



FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30 JUNE 2010

KYOGLE COUNCIL

General Purpose Financial Statements for the year ended 30th June 2010

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Auditors' Reports

These financial statements are general purpose financial statements of Kyogle Council and its controlled entities and is presented in the Australian currency.

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

Kyogle Council
1 Stratheden Street
Kyogle NSW 2474

These financial statements are authorised for issue by the Council on 30 November 2010. Council has the power to amend and reissue the financial statements.

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

KYOGLE COUNCIL

GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

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

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

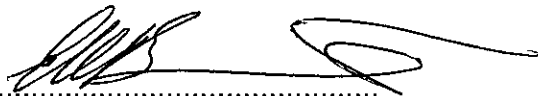
- The Local Government Act 1993 (as amended) and the Regulations made thereunder
- The Australian Accounting Standards and professional pronouncements
- The Local Government Code of Accounting Practice and Financial Reporting.

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

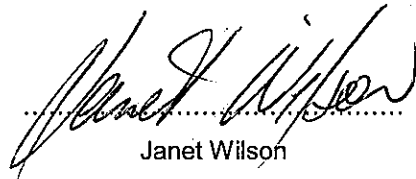
- Present fairly the Council's financial position and operating result for the year, and
- Accords with Council's accounting and other records.

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

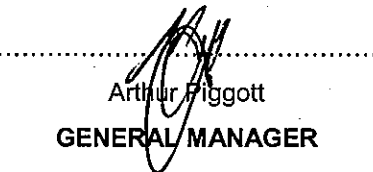
Signed in accordance with a resolution of Council made on 30 November 2010



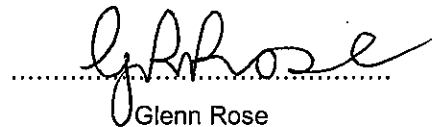
Ernie Bennett
MAYOR



Janet Wilson
DEPUTY MAYOR



Arthur Figgott
GENERAL MANAGER



Glenn Rose
RESPONSIBLE ACCOUNTING OFFICER

KYOGLE COUNCIL
INCOME STATEMENT
for the year ended 30th June 2010

Budget (1) 2010 \$'000		Notes	Actual 2010 \$'000	Actual 2009 \$'000
	INCOME			
	<i>Revenue:</i>			
5,949	Rates & Annual Charges	3a	6,105	5,869
2,575	User Charges & Fees	3b	5,881	5,901
219	Investment Revenues	3c	559	768
28	Other Revenues	3d	142	53
4,702	Grants & Contributions - Operating	3e,f	7,032	9,077
4,363	Grants & Contributions - Capital	3e,f	4,065	5,498
	<i>Other Income:</i>			
119	Profit from Disposal of Assets	5	-	-
<u>17,955</u>	Total Income from Continuing Operations		<u>23,784</u>	<u>27,166</u>
	EXPENSES			
6,025	Employee Costs	4a	6,233	5,510
3,057	Materials & Contracts	4c	7,316	7,161
112	Borrowing Costs	4b	162	152
3,665	Depreciation & Amortisation	4d	4,341	4,130
1,504	Other Expenses	4e	1,454	1,428
	Loss from Disposal of Assets	5	714	1,126
<u>14,363</u>	Total expenses from Continuing Operations		<u>20,220</u>	<u>19,507</u>
3,592	OPERATING RESULT FROM CONTINUING OPERATIONS		3,564	7,659
<u>-</u>	Operating result from discontinued operations		<u>-</u>	<u>-</u>
<u>3,592</u>	NET OPERATING RESULT FOR YEAR		<u>3,564</u>	<u>7,659</u>
	Attributable to:			
3,592	KYOGLE COUNCIL		3,564	7,659
<u>-</u>	Minority Interests		<u>-</u>	<u>-</u>
<u>3,592</u>			<u>\$ 3,564</u>	<u>\$ 7,659</u>
<u>(771)</u>	Net operating result before capital grants and contributions		<u>\$ (501)</u>	<u>\$ 2,161</u>

Note:

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

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

KYOGLÉ COUNCIL

STATEMENT OF COMPREHENSIVE INCOME for the year ended 30th June 2010

	Notes	Actual 2010 \$'000	Actual 2009 \$'000
Net operating result for year		3,564	7,659
from Income Statement			
 Other comprehensive income			
Revaluation of infrastructure, property, plant & equipment		86,833	1,218
Revaluation of available-for-sale investments		-	-
Realised available-for-sale investments gains recognised in revenue		-	-
Share of other comprehensive income - joint ventures & associates		-	-
Impairment (expense) / recoupments offset to asset revaluation reserve		-	-
Transfer to accumulated surplus on sale of revalued infrastructure, property, plant & equipment		-	-
Land under roads recognised (de-recognised)		-	-
Adjustment to correct prior period depreciation errors		17,529	-
Total other comprehensive income		<u>104,362</u>	<u>1,218</u>
TOTAL COMPREHENSIVE INCOME		<u>107,926</u>	<u>8,877</u>
 Attributable to:			
KYOGLÉ COUNCIL		107,926	8,877
Minority Interests		-	-
		<u>\$ 107,926</u>	<u>\$ 8,877</u>

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

KYOGLÉ COUNCIL

BALANCE SHEET as at 30th June 2010

	Notes	2010 \$'000	2009 \$'000
CURRENT ASSETS			
Cash & cash equivalents	6	13,928	14,528
Receivables	7	3,939	3,279
Inventories	8	962	846
Other	8	254	-
TOTAL CURRENT ASSETS		<u>19,083</u>	<u>18,653</u>
NON-CURRENT ASSETS			
Infrastructure, Property, Plant & Equipment	9	245,873	246,362
TOTAL NON-CURRENT ASSETS		<u>245,873</u>	<u>246,362</u>
TOTAL ASSETS		<u>264,956</u>	<u>265,015</u>
CURRENT LIABILITIES			
Payables	10	1,199	2,642
Borrowings	10	27	17
Provisions	10	1,829	1,572
TOTAL CURRENT LIABILITIES		<u>3,055</u>	<u>4,231</u>
NON-CURRENT LIABILITIES			
Payables	10	124	128
Borrowings	10	1,270	1,002
Provisions	10	1,690	1,679
TOTAL NON CURRENT LIABILITIES		<u>3,084</u>	<u>2,809</u>
TOTAL LIABILITIES		<u>6,139</u>	<u>7,040</u>
NET ASSETS		<u>\$ 258,817</u>	<u>257,975</u>
EQUITY			
Accumulated Surplus	20	143,888	229,879
Revaluation Reserves	20	114,929	28,096
Council Equity Interest		<u>258,817</u>	<u>257,975</u>
Minority Equity Interest		-	-
TOTAL EQUITY		<u>\$ 258,817</u>	<u>257,975</u>

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

KYOGLÉ COUNCIL

STATEMENT OF CHANGES IN EQUITY for the year ended 30th June 2010

		Retained Earnings	Asset Reval. Reserve	Other Reserves	Council Equity Interest	Minority Interest	Total
2010							
	Note	\$'000					
Balance at end of previous reporting period		229,879	28,096	-	257,975	-	257,975
Effect of correction of errors in previous years on retained earnings	20	(107,084)			(107,084)		(107,084)
Restated opening balance		122,795	28,096	-	150,891	-	150,891
Net Operating Result for the year		3,564			3,564	-	3,564
Other comprehensive income							
Revaluation of infrastructure, property, plant & equipment	20	-	86,833		86,833	-	86,833
Adjustment to correct prior period depreciation errors	20	17,529			17,529	-	17,529
Balance at end of the reporting period		143,888	114,929	-	258,817	-	258,817
2009							
	Note	\$'000					
Balance at end of previous reporting period		222,220	26,878		249,098		249,098
Net Operating Result for the year		7,659			7,659	-	7,659
Other comprehensive income							
Revaluation of infrastructure, property, plant & equipment	20		1,218		1,218	-	1,218
Balance at end of the reporting period		229,879	28,096	-	257,975	-	257,975

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

KYOGLÉ COUNCIL

CASH FLOW STATEMENT for the year ended 30th June 2010

Budget 2010 \$'000	CASH FLOWS FROM OPERATING ACTIVITIES <small>Notes</small>	Actual 2010 \$'000	Actual 2009 \$'000
	<u>Receipts</u>		
5,949	Rates & Annual Charges	5,974	5,931
2,575	User Charges & Fees	5,751	5,673
219	Investments Income	536	851
9,065	Grants & Contributions	11,721	14,657
28	Other operating receipts	641	958
	<u>Payments</u>		
(6,025)	Employee Costs	(5,879)	(5,207)
(3,057)	Materials & Contracts	(9,674)	(7,215)
(112)	Borrowing Costs	(87)	(17)
(1,504)	Other operating payments	(2,463)	(2,717)
7,138	Net Cash provided by (or used in) Operating Activities	6,520	12,914
	<small>11b</small>		
	CASH FLOWS FROM INVESTING ACTIVITIES		
	<u>Receipts</u>		
478	Proceeds from sale of Infrastructure, Property, Plant & Equipment	479	620
	<u>Payments</u>		
(9,187)	Purchase of Infrastructure, Property, Plant & Equipment	(7,877)	(12,819)
(8,709)	Net Cash provided by (or used in) Investing Activities	(7,398)	(12,199)
	CASH FLOWS FROM FINANCING ACTIVITIES		
	<u>Receipts</u>		
650	Proceeds from Borrowings & Advances	300	
	<u>Payments</u>		
(28)	Repayments of Borrowings & Advances	(22)	(16)
622	Net Cash provided by (or used in) Financing Activities	278	(16)
(949)	Net Increase (Decrease) in cash held	(600)	699
14,528	Cash Assets at beginning of reporting period	11a 14,528	13,829
	Change in associated entities recognised	1 -	-
13,579	Cash Assets at end of reporting period	11a 13,928	14,528

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

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30th June 2010

Note 1 Summary of significant accounting policies

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

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations, the Local Government Act (1993) and Regulations and the Local Government Code of Accounting Practice and Financial Reporting.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, certain classes of infrastructure, property, plant and equipment and investment property.

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Council's accounting policies.

Financial statement presentation

The Council has applied the revised AASB 101 Presentation of Financial Statements which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the Council had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

(b) Revenue recognition

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

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

Rates, annual charges, grants and contributions

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenues when the Council obtains control over the assets comprising these receipts. Developer contributions may only be expended for the purposes for which the contributions were required but the Council may apply contributions according to the priorities established in work schedules.

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

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

Income is recognised when the Council obtains control of the contribution or the right to receive the contribution, it is probable that the economic benefits comprising the contribution will flow to the Council and the amount of the contribution can be measured reliably.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in Note 3(g). The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

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

User charges and fees

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

Sale of plant, property, infrastructure and equipment

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

Interest and Rents

Interest and rents are recognised as revenue on a proportional basis when the payment is due, the value of the payment is notified, or the payment is received, whichever first occurs.

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30th June 2010 (continued)

Note 1 Summary of significant accounting policies (continued)

(c) Principles of consolidation

(i) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the LGA 1993, all money and property received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund. The consolidated fund and other entities through which the Council controls resources to carry on its functions have been included in the financial statements forming part of this report.

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

- General purpose operations
- Water supply
- Sewerage service
- Domestic Waste Management

The following Committees, the transactions of which are considered immaterial either by amount or nature, have been excluded:

- Australia Day Committees
- Progress Associations

The total revenue and expenditure from continuing operations and the net assets held by these Committees is as follows:

	\$
Total income from continuing operations	0
Total expenditure from continuing operations	10,000
Total net assets (Equity) held	4,000

Note:

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

(ii) The Trust Fund

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

Trust monies and property held by Council but not subject to the control of Council, have been excluded from these reports. A separate statement of monies held in the Trust Fund is available for inspection at the Council office by any person free of charge.

(iii) Joint ventures

The interest in a joint venture partnership is accounted for using the equity method and is carried at cost. Under the equity method, the share of the profits or losses of the partnership is recognised in the income statement, and the share of movements in reserves is recognised in reserves in the balance sheet. Details relating to the partnership are set out in Note 19.

(iv) County Councils

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

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30th June 2010 (continued)

Note 1 Summary of significant accounting policies (continued)

(d) Leases

Leases of property, plant and equipment where the Council, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short term and long term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that Council will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

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

(e) Acquisition of assets

The purchase method of accounting is used to account for all acquisitions of assets. Cost is measured as the fair value of the assets given, plus costs directly attributable to the acquisition.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the Council's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(f) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(g) Cash and cash equivalents

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

(h) Receivables

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

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

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

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30th June 2010 (continued)

Note 1 Summary of significant accounting policies (continued)

(i) Inventories

(i) *Raw materials and stores, work in progress and finished goods*

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost includes the transfer from equity of any gains / losses on qualifying cash flow hedges relating to purchases of raw material. Costs are assigned to individual items of inventory on basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(ii) *Land held for resale/capitalisation of borrowing costs*

Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed borrowing costs and other holding charges are expensed as incurred.

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

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

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

An impairment loss is recognised for any initial or subsequent write down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

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

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

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

(k) Investments and other financial assets

Classification

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) *Loans and receivables*

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in other receivables (note 8) and receivables (note 7) in the balance sheet.

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30th June 2010 (continued)

Note 1 Summary of significant accounting policies (continued)

(iii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council's management has the positive intention and ability to hold to maturity. If council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

(iv) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Financial assets – reclassification

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

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

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date - the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

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

Subsequent measurement

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

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the income statement as part of revenue from continuing operations when Council's right to receive payments is established.

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

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

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30th June 2010 (continued)

Note 1 Summary of significant accounting policies (continued)

Impairment

Council assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

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

Investment Policy

Council has an approved investment policy complying with Section 625 of the Local Government Act and S212 of the LG (General) Regulations 2005. Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Local Government Investment Order. Council maintains an investment policy that complies with the Act and ensures that it or its representatives exercise care, diligence and skill that a prudent person would exercise in investing council funds.

(l) Fair value estimation

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

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

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

(m) Infrastructure, property, plant and equipment (IPPE)

Council's assets are being progressively revalued to fair value in accordance with a staged implementation advised by the Department of Local Government. At balance date the following classes of IPPE were stated at their fair value:

- Operational Land (External Valuation).
- Buildings – Specialised / Non Specialised (External Valuation).
- Other Structures (External Valuation).
- Water / Sewerage Networks (Internal Valuation).
- Drainage Assets (Internal Valuation).
- Plant and equipment (as approximated by depreciated historical cost).
- Road assets – roads, bridges and footpaths (Internal Valuation).
- Bulk earthworks – (Internal Valuation).

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

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

Water and sewerage network assets are indexed annually between full revaluations in accordance with the latest

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30th June 2010 (continued)

Note 1 Summary of significant accounting policies (continued)

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

Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged to the income statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

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

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

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

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

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

(n) Payables

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

(o) Borrowings

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

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30th June 2010 (continued)

Note 1 Summary of significant accounting policies (continued)

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

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

(p) Borrowing costs

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

(q) Provisions

Provisions are recognised when Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

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

(r) Employee benefits

(i) Short-term obligations

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

(ii) Other Long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Retirement benefit obligations

All employees of the Council are entitled to benefits on retirement, disability or death. Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the balance sheet, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. However, when this information is not reliably available, Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans (see below).

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

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30th June 2010 (continued)

Note 1 Summary of significant accounting policies (continued)

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.

(s) Rounding of amounts

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

(t) Land under roads

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

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

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

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

(i) Restoration

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs. Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, eg updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

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

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

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

(ii) Rehabilitation

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

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

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

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30th June 2010 (continued)

Note 1 Summary of significant accounting policies (continued)

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

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

(w) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. Council's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 2009-8 Amendments to Australian Accounting Standards-Group Cash-Settled Share-based Payment Transactions [AASB 2] (effective from 1 January 2010)

The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a group share-based payment arrangement must recognize an expense for those goods or services regardless of which entity in the group settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the group share-based payment arrangement should be measured, that is, whether it is measured as an equity- or cash-settled transaction. **No impact on Council.**

(ii) AASB 2009-10 Amendments to Australian Accounting Standards-Classification of Rights Issues [AASB 132] (effective from 1 February 2010)

In October 2009 the AASB issued an amendment to AASB 132 Financial Instruments: Presentation which addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain issues are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment must be applied retrospectively in accordance with AASB 108 Accounting Policies, changes in Accounting Estimates and Errors. **No impact on Council.**

(iii) AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (effective 1 January 2013)

AASB 9 Financial Instruments addresses the classification and measurement of financial assets and is likely to affect Council's accounting for its financial assets. The Standard is not applicable until 1 January 2013 but is available for early adoption. Council is yet to assess at full impact. **However, initial indications are that it may affect council's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognized directly in profit or loss.**

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

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

(v) AASB Interpretation 19 Extinguishing financial liabilities with equity instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19 (effective 1 July 2010)

AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt or equity swap). It requires a gain or loss to be recognized in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. **No impact on Council.**

(vi) AASB 2009-14 Amendments to Australian Interpretation-Prepayments of a Minimum Funding Requirement (effective 1 July 2011)

In December 2009, the AASB made an amendment to interpretation 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction. The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme. It permits entities to recognize an asset for a prepayment of contributions made to cover minimum funding requirements. Council does not make any such prepayments. **The amendment is therefore not expected to have any impact on Council.**

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30th June 2010 (continued)

Note 1 Summary of significant accounting policies (continued)

(x) Intangible assets

IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service, direct payroll and payroll related costs of employee's time spent on the project. Amortisation is calculated on a straight line bases over periods generally ranging from 3 to 5 years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where Council has an intention and ability to use the asset.

(y) Crown Reserves

Crown Reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

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

A working party of interested representatives from both State and Local Government is being formed to consider the accounting issues related to the Crown Reserves, with the intention of developing a consistent approach to their recognition and future accounting treatment across both tiers of government.

(z) Rural Fire Service assets

Under section 119 of the Rural Fire Services Act 1997, "all fire fighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the fire fighting equipment has been purchased or constructed". Until such time as discussions on this matter have concluded and the legislation changed, councils will continue to account for these assets as they have been doing in previous years.

