



KYOGLE COUNCIL

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2015

Gateway to the Rainforests



KYOGLE COUNCIL

General Purpose Financial Statements for the financial year ended 30 June 2015

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Overview

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

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

- the ability to provide goods, services & facilities, and to carry out activities appropriate to the current & future needs of the local community and of the wider public,
- the responsibility for administering regulatory requirements under the LGA and
- a role in the management, improvement and development of the resources in the area.

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

- (iii) All figures presented in these financial statements are presented in Australian Currency.
- (iv) These financial statements were authorised for issue by the Council on 26 October 2015. Council has the power to amend and reissue these financial statements.
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KYOGLE COUNCIL

General Purpose Financial Statements for the financial year ended 30 June 2015

Statement by Councillors and Management

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

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

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

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

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

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


Signed in accordance with a resolution of Council made on 26 October 2015.



Danielle Mulholland
MAYOR



John Burley
COUNCILLOR



David Tuxford
GENERAL MANAGER



Glenn Rose
RESPONSIBLE ACCOUNTING OFFICER

KYOGLE COUNCIL

Income Statement

for the financial year ended 30 June 2015

| Budget ¹ 2015 | \$ '000 | Notes | Actual 2015 | Actual 2014 |
|--|--|-------|----------------|--------------------|
| Income from Continuing Operations | | | | |
| Revenue: | | | | |
| 7,666 | Rates & Annual Charges | 3a | 7,739 | 7,509 |
| 4,408 | User Charges & Fees | 3b | 6,962 | 4,999 |
| 443 | Interest & Investment Revenue | 3c | 602 | 641 |
| 9 | Other Revenues | 3d | 68 | 100 |
| 5,583 | Grants & Contributions provided for Operating Purposes | 3e,f | 6,374 | 4,640 ² |
| 4,434 | Grants & Contributions provided for Capital Purposes | 3e,f | 2,567 | 2,094 |
| Other Income: | | | | |
| | Net gains from the disposal of assets | 5 | - | - |
| | Net Share of interests in Joint Ventures & Associates using the equity method | 19 | - | - |
| 22,543 | Total Income from Continuing Operations | | 24,312 | 19,983 |
| Expenses from Continuing Operations | | | | |
| 8,121 | Employee Benefits & On-Costs | 4a | 7,259 | 7,211 |
| 163 | Borrowing Costs | 4b | 119 | 132 |
| 4,429 | Materials & Contracts | 4c | 6,290 | 5,770 |
| 7,721 | Depreciation & Amortisation | 4d | 7,758 | 7,664 |
| | Impairment | 4d | - | - |
| 2,034 | Other Expenses | 4e | 1,936 | 1,931 |
| | Interest & Investment Losses | 3c | - | - |
| 37 | Net Losses from the Disposal of Assets | 5 | 1,605 | 1,907 |
| | Net Share of interests in Joint Ventures & Associates using the equity method | 19 | - | - |
| 22,505 | Total Expenses from Continuing Operations | | 24,967 | 24,615 |
| 38 | Operating Result from Continuing Operations | | (655) | (4,632) |
| Discontinued Operations | | | | |
| | Net Profit/(Loss) from Discontinued Operations | 24 | - | - |
| 38 | Net Operating Result for the Year | | (655) | (4,632) |
| 38 | Net Operating Result attributable to Council | | (655) | (4,632) |
| | Net Operating Result attributable to Non-controlling Interests | | - | - |
| (4,396) | Net Operating Result for the year before Grants and Contributions provided for Capital Purposes | | (3,222) | (6,726) |

¹ Original Budget as approved by Council - refer Note 16

² Financial Assistance Grants for 13/14 were lower reflecting a one off timing difference due to a change in how the grant was paid in prior years - refer Note 3 (e)

KYOGLE COUNCIL

Statement of Comprehensive Income for the financial year ended 30 June 2015

| \$ '000 | Notes | Actual 2015 | Actual 2014 |
|--|----------|----------------|----------------|
| Net Operating Result for the year (as per Income statement) | | (655) | (4,632) |
| Other Comprehensive Income: | | | |
| Amounts which will not be reclassified subsequently to the Operating Result | | | |
| Gain (loss) on revaluation of I,PP&E | 20b (ii) | 51,970 | 7,345 |
| Adjustment to correct prior period errors | | - | - |
| Impairment (loss) reversal relating to I,PP&E | 20b (ii) | - | - |
| Other Movements in reserves (enter details here) | 20b (ii) | - | - |
| Other Movements | | - | - |
| Total Items which will not be reclassified subsequently to the Operating Result | | 51,970 | 7,345 |
| Total Other Comprehensive Income for the year | | 51,970 | 7,345 |
| Total Comprehensive Income for the Year | | 51,315 | 2,713 |
| Total Comprehensive Income attributable to Council | | 51,315 | 2,713 |
| Total Comprehensive Income attributable to Non-controlling Interests | | - | - |

KYOGLE COUNCIL

Statement of Financial Position

as at 30 June 2015

| \$ '000 | Notes | Actual 2015 | Actual 2014 |
|---|-------|----------------|----------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash & Cash Equivalents | 6a | 20,958 | 14,776 |
| Investments | 6b | - | - |
| Receivables | 7 | 4,365 | 5,562 |
| Inventories | 8 | 2,049 | 971 |
| Other | 8 | - | - |
| Non-current assets classified as "held for sale" | 22 | - | - |
| Total Current Assets | | 27,372 | 21,309 |
| Non-Current Assets | | | |
| Investments | 6b | - | - |
| Receivables | 7 | - | - |
| Inventories | 8 | - | - |
| Infrastructure, Property, Plant & Equipment | 9 | 340,932 | 292,541 |
| Investments accounted for using the equity method | 19 | - | - |
| Investment Property | 14 | - | - |
| Intangible Assets | 25 | - | - |
| Non-current assets classified as "held for sale" | 22 | - | - |
| Other | 8 | - | - |
| Total Non-Current Assets | | 340,932 | 292,541 |
| TOTAL ASSETS | | 368,304 | 313,850 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Payables | 10 | 2,044 | 1,288 |
| Borrowings | 10 | 221 | 271 |
| Provisions | 10 | 1,695 | 1,688 |
| Total Current Liabilities | | 3,960 | 3,247 |
| Non-Current Liabilities | | | |
| Payables | 10 | 137 | 145 |
| Borrowings | 10 | 3,229 | 907 |
| Provisions | 10 | 1,687 | 1,575 |
| Total Non-Current Liabilities | | 5,053 | 2,627 |
| TOTAL LIABILITIES | | 9,013 | 5,874 |
| Net Assets | | 359,291 | 307,976 |
| EQUITY | | | |
| Retained Earnings | 20 | 141,367 | 142,022 |
| Revaluation Reserves | 20 | 217,924 | 165,954 |
| Council Equity Interest | | 359,291 | 307,976 |
| Total Equity | | 359,291 | 307,976 |

KYOGLE COUNCIL

Statement of Changes in Equity for the financial year ended 30 June 2015

| \$ '000 | Notes | Retained Earnings | Reserves (Refer 20b) | Council Interest | Non- controlling Interest | Total Equity |
|--|----------|----------------------|-------------------------|---------------------|---------------------------------|-----------------|
| 2015 | | | | | | |
| Opening Balance (as per Last Year's Audited Accounts) | | 142,022 | 165,954 | 307,976 | - | 307,976 |
| Revised Opening Balance (as at 1/7/14) | | 142,022 | 165,954 | 307,976 | - | 307,976 |
| c. Net Operating Result for the Year | | (655) | - | (655) | - | (655) |
| d. Other Comprehensive Income | | | | | | |
| - Revaluations : IPP&E Asset Revaluation Rsve | 20b (ii) | - | 51,970 | 51,970 | - | 51,970 |
| Equity - Balance at end of the reporting period | | 141,367 | 217,924 | 359,291 | - | 359,291 |

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

KYOGLE COUNCIL

Statement of Cash Flows

for the financial year ended 30 June 2015

| Budget 2015 | \$ '000 | Notes | Actual 2015 | Actual 2014 |
|---|---|-------|----------------|----------------|
| Cash Flows from Operating Activities | | | | |
| Receipts: | | | | |
| 7,666 | Rates & Annual Charges | | 8,250 | 7,508 |
| 4,408 | User Charges & Fees | | 7,334 | 2,992 |
| 443 | Investment & Interest Revenue Received | | 688 | 591 |
| 10,017 | Grants & Contributions | | 9,085 | 7,658 |
| | Bonds, Deposits & Retention amounts received | | - | 1 |
| 9 | Other | | 30 | 108 |
| Payments: | | | | |
| (8,121) | Employee Benefits & On-Costs | | (7,209) | (7,348) |
| (4,429) | Materials & Contracts | | (6,634) | (6,238) |
| (163) | Borrowing Costs | | (87) | (92) |
| | Bonds, Deposits & Retention amounts refunded | | (17) | - |
| (2,034) | Other | | (1,868) | (1,702) |
| | Net Cash from Boundary Adjustments | | - | - |
| 7,796 | Net Cash provided (or used in) Operating Activities | 11b | 9,572 | 3,478 |
| Cash Flows from Investing Activities | | | | |
| Receipts: | | | | |
| (37) | Sale of Infrastructure, Property, Plant & Equipment | | 438 | 460 |
| Payments: | | | | |
| (10,638) | Purchase of Infrastructure, Property, Plant & Equipment | | (6,100) | (7,265) |
| (10,675) | Net Cash provided (or used in) Investing Activities | | (5,662) | (6,805) |
| Cash Flows from Financing Activities | | | | |
| Receipts: | | | | |
| | Proceeds from Borrowings & Advances | | 2,549 | - |
| Payments: | | | | |
| (187) | Repayment of Borrowings & Advances | | (277) | (32) |
| (187) | Net Cash Flow provided (used in) Financing Activities | | 2,272 | (32) |
| (3,066) | Net Increase/(Decrease) in Cash & Cash Equivalents | | 6,182 | (3,359) |
| 12,691 | plus: Cash & Cash Equivalents - beginning of year | 11a | 14,776 | 18,135 |
| 9,625 | Cash & Cash Equivalents - end of the year | 11a | 20,958 | 14,776 |

Please refer to Note 11 for information on the following:

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

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2015

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Kyogle Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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

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

(a) Basis of preparation

(i) Background

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

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

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

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

Because AASBs are sector neutral, some standards either:

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

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

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

(iii) New and amended standards adopted by Council

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

- AASB 10 Consolidated Financial Statements
- AASB 11 Joint Arrangements
- AASB 12 Disclosures of Interests in Other Entities

AASB 10 introduced a new definition of control based on the substance of the relationship and required Councils to consider their involvement with other entities regardless of whether there was a financial interest.

AASB 11 classified joint arrangements into either joint ventures (equity accounting) or joint operations (accounting for share of assets and liabilities).

AASB 12 has increased the level of disclosures required where Council has any interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities.

Council has reviewed all its related entities regarding the impact of the AASB 10, 11 and 12 and determined that the only entity requiring disclosure is NEWLOG under AASB 11, details of which are disclosed in Note 19 to the General Purpose Financial Statements.

(iv) Early adoption of Accounting Standards

With the exception of AASB 2015-7, Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2014.

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

Kyogle Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

(v) Basis of Accounting

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

- (i) certain financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets which are all valued at fair value,
- (ii) the write down of any asset on the basis of impairment (if warranted), and
- (iii) certain classes of non-current assets (eg. Infrastructure and Property, Plant & Equipment that are accounted for at fair valuation.

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

(vi) Changes in Accounting Policies

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

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

(vii) Significant Accounting Estimates

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

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

Significant judgements in applying Council's accounting policies

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

(b) Revenue recognition

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to it and specific criteria have been met for each of the Council's activities as described below.

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

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

Kyogle Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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

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

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

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

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

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

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

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

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

User Charges, Fees and Other Income

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

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

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

Sale of Infrastructure, Property, Plant and Equipment

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

Interest and Rents

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

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

Dividend Income

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

Other Income

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

(c) Principles of Consolidation

These financial statements incorporate **(i)** the assets and liabilities of Council and any entities (or operations) that it **controls** (as at 30 June 2015) and **(ii)** all the related operating results (for the financial year ended the 30th June 2015).

Kyogle Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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

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

(i) The Consolidated Fund

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

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

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

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

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

Australia Day Committees
Progress Associations

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

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

Note:

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

(ii) The Trust Fund

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

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

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

A separate statement of monies held in the Trust Fund is available for inspection at the Council office by any person free of charge.

(iii) Joint Arrangements

Joint Ventures

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

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

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

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

(iv) Associates

Council has no interest in any Associates.

(v) County Councils

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

Kyogle Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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

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

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

(d) Leases

All leases entered into by Council are reviewed and classified on inception date as either a finance lease or an operating lease.

Finance Leases

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

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

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

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

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

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

Operating Leases

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

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

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

(e) Cash and Cash Equivalents

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

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

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

(f) Investments and Other Financial Assets

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

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

Kyogle Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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

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

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

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

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

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

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

(ii) Loans and receivables

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

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

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

(iii) Held-to-maturity investments

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

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

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

(iv) Available-for-sale financial assets

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

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

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

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

Financial Assets – Reclassification

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

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

Council may also choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if it has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

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

Kyogle Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

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

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

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

(ii) Subsequent Measurement

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

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

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

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

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

Impairment

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

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

(iii) Types of Investments

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

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

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

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

(g) Fair value estimation

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

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

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

Kyogle Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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

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

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

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

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

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

(h) Receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

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

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

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

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

Impairment losses are recognised in the income statement within other expenses.

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

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

(i) Inventories

Raw Materials and Stores, Work in Progress and Finished Goods

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

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

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

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

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

Kyogle Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

Land Held for Resale/Capitalisation of Borrowing Costs

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

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

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

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

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

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

Acquisition of assets

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

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

- **Investment Properties** – refer Note 1(p),
- **Water and Sewerage Networks**
(Internal Valuation)
- **Operational Land** (External Valuation)
- **Buildings – Specialised/Non Specialised**
(External Valuation)
- **Plant and Equipment**
(as approximated by depreciated historical cost)
- **Roads Assets incl. roads, bridges & footpaths**
(Internal Valuation)
- **Drainage Assets** (Internal Valuation)

- **Bulk Earthworks** (Internal Valuation)
- **Community Land** (External Valuation)
- **Land Improvements** (External Valuation)
- **Other Structures** (External Valuation)
- **Other Assets**
(as approximated by depreciated historical cost)

Initial Recognition

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

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

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

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

Subsequent costs

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

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

Asset Revaluations (including Indexation)

In accounting for asset revaluations relating to Infrastructure, Property, Plant & Equipment:

Kyogle Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

- Increases in the combined carrying amounts of asset classes arising on revaluation are credited to the asset revaluation reserve.
- To the extent that a net asset class increase reverses a decrease previously recognised via the profit or loss, then increase is first recognised in profit or loss.
- Net decreases that reverse previous increases of the same asset class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the income statement.

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

For all assets, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date.

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

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

Capitalisation Thresholds

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

Land

| | |
|--|------------------|
| - council land | 100% Capitalised |
| - open space | 100% Capitalised |
| - land under roads (purchases after 30/6/08) | 100% Capitalised |

Plant & Equipment

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

Buildings & Land Improvements

| | |
|----------------------------|-----------|
| Park Furniture & Equipment | > \$5,000 |
|----------------------------|-----------|

Building

| | |
|---------------------------|------------------|
| - construction/extensions | 100% Capitalised |
|---------------------------|------------------|

| | |
|------------------|------------|
| - renovations | > \$10,000 |
| Other Structures | > \$5,000 |

Water & Sewer Assets

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

Stormwater Assets

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

Transport Assets

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

Depreciation

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

Land is not depreciated.

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

Plant & Equipment

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

Other Equipment

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

Buildings

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

Stormwater Drainage

| | |
|----------|------------------|
| - Drains | 100 to 150 years |
|----------|------------------|

Kyogle Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

- Culverts 100 to 150 years

Transportation Assets

- Sealed Roads : Surface 10 to 25 years
 - Sealed Roads : Structure 100 years
 - Unsealed roads 20 to 38 years
 - Bridge : Concrete 100 to 171 years
 - Bridge : Timber 50 to 100 years
 - Road Pavements 100 years
 - Kerb, Gutter & Paths 30 to 70 years

Water & Sewer Assets

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

Other Infrastructure Assets

- Bulk earthworks Infinite

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount – refer Note 1(r) on Asset Impairment.

Disposal and De-recognition

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

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

(k) Land

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

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

(l) Land under roads

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

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

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

(m) Intangible Assets

Council has not classified any assets as intangible.

(n) Crown Reserves

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

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

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

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

Kyogle Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

(o) Rural Fire Service assets

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

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

Until such time as discussions on this matter have concluded and the legislation changed, Council will continue to account for these assets as it has been doing in previous years, which is to incorporate the assets, their values and depreciation charges within these financial statements.

(p) Investment property

Council has not classified any property as investment property.

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

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

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

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

Costs are estimated on the basis of a closure plan.

The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and

revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

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

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

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

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

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

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

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

Provision is made for the estimated present value of the costs of environmental clean up obligations outstanding at the reporting date.

These costs are charged to the income statement.

Movements in the environmental clean up provisions are presented as an operating cost, except for the unwind of the discount which is shown as a borrowing cost.

Remediation procedures generally commence soon after the time the damage, remediation process and estimated remediation costs become known, but may

Kyogle Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

continue for many years depending on the nature of the disturbance and the remediation techniques.

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other locations.

The expected timing of expenditure can also change, for example in response to changes in quarry reserves or production rates.

As a result there could be significant adjustments to the provision for close down and restoration and environmental clean up, which would affect future financial results.

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

(r) Impairment of assets

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

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

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

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

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

(s) Payables

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

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

(t) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired.

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

(u) Borrowing costs

Borrowing costs are expensed.

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

(v) Provisions

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

- Council has a present legal or constructive obligation as a result of past events;

Kyogle Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

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

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

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

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

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

(w) Employee benefits

(i) Short Term Obligations

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

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

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

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

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

Wages and salaries, annual leave and vesting sick leave are all classified as current liabilities.

(ii) Other Long Term Obligations

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

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

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

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

Due to the nature of when and how Long Service Leave can be taken, all Long Service Leave for employees with 5 or more years of service has been classified as Current, as it has been deemed that Council does not have the unconditional right to defer settlement beyond 12 months – even though it is not anticipated that all employees with more than 5 years service (as at reporting date) will apply for and take their leave entitlements in the next 12 months.

(iii) Retirement benefit obligations

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

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

Defined Benefit Plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised

Kyogle Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

in the Statement of Financial Position, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost.

The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

However, when this information is not reliably available, Council can account for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans – i.e. as an expense when they become payable.

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

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

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

The last valuation of the Scheme was performed by Mr Martin Stevenson BSc, FIA, FIAA on 20 February 2014 and covers the period ended 30 June 2015.

However the position is monitored annually and the Actuary has estimated that as at 30 June 2015 the prior period deficit still exists.

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

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of Superannuation Expenses at Note 4(a) for the year ending 30 June 2015 was \$ 212,814.

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

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$96,995 as at 30 June 2015.

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

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

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

Defined Contribution Plans

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

(iv) Employee Benefit On-Costs

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

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30/6/15.

(x) Self insurance

Council does not self insure.

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

In the determination of whether an asset or liability is classified as current or non-current, consideration is

Kyogle Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

given to the time when each asset or liability is expected to be settled.

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

Exceptions

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

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

(z) Taxes

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

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

Goods & Services Tax (GST)

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

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

Receivables and payables within the Statement of Financial Position are stated inclusive of any applicable GST.

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

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

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

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

(aa) New accounting standards and interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2015.

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

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

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

Applicable to Local Government:

AASB 9 - Financial Instruments (and associated amending standards)

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

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

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

Kyogle Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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

Other impacts on the reported financial position and performance have not yet been determined.

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

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

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

The full impact of AASB 15 has not yet been ascertained or quantified.

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

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2017.

AASB 124 - Related Party Disclosures

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

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

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

AASB 2014 - 10 Sale or contribution of Assets between an Investor and its Associate or Joint Venture

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

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

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

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2016.

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

Not applicable to Local Government per se;

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

(ab) Rounding of amounts

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

Kyogle Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

(ac) Comparative Figures

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

(ad) Disclaimer

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

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2015

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

| Functions/Activities | Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b). | | | | | | | | | | | | |
|--|--|---------------|---------------|-------------------------------------|---------------|---------------|---|-----------------|-----------------|--|--------------|---|----------------|
| | Income from Continuing Operations | | | Expenses from Continuing Operations | | | Operating Result from Continuing Operations | | | Grants included in Income from Continuing Operations | | Total Assets held (Current & Non-current) | |
| | Original Budget 2015 | Actual 2015 | Actual 2014 | Original Budget 2015 | Actual 2015 | Actual 2014 | Original Budget 2015 | Actual 2015 | Actual 2014 | Actual 2015 | Actual 2014 | Actual 2015 | Actual 2014 |
| Governance | - | - | - | 177 | 153 | 146 | (177) | (153) | (146) | - | - | - | - |
| Administration | 111 | 73 | 73 | 2,834 | 2,101 | 2,172 | (2,723) | (2,028) | (2,099) | - | - | 12,076 | 8,850 |
| Public Order & Safety | 41 | 16 | 21 | 448 | 414 | 461 | (407) | (398) | (440) | - | - | 2,176 | 2,276 |
| Health | 132 | 132 | 120 | 375 | 185 | 176 | (243) | (53) | (56) | - | - | 8 | 11 |
| Environment | - | 3,007 | 1,831 | - | 2,304 | 1,966 | - | 703 | (135) | 1,579 | 544 | - | - |
| Community Services & Education | 2 | 1 | 60 | 101 | 148 | 117 | (99) | (147) | (57) | 1 | 60 | 770 | 783 |
| Housing & Community Amenities | 2,557 | 270 | 272 | 2,247 | 505 | 508 | 310 | (235) | (236) | 47 | 44 | 27,039 | 21,601 |
| Water Supplies | 2,416 | 1,811 | 1,266 | 1,211 | 1,252 | 1,476 | 1,205 | 559 | (210) | 534 | 27 | 15,091 | 12,324 |
| Sewerage Services | 1,178 | 1,213 | 1,168 | 1,261 | 1,328 | 1,196 | (83) | (115) | (28) | 25 | 26 | 23,842 | 23,637 |
| Recreation & Culture | 185 | 323 | 487 | 2,183 | 2,216 | 2,136 | (1,998) | (1,893) | (1,649) | 75 | 291 | 12,796 | 12,582 |
| Fuel & Energy | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Agriculture | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Mining, Manufacturing & Construction | 388 | 300 | 242 | 407 | 336 | 257 | (19) | (36) | (15) | - | - | 1,983 | 1,964 |
| Transport & Communication | 7,434 | 7,613 | 6,850 | 11,093 | 13,899 | 13,862 | (3,659) | (6,286) | (7,012) | 1,372 | 2,273 | 272,523 | 229,822 |
| Economic Affairs | 8 | 10 | 8 | 168 | 126 | 142 | (160) | (116) | (134) | - | - | - | - |
| Total Functions & Activities | 14,452 | 14,769 | 12,398 | 22,505 | 24,967 | 24,615 | (8,053) | (10,198) | (12,217) | 3,633 | 3,265 | 368,304 | 313,850 |
| Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method) | | | | | | | | | | | | | |
| General Purpose Income ¹ | 8,091 | 9,543 | 7,585 | - | - | - | 8,091 | 9,543 | 7,585 | 4,015 | 2,026 | - | - |
| Operating Result from Continuing Operations | 22,543 | 24,312 | 19,983 | 22,505 | 24,967 | 24,615 | 38 | (655) | (4,632) | 7,648 | 5,291 | 368,304 | 313,850 |

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

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2015

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

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

GOVERNANCE

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

ADMINISTRATION

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

PUBLIC ORDER & SAFETY

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

HEALTH

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

ENVIRONMENT

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

COMMUNITY SERVICES & EDUCATION

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

HOUSING & COMMUNITY AMENITIES

Housing, town planning, street lighting, other sanitation and garbage, public cemeteries, public conveniences,

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

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

RECREATION & CULTURE

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

FUEL & ENERGY - Gas Supplies

AGRICULTURE

MINING, MANUFACTURING & CONSTRUCTION

Building control, abattoirs, quarries & pits, other.

