ie. vacant lot)	–	–
24. Number of ETs for which developer charges were received	2 ET	2 ET
25. Total amount of pensioner rebates (actual dollars)	\$ 46,436	\$ 46,249

KYOGLE COUNCIL

Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
26. Cash and investments			
a. Developer charges	88	–	88
b. Special purpose grants	–	–	–
c. Accrued leave	44	–	44
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	852	–	852
27. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	179	–	179
c. User charges	51	–	51
d. Other	6	–	6
28. Inventories	–	–	–
29. Property, plant and equipment			
a. System assets	–	23,272	23,272
b. Plant and equipment	–	–	–
30. Other assets	–	–	–
31. Total assets	<u>1,220</u>	<u>23,272</u>	<u>24,492</u>
LIABILITIES			
32. Bank overdraft	–	–	–
33. Creditors	4	–	4
34. Borrowings	18	873	891
35. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	78	–	78
36. Total liabilities	<u>100</u>	<u>873</u>	<u>973</u>
37. NET ASSETS COMMITTED	<u>1,120</u>	<u>22,399</u>	<u>23,519</u>
EQUITY			
38. Accumulated surplus			8,971
39. Asset revaluation reserve			14,548
40. TOTAL EQUITY			<u>23,519</u>
Note to system assets:			
41. Current replacement cost of system assets			30,174
42. Accumulated current cost depreciation of system assets			(6,902)
43. Written down current cost of system assets			<u>23,272</u>

KYOGLE COUNCIL

Notes to Special Schedules 3 and 5

for the year ended 30 June 2016

Administration ⁽¹⁾

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

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

Engineering and supervision ⁽¹⁾

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

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

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

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

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

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

Impairment losses (item 4d and 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) including capital contribution 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 7 – Report on Infrastructure Assets as at 30 June 2016 as at 30 June 2016

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	2015/16 Required maintenance ^a	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
							1	2	3	4	5
Buildings	Buildings	936	90	103	12,342	26,765	13%	29%	54%	4%	0%
	Sub-total	936	90	103	12,342	26,765	13.2%	28.8%	53.7%	4.1%	0.1%
Other structures	Other structures	155	111	66	4,286	6,402	33%	36%	28%	1%	2%
	Sub-total	155	111	66	4,286	6,402	33.2%	35.9%	28.3%	0.8%	1.7%
Roads	Sealed roads	4,163	1,594	1,561	122,331	164,778	34%	50%	13%	1%	2%
	Unsealed roads	7,800	1,679	1,594	32,852	59,547	8%	40%	36%	13%	2%
	Bridges	20,957	665	779	71,569	117,031	33%	33%	13%	19%	2%
	Footpaths	29	84	44	2,948	3,438	69%	19%	11%	1%	0%
	Bulk earthworks	–	–	–	14,697	14,697	100%				0%
	Sub-total	32,949	4,022	3,978	244,397	359,491	32.7%	40.7%	16.1%	8.8%	1.7%

KYOGLE COUNCIL

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016 (continued) as at 30 June 2016

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	2015/16 Required maintenance ^a	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
							1	2	3	4	5
Water supply network	Water supply network	3,231	252	320	15,855	26,706	43%	15%	29%	13%	0%
	Sub-total	3,231	252	320	15,855	26,706	43.1%	14.7%	29.1%	13.1%	0.1%
Sewerage network	Sewerage network	713	194	339	23,232	30,134	59%	22%	10%	4%	5%
	Sub-total	713	194	339	23,232	30,134	59.3%	21.7%	9.9%	4.3%	4.9%

KYOGLE COUNCIL

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016 (continued) as at 30 June 2016

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	2015/16 Required maintenance ^a	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
							1	2	3	4	5
Stormwater drainage	Stormwater drainage	–	42	41	24,568	27,682	97%	0%	3%	0%	0%
	Sub-total	–	42	41	24,568	27,682	97.1%	0.0%	2.9%	0.0%	0.0%
Open space / recreational assets	Swimming pools	–	56	65	2,138	5,404		100%			0%
	Sub-total	–	56	65	2,138	5,404	0.0%	100.0%	0.0%	0.0%	0.0%
	TOTAL – ALL ASSETS	37,984	4,768	4,912	326,818	482,584	37.2%	35.6%	17.8%	7.8%	1.6%

Notes:

a Required maintenance is the amount identified in Council's asset management plans.

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 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2016

\$ '000	Amounts 2016	Indicator 2016	Prior periods	
			2015	2014
Infrastructure asset performance indicators * consolidated				
1. Infrastructure renewals ratio				
Asset renewals ⁽¹⁾	<u>5,832</u>	105.04%	45.43%	72.29%
Depreciation, amortisation and impairment	<u>5,552</u>			
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	<u>37,984</u>	12.17%	12.99%	18.71%
Carrying value of infrastructure assets	<u>312,121</u>			
3. Asset maintenance ratio				
Actual asset maintenance	<u>4,912</u>	1.03	1.00	0.99
Required asset maintenance	<u>4,768</u>			

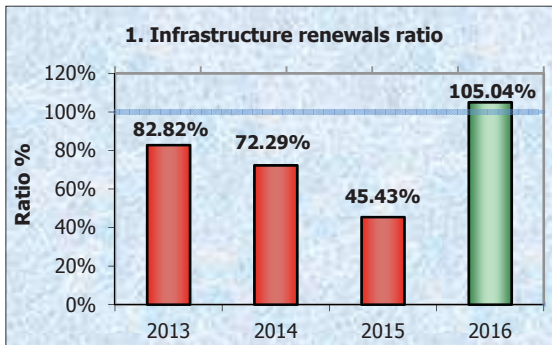
Notes

* All asset performance indicators are calculated using the asset classes identified in the previous table.