(aa) Goods and Services Tax

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

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

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

KYOGLÉ COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2010

Note 2 - FUNCTIONS

REVENUES, EXPENSES AND ASSETS HAVE BEEN DIRECTLY ATTRIBUTED TO THE FOLLOWING FUNCTIONS & ACTIVITIES													
Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			GRANTS INCLUDED IN INCOME		TOTAL ASSETS HELD (CURRENT & NON-CURRENT)		
ORIGINAL BUDGET	ACTUAL	ACTUAL	ORIGINAL BUDGET	ACTUAL	ACTUAL	ORIGINAL BUDGET	ACTUAL	ACTUAL	2010	2009	2010	2009	
2010	2010	2009	2010	2010	2009	2010	2010	2009	\$'000	\$'000	\$'000	\$'000	
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
GOVERNANCE	-	-	152	142	184	(152)	(142)	(184)	-	-	-	-	
ADMINISTRATION	49	19	11	2,030	2,696	2,398	(1,981)	(2,677)	(2,387)	-	-	12,569	12,962
PUBLIC ORDER & SAFETY	348	358	371	472	684	476	(124)	(326)	(105)	333	342	2,167	2,129
HEALTH	86	104	98	268	156	243	(182)	(52)	(145)	-	-	12	24
ENVIRONMENT	-	977	-	-	1,473	-	-	(496)	-	174	-	-	-
COMMUNITY SERVICES & EDUCATION	28	70	114	169	180	157	(141)	(110)	(43)	48	124	544	522
HOUSING & COMMUNITY AMENITIES	913	328	1,168	1,273	513	1,616	(360)	(185)	(448)	29	149	15,608	15,137
WATER SUPPLIES	1,632	1,663	1,108	838	1,001	799	794	662	309	648	224	9,310	8,057
SEWERAGE SERVICES	956	1,062	2,024	938	1,048	937	18	14	1,087	26	974	17,747	17,290
RECREATION & CULTURE	229	397	516	1,320	1,705	1,538	(1,091)	(1,308)	(1,022)	240	584	8,377	8,296
MINING, MANUFACTURING & CONSTRUCTION	445	560	791	395	702	812	50	(142)	(21)	-	-	1,184	1,352
TRANSPORT & COMMUNICATION	6,671	9,881	11,840	6,354	9,772	10,245	317	109	1,595	4,047	4,448	197,438	199,246
ECONOMIC AFFAIRS	4	24	24	154	148	102	(150)	(124)	(78)	-	-	-	-
TOTALS - FUNCTIONS	11,361	15,443	18,065	14,363	20,220	19,507	(3,002)	(4,777)	(1,442)	5,545	6,845	264,956	265,015
GENERAL PURPOSE REVENUES	6,594	8,341	9,101				6,594	8,341	9,101	3,575	4,315	-	-
TOTALS	17,955	23,784	27,166	14,363	20,220	19,507	3,592	3,564	7,659	9,120	11,160	264,956	265,015

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30th June 2010

Note 2(b) Components of functions or activities

Details of the functions or activities reported on in Note 2(a) are as follows:

Governance

Costs relating to the Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of council and policy making committees, area representation and public disclosure and compliance, together with related administration costs.

Administration

Costs not otherwise attributed to other functions.

Public order and safety

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

Health

Administration and inspection, immunisations, food control, insect/vermin control, noxious plants, health centres, other.

Community services and education

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

Housing and community amenities

Housing, town planning, domestic waste management services, other waste management services, street cleaning, other sanitation and garbage, urban stormwater drainage, environmental protection, public cemeteries, public conveniences, other community amenities.

Water supplies

All matters relating to the provision of water supplies

Sewerage services

All matters relating to the provision of sewerage services

Recreation and culture

Public libraries, museums, art galleries, community centres, public halls, other cultural services, swimming pools, sporting grounds, parks and gardens (lakes), other sport and recreation.

Mining, manufacturing and construction

Building control, quarries and pits, other.

Transport and communication

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

Economic affairs

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

KYOGLÉ COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2010

Note 3 - INCOME

(a) RATES & ANNUAL CHARGES	2010 \$'000	2009 \$'000
<u>Ordinary Rates</u>		
Residential	1,734	1,673
Farmland	2,291	2,226
Mining	-	-
Business	201	190
	4,226	4,089
<u>Annual Charges</u>		
Domestic Waste Management	430	411
Water Supply	419	374
Sewerage Services	882	853
Drainage	45	45
Stormwater Management	-	-
Other Waste Management	103	97
Other	-	-
	1,879	1,780
Total Rates & Annual Charges	6,105	5,869
(b) USER CHARGES & FEES		
<u>User Charges</u>		
Domestic Waste Management		-
Water Supply	499	445
Sewerage Services	101	110
Drainage Services	-	-
Other Waste Management	329	271
Other	-	-
	929	826
<u>Fees</u>		
RTA Claims - State Roads	3,811	3,720
Private Works	29	21
Sec 611 Charges	253	283
Art Galleries	4	-
Cemeteries	77	92
Pools	134	119
Quarries	542	775
Other	102	65
	4,952	5,075
Total User Charges & Fees	5,881	5,901
(c) INVESTMENT REVENUES		
Interest receivable		
- overdue rates & charges	44	52
- cash & investments - externally restricted	28	30
- cash & investments - unrestricted	487	686
Gross Investment Revenues	559	768
Less: Interest deducted from capitalised borrowing costs	-	-
Total Investment Revenues	559	768
(d) OTHER REVENUES		
Other fines	14	18
Rental income - Investment Property		
- Other property	12	12
Insurance Claims	15	-
Forfeited bonds and Bank guarantees	55	-
Other	46	23
Total Other Revenues	142	53

KYOGLÉ COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2010

Note 3 - INCOME (cont)

	Notes	OPERATING		CAPITAL	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
(e) GRANTS					
General Purpose (Untied)					
Financial Assistance		3,463	4,206		
Pensioner Rates Subsidies (General)		112	109		
Specific Purpose					
Pensioner Rates Subsidies					
Water Supplies		27	27		
Sewerage Services		26	26		
Domestic Waste Management		26	26		
Water Supplies				621	197
Sewerage Services					948
Community Centres		33		40	546
Transport		2,026	3,433	1,331	987
Library Services		74	38		
Street Lighting Subsidy		29	28		
Community Projects		19	124	765	
Flood Damage		94	77	100	
NSW Rural Fire Services		276	133	58	209
Other			46		
Total Grants & Subsidies		6,205	8,273	2,915	2,887
Comprising:					
- Commonwealth funding		3,464	4,241	1,523	1,606
- State funding		2,741	4,021	1,392	1,281
- Other funding		-	11	-	-
		6,205	8,273	2,915	2,887
(f) CONTRIBUTIONS & DONATIONS					
Developer Contributions					
Section 94	17			94	172
Section 94A levies	17				
Planning agreements	17				
RTA Contributions		791	790	1,049	2,324
Section 64					
Water	17			2	16
Sewer	17			2	19
Stormwater	17			3	11
Subdivider dedications	11				
Other Councils - Joint Works					60
Other		36	14		9
Total Contributions & Donations		827	804	1,150	2,611
TOTAL GRANTS & CONTRIBUTIONS		7,032	9,077	4,065	5,498

KYOGLÉ COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2010

Note 3 - INCOME (cont)

CONDITIONS OVER GRANTS & CONTRIBUTIONS

Grants and contributions which were obtained on the condition that they be expended for specified purposes or in a future period, but which are not yet expended in accordance with those conditions, are as follows:

	2010 \$'000		2009 \$'000	
	<u>Grants</u>	<u>Contrib</u>	<u>Grants</u>	<u>Contrib</u>
<i>Unexpended at the close of the previous reporting period</i>	615	657	759	640
<i>Less: expended during the current period from revenues recognised in previous reporting periods</i>				
<i>Section 94/64 Developer Contributions</i>		159		113
<i>Roads Infrastructure</i>	615		759	152
<i>Heritage & Cultural Services</i>				
<i>Community Care Services</i>				
<i>Other</i>				
<i>Subtotal</i>	615	159	759	265
<i>Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions</i>				
<i>Section 94/64 Developer Contributions</i>		135		282
<i>Roads Infrastructure</i>	904		615	
<i>Heritage & Cultural Services</i>				
<i>Community Care Services</i>				
<i>Other</i>				
<i>Subtotal</i>	904	135	615	282
<i>Unexpended at the close of this reporting period and held as restricted assets</i>	904	633	615	657
<i>Net increase (decrease) in restricted assets in the current reporting period</i>	289	(24)	(144)	17

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2010

Note 4 - EXPENSES

	2010 \$'000	2009 \$'000
(a) EMPLOYEE COSTS		
Salaries and Wages	4,821	4,650
Travelling	3	65
Employee Leave Entitlements	991	881
Superannuation - defined contribution plan contributions	380	368
Superannuation - defined benefit plan contributions	337	156
Workers' Compensation Insurance	363	161
Fringe Benefits Tax	12	11
Payroll Tax	-	-
Training Costs (excluding Salaries)	122	111
Other	75	67
Less: Capitalised and distributed costs	(871)	(960)
Total Operating Employee Costs	6,233	5,510
Total Number of Employees	90	94
<i>(Full time equivalent at end of reporting period)</i>		
(b) BORROWING COSTS		
Interest on Loans	88	75
Unwinding of present value discounts & premiums	74	77
Total Interest Charges	162	152
(c) MATERIALS & CONTRACTS		
Raw materials & consumables	7,070	6,880
Contractor and consultancy costs		
- Garbage Contract	148	150
Auditor's Remuneration		
- Audit Services	42	43
- Other Services	-	-
Legal Expenses		
- Planning & Development	10	8
- Other Legal Expenses	46	80
Total Materials & Contracts	7,316	7,161

KYOGLÉ COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2010

Note 4 - EXPENSES (cont)	2010 \$'000	2009 \$'000
(d) DEPRECIATION & AMORTISATION		
Plant and Equipment	1,070	953
Office Equipment	77	74
Furniture & Fittings	3	2
Land Improvements	46	45
Buildings - non-specialised	75	45
Buildings - specialised	186	216
Other Structures	224	210
Infrastructure		
- roads, bridges & footpaths	2,109	2,064
- bulk earthworks	-	-
- stormwater drainage	183	177
- water supply network not elsewhere included	107	103
- sewerage network not elsewhere included	219	199
Other assets		
- other	1	-
Future Reinstatement Costs		
- Tips	37	38
- Quarries	4	4
Total Depreciation & Amortisation	4,341	4,130
(e) OTHER EXPENSES		
Bad and Doubtful Debts	(22)	19
Mayoral fee	20	20
Councillors' Fees & Allowances	84	82
Councillors' (incl. Mayor) Expenses	38	37
Insurances	357	357
Street Lighting	99	126
Light, Power & Heating	198	171
Telephone & Communications	66	78
Donations & Contributions to Local & Regional Bodies	40	52
Advertising	70	50
Regional Library	296	235
Election Expenses	-	45
Emergency Services	179	128
Subscriptions & Publications	29	28
Total Other Expenses	1,454	1,428

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2010

Note 5 - GAIN OR LOSS ON DISPOSAL OF ASSETS

	2010 \$'000	2009 \$'000
DISPOSAL OF PROPERTY		
Proceeds from disposal		
Less: Carrying amount of assets sold		
Gain (Loss) on disposal	<u>-</u>	<u>-</u>
DISPOSAL OF INFRASTRUCTURE, PLANT & EQUIPMENT		
Proceeds from disposal	479	620
Less: Carrying amount of assets sold	<u>(1,193)</u>	<u>(1,746)</u>
Gain (Loss) on disposal	<u>(714)</u>	<u>(1,126)</u>

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2010

Note 6 - CASH ASSETS & INVESTMENT SECURITIES

	2010 \$'000		2009 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
CASH ASSETS				
Cash on Hand and at Bank	6,028		6,628	
Deposits at Call	7,900		7,900	
Total Cash Assets	<u>13,928</u>		<u>14,528</u>	

KYOGLÉ COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2010

Note 6 - CASH ASSETS & INVESTMENT SECURITIES (cont)

RESTRICTED CASH ASSETS & INVESTMENT SECURITIES

	2010		2009	
	\$'000		\$'000	
	Current	Non-Current	Current	Non-Current
Cash & Cash Equivalent Assets	13,928		14,528	
External Restrictions	3,798		3,129	
Internal Restrictions	9,930		11,199	
Unrestricted	200	-	200	-
	13,928	-	14,528	-

DETAILS OF MOVEMENTS OF RESTRICTED CASH ASSETS & INVESTMENT SECURITIES

Notes	Opening Balance 30 June 2009	Movements		Closing Balance 30 June 2010
		Transfers To Restriction	Transfers From Restriction	
	\$'000	\$'000	\$'000	\$'000
External Restrictions				
Included in liabilities				
Unexpended Loans (A)				
RTA Advances (B)				
Self Insurance Claims (C)				
Retention Bonds & Deposits	257	85	93	249
Other				
	257	85	93	249
Other				
Developer Contributions (D)	657	135	159	633
RTA Contributions (E)	-	-	-	-
Specific Purpose Unexpended Grants (F)	615	1,648	1,359	904
Water Supply funds (G)	621	16	-	637
Sewerage funds (H)	563	466	-	1,029
Domestic Waste Management (I)	416	-	70	346
Stormwater Management	-	-	-	-
Other	-	-	-	-
	2,872	2,265	1,588	3,549
Total External Restrictions	3,129	2,350	1,681	3,798

External Restrictions arise pursuant to section 409(3) of the Local Government Act, the Local Government (General) Regulation 2005 and other applicable legislation. Further information relating to Developer Contributions is provided in Note 17 and Unexpended Grants in Note 3. Amounts raised by special rates (eg. Water & Sewer) or for Domestic Waste Management may only be used for those purposes.

Internal Restrictions

Employee Leave Entitlements	920	-	190	730
Buildings	682	-	60	622
Plant replacement	2,019	1,067	-	3,086
Carry-over works	4,074	2,902	4,074	2,902
Quarries	274	-	24	250
Transport	715	-	715	-
Information Technology	80	50	-	130
Roads and Bridges	2,265	-	375	1,890
Emergency Works	100	-	-	100
Stormwater Management	70	-	-	70
Commercial Waste	-	150	-	150
Total Internal Restrictions	11,199	4,169	5,438	9,930

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

KYOGLÉ COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2010

Note 7 - RECEIVABLES

	2010 \$'000		2009 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
Rates & Annual Charges	643	13	484	41
Interest & Extra Charges	79		77	
User Charges & Fees	2,091		1,492	
Accrued Interest on Investments	53		32	
Other levels of Government	971		1,036	
Net GST Receivable	117		181	
Other	8		5	
Total	<u>3,962</u>	<u>13</u>	<u>3,307</u>	<u>41</u>
Less: Allowance for Doubtful Debts				
Rates & Annual Charges		13		41
User Charges & Fees	23		28	
	<u>3,939</u>	<u>-</u>	<u>3,279</u>	<u>-</u>
RESTRICTED RECEIVABLES				
Water Supply	267	-	237	-
Sewerage Services	188	-	379	-
Domestic Waste Management	57	-	39	-
Total Restrictions	<u>512</u>	<u>-</u>	<u>655</u>	<u>-</u>
Unrestricted Receivables	<u>3,427</u>	<u>-</u>	<u>2,624</u>	<u>-</u>
Total Receivables	<u>3,939</u>	<u>-</u>	<u>3,279</u>	<u>-</u>

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2010

Note 8 - INVENTORIES & OTHER ASSETS

	2010 \$'000		2009 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
INVENTORIES				
Stores & Materials	618	-	488	-
Trading Stock	344	-	358	-
Total Inventories	962	-	846	-
<i>Inventories not expected to be realised within the next 12 months.</i>	-	-	-	-
OTHER ASSETS				
Prepayments	254	-	-	-
Total Other Assets	254	-	-	-

Council has no externally restricted inventories or other assets.