TRANSPORT & COMMUNICATION

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

ECONOMIC AFFAIRS

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

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations

| \$ '000 | Notes | Actual 2015 | Actual 2014 |
|--|-------|----------------|----------------|
| (a) Rates & Annual Charges | | | |
| Ordinary Rates | | | |
| Residential | | 2,064 | 2,051 |
| Farmland | | 2,653 | 2,656 |
| Mining | | - | - |
| Business | | 233 | 237 |
| Other | | - | - |
| Total Ordinary Rates | | 4,950 | 4,944 |
| Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611) | | | |
| Domestic Waste Management Services | | 850 | 796 |
| Stormwater Management Services | | - | - |
| Water Supply Services | | 675 | 630 |
| Sewerage Services | | 970 | 934 |
| Drainage | | 45 | 45 |
| Waste Management Services (non-domestic) | | 249 | 160 |
| Other | | - | - |
| Total Annual Charges | | 2,789 | 2,565 |
| TOTAL RATES & ANNUAL CHARGES | | 7,739 | 7,509 |

Council has used 2012 year valuations provided by the NSW Valuer General in calculating its rates.

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

| \$ '000 | Notes | Actual 2015 | Actual 2014 |
|--|-------|----------------|----------------|
| (b) User Charges & Fees | | | |
| Specific User Charges (per s.502 - Specific "actual use" charges) | | | |
| Domestic Waste Management Services | | - | - |
| Water Supply Services | | 557 | 520 |
| Sewerage Services | | 200 | 190 |
| Drainage Services | | - | - |
| Waste Management Services (non-domestic) | | 388 | 390 |
| Other | | - | - |
| Total User Charges | | 1,145 | 1,100 |
| Other User Charges & Fees | | | |
| (i) Fees & Charges - Statutory & Regulatory Functions (per s.608) | | | |
| Art Galleries | | 5 | 5 |
| Building Services - Other | | 23 | 32 |
| Cemeteries | | 95 | 95 |
| Inspection Services | | 61 | 45 |
| Planning & Building Regulation | | 120 | 135 |
| Pools | | 125 | 119 |
| Private Works - Section 67 | | 93 | 53 |
| Quarries | | 260 | 195 |
| RMS (formerly RTA) Charges (State Roads not controlled by Council) | | 4,860 | 3,086 |
| Section 603 Certificates | | 16 | 15 |
| Other | | 159 | 119 |
| Total Fees & Charges - Statutory/Regulatory | | 5,817 | 3,899 |
| TOTAL USER CHARGES & FEES | | 6,962 | 4,999 |

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

| \$ '000 | Notes | Actual 2015 | Actual 2014 |
|--|-------|-------------------|-------------------|
| (c) Interest & Investment Revenue (incl. losses) | | | |
| Interest & Dividends | | | |
| - Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates) | | 130 | 98 |
| - Interest earned on Investments (interest & coupon payment income) | | 467 | 537 |
| - Interest & Dividend Income (Other) | | 5 | 6 |
| Other | | - | - |
| <u>TOTAL INTEREST & INVESTMENT REVENUE</u> | | <u>602</u> | <u>641</u> |
| Interest Revenue is attributable to: | | | |
| Unrestricted Investments/Financial Assets: | | | |
| Overdue Rates & Annual Charges (General Fund) | | 111 | 77 |
| General Council Cash & Investments | | 467 | 538 |
| Restricted Investments/Funds - External: | | | |
| Development Contributions | | | |
| - Section 94 | | 5 | 5 |
| - Section 64 | | - | - |
| Water Fund Operations | | 5 | 4 |
| Sewerage Fund Operations | | 8 | 10 |
| Domestic Waste Management operations | | 6 | 7 |
| <u>Total Interest & Investment Revenue Recognised</u> | | <u>602</u> | <u>641</u> |
| (d) Other Revenues | | | |
| Insurance Claim Recoveries | | 27 | 71 |
| Other | | 41 | 29 |
| <u>TOTAL OTHER REVENUE</u> | | <u>68</u> | <u>100</u> |

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

| \$ '000 | 2015 Operating | 2014 Operating | 2015 Capital | 2014 Capital |
|---|-------------------|-------------------|-----------------|-----------------|
| (e) Grants | | | | |
| General Purpose (Untied) | | | | |
| Financial Assistance | 3,897 | 1,907 | - | - |
| Pensioners' Rates Subsidies - General Component | 118 | 119 | - | - |
| Other Grants | - | - | - | - |
| Total General Purpose | 4,015 | 2,026 | - | - |

¹ The Financial Assistance Grant for the comparative 13/14 year reflects a one off timing difference (reduction). This grant ceased being paid in advance in the 13/14 year by up to 50% as had occurred in previous years.

Specific Purpose

Pensioners' Rates Subsidies:

| | | | | |
|---|--------------|--------------|--------------|--------------|
| - Water | 25 | 27 | - | - |
| - Sewerage | 27 | 26 | - | - |
| - Domestic Waste Management | 33 | 27 | - | - |
| Water Supplies | - | - | 508 | - |
| Community Projects | 34 | 73 | 37 | 53 |
| Flood Restoration | 105 | 67 | - | - |
| Library | 37 | 238 | - | - |
| Street Lighting | 32 | 32 | - | - |
| Transport (Other Roads & Bridges Funding) | 1,166 | 1,251 | 178 | 1,022 |
| Flood Mitigation | - | - | 1,065 | 320 |
| Waste Sustainability | - | - | 386 | 129 |
| Other | - | - | - | - |
| Total Specific Purpose | 1,459 | 1,741 | 2,174 | 1,524 |
| Total Grants | 5,474 | 3,767 | 2,174 | 1,524 |

Grant Revenue is attributable to:

| | | | | |
|------------------------|--------------|--------------|--------------|--------------|
| - Commonwealth Funding | 653 | 5 | - | 832 |
| - State Funding | 4,821 | 3,762 | 2,174 | 692 |
| - Other Funding | - | - | - | - |
| | 5,474 | 3,767 | 2,174 | 1,524 |

KYOGLÉ COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

| \$ '000 | 2015 Operating | 2014 Operating | 2015 Capital | 2014 Capital |
|--|-------------------|-------------------|-----------------|-----------------|
| (f) Contributions | | | | |
| Developer Contributions: | | | | |
| (s93 & s94 - EP&A Act, s64 of the LGA): | | | | |
| S 94 - Contributions towards amenities/services | 3 | 3 | 26 | 109 |
| S 64 - Water Supply Contributions | - | - | 3 | 4 |
| S 64 - Sewerage Service Contributions | - | - | 3 | 1 |
| S 64 - Stormwater Contributions | - | - | 2 | - |
| Total Developer Contributions | 3 | 3 | 34 | 114 |
| | 17 | | | |
| Other Contributions: | | | | |
| Lions Club | - | - | 5 | 8 |
| Recreation & Culture | - | - | 59 | - |
| Roads & Bridges | - | - | 109 | - |
| RMS Contributions (Regional Roads, Block Grant) | 853 | 836 | 186 | 421 |
| Other | 44 | 34 | - | 27 |
| Total Other Contributions | 897 | 870 | 359 | 456 |
| Total Contributions | 900 | 873 | 393 | 570 |
| TOTAL GRANTS & CONTRIBUTIONS | 6,374 | 4,640 | 2,567 | 2,094 |

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

| \$ '000 | Actual 2015 | Actual 2014 |
|--|----------------|----------------|
| (g) Restrictions relating to Grants and Contributions | | |
| Certain grants & contributions are obtained by Council on condition that they be spent in a specified manner: | | |
| Unexpended at the Close of the Previous Reporting Period | 487 | 429 |
| add: Grants & contributions recognised in the current period but not yet spent: | 1,333 | 359 |
| less: Grants & contributions recognised in a previous reporting period now spent: | (98) | (301) |
| Net Increase (Decrease) in Restricted Assets during the Period | 1,235 | 58 |
| Unexpended and held as Restricted Assets | 1,722 | 487 |
| Comprising: | | |
| - Specific Purpose Unexpended Grants | 1,530 | 295 |
| - Developer Contributions | 192 | 192 |
| - Other Contributions | - | - |
| | 1,722 | 487 |

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations

| \$ '000 | Notes | Actual 2015 | Actual 2014 |
|---|-------|----------------|----------------|
| (a) Employee Benefits & On-Costs | | | |
| Salaries and Wages | | 5,685 | 5,578 |
| Employee Leave Entitlements (ELE) | | 1,165 | 1,100 |
| Superannuation - Defined Contribution Plans | | 565 | 520 |
| Superannuation - Defined Benefit Plans | | 213 | 245 |
| Workers' Compensation Insurance | | 97 | 317 |
| Fringe Benefit Tax (FBT) | | 25 | 24 |
| Training Costs (other than Salaries & Wages) | | 122 | 167 |
| Other | | 93 | 125 |
| Total Employee Costs | | 7,965 | 8,076 |
| less: Capitalised Costs | | (706) | (865) |
| TOTAL EMPLOYEE COSTS EXPENSED | | 7,259 | 7,211 |
| Number of "Equivalent Full Time" Employees at year end | | 101 | 95 |
| (b) Borrowing Costs | | | |
| (i) Interest Bearing Liability Costs | | | |
| Interest on Loans | | 93 | 91 |
| Other Debts | | - | - |
| Total Interest Bearing Liability Costs | | 93 | 91 |
| less: Capitalised Costs | | - | - |
| Total Interest Bearing Liability Costs Expensed | | 93 | 91 |
| (ii) Other Borrowing Costs | | | |
| Discount adjustments relating to movements in Provisions (other than ELE) | | | |
| - Remediation Liabilities | 26 | 26 | 41 |
| - Other Liabilities | | - | - |
| Other Borrowing Costs | | - | - |
| Total Other Borrowing Costs | | 26 | 41 |
| TOTAL BORROWING COSTS EXPENSED | | 119 | 132 |

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations (continued)

| \$ '000 | Notes | Actual 2015 | Actual 2014 |
|--|-------|----------------|----------------|
| (c) Materials & Contracts | | | |
| Raw Materials & Consumables | | 6,247 | 5,725 |
| Auditors Remuneration ⁽¹⁾ | | 43 | 45 |
| Infringement Notice Contract Costs (SEINS) | | - | - |
| Other | | - | - |
| Total Materials & Contracts | | 6,290 | 5,770 |
| less: Capitalised Costs | | - | - |
| TOTAL MATERIALS & CONTRACTS | | 6,290 | 5,770 |

1. Auditor Remuneration

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

(i) Audit and Other Assurance Services

| | | |
|---|-----------|-----------|
| - Audit & review of financial statements: Council's Auditor | 40 | 40 |
| - Other Audit services | 3 | 5 |
| Remuneration for audit and other assurance services | 43 | 45 |

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations (continued)

| \$ '000 | Notes | Impairment Costs | | Depreciation/Amortisation | |
|--|--------|------------------|----------------|---------------------------|----------------|
| | | Actual 2015 | Actual 2014 | Actual 2015 | Actual 2014 |
| Plant and Equipment | | - | - | 1,110 | 1,035 |
| Office Equipment | | - | - | 84 | 83 |
| Furniture & Fittings | | - | - | 1 | 2 |
| Land Improvements (depreciable) | | - | - | 67 | 66 |
| Buildings - Non Specialised | | - | - | 74 | 71 |
| Buildings - Specialised | | - | - | 332 | 322 |
| Other Structures | | - | - | 176 | 166 |
| Infrastructure: | | | | | |
| - Roads | | - | - | 4,251 | 4,345 |
| - Bridges | | - | - | 887 | 853 |
| - Footpaths | | - | - | 45 | 43 |
| - Stormwater Drainage | | - | - | 150 | 126 |
| - Water Supply Network | | - | - | 199 | 195 |
| - Sewerage Network | | - | - | 206 | 201 |
| - Swimming Pools | | - | - | 103 | 99 |
| Asset Reinstatement Costs | 9 & 26 | - | - | 73 | 57 |
| Total Depreciation & Impairment Costs | | - | - | 7,758 | 7,664 |
| less: Capitalised Costs | | - | - | - | - |
| less: Impairments (to)/from ARR [Equity] | 9a | - | - | - | - |
| <u>TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED</u> | | - | - | 7,758 | 7,664 |

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations (continued)

| \$ '000 | Notes | Actual 2015 | Actual 2014 |
|--|-------|---------------------|---------------------|
| (e) Other Expenses | | | |
| Other Expenses for the year include the following: | | | |
| Advertising | | 50 | 44 |
| Bad & Doubtful Debts | | 38 | 63 |
| Councillor Expenses - Mayoral Fee | | 23 | 23 |
| Councillor Expenses - Councillors' Fees | | 97 | 94 |
| Councillors' Expenses (incl. Mayor) - Other (excluding fees above) | | 26 | 29 |
| Donations, Contributions & Assistance to other organisations (Section 356) | | 246 | 218 |
| Electricity & Heating | | 298 | 345 |
| Emergency Services | | 157 | 191 |
| Insurance | | 500 | 446 |
| Regional Library | | 308 | 304 |
| Street Lighting | | 101 | 88 |
| Subscriptions & Publications | | 18 | 24 |
| Telephone & Communications | | 74 | 62 |
| Total Other Expenses | | 1,936 | 1,931 |
| less: Capitalised Costs | | - | - |
| <u>TOTAL OTHER EXPENSES</u> | | <u>1,936</u> | <u>1,931</u> |

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 5. Gains or Losses from the Disposal of Assets

| \$ '000 | Notes | Actual 2015 | Actual 2014 |
|---|-------|----------------|----------------|
| Property (excl. Investment Property) | | | |
| Plant & Equipment | | | |
| Proceeds from Disposal - Plant & Equipment | | 438 | 460 |
| less: Carrying Amount of P&E Assets Sold / Written Off | | (387) | (435) |
| Net Gain/(Loss) on Disposal | | 51 | 25 |
| Infrastructure | | | |
| Proceeds from Disposal - Infrastructure | | - | - |
| less: Carrying Amount of Infrastructure Assets Sold / Written Off | | (1,656) | (1,932) |
| Net Gain/(Loss) on Disposal | | (1,656) | (1,932) |
| NET GAIN/(LOSS) ON DISPOSAL OF ASSETS | | (1,605) | (1,907) |

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2015

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

| \$ '000 | Notes | 2015 | 2015 | 2014 | 2014 |
|--|-------|-------------------|-----------------------|-------------------|-----------------------|
| | | Actual Current | Actual Non Current | Actual Current | Actual Non Current |
| Cash & Cash Equivalents (Note 6a) | | | | | |
| Cash on Hand and at Bank | | 8,058 | - | 3,370 | - |
| Cash-Equivalent Asset: ¹ | | | | | |
| - Deposits at Call | | 12,900 | - | 11,406 | - |
| Total Cash & Cash Equivalents | | 20,958 | - | 14,776 | - |

Investments (Note 6b)

Nil

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

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2015

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

| \$ '000 | 2015 | 2015 | 2014 | 2014 |
|---|-------------------|-----------------------|-------------------|-----------------------|
| | Actual Current | Actual Non Current | Actual Current | Actual Non Current |
| Total Cash, Cash Equivalents and Investments | 20,958 | - | 14,776 | - |
| attributable to: | | | | |
| External Restrictions (refer below) | 5,108 | - | 1,617 | - |
| Internal Restrictions (refer below) | 14,659 | - | 13,159 | - |
| Unrestricted | 1,191 | - | - | - |
| | 20,958 | - | 14,776 | - |

| 2015 \$ '000 | Opening Balance | Transfers to Restrictions | Transfers from Restrictions | Closing Balance |
|-----------------|--------------------|------------------------------|--------------------------------|--------------------|
|-----------------|--------------------|------------------------------|--------------------------------|--------------------|

Details of Restrictions

External Restrictions - Included in Liabilities

| | | | | |
|--|------------|-----------|-------------|------------|
| Specific Purpose Unexpended Loans-General (A) | - | - | - | - |
| Specific Purpose Unexpended Loans-Water (A) | - | - | - | - |
| Specific Purpose Unexpended Loans-Sewer (A) | - | - | - | - |
| RMS (formerly RTA) Advances (B) | - | - | - | - |
| Self Insurance Claims (C) | - | - | - | - |
| Retention Bonds & Deposits | 290 | 19 | (34) | 275 |
| External Restrictions - Included in Liabilities | 290 | 19 | (34) | 275 |

External Restrictions - Other

| | | | | |
|---|--------------|--------------|--------------|--------------|
| Developer Contributions - General (D) | 186 | 41 | (35) | 192 |
| Developer Contributions - Water Fund (D) | 6 | 3 | (9) | - |
| Developer Contributions - Sewer Fund (D) | - | 3 | (3) | - |
| RMS (formerly RTA) Contributions (E) | - | - | - | - |
| Specific Purpose Unexpended Grants (F) | 295 | 1,316 | (81) | 1,530 |
| Specific Purpose Unexpended Grants-Water Fund (F) | - | - | - | - |
| Specific Purpose Unexpended Grants-Sewer Fund (F) | - | - | - | - |
| Water Supplies (G) | 4 | 2,473 | - | 2,477 |
| Water Supplies - other (specify) (G) | - | - | - | - |
| Water Supplies - other (specify) (G) | - | - | - | - |
| Sewerage Services (G) | 797 | - | (213) | 584 |
| Sewerage Services - other (specify) (G) | - | - | - | - |
| Sewerage Services - other (specify) (G) | - | - | - | - |
| Domestic Waste Management (G) | 39 | 11 | - | 50 |
| Stormwater Management (G) | - | - | - | - |
| External Restrictions - Other | 1,327 | 3,847 | (341) | 4,833 |
| Total External Restrictions | 1,617 | 3,866 | (375) | 5,108 |

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2015

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

| 2015 \$ '000 | Opening Balance | Transfers to Restrictions | Transfers from Restrictions | Closing Balance |
|------------------------------------|--------------------|------------------------------|--------------------------------|--------------------|
| Internal Restrictions | | | | |
| Plant & Vehicle Replacement | 6,131 | 862 | - | 6,993 |
| Employees Leave Entitlement | 1,041 | - | (30) | 1,011 |
| Carry Over Works | 1,434 | 1,995 | (1,434) | 1,995 |
| Building Replacement | 150 | - | - | 150 |
| Commercial Waste | 564 | 58 | - | 622 |
| Emergency Works | 300 | 200 | - | 500 |
| Information Technology | 100 | - | - | 100 |
| Quarries | 1,049 | 72 | - | 1,121 |
| Roads & Bridges | 1,420 | - | (420) | 1,000 |
| Stormwater Management | 200 | - | - | 200 |
| Transport | 770 | 197 | - | 967 |
| Total Internal Restrictions | 13,159 | 3,384 | (1,884) | 14,659 |
| TOTAL RESTRICTIONS | 14,776 | 7,250 | (2,259) | 19,767 |

- A** Loan moneys which must be applied for the purposes for which the loans were raised.
- B** Advances by Roads and Maritime Services for (RMS) works on the State's classified roads.
- C** Self Insurance liability resulting from reported claims or incurred claims not yet reported.
- D** Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- E** RMS Contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.
- F** Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1)
- G** Water, Sewerage, Domestic Waste Management (DWM) & other Special Rates/Levies/Charges are externally restricted assets and must be applied for the purposes for which they were raised.

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 7. Receivables

| \$ '000 | Notes | 2015 | | 2014 | |
|---|-------|---------------------|-----------------|---------------------|-----------------|
| | | Current | Non Current | Current | Non Current |
| Purpose | | | | | |
| Rates & Annual Charges | | 655 | 119 | 1,166 | 85 |
| Interest & Extra Charges | | 52 | - | 134 | - |
| User Charges & Fees | | 2,390 | - | 2,759 | - |
| Accrued Revenues | | | | | |
| - Interest on Investments | | 36 | - | 40 | - |
| Government Grants & Subsidies | | 1,111 | - | 1,377 | - |
| Net GST Receivable | | 134 | - | 103 | - |
| Other Debtors | | 8 | - | 1 | - |
| Total | | 4,386 | 119 | 5,580 | 85 |
| less: Provision for Impairment | | | | | |
| Rates & Annual Charges | | - | (119) | - | (85) |
| User Charges & Fees | | (21) | - | (18) | - |
| Total Provision for Impairment - Receivables | | (21) | (119) | (18) | (85) |
| <u>TOTAL NET RECEIVABLES</u> | | <u>4,365</u> | <u>-</u> | <u>5,562</u> | <u>-</u> |
| Externally Restricted Receivables | | | | | |
| Water Supply | | | | | |
| - Rates & Availability Charges | | 174 | - | 161 | - |
| - Other | | 121 | - | 140 | - |
| Sewerage Services | | | | | |
| - Rates & Availability Charges | | 172 | - | 177 | - |
| - Other | | 74 | - | 75 | - |
| Domestic Waste Management | | 136 | - | 127 | - |
| Total External Restrictions | | 677 | - | 680 | - |
| Unrestricted Receivables | | 3,688 | - | 4,882 | - |
| <u>TOTAL NET RECEIVABLES</u> | | <u>4,365</u> | <u>-</u> | <u>5,562</u> | <u>-</u> |

Notes on Debtors above:

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates & charges at 8.50% (2014 : 9.00%).
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 8. Inventories & Other Assets

| \$ '000 | Notes | 2015 | | 2014 | |
|---|-------|--------------|-------------|------------|-------------|
| | | Current | Non Current | Current | Non Current |
| Inventories | | | | | |
| Stores & Materials | | 1,903 | - | 743 | - |
| Trading Stock | | 146 | - | 228 | - |
| Total Inventories | | 2,049 | - | 971 | - |
| Other Assets | | | | | |
| Nil | | - | - | - | - |
| Total Other Assets | | - | - | - | - |
| TOTAL INVENTORIES / OTHER ASSETS | | 2,049 | - | 971 | - |

Externally Restricted Assets

There are no restrictions applicable to the above assets.