⁽¹⁾ Asset renewals represent the replacement and/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.

KYOGLE COUNCIL

Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2016



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.

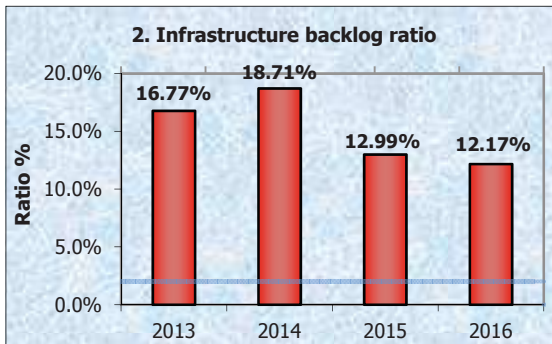
Commentary on 2015/16 result

2015/16 Ratio 105.04%

Council's Infrastructure Renewals Ratio has improved significantly. This has been due to the approval of a special rate variation, along with the development of strategies & actions to improve the long term management of Council's infrastructure assets.

Benchmark: ——— Minimum $\geq 100.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

 Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of infrastructure backlog ratio



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

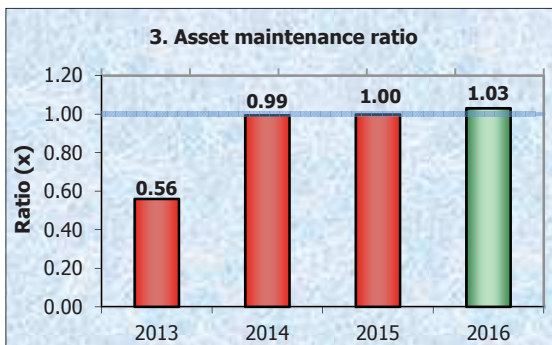
Commentary on 2015/16 result

2015/16 Ratio 12.17%

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 & maintenance. Council will continue to focus on this area of expenditure.

Benchmark: ——— Maximum $< 2.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

 Ratio achieves benchmark
 Ratio is outside benchmark



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 2015/16 result

2015/16 Ratio 1.03 x

Council's Asset Maintenance Ratio currently exceeds Tcorp's required benchmark. This ratio has been at or around the required benchmark of 1.0 for the past 3 years.

Benchmark: ——— Minimum > 1.00
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

 Ratio achieves benchmark
 Ratio is outside benchmark

KYOGLE COUNCIL

Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2016

\$ '000	Water 2016	Sewer 2016	General ⁽¹⁾ 2016
Infrastructure asset performance indicators by fund			
1. Infrastructure renewals ratio			
Asset renewals ⁽²⁾	0.00%	0.00%	113.64%
Depreciation, amortisation and impairment			
prior period:	11.56%	60.19%	46.05%
2. Infrastructure backlog ratio			
Estimated cost to bring assets to a satisfactory standard	20.38%	3.07%	12.42%
Carrying value of infrastructure assets			
prior period:	27.13%	2.99%	13.18%
3. Asset maintenance ratio			
Actual asset maintenance	1.27	1.75	0.98
Required asset maintenance			
prior period:	1.10	1.60	0.97

Notes

- (1) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.
- (2) Asset renewals represent the replacement and/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.

KYOGLE COUNCIL

Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2017

\$'000		Calculation 2015/16	Calculation 2016/17
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	5,165	5,879
Plus or minus adjustments ⁽²⁾	b	8	15
Notional general income	c = (a + b)	5,173	5,894
Permissible income calculation			
Special variation percentage ⁽³⁾	d	12.43%	5.43%
Or rate peg percentage	e	0.00%	0.00%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	643	320
Or plus rate peg amount	i = c x e	–	–
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
Sub-total	k = (c + g + h + i + j)	5,816	6,214
Plus (or minus) last year's carry forward total	l	72	9
Less valuation objections claimed in the previous year	m	(2)	(2)
Sub-total	n = (l + m)	70	7
Total permissible income	o = k + n	5,886	6,221
Less notional general income yield	p	5,879	6,209
Catch-up or (excess) result	q = o – p	7	12
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	2	4
Less unused catch-up ⁽⁵⁾	s	–	(8)
Carry forward to next year	t = q + r – s	9	8

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.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 8 in the financial data return (FDR) to administer this process.



**KYOGLE COUNCIL
SPECIAL SCHEDULE NO 8
INDEPENDENT AUDITOR'S REPORT**

REPORT ON SPECIAL SCHEDULE NO 8

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Kyogle Council for the year ending 30 June 2017.

Responsibility of Council for Special Schedule No. 8

The Council is responsible for the preparation and fair presentation of Special Schedule No. 8 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 24. 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. 8 that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on Special Schedule No. 8 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. 8 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in Special Schedule No. 8. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of Special Schedule No. 8, 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. 8.

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. 8 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. 8 of Kyogle Council for 2016/17 is properly drawn up in accordance with the requirements of the NSW Office of Local Government and in accordance with the books and records of the Council.

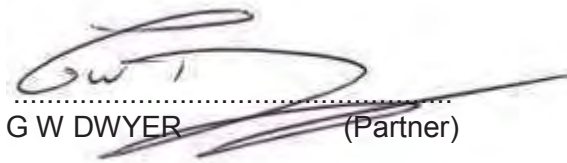
Basis of Accounting

Without modifying our opinion, we advise that this schedule has been prepared for distribution to the NSW 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.

Dated at Lismore this 18th day of October 2016

**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 line, the name 'G W DWYER' is printed in a bold, sans-serif font, followed by '(Partner)' in a smaller font.

G W DWYER (Partner)