KYOGLÉ COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2010

Note 9 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	2009 \$'000				CARRYING AMOUNT MOVEMENTS DURING YEAR \$'000						2010 \$'000			
	AT COST	AT FAIR VALUE	ACCUM DEPN	CARRYING AMOUNT	Asset Purchases	Asset Disposals	Depreciation	Correction of Prior Year Error	Transfers, etc.	Net Revaluation	AT COST	AT FAIR VALUE	ACCUM DEPN	CARRYING AMOUNT
Capital Work-in-progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant & Equipment	-	14,210	(5,561)	8,649	1,588	(447)	(1,070)	-	59	77	-	15,237	(6,381)	8,856
Office Equipment	-	1,048	(919)	129	89	-	(77)	-	-	-	-	1,136	(995)	141
Furniture & Fittings	-	90	(74)	16	6	-	(3)	-	-	-	-	96	(77)	19
Leased Plant & Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land														
- Operational Land	-	4,690	-	4,690	-	(313)	-	-	130	170	-	4,677	-	4,677
- Community Land	-	986	-	986	-	-	-	-	-	(34)	-	952	-	952
Land under roads														
- pre 1 July 2008	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- post 1 July 2008	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land Improvements - non-depreciable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land Improvements - depreciable	-	2,029	(179)	1,850	65	-	(46)	-	-	(15)	-	2,057	(203)	1,854
Buildings - non-specialised	-	2,175	(928)	1,247	-	-	(75)	-	504	-	-	3,397	(1,721)	1,676
Buildings - specialised	-	17,117	(8,900)	8,217	74	(52)	(186)	-	(560)	543	-	17,302	(9,266)	8,036
Other Structures	-	16,556	(8,419)	8,137	999	(33)	(224)	-	43	264	-	18,239	(9,053)	9,186
Infrastructure														
- Roads, bridges, footpaths	124,019	-	(68,853)	55,166	4,262	(234)	(2,109)	17,530	-	65,447	-	239,701	(99,639)	140,062
- Bulk earthworks (non-deprec.)	128,828	-	-	128,828	378	-	-	(107,084)	-	19,402	-	41,524	-	41,524
- Stormwater drainage	-	21,904	(8,570)	13,334	342	(55)	(183)	-	-	485	-	22,968	(9,045)	13,923
- Water Supply Network	-	9,663	(6,131)	3,532	-	(59)	(107)	-	(175)	190	-	8,913	(5,532)	3,381
- Sewerage Network	-	19,735	(8,760)	10,975	74	-	(219)	-	-	302	-	20,369	(9,237)	11,132
Other Assets														
- Heritage Collections	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Library Books	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Other	-	3	(2)	1	-	-	(1)	-	-	-	-	2	(2)	-
Future Reinstatement Costs														
- Tips	1,058	-	(498)	560	-	-	(37)	-	(125)	-	934	-	(536)	398
- Quarries	165	-	(120)	45	-	-	(4)	-	15	-	180	-	(124)	56
- Other remediation assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Totals	254,070	110,206	(117,914)	246,362	7,877	(1,193)	(4,341)	(89,554)	(109)	86,831	1,114	396,570	(151,811)	245,873

Asset acquisitions were apportioned between:

Building & Infrastructure Renewals	3,969
Building & Infrastructure New Assets	784
Other Assets	3,124

KYOGLÉ COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2010

Note 9 (cont) - RESTRICTED PROPERTY, PLANT & EQUIPMENT

	2010 \$'000				2009 \$'000			
	AT COST	AT VALUATION	ACCUM DEPN	CARRYING AMOUNT	AT COST	AT VALUATION	ACCUM DEPN	CARRYING AMOUNT
Water Supply								
Plant & Equipment		1,297	400	897		846	450	396
Land								
- Operational		553		553		553		553
- non depreciable land improv'ts								
Land Improvements - depreciable								
Buildings		204	145	59		198	138	60
Other Structures		8,689	5,174	3,515		7,511	4,924	2,587
Water Supply Infrastructure		8,913	5,532	3,381		9,663	6,132	3,531
Total Water Supply	-	19,656	11,251	8,405	-	18,771	11,644	7,127
Sewerage Services								
Plant & Equipment		1,648	702	946		1,559	586	973
Land								
- Operational		131		131		131		131
- non depreciable land improv'ts		1,287		1,287		1,250		1,250
Other Structures		4,420	1,388	3,032		4,292	1,296	2,996
Sewerage Infrastructure		20,369	9,236	11,133		19,735	8,760	10,975
Total Sewerage Services	-	27,855	11,326	16,529	-	26,967	10,642	16,325
Domestic Waste Management								
Land Improvements - depreciable		366	82	284		327	56	271
Future Reinstatement Costs	934		536	398	1,058	-	498	560
Total Domestic Waste	934	366	618	682	1,058	327	554	831
TOTAL RESTRICTIONS	934	47,877	23,195	25,616	1,058	46,065	22,840	24,283

KYOGLÉ COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2010

Note 10 - LIABILITIES

	2010 \$'000		2009 \$'000	
	Current	Non-Current	Current	Non-Current
PAYABLES				
Goods & Services	835		2,365	
Accrued salaries & wages	199		104	
Accrued interest payable	7		6	
Accrued expenses - other	33		38	
Deposits, Retentions & Bonds	124	124	128	128
Other	1		1	
Total Payables	1,199	124	2,642	128

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

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BORROWINGS

Loans				
- Secured	27	1,270	17	1,002

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

PROVISIONS

Annual leave	533		482	
Long Service Leave	1,153	122	987	76
Reinstatement, Remediation, etc.		1,568		1,603
Other	143		103	
Total Provisions	1,829	1,690	1,572	1,679

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

981

838

Movements in Provisions	Annual Leave	Long Service Leave	Reinstatement, etc.	Other
	2010 \$'000	2010 \$'000	2010 \$'000	2010 \$'000
Opening Balance	482	1,063	1,603	103
Add Additional amounts recognised	398	288	-	40
Unwinding of present value discounts			75	
(Less) Payments	(347)	(76)	-	
Add (Less) Remeasurement Adjustments			(110)	
Closing Balance	533	1,275	1,568	143

KYOGLÉ COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2010

NOTE 10 - LIABILITIES (cont)

	2010 \$'000		2009 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
<i>LIABILITIES relating to RESTRICTED ASSETS</i>				
<i><u>Domestic Waste Management</u></i>				
<i>Provisions</i>	-	1,293	-	1,356
<i>Subtotal</i>	-	1,293	-	1,356
<i><u>Water Supplies</u></i>				
<i>Payables</i>	23	-	23	-
<i>Interest Bearing Liabilities</i>	9	287	-	-
<i>Provisions</i>	52	-	42	-
<i>Subtotal</i>	84	287	65	-
<i><u>Sewerage Services</u></i>				
<i>Payables</i>	27	-	29	-
<i>Interest Bearing Liabilities</i>	18	983	17	1,002
<i>Provisions</i>	52	-	43	-
<i>Subtotal</i>	97	983	89	1,002
TOTAL	181	2,563	154	2,358

KYOGLÉ COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2010

Note 11 - RECONCILIATION TO CASH FLOW STATEMENT

(a) Reconciliation of Cash

	2010 \$'000	2009 \$'000
Total Cash Assets (Note 6)	13,928	14,528
Less: Bank Overdraft (Note 10)	-	-
Balances per Statement of Cash Flows	13,928	14,528

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

Net Operating Result from Income Statement	3,564	7,659
Add: Depreciation, Amortisation & Impairment	4,341	4,130
Unwinding of present value discounts & premiums	79	77
Increase in provision for doubtful debts	-	19
Increase in employee benefits provisions	259	303
Increase in other provisions	-	440
Decrease in other assets	-	264
Increase in trade creditors & other accruals	-	724
Increase in accrued interest payable	1	58
Increase in other payables	-	45
Loss on Sale of Assets	714	1,126
Decrements from Revaluations	-	-
	8,958	14,845
Less: Decrease in provision for doubtful debts	33	-
Decrease in other provisions	70	-
Increase in receivables	627	1,138
Increase in inventories	116	164
Increase in other assets	254	-
Decrease in trade creditors & other accruals	1,440	-
Decrease in other payables	8	-
Non-cash Capital Grants and Contributions	(110)	629
Net Cash provided by (or used in) operations	6,520	12,914

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2010

Note 11 (cont) - RECONCILIATION TO CASH FLOW STATEMENT

	2010 \$'000	2009 \$'000
(c) Non-Cash Financing and Investing Activities		
Acquisition of assets by means of:		
- Bushfire Grants	-	209
- Estimated future reinstatement, etc costs	<u>(110)</u>	<u>420</u>
	<u>(110)</u>	<u>629</u>

(d) Financing Arrangements

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

Bank Overdrafts		
Total Facilities	-	-
Corporate Credit Cards	-	-

KYOGLÉ COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2010

Note 12 - COMMITMENTS FOR EXPENDITURE

	2010 \$'000	2009 \$'000
(a) Capital Commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Bridge Construction	-	369
Computer Equipment	<u>252</u>	<u>-</u>
	<u>252</u>	<u>369</u>
These expenditures are payable:		
Not later than one year	60	369
Later than one year and not later than 5 years	192	-
Later than 5 years	<u>-</u>	<u>-</u>
	<u>252</u>	<u>369</u>
(b) Other Expenditure Commitments (exclusive of GST)		
Other expenditure committed for (excluding inventories) at the reporting date but not recognised in the financial statements as liabilities:		
Audit Services	33	65
Waste Management Services	136	268
Quarries Royalties	<u>-</u>	<u>37</u>
	<u>169</u>	<u>370</u>
These expenditures are payable:		
Not later than one year	169	201
Later than one year and not later than 5 years	-	169
Later than 5 years	<u>-</u>	<u>-</u>
	<u>169</u>	<u>370</u>
(c) Finance Lease Commitments		
Commitments under finance leases at the reporting date are as follows: None		
(d) Operating Lease Commitments (Non-Cancellable)		
Commitments under non-cancellable operating leases at the reporting date but not recognised in the financial statements are payable as follows:		
<u>Total Future Minimum Lease Payments</u>		
Not later than one year	18	-
Later than one year and not later than 5 years	11	-
Later than 5 years	<u>-</u>	<u>-</u>
	<u>29</u>	<u>-</u>
(e) Remuneration Commitments		
Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at reporting date but not recognised as liabilities, payable:		
Not later than one year	492	477
Later than one year and not later than 5 years	1,423	554
Later than 5 years	<u>-</u>	<u>-</u>
	<u>1,915</u>	<u>1,031</u>

KYOGLÉ COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2010

Note 13 - STATEMENT OF PERFORMANCE MEASUREMENT

INDICATORS - CONSOLIDATED				
	2010		2009	2008
	<u>Amounts</u>	<u>Indicators</u>		
Unrestricted Current Ratio				
<u>Unrestricted Current Assets*</u>	\$14,773	7.80	4.59	5.74
Current Liabilities not relating to Restricted Assets	\$1,893			
Debt Service Ratio				
<u>Net Debt Service Cost*</u>	\$110	0.007	0.005	0.035
Operating Revenue*	\$16,262			
Rate & Annual Charges Coverage Ratio				
<u>Rates & Annual Charges Revenues</u>	\$6,105	0.257	0.216	0.275
Revenue from continuing operations	\$23,784			
Rates & Annual Charges Outstanding Percentage				
<u>Rates & Annual Charges Outstanding</u>	\$722	10.76%	8.51%	10.55%
Rates & Annual Charges Collectible	\$6,710			
Building & Infrastructure Renewals Ratio				
<u>Asset renewals*</u>	\$3,969	1.379	2.734	1.383
Depreciation, Amortisation, Impairment	\$2,879			

INDICATORS - BY FUND				
	Current Year Indicators			
	General	Water	Sewer	
Unrestricted Current Ratio				
<u>Unrestricted Current Assets*</u>	7.80	10.76	12.55	
Current Liabilities not relating to Restricted Assets				
Debt Service Ratio				
<u>Net Debt Service Cost*</u>	0.000	0.019	0.089	
Operating Revenue*				
Rate & Annual Charges Coverage Ratio				
<u>Rates & Annual Charges Revenues</u>	0.227	0.261	0.840	
Revenue from continuing operations				
Rates & Annual Charges Outstanding Percentage				
<u>Rates & Annual Charges Outstanding</u>	8.46%	27.64%	13.38%	
Rates & Annual Charges Collectible				
Building & Infrastructure Renewals Ratio				
<u>Asset renewals*</u>	1.527	0.000	0.338	
Depreciation, Amortisation, Impairment				

* Detailed methods of calculation of these indicators is defined in the Code.

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2010

Note 14 - INVESTMENT PROPERTY

2010	2009
\$'000	\$'000

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

KYOGLÉ COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2010

Note 15 - FINANCIAL RISK MANAGEMENT

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

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

Council held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Financial Assets				
Cash and Cash Equivalents	13,928	14,528	13,928	14,528
Receivables	3,939	3,279	3,939	3,279
Financial assets at fair value through profit & loss	-	-	-	-
Available-for-sale financial assets	-	-	-	-
Held-to-maturity investments	-	-	-	-
	17,867	17,807	17,867	17,807
Financial Liabilities				
Payables	1,323	2,770	1,323	2,770
Borrowings	1,297	1,019	1,397	1,019
	2,620	3,789	2,720	3,789

Fair value is estimated as follows:

- * Cash & equivalents, receivables & payables - due to the short-term nature, face value (carrying value) approximates fair value.
- * Held-to-maturity investments and borrowings - anticipated future cash flows discounted by current market interest rates applicable to assets and liabilities with similar risk profiles.
- * Financial assets at fair value through profit & loss, and available-for-sale - based on quoted market prices (where a liquid market exists) or independent valuation. Particular difficulties were experienced in assessing fair value of CDOs, and these have been reported in Note 1.

Cash and cash Equivalents

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

The investment portfolio is managed in accordance with Council's policy (which complies with the *Local Government Act & Regulations*), and the Minister's Order. The investment policy is reviewed regularly, and a report in accordance with section 625 of the Act provided to Council monthly.

The investment portfolio is managed so as to provide adequate liquidity at all times, particularly during the periods between the quarterly receipt of rates instalments and grants.

Council's investment portfolio consists of deposits at fixed and variable interest rates, generally for periods of less than 120 days. Whilst these are subject to interest rate risk, this is minimised by the short term of the financial assets held.

KYOGLÉ COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2010

Note 15 - FINANCIAL RISK MANAGEMENT (cont)

Interest Sensitivity Analysis	2010 \$'000	2009 \$'000
Impact of a 10% movement in price of investments (for assets subject to price risk only)		
- Equity	-	-
- Income Statement	-	-
Impact of a 1% change in interest rates on cash & investments		
- Equity	139	145
- Income Statement	139	145

Receivables

Credit risk on receivables for rates, annual charges and service charges made under section 502 is minimised as these are secured over the subject land. The security extends to interest levied for late payment.

Other receivables are subject to a range of credit risk minimisation procedures as appropriate, varying from credit checks to specific security pledges. Council is not materially exposed to any individual debtor, and credit risk exposure is concentrated within the Council boundaries in the State of New South Wales. There are no material receivables that have been subject to re-negotiation of repayment terms.

Council receives regular summary reports of receivables due, and detailed reports where appropriate.

At reporting date, all amounts receivable were reviewed, and adequate allowance made for amounts considered doubtful.

	2010 \$'000	2009 \$'000
Percentage of Rates & Annual Charges		
- Current	2%	8%
- Overdue	98%	92%
Percentage of Other Receivables		
- Current	97%	94%
- Overdue	3%	6%

Payables

Borrowings

Payables and borrowings are subject to liquidity risk - the risk that insufficient funds may be on hand to meet payment obligations as they fall due. The investment portfolio is managed so as to provide adequate liquidity at all times, particularly during the periods between the quarterly receipt of rates instalments and grants.

Liquidity Sensitivity Table

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

	2010 '000	Due			Total Contractual Cash Flows	Carrying Value
		≤ 1 year	2 - 5 years	> 5 years		
Payables		1,199	124		1,323	1,323
Borrowings		125	721	1,873	2,719	1,297
		1,324	845	1,873	4,042	2,620
	2009					
	'000					
		≤ 1 year	2 - 5 years	> 5 years	Total Contractual Cash Flows	Carrying Value
Payables		2,642	128		2,770	2,770
Borrowings		92	364	1,956	2,412	1,019
		2,734	492	1,956	5,182	3,789

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2010

Note 15 - FINANCIAL RISK MANAGEMENT (cont)

Borrowings are also subject to interest rate risk - the risk that changes in interest rates could adversely affect funding costs. Council manages this risk by generally borrowing long term, commonly at rates fixed for the duration of the loan. Bank overdraft and less than 10% of borrowings are at variable rates; the associated interest rate risk is not considered material.

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

	2010		2009	
	Wtd ave interest rate	Balance	Wtd ave interest rate	Balance
Overdraft	-	-	-	-
Loans - fixed interest rate	7.55%	1,297	7.32%	1,019
Loans - variable interest rate	-	-	-	-
		<u>1,297</u>		<u>1,019</u>

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30th June 2010

Note 16 Material budget variations

Council's original budget was incorporated as part of the Management Plan adopted by the Council on 25 June 2009. The original projections on which the budget was based have been affected by a number of factors. These include State and Federal Government decisions including new grant programs, changing economic activity, the weather, and by decisions made by the Council. Material variations of more than 10% are explained below:

Revenues

1. User charges and fees

Income received from user charges and fees exceeded budget by \$3,306K (F) (128%) due mainly to RTA works not being budgeted for.

2. Interest and Investment revenues

The actual amount of interest revenue received exceeded budget by \$340K (F) (155%) due mainly to increases in interest rates during the year.

3. Other revenues

Other revenues exceeded budget by \$114K (F) (407%) due largely to receipt of insurance claims and forfeiture of bank guarantee and retention money coming about after the original budget was adopted.

4. Operating grants and contributions received

The level of operating grants and contributions exceeded budget by \$2,330K (F) (50%) due mainly to flood damage grant funding and Section 44 bushfire grant being allocated after the original budget was adopted.

Expenses

5. Materials & contracts

Materials & contracts were over budget by \$4,259K (U) (139%) due mainly to RTA works not being budgeted for.

6. Borrowing costs

Borrowing costs were over budget by \$50K (U) (45%) due mainly to Quarries and Tips unwinding of present value discount not being budgeted for.

7. Depreciation expense

Depreciation expense was over budget by \$676K (U) (18%) due mainly to estimates not being adjusted to reflect the current level of depreciation expense each year.

8. Gain/Loss on disposal of assets

Council has recorded a net loss on sale of assets of \$714K. This loss is largely represented by the disposal of infrastructure assets as a result of replacement, reconstruction or rehabilitation. Council does not budget for these items.

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

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2010

Note 17 - STATEMENT OF CONTRIBUTION PLANS

SUMMARY OF CONTRIBUTIONS

PURPOSE	OPENING BALANCE	CONTRIBUTIONS RECEIVED DURING YEAR		INTEREST EARNED DURING YEAR	EXPENDE D DURING YEAR	INTERNAL BORROW- INGS (to)/from	HELD AS RESTR- ICTED ASSET	EST. FUTURE CONTRIBS	EST. WORKS OUT- STANDING	EST. OVER/ (UNDER) FUNDING	BALANCE INTERNAL BORROW- INGS
		CASH	NON-CASH								
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Drainage	12	3			(15)		-	6	6		
Roads	461	95		22	(34)		544	245	789		
Open Space	88	4		4	(9)		87	15	102		
Subtotal S94 under plans	561	102		26	(58)		631	266	897		
Sec 94 not under plans					-						
Sec 64 Contributions	96	3		2	(99)		2				
Total Contributions	657	105		28	(157)		633				

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

CONTRIBUTION PLAN - No. 1

PURPOSE	OPENING BALANCE	CONTRIBUTIONS RECEIVED DURING YEAR		INTEREST EARNED DURING YEAR	EXPENDE D DURING YEAR	INTERNAL BORROW- INGS (to)/from	HELD AS RESTR- ICTED ASSET	EST. FUTURE CONTRIBS	EST. WORKS OUT- STANDING	EST. OVER/ (UNDER) FUNDING	BALANCE INTERNAL BORROW- INGS
		CASH	NON-CASH								
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Drainage	12	3			(15)		0	6	6		
Roads	461	95		22	(34)		544	245	789		
Open Space	88	4		4	(9)		87	15	102		
Total	561	102		26	(58)		631	266	897		

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30th June 2010

Note 18 Contingencies

The following assets and liabilities do not qualify for recognition in the Balance Sheet but knowledge of those items is considered relevant to the users of the financial report in making and evaluating decisions about the allocation of scarce resources:

(a) Richmond Upper-Clarence Regional Library

Council together with other local government authorities have entered into an agreement to operate a regional library known as the Richmond Upper-Clarence Regional Library. Annually, the Council contributes to the library to fund its activities based upon a prescribed formula. In the event that Council wishes to withdraw from the agreement, the assets and liabilities of the Regional Library attributable to Council will be determined by the Library Board of New South Wales.