KYOGLE COUNCIL

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 9a. Infrastructure, Property, Plant & Equipment

| \$ '000 | as at 30/6/2014 | | | | | Asset Movements during the Reporting Period | | | | | | as at 30/6/2015 | | | | |
|--|-----------------|----------------|----------------|------------|----------------|---|------------------------|----------------------|---------------|-------------------------|--|-----------------|----------------|----------------|------------|----------------|
| | At | At | Accumulated | | Carrying | Asset Additions | WDV of Asset Disposals | Depreciation Expense | WIP Transfers | Adjustments & Transfers | Revaluation Increments to Equity (ARR) | At | At | Accumulated | | Carrying |
| | Cost | Fair Value | Dep'n | Impairment | Value | | | | | | | Cost | Fair Value | Dep'n | Impairment | Value |
| Capital Work in Progress | 1,533 | - | - | - | 1,533 | 951 | | | (396) | | | 2,088 | - | - | - | 2,088 |
| Plant & Equipment | - | 13,386 | 6,486 | - | 6,900 | 1,528 | (387) | (1,110) | | | | - | 13,281 | 6,350 | - | 6,931 |
| Office Equipment | - | 702 | 619 | - | 83 | 67 | | (84) | | | | - | 616 | 550 | - | 66 |
| Furniture & Fittings | - | 54 | 41 | - | 13 | | | (1) | | | | - | 33 | 21 | - | 12 |
| Plant & Equipment (under Finance Lease) | - | - | - | - | - | | | - | | | | - | - | - | - | - |
| Land: | | | | | | | | | | | | | | | | |
| - Operational Land | - | 5,406 | - | - | 5,406 | | | | 16 | | 271 | - | 5,693 | - | - | 5,693 |
| - Community Land | - | 491 | - | - | 491 | | | | | | 25 | - | 516 | - | - | 516 |
| - Land under Roads (pre 1/7/08) | - | 3,389 | - | - | 3,389 | | | | | | 170 | - | 3,559 | - | - | 3,559 |
| - Land under Roads (post 30/6/08) | - | 3 | - | - | 3 | | | | | | | - | 3 | - | - | 3 |
| Land Improvements - non depreciable | - | - | - | - | - | | | | | | | - | - | - | - | - |
| Land Improvements - depreciable | - | 1,506 | 453 | - | 1,053 | 13 | | (67) | 36 | | 25 | - | 1,592 | 532 | - | 1,060 |
| Buildings - Non Specialised | - | 3,821 | 1,317 | - | 2,504 | | | (74) | | | 60 | - | 3,915 | 1,425 | - | 2,490 |
| Buildings - Specialised | - | 21,423 | 11,641 | - | 9,782 | 63 | (5) | (332) | 7 | | 232 | - | 22,013 | 12,266 | - | 9,747 |
| Other Structures | - | 5,088 | 1,639 | - | 3,449 | 643 | (4) | (176) | 73 | | 98 | - | 5,938 | 1,855 | - | 4,083 |
| Infrastructure: | | | | | | | | | | | | | | | | |
| - Roads | - | 214,492 | 83,383 | - | 131,109 | 1,290 | (834) | (4,251) | 54 | | 27,622 | - | 220,093 | 65,103 | - | 154,990 |
| - Bridges | - | 98,569 | 44,342 | - | 54,227 | 781 | (456) | (887) | 14 | | 18,768 | - | 116,412 | 43,965 | - | 72,447 |
| - Footpaths | - | 3,169 | 1,121 | - | 2,048 | 27 | | (45) | | | 762 | - | 3,245 | 453 | - | 2,792 |
| - Bulk Earthworks (non-depreciable) | - | 14,855 | - | - | 14,855 | | | | | | (158) | - | 14,697 | - | - | 14,697 |
| - Stormwater Drainage | - | 24,247 | 5,915 | - | 18,332 | 335 | (228) | (150) | 170 | | 3,326 | - | 24,800 | 3,015 | - | 21,785 |
| - Water Supply Network | - | 21,740 | 10,178 | - | 11,562 | 39 | (1) | (199) | | | 351 | - | 22,208 | 10,456 | - | 11,752 |
| - Sewerage Network | - | 29,079 | 6,515 | - | 22,564 | 393 | (128) | (206) | 24 | | 365 | - | 29,646 | 6,634 | - | 23,012 |
| - Swimming Pools | - | 5,128 | 2,894 | - | 2,234 | | | (103) | | | 53 | - | 5,253 | 3,069 | - | 2,184 |
| - Other Open Space/Recreational Assets | - | - | - | - | - | | | - | | | | - | - | - | - | - |
| - Other Infrastructure | - | - | - | - | - | | | - | | | | - | - | - | - | - |
| Other Assets: | | | | | | | | | | | | | | | | |
| - Heritage Collections | - | - | - | - | - | | | - | | | | - | - | - | - | - |
| - Library Books | - | - | - | - | - | | | - | | | | - | - | - | - | - |
| - Other | - | - | - | - | - | | | - | | | | - | - | - | - | - |
| Reinstatement, Rehabilitation & Restoration Assets (refer Note 26): | | | | | | | | | | | | | | | | |
| - Tip Assets | - | 1,427 | 450 | - | 977 | | | (66) | | 94 | | - | 1,521 | 516 | - | 1,005 |
| - Quarry Assets | - | 186 | 159 | - | 27 | | | (7) | | | | - | 185 | 165 | - | 20 |
| - Other Assets | - | - | - | - | - | | | - | | | | - | - | - | - | - |
| TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP. | 1,533 | 468,161 | 177,153 | - | 292,541 | 6,130 | (2,043) | (7,758) | (2) | 94 | 51,970 | 2,088 | 495,219 | 156,375 | - | 340,932 |

Additions to Buildings & Infrastructure Assets are made up of Asset Renewals (\$2,918) and New Assets (\$1,616). Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

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

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2015

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

| \$ '000 Class of Asset | Actual 2015 | | | | Actual 2014 | | | |
|------------------------------------|----------------|------------------|----------------------|-------------------|----------------|------------------|----------------------|-------------------|
| | At Cost | At Fair Value | A/Dep & Impairm't | Carrying Value | At Cost | At Fair Value | A/Dep & Impairm't | Carrying Value |
| Water Supply | | | | | | | | |
| WIP | 567 | | | 567 | 451 | - | - | 451 |
| Infrastructure | | 22,208 | 10,456 | 11,752 | - | 21,740 | 10,178 | 11,562 |
| Other Assets | | | | - | - | - | - | - |
| Total Water Supply | 567 | 22,208 | 10,456 | 12,319 | 451 | 21,740 | 10,178 | 12,013 |
| Sewerage Services | | | | | | | | |
| WIP | | | | - | 25 | - | - | 25 |
| Infrastructure | | 29,646 | 6,634 | 23,012 | - | 29,079 | 6,515 | 22,564 |
| Other Assets | | | | - | - | - | - | - |
| Total Sewerage Services | - | 29,646 | 6,634 | 23,012 | 25 | 29,079 | 6,515 | 22,589 |
| Domestic Waste Management | | | | | | | | |
| Future Reinstatement Costs | | 1,521 | 516 | 1,005 | - | 1,428 | 451 | 977 |
| Other Assets | | | | - | - | - | - | - |
| Total DWM | - | 1,521 | 516 | 1,005 | - | 1,428 | 451 | 977 |
| TOTAL RESTRICTED I,PP&E | 567 | 53,375 | 17,606 | 36,336 | 476 | 52,247 | 17,144 | 35,579 |

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2015

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

| \$ '000 | Notes | Actual 2015 | Actual 2014 |
|---------|-------|----------------|----------------|
|---------|-------|----------------|----------------|

Council has recognised no impairment losses during the reporting period nor reversed any prior period losses.

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 10a. Payables, Borrowings & Provisions

| \$ '000 | Notes | 2015 | | 2014 | |
|--|-------|--------------|--------------|--------------|--------------|
| | | Current | Non Current | Current | Non Current |
| Payables | | | | | |
| Goods & Services - operating expenditure | | 1,536 | - | 802 | - |
| Accrued Expenses: | | | | | |
| - Borrowings | | 12 | - | 6 | - |
| - Salaries & Wages | | 246 | - | 197 | - |
| - Other Expenditure Accruals | | 113 | - | 137 | - |
| Advances | | - | - | - | - |
| Security Bonds, Deposits & Retentions | | 137 | 137 | 146 | 145 |
| Total Payables | | 2,044 | 137 | 1,288 | 145 |
| Borrowings | | | | | |
| Loans - Secured ¹ | | 221 | 3,229 | 271 | 907 |
| Total Borrowings | | 221 | 3,229 | 271 | 907 |
| Provisions | | | | | |
| Employee Benefits; | | | | | |
| Annual Leave | | 619 | - | 586 | - |
| Long Service Leave | | 954 | 141 | 978 | 149 |
| Sub Total - Aggregate Employee Benefits | | 1,573 | 141 | 1,564 | 149 |
| Asset Remediation/Restoration (Future Works) | 26 | - | 1,546 | - | 1,426 |
| Other | | 122 | - | 124 | - |
| Total Provisions | | 1,695 | 1,687 | 1,688 | 1,575 |
| Total Payables, Borrowings & Provisions | | 3,960 | 5,053 | 3,247 | 2,627 |

(i) Liabilities relating to Restricted Assets

| | 2015 | | 2014 | |
|---|------------|--------------|------------|--------------|
| | Current | Non Current | Current | Non Current |
| Externally Restricted Assets | | | | |
| Water | 344 | 2,063 | 542 | - |
| Sewer | 93 | 891 | 93 | 907 |
| Domestic Waste Management | - | 1,244 | - | 1,128 |
| Other | 274 | - | 290 | - |
| Liabilities relating to externally restricted assets | 711 | 4,198 | 925 | 2,035 |

¹. Loans are secured over the General Rating Income of Council

Disclosures on Liability Interest Rate Risk Exposures, Fair Value Disclosures & Security can be found in Note 15.

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2015

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

| \$ '000 | Actual 2015 | Actual 2014 |
|---------|----------------|----------------|
|---------|----------------|----------------|

(ii) Current Liabilities not anticipated to be settled within the next 12 months

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

| | | |
|---------------------------------|-----|-----|
| Provisions - Employees Benefits | 823 | 839 |
|---------------------------------|-----|-----|

Note 10b. Description of and movements in Provisions

| Class of Provision | 2014 | | 2015 | | | |
|--------------------|------------------------------------|--------------------------|-----------------------------|--|-------------------------------|-------------------------------------|
| | Opening Balance as at 1/7/14 | Additional Provisions | Decrease due to Payments | Remeasurement effects due to Discounting | Unused amounts reversed | Closing Balance as at 30/6/15 |
| Annual Leave | 586 | 480 | (447) | - | - | 619 |
| Long Service Leave | 1,127 | 202 | (234) | - | - | 1,095 |
| Asset Remediation | 1,426 | 120 | - | - | - | 1,546 |
| Other | 124 | - | (2) | - | - | 122 |
| TOTAL | 3,263 | 802 | (683) | - | - | 3,382 |

- a. Employees Leave Entitlements & On-Costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.
- b. Asset Remediation, Reinstatement & Restoration Provisions represent the Present Value estimate of future costs Council will incur in order to remove, restore & remediate assets &/or activities as a result of past operations.

KYOGLÉ COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 11. Statement of Cash Flows - Additional Information

| \$ '000 | Notes | Actual 2015 | Actual 2014 |
|---|-------|----------------|----------------|
| (a) Reconciliation of Cash Assets | | | |
| Total Cash & Cash Equivalent Assets | 6a | 20,958 | 14,776 |
| Less Bank Overdraft | 10 | - | - |
| BALANCE as per the STATEMENT of CASH FLOWS | | 20,958 | 14,776 |
| (b) Reconciliation of Net Operating Result to Cash provided from Operating Activities | | | |
| Net Operating Result from Income Statement | | (655) | (4,632) |
| <i>Adjust for non cash items:</i> | | | |
| Depreciation & Amortisation | | 7,758 | 7,664 |
| Net Losses/(Gains) on Disposal of Assets | | 1,605 | 1,907 |
| Non Cash Capital Grants and Contributions | | (122) | 102 |
| Unwinding of Discount Rates on Reinstatement Provisions | | 26 | 40 |
| <i>+/- Movement in Operating Assets and Liabilities & Other Cash Items:</i> | | | |
| Decrease/(Increase) in Receivables | | 1,160 | (1,285) |
| Increase/(Decrease) in Provision for Doubtful Debts | | 37 | 57 |
| Decrease/(Increase) in Inventories | | (1,078) | (192) |
| Decrease/(Increase) in Other Assets | | - | 265 |
| Increase/(Decrease) in Payables | | 734 | (276) |
| Increase/(Decrease) in accrued Interest Payable | | 6 | - |
| Increase/(Decrease) in other accrued Expenses Payable | | 25 | 66 |
| Increase/(Decrease) in Other Liabilities | | (17) | 1 |
| Increase/(Decrease) in Employee Leave Entitlements | | 1 | (114) |
| Increase/(Decrease) in Other Provisions | | 92 | (125) |
| NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS | | 9,572 | 3,478 |

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2015

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

| \$ '000 | Notes | Actual 2015 | Actual 2014 |
|--|-------|----------------|----------------|
| (c) Non-Cash Investing & Financing Activities | | | |
| Subdivider Dedications | | - | 22 |
| Other Dedications | | 28 | 5 |
| Estimated Future Reinstatement Costs | | 94 | (129) |
| Total Non-Cash Investing & Financing Activities | | 122 | (102) |
| (d) Financing Arrangements | | | |
| (i) Unrestricted access was available at balance date to the following lines of credit: | | | |
| Credit Cards / Purchase Cards | | 7 | 5 |
| Total Financing Arrangements | | 7 | 5 |

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 12. Commitments for Expenditure

| \$ '000 | Notes | Actual 2015 | Actual 2014 |
|--|-------|----------------|----------------|
| (a) Capital Commitments (exclusive of GST) | | | |
| Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities: | | | |
| Property, Plant & Equipment | | | |
| Computer Equipment | | - | 11 |
| Water Supply Infrastructure | | 2,930 | - |
| Flood Mitigation Works | | 1,130 | - |
| These expenditures are payable as follows: | | | |
| Within the next year | | 4,060 | 11 |
| Later than one year and not later than 5 years | | - | - |
| Later than 5 years | | - | - |
| Total Payable | | 4,060 | 11 |
| Sources for Funding of Capital Commitments: | | | |
| Unrestricted General Funds | | - | 11 |
| Future Grants & Contributions | | 4,060 | - |
| Total Sources of Funding | | 4,060 | 11 |

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 12. Commitments for Expenditure (continued)

| \$ '000 | Notes | Actual 2015 | Actual 2014 |
|--|-------|----------------|----------------|
| (b) Finance Lease Commitments | | | |
| Nil | | | |
| (c) Operating Lease Commitments (Non Cancellable) | | | |
| a. Commitments under Non Cancellable Operating Leases at the Reporting date, but not recognised as Liabilities are payable: | | | |
| Within the next year | | - | 11 |
| Later than one year and not later than 5 years | | - | - |
| Later than 5 years | | - | - |
| Total Non Cancellable Operating Lease Commitments | | - | 11 |

b. Non Cancellable Operating Leases include the following assets:

Office Rentals

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

Conditions relating to Operating Leases:

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

(d) Investment Property Commitments

Nil

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2015

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

| \$ '000 | Amounts 2015 | Indicator 2015 | Prior Periods 2014 2013 | |
|---|-----------------|-------------------|-------------------------------|---------|
| Local Government Industry Indicators - Consolidated | | | | |
| 1. Operating Performance Ratio | | | | |
| Total continuing operating revenue ⁽¹⁾ | | | | |
| <u>(excl. Capital Grants & Contributions) - Operating Expenses</u> | <u>(1,617)</u> | -7.44% | -26.94% | -12.82% |
| Total continuing operating revenue ⁽¹⁾ (excl. Capital Grants & Contributions) | 21,745 | | | |
| 2. Own Source Operating Revenue Ratio | | | | |
| Total continuing operating revenue ⁽¹⁾ | | | | |
| <u>(excl. ALL Grants & Contributions)</u> | <u>15,371</u> | 63.22% | 66.30% | 56.02% |
| Total continuing operating revenue ⁽¹⁾ | 24,312 | | | |
| 3. Unrestricted Current Ratio | | | | |
| Current Assets less all External Restrictions ⁽²⁾ | <u>21,587</u> | 8.90x | 12.82 | 11.01 |
| Current Liabilities less Specific Purpose Liabilities ^(3, 4) | <u>2,426</u> | | | |
| 4. Debt Service Cover Ratio | | | | |
| Operating Result ⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation | <u>6,260</u> | 15.81x | 18.15 | 31.57 |
| Principal Repayments (from the Statement of Cash Flows) + Borrowing Costs (from the Income Statement) | <u>396</u> | | | |
| 5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage | | | | |
| Rates, Annual and Extra Charges Outstanding | <u>707</u> | 7.71% | 14.66% | 15.12% |
| Rates, Annual and Extra Charges Collectible | <u>9,169</u> | | | |
| 6. Cash Expense Cover Ratio | | | | |
| Current Year's Cash and Cash Equivalents + All Term Deposits | <u>20,958</u> | 15.63 | 11.50 | 11.53 |
| Payments from cash flow of operating and financing activities | <u>1,341</u> | months | | |

Notes

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

(2) Refer Notes 6-8 inclusive.

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

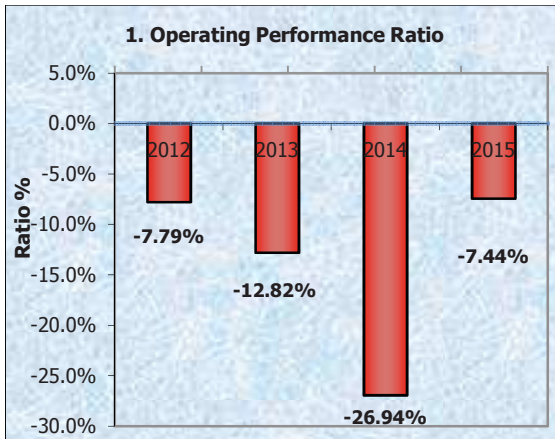
(3) Refer to Note 10(a).

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

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2015

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



Purpose of Operating Performance Ratio

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

Commentary on 2014/15 Result

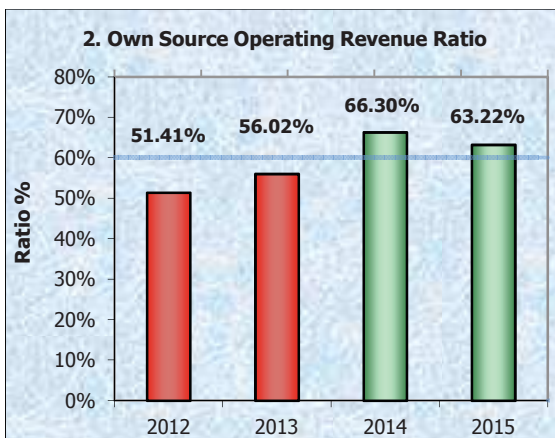
2014/15 Ratio -7.44%

This ratio has improved due mainly to an increase in user charges & fees as well as an increase in grants & contributions.

Benchmark: Minimum $\geq 0.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Ratio is within Benchmark
 Ratio is outside Benchmark



Purpose of Own Source Operating Revenue Ratio

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

Commentary on 2014/15 Result

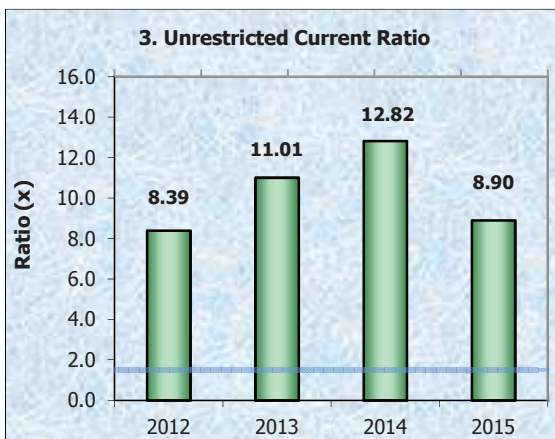
2014/15 Ratio 63.22%

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

Benchmark: Minimum $\geq 60.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Ratio is within Benchmark
 Ratio is outside Benchmark



Purpose of Unrestricted Current Ratio

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

Commentary on 2014/15 Result

2014/15 Ratio 8.90x

Council has adequate unrestricted cash & internal reserves to satisfy its current obligations & has adequate levels of internally restricted funds to meet identified needs. A large percentage of these reserves are being held to take advantage of \$ for \$ timber bridge grants.

Benchmark: Minimum ≥ 1.50

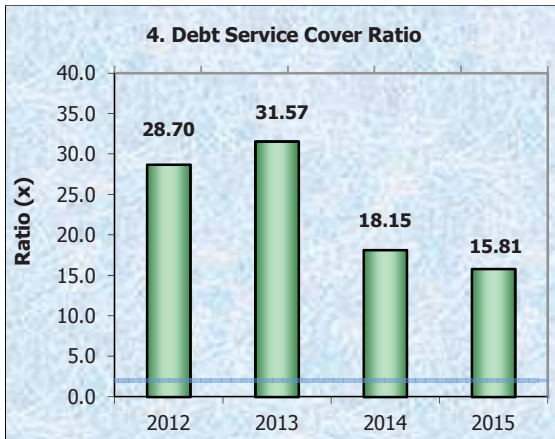
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Ratio is within Benchmark
 Ratio is outside Benchmark

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2015

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



Purpose of Debt Service Cover Ratio

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

Commentary on 2014/15 Result

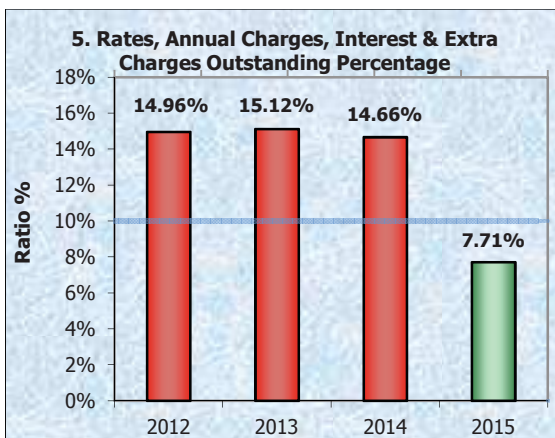
2014/15 Ratio 15.81x

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

Benchmark: Minimum ≥ 2.00

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Ratio is within Benchmark
 Ratio is outside Benchmark



Purpose of Rates & Annual Charges Outstanding Ratio

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

Commentary on 2014/15 Result

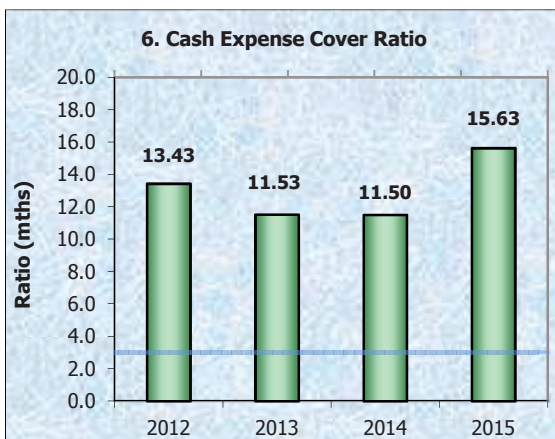
2014/15 Ratio 7.71%

The improvement in this ratio is mainly due to repayment of timber industry debt.

Benchmark: Maximum $< 10.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Ratio is within Benchmark
 Ratio is outside Benchmark



Purpose of Cash Expense Cover Ratio

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

Commentary on 2014/15 Result

2014/15 Ratio 15.63 months

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

Benchmark: Minimum ≥ 3.00

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Ratio is within Benchmark
 Ratio is outside Benchmark

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2015

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

| \$ '000 | Water 2015 | Sewer 2015 | General ⁵ 2015 |
|---|-----------------------|---------------|------------------------------|
| Local Government Industry Indicators - by Fund | | | |
| 1. Operating Performance Ratio | | | |
| Total continuing operating revenue ⁽¹⁾ | | | |
| <u>(excl. Capital Grants & Contributions) - Operating Expenses</u> | 3.08% | -1.57% | -8.52% |
| Total continuing operating revenue ⁽¹⁾ | | | |
| (excl. Capital Grants & Contributions) | prior period: -16.40% | 2.05% | -29.99% |
| 2. Own Source Operating Revenue Ratio | | | |
| Total continuing operating revenue ⁽¹⁾ | | | |
| <u>(excl. ALL Grants & Contributions)</u> | 69.91% | 97.69% | 60.69% |
| Total continuing operating revenue ⁽¹⁾ | | | |
| | prior period: 97.55% | 97.69% | 61.96% |
| 3. Unrestricted Current Ratio | | | |
| <u>Current Assets less all External Restrictions ⁽²⁾</u> | 8.06x | 8.92x | 8.90x |
| Current Liabilities less Specific Purpose Liabilities ^(3, 4) | | | |
| | prior period: 0.56 | 11.28 | 12.82 |
| 4. Debt Service Cover Ratio | | | |
| <u>Operating Result ⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation</u> | 0.92x | 1.50x | 209.79x |
| Principal Repayments (from the Statement of Cash Flows) + Borrowing Costs (from the Income Statement) | | | |
| | prior period: 0.30 | 3.27 | 65.20 |
| 5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage | | | |
| <u>Rates, Annual and Extra Charges Outstanding</u> | 20.69% | 15.05% | 5.02% |
| Rates, Annual and Extra Charges Collectible | | | |
| | prior period: 19.93% | 15.28% | 14.06% |
| 6. Cash Expense Cover Ratio | | | |
| <u>Current Year's Cash and Cash Equivalents + All Term Deposits</u> | 22.47 | 6.74 | 15.64 |
| Payments from cash flow of operating and financing activities | x12 months | months | months |
| | prior period: 0.09 | 9.94 | 12.73 |

Notes

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

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

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 14. Investment Properties

| \$ '000 | Notes | Actual 2015 | Actual 2014 |
|----------------|-------|------------------------|------------------------|
|----------------|-------|------------------------|------------------------|

Council has not classified any Land or Buildings as "Investment Properties"

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 15. Financial Risk Management

\$ '000

Risk Management

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

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

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

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

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

| | Carrying Value | | Fair Value | |
|------------------------------------|----------------|---------------|---------------|---------------|
| | 2015 | 2014 | 2015 | 2014 |
| Financial Assets | | | | |
| Cash and Cash Equivalents | 20,958 | 14,776 | 20,958 | 14,776 |
| Receivables | 4,365 | 5,562 | 4,365 | 5,562 |
| Other Financial Assets | - | - | - | - |
| Total Financial Assets | 25,323 | 20,338 | 25,323 | 20,338 |
| Financial Liabilities | | | | |
| Payables | 2,181 | 1,433 | 2,181 | 1,433 |
| Loans / Advances | 3,450 | 1,178 | 4,162 | 1,910 |
| Total Financial Liabilities | 5,631 | 2,611 | 6,343 | 3,343 |

Fair Value is determined as follows:

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

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

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 15. Financial Risk Management (continued)

\$ '000

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

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

Council's Finance area manages the Cash & Investments portfolio with the assistance of independent advisors.

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

The risks associated with the investments held are:

- **Price Risk** - the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest Rate Risk** - the risk that movements in interest rates could affect returns and income.
- **Credit Risk** - the risk that the investment counterpart will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council - be it of a capital or income nature.

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

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

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

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

| 2015 | Increase of Values/Rates | | Decrease of Values/Rates | |
|--|--------------------------|--------|--------------------------|--------|
| | Profit | Equity | Profit | Equity |
| Possible impact of a 10% movement in Market Values | | | | |
| Possible impact of a 1% movement in Interest Rates | 210 | 210 | n/a | n/a |
| 2014 | | | | |
| Possible impact of a 10% movement in Market Values | | | | |
| Possible impact of a 1% movement in Interest Rates | 148 | 148 | n/a | n/a |

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 15. Financial Risk Management (continued)

\$ '000

(b) Receivables

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

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

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

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

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

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

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

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

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

| | 2015 Rates & Annual Charges | 2015 Other Receivables | 2014 Rates & Annual Charges | 2014 Other Receivables | |
|--|--------------------------------------|------------------------------|--------------------------------------|------------------------------|--------------|
| (i) Ageing of Receivables - % | | | | | |
| Current (not yet overdue) | 12% | 94% | 12% | 94% | |
| Overdue | 88% | 6% | 88% | 6% | |
| | 100% | 100% | 100% | 100% | |
| (ii) Ageing of Receivables - value | | | | | |
| Rates & Annual Charges | Other Receivables | Rates & Annual Charges | Other Receivables | | |
| Current | Current | 96 | 3,509 | 157 | 4,156 |
| < 1 year overdue | 0 - 30 days overdue | 678 | - | 1,094 | - |
| 1 - 2 years overdue | 30 - 60 days overdue | - | 222 | - | 258 |
| 2 - 5 years overdue | 60 - 90 days overdue | - | - | - | - |
| > 5 years overdue | > 90 days overdue | - | - | - | - |
| | | 774 | 3,731 | 1,251 | 4,414 |
| (iii) Movement in Provision for Impairment of Receivables | | | | | |
| | | | 2015 | 2014 | |
| Balance at the beginning of the year | | | 103 | 46 | |
| + new provisions recognised during the year | | | 37 | 57 | |
| Balance at the end of the year | | | 140 | 103 | |

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 15. Financial Risk Management (continued)

\$ '000

(c) Payables & Borrowings

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

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

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

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

| \$ '000 | Subject to no maturity | payable in: | | | | | | Total Cash Outflows | Actual Carrying Values |
|------------------------------------|------------------------|--------------|------------|------------|------------|------------|--------------|---------------------|------------------------|
| | | ≤ 1 Year | 1-2 Yrs | 2-3 Yrs | 3-4 Yrs | 4-5 Yrs | > 5 Yrs | | |
| 2015 | | | | | | | | | |
| Trade/Other Payables | - | 2,181 | - | - | - | - | - | 2,181 | 2,181 |
| Loans & Advances | - | 391 | 391 | 391 | 391 | 552 | 2,868 | 4,984 | 3,450 |
| Total Financial Liabilities | - | 2,572 | 391 | 391 | 391 | 552 | 2,868 | 7,165 | 5,631 |
| 2014 | | | | | | | | | |
| Trade/Other Payables | - | 1,433 | - | - | - | - | - | 1,433 | 1,433 |
| Loans & Advances | - | 349 | 83 | 83 | 83 | 83 | 1,541 | 2,222 | 1,178 |
| Total Financial Liabilities | - | 1,782 | 83 | 83 | 83 | 83 | 1,541 | 3,655 | 2,611 |

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

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

| | 2015 | | 2014 | |
|--|----------------|-----------------------|----------------|-----------------------|
| | Carrying Value | Average Interest Rate | Carrying Value | Average Interest Rate |
| Bank Overdraft | - | - | - | - |
| Trade/Other Payables | 2,181 | 0.0% | 1,433 | 0.0% |
| Loans & Advances - Fixed Interest Rate | 3,450 | 5.2% | 1,178 | 7.6% |
| | <u>5,631</u> | | <u>2,611</u> | |

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 14/15 was adopted by the Council on 30 June 2014.

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

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

Note that for Variations* of Budget to Actual :

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

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

| \$ '000 | 2015 Budget | 2015 Actual | 2015 ----- Variance* ----- | | |
|--|----------------|----------------|-------------------------------|-------|----------|
| REVENUES | | | | | |
| User Charges & Fees | 4,408 | 6,962 | 2,554 | 58% | F |
| Level of RMS works higher than anticipated | | | | | |
| Interest & Investment Revenue | 443 | 602 | 159 | 36% | F |
| Level of funds invested was higher than anticipated | | | | | |
| Other Revenues | 9 | 68 | 59 | 656% | F |
| Insurance claim not budgetted for | | | | | |
| Operating Grants & Contributions | 5,583 | 6,374 | 791 | 14% | F |
| Exceeded budget as additional grant funds were allocated after original budget was adopted | | | | | |
| Capital Grants & Contributions | 4,434 | 2,567 | (1,867) | (42%) | U |
| Unsuccessful grant application Federal Timber Bridges Program | | | | | |

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 16. Material Budget Variations (continued)

| \$ '000 | 2015 Budget | 2015 Actual | 2015 ----- Variance* ----- | |
|--|----------------|----------------|-------------------------------|------------------|
| EXPENSES | | | | |
| Employee Benefits & On-Costs | 8,121 | 7,259 | 862 | 11% F |
| Initial budgeting does not detail split between wages & contractors for all projects | | | | |
| Borrowing Costs | 163 | 119 | 44 | 27% F |
| Savings due mainly to Water Supply loan taken up late in year | | | | |
| Materials & Contracts | 4,429 | 6,290 | (1,861) | (42%) U |
| Level of RMS works higher than anticipated Additional projects approved through revotes & quarterly reviews Initial budgeting does not detail split between wages & contractors for all projects | | | | |
| Net Losses from Disposal of Assets | 37 | 1,605 | (1,568) | (4238%) U |
| Council does not budget for disposal of infrastructure assets | | | | |

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 17. Statement of Developer Contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS & LEVIES

| PURPOSE | Opening Balance | Contributions received during the Year | | Interest earned in Year | Expenditure during Year | Internal Borrowing (to)/from | Held as Restricted Asset | Projections | | | Cumulative Internal Borrowings due/(payable) |
|---|-----------------|--|----------|-------------------------|-------------------------|------------------------------|--------------------------|---------------|-----------------------|-------------------------|--|
| | | Cash | Non Cash | | | | | Future income | Exp still outstanding | Over or (under) Funding | |
| Roads | 125 | 28 | - | 3 | (22) | - | 134 | 73 | (207) | - | - |
| Open Space | 61 | 6 | - | 2 | (11) | - | 58 | 9 | (67) | - | - |
| S94 Contributions - under a Plan | 186 | 34 | - | 5 | (33) | - | 192 | 82 | (274) | - | - |
| S94A Levies - under a Plan | - | - | - | - | - | - | - | | | | - |
| Total S94 Revenue Under Plans | 186 | 34 | - | 5 | (33) | - | 192 | | | | - |
| S94 not under Plans | - | - | - | - | - | - | - | - | - | - | - |
| S93F Planning Agreements | - | | | | | | - | | | | |
| S64 Contributions | 6 | 8 | | | (14) | | - | | | | |
| Total Contributions | 192 | 42 | - | 5 | (47) | - | 192 | 82 | (274) | - | - |

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN NUMBER 1

| PURPOSE | Opening Balance | Contributions received during the Year | | Interest earned in Year | Expenditure during Year | Internal Borrowing (to)/from | Held as Restricted Asset | Projections | | | Cumulative Internal Borrowings due/(payable) |
|--------------|-----------------|--|----------|-------------------------|-------------------------|------------------------------|--------------------------|---------------|-----------------------|-------------------------|--|
| | | Cash | Non Cash | | | | | Future income | Exp still outstanding | Over or (under) Funding | |
| Roads | 125 | 28 | | 3 | (22) | | 134 | 73 | (207) | - | |
| Open Space | 61 | 6 | | 2 | (11) | | 58 | 9 | (67) | - | |
| Total | 186 | 34 | - | 5 | (33) | - | 192 | 82 | (274) | - | - |

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

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

(a) Richmond Upper-Clarence Regional Library

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

(b) Legal Issues

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

(c) Section 94 Infrastructure

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

(d) Superannuation

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

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2015 was \$212,814. The last valuation of the Scheme was performed by Mr Martin Stevenson BSc, FIA, FIAA on 20th February 2014 and covers the period ended 30 June 2015. However the position is monitored annually and the actuary has estimated that as at 30th June 2015 a deficit still exists.

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

The share of this deficit that can be broadly attributed to Council was estimated to be in the order of \$96,995 as at 30 June 2015.

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 19. Interests in Other Entities

\$ '000

Subsidiaries, Joint Arrangements & Associates not recognised

The following Subsidiaries, Joint Arrangements & Associates have not been recognised in this Financial Report.

| Name of Entity/Operation | Principal Activity/Type of Entity | 2015 Net Profit | 2015 Net Assets |
|--------------------------|-----------------------------------|--------------------|--------------------|
| Newlog | Vehicle Weight Limits | (214) | 190 |

Details

The Council is a member of the North-East Weight of Loads Group. The constitution of the group specifies the council as having a part "ownership" of the groups net assets but not one member as having control. The stated objectives of the group include to generally 'promote the aims of reducing damage to Councils roads by policing of vehicles weight limits.

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

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 20. Equity - Retained Earnings and Revaluation Reserves

| \$ '000 | Notes | Actual 2015 | Actual 2014 |
|---|-------|-----------------------|-----------------------|
| (a) Retained Earnings | | | |
| Movements in Retained Earnings were as follows: | | | |
| Balance at beginning of Year (from previous years audited accounts) | | 142,022 | 146,654 |
| d. Net Operating Result for the Year | | <u>(655)</u> | <u>(4,632)</u> |
| Balance at End of the Reporting Period | | <u>141,367</u> | <u>142,022</u> |
| (b) Reserves | | | |
| (i) Reserves are represented by: | | | |
| - Infrastructure, Property, Plant & Equipment Revaluation Reserve | | 217,924 | 165,954 |
| (ii) Reconciliation of movements in Reserves: | | | |
| Infrastructure, Property, Plant & Equipment Revaluation Reserve | | | |
| - Opening Balance | | 165,954 | 158,609 |
| - Revaluations for the year | 9(a) | <u>51,970</u> | <u>7,345</u> |
| - Balance at End of Year | | <u>217,924</u> | <u>165,954</u> |
| Infrastructure, Property, Plant & Equipment Revaluation Reserve | | | |
| - The Infrastructure, Property, Plant & Equipment Revaluation Reserve is used to record increments/decrements of Non Current Asset values due to their revaluation. | | | |

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 21. Financial Result & Financial Position by Fund

| Income Statement by Fund \$ '000 | Actual 2015 | Actual 2015 | Actual 2015 |
|--|----------------|----------------|----------------------------|
| | Water | Sewer | General¹ |
| Continuing Operations | | | |
| Income from Continuing Operations | | | |
| Rates & Annual Charges | 675 | 958 | 6,106 |
| User Charges & Fees | 565 | 212 | 6,185 |
| Interest & Investment Revenue | 5 | 8 | 589 |
| Other Revenues | 21 | 7 | 40 |
| Grants & Contributions provided for Operating Purposes | 34 | 25 | 6,315 |
| Grants & Contributions provided for Capital Purposes | 511 | 3 | 2,053 |
| Other Income | | | |
| Net Gains from Disposal of Assets | - | - | - |
| Total Income from Continuing Operations | 1,811 | 1,213 | 21,288 |
| Expenses from Continuing Operations | | | |
| Employee Benefits & on-costs | 260 | 270 | 6,729 |
| Borrowing Costs | 22 | 68 | 29 |
| Materials & Contracts | 624 | 613 | 5,053 |
| Depreciation & Amortisation | 199 | 205 | 7,354 |
| Other Expenses | 155 | 73 | 1,708 |
| Net Losses from the Disposal of Assets | 1 | 128 | 1,476 |
| Total Expenses from Continuing Operations | 1,261 | 1,357 | 22,349 |
| Operating Result from Continuing Operations | 550 | (144) | (1,061) |
| Discontinued Operations | | | |
| Net Profit/(Loss) from Discontinued Operations | - | - | - |
| Net Operating Result for the Year | 550 | (144) | (1,061) |
| Net Operating Result attributable to each Council Fund | 550 | (144) | (1,061) |
| Net Operating Result attributable to Non-controlling Interests | - | - | - |
| Net Operating Result for the year before Grants and Contributions provided for Capital Purposes | 39 | (147) | (3,114) |

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

KYOGLE COUNCIL

Notes to the Financial Statements

as at 30 June 2015

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

| Statement of Financial Position by Fund \$ '000 | Actual 2015 | Actual 2015 | Actual 2015 |
|--|----------------|----------------|----------------------------|
| ASSETS | Water | Sewer | General¹ |
| Current Assets | | | |
| Cash & Cash Equivalents | 2,477 | 584 | 17,897 |
| Receivables | 295 | 246 | 3,824 |
| Inventories | - | - | 2,049 |
| Total Current Assets | 2,772 | 830 | 23,770 |
| Non-Current Assets | | | |
| Infrastructure, Property, Plant & Equipment | 12,319 | 23,012 | 305,601 |
| TOTAL ASSETS | 15,091 | 23,842 | 329,371 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Payables | 92 | 5 | 1,947 |
| Borrowings | 180 | 16 | 25 |
| Provisions | 72 | 72 | 1,551 |
| Total Current Liabilities | 344 | 93 | 3,523 |
| Non-Current Liabilities | | | |
| Payables | - | - | 137 |
| Borrowings | 2,063 | 891 | 275 |
| Provisions | - | - | 1,687 |
| Total Non-Current Liabilities | 2,063 | 891 | 2,099 |
| TOTAL LIABILITIES | 2,407 | 984 | 5,622 |
| Net Assets | 12,684 | 22,858 | 323,749 |
| EQUITY | | | |
| Retained Earnings | 8,268 | 8,727 | 124,372 |
| Revaluation Reserves | 4,416 | 14,131 | 199,377 |
| Council Equity Interest | 12,684 | 22,858 | 323,749 |
| Non-controlling Interests | - | - | - |
| Total Equity | 12,684 | 22,858 | 323,749 |

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

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 26. Reinstatement, Rehabilitation & Restoration Liabilities

\$ '000

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

| Asset/Operation | Estimated year of restoration | NPV of Provision | |
|---|-------------------------------------|------------------|--------------|
| | | 2015 | 2014 |
| Tip Remediation | 2050 | 1,244 | 1,128 |
| Quarry Remediation | 2020 | 302 | 298 |
| Balance at End of the Reporting Period | 10(a) | 1,546 | 1,426 |

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

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

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

Reconciliation of movement in Provisions for year:

| | | |
|--|--------------|--------------|
| Balance at beginning of year | 1,426 | 1,514 |
| Effect of a change in other calculation estimates used | 94 | (129) |
| Amortisation of discount (expensed to borrowing costs) | 26 | 41 |
| Total - Reinstatement, rehabilitation and restoration provision | 1,546 | 1,426 |

Amount of Expected Reimbursements

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

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement

\$ '000

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

- Infrastructure, Property, Plant and Equipment

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

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

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

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

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

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

| 2015 | Date of latest Valuation | Fair Value Measurement Hierarchy | | | Total |
|--|--------------------------------|---|--|--|----------------|
| | | Level 1 Quoted prices in active mkts | Level 2 Significant observable inputs | Level 3 Significant unobservable inputs | |
| Recurring Fair Value Measurements | | | | | |
| Infrastructure, Property, Plant & Equipment | | | | | |
| Plant & Equipment | 30/06/15 | - | - | 6,931 | 6,931 |
| Office Equipment | 30/06/15 | - | - | 66 | 66 |
| Furniture & Fittings | 30/06/15 | - | - | 12 | 12 |
| Land Operational | 30/06/13 | - | - | 5,693 | 5,693 |
| Land Community | 30/06/13 | - | - | 516 | 516 |
| Land under Roads | 30/06/11 | - | - | 3,562 | 3,562 |
| Land Improvements | 30/06/13 | - | - | 1,060 | 1,060 |
| Buildings | 30/06/13 | - | - | 12,237 | 12,237 |
| Other Structures | 30/06/13 | - | - | 4,083 | 4,083 |
| Roads | 30/06/15 | - | - | 154,990 | 154,990 |
| Bridges | 30/06/15 | - | - | 72,447 | 72,447 |
| Footpaths | 30/06/15 | - | - | 2,792 | 2,792 |
| Earthworks | 30/06/15 | - | - | 14,697 | 14,697 |
| Stormwater Drainage | 30/06/12 | - | - | 21,785 | 21,785 |
| Water Supply | 30/06/12 | - | - | 11,752 | 11,752 |
| Sewerage Network | 30/06/12 | - | - | 23,012 | 23,012 |
| Swimming Pools | 30/06/13 | - | - | 2,184 | 2,184 |
| Reinstatement Assets | 30/06/14 | - | - | 1,025 | 1,025 |
| Total Infrastructure, Property, Plant & Equipme | | - | - | 338,844 | 338,844 |

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

| 2014 | Date of latest Valuation | Fair Value Measurement Hierarchy | | | Total |
|--|--------------------------------|---|--|--|----------------|
| | | Level 1 Quoted prices in active mkts | Level 2 Significant observable inputs | Level 3 Significant unobservable inputs | |
| Recurring Fair Value Measurements | | | | | |
| Infrastructure, Property, Plant & Equipment | | | | | |
| Plant & Equipment | 30/06/14 | - | - | 6,900 | 6,900 |
| Office Equipment | 30/06/14 | - | - | 83 | 83 |
| Furniture & Fittings | 30/06/14 | - | - | 13 | 13 |
| Land Operational | 30/06/13 | - | - | 5,406 | 5,406 |
| Land Community | 30/06/13 | - | - | 491 | 491 |
| Land under Roads | 30/06/11 | - | - | 3,392 | 3,392 |
| Land Improvements | 30/06/13 | - | - | 1,053 | 1,053 |
| Buildings | 30/06/13 | - | - | 12,286 | 12,286 |
| Other Structures | 30/06/13 | - | - | 3,449 | 3,449 |
| Roads | 30/06/10 | - | - | 131,109 | 131,109 |
| Bridges | 30/06/10 | - | - | 54,227 | 54,227 |
| Footpaths | 30/06/10 | - | - | 2,048 | 2,048 |
| Earthworks | 30/06/10 | - | - | 14,855 | 14,855 |
| Stormwater Drainage | 30/06/12 | - | - | 18,332 | 18,332 |
| Water Supply | 30/06/12 | - | - | 11,562 | 11,562 |
| Sewerage Network | 30/06/12 | - | - | 22,564 | 22,564 |
| Swimming Pools | 30/06/13 | - | - | 2,234 | 2,234 |
| Reinstatement Assets | 30/06/14 | - | - | 1,004 | 1,004 |
| Total Infrastructure, Property, Plant & Equipme | | - | - | 291,008 | 291,008 |

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

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

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

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

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

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

Infrastructure, Property, Plant & Equipment

Plant & Equipment, Office Equipment and Furniture & Fittings

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

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

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

Operational & Community Land & Land Improvements

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

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

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

Land Under Roads

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

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

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

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

Buildings - Non-Specialised & Specialised

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

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

Other Structures

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

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

Roads, Bridges & Footpaths (including Bulk Earthworks)

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

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

Drainage Infrastructure

Assets within this class comprise pits and pipes.

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

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

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

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

Water Supply

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

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

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

Sewerage Network

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

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

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

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

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

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

| | Plant & Equipment | Office Equipment | Furniture & Fittings | Operational Land | Total |
|---------------------------------------|----------------------|------------------------|---------------------------|----------------------------------|---------------|
| Adoption of AASB 13 | 6,389 | 120 | 15 | 5,393 | 11,917 |
| Purchases (GBV) | 2,001 | 46 | - | 13 | 2,060 |
| Disposals (WDV) | (455) | - | - | - | (455) |
| Depreciation & Impairment | (1,035) | (83) | (2) | - | (1,120) |
| Closing Balance - 30/6/14 | 6,900 | 83 | 13 | 5,406 | 12,402 |
| Purchases (GBV) | 1,528 | 67 | - | 16 | 1,611 |
| Disposals (WDV) | (387) | - | - | - | (387) |
| Depreciation & Impairment | (1,110) | (84) | (1) | - | (1,195) |
| FV Gains - Other Comprehensive Income | - | - | - | 271 | 271 |
| Closing Balance - 30/6/15 | 6,931 | 66 | 12 | 5,693 | 12,702 |
| | Community Land | Land Under Roads | Land Improve -ments | Buildings Non- Specialised | Total |
| Adoption of AASB 13 | 491 | 3,392 | 1,050 | 2,408 | 7,341 |
| Purchases (GBV) | - | - | 38 | - | 38 |
| Disposals (WDV) | - | - | - | - | - |
| Depreciation & Impairment | - | - | (66) | (71) | (137) |
| FV Gains - Other Comprehensive Income | - | - | 31 | 167 | 198 |
| Closing Balance - 30/6/14 | 491 | 3,392 | 1,053 | 2,504 | 7,440 |
| Purchases (GBV) | - | - | 49 | - | 49 |
| Disposals (WDV) | - | - | - | - | - |
| Depreciation & Impairment | - | - | (67) | (74) | (141) |
| FV Gains - Other Comprehensive Income | 25 | 170 | 25 | 60 | 280 |
| Closing Balance - 30/6/15 | 516 | 3,562 | 1,060 | 2,490 | 7,628 |

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

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

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

| | Buildings Specialised | Other Structures | Roads | Bridges | Total |
|---------------------------------------|--------------------------|---------------------|------------------------|----------------------------|----------------|
| Adoption of AASB 13 | 9,664 | 5,523 | 130,839 | 53,462 | 199,488 |
| Purchases (GBV) | 253 | 259 | 2,799 | 1,023 | 4,334 |
| Disposals (WDV) | (6) | - | (1,157) | (622) | (1,785) |
| Depreciation & Impairment | (322) | (265) | (4,345) | (853) | (5,785) |
| FV Gains - Other Comprehensive Income | 193 | 166 | 2,973 | 1,217 | 4,549 |
| Closing Balance - 30/6/14 | 9,782 | 5,683 | 131,109 | 54,227 | 200,801 |
| Purchases (GBV) | 70 | 716 | 1,344 | 795 | 2,925 |
| Disposals (WDV) | (5) | (4) | (834) | (456) | (1,299) |
| Depreciation & Impairment | (332) | (279) | (4,251) | (887) | (5,749) |
| FV Gains - Other Comprehensive Income | 232 | 151 | 27,622 | 18,768 | 46,773 |
| Closing Balance - 30/6/15 | 9,747 | 6,267 | 154,990 | 72,447 | 243,451 |
| | Footpaths | Bulk Earthworks | Stormwater Drainage | Water Supply Network | Total |
| Adoption of AASB 13 | 2,012 | 14,525 | 17,953 | 11,455 | 45,945 |
| Purchases (GBV) | 99 | - | 14 | 22 | 135 |
| Disposals (WDV) | (66) | - | (2) | (7) | (75) |
| Depreciation & Impairment | (43) | - | (126) | (195) | (364) |
| FV Gains - Other Comprehensive Income | 46 | 330 | 493 | 287 | 1,156 |
| Closing Balance - 30/6/14 | 2,048 | 14,855 | 18,332 | 11,562 | 46,797 |
| Purchases (GBV) | 27 | - | 505 | 39 | 571 |
| Disposals (WDV) | - | - | (228) | (1) | (229) |
| Depreciation & Impairment | (45) | - | (150) | (199) | (394) |
| FV Gains - Other Comprehensive Income | 762 | (158) | 3,326 | 351 | 4,281 |
| Closing Balance - 30/6/15 | 2,792 | 14,697 | 21,785 | 11,752 | 51,026 |

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

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

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

| | Sewerage Network | Reinstatement Assets | Total |
|---------------------------------------|---------------------|-------------------------|---------------|
| Adoption of AASB 13 | 21,839 | 339 | 22,178 |
| Purchases (GBV) | 388 | (130) | 258 |
| Disposals (WDV) | (52) | - | (52) |
| Depreciation & Impairment | (201) | (57) | (258) |
| FV Gains - Other Comprehensive Income | 590 | 852 | 1,442 |
| Closing Balance - 30/6/14 | 22,564 | 1,004 | 23,568 |
| Purchases (GBV) | 417 | - | 417 |
| Disposals (WDV) | (128) | - | (128) |
| Depreciation & Impairment | (206) | (73) | (279) |
| FV Gains - Other Comprehensive Income | 365 | - | 365 |
| Reinstatement Remeasurement | - | 94 | 94 |
| Closing Balance - 30/6/15 | 23,012 | 1,025 | 24,037 |

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

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

KYOGLE COUNCIL

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

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

c. The Valuation Process for Level 3 Fair Value Measurements

Fair Value Hierarchy

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

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

Fair Value Techniques

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

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

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

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

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

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

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

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

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

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

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

KYOGLE COUNCIL

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

(5). Highest and best use

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



**KYOGLE COUNCIL
GENERAL PURPOSE FINANCIAL STATEMENTS
INDEPENDENT AUDITOR'S REPORT**

Report on the Financial Statements

We have audited the accompanying financial statements of Kyogle Council ("the Council"), which comprises the statement of financial position as at 30 June 2015, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the statement by Councillors' and Management.