(b) Legal Issues

The Council from time to time defends actions in respect of the Land and Environment Court matters and other issues served on it. It is not practicable to estimate the amount, if any, for which the Council could be liable thereof.

(c) Section 94 Infrastructure

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

(d) Superannuation

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

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2009 was \$336,949. The last valuation of the Scheme was performed by Mr Martin Stevenson BSc, FIA, FIAA on 16th February 2010 and covers the period ended 30 June 2009. However the position is monitored annually and the actuary has estimated that as at 30th June 2010 a deficit still exists. Effective from 1 July 2009, employers are required to contribute at twice the “notional” or long term cost for a period of up to ten years in order to rectify this deficit. The share of this deficit that can be broadly attributed to the employer was estimated to be in the order of \$706,510 as at 30 June 2010.

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2010

Note 19 - JOINTLY CONTROLLED OPERATION

Council participates in a number of cooperative arrangements with other Councils and other bodies. Depending on the extent of Council's interest and "control", these are disclosed separately.

Newlog

The Council is a member of the North-East Weight of Loads Group. The Constitution of the group specifies the council as having a part "ownership" of the groups net assets but not one member as having control. The stated objectives of the group include to generally 'promote the aims of reducing damage to Council roads by policing of vehicles weight limits.' The agreement, between eight (8) local councils is in place to 30 June 2010.

The council's interest in this joint venture is not considered material and council's share of the joint venture operations has not been recognised in its financial statements for the 2010 financial year.

	2010	2009
Council's respective interests are:		
- interest in outputs of the joint operation	12.5%	12.5%
- ownership interest in the joint operation	%	%
- the proportion of voting power in the joint operation	%	%
<u>Movements in Investment in Joint Operation</u>	\$'000	\$'000
Opening Balance	38	36
Amount recognised on inclusion in Council's accounts		
New Capital Contributions	20	21
Share in Operating Result	(21)	(19)
Distributions Received		
Adjustment to Equity Share		
Share in Equity of Joint Operation	<u>37</u>	<u>38</u>

Expenditure Commitments

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

Contingent Liabilities

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

KYOGLÉ COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2010

Note 20 - RETAINED EARNINGS & REVALUATION RESERVES

(a) RETAINED EARNINGS	2010	2009
	\$'000	\$'000
Balance at end of previous reporting period	229,879	222,220
Effect of correction of errors in previous years (Note 20(d)(i))	<u>(107,084)</u>	<u>-</u>
Restated opening balance	122,795	222,220
Net operating result for the year	3,564	7,659
Other comprehensive income		
Adjustment to correct prior period depreciation errors (Note 20(d)(ii))	<u>17,529</u>	<u>-</u>
Balance at end of the reporting period	<u>143,888</u>	<u>229,879</u>
(b) REVALUATION RESERVES		
<i>Infrastructure, Property, Plant & Equipment</i>		
Balance at end of previous reporting period	28,096	26,878
Revaluation of infrastructure, property, plant & equipment (note 9)	<u>86,833</u>	<u>1,218</u>
Balance at end of reporting period	<u>114,929</u>	<u>28,096</u>

(c) NATURE AND PURPOSE OF RESERVES

Infrastructure, Property, Plant & Equipment Revaluation Reserve

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

(d) CORRECTION OF ERRORS IN PREVIOUS YEARS

- (i) In the course of Roads infrastructure revaluations carried out in the current reporting period, it was found that earthworks were significantly overstated when previously recognised, and that a write down of \$107,084,000 was necessary to restate the opening balance of non-depreciable earthworks as at 1 July 2009. An adjustment has been made against the current year balances of infrastructure, property, plant & equipment and also Retained earnings.
- (ii) Council has revalued its Roads, Bridges and Footpaths assets as at 30 June 2010. Council has reassessed the remaining useful life of roads infrastructure assets prior to their revaluation when compared to the previously assessed remaining useful life. Council does not have sufficient and reliable information that will allow comparative information to be restated in relation to the mentioned adjustment. As a result Council has adjusted the accumulated depreciation for these assets to ensure that the asset revaluation reserve is not materially misstated (\$17,529,000 decrease in accumulated depreciation for roads assets).

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2010

Note 26 - REINSTATEMENT, REHABILITATION AND RESTORATION LIABILITIES

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

	2010 \$'000	2009 \$'000
Tip Remediation		
At beginning of year	1,356	887
Amounts capitalised		
Revised costs \ life \ discount rate	(125)	402
Amortisation of discount-expensed to borrowing costs	<u>62</u>	<u>67</u>
At end of year	<u>1,293</u>	<u>1,356</u>
Quarry Remediation		
At beginning of year	247	219
Amounts capitalised		
Revised costs \ life \ discount rate	15	18
Amortisation of discount-expensed to borrowing costs	<u>13</u>	<u>10</u>
At end of year	<u>275</u>	<u>247</u>



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

Matters Relating to the Electronic Presentation of the Audited Financial Statements

This audit report relates to the general purpose financial statements of Kyogle Council (the Council) for the year ended 30 June 2010 included on Council's web site. The Council is responsible for the integrity of its web site. We have not been engaged to report on the integrity of the Council's web site. The audit report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements.

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Council, which comprises the balance sheet at 30 June 2010, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies, other explanatory notes and the statement by Councillors' and Management.

Councils' Responsibility for the Financial Statements

The Council is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Local Government Act 1993. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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Our audit responsibility does not extend to the original budget information included in the income statement, statement of cash flows, note 2(a), note 16 budget variation explanations and note 17 forecast information, and accordingly, we do not express an opinion on such. In addition, our audit did not include an analysis of the prudence of business decisions made by Council or management.

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

Independence


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

Audit Opinion

In our opinion:

- (a) Council's accounting records have been kept in accordance with the requirements of the Local Government Act, 1993, Chapter 13, Part 3, Division 2;
- (b) The Council's financial statements:
 - i. Have been prepared in accordance with the requirements of that 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 2010, the results of its operations and cash flows for the year then ended; and
 - iv. Are in accordance with applicable Accounting Standards, Interpretations and other mandatory professional reporting requirements in Australia.
- (c) All information relevant to the conduct of the audit has been obtained; and
- (d) There are no material deficiencies in the accounting records or financial statements that we have become aware of in the course of the audit.

**THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS**


G W DWYER (Partner)
Registered Company Auditor

Dated at Lismore this 30th day of November 2010.



Lismore, 30 November 2010

Mayor and Councillors
Kyogle Council
Stratheden Street
KYOGLÉ NSW 2474

Dear Councillors

We advise that we have completed our audit of the Council's general purpose and special purpose financial statements for the year ended 30 June 2010.

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

1. COUNCIL'S FINANCIAL REPORTING REQUIREMENTS

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

General Purpose Financial Statements

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

Special Purpose Financial Statements

These financial statements provide an understanding of the financial position and performance of Council's declared business activities as required under National Competition Policy. Council's declared business activities for the 2010 financial year are:

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

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



2. AUDITORS' RESPONSIBILITIES

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

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

Forming Our Audit Opinion

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

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

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



3. CONSOLIDATED OPERATING RESULT

Council's surplus from all activities for the year ended 30 June 2010 totalled \$3,564,000. This compares to a surplus in 2009 of \$7,659,000. The 2010 result can be summarised as follows:

	2010	2009	2008	2007
	\$'000	\$'000	\$'000	\$'000
Revenues from continuing operations	19,719	21,668	17,590	14,627
Expenses from continuing operations	(15,165)	(14,251)	(11,901)	(9,925)
Result from continuing operations before depreciation and capital amounts	4,554	7,417	5,689	4,702
Less Depreciation	(4,341)	(4,130)	(3,828)	(3,703)
Result from continuing operations before capital amounts	213	3,287	1,861	999
Capital grants and contributions	4,065	5,498	3,165	2,156
Gain / (loss) on disposal of assets	(714)	(1,126)	(133)	(1,272)
Significant items	-	-	-	1,679
Surplus / (Deficit) from all activities	<u>3,564</u>	<u>7,659</u>	<u>4,893</u>	<u>3,562</u>

3.1 Variations to 2010 by Income / Expenditure

The surplus from continuing operations before depreciation and capital amounts has decreased by \$2,863,000 from \$7,417,000 in 2009 to \$4,554,000 in 2010. Some of the components contributing to the result include:

	\$
Revenue	
- increased ordinary rates income	137,000
- decreased quarries fees	233,000
- decreased interest revenue	209,000
- decreased operating grants and contributions	2,045,000
Expenditure	
- increased employee costs	723,000

Explanations

Revenue

- *Increased ordinary rates income \$137,000*
Ordinary rates income increased by the 3.5% Division of Local Government approved rate rise.
- *Decreased quarries fees income \$233,000*
This decrease is attributable to a decrease in road works during the 2009/2010 year, combined with more outsourcing from Clovass quarry for works located further away from the Council quarries.



- *Decreased interest revenue \$209,000*

Whilst the level of investments has been maintained, the interest received has decreased from that of the 2008/2009 year which experienced higher rates in the first half of the year, declining towards the end of the 2008/2009 year, and remaining at these lower levels throughout the 2009/2010 year.

- *Decreased operating grants \$2,045,000*

This decrease is predominantly due to a decrease in operating grants received for transport of \$1,407,000, reducing from \$3,433,000 in the 2009 year to \$2,026,000 in the 2010 year. These significant amounts resulted from flooding events, which were more impacting in the 2009 year.

A further decrease of \$743,000 is due to the prior year including five quarters of Financial Assistance Grant funding with the September 2009 quarter received prior to the year end for the first time. The current year represents four quarters.

The above decreases were offset partially by an increase in operating grants received for the NSW Rural Fire Services, increasing from \$133,000 in the 2009 year to \$276,000 in the 2010 year, due to a section 44 Natural Disaster Bushfire event in the 2009/2010 year.

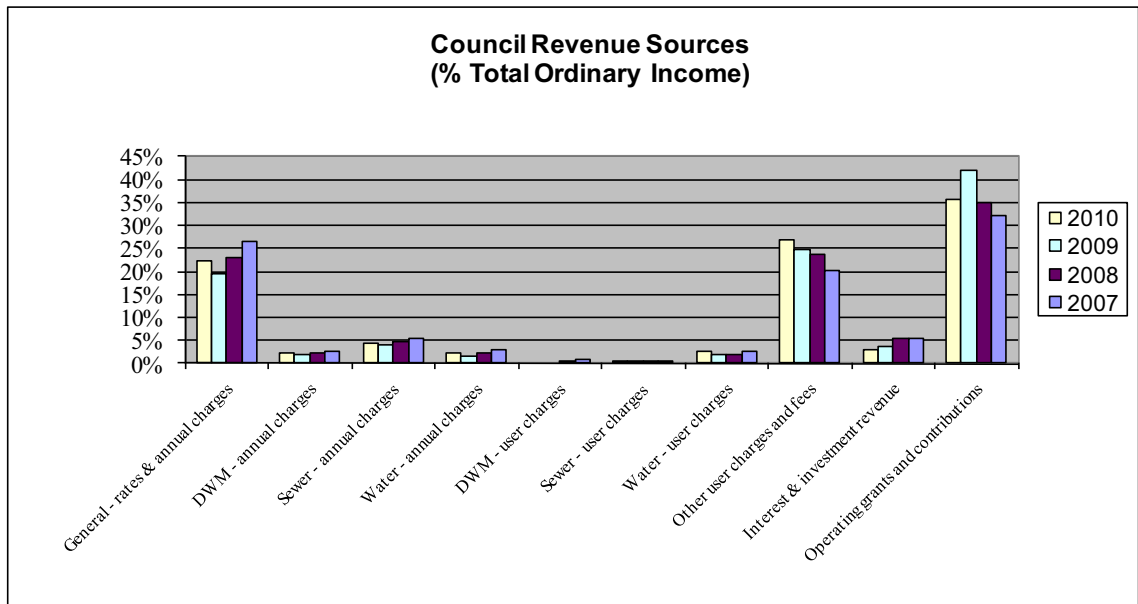
Expenditure

- *Increased employee costs \$723,000.*

Increased salaries and wages of \$171,000 were as a result of a 3.25% wage increase effective from the first full pay period in November 2009. Expenditure relating to employee leave entitlements increased by \$110,000. Additionally, contributions required for those employees in defined benefits superannuation plans increased by \$181,000. There was also an increase of \$202,000 in workers' compensation premiums.

3.2 Analysis of income sources

	<i>2010</i>	<i>2009</i>	<i>2008</i>	<i>2007</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
General - rates & annual charges	4,374	4,231	4,043	3,876
DWM - annual charges	430	411	394	381
Sewer - annual charges	882	853	836	781
Water - annual charges	419	374	427	428
Total rates & annual charges	6,105	5,869	5,700	5,466
DWM - user charges	-	-	110	148
Sewer - user charges	101	110	56	26
Water - user charges	499	445	335	371
Other user charges and fees	5,281	5,346	4,180	2,968
Total user charges and fees	5,881	5,901	4,681	3,513
Interest & investment revenue	559	768	984	800
Other revenue	142	53	75	128
Operating grants and contributions	7,032	9,077	6,150	4,720
Total revenue before capital amounts	19,719	21,668	17,590	14,627



Council's relative reliance on various income streams as detailed has remained steady on a long term trending basis. Council should continue to monitor its revenue streams to ensure they are sufficient to fund operating costs, asset maintenance and renewal as well as repayment of borrowings.

3.3 Capital Grants and Contributions

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

Capital grants received during the year amounted to \$2,915,000 and largely consisted of roads to recovery funds (\$748,000), Federal community infrastructure grant (\$600,000), grant for Bonalbo water treatment plant (\$571,000) and grants for black spot programs (\$532,000).

Capital contributions received during the period amounted to \$1,150,000. This can be broken down as follows:

	2010	2009	2008	2007
	\$'000	\$'000	\$'000	\$'000
Section 94 Contributions - cash	94	172	101	34
Section 64 Contributions - cash	7	46	6	-
RTA Contributions *	1,049	2,324	538	194
Other contributions	-	69	274	1,772
TOTAL	1,150	2,611	919	2,000

* RTA contributions were significantly higher in the previous year, with major contributions relating to the construction of bridges at Sandy Creek, Tooloom, Bean Creek and Becks Bridge in that year. The largest components of the current year RTA contributions relate to Bean Creek bridges 3 and 4 and its approaches, totalling \$720,000.



At 30 June 2010 Council held \$631,000 as a restricted asset for S94 contributions and \$2,000 as a restricted asset for S64 contributions.

3.4 GAIN / (LOSS) ON DISPOSAL OF ASSETS

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

	2010	2009	2008	2007
	\$'000	\$'000	\$'000	\$'000
Profit on sale of plant and equipment	32	287	357	24
Loss on write-off of infrastructure assets	(414)	(1,413)	(490)	(1,296)
Write-off resulting from review of asset register	(332)	-	-	-
	<u>(714)</u>	<u>(1,126)</u>	<u>(133)</u>	<u>(1,272)</u>

The significant write-offs of infrastructure assets in the 2009 year were largely due to flood damage from the January 2008 flooding event.

The write-off of infrastructure assets in the 2010 year consists of \$234,000 relating to reconstruction of roads, bridges and footpaths; \$114,000 relating to stormwater drainage and water supply assets; and \$66,000 relating to buildings and other structures.

In addition to the above, Council underwent a detailed review of the asset registers for land and buildings in the 2010 year. As a result of this review, an additional amount of \$332,000 relates to the write-off of land and other structures that have been identified as not under the control of Council, hence requiring removal from the asset register.

3.5 WATER SUPPLIES

(i) Operating Result

Water supply activities can be summarised as follows:

	Actual	Actual	Actual	Actual
	2010	2009	2008	2007
	\$'000	\$'000	\$'000	\$'000
Rates and service availability charges	419	374	427	428
User charges	499	446	330	364
Interest	14	36	61	73
Other	81	12	19	6
Grants - Capital	621	197	17	81
Grants - Operating	27	27	27	26
Capital Contributions	1	16	3	98
Total Revenue	<u>1,662</u>	<u>1,108</u>	<u>884</u>	<u>1,076</u>
Management Expenses	248	256	197	213
Operating Costs	395	280	293	275
Other	101	88	91	90
Depreciation	184	176	170	149
Interest	14	-	-	-
Loss on Disposal	59	-	-	-
Total Expenses	<u>1,001</u>	<u>800</u>	<u>751</u>	<u>727</u>
Operating Result	<u>661</u>	<u>308</u>	<u>133</u>	<u>349</u>



(ii) Explanations for Significant Variances

Revenue

- Grants for the acquisition of assets increased \$424,000 from the previous year, with the largest grant received, of \$571,000 relating to the Bonalbo water treatment plant.
- Rates and service availability charges increased by \$45,000 (mainly attributable to an increase in charges of 8.9%) and user charges increased by \$53,000 (due to increased consumption with charges remaining the same).

Expenses

- While most expenses remained fairly consistent compared with the prior year, maintenance expenses increased by \$79,000, with the largest individual component increase being in relation to maintenance expenses for the Bonalbo mains.

(iii) Key Indicators

	2010	2009	2008	2007
	\$	\$	\$	\$
Average service availability charge per assessment	215	194	214	223
Average user charge per assessment	257	231	165	190
Management and operating cost per assessment	331	278	245	255

3.6 SEWERAGE SERVICES

(i) Operating Result

Sewerage services activities can be summarised as follows:

	Actual 2010 \$'000	Actual 2009 \$'000	Actual 2008 \$'000	Actual 2007 \$'000
Rates and service availability charges	891	862	836	790
User charges	120	128	56	17
Interest	14	42	22	-
Other	9	-	3	8
Grants - Capital	-	948	134	101
Grants - Operating	26	26	26	26
Capital Contributions	2	19	2	1,634
Total Revenue	1,062	2,025	1,079	2,576
Management Expenses	177	173	147	161
Operating Costs	457	385	385	312
Other	17	20	21	21
Depreciation	323	284	227	205
Interest	74	75	45	3
Total Expenses	1,048	937	825	702
Operating Result	14	1,088	254	1,874



(ii) Explanation for Significant Variances

Revenue

- There were no grants received for the acquisition of assets during the 2010 year, in comparison to grants received of \$948,000 in the previous year.
- Rates and service availability charges increased by \$29,000 which is consistent with the increase in tariffs as per councils 2011 management plan. User charges decreased by \$8,000 (with the per kilolitre charge remaining the same).

Expenses

- Treatment operation costs increased by \$72,000 from the previous year, with the major contributors being the Kyogle wetland operational costs of \$61,000 (compared to nil costs in the previous year) and the Kyogle treatment works of \$106,000 (increasing \$22,000 from the previous year).
- Depreciation expense was also higher than the previous year, increasing from \$284,000 to \$323,000.

(iii) Key Indicators

	2010	2009	2008	2007
	\$	\$	\$	\$
Average service availability charge per assessment	500	487	464	447
Average user charge per assessment	67	72	31	10
Management and operating cost per assessment	356	315	295	267

3.7 NATIONAL COMPETITION POLICY BUSINESS ACTIVITIES

Under the National Competition guidelines Council is required to apply taxation equivalent principles to each business similar to those that would apply if they were operating in the commercial sector. Council declared business activities have been reported with operating details and assets disclosed on a gross basis in Council's special purpose financial statements.

Each activity has a required rate of return on its assets that is calculated as the operating result plus interest expense divided by the written down value of property, plant & equipment. Where the return on investment is below the required rate of return, the difference is disclosed as a subsidy. Dividends represent funds used from the relevant business activity for other functions of Council.



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

Activity/Year	Revenue \$'000	Expenses \$'000	Result prior to capital amounts \$'000	Return on capital %	Subsidy \$'000	Dividends Paid \$'000
2010						
Water	1,040	1,001	39	0.64	-	-
Sewer	1,060	1,048	12	0.52	-	-
DWM	466	596	(130)	(9.99)	-	-
Quarry	542	599	(57)	(7.63)	134	-
Transport	3,811	3,627	184	N/A	-	346
2009						
Water	911	800	111	1.56	-	-
Sewer	1,077	937	140	1.32	-	-
DWM	438	533	(95)	(3.25)	-	-
Quarry	775	724	51	8.47	47	-
Transport	3,720	2,885	835	N/A	-	456

An unqualified audit report was issued for Council's special purpose financial statements for the year ended 30 June 2010.

Water and Sewer Operations

Water and sewer operations should generate sufficient surpluses to provide for future infrastructure requirements. Council's water and sewer fund activities returned a surplus for the 2010 financial year however Council needs to continually monitor the return on each fund to ensure it is sufficient to repair and replace capital in accordance with prepared asset management projections.

The more significant factors affecting the results of the water and sewer funds were discussed at 3.5 and 3.6 above.

Domestic Waste Management

Domestic waste management (DWM) activities should return a break-even result in the medium term. Each year Council calculates annual charges revenue to approximate DWM's share of operating the tip, collection of waste and other associated activities. Council recognises a liability for rehabilitation of its tip sites. As at 30 June 2010 Council estimates that it will cost approximately \$1,293,000 to rehabilitate its tip sites at Kyogle and Woodenbong. Some of the costs of remediation are to cap existing landfill cells and this expenditure will be satisfied by recurrent revenues or existing reserves. The final rehabilitation of each site is expected to be in the following time frames:

	Year	\$
Kyogle Final Rehabilitation	2035	548,000
Woodenbong Final Rehabilitation	2017	338,000
Rehabilitation of landfill cells within each site	Ongoing	<u>407,000</u>
		<u><u>1,293,000</u></u>



Changes in the underlying assumptions affecting the net present value calculation of the expected future costs resulted in a decrease to the rehabilitation provision of \$125,000. The year of remediation for the Kyogle Final Cap has been reassessed from 2025 to 2035, and this had the effect of reducing the required provision as at 30 June 2010.

Currently Council has \$346,000 in DWM cash reserves. Council should continually reassess the timing and cost of rehabilitation of each site to ensure that DWM revenues are sufficient to generate cash reserves to fund the expenditure.

Quarry Operations

After having returned losses for several years prior to 2009, Council's quarry operations achieved a surplus of \$51,000 in 2009, however has returned to a loss of \$57,000 in 2010. Council quarries have a desired rate of return of 15% per annum. At present the difference between the actual and desired rates of return is represented as a notional subsidy from General Fund operations. Council should continue to review the costs of quarry operations and the pricing of quarry products with a view to increasing profitability and achieving its desired rate of return so that future rehabilitation costs can be funded by reserves.

Transport Operations

Council's Transport Operations represents road works under contract to the Roads and Traffic Authority. Transport activities have returned a surplus during the 2010 financial year of \$184,000. This compares to a surplus of \$835,000 in 2009. The Transport activity hires road building equipment from Council's plant fleet and as a result, no rate of return on assets is calculated. As at 30 June 2010 Council has transport reserves of \$Nil (compared to \$715,000 at 30 June 2009).

4. BALANCE SHEET

4.1 NET CURRENT ASSETS

Council has net current assets of \$16,028,000 as at 30 June, 2010, however, this includes \$981,000 in leave entitlements which are not expected to be settled within twelve months. Net current assets however, also contains \$3,798,000 of externally restricted cash assets in the form of retention bonds and deposits, developer contributions, specific purpose unexpended grants, and restricted water, sewer, domestic waste management funds. Also included in Council's net current assets is \$512,000 of externally restricted receivables relating to water, sewerage and domestic waste management charges and rates.



	2010	2009	2008	2007
	\$'000	\$'000	\$'000	\$'000
TOTAL CASH ASSETS	13,928	14,528	13,829	12,842
Less: Externally Restricted Reserves				
- Water	637	621	728	983
- Sewer	1,029	563	863	482
- DWM	346	416	377	396
- Developer Contributions	633	657	488	445
- Unexpended Grants	904	615	911	1,167
- Other	249	257	211	117
	<u>3,798</u>	<u>3,129</u>	<u>3,578</u>	<u>3,590</u>
Less: Internally Restricted Reserves	<u>(9,930)</u>	<u>(11,199)</u>	<u>(10,051)</u>	<u>(9,052)</u>
UNRESTRICTED CASH	<u>200</u>	<u>200</u>	<u>200</u>	<u>200</u>

After funding internal and external restrictions Council has unrestricted cash assets of \$200,000. At balance date Council has allocated \$9,930,000 to internally restricted cash to fund specific Council projects. We provide an understanding of internal reserve balances as at 30 June 2010:

	2010	2009	2008	2007
	\$'000	\$'000	\$'000	\$'000
Internally Restricted Reserves				
Employee Entitlements	730	920	1,213	1,103
Buildings	622	682	682	672
Transport	-	715	1,231	1,127
Quarries	250	274	365	363
Plant	3,086	2,019	1,255	1,501
Revotes	2,902	4,074	2,625	3,686
Commercial Waste	150	-	-	-
Information Technology	130	80	80	50
Bridges	1,890	2,265	2,265	450
Emergency Works	100	100	100	100
Other	70	70	235	-
	<u>9,930</u>	<u>11,199</u>	<u>10,051</u>	<u>9,052</u>



4.1.1 CASH AND INVESTMENTS

Due to the nature of Council's investments, being cash or short term deposits, the US sub-prime mortgage led credit crisis has not impacted the value of Council's investment portfolio.

Based on the information provided by Council management, which has not been subject to audit, the maturity profile of investments held at balance date should not materially impact Council's budgeted operations for the 2010/11 financial year from a liquidity perspective.

4.2 NON-CURRENT ASSETS AND LIABILITIES

Council has a net non-current asset position of \$242,789,000, which consists largely of property, plant and equipment, infrastructure assets, loans, and provisions for employee benefits and rehabilitation of tips and quarries.

4.2.1 PROPERTY, PLANT & EQUIPMENT

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

	2010	2009	2008	2007
	\$'000	\$'000	\$'000	\$'000
<i>Non-cash grants / contributions</i>				
Bush Fire Council	-	209	485	-
<i>Council Constructed / Purchased</i>				
Land and Buildings	1,138	847	964	226
Plant and Equipment	1,588	1,732	2,559	1,031
Roads and Drainage Network	4,982	8,125	4,219	3,281
Water Supply Network	-	631	441	517
Sewerage Network	74	1,403	1,027	1,859
Other	95	82	-	106
	<u>7,877</u>	<u>13,029</u>	<u>9,695</u>	<u>7,020</u>

As illustrated above, Council has capitalised approximately \$8 million in infrastructure, property, plant and equipment during the 2010 financial year.

The significant expenditure on the Roads and Drainage Network in 2010 can be further broken down as follows:

	\$'000
Roads	2,621
Bridges	1,635
Footpaths	384
Drainage	342
	<u>4,982</u>

The larger amounts included in the above Roads and Drainage additions were Bean Creek Bridge No.3 (\$419,000), Bean Creek Bridge No. 4 (\$250,000), Tooloom Bridge (\$262,000) and Sextonville Rd seal (\$180,000).



The larger plant and equipment additions included additions to the vehicle fleet (\$1,170,000) and the Bonalbo water treatment plant (\$413,000).

Asset Revaluations 2010

The Division of Local Government has mandated that all infrastructure assets including land and buildings are to be recognised in Council's financial records at their fair value. Fair value represents the written-down replacement cost of each asset using modern day equivalent materials, design and capacity.

During the year Council performed a full revaluation of roads, bridges, footpaths, bulk earthworks and stormwater drainage infrastructure assets. The effect of the revaluation process was an increase in the written-down replacement cost of roads, bridges and footpaths of \$82,977,000, decrease in the written down replacement cost of bulk earthworks of \$87,682,000 and an increase in the written-down replacement cost of stormwater drainage assets of \$485,000.

The overall revaluation of roads, bridges and foodpaths is made up of two components: the amount of revaluation relating to the current period - \$65,447,000 which is credited to the asset revaluation reserve, and the amount resulting from the reassessment of remaining useful life affecting accumulated depreciation brought forward - \$17,530,000, which is credited to retained earnings.

The overall revaluation of bulk earthworks is also made up of two components: the estimated amount of revaluation relating to the current period - \$19,402,000 which is credited to the asset revaluation reserve, and the estimated amount representing an error in the initial fair value amount recognised for bulk earthworks - \$107,084,000, which is debited to retained earnings. As a result of the current year revaluation, Council now has more reliable data on these assets which did not previously exist.

Where material, fair value adjustments are made each year to keep all infrastructure assets at fair value. As a result, a 2010 increment of \$190,000 for water infrastructure and \$302,000 for sewer infrastructure assets was credited to the Asset Revaluation Reserve.

In the 2010 year, net increments have also been recognised for buildings and other structures - \$807,000, land and land improvements - \$121,000 and plant & equipment - \$77,000. These amounts were also credited to the Asset Revaluation Reserve.

As at 30 June 2010 Council controls plant, equipment, land, buildings and infrastructure with a written down replacement cost of \$240 million.

Regular Re-assessment of useful lives

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

Future Asset Revaluations

As part of the process of maintaining infrastructure at fair value, the following asset classes will be revalued by Council in 2011:



Asset Type

Date of Revaluation

Other Structures and Other Assets	30 June 2011
Community Land and Land Improvements	30 June 2011

Integrated Planning and Reporting Framework and Asset Management

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

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

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

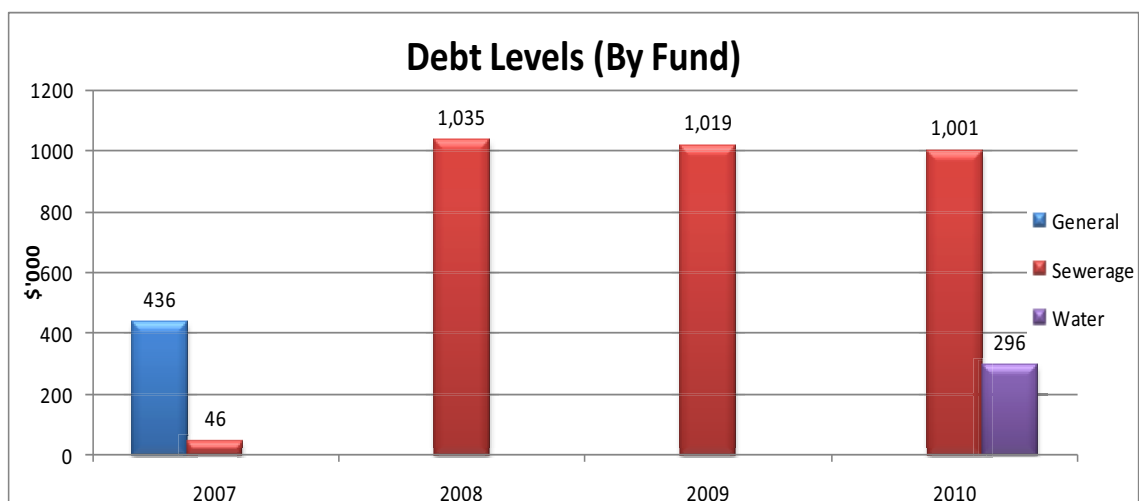
An Asset Management Policy must also be prepared which sets the framework for the preparation of Council's Asset Management Strategy and Asset Management Plan/s. An Asset Management Plan is a long term plan that outlines the asset activities for each service and outlines actions and resources to provide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

Kyogle Council are included in Group 3, requiring implementation of these requirements by 1 July 2012. Council should endeavour to ensure that this timeframe is met.

4.2.2 LOANS

Total borrowings at 30 June 2010 amounted to \$1,297,000, which increased from the prior year's balance of \$1,019,000 due to new borrowings of \$300,000 during the year. These new borrowings relate to a loan drawn by the water fund for the Bonalbo and Woodenbong water treatment works.

The majority of outstanding borrowings relate to the sewerage fund, with total borrowings of \$1,002,000 consisting primarily of a loan taken out in December 2007 to finance sewage treatment plant augmentation works.





Further borrowings of \$600,000 are expected to be taken during the 2010/11 year, being \$300,000 for water fund capital expenditure and \$300,000 for the general fund (for installation of waste compactor for tip operations). In addition, future projected borrowings of \$500,000 and \$600,000 for 2011/12 and 2012/13 respectively are planned for the water fund.

5. PERFORMANCE INDICATORS

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

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

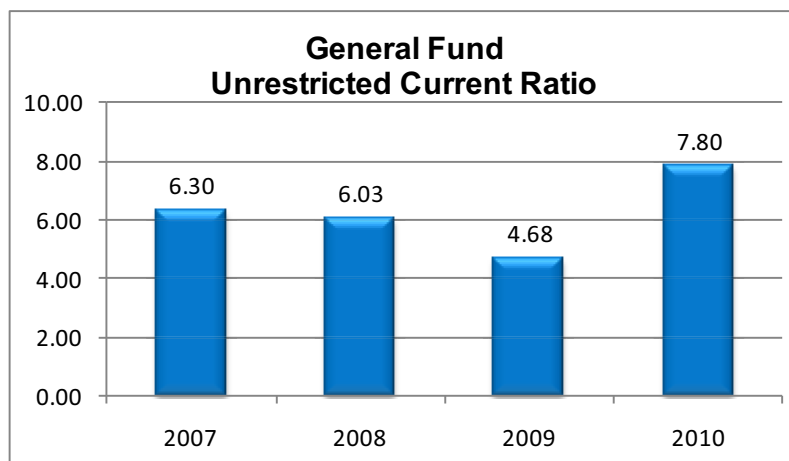
Unrestricted Current Ratio

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

Factors influencing Council's unrestricted current assets ratio include:

- Planning and budgetary controls;
- Cash management and the timing of cash flows;
- The level of internally restricted assets; and
- Credit management policies and economic circumstances.

General Fund Unrestricted Current Ratio



Council's general fund unrestricted current ratio has increased from 4.68 in 2009 to 7.80 as at 30 June 2010 due to a decrease in current liabilities as at 30 June 2010.

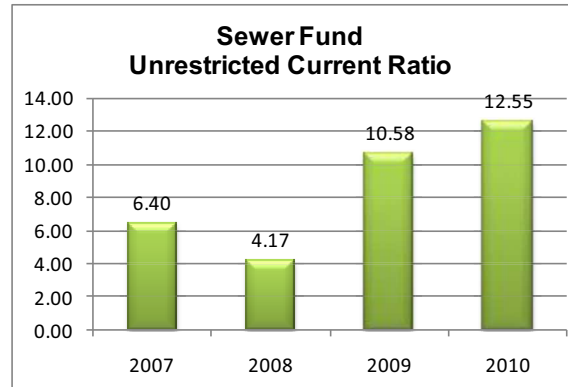
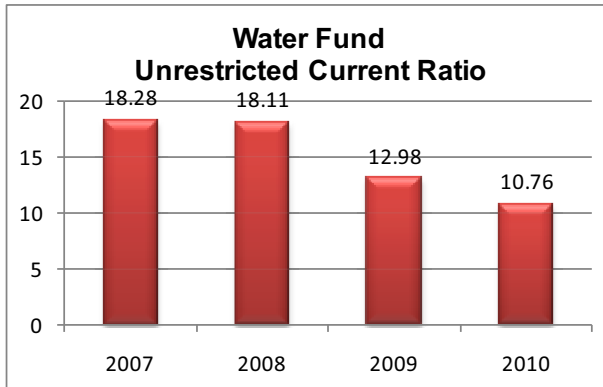
An unrestricted current ratio of 7.80 means that Council has \$7.80 in unrestricted liquid current assets for every \$1 of unrestricted current liabilities. An unrestricted current ratio of 2:00 is considered to be a strong short term position. Council's unrestricted current ratio as at 30 June 2010 means that the organisation has adequate unrestricted cash and internal reserves to satisfy its current obligations and illustrates Council's sound short-term financial position.