Council's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Our audit responsibility does not extend to the original budget information included in the income statement, statement of cash flows, Note 2(a), 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.

Opinion

In our opinion:

- a) The Council's accounting records have been kept in accordance with the requirements of the *Local Government Act, 1993*, Chapter 13, Part 3, Division 2;
- b) The financial statements:
 - i. Have been prepared in accordance with the requirements of this Division;
 - ii. Are consistent with the Council's accounting records;
 - iii. Present fairly, in all material respects, the Council's financial position as at 30 June 2015, and of its performance and its cash flows for the year then ended; and
 - iv. Are in accordance with applicable Accounting Standards;
- c) All information relevant to the conduct of the audit has been obtained; and
- d) There are no material deficiencies in the accounting records or financial statements that have come to light in the course of the audit.

Matters Relating to the Electronic Presentation of the Audited Financial Statements

This auditor's report relates to the general purpose financial statements of Kyogle Council for the financial year ended 30 June 2015 published in the annual report and included on Council's website. The Council is responsible for the integrity of the Council's website. We have not been engaged to report on the integrity of this website. The auditor's report refers only to the financial statements identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial statements. If users of the financial statements are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements to confirm the information contained in this website version of the financial statements.

Dated at Lismore this 26th day of October 2015

**THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS**

G W DWYER (Partner)
Registered Company Auditor

Kyogle Council

Report to Council under s417 of the Local Government Act 1993

30 June 2015



BRW.
CLIENT
CHOICE
AWARDS
2013
australia's best professional service firms
WINNER

BRW.
CLIENT
CHOICE
AWARDS
2014
australia's best professional service firms
WINNER



Thomas
Noble &
Russell

Accountants | Auditors | Business Advisers

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We are pleased to advise that we have completed the audit of Council's financial statements for the year ended 30 June 2015, in accordance with Section 415 of the *Local Government Act 1993*. The financial statements that have been subject to independent audit are the:

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

1. THE AUDITOR'S ROLE & RESPONSIBILITY

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

Our audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the financial 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 an opinion on the effectiveness of the organisation's internal control. Our audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial statements.

Our independent audit report is attached to each of the financial statements.

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

Reporting on the Conduct of the Audit

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

2. INCOME STATEMENT

2.1 Consolidated Operating Result

Council's consolidated deficit from all activities for 2015 was \$655,000. This compares to a deficit in 2014 of \$4,632,000. This result can be summarised as follows:

| | 2015 \$'000 | 2014 \$'000 | 2013 \$'000 |
|--|----------------|----------------|----------------|
| Revenues from continuing operations | 21,745 | 17,889 | 22,713 |
| Expenses from continuing operations | (15,604) | (15,044) | (18,035) |
| Surplus from continuing operations before depreciation | 6,141 | 2,845 | 4,678 |
| Less: depreciation expense | (7,758) | (7,664) | (7,589) |
| Operating (deficit) after depreciation & before capital revenue and other significant items | (1,617) | (4,819) | (2,911) |
| <i>Significant items impacting the operating result</i> | | | |
| Gain / (Loss) on disposal of assets | (1,605) | (1,907) | (1,493) |
| Operating (deficit) before capital revenue | (3,222) | (6,726) | (4,404) |
| Capital grants and contributions | 2,567 | 2,094 | 4,839 |
| Surplus / (Deficit) from all activities | (655) | (4,632) | 435 |

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

2.2 Operating Result by Fund

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

| Operating Result by Fund | 2015 | | | 2014 | | |
|--|-------------------|-----------------|-----------------|-------------------|-----------------|-----------------|
| | General \$'000 | Water \$'000 | Sewer \$'000 | General \$'000 | Water \$'000 | Sewer \$'000 |
| Revenues from continuing operations | 19,235 | 1,300 | 1,210 | 15,459 | 1,262 | 1,168 |
| Expenses from continuing operations | (13,519) | (1,061) | (1,024) | (12,827) | (1,274) | (943) |
| Surplus / (Deficit) from continuing operations before depreciation | 5,716 | 239 | 186 | 2,632 | (12) | 225 |
| Less: depreciation expense | (7,354) | (199) | (205) | (7,268) | (195) | (201) |
| Operating surplus / (deficit) after depreciation & before capital revenue and other significant items | (1,638) | 40 | (19) | (4,636) | (207) | 24 |
| <i>Significant items impacting the operating result</i> | | | | | | |
| Gain / (Loss) on disposal of assets | (1,476) | (1) | (128) | (1,848) | (7) | (52) |
| Operating surplus / (deficit) before capital revenue | (3,114) | 39 | (147) | (6,484) | (214) | (28) |
| Capital grants and contributions | 2,053 | 511 | 3 | 2,089 | 4 | 1 |
| Surplus / (Deficit) from all activities | (1,061) | 550 | (144) | (4,395) | (210) | (27) |

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

2.3.1 General Fund Result

The General Fund operating result after depreciation and before capital revenue and other significant items has improved by \$2,998,000 from a \$4,636,000 deficit in 2014 to a \$1,638,000 deficit in 2015. Some of the material components contributing to the reduced overall deficit include:

| Account | Increase / (Decrease) \$'000 | Effect on Operating Result \$'000 | Reason for Increase / Decrease |
|---|---------------------------------|--------------------------------------|---|
| Revenue | | | |
| User Charges & Fees | 1,906 | 1,906 | Largely attributable to increased RMS charges of \$1,774,000. |
| General Purpose Financial Assistance Grants | 1,990 | 1,990 | In 2014, only two quarters of payments were received, as the first two quarters were received in FY 2013. The full four quarters of grants totalling \$3,897,000 have been received in FY 2015. |
| Expenses | | | |
| Materials & Contracts | 600 | (600) | Largely attributable to increased RMS works which was partly offset by reduced expenditure on grant funded projects. |

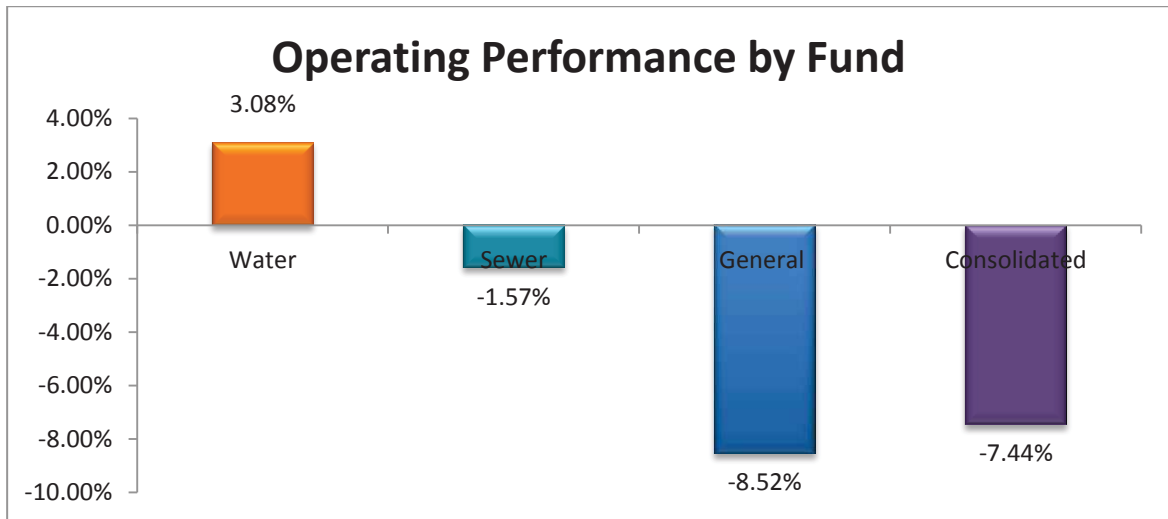
2.3.2 Water and Sewer Funds

The Water Fund operating result after depreciation and before capital revenue and other significant items has improved from a deficit of \$207,000 in 2014 to a surplus of \$40,000 in 2015.

The Sewer Fund operating result after depreciation and before capital revenue and other significant items has deteriorated slightly from a surplus of \$24,000 in 2014 to a deficit of \$19,000 in 2015.

2.3.3 Operating Performance Ratio

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



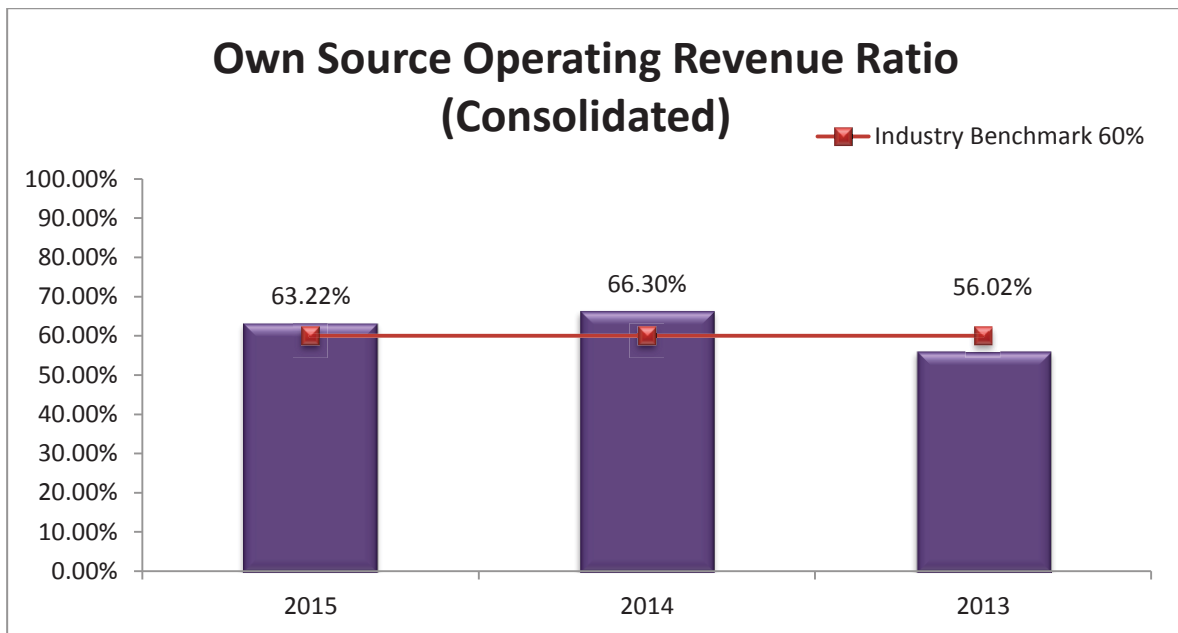
As illustrated, Council's General Fund has an operating deficit after depreciation but before capital items. The General Funds operating performance ratio has improved however, from – 29.99% in 2014 to – 8.52% in 2015.

Council should continue to improve the operating performance of the General Fund to achieve the greater than 0% benchmark. Council should not be recording recurring operating deficits but should contain operating expenditure within operating revenue.

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

2.3.4 Own Source Operating Revenue Ratio

Local Government performance benchmarking now analyses the ability of Council to generate its own revenue sources rather than over-reliance on grants and contributions (capital and operating) received from external sources. The graph below illustrates that Council sources 63.22% of its consolidated revenue from rates, annual charges, user charges, interest etc. which exceeds the industry benchmark of 60%.



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

2.4 Capital Grants & Contributions – All Funds

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

Capital grants received during the year amounted to \$2,174,000 and included grants for flood mitigation of \$1,065,000 and water supplies of \$508,000.

Capital contributions received during the year amounted to \$393,000. The table below provides an understanding of the nature and quantum of contributions received during the financial year:

| | 2015 \$'000 | 2014 \$'000 | 2013 \$'000 |
|--------------------------------------|----------------|----------------|----------------|
| General S94 | 26 | 109 | 123 |
| Sewer S64 | 3 | 1 | 2 |
| Water S64 | 3 | 4 | 2 |
| Stormwater S64 | 2 | - | 1 |
| Total developer contributions | 34 | 114 | 128 |
| Non-cash developer dedications | - | - | 384 |
| Non-cash crown reserves | - | - | 1,785 |
| RMS contributions to roads | 186 | 421 | 241 |
| Other contributions | 173 | 35 | 90 |
| Total Capital Contributions | 393 | 570 | 2,628 |

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

3. STATEMENT OF FINANCIAL POSITION

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

| | 2015 \$'000 | 2014 \$'000 | 2013 \$'000 |
|--------------------------|----------------|----------------|----------------|
| Current Assets | 27,372 | 21,309 | 23,513 |
| Non-Current Assets | 340,932 | 292,541 | 288,064 |
| Total Assets | 368,304 | 313,850 | 311,577 |
| Current Liabilities | 3,960 | 3,247 | 3,365 |
| Non-Current Liabilities | 5,053 | 2,627 | 2,949 |
| Total Liabilities | 9,013 | 5,874 | 6,314 |
| Equity | 359,291 | 307,976 | 305,263 |

We provide commentary on some of the material assets and liabilities appearing on Council's statement of financial position as at 30 June 2015 together with related NSW Office of Local Government benchmark data.

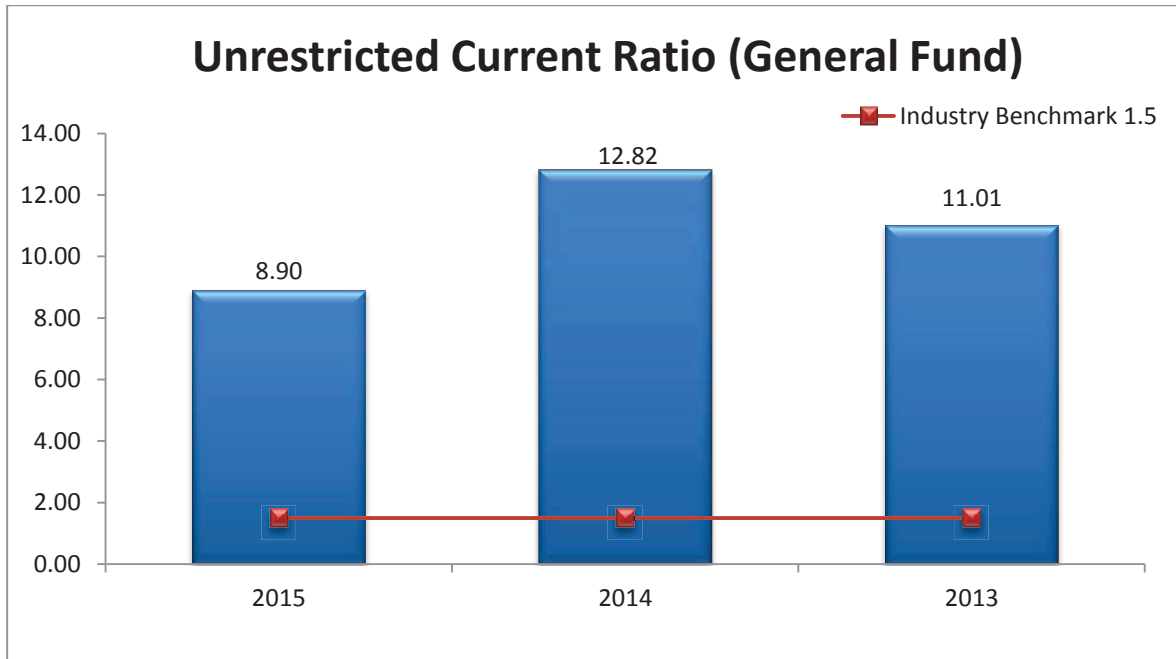
3.1 Current Assets

3.1.1 Unrestricted Net Current Assets & Ratio

| | 2015 \$'000 | 2014 \$'000 | 2013 \$'000 |
|---|----------------|----------------|----------------|
| Current Assets | 27,372 | 21,309 | 23,513 |
| Externally restricted cash & investments | (5,108) | (1,617) | (1,426) |
| Externally restricted receivables | (677) | (680) | (713) |
| Current Assets less all External Restrictions | 21,587 | 19,012 | 21,374 |
| Current Liabilities | 3,960 | 3,247 | 3,365 |
| Externally restricted liabilities | (711) | (925) | (465) |
| Liabilities classified as current in the financial statements but not expected to be paid in the next 12 months | (823) | (839) | (977) |
| Current Liabilities less Specific Purpose Liabilities | 2,426 | 1,483 | 1,923 |
| Unrestricted Current Net Assets before Internal Reserves | 19,161 | 17,529 | 19,451 |

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

The unrestricted current ratio measures Council's net unrestricted current ratio. The Office of Local Government and NSW Treasury consider that this ratio should be at least 1.5.



At 30 June 2015 Council's General Fund has \$8.90 in liquid current assets for every \$1 of current liabilities. This ratio is well above the industry benchmark.

Individually Water and Sewer Funds unrestricted current ratio also exceed industry benchmarks.

3.1.2 Cash & Cash Equivalents

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

| | 2015 \$'000 | 2014 \$'000 | 2013 \$'000 |
|---|----------------|----------------|----------------|
| Externally Restricted (Current) <i>Monies can only be spent in accordance with legislation, grant agreement or developer contribution plan specifications</i> | 5,108 | 1,617 | 1,426 |
| Internally Restricted (Current) <i>Money set aside for special projects via Council resolution</i> | 14,659 | 13,159 | 16,709 |
| Unrestricted (Current) <i>Funds forming part of working capital used for day-to-day Council operations</i> | 1,191 | - | - |
| Total Cash & Cash Equivalents | 20,958 | 14,776 | 18,135 |

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

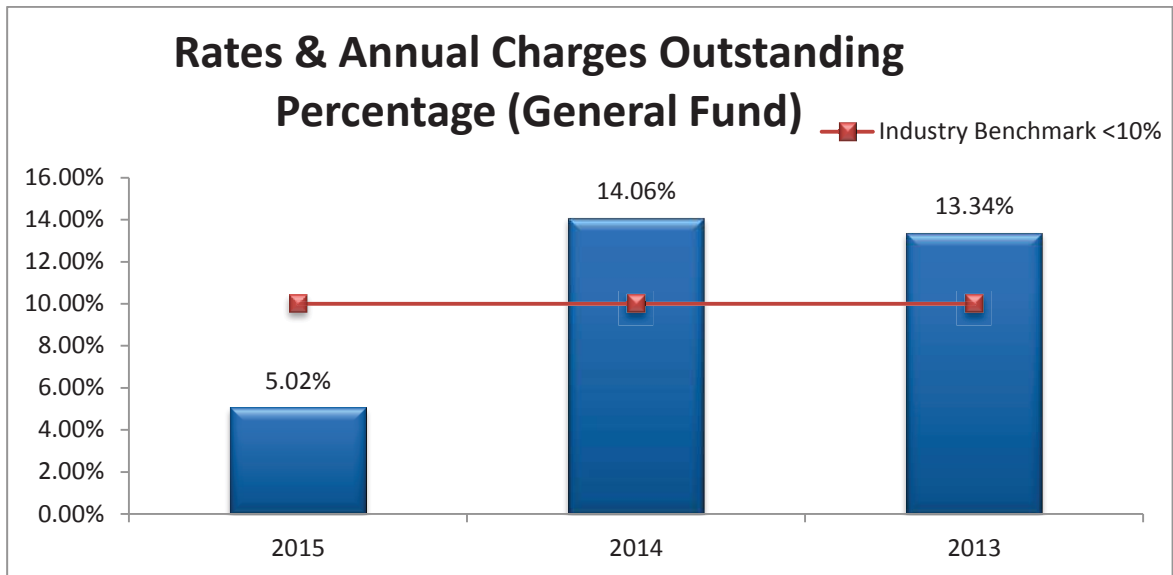
Total Internally Restricted Cash

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

| | 2015 \$'000 | 2014 \$'000 | 2013 \$'000 |
|---|----------------|----------------|----------------|
| Infrastructure Projects | | | |
| Roads & Bridges | 1,000 | 1,420 | 1,490 |
| Stormwater Management | 200 | 200 | 200 |
| Transport | 967 | 770 | 2,290 |
| Commercial Waste | 622 | 564 | 606 |
| Quarries | 1,121 | 1,049 | 1,077 |
| Carry Over Works | 1,995 | 1,434 | 4,290 |
| Emergency Works | 500 | 300 | 300 |
| | 6,405 | 5,737 | 10,253 |
| Plant & Equipment Renewal | | | |
| Building Replacement | 150 | 150 | 187 |
| Information Technology | 100 | 100 | 100 |
| Plant/Fleet Replacement | 6,993 | 6,131 | 4,994 |
| | 7,243 | 6,381 | 5,281 |
| Employee Entitlements | 1,011 | 1,041 | 1,175 |
| Total Internally Restricted Cash | 14,659 | 13,159 | 16,709 |

3.1.3 Rates and Annual Charges Outstanding Percentage

This is a financial performance indicator that assesses the effectiveness of Council's revenue collection processes. The NSW Office of Local Government benchmark is less than 10% for rural Council's.



Council's General Fund rates and annual charges outstanding ratio has significantly decreased from 14.06% in 2014 to 5.02% as at 30 June 2015. This improvement is largely attributable to the payment of long outstanding rates and annual charges relating to the timber industry.

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

The largest asset or liability appearing on Council's statement of financial position is I,P,P&E. Note 9 to the general purpose financial statements provides an understanding of Council's I,P,P&E and illustrates that Council is responsible for maintaining and improving assets with a written down value of approximately \$341 million.

3.2.1 Depreciation

| | 2015 | | | 2014 | | |
|--|---------|---------|--------------|---------|---------|--------------|
| | COST | WDV | DEP'N EXP | COST | WDV | DEP'N EXP |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Plant & equipment | 13,930 | 7,009 | 1,195 | 14,142 | 6,996 | 1,120 |
| Operational & community land | 6,209 | 6,209 | - | 5,897 | 5,897 | - |
| Land under roads | 3,562 | 3,562 | - | 3,392 | 3,392 | - |
| Land improvements depreciable | 1,592 | 1,060 | 67 | 1,506 | 1,053 | 66 |
| Buildings | 25,928 | 12,237 | 406 | 25,244 | 12,286 | 393 |
| Other structures | 11,191 | 6,267 | 279 | 10,216 | 5,683 | 265 |
| Infrastructure | | | | | | |
| Roads, bridges & footpaths | 339,750 | 230,229 | 5,183 | 316,230 | 187,384 | 5,241 |
| Bulk Earthworks | 14,697 | 14,697 | - | 14,855 | 14,855 | - |
| Stormwater drainage | 24,800 | 21,785 | 150 | 24,247 | 18,332 | 126 |
| Water infrastructure | 22,208 | 11,752 | 199 | 21,740 | 11,562 | 195 |
| Sewer infrastructure | 29,646 | 23,012 | 206 | 29,079 | 22,564 | 201 |
| Work in progress | 2,088 | 2,088 | - | 1,533 | 1,533 | - |
| Tip and quarry assets | 1,706 | 1,025 | 73 | 1,613 | 1,004 | 57 |
| Total Infrastructure, Property, Plant & Equipment | 497,307 | 340,932 | 7,758 | 469,694 | 292,541 | 7,664 |

The major movements in the above table for roads, bridges & footpaths written down values are the result of the revaluation for these assets as detailed at section 3.2.2 of this report.

3.2.2 Asset Revaluations

During the current financial year Council performed a full revaluation of its roads, bridges & footpaths and bulk earthworks assets. This revaluation included assessing asset conditions, useful lives and the cost of replacing each asset. All other assets were indexed in accordance with applicable indices. As a result of the revaluation (including indexation), net revaluation increments of \$51,970,000 were recognised, these amounts were credited to the Asset Revaluation Reserve.

3.2.3 Council Constructed / Purchased Additions

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

| | 2015 \$'000 | 2014 \$'000 | 2013 \$'000 |
|--|----------------|----------------|----------------|
| <i>Non-cash grants / contributions</i> | | | |
| Land and Buildings | - | - | 1,785 |
| Roads and Drainage Network | - | - | 384 |
| Water Supply Network | - | - | - |
| Sewerage Network | - | - | - |
| <i>Council Constructed / Purchased Assets</i> | | | |
| Work in Progress | 951 | 940 | 1,061 |
| Land and Buildings | 719 | 508 | 147 |
| Plant and Equipment | 1,528 | 2,001 | 1,490 |
| Roads and Drainage Network | 2,433 | 3,726 | 4,581 |
| Water Supply Network | 39 | 22 | 140 |
| Sewerage Network | 393 | 161 | 41 |
| Other | 67 | 46 | 36 |
| Total Asset Additions | 6,130 | 7,404 | 9,665 |
| Consisting of: | | | |
| Asset Renewals – Buildings & Infrastructure | 2,918 | 4,642 | 5,173 |
| Dedicated Assets | 28 | - | 2,169 |
| New Assets | 3,184 | 2,762 | 2,323 |
| | 6,130 | 7,404 | 9,665 |

3.2.4 Asset Management Performance Indicators

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

Audit of Asset Management Information

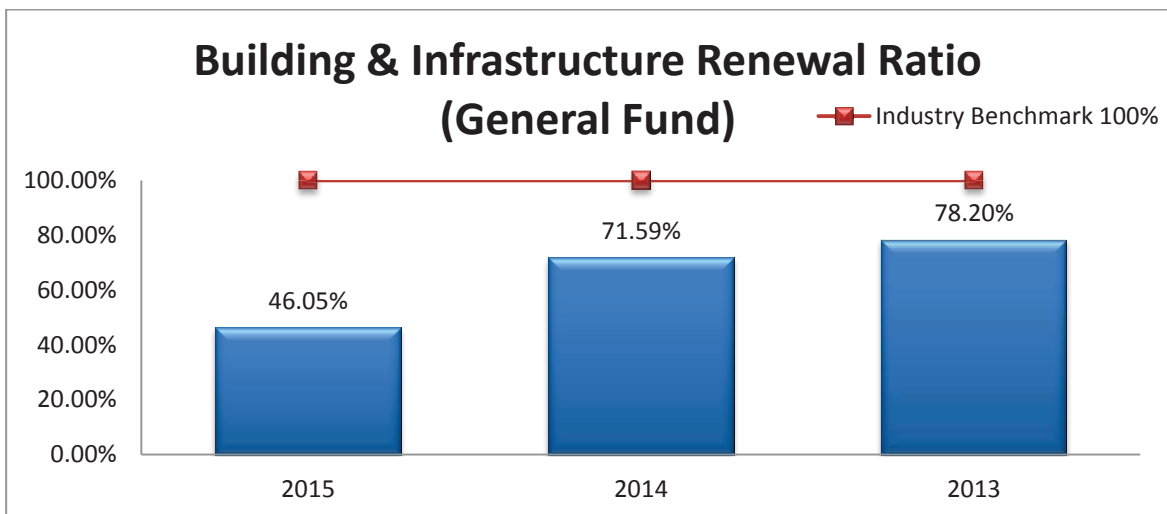
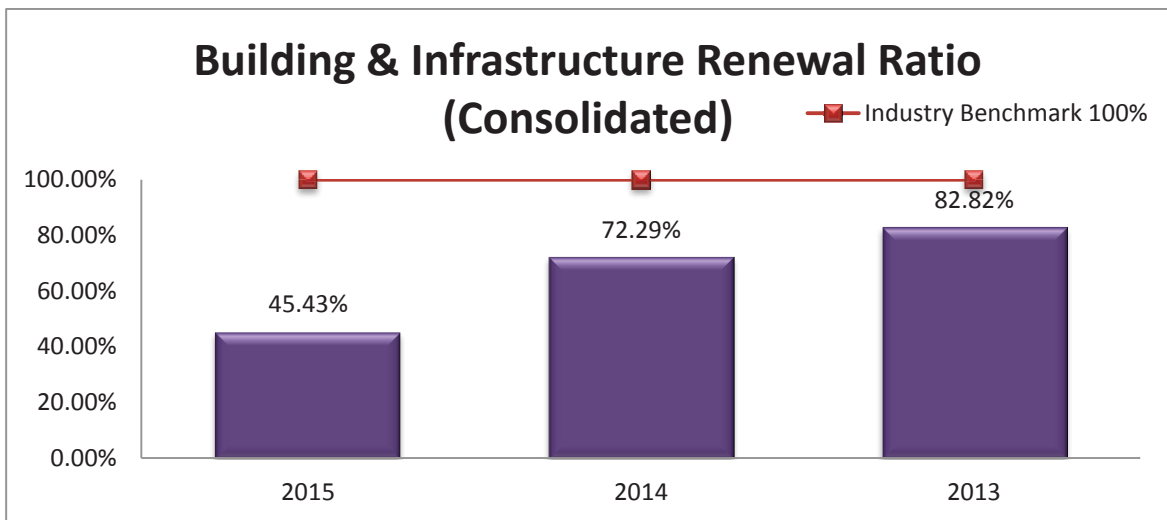
In 2015 Council's special schedule 7 will be subject to a review as part of an agreed upon process to determine the Council's readiness for audit in 2016. Special schedule 7 contains asset management ratios, costs to bring assets to a satisfactory standard and information relating to actual and required maintenance expenditure levels. As this information has not been subject to independent review in prior years, it is important that Council:

- Review the information contained in special schedule 7 to ensure it is accurate;

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

Buildings & Infrastructure Renewals Ratio

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



Industry benchmarking recommends that asset renewals equate to 100% of the related depreciation expense.

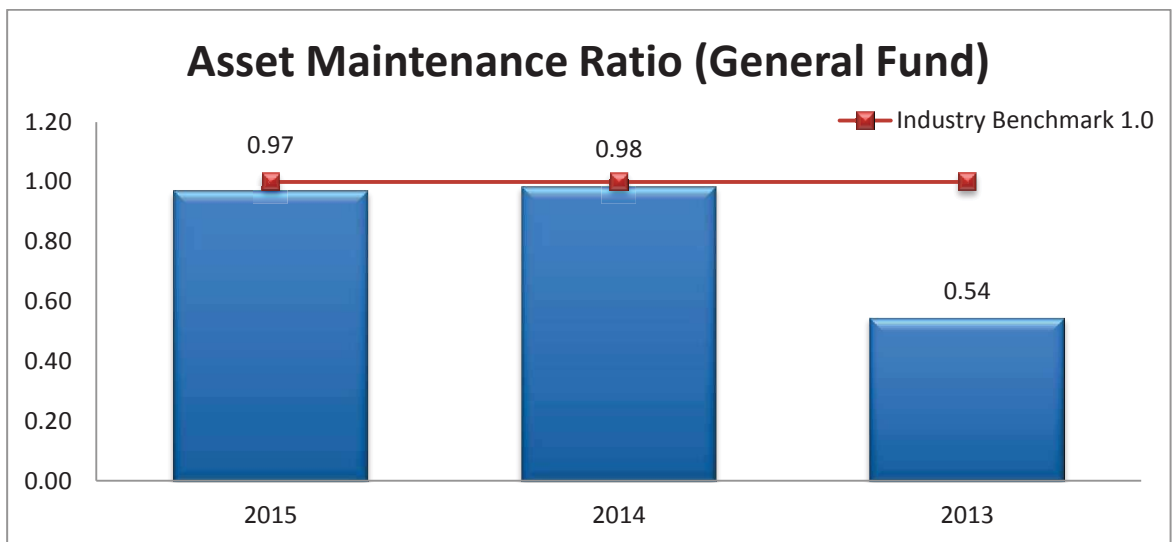
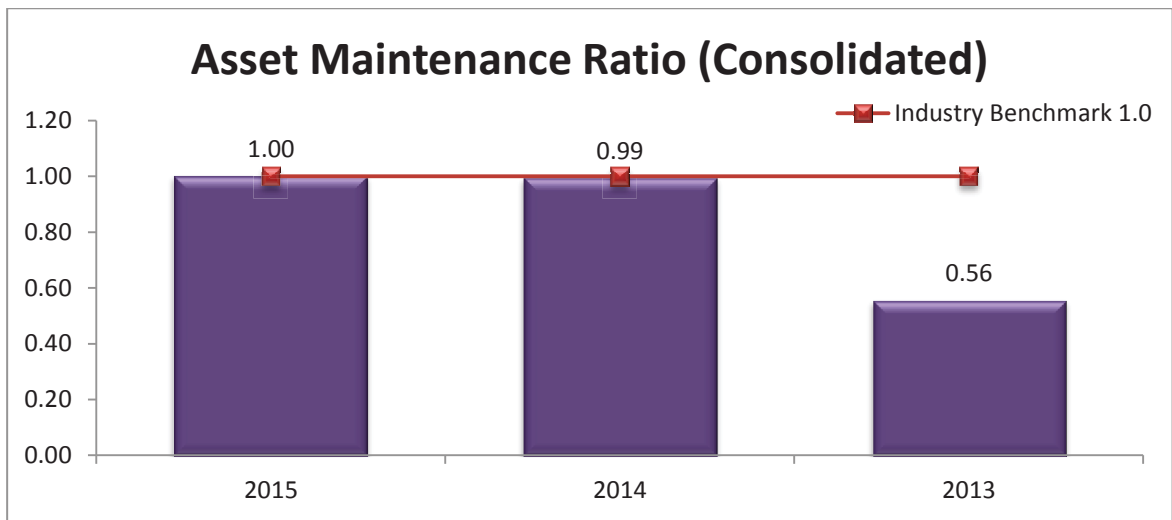
These graphs illustrate deterioration in Council's ratio and confirm that Council is not renewing assets equivalent to the rate at which they are depreciating.

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

Asset Maintenance Ratio

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

The benchmark for this ratio is greater than 1.0.

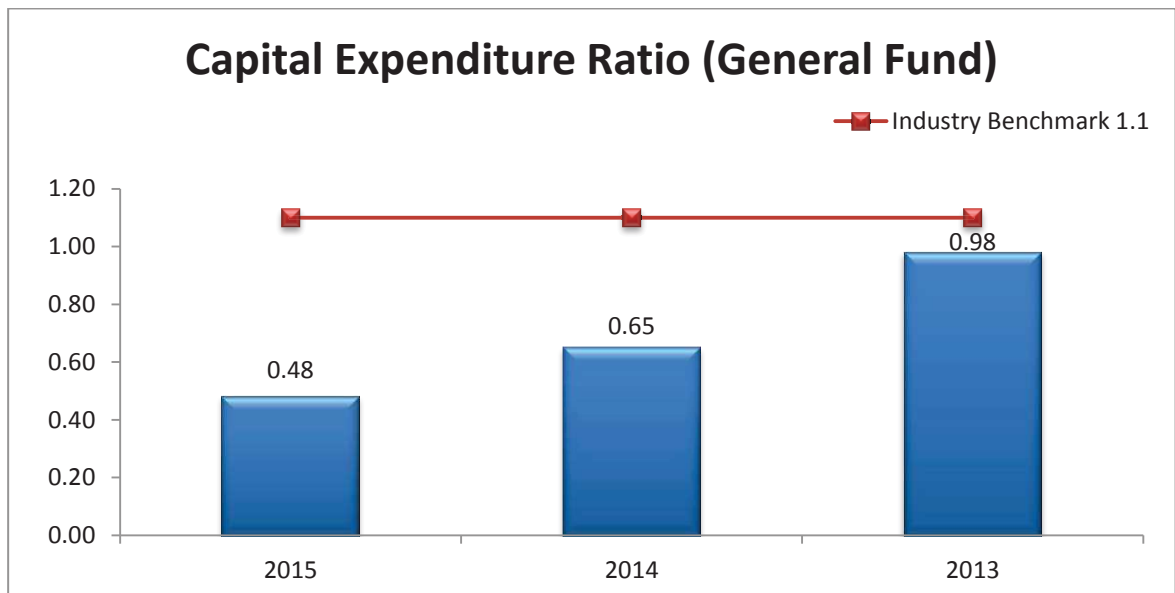
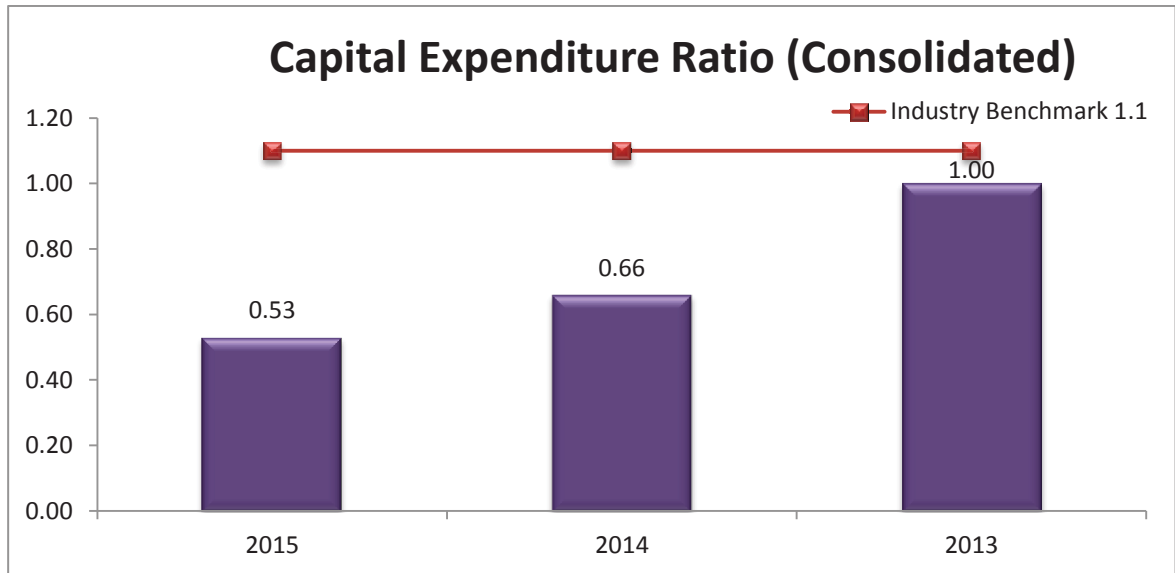


The ratios for 2015 indicate that Council is spending sufficient funds on asset maintenance to ensure their condition does not deteriorate below a satisfactory standard.

Capital Expenditure Ratio

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

The benchmark for this ratio is greater than 1.1.



The ratios for 2015 indicate that Council spent only 53% of total depreciation expense on capital works for buildings and infrastructure assets.

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

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

3.3 Loan Liability

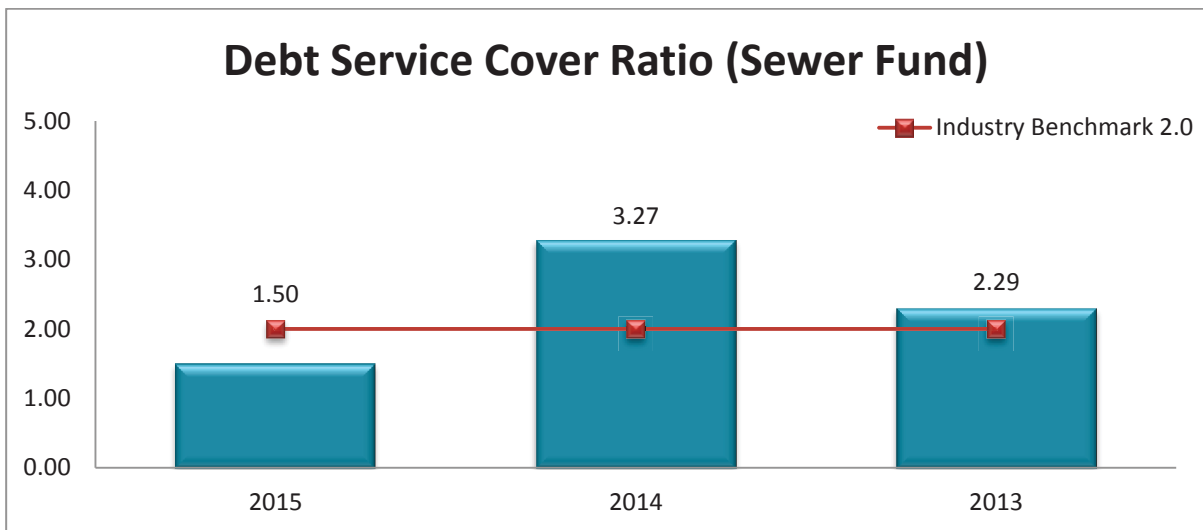
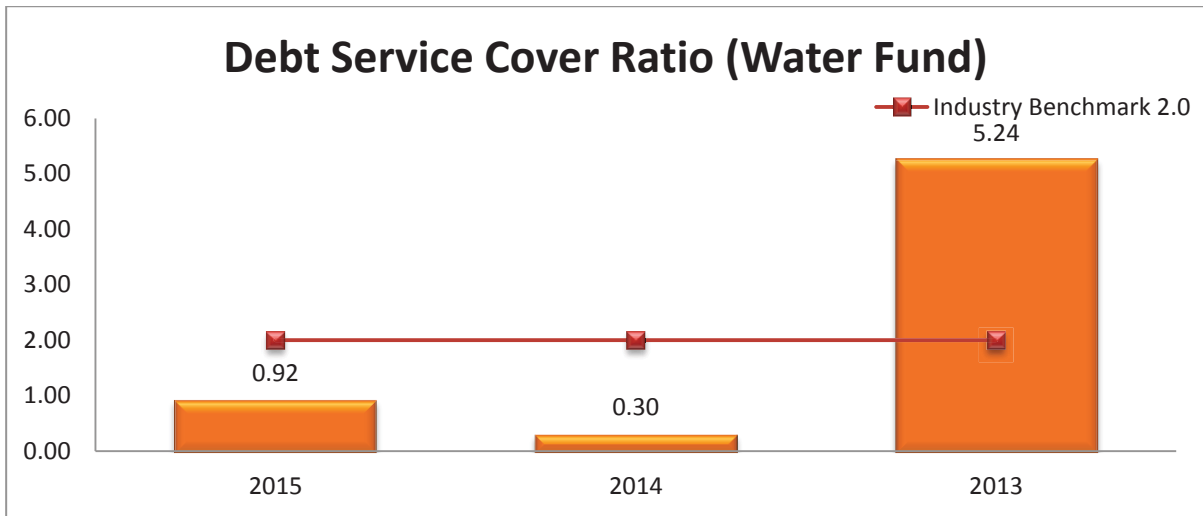
Council's loan liability represents 38% of total liabilities at 30 June 2015. We provide discussion on this balance below.

| | 2015 \$'000 | 2014 \$'000 | 2013 \$'000 |
|-----------------------------|----------------|----------------|----------------|
| Current Loan Liability | 221 | 271 | 32 |
| Non-Current Loan Liability | 3,229 | 907 | 1,178 |
| Total Loan Liability | 3,450 | 1,178 | 1,210 |
| By Fund | | | |
| General Fund | 300 | - | - |
| Sewer Fund | 907 | 922 | 943 |
| Water Fund | 2,243 | 256 | 267 |
| Total | 3,450 | 1,178 | 1,210 |

The Council obtained new Water Fund borrowings during the current year of \$2 million, which is designated for the Off Stream Storage Project.

Debt Service Cover Ratio

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



The Sewer Fund's Debt Service Cover Ratio has reduced in 2015 in line with the deterioration in financial performance of this Fund noted in section 2.3.2 of this report.

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

4. OTHER MATTERS

4.1 Internal Control Environment

No significant breakdowns of internal control were encountered during the course of our audit nor did we become aware of the existence of items comprising material error, sufficient to cause us to issue a modified audit opinion. We will issue a separate report to Council which identifies internal control weaknesses and other audit observations in due course.

4.2 Fit for the Future

On 20 October 2015 the New South Wales Government released the Independent Pricing and Regulatory Tribunal (IPART) assessment of local government Fit for the Future proposals. IPART has assessed that Kyogle Council is not Fit for the Future.

The New South Wales Government has announced that Councils have 30 days from 20 October 2015 to respond to the IPART report.

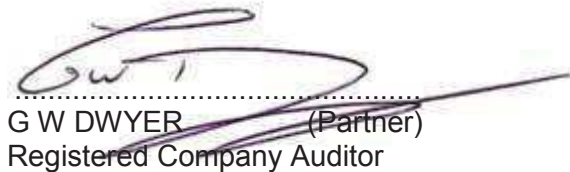
At the date of this report it is unclear as to the outcome of the New South Wales Government's process. Accordingly, the financial statements have been prepared on a going concern basis.

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

Yours faithfully

**THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS**

Per:

A handwritten signature in black ink, appearing to read 'G W DWYER', is written over a horizontal dotted line. A long, sweeping horizontal line is drawn across the signature and extends to the right.

G W DWYER (Partner)
Registered Company Auditor



KYOGLE COUNCIL

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2015

Gateway to the Rainforests



KYOGLE COUNCIL

Special Purpose Financial Statements

for the financial year ended 30 June 2015

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| Statement of Financial Position - Water Supply Business Activity | 7 |
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| Statement of Financial Position - Other Business Activities | 9 - 10 |
| 3. Notes to the Special Purpose Financial Statements | 11 |
| 4. Auditor's Report | |

Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Division of Local Government in fulfilling their requirements under National Competition Policy.
- (ii) The principle of competitive neutrality is based on the concept of a "level playing field" between persons/entities competing in a market place, particularly between private and public sector competitors.

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

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

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

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

KYOGLE COUNCIL

Special Purpose Financial Statements for the financial year ended 30 June 2015

Statement by Councillors and Management

made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

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

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

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

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

Signed in accordance with a resolution of Council made on 26 October 2015.