It is important to note that the unrestricted current ratio does not reflect Council's capacity to fund long term infrastructure needs nor the state of the infrastructure itself. Council needs to assess its infrastructure requirements and develop strategies to ensure the long-term viability (ability to provide services) of its assets.

Water and Sewer Fund Unrestricted Current Ratio

We note that the unrestricted current ratio for water and sewer activities may fluctuate significantly. Yearly fluctuations may result from the build up of internal reserves and the impact of debt levels and will continue to fluctuate in the future as further funds are collected and expended on infrastructure improvements.

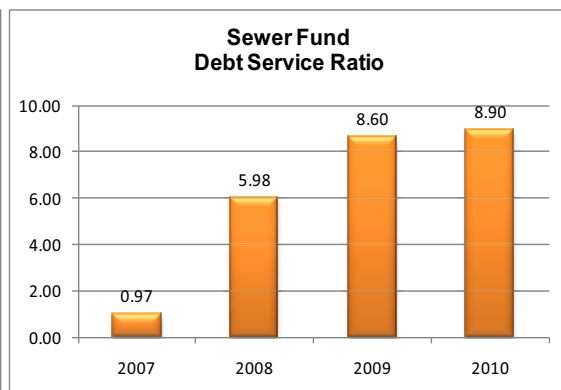
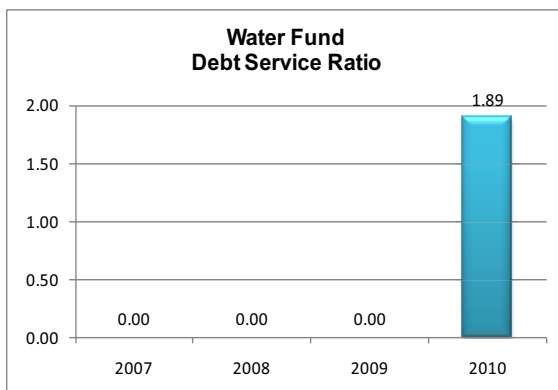


Debt Service Ratio

This indicator assesses the degree to which revenues from ordinary activities are committed to the repayment of debt. Factors influencing a council's debt service ratio include:

- The rate of new development in the Council area and the need to borrow to fund new infrastructure;
- Council's debt policy;
- Interest rate movements and loan terms;
- Capital investment strategies and capital contributions policies;
- The level of cash reserves available to reduce the level of borrowings; and
- The state of Council's infrastructure assets and the need to borrow to replace them.

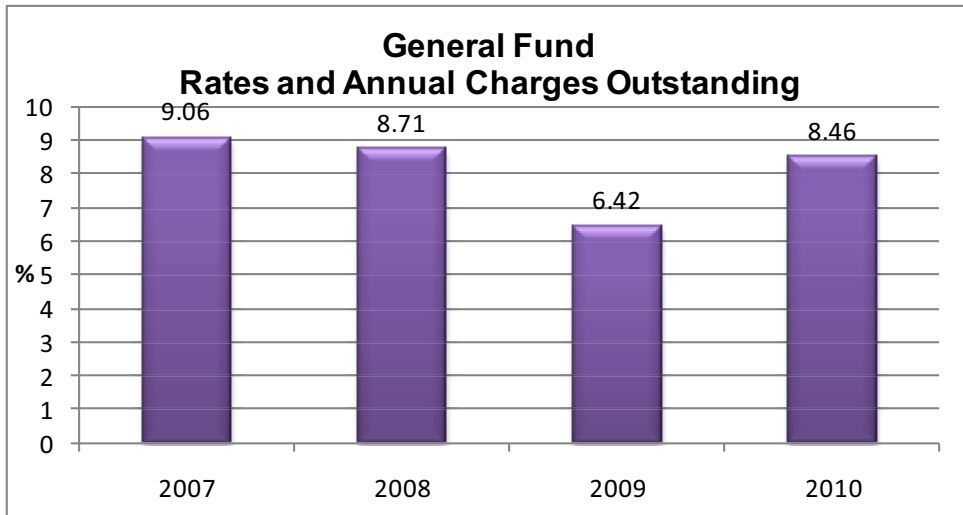
Whilst the general fund is debt free, the below graphs illustrate the effects of the loans taken up by the water and sewer funds in 2010 and 2008 respectively.



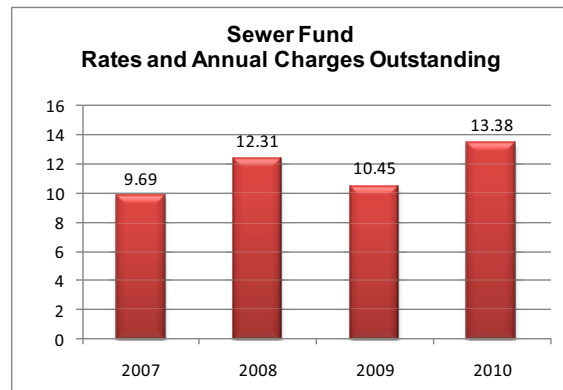
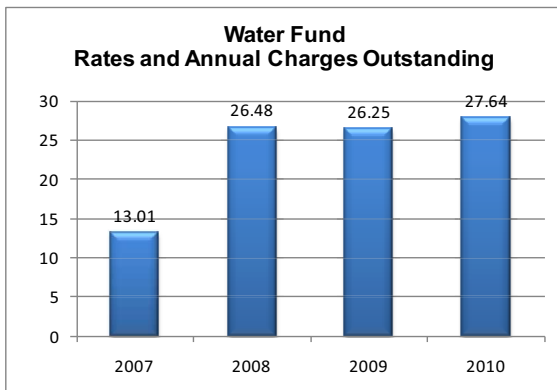
Rates and Annual Charges Outstanding Ratio

This indicator assesses the effectiveness of Council's revenue collection. Factors influencing Council's rates and annual charges outstanding ratio include:

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



Council's general fund rates and annual charges outstanding percentage has increased from 6.42% in 2009 to 8.46% for 2010. Council may need to review its policies and procedures to achieve the level of outstanding rates and annual charges it wishes to maintain.



The above graphs illustrate the rates and annual charges outstanding ratio for water and sewer funds. Whilst the ratios for water and sewer fund can often be influenced by the invoicing for user charges at the end of the financial year, these are above acceptable benchmark levels and require Council's attention.



6. INTERNAL CONTROL ENVIRONMENT

Results of Testing Council's Financial Reporting Systems

No significant breakdowns of internal control were encountered during the course of our audit nor did we become aware of the existence of items comprising material error, sufficient to cause us to issue a qualified audit opinion.

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

Yours faithfully

THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS

A handwritten signature in dark ink, appearing to read 'G W Dwyer', is written over a horizontal line. The signature is stylized and extends to the right of the line.

G W DWYER (Partner)
Registered Company Auditor

KYOGLE COUNCIL
Special Purpose Financial Statements
for the year ended 30th June 2010

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Auditors Report	

KYOGLE COUNCIL

SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

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

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

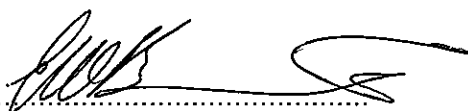
- NSW Government Policy Statement "*Application of National Competition Policy to Local Government*".
- Division of Local Government guidelines "*Pricing & Costing for Council Businesses: A Guide to Competitive Neutrality*".
- The NSW Office of Water, Department of Environment, Climate Change and Water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

To the best of our knowledge and belief, these reports

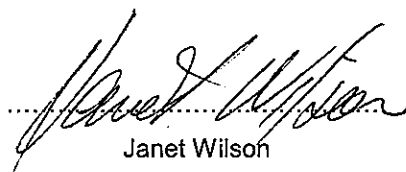
- Present fairly the financial position and operating result for each of Council's declared Business Units for the year, and
- Accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 30 November 2010



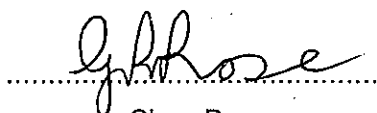
Ernie Bennett
MAYOR



Janet Wilson
DEPUTY MAYOR



Arthur Figgott
GENERAL MANAGER



Glenn Rose
RESPONSIBLE ACCOUNTING OFFICER

KYOGLE COUNCIL

INCOME STATEMENT
WATER SUPPLY BUSINESS ACTIVITY
for the year ended 30th June 2010

	Notes	2010 '000	2009 '000	2008 '000
INCOME FROM CONTINUING OPERATIONS				
Access Charges		419	374	427
User Charges		499	445	330
Fees		81	12	19
Interest Received		14	37	61
Grants & Contributions - Operating		27	43	30
Gain on Disposal of Assets		-	-	-
Other Operating Revenues		-	-	-
TOTAL		1,040	911	867
EXPENSES FROM CONTINUING OPERATIONS				
Employee Costs		110	92	87
Materials & Contracts		542	464	371
Borrowing Costs		14	-	-
Depreciation & Amortisation		184	176	170
Water Purchase Charges		45	34	32
Loss on Disposal of Assets		59	-	-
NCP Tax Equivalents		-	-	-
Debt Guarantee Fee		-	-	-
Other Operating Expenses		47	34	91
TOTAL		1,001	800	751
CONTINUING OPERATIONS RESULT BEFORE CAPITAL AMOUNTS				
		39	111	116
Grants & Contributions - Capital		622	197	17
RESULT FROM CONTINUING OPERATIONS		661	308	133
Discontinued Operations		-	-	-
SURPLUS (DEFICIT) BEFORE TAX		661	308	133
Corporate Taxation Equivalent		12	33	35
SURPLUS (DEFICIT) FOR YEAR		649	275	98
Add: Accumulated Surplus brought forward		7,242	6,934	6,801
Adjustments for amounts unpaid				
NCP Tax Equivalents retained				
Debt Guarantee Fee retained				
Corporate Tax Equivalent retained		12	33	35
Less: Dividends Paid				
ACCUMULATED SURPLUS		7,903	7,242	6,934
<i>RATE OF RETURN ON CAPITAL</i>		0.63%	1.56%	1.76%
<i>NOTIONAL SUBSIDY FROM COUNCIL</i>		N/A	N/A	N/A
<i>Calculation of Dividend Payable during next financial year</i>				
Surplus after tax		649	275	98
Less: Capital grants & contribs from LWUs		622	197	17
Surplus for dividend calculation purposes		27	78	81
Dividend calculated from surplus		0	0	0

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

KYOGLE COUNCIL

INCOME STATEMENT
SEWERAGE BUSINESS ACTIVITY
for the year ended 30th June 2010

	Notes	2010 '000	2009 '000	2008 '000
INCOME FROM CONTINUING OPERATIONS				
Access Charges		891	862	836
User Charges		101	110	47
Liquid Trade Waste Charges		19	18	9
Fees		-	-	-
Interest Received		14	42	22
Grants & Contributions - Operating		26	45	28
Gain on Disposal of Assets		-	-	-
Other Operating Revenues		9	-	3
TOTAL		<u>1,060</u>	<u>1,077</u>	<u>945</u>
EXPENSES FROM CONTINUING OPERATIONS				
Employee Costs		146	57	81
Materials & Contracts		457	471	451
Borrowing Costs		74	75	45
Depreciation & Amortisation		323	284	227
Loss on Disposal of Assets		-	-	-
NCP Tax Equivalents		-	-	-
Debt Guarantee Fee		-	-	-
Other Operating Expenses		48	50	21
TOTAL		<u>1,048</u>	<u>937</u>	<u>825</u>
CONTINUING OPERATIONS RESULT BEFORE CAPITAL AMOUNTS				
		12	140	120
Grants & Contributions - Capital		2	948	134
RESULT FROM CONTINUING OPERATIONS		<u>14</u>	<u>1,088</u>	<u>254</u>
Discontinued Operations		-	-	-
SURPLUS (DEFICIT) BEFORE TAX		<u>14</u>	<u>1,088</u>	<u>254</u>
Corporate Taxation Equivalent		4	42	36
SURPLUS (DEFICIT) FOR YEAR		<u>10</u>	<u>1,046</u>	<u>218</u>
Add: Accumulated Profits brought forward		9,431	8,343	8,089
<i>Adjustments for amounts unpaid</i>				
NCP Tax Equivalents retained		-	-	-
Debt Guarantee Fee retained		-	-	-
Corporate Tax Equivalent retained		4	42	36
Less: Dividends Paid		-	-	-
ACCUMULATED SURPLUS		<u>9,445</u>	<u>9,431</u>	<u>8,343</u>
<i>RATE OF RETURN ON CAPITAL</i>		0.52%	1.32%	1.15%
<i>NOTIONAL SUBSIDY FROM COUNCIL</i>		N/A	N/A	N/A
<i>Calculation of Dividend Payable during next financial year</i>				
Surplus after tax		10	1,046	218
Less: Capital grants & contribs from LWUs		2	948	134
Surplus for dividend calculation purposes		<u>8</u>	<u>98</u>	<u>84</u>
Dividend calculated from surplus		0	0	0

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

KYOGLE COUNCIL

INCOME STATEMENT BY BUSINESS ACTIVITIES
for the year ended 30th June 2010

	BUSINESS ACTIVITIES					
	DWM '000		QUARRIES '000		TRANSPORT '000	
	2010	2009	2010	2009	2010	2009
REVENUE FROM CONTINUING OPERATIONS	Notes					
Rates & Annual Charges	430	412	542	775	3,811	3,720
User Charges & Fees						
Interest Received						
Grants & Contributions - Operating	36	26				
Gain on Disposal of Assets						
Other Operating Revenues						
TOTAL	466	438	542	775	3,811	3,720
EXPENSES FROM CONTINUING OPERATIONS						
Employee Costs			39	79	347	288
Materials & Contracts	485	411	518	606	3,280	2,586
Borrowing Costs	62	68	12	10		
Depreciation & Amortisation	54	54	30	29		
Other Operating Expenses	(5)					11
Loss on Disposal of Assets						
NCP Imputation Payments						
TOTAL	596	533	599	724	3,627	2,885
CONTINUING OPERATIONS RESULT BEFORE CAPITAL AMOUNTS	(130)	(95)	(57)	51	184	835
Grants & Contributions - Capital						
RESULT FROM ORDINARY ACTIVITIES	(130)	(95)	(57)	51	184	835
Discontinued Operations						
SURPLUS (DEFICIT) BEFORE TAX	(130)	(95)	(57)	51	184	835
Corporate Taxation Equivalent	-	-	-	15	55	251
SURPLUS (DEFICIT) FOR YEAR	(130)	(95)	(57)	36	129	584
Add: Accumulated Profits brought forward	(69)	26	654	603	2,025	1,646
NCP Imputation Payments retained				15	55	251
Less: Dividends Paid - TER					-	-
- Surplus Dividend					(346)	(456)
ACCUMULATED SURPLUS	(199)	(69)	597	654	1,863	2,025
RATE OF RETURN ON CAPITAL	(9.99%)	(3.25%)	(7.63%)	8.47%	N/A	N/A
NOTIONAL SUBSIDY FROM COUNCIL	N/A	N/A	134	47	0	0

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

KYOGLE COUNCIL**BALANCE SHEET
WATER SUPPLY BUSINESS ACTIVITY
for the year ended 30th June 2010**

	Notes	2010 '000	2009 '000
CURRENT ASSETS			
Cash & cash equivalents		639	693
Receivables		267	237
		<u>906</u>	<u>930</u>
TOTAL CURRENT ASSETS			
NON-CURRENT ASSETS			
Infrastructure, Property, Plant & Equipment		8,405	7,127
		<u>8,405</u>	<u>7,127</u>
TOTAL NON-CURRENT ASSETS			
TOTAL ASSETS			
		<u>9,311</u>	<u>8,057</u>
CURRENT LIABILITIES			
Payables		23	23
Interest bearing liabilities		9	
Provisions		52	42
		<u>84</u>	<u>65</u>
TOTAL CURRENT LIABILITIES			
NON-CURRENT LIABILITIES			
Payables			
Interest bearing liabilities		287	
Provisions			
		<u>287</u>	<u></u>
TOTAL NON CURRENT LIABILITIES			
TOTAL LIABILITIES			
		<u>371</u>	<u>65</u>
NET ASSETS			
		<u>\$ 8,940</u>	<u>7,992</u>
EQUITY			
Accumulated Surplus		7,903	7,242
Asset Revaluation Reserve		1,037	750
		<u>8,940</u>	<u>7,992</u>
TOTAL EQUITY			

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

KYOGLE COUNCIL
BALANCE SHEET
SEWERAGE BUSINESS ACTIVITY
for the year ended 30th June 2010

	Notes	2010 '000	2009 '000
CURRENT ASSETS			
Cash & cash equivalents		1,030	586
Receivables		188	379
TOTAL CURRENT ASSETS		<u>1,218</u>	<u>965</u>
NON-CURRENT ASSETS			
Infrastructure, Property, Plant & Equipment		16,529	16,325
TOTAL NON-CURRENT ASSETS		<u>16,529</u>	<u>16,325</u>
TOTAL ASSETS		<u>17,747</u>	<u>17,290</u>
CURRENT LIABILITIES			
Payables		27	29
Interest bearing liabilities		18	17
Provisions		52	43
TOTAL CURRENT LIABILITIES		<u>97</u>	<u>89</u>
NON-CURRENT LIABILITIES			
Payables			
Interest bearing liabilities		983	1,002
Provisions			
TOTAL NON CURRENT LIABILITIES		<u>983</u>	<u>1,002</u>
TOTAL LIABILITIES		<u>1,080</u>	<u>1,091</u>
NET ASSETS		<u>\$ 16,667</u>	<u>16,199</u>
EQUITY			
Accumulated Surplus		9,445	9,431
Asset Revaluation Reserve		7,222	6,768
TOTAL EQUITY		<u>\$ 16,667</u>	<u>16,199</u>

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

KYOGLE COUNCIL

BALANCE SHEET by BUSINESS ACTIVITIES
for the year ended 30th June 2010

	Notes	BUSINESS ACTIVITIES					
		DWM '000		QUARRIES '000		TRANSPORT '000	
		2010	2009	2010	2009	2010	2009
CURRENT ASSETS							
Cash & cash equivalents		346	416	250	274	(48)	714
Receivables		57	40			1,911	1,311
Inventories				344	358		
TOTAL CURRENT ASSETS		403	456	594	632	1,863	2,025
NON-CURRENT ASSETS							
Property, Plant & Equipment		681	831	590	720		
TOTAL NON-CURRENT ASSETS		681	831	590	720		
TOTAL ASSETS		1,084	1,287	1,184	1,352	1,863	2,025
CURRENT LIABILITIES							
Payables							
Interest bearing liabilities							
Provisions							
TOTAL CURRENT LIABILITIES							
NON-CURRENT LIABILITIES							
Provisions		1,293	1,356	275	247		
TOTAL NON CURRENT LIABILITIES		1,293	1,356	275	247		
TOTAL LIABILITIES		1,293	1,356	275	247		
NET ASSETS		\$ (209)	(69)	909	1,105	1,863	2,025
EQUITY							
Accumulated Surplus		(199)	(69)	597	654	1,863	2,025
Asset Revaluation Reserve		(10)	-	312	451		
TOTAL EQUITY		\$ (209)	(69)	909	1,105	1,863	2,025

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

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE FINANCIAL STATEMENTS

For the year ended 30th June 2010

Note 1 Significant accounting policies

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

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

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

The statements are also prepared on an accruals basis. They are based on historic costs and do not take into account changing money values or, except where specifically stated, current values of non-current assets. Certain taxes and other costs, appropriately described, have been imputed for the purposes of the National Competition Policy.