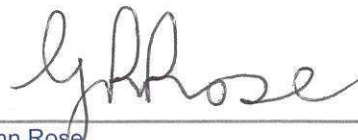
Danielle Mulholland
MAYOR



John Burley
COUNCILLOR



David Tuxford
GENERAL MANAGER



Glenn Rose
RESPONSIBLE ACCOUNTING OFFICER

KYOGLE COUNCIL

Income Statement of Council's Water Supply Business Activity

for the financial year ended 30 June 2015

| \$ '000 | Actual 2015 | Actual 2014 |
|--|----------------|----------------|
| Income from continuing operations | | |
| Access charges | 675 | 630 |
| User charges | 556 | 520 |
| Fees | 9 | 10 |
| Interest | 5 | 4 |
| Grants and contributions provided for non capital purposes | 34 | 27 |
| Profit from the sale of assets | - | - |
| Other income | 21 | 71 |
| Total income from continuing operations | 1,300 | 1,262 |
| Expenses from continuing operations | | |
| Employee benefits and on-costs | 260 | 231 |
| Borrowing costs | 22 | 22 |
| Materials and contracts | 624 | 830 |
| Depreciation and impairment | 199 | 195 |
| Water purchase charges | - | 35 |
| Loss on sale of assets | 1 | 7 |
| Calculated taxation equivalents | - | - |
| Debt guarantee fee (if applicable) | - | - |
| Other expenses | 155 | 156 |
| Total expenses from continuing operations | 1,261 | 1,476 |
| Surplus (deficit) from Continuing Operations before capital amounts | 39 | (214) |
| Grants and contributions provided for capital purposes | 511 | 4 |
| Surplus (deficit) from Continuing Operations after capital amounts | 550 | (210) |
| Surplus (deficit) from discontinued operations | - | - |
| Surplus (deficit) from ALL Operations before tax | 550 | (210) |
| less: Corporate Taxation Equivalent (30%) [based on result before capital] | (12) | - |
| SURPLUS (DEFICIT) AFTER TAX | 538 | (210) |
| plus Opening Retained Profits | 7,718 | 7,928 |
| plus/less: Prior Period Adjustments | - | - |
| plus/less: Other Adjustments (details here...) | - | - |
| plus Adjustments for amounts unpaid: | | |
| - Taxation equivalent payments | - | - |
| - Debt guarantee fees | - | - |
| - Corporate taxation equivalent | 12 | - |
| less: | | |
| - Tax Equivalent Dividend paid | - | - |
| - Surplus dividend paid | - | - |
| Closing Retained Profits | 8,268 | 7,718 |
| Return on Capital % | 0.5% | -1.6% |
| Subsidy from Council | n/a | n/a |
| Calculation of dividend payable: | | |
| Surplus (deficit) after tax | 538 | (210) |
| less: Capital grants and contributions (excluding developer contributions) | (508) | (2) |
| Surplus for dividend calculation purposes | 30 | - |
| Potential Dividend calculated from surplus | 15 | - |

KYOGLE COUNCIL

Income Statement of Council's Sewerage Business Activity

for the financial year ended 30 June 2015

| \$ '000 | Actual 2015 | Actual 2014 |
|--|----------------|----------------|
| Income from continuing operations | | |
| Access charges | 958 | 934 |
| User charges | 184 | 173 |
| Liquid Trade Waste charges | 28 | 17 |
| Fees | - | - |
| Interest | 8 | 10 |
| Grants and contributions provided for non capital purposes | 25 | 26 |
| Profit from the sale of assets | - | - |
| Other income | 7 | 8 |
| Total income from continuing operations | 1,210 | 1,168 |
| Expenses from continuing operations | | |
| Employee benefits and on-costs | 270 | 313 |
| Borrowing costs | 68 | 69 |
| Materials and contracts | 613 | 487 |
| Depreciation and impairment | 205 | 201 |
| Loss on sale of assets | 128 | 52 |
| Calculated taxation equivalents | - | - |
| Debt guarantee fee (if applicable) | - | - |
| Other expenses | 73 | 74 |
| Total expenses from continuing operations | 1,357 | 1,196 |
| Surplus (deficit) from Continuing Operations before capital amounts | (147) | (28) |
| Grants and contributions provided for capital purposes | 3 | 1 |
| Surplus (deficit) from Continuing Operations after capital amounts | (144) | (27) |
| Surplus (deficit) from discontinued operations | - | - |
| Surplus (deficit) from ALL Operations before tax | (144) | (27) |
| less: Corporate Taxation Equivalent (30%) [based on result before capital] | - | - |
| SURPLUS (DEFICIT) AFTER TAX | (144) | (27) |
| plus Opening Retained Profits | 8,871 | 8,898 |
| plus/less: Prior Period Adjustments | - | - |
| plus/less: Other Adjustments (details here...) | - | - |
| plus Adjustments for amounts unpaid: | | |
| - Taxation equivalent payments | - | - |
| - Debt guarantee fees | - | - |
| - Corporate taxation equivalent | - | - |
| less: | | |
| - Tax Equivalent Dividend paid | - | - |
| - Surplus dividend paid | - | - |
| Closing Retained Profits | 8,727 | 8,871 |
| Return on Capital % | -0.3% | 0.2% |
| Subsidy from Council | n/a | n/a |
| Calculation of dividend payable: | | |
| Surplus (deficit) after tax | (144) | (27) |
| less: Capital grants and contributions (excluding developer contributions) | (1) | 1 |
| Surplus for dividend calculation purposes | - | - |
| Potential Dividend calculated from surplus | - | - |

KYOGLE COUNCIL

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2015

| \$ '000 | Domestic Waste | | Quarries | |
|--|----------------|----------------|----------------|----------------|
| | Category 2 | | Category 2 | |
| | Actual 2015 | Actual 2014 | Actual 2015 | Actual 2014 |
| Income from continuing operations | | | | |
| Access charges | 850 | 796 | - | - |
| User charges | - | - | 260 | 195 |
| Fees | - | - | - | - |
| Interest | 6 | 7 | - | - |
| Grants and contributions provided for non capital purposes | 33 | 27 | - | - |
| Profit from the sale of assets | - | - | - | - |
| Other income | - | - | - | - |
| Total income from continuing operations | 889 | 830 | 260 | 195 |
| Expenses from continuing operations | | | | |
| Employee benefits and on-costs | - | - | 35 | 31 |
| Borrowing costs | 22 | 40 | 3 | 1 |
| Materials and contracts | 869 | 1,294 | 204 | 112 |
| Depreciation and impairment | 66 | 50 | 28 | 32 |
| Loss on sale of assets | - | - | - | 6 |
| Calculated taxation equivalents | - | - | - | - |
| Debt guarantee fee (if applicable) | - | - | - | - |
| Other expenses | - | - | - | - |
| Total expenses from continuing operations | 957 | 1,384 | 270 | 182 |
| Surplus (deficit) from Continuing Operations before capital amounts | (68) | (554) | (10) | 13 |
| Grants and contributions provided for capital purposes | - | - | - | - |
| Surplus (deficit) from Continuing Operations after capital amounts | (68) | (554) | (10) | 13 |
| Surplus (deficit) from discontinued operations | - | - | - | - |
| Surplus (deficit) from ALL Operations before tax | (68) | (554) | (10) | 13 |
| less: Corporate Taxation Equivalent (30%) [based on result before capital] | - | - | - | (4) |
| SURPLUS (DEFICIT) AFTER TAX | (68) | (554) | (10) | 9 |
| plus Opening Retained Profits | (837) | (283) | 1,209 | 1,196 |
| plus/less: Prior Period Adjustments | - | - | - | - |
| plus/less: Other Adjustments (details here...) | - | - | - | - |
| plus Adjustments for amounts unpaid: | | | | |
| - Taxation equivalent payments | - | - | - | - |
| - Debt guarantee fees | - | - | - | - |
| - Corporate taxation equivalent | - | - | - | 4 |
| add: | | | | |
| - Subsidy Paid/Contribution To Operations | - | - | - | - |
| less: | | | | |
| - TER dividend paid | - | - | - | - |
| - Dividend paid | - | - | - | - |
| Closing Retained Profits | (905) | (837) | 1,199 | 1,209 |
| Return on Capital % | -4.6% | -52.6% | -1.0% | 2.0% |
| Subsidy from Council | 76 | 549 | 29 | 10 |

KYOGLE COUNCIL

Income Statement of Council's Other Business Activities for the financial year ended 30 June 2015

Transport

Category 1

| \$ '000 | Actual 2015 | Actual 2014 |
|--|----------------|----------------|
| Income from continuing operations | | |
| Access charges | - | - |
| User charges | 4,860 | 3,085 |
| Fees | - | - |
| Interest | - | - |
| Grants and contributions provided for non capital purposes | - | - |
| Profit from the sale of assets | - | - |
| Other income | - | - |
| Total income from continuing operations | 4,860 | 3,085 |
| Expenses from continuing operations | | |
| Employee benefits and on-costs | 765 | 455 |
| Borrowing costs | - | - |
| Materials and contracts | 3,701 | 1,942 |
| Depreciation and impairment | - | - |
| Loss on sale of assets | - | - |
| Calculated taxation equivalents | - | - |
| Debt guarantee fee (if applicable) | - | - |
| Other expenses | - | - |
| Total expenses from continuing operations | 4,466 | 2,397 |
| Surplus (deficit) from Continuing Operations before capital amounts | 394 | 688 |
| Grants and contributions provided for capital purposes | - | - |
| Surplus (deficit) from Continuing Operations after capital amounts | 394 | 688 |
| Surplus (deficit) from discontinued operations | - | - |
| Surplus (deficit) from ALL Operations before tax | 394 | 688 |
| less: Corporate Taxation Equivalent (30%) [based on result before capital] | (118) | (206) |
| SURPLUS (DEFICIT) AFTER TAX | 276 | 482 |
| plus Opening Retained Profits | 3,288 | 2,805 |
| plus/less: Prior Period Adjustments | - | - |
| plus/less: Other Adjustments (details here...) | - | - |
| plus Adjustments for amounts unpaid: | | |
| - Taxation equivalent payments | - | - |
| - Debt guarantee fees | - | - |
| - Corporate taxation equivalent | 118 | 206 |
| add: | | |
| - Subsidy Paid/Contribution To Operations | - | - |
| less: | | |
| - TER dividend paid | - | - |
| - Dividend paid | (575) | (205) |
| Closing Retained Profits | 3,107 | 3,288 |
| Return on Capital % | n/a | n/a |
| Subsidy from Council | - | - |

KYOGLE COUNCIL

Statement of Financial Position - Council's Water Supply Business Activity as at 30 June 2015

| \$ '000 | Actual 2015 | Actual 2014 |
|---|----------------|----------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | 2,477 | 10 |
| Receivables | 295 | 301 |
| Total Current Assets | 2,772 | 311 |
| Non-Current Assets | | |
| Infrastructure, property, plant and equipment | 12,319 | 12,013 |
| Total non-Current Assets | 12,319 | 12,013 |
| TOTAL ASSETS | 15,091 | 12,324 |
| LIABILITIES | | |
| Current Liabilities | | |
| Payables | 92 | 214 |
| Interest bearing liabilities | 180 | 256 |
| Provisions | 72 | 72 |
| Total Current Liabilities | 344 | 542 |
| Non-Current Liabilities | | |
| Payables | - | - |
| Interest bearing liabilities | 2,063 | - |
| Provisions | - | - |
| Total Non-Current Liabilities | 2,063 | - |
| TOTAL LIABILITIES | 2,407 | 542 |
| NET ASSETS | 12,684 | 11,782 |
| EQUITY | | |
| Retained earnings | 8,268 | 7,718 |
| Revaluation reserves | 4,416 | 4,064 |
| Council equity interest | 12,684 | 11,782 |
| Non-controlling equity interest | - | - |
| TOTAL EQUITY | 12,684 | 11,782 |

KYOGLE COUNCIL

Statement of Financial Position - Council's Sewerage Business Activity

as at 30 June 2015

| \$ '000 | Actual 2015 | Actual 2014 |
|---|----------------|----------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | 584 | 797 |
| Receivables | 246 | 252 |
| Total Current Assets | 830 | 1,049 |
| Non-Current Assets | | |
| Infrastructure, property, plant and equipment | 23,012 | 22,589 |
| Total non-Current Assets | 23,012 | 22,589 |
| TOTAL ASSETS | 23,842 | 23,638 |
| LIABILITIES | | |
| Current Liabilities | | |
| Payables | 5 | 5 |
| Interest bearing liabilities | 16 | 15 |
| Provisions | 72 | 73 |
| Total Current Liabilities | 93 | 93 |
| Non-Current Liabilities | | |
| Payables | - | - |
| Interest bearing liabilities | 891 | 907 |
| Provisions | - | - |
| Total Non-Current Liabilities | 891 | 907 |
| TOTAL LIABILITIES | 984 | 1,000 |
| NET ASSETS | 22,858 | 22,638 |
| EQUITY | | |
| Retained earnings | 8,727 | 8,871 |
| Revaluation reserves | 14,131 | 13,767 |
| Council equity interest | 22,858 | 22,638 |
| Non-controlling equity interest | - | - |
| TOTAL EQUITY | 22,858 | 22,638 |

KYOGLE COUNCIL

Statement of Financial Position - Council's Other Business Activities

as at 30 June 2015

| \$ '000 | Domestic Waste | | Quarries | |
|---|----------------|----------------|----------------|----------------|
| | Category 2 | | Category 2 | |
| | Actual 2015 | Actual 2014 | Actual 2015 | Actual 2014 |
| ASSETS | | | | |
| Current Assets | | | | |
| Cash and cash equivalents | 50 | 39 | 1,121 | 1,049 |
| Receivables | 136 | 127 | - | - |
| Inventories | - | - | 146 | 228 |
| Total Current Assets | 186 | 166 | 1,267 | 1,277 |
| Non-Current Assets | | | | |
| Infrastructure, property, plant and equipment | 1,005 | 977 | 716 | 687 |
| Total Non-Current Assets | 1,005 | 977 | 716 | 687 |
| TOTAL ASSETS | 1,191 | 1,143 | 1,983 | 1,964 |
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| Payables | - | - | - | - |
| Interest bearing liabilities | - | - | - | - |
| Provisions | - | - | - | - |
| Total Current Liabilities | - | - | - | - |
| Non-Current Liabilities | | | | |
| Provisions | 1,244 | 1,128 | 302 | 299 |
| Total Non-Current Liabilities | 1,244 | 1,128 | 302 | 299 |
| TOTAL LIABILITIES | 1,244 | 1,128 | 302 | 299 |
| NET ASSETS | (53) | 15 | 1,681 | 1,665 |
| EQUITY | | | | |
| Retained earnings | (905) | (837) | 1,199 | 1,209 |
| Revaluation reserves | 852 | 852 | 482 | 456 |
| Council equity interest | (53) | 15 | 1,681 | 1,665 |
| Non-controlling equity interest | - | - | - | - |
| TOTAL EQUITY | (53) | 15 | 1,681 | 1,665 |

KYOGLE COUNCIL

Statement of Financial Position - Council's Other Business Activities

as at 30 June 2015

Transport

Category 1

| \$ '000 | Actual 2015 | Actual 2014 |
|--------------------------------------|----------------|----------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | 967 | 770 |
| Receivables | 2,140 | 2,518 |
| Total Current Assets | 3,107 | 3,288 |
| Non-Current Assets | | |
| Total Non-Current Assets | - | - |
| TOTAL ASSETS | 3,107 | 3,288 |
| LIABILITIES | | |
| Current Liabilities | | |
| Payables | - | - |
| Interest bearing liabilities | - | - |
| Provisions | - | - |
| Total Current Liabilities | - | - |
| Non-Current Liabilities | | |
| Total Non-Current Liabilities | - | - |
| TOTAL LIABILITIES | - | - |
| NET ASSETS | 3,107 | 3,288 |
| EQUITY | | |
| Retained earnings | 3,107 | 3,288 |
| Revaluation reserves | - | - |
| Council equity interest | 3,107 | 3,288 |
| Non-controlling equity interest | - | - |
| TOTAL EQUITY | 3,107 | 3,288 |

KYOGLE COUNCIL

Special Purpose Financial Statements

for the financial year ended 30 June 2015

Contents of the Notes accompanying the Financial Statements

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

KYOGLE COUNCIL

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2015

Note 1. Significant Accounting Policies

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

For the purposes of these statements, the Council is not a reporting not-for-profit entity.

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

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

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

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

The statements are also prepared on an accruals basis, based on historic costs and do not take into account changing money values nor current values of non-current assets (except where specifically stated).

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

National Competition Policy

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

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

The "Pricing & Costing for Council Businesses A Guide to Competitive Neutrality" issued by the Office of Local Government in July 1997 has also been adopted.

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

Declared Business Activities

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

Category 1

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

a. Transport

Contract Road Construction and Maintenance

Category 2

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

a. Water

Water Supply

b. Sewer

Sewerage Services

c. Domestic Waste

Domestic Waste Management

d. Quarries

Quarrying Operations

Monetary Amounts

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

As required by the NSW Office of Water (Department of Primary Industries) the amounts shown in Notes 2 and Note 3 are disclosed in whole dollars.

KYOGLE COUNCIL

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2015

Note 1. Significant Accounting Policies

(i) Taxation Equivalent Charges

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

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

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

Notional Rate Applied %

Corporate Income Tax Rate – **30%**

Land Tax – The first **\$432,000** of combined land values attracts **0%**. From \$432,001 to \$2,641,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,641,000, a premium marginal rate of **2.0%** applies.

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

In accordance with the guidelines for Best Practice Management of Water Supply and Sewerage, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from Water Supply and Sewerage Business activities.

The payment of taxation equivalent charges, referred in the Best Practice Management of Water Supply and Sewerage Guides to as a "Dividend for Taxation equivalent", may be applied for any purpose allowed under the Local Government Act, 1993.

Achievement of substantial compliance against the guidelines for Best Practice Management of Water Supply and Sewerage is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

Income Tax

An income tax equivalent has been applied on the profits of each reported Business Activity.

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

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

Income Tax is only applied where a positive gain/(loss) from ordinary activities before capital amounts has been achieved.

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

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

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

Local Government Rates & Charges

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

Loan & Debt Guarantee Fees

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

In order to calculate a debt guarantee fee, council has determined what the differential borrowing rate would have been between the commercial rate and the council's borrowing rate for its business activities.

KYOGLE COUNCIL

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2015

Note 1. Significant Accounting Policies

(ii) Subsidies

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

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

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

The overall effect of subsidies is contained within the Income Statement of each reported Business Activity.

(iii) Return on Investments (Rate of Return)

The Policy statement requires that councils with Category 1 businesses "would be expected to generate a return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field".

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

The Rate of Return on Capital is calculated as follows:

Operating Result before Capital Income + Interest Expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 3.02% at 30/6/15.

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

(iv) Dividends

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

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

The dividend, calculated and approved in accordance with the Best Practice Management Guidelines, must not exceed either:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2015 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

KYOGLE COUNCIL

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2015

Note 2. Water Supply Business Best Practice Management disclosure requirements

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

2015

1. Calculation and Payment of Tax-Equivalents

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

| | | |
|-------|--|-------|
| (i) | Calculated Tax Equivalents | - |
| (ii) | No of assessments multiplied by \$3/assessment | 5,865 |
| (iii) | Amounts payable for Tax Equivalents [lesser of (i) and (ii)] | - |
| (iv) | Amounts actually paid for Tax Equivalents | |

2. Dividend from Surplus

| | | | | | | | | | | | | | | |
|--|--|---------------|--------------|---------------|--------------|-----------|--------------|----------|--|--|---------------|---|---------------|---|
| (i) | 50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines] | 15,090 | | | | | | | | | | | | |
| (ii) | No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment | 58,650 | | | | | | | | | | | | |
| (iii) | Cumulative surplus before Dividends for the 3 years to 30 June 2015, less the cumulative dividends paid for the 2 years to 30 June 2014 & 30 June 2013 | (229,820) | | | | | | | | | | | | |
| <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%;">2015 Surplus</td> <td style="width: 15%; text-align: center;">30,180</td> <td style="width: 25%;">2014 Surplus</td> <td style="width: 15%; text-align: center;">(212,000)</td> <td style="width: 20%;">2013 Surplus</td> <td style="width: 15%; text-align: center;">(48,000)</td> </tr> <tr> <td></td> <td></td> <td>2014 Dividend</td> <td style="text-align: center;">-</td> <td>2013 Dividend</td> <td style="text-align: center;">-</td> </tr> </table> | | | 2015 Surplus | 30,180 | 2014 Surplus | (212,000) | 2013 Surplus | (48,000) | | | 2014 Dividend | - | 2013 Dividend | - |
| 2015 Surplus | 30,180 | 2014 Surplus | (212,000) | 2013 Surplus | (48,000) | | | | | | | | | |
| | | 2014 Dividend | - | 2013 Dividend | - | | | | | | | | | |
| (iv) | Maximum dividend from surplus [least of (i), (ii) and (iii) above] | n/a | | | | | | | | | | | | |
| (v) | Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria] | | | | | | | | | | | | | |

3. Required outcomes for 6 Criteria

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

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

KYOGLE COUNCIL

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2015

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

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

2015

National Water Initiative (NWI) Financial Performance Indicators

| | | | |
|----------------|---|--------|--------|
| NWI F1 | Total Revenue (Water) Total Income (w13) - Grants for the Acquisition of Assets (w11a) - Interest Income (w9) - Aboriginal Communities W&S Program Income (w10a) | \$'000 | 1,303 |
| NWI F4 | Revenue from Residential Usage Charges (Water) Income from Residential Usage Charges (w6b) x 100 divided by the sum of [Income from Residential Usage Charges (w6a) + Income from Residential Access Charges (w6b)] | % | 40.89% |
| NWI F9 | Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47) | \$'000 | 12,319 |
| NWI F11 | Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2) | \$'000 | 1,030 |
| NWI F14 | Capital Expenditure (Water) Acquisition of fixed assets (w16) | \$'000 | - |
| NWI F17 | Economic Real Rate of Return (Water) [Total Income (w13) - Interest Income (w9) - Grants for acquisition of assets (w11a) - Operating Costs (NWI F11) - Current Cost Depreciation (w3)] x 100 divided by [Written Down Current Cost of System Assets (w47) + Plant & Equipment (w33b)] | % | 0.60% |
| NWI F26 | Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a) | \$'000 | 508 |

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

KYOGLE COUNCIL

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2015

Note 3. Sewerage Business Best Practice Management disclosure requirements

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

2015

1. Calculation and Payment of Tax-Equivalents

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

| | | |
|-------|--|-------|
| (i) | Calculated Tax Equivalents | - |
| (ii) | No of assessments multiplied by \$3/assessment | 5,394 |
| (iii) | Amounts payable for Tax Equivalents [lesser of (i) and (ii)] | - |
| (iv) | Amounts actually paid for Tax Equivalents | |

2. Dividend from Surplus

| | | |
|-------|--|-----------|
| (i) | 50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines] | - |
| (ii) | No. of assessments x (\$30 less tax equivalent charges per assessment) | 53,940 |
| (iii) | Cumulative surplus before dividends for the 3 years to 30 June 2015, less the cumulative dividends paid for the 2 years to 30 June 2014 & 30 June 2013 | (247,873) |

| | | | | | |
|--------------|-----------|---------------|----------|---------------|----------|
| 2015 Surplus | (144,873) | 2014 Surplus | (26,000) | 2013 Surplus | (77,000) |
| | | 2014 Dividend | - | 2013 Dividend | - |

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

3. Required outcomes for 4 Criteria

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

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

KYOGLÉ COUNCIL

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2015

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

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2015

National Water Initiative (NWI) Financial Performance Indicators

| | | | |
|----------------|---|--------|--------|
| NWI F2 | Total Revenue (Sewerage) Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10) - Aboriginal Communities W&S Program Income (w10a) | \$'000 | 1,213 |
| NWI F10 | Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48) | \$'000 | 23,012 |
| NWI F12 | Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2) | \$'000 | 956 |
| NWI F15 | Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17) | \$'000 | - |
| NWI F18 | Economic Real Rate of Return (Sewerage) [Total Income (s14) - Interest Income (s10) - Grants for acquisition of Assets (s12a) - Operating cost (NWI F12) - Current cost depreciation (s3)] x 100 divided by [Written down current cost (ie. WDCC) of System Assets (s48) + Plant & Equipment (s34b)] | % | 0.23% |
| NWI F27 | Capital Works Grants (Sewerage) Grants for the Acquisition of Assets (12a) | \$'000 | - |

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

| | | | |
|----------------|---|--------|-------|
| NWI F3 | Total Income (Water & Sewerage) Total Income (w13 + s14) + Gain/Loss on disposal of assets (w14 + s15) minus Grants for acquisition of assets (w11a + s12a) - Interest Income (w9 + s10) | \$'000 | 2,387 |
| NWI F8 | Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3) | % | 2.18% |
| NWI F16 | Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17) | \$'000 | - |
| NWI F19 | Economic Real Rate of Return (Water & Sewerage) [Total Income (w13 + s14) - Interest Income (w9 + s10) - Grants for acquisition of assets (w11a + s12a) - Operating Cost (NWI F11 + NWI F12) - Current cost depreciation (w3 + s3)] x 100 divided by [Written down replacement cost of fixed assets (NWI F9 + NWI F10) + Plant & equipment (w33b + s34b)] | % | 0.36% |
| NWI F20 | Dividend (Water & Sewerage) Dividend paid from surplus (2(v) of Note 2 + 2(v) of Note 3) | \$'000 | - |
| NWI F21 | Dividend Payout Ratio (Water & Sewerage) Dividend (NWI F20) x 100 divided by Net Profit after tax (NWI F24) | % | 0.00% |

KYOGLE COUNCIL

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2015

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

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

2015

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

| | | | |
|----------------|--|--------|-------|
| NWI F22 | Net Debt to Equity (Water & Sewerage) Overdraft (w36 + s37) + Borrowings (w38 + s39) - Cash & Investments (w30 + s31) x 100 divided by [Total Assets (w35 + s36) - Total Liabilities (w40 + s41)] | % | 0.25% |
| NWI F23 | Interest Cover (Water & Sewerage) Earnings before Interest & Tax (EBIT) divided by Net Interest Earnings before Interest & Tax (EBIT): Operating Result (w15a + s16a) + Interest expense (w4a + s4a) - Interest Income (w9 + s10) - Gain/Loss on disposal of assets (w14 + s15) + Miscellaneous Expenses (w4b + w4c + s4b + s4c) Net Interest: Interest Expense (w4a + s4a) - Interest Income (w9 + s10) | | 1 |
| NWI F24 | Net Profit After Tax (Water & Sewerage) Surplus before dividends (w15a + s16a) - Tax equivalents paid (Note 2-1(iv) + Note 3-1(iv)) | \$'000 | (102) |
| NWI F25 | Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b) | \$'000 | 52 |

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



**KYOGLE COUNCIL
SPECIAL PURPOSE FINANCIAL STATEMENTS
INDEPENDENT AUDITOR'S REPORT**

Report on the Financial Statements

We have audited the accompanying financial statements, being special purpose financial statements, of Kyogle Council ("the Council"), which comprises the statement of financial position as at 30 June 2015, the income statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the statement by Councillors' and Management.

Council's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Our audit responsibility does not extend to the best practice management disclosures in note 2 and note 3, and accordingly, we do not express an opinion on such. In addition, our audit did not include an analysis of the prudence of business decisions made by Council or management.

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



Independence

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

Opinion

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

- a) Have been prepared in accordance with the requirements of those applicable Australian Accounting Standards detailed in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting;
 - i. Are consistent with the Council's accounting records;
 - ii. Present fairly, in all material respects, the financial position of Council's nominated Business Activities as at 30 June 2015 and the results of their operations for the year then ended;
- b) All information relevant to the conduct of the audit has been obtained; and
- c) There are no material deficiencies in the accounting records or financial statements that we have become aware of in the course of the audit.

Basis of Accounting

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

Matters Relating to the Electronic Presentation of the Audited Financial Statements

This auditor's report relates to the special purpose financial statements of Kyogle Council for the financial year ended 30 June 2015 published in the annual report and included on Council's website. The Council is responsible for the integrity of the website. We have not been engaged to report on the integrity of this website. The auditor's report refers only to the financial statements identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial statements. If users of the financial statements are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements to confirm the information contained in this website version of the financial statements.

Dated at Lismore this 26th day of October 2015

**THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS**

G W DWYER (Partner)
Registered Company Auditor



KYOGLE COUNCIL

SPECIAL SCHEDULES
for the year ended 30 June 2015

Gateway to the Rainforests



KYOGLE COUNCIL

Special Schedules

for the financial year ended 30 June 2015

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

Background

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

KYOGLE COUNCIL

Special Schedule No. 1 - Net Cost of Services for the financial year ended 30 June 2015

\$'000

| Function or Activity | Expenses from Continuing Operations | Income from continuing operations | | Net Cost of Services |
|--|-------------------------------------|-----------------------------------|--------------|----------------------|
| | | Non Capital | Capital | |
| Governance | 153 | - | - | (153) |
| Administration | 2,101 | 73 | - | (2,028) |
| Public Order and Safety | | | | |
| Fire Service Levy, Fire Protection, Emergency Services | 302 | - | - | (302) |
| Beach Control | - | - | - | - |
| Enforcement of Local Govt. Regulations | - | - | - | - |
| Animal Control | 112 | 16 | - | (96) |
| Other | - | - | - | - |
| Total Public Order & Safety | 414 | 16 | - | (398) |
| Health | 185 | 132 | - | (53) |
| Environment | | | | |
| Noxious Plants and Insect/Vermin Control | 111 | - | - | (111) |
| Other Environmental Protection | - | - | - | - |
| Solid Waste Management | 1,613 | 1,431 | 358 | 176 |
| Street Cleaning | - | - | - | - |
| Drainage | - | - | - | - |
| Stormwater Management | 580 | 150 | 1,068 | 638 |
| Total Environment | 2,304 | 1,581 | 1,426 | 703 |
| Community Services and Education | | | | |
| Administration & Education | 148 | 1 | - | (147) |
| Social Protection (Welfare) | - | - | - | - |
| Aged Persons and Disabled | - | - | - | - |
| Children's Services | - | - | - | - |
| Total Community Services & Education | 148 | 1 | - | (147) |
| Housing and Community Amenities | | | | |
| Public Cemeteries | 151 | 95 | - | (56) |
| Public Conveniences | - | - | - | - |
| Street Lighting | 101 | 32 | - | (69) |
| Town Planning | 253 | 143 | - | (110) |
| Other Community Amenities | - | - | - | - |
| Total Housing and Community Amenities | 505 | 270 | - | (235) |
| Water Supplies | 1,252 | 1,300 | 511 | 559 |
| Sewerage Services | 1,328 | 1,210 | 3 | (115) |

KYOGLE COUNCIL

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

for the financial year ended 30 June 2015

\$'000

| Function or Activity | Expenses from Continuing Operations | Income from continuing operations | | Net Cost of Services |
|---|-------------------------------------|-----------------------------------|--------------|----------------------|
| | | Non Capital | Capital | |
| Recreation and Culture | | | | |
| Public Libraries | 378 | 41 | - | (337) |
| Museums | - | - | - | - |
| Art Galleries | 96 | 5 | - | (91) |
| Community Centres and Halls | 466 | 40 | 17 | (409) |
| Performing Arts Venues | - | - | - | - |
| Other Performing Arts | - | - | - | - |
| Other Cultural Services | - | - | - | - |
| Sporting Grounds and Venues | - | - | - | - |
| Swimming Pools | 725 | 132 | - | (593) |
| Parks & Gardens (Lakes) | 551 | 3 | 85 | (463) |
| Other Sport and Recreation | - | - | - | - |
| Total Recreation and Culture | 2,216 | 221 | 102 | (1,893) |
| Fuel & Energy | - | - | - | - |
| Agriculture | - | - | - | - |
| Mining, Manufacturing and Construction | | | | |
| Building Control | 78 | 40 | - | (38) |
| Other Mining, Manufacturing & Construction | 258 | 260 | - | 2 |
| Total Mining, Manufacturing and Const. | 336 | 300 | - | (36) |
| Transport and Communication | | | | |
| Urban Roads (UR) - Local | 680 | 2 | 4 | (674) |
| Urban Roads - Regional | - | - | - | - |
| Sealed Rural Roads (SRR) - Local | 2,681 | 811 | 51 | (1,819) |
| Sealed Rural Roads (SRR) - Regional | 1,863 | 981 | 333 | (549) |
| Unsealed Rural Roads (URR) - Local | 3,292 | - | - | (3,292) |
| Unsealed Rural Roads (URR) - Regional | - | - | - | - |
| Bridges on UR - Local | - | - | - | - |
| Bridges on SRR - Local | 1,896 | 231 | 109 | (1,556) |
| Bridges on URR - Local | - | - | - | - |
| Bridges on Regional Roads | - | - | - | - |
| Parking Areas | - | - | - | - |
| Footpaths | - | - | - | - |
| Aerodromes | - | - | - | - |
| Other Transport & Communication | 3,487 | 5,063 | 28 | 1,604 |
| Total Transport and Communication | 13,899 | 7,088 | 525 | (6,286) |
| Economic Affairs | | | | |
| Camping Areas & Caravan Parks | - | - | - | - |
| Other Economic Affairs | 126 | 10 | - | (116) |
| Total Economic Affairs | 126 | 10 | - | (116) |
| Totals – Functions | 24,967 | 12,202 | 2,567 | (10,198) |
| General Purpose Revenues ⁽²⁾ | | 9,543 | | 9,543 |
| Share of interests - joint ventures & associates using the equity method | - | - | | - |
| NET OPERATING RESULT ⁽¹⁾ | 24,967 | 21,745 | 2,567 | (655) |

(1) As reported in the Income Statement

(2) Includes: Rates & Annual Charges (incl. Ex Gratia, excl. Water & Sewer), Non Capital General Purpose Grants, Interest on Investments (excl. Ext. Restricted Assets) & Interest on overdue Rates & Annual Charges

KYOGLE COUNCIL

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

for the financial year ended 30 June 2015

\$'000

| Classification of Debt | Principal outstanding at beginning of the year | | | New Loans raised during the year | Debt redemption during the year | | Transfers to Sinking Funds | Interest applicable for Year | Principal outstanding at the end of the year | | |
|-----------------------------|--|-------------|--------------|----------------------------------|---------------------------------|---------------|----------------------------|------------------------------|--|--------------|--------------|
| | Current | Non Current | Total | | From Revenue | Sinking Funds | | | Current | Non Current | Total |
| Loans (by Source) | | | | | | | | | | | |
| Commonwealth Government | - | - | - | | | | | | | - | - |
| Treasury Corporation | - | - | - | | | | | | | - | - |
| Other State Government | - | - | - | | | | | | | - | - |
| Public Subscription | - | - | - | | | | | | | - | - |
| Financial Institutions | 271 | 907 | 1,178 | 2,549 | 277 | | | 93 | 221 | 3,229 | 3,450 |
| Other | - | - | - | | | | | | | - | - |
| Total Loans | 271 | 907 | 1,178 | 2,549 | 277 | - | - | 93 | 221 | 3,229 | 3,450 |
| Other Long Term Debt | | | | | | | | | | | |
| Ratepayers Advances | - | - | - | | | | | | | - | - |
| Government Advances | - | - | - | | | | | | | - | - |
| Finance Leases | - | - | - | | | | | | | - | - |
| Deferred Payments | - | - | - | | | | | | | - | - |
| Total Long Term Debt | - | - | - | - | - | - | - | - | - | - | - |
| Total Debt | 271 | 907 | 1,178 | 2,549 | 277 | - | - | 93 | 221 | 3,229 | 3,450 |

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

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

KYOGLE COUNCIL

Special Schedule No. 2(b) - Statement of Internal Loans [Section 410(3) LGA 1993] for the financial year ended 30 June 2015

\$'000

Summary of Internal Loans

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

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

Details of Individual Internal Loans

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

KYOGLE COUNCIL

Special Schedule No. 3 - Water Supply Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2015

| \$'000 | Actuals 2015 | Actuals 2014 |
|--|-----------------|-----------------|
| A Expenses and Income Expenses | | |
| 1. Management expenses | | |
| a. Administration | 206 | 219 |
| b. Engineering and Supervision | 75 | 68 |
| 2. Operation and Maintenance expenses | | |
| - Dams & Weirs | | |
| a. Operation expenses | - | - |
| b. Maintenance expenses | - | - |
| - Mains | | |
| c. Operation expenses | - | - |
| d. Maintenance expenses | 148 | 124 |
| - Reservoirs | | |
| e. Operation expenses | - | - |
| f. Maintenance expenses | 41 | 19 |
| - Pumping Stations | | |
| g. Operation expenses (excluding energy costs) | - | - |
| h. Energy costs | 35 | 58 |
| i. Maintenance expenses | 93 | 75 |
| - Treatment | | |
| j. Operation expenses (excluding chemical costs) | 400 | 612 |
| k. Chemical costs | 32 | 33 |
| l. Maintenance expenses | - | - |
| - Other | | |
| m. Operation expenses | - | - |
| n. Maintenance expenses | - | - |
| o. Purchase of water | - | 36 |
| 3. Depreciation expenses | | |
| a. System assets | 199 | 195 |
| b. Plant and equipment | - | - |
| 4. Miscellaneous expenses | | |
| a. Interest expenses | 22 | 22 |
| b. Revaluation Decrements | - | - |
| c. Other expenses | 9 | 8 |
| d. Impairment - System assets | - | - |
| e. Impairment - Plant and equipment | - | - |
| f. Aboriginal Communities Water & Sewerage Program | - | - |
| g. Tax Equivalent Dividends (actually paid) | - | - |
| 5. Total expenses | 1,260 | 1,469 |

KYOGLE COUNCIL

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

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2015

| \$'000 | Actuals 2015 | Actuals 2014 |
|--|-----------------|-----------------|
| Income | | |
| 6. Residential charges | | |
| a. Access (including rates) | 506 | 470 |
| b. Usage charges | 350 | 335 |
| 7. Non-residential charges | | |
| a. Access (including rates) | 169 | 160 |
| b. Usage charges | 215 | 195 |
| 8. Extra charges | 5 | 4 |
| 9. Interest income | - | - |
| 10. Other income | 21 | 71 |
| 10a. Aboriginal Communities Water and Sewerage Program | - | - |
| 11. Grants | | |
| a. Grants for acquisition of assets | 508 | - |
| b. Grants for pensioner rebates | 27 | 27 |
| c. Other grants | - | - |
| 12. Contributions | | |
| a. Developer charges | 3 | 4 |
| b. Developer provided assets | - | - |
| c. Other contributions | 7 | - |
| 13. Total income | <u>1,811</u> | <u>1,266</u> |
| 14. Gain (or loss) on disposal of assets | (1) | (7) |
| 15. Operating Result | <u>550</u> | <u>(210)</u> |
| 15a. Operating Result (less grants for acquisition of assets) | 42 | (210) |

KYOGLE COUNCIL

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

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2015

| \$'000 | Actuals 2015 | Actuals 2014 |
|--|-----------------|-----------------|
| B Capital transactions | | |
| Non-operating expenditures | | |
| 16. Acquisition of Fixed Assets | | |
| a. New Assets for Improved Standards | - | - |
| b. New Assets for Growth | 132 | 22 |
| c. Renewals | 23 | 143 |
| d. Plant and equipment | - | - |
| 17. Repayment of debt | | |
| a. Loans | 262 | 11 |
| b. Advances | - | - |
| c. Finance leases | - | - |
| 18. Transfer to sinking fund | - | - |
| 19. Totals | 417 | 176 |
| Non-operating funds employed | | |
| 20. Proceeds from disposal of assets | - | - |
| 21. Borrowing utilised | | |
| a. Loans | - | - |
| b. Advances | - | - |
| c. Finance leases | - | - |
| 22. Transfer from sinking fund | - | - |
| 23. Totals | - | - |
| C Rates and charges | | |
| 24. Number of assessments | | |
| a. Residential (occupied) | 1,575 | 1,566 |
| b. Residential (unoccupied, ie. vacant lot) | 89 | 93 |
| c. Non-residential (occupied) | 291 | 291 |
| d. Non-residential (unoccupied, ie. vacant lot) | - | - |
| 25. Number of ETs for which developer charges were received | 2 ET | 2 ET |
| 26. Total amount of pensioner rebates (actual dollars) | \$ 48,305 | \$ 48,595 |

KYOGLE COUNCIL

Special Schedule No. 3 - Water Supply Cross Subsidies for the financial year ended 30 June 2015

| \$'000 | Yes | No | Amount |
|--|--------------------------|--------------------------|--------------------------------|
| D Best practice annual charges and developer charges* | | | |
| 27. Annual charges | | | |
| a. Does Council have best-practice water supply annual charges and usage charges*? | <input type="checkbox"/> | <input type="checkbox"/> | |
| If Yes, go to 28a. | | | |
| If No, please report if council has removed land value from access charges (ie rates)? | <input type="checkbox"/> | <input type="checkbox"/> | |
| NB. Such charges for both residential customers and non-residential customers comply with section 3.2 of Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies. | | | |
| b. Cross-subsidy from residential customers using less than allowance (page 25 of Guidelines) | | | <input type="text"/> |
| c. Cross-subsidy to non-residential customers (page 24 of Guidelines) | | | <input type="text"/> |
| d. Cross-subsidy to large connections in unmetered supplies (page 26 of Guidelines) | | | <input type="text"/> |
| 28. Developer charges | | | |
| a. Has council completed a water supply Development Servicing** Plan? | <input type="checkbox"/> | <input type="checkbox"/> | |
| b. Total cross-subsidy in water supply developer charges for 2012/13 (page 47 of Guidelines) | | | <input type="text"/> |
| ** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002. | | | |
| 29. Disclosure of cross-subsidies | | | |
| Total of cross-subsidies (27b +27c + 27d + 28b) | | | <input type="text" value="-"/> |

* Councils which have not yet implemented best practice water supply pricing should disclose cross-subsidies in items 27b, 27c and 27d above.

However, disclosure of cross-subsidies is **not** required where a Council has implemented best practice pricing and is phasing in such pricing over a period of 3 years.

KYOGLE COUNCIL

Special Schedule No. 4 - Water Supply Statement of Financial Position

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2015

| \$'000 | Actuals Current | Actuals Non Current | Actuals Total |
|---|--------------------|------------------------|------------------|
| ASSETS | | | |
| 30. Cash and investments | | | |
| a. Developer charges | - | - | - |
| b. Special purpose grants | - | - | - |
| c. Accrued leave | 42 | - | 42 |
| d. Unexpended loans | - | - | - |
| e. Sinking fund | - | - | - |
| f. Other | 2,435 | - | 2,435 |
| 31. Receivables | | | |
| a. Specific purpose grants | - | - | - |
| b. Rates and Availability Charges | 174 | - | 174 |
| c. User Charges | 113 | - | 113 |
| d. Other | 8 | - | 8 |
| 32. Inventories | - | - | - |
| 33. Property, plant and equipment | | | |
| a. System assets | - | 12,319 | 12,319 |
| b. Plant and equipment | - | - | - |
| 34. Other assets | - | - | - |
| 35. Total assets | <u>2,772</u> | <u>12,319</u> | <u>15,091</u> |
| LIABILITIES | | | |
| 36. Bank overdraft | - | - | - |
| 37. Creditors | 91 | - | 91 |
| 38. Borrowings | | | |
| a. Loans | 180 | 2,063 | 2,243 |
| b. Advances | - | - | - |
| c. Finance leases | - | - | - |
| 39. Provisions | | | |
| a. Tax equivalents | - | - | - |
| b. Dividend | - | - | - |
| c. Other | 73 | - | 73 |
| 40. Total liabilities | <u>344</u> | <u>2,063</u> | <u>2,407</u> |
| 41. NET ASSETS COMMITTED | <u>2,428</u> | <u>10,256</u> | <u>12,684</u> |
| EQUITY | | | |
| 42. Accumulated surplus | | | 8,268 |
| 43. Asset revaluation reserve | | | 4,416 |
| 44. TOTAL EQUITY | | | <u>12,684</u> |
| Note to system assets: | | | |
| 45. Current replacement cost of system assets | | | 22,775 |
| 46. Accumulated current cost depreciation of system assets | | | (10,456) |
| 47. Written down current cost of system assets | | | <u>12,319</u> |

KYOGLE COUNCIL

Special Schedule No. 5 - Sewerage Service Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2015

| \$'000 | Actuals 2015 | Actuals 2014 |
|---|-----------------|-----------------|
| A Expenses and Income Expenses | | |
| 1. Management expenses | | |
| a. Administration | 215 | 218 |
| b. Engineering and Supervision | 59 | 58 |
| 2. Operation and Maintenance expenses | | |
| - Mains | | |
| a. Operation expenses | - | - |
| b. Maintenance expenses | 77 | 51 |
| - Pumping Stations | | |
| c. Operation expenses (excluding energy costs) | 132 | 149 |
| d. Energy costs | 35 | 38 |
| e. Maintenance expenses | - | - |
| - Treatment | | |
| f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs) | 405 | 323 |
| g. Chemical costs | 20 | 18 |
| h. Energy costs | 13 | 18 |
| i. Effluent Management | - | - |
| j. Biosolids Management | - | - |
| k. Maintenance expenses | - | - |
| - Other | | |
| l. Operation expenses | - | - |
| m. Maintenance expenses | - | - |
| 3. Depreciation expenses | | |
| a. System assets | 205 | 201 |
| b. Plant and equipment | - | - |
| 4. Miscellaneous expenses | | |
| a. Interest expenses | 68 | 69 |
| b. Revaluation Decrements | - | - |
| c. Other expenses | - | - |
| d. Impairment - System assets | - | - |
| e. Impairment - Plant and equipment | - | - |
| f. Aboriginal Communities Water & Sewerage Program | - | - |
| g. Tax Equivalents Dividends (actually paid) | - | - |
| 5. Total expenses | 1,229 | 1,143 |

KYOGLE COUNCIL

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

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2015

| \$'000 | Actuals 2015 | Actuals 2014 |
|--|-----------------|-----------------|
| Income | | |
| 6. Residential charges (including rates) | 959 | 922 |
| 7. Non-residential charges | | |
| a. Access (including rates) | - | - |
| b. Usage charges | 184 | 173 |
| 8. Trade Waste Charges | | |
| a. Annual Fees | 11 | 11 |
| b. Usage charges | 16 | 17 |
| c. Excess mass charges | - | - |
| d. Re-inspection fees | - | - |
| 9. Extra charges | 8 | 10 |
| 10. Interest income | - | - |
| 11. Other income | 7 | 8 |
| 11a. Aboriginal Communities Water & Sewerage Program | - | - |
| 12. Grants | | |
| a. Grants for acquisition of assets | - | - |
| b. Grants for pensioner rebates | 25 | 26 |
| c. Other grants | - | - |
| 13. Contributions | | |
| a. Developer charges | 3 | 1 |
| b. Developer provided assets | - | - |
| c. Other contributions | - | - |
| 14. Total income | <u>1,213</u> | <u>1,168</u> |
| 15. Gain (or loss) on disposal of assets | (128) | (52) |
| 16. Operating Result | <u>(144)</u> | <u>(27)</u> |
| 16a. Operating Result (less grants for acquisition of assets) | (144) | (27) |

KYOGLE COUNCIL

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

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2015

| \$'000 | Actuals 2015 | Actuals 2014 |
|--|-----------------|-----------------|
| B Capital transactions | | |
| Non-operating expenditures | | |
| 17. Acquisition of Fixed Assets | | |
| a. New Assets for Improved Standards | - | - |
| b. New Assets for Growth | 268 | - |
| c. Renewals | 124 | 186 |
| d. Plant and equipment | - | - |
| 18. Repayment of debt | | |
| a. Loans | 16 | 21 |
| b. Advances | - | - |
| c. Finance leases | - | - |
| 19. Transfer to sinking fund | - | - |
| 20. Totals | 408 | 207 |
| Non-operating funds employed | | |
| 21. Proceeds from disposal of assets | - | - |
| 22. Borrowing utilised | | |
| a. Loans | - | - |
| b. Advances | - | - |
| c. Finance leases | - | - |
| 23. Transfer from sinking fund | - | - |
| 24. Totals | - | - |
| C Rates and charges | | |
| 25. Number of assessments | | |
| a. Residential (occupied) | 1,524 | 1,509 |
| b. Residential (unoccupied, ie. vacant lot) | 90 | 102 |
| c. Non-residential (occupied) | 184 | 185 |
| d. Non-residential (unoccupied, ie. vacant lot) | - | - |
| 26. Number of ETs for which developer charges were received | 2 ET | 1 ET |
| 27. Total amount of pensioner rebates (actual dollars) | \$ 46,249 | \$ 46,616 |

KYOGLE COUNCIL

Special Schedule No. 5 - Sewerage Service Cross Subsidies for the financial year ended 30 June 2015

| \$'000 | Yes | No | Amount |
|--|--------------------------|--------------------------|--------------------------------|
| D Best practice annual charges and developer charges* | | | |
| 28. Annual charges | | | |
| a. Does Council have best-practice sewerage annual charges, usage charges and trade waste fees & charges*? | <input type="checkbox"/> | <input type="checkbox"/> | |
| If Yes, go to 29a. | | | |
| If No, please report if council has removed land value from access charges (ie rates)? | <input type="checkbox"/> | <input type="checkbox"/> | |
| NB. Such charges for both residential customers and non-residential customers comply with section 4.2 & 4.3 of the Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies. | | | |
| b. Cross-subsidy to non-residential customers (page 45 of Guidelines) | | | <input type="text"/> |
| c. Cross-