National competition policy

Council has adopted the principle of 'competitive neutrality' to its business activities as part of the national competition policy which is being applied throughout Australia at all levels of government. The framework for its application is set out in the June 1996 Government Policy statement on the 'Application of National Competition Policy to Local Government'. The 'Pricing & Costing for Council Businesses A Guide to Competitive Neutrality' issued by the Division of Local Government in July 1997 has also been adopted.

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

Declared business activities

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

Category 1

Name	Brief description of Activity
Transport	Contract Road Construction & Maintenance

Category 2

Name	Brief description of Activity
Water	Water Supply
Sewer	Sewerage Services
DWM	Domestic Waste Management
Quarries	Quarrying Operations

Monetary amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest one thousand dollars, with the exception of Note 2 (Water Supply Best Practice Management Disclosures A513) and Note 3 (Sewerage Best Practice Management Disclosures A514). As required by the NSW Office of Water, Department of Environment, Climate Change and Water, the amounts shown in Notes 2 and Note 3 are shown in whole dollars.

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE FINANCIAL STATEMENTS

For the year ended 30th June 2010

Note 1 Significant accounting policies (continued)

(i) Taxation equivalent charges

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

	Notional rate applied %
Corporate Tax Rate	30
Land Tax	1.6% + \$100 in excess of \$376,000
Stamp Duty	Sliding rate according to NSW Legislation
Payroll Tax	5.65% of the excess over \$638,000

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

Income tax

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

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

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

Local Government rates and charges

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

Loan and debt guarantee fees

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

(ii) Subsidies

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

(iii) Return on investments (rate of return)

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

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE FINANCIAL STATEMENTS

For the year ended 30th June 2010

Note 1 Significant accounting policies (continued)

(iv) Dividends

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

Local Government Water Supply and Sewerage Businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus. The dividend, calculated and approved in accordance with the Best Practice Management Guidelines, must not exceed 50% of this surplus in any one year, or the number of water supply or sewerage assessments at 30 June 2010 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the guidelines for Best Practice Management of Water Supply and Sewerage, a Dividend Payment form, Statement of compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are submitted to the NSW Office of Water.

KYOGLÉ COUNCIL

NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE STATEMENTS for the year ended 30th June 2010

Note 2 - BEST PRACTICE MANAGEMENT DISCLOSURES - WATER SUPPLY

		2010
<i>Values shown in this Note are expressed in WHOLE DOLLARS</i>		\$
Calculation and Payment of Tax-Equivalents		
(i) Calculated Tax Equivalents		0
(ii) No of assessments multiplied by \$3/assessment		5,823
(iii) Amounts payable for Tax Equivalents		0
(iv) Tax Equivalents paid		0
Dividend from Surplus		
(i) 50% of Surplus before Dividends <i>(Calculated in accordance with Best Practice Management for Water Supply and Sewerage guidelines.)</i>		0
(ii) No of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment		58,230
(iii) Cumulative Surplus before Dividends for 3 years to 30 June 2010, less cumulative dividends paid for 2 years to 30 June 2009		0
(iv) Maximum Dividend from Surplus <i>(least of (i), (ii) and (iii))</i>		0
(v) Dividend paid from Surplus		0
Required Outcomes for 6 Criteria		
(i) Completion of Strategic Business Plan (including Financial Plan)		Yes
(ii) Pricing with full cost-recovery, without significant cross subsidies <i>(Item 2(a) in Table 1 on page 22 of Best Practice guidelines)</i>		Yes
Complying charges <i>(Item 2(b) in Table 1)</i>		Yes
DSP with Commercial Developer Charges <i>(Item 2(e) in Table 1)</i>		No
If Dual Water Supplies, Complying Charges <i>(Item 2(g) in Table 1)</i>		N/A
(iii) Sound Water Conservation & Demand Management Implemented		Yes
(iv) Sound Drought Management implemented		Yes
(v) Complete Performance Reporting Form <i>(by 15 September each year)</i>		Yes
(vi) Complete Integrated Water Cycle Management Evaluation		Yes
(vii) Complete and implement Integrated Water Cycle Management Strategy		Yes
National Water Initiative (NWI) Financial Performance Indicators		
NWI F1 <i>Total Revenue (Water)</i>	\$'000	1,034
NWI F4 <i>Residential Revenue from Usage Charges (Water)</i>	%	49.49
NWI F9 <i>Written Down Replacement Cost of Fixed Assets (Water)</i>	\$'000	8,405
NWI F11 <i>Operating Cost (OMA) (Water)</i>	\$'000	629
NWI F14 <i>Capital Expenditure (Water)</i>	\$'000	1,234
NWI F17 <i>Economic Real Rate of Return (Water)</i>	%	2.38
NWI F20 <i>Capital Works Grants (Water)</i>	\$'000	621

KYOGLE COUNCIL

NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE STATEMENTS for the year ended 30th June 2010

Note 3 - BEST PRACTICE MANAGEMENT DISCLOSURES - SEWERAGE

	2010
	\$
<i>Values shown in this Note are expressed in WHOLE DOLLARS</i>	
Calculation and Payment of Tax-Equivalents	
(i) Calculated Tax Equivalents	0
(ii) No of assessments multiplied by \$3/assessment	5,346
(iii) Amounts payable for Tax Equivalents (lesser of (i) and (ii))	0
(iv) Tax Equivalents paid	0
Dividend from Surplus	
(i) 50% of Surplus before Dividends <i>(Calculated in accordance with Best Practice Management for Water Supply and Sewerage guidelines.)</i>	0
(ii) No of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	53,460
(iii) Cumulative Surplus before Dividends for 3 years to 30 June 2010, less cumulative dividends paid for 2 years to 30 June 2009	0
(iv) Maximum Dividend from Surplus (least of (i), (ii) and (iii))	0
(v) Dividend paid from Surplus	0
Required Outcomes for 4 Criteria	
(i) Complete current Strategic Business Plan (including Financial Plan)	Yes
(ii) Pricing with full cost-recovery, without significant cross subsidies (Item 2(a) in Table 1 on page 18 of Best practice guidelines)	Yes
Complying charges (a) Residential (Item 2(c) in Table 1)	Yes
(b) Non-Residential (Item 2(c) in Table 1)	Yes
(c) Trade Waste (Item 2(d) in Table 1)	Yes
DSP with Commercial Developer Charges (Item 2(e) in Table 1)	No
Liquid Trade Waste Approvals & Policy (Item 2(f) in Table 1)	Yes
(iii) Complete Performance Reporting Form (by 15 September each year)	Yes
(iv) a. Complete Integrated Water Cycle Management Evaluation	Yes
(iv) b. Complete and implement Integrated Water Cycle Management Strategy	Yes
National Water Initiative (NWI) Financial Performance Indicators	
NWI F2 Total Revenue (Sewerage)	\$'000 1,048
NWI F10 Written Down Replacement Cost of Fixed Assets (Sewerage)	\$'000 16,529
NWI F12 Operating Cost (Sewerage)	\$'000 634
NWI F15 Capital Expenditure (Sewerage)	\$'000 74
NWI F18 Economic Real Rate of Return (Sewerage)	% 1
NWI F27 Capital Works Grants (Sewer)	\$'000 0
NWI F3 Total Income (Water & Sewerage)	\$'000 2,023
NWI F5 Revenue from Community Service Obligations (Water & Sewerage)	% 3
NWI F16 Capital Expenditure (Water & Sewerage)	\$'000 1,308
NWI F19 Economic Real Rate of Return (Water & Sewerage)	% 1
NWI F20 Dividend (Water & Sewerage)	\$'000 0
NWI F21 Dividend Payout Ratio (Water & Sewerage)	% 0
NWI F22 Net Debt to Equity (Water & Sewerage)	% -1
NWI F23 Interest Cover (Water & Sewerage)	times 3
NWI F24 Net Profit after Tax (Water & Sewerage)	\$'000 54
NWI F25 Community Service Obligations (Water & Sewerage)	\$'000 53



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

Matters Relating to the Electronic Presentation of the Audited Financial Statements

This audit report relates to the special purpose financial statements of Kyogle Council (the Council) for the year ended 30 June 2010 included on Council's web site. The Council is responsible for the integrity of its web site. We have not been engaged to report on the integrity of the Council's web site. The audit report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements.

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

Report on the Financial Statements

We have audited the accompanying special purpose financial statements of the Council, which comprises the balance sheet as at 30 June 2010, the income statement for the year then ended, a summary of significant accounting policies, other explanatory notes and the statement by Councillors' and Management.

Councils' Responsibility for the Financial Statements

The Council is responsible for the preparation and fair presentation of the financial statements in accordance with the Local Government Act 1993 and has determined that the accounting policies described in note 1 to the financial statements, which form part of the financial statements, are appropriate to meet the financial reporting requirements of Division of Local Government. The Council's responsibility also includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial 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 Notes 2 and 3, and accordingly, we do not express an opinion on such. In addition, our audit did not include an analysis of the prudence of business decisions made by Council or management.

The financial statements have been prepared for distribution to the Council and the Division of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting. We disclaim any assumption of responsibility for any reliance on this report or on the financial statements to which it relates to any person other than the Council or the Division of Local Government, or for any purpose other than that for which it was prepared.

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

Independence


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

Audit Opinion

In our opinion, the special purpose financial statements of Kyogle Council:

- (a) Have been prepared in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting;
- (b) Are consistent with the Council's accounting records; and
- (c) Present fairly, in all material respects, the financial position of Council's nominated Business Activities and the results of their operations.

**THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS**


G W DWYER (Partner)
Registered Company Auditor

Dated at Lismore this 30th day of November 2010.

KYOGLE COUNCIL

Special Schedules

for the year ended 30th June 2010

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KYOGLE COUNCIL
SPECIAL SCHEDULE NO 1
NET COST OF SERVICES
for the year ended 30th June 2010

\$'000

Function or Activity	Expenses from continuing operations	Income from continuing operations (non-capital)	Income from continuing operations (capital)	NET COST OF SERVICES
ADMINISTRATION	2,838	19	-	2,819
PUBLIC ORDER & SAFETY				
Fire Service Levy, Fire Protection, Emergency Services	590	276	58	256
Beach Control	-	-	-	-
Enforcement of Local Govt Regulations	-	-	-	-
Animal Control	92	24	-	68
Other	2	-	-	2
Total Public Order & Safety	684	300	58	326
HEALTH	156	104	-	52
ENVIRONMENT				
Noxious Plants and Insect / Vermin Control	97	-	-	97
Other Environmental Protection	-	-	-	-
Solid Waste Management	1,118	781	-	337
Street Cleaning	-	-	-	-
Drainage	258	93	103	62
Stormwater Management	-	-	-	-
Total Environment	1,473	874	103	496
COMMUNITY SERVICES & EDUCATION				
Administration & Education	104	33	-	71
Social Protection (welfare)	74	35	-	39
Aged Persons & Disabled	-	-	-	-
Childrens Services	2	2	-	-
Total Community Services & Education	180	70	-	110
HOUSING & COMMUNITY AMENITIES				
Public Cemeteries	117	77	-	40
Public Conveniences	120	-	-	120
Street Lighting	100	29	-	71
Town Planning	176	222	-	(46)
Other Community Amenities	-	-	-	-
Total Housing & Community Amenities	513	328	-	185
WATER SUPPLIES	1,001	1,040	623	(662)
SEWERAGE SERVICES	1,048	1,060	2	(14)

KYOGLE COUNCIL

SPECIAL SCHEDULE NO 1 - NET COST OF SERVICES (cont) for the year ended 30th June 2010

\$'000

Function or Activity	Expenses from continuing operations	Income from continuing operations (non-capital)	Income from continuing operations (capital)	NET COST OF SERVICES
RECREATION & CULTURE				
Public Libraries	345	75	-	270
Museums	-	5	-	(5)
Art Galleries	61	5	-	56
Community Centres and Halls	243	16	40	187
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	-	-	-	-
Sporting Grounds	-	-	-	-
Swimming Pools	527	141	-	386
Parks & Gardens, Lakes	529	36	79	414
Other Sport & Recreation	-	-	-	-
Total Recreation & Culture	1,705	278	119	1,308
FUEL & ENERGY				
	-	-	-	-
AGRICULTURE				
	-	-	-	-
MINING, MANUFACTURING & CONSTRUCTION				
Building Control	103	19	-	84
Other Mining Manufacturing & Construction	599	541	-	58
Total Mining Manufacturing & Construction	702	560	-	142
TRANSPORT & COMMUNICATION				
Urban Roads: Local	789	5	144	640
Urban Roads: Regional	-	-	-	-
Sealed Rural Roads: Local	858	-	-	858
Sealed Rural Roads: Regional	953	1,209	888	(1,144)
Unsealed Rural Roads: Local	2,830	1,432	545	853
Unsealed Rural Roads: Regional	-	-	-	-
Bridges - Urban Roads: Local	-	-	-	-
Bridges - Sealed Rural Roads: Local	1,195	171	336	688
Bridges - Unsealed Rural Roads: Local	-	-	-	-
Bridges on Regional Roads	123	-	647	(524)
Parking Areas	-	-	-	-
Footpaths	-	-	600	(600)
Aerodromes	-	-	-	-
Other Transport & Communication	3,024	3,904	-	(880)
Total Transport & Communication	9,772	6,721	3,160	(109)
ECONOMIC AFFAIRS				
Camping Areas & Caravan Parks	-	-	-	-
Other Economic Affairs	148	24	-	124
Total Economic Affairs	148	24	-	124
TOTALS - FUNCTIONS				
	20,220	11,378	4,065	4,777
General Purpose Revenues				8,341
Equity accounted income (loss)				-
				8,341
NET OPERATING RESULT FOR YEAR				3,564

KYOGLE COUNCIL
SPECIAL SCHEDULE NO 2 (1)
STATEMENT OF LONG TERM DEBT (ALL PURPOSE)
for the year ended 30th June 2010

\$'000

Classification of Debt	Principal Outstanding at beginning of year			New Loans Raised	Debt Redemption		Tfrs to Sinking Funds	Interest applicable for year	Principal outstanding at end of year		
	Current	Non-Current	Total		From Revenue	Sinking Funds			Current	Non-Current	Total
LOANS (by source)											
Commonwealth Government			-								-
Treasury Corporation			-								-
Other State Government			-								-
Public Subscription			-								-
Financial Institutions	17	1,002	1,019	300	22		88	27	1,270	1,297	
Other			-								-
Total Loans	17	1,002	1,019	300	22	-	88	27	1,270	1,297	
OTHER LONG TERM DEBT											
Ratepayers' Advances			-								-
Government Advances			-								-
Finance Leases			-								-
Deferred Payment			-								-
Other			-								-
Total Other Long Term Debt	-	-	-	-	-	-	-	-	-	-	
TOTAL LONG TERM DEBT	17	1,002	1,019	300	22	-	88	27	1,270	1,297	

This Schedule excludes Internal Loans and refinancing of existing borrowings.

KYOGLE COUNCIL

**SPECIAL SCHEDULE NO 2 (2)
STATEMENT OF INTERNAL LOANS
for the year ended 30th June 2010**

\$'000

SUMMARY OF INTERNAL LOANS

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

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

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

KYOGLE COUNCIL

SPECIAL SCHEDULE NO 3 WATER SUPPLY OPERATIONS (Gross including Internal Transactions) for the year ended 30th June 2010

<u>A. EXPENSES & REVENUES</u>	2010	2009
<u>EXPENSES</u>	\$'000	\$'000
1.a. Management - Administration	171	181
b. - Engineering & Supervision	77	75
2 Operations		
a. - Dams & Weirs - Operation Expenses		
b. - Maintenance Expenses		
c. - Mains - Operation Expenses		
d. -Maintenance Expenses	183	104
e. - Reservoirs - Operation Expenses		
f. - Maintenance Expenses	12	12
g. - Pumping Stations - Operation Expenses		
h. - Energy Costs	28	43
i. - Maintenance Expenses		
j. - Treatment - Operation Expenses	75	66
k. - Chemical Costs	7	4
l. - Maintenance Expenses		
m. - Other - Operation Expenses	4	3
n. - Maintenance Expenses	27	14
o. - Purchase of Water	45	34
3.a. Depreciation - System Assets	166	162
b. - Plant & Equipment	18	14
4.a. Miscellaneous - Interest	14	
b. - Revaluation decrements		
c. - Other	115	88
c. - NCP Tax & Other Equivalentts	-	-
5 Total Expenses	942	800
 <u>REVENUE</u>		
6 Residential Charges		
a. - Access (including rates)	299	258
b. - User Charges	293	269
7 Non-Residential Charges		
a. - Access (including rates)	120	116
b. - User Charges	206	176
8 Extra Charges	7	8
9 Interest	7	29
10 Other Income	81	12
11.a. Grants - Acquisition of Assets	621	197
b. - Pensioner Rebates	27	27
c. - Other		
12.a. Contributions - Developer Charges	1	
b. - Developer Provided Assets		
c. - Other Contributions	-	16
13 Total Revenues	1,662	1,108
14 Gain (Loss) on Disposal of Assets	(59)	
15 OPERATING RESULT	661	308
15a. Operating Result before Grants for Acquisition of Assets	40	111

KYOGLÉ COUNCIL

SPECIAL SCHEDULE NO 3 - WATER SUPPLY OPERATIONS (cont)

	2010 \$'000	2009 \$'000
<u>B. CAPITAL TRANSACTIONS</u>		
<u>Non - Operating Expenditure</u>		
16 Acquisition of Fixed Assets		
a. - Subsidised Scheme		
b. - Other New System Assets	821	497
c. - Renewals		134
d. - Plant & Equipment	413	5
17 Repayment of Debt		
a. - Loans	4	
b. - Advances		
c. - Finance Leases		
18 Transfers to Sinking Funds		
19 Total Non-Operating Expenditure	1,238	636
<u>Non-Operating Funds Employed</u>		
20 Proceeds from Disposal of Assets		
21 Borrowings Utilised		
a. - Loans	300	
b. - Advances		
c. - Finance Leases		
22 Transfers from Sinking Funds		
23 Total Non-Operating Funds Employed	300	-
<u>C. RATES & CHARGES</u>		
24 Number of Assessments		
a. - Residential (occupied)	1492	
b. - Residential (unoccupied - vacant land)	91	
c. - Non-Residential (occupied)	358	
d. - Non -Residential (unoccupied - vacant land)	0	
25 Number of ETs for which Developer Charges were	2 ET	
26 Total Amount of Pensioner Rebates	49 \$'000	
<u>D. BEST PRACTICE ANNUAL CHARGES & DEVELOPER CHARGES</u>		
27 Annual Charges		
a. Does Council have best-practice water supply annual charges and usage charges?	<input checked="" type="checkbox"/> Yes	
If Yes, go to 28a.		
If No, has Council removed <u>land value</u> from access charges (i.e. rates)	<input type="checkbox"/>	
b. Cross subsidy <u>from</u> residential customers using less than allowance		_____
c. Cross subsidy <u>to</u> non-residential customers		_____
d. Cross subsidy <u>to</u> large connections in unmetered supplies		_____
28 Developer Charges		
a. Has Council completed a water supply Development Servicing Plan?	<input checked="" type="checkbox"/> No	
b. Total cross-subsidy in water supply developer charges		_____
29 TOTAL OF CROSS SUBSIDIES		-

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

KYOGLE COUNCIL

**SPECIAL SCHEDULE NO 4
WATER SUPPLY - NET ASSETS COMMITTED
(Gross including Internal Transactions)
for the year ended 30th June 2010**

<u>ASSETS</u>	<u>Current</u> \$'000	<u>Non-Current</u> \$'000	<u>Total</u> \$'000
30 Cash and Investments			
a. - Developer Charges	2		2
b. - Specific Purpose Grants			-
c. - Accrued Leave	73		73
d. - Unexpended Loans			-
e. - Sinking Funds			-
f. - Other	564		564
31 Receivables			
a. - Specific Purpose Grants			-
b. - Rates & Availability Charges	247		247
c. - Other	20		20
32 Inventories			-
33 Property, Plant & Equipment			
a. - System Assets		7,508	7,508
b. - Plant & Equipment		897	897
34 Other			-
35 Total Assets	<u>906</u>	<u>8,405</u>	<u>9,311</u>
<u>LIABILITIES</u>			
36 Bank Overdraft			-
37 Creditors	23		23
38 Borrowings			
a. - Loans	9	287	296
b. - Advances			-
c. - Finance Leases			-
39 Provisions			
- Tax Equivalents			-
a. - Dividend	-		-
b. - Other	52		52
40 Total Liabilities	<u>84</u>	<u>287</u>	<u>371</u>
41 NET ASSETS COMMITTED	<u>822</u>	<u>8,118</u>	<u>8,940</u>
<u>EQUITY</u>			
42 Accumulated Surplus			7,903
43 Asset Revaluation Reserve			1,037
44 Total Equity			<u>8,940</u>
45 Current Replacement Cost of System Assets			19,656
46 Accumulated Current Cost Depreciation of System Assets			11,251
47 Written Down Current Cost of System Assets			<u>8,405</u>

KYOGLÉ COUNCIL

SPECIAL SCHEDULE NO 5 SEWERAGE SERVICE OPERATIONS (Gross including Internal Transactions) for the year ended 30th June 2010

<u>A. EXPENSES & REVENUES</u>	2010	2009
<u>EXPENSES</u>	\$'000	\$'000
1.a. Management - Administration	114	113
b. - Engineering & Supervision	63	60
2 Operations & Maintenance Expenses		
a. -Mains - Operation Expenses		
b. -Maintenance Expenses	46	37
c. - Pumping Stations - Operation Expenses	49	57
d. - Energy Costs	20	23
e. - Maintenance Expenses	3	10
f. - Treatment - Operation Expenses	268	188
g. - Chemical Costs	49	54
h. - Energy Costs	22	16
i. - Effluent Management		
j. - Biosolids Management		
k. - Maintenance Expenses		
l. - Other - Operation Expenses		
m. - Maintenance Expenses		
3.a. Depreciation - System Assets	267	233
b. - Plant & Equipment	56	51
4.a. Miscellaneous - Interest	74	75
b. - Revaluation decrements		
c. - Other	17	20
c. - NCP Tax & Other Equivalentents	-	-
5 Total Expenses	1,048	937
 <u>REVENUE</u>		
6 Residential Charges (including rates)	812	782
7 Non-Residential Charges		
a Access (including rates)	70	71
b User Charges	101	110
8 Trade Waste Charges		
a Annual Fees	9	9
b User Charges	19	18
c Excess Mass Charges & Re-inspection Fees		
9 Extra Charges		
10 Interest	14	42
11 Other Income	9	-
12.a. Grants - Acquisition of Assets		948
b. - Pensioner Rebates	26	26
c. - Other		
13.a Contributions - Developer Charges	2	19
b. - Developer Provided Assets		
c. - Other Contributions	-	-
14 Total Revenues	1,062	2,025
15 Gain (Loss) on Disposal of Assets		
16 OPERATING RESULT	14	1,088
16.a. Operating Result before Grants for Acquisition of Assets	14	140

KYOGLÉ COUNCIL

SPECIAL SCHEDULE NO 5 - SEWERAGE SERVICE OPERATIONS (cont)

	2010 \$'000	2009 \$'000
<u>B. CAPITAL TRANSACTIONS</u>		
<u>Non - Operating Expenditure</u>		
17 Acquisition of Fixed Assets		
a. - Subsidised Scheme		1,361
b. - Other New System Assets	62	42
c. - Renewals	12	
d. - Plant & Equipment		
18 Repayment of Debt		
a. - Loans	11	16
b. - Advances		
c. - Finance Leases		
19 Transfers to Sinking Funds		
20 Total Non-Operating Expenditure	85	1,419
<u>Non-Operating Funds Employed</u>		
21 Proceeds of Disposal of Assets		
22 Borrowings Utilised		
a. - Loans		
b. - Advances		
c. - Finance Leases		
23 Transfers from Sinking Funds		
24 Total Non-Operating Funds Employed	-	-
<u>C. RATES AND CHARGES</u>		
25 Number of Assessments		
a. - Residential (occupied)	1486	
b. - Residential (unoccupied - vacant land)	99	
c. - Non-Residential (occupied)	197	
d. - Non-Residential (unoccupied - vacant land)	0	
26 Number of ETs for which Developer Charges were	1.6 ET	
27 Total Amount of Pensioner Rebates	47 \$'000	
<u>D. BEST PRACTICE ANNUAL CHARGES & DEVELOPER CHARGES</u>		
28 Annual Charges		
a Does Council have best-practice sewerage annual charges, usage charges and trade waste fees and charges?		Yes
If Yes, go to 29a.		
If No, has Council removed land value from access charges (i.e. rates)		
b Cross subsidy to non-residential customers		
c Cross subsidy to trade waste dischargers		
29 Developer Charges		
a Has Council completed a sewerage Development Servicing Plan?		No
b Total cross-subsidy in sewerage developer charges		
30 TOTAL OF CROSS SUBSIDIES		-

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

KYOGLE COUNCIL

**SPECIAL SCHEDULE NO 6
SEWERAGE SERVICES - NET ASSETS COMMITTED
(Gross including Internal Transactions)
for the year ended 30th June 2010**

ASSETS	<u>Current</u> \$'000	<u>Non-Current</u> \$'000	<u>Total</u> \$'000
31 Cash and Investments			
a. - Developer Charges	1		1
b. - Specific Purpose Grants			-
c. - Accrued Leave	73		73
d. - Unexpended Loans			-
e. - Sinking Funds			-
f. - Other	956		956
32 Receivables			
a. - Specific Purpose Grants			-
b. - Rates & Availability Charges	164		164
c. - Other	24		24
33 Inventories			-
34 Property, Plant & Equipment			
a. - System Assets		15,583	15,583
b. - Plant & Equipment		946	946
35 Other			-
36 Total Assets	<u>1,218</u>	<u>16,529</u>	<u>17,747</u>
LIABILITIES			
37 Bank Overdraft			-
38 Creditors	27		27
39 Borrowings			
a. - Loans	18	983	1,001
b. - Advances			-
c. - Finance Leases			-
40 Provisions			
- Tax Equivalents			-
a. - Dividend	-		-
b. - Other	52		52
41 Total Liabilities	<u>97</u>	<u>983</u>	<u>1,080</u>
42 NET ASSETS COMMITTED	<u>1,121</u>	<u>15,546</u>	<u>16,667</u>
EQUITY			
43 Accumulated Surplus			9,445
44 Asset Revaluation Reserve			7,222
45 Total Equity			<u>16,667</u>
46 Current Replacement Cost of System Assets			27,855
47 Accumulated Current Cost Depreciation of System Assets			11,326
48 Written Down Current Cost of System Assets			<u>16,529</u>

KYOGLE COUNCIL
SPECIAL SCHEDULE NO 7
CONDITION OF PUBLIC WORKS
as at 30th June 2010

Asset Class	Asset Category	Depreciation Rate (%)	Depreciation Expense	Cost	Valuation	Accumulated Depreciation	Carrying Value	Asset Condition (see Notes attached)	Estimated Cost to bring to a Satisfactory Standard	Estimated Annual Maintenance Expense	Program Maintenance Works for current year
			'000	'000	'000	'000	'000		'000	'000	'000
	<i>References</i>	<i>Note 9</i>	<i>Note 4</i>		<i>Note 9</i>			<i>Local Govt. Act 1993, Section 428 (2d)</i>			
Public Buildings	Council Offices	1%	21		2,240	732	1,508	85%	15	16	5
	Works Depot	1%	36		1,782	751	1,031	70%	45	10	8
	Halls	1%	91		9,704	5,967	3,737	50%	1,515	32	30
	Houses	1%	2		132	132	-	15%	65	1	4
	Library	1%	7		802	347	455	60%	30	5	5
	Childcare Centres	1%	17		938	395	543	60%	60	6	6
	Bushfire	1%	19		1,054	459	595	60%	65	7	8
	Pools	1%	78		4,681	2,360	2,321	52%	370	20	20
	Parks & Gardens	1%	94		3,517	1,806	1,711	60%	320	12	16
	Animal Control	1%	1		37	17	20	85%	-	2	2
	Emergency Services	1%	2		111	43	68	70%	5	3	1
	Cemeteries	1%	3		130	77	53	50%	20	2	4
	Amenities/Toilets	1%	1		299	128	171	70%	15	4	4
	Commercial Waste	1%	6		155	87	68	75%	10	2	6
	Quarries	1%	-		41	31	10	40%	10	2	1
	Subtotal		378	-	25,623	13,332	12,291		2,545	124	120
Public Roads	Seal Local Roads	5%	228		9,718	3,587	6,131	75%	2,640	400	922
	Seal Regional Roads	5%	79		5,514	1,480	4,034	70%	2,080	250	251
	Unsealed Local Roads	2%	652		39,664	19,796	19,868	60%	7,800	2,000	278
	Unsealed Regional Roads	2%	32		1,702	1,021	681	80%	100	80	6
	Pavement Local Roads	2%	470		48,095	18,531	29,564	70%	3,900	513	2,396
	Pavement Regional Roads	2%	237		42,967	13,386	29,581	70%	4,800	470	280
	Roadside Furniture	5%	12		1,931	645	1,286	85%	72	386	54
	Bridges on Local Roads	1%	281		74,652	36,414	38,238	55%	3,000	500	662
	Bridges on Regional Roads	1%	67		13,294	3,780	9,514	95%	300	46	123
	Footpaths	2%	44		2,015	945	1,070	85%	600	40	29
	Carparks	2%	7		149	54	95	85%	12	3	-
	Subtotal		2,109	-	239,701	99,639	140,062		25,304	4,688	5,001

This Schedule is to be read in conjunction with the explanatory notes following.

KYOGLE COUNCIL

**SPECIAL SCHEDULE NO 7 - CONDITION OF PUBLIC WORKS (cont)
as at 30th June 2010**

Asset Class	Asset Category	Depreciation Rate (%)	Depreciation Expense	Cost	Valuation	Accumulated Depreciation	Carrying Value	Asset Condition (see Notes attached)	Estimated Cost to bring to a Satisfactory Standard	Estimated Annual Maintenance Expense	Program Maintenance Works for current year
			'000	'000	'000	'000	'000		'000	'000	'000
	<i>References</i>		<i>Note 9</i>	<i>Note 4</i>	<i>Note 9</i>			<i>Local Govt. Act 1993, Section 428 (2d)</i>			
Water	Services	2.5%	3		296	78	218	75%	21	16	6
	Mains	2.5%	102		7,838	4,705	3,133	40%	3,090	82	53
	Meters	2.5%	2		780	750	30	15%	392	21	11
	House	1.0%	2		204	145	59	30%	21	5	5
	Other Structures	1.0%	57		8,689	5,174	3,515	57%	1,545	341	366
	Subtotal		166	-	17,807	10,852	6,955		5,069	465	441
Sewerage	Other Structures	1.0%	48		4,420	1,388	3,032	70%	770	360	387
	Services	2.5%	19		1,834	871	963	60%	309	31	10
	Mains	2.5%	198		18,334	8,234	10,100	60%	5,750	61	40
	Air Vent Stacks	2.5%	2		201	131	70	40%	31	4	1
	Subtotal		267	-	24,789	10,624	14,165		6,860	456	438
Drainage	Infrastructure	2.5%	183		22,968	9,045	13,923	70%	2,369	61	40
	Subtotal		183	-	22,968	9,045	13,923		2,369	61	40
Total Classes - All Assets			3,103	-	330,888	143,492	187,396		42,147	5,794	6,040

This Schedule is to be read in conjunction with the explanatory notes following.

KYOGLE COUNCIL

SPECIAL SCHEDULE NO 7 - CONDITION OF PUBLIC WORKS (cont) as at 30th June 2010

"SATISFACTORY" CONDITION OF PUBLIC ASSETS

In assessing the condition of Public Assets Council has had regard to the condition, function and location of each asset, based on the original design standard. Changes in standards or proposed or potential enhancements to the existing asset design standard have been ignored (Code p A702). Assets within each Asset Category have been assessed on an overall basis, recognising that an average standard of "satisfactory" may be achieved even though certain assets may be above or below that standard on an individual basis.

Council recognises that the standard that it considers to be "satisfactory" may be different from that adopted by other Councils.

The information contained in this Schedule comprises accounting estimates formulated in accordance with the NSW Local Government Code of Accounting Practice and Financial Reporting. Nothing contained within this Schedule may be taken to be an admission of any liability to any person under any circumstance.

KYOGLE COUNCIL

SPECIAL SCHEDULE NO 8 - FINANCIAL PROJECTIONS as at 30th June 2010

	2010	2011	2012	2013
	\$'000	\$'000	\$'000	\$'m
Recurrent Budget				
Income from continuing operations	23,784	18,582	16,466	17,018
Expenses from continuing operations	20,220	12,323	11,346	11,749
Operating result from continuing operations	<u>3,564</u>	<u>6,259</u>	<u>5,120</u>	<u>5,269</u>
Capital Budget				
New Works	784	1,856	1,496	2,001
Replacement of existing assets	7,093	6,648	4,226	4,178
	<u>7,877</u>	<u>8,504</u>	<u>5,722</u>	<u>6,179</u>
<i>Funded by</i>				
- Loans	300	600	500	600
- Asset Sales	479	391	402	414
- Reserves	1,612	2,604	2,510	2,986
- Grants/Contributions	4,065	3,036	1,793	1,905
- Recurrent revenue	1,421	1,873	517	274
- Other	<u>7,877</u>	<u>8,504</u>	<u>5,722</u>	<u>6,179</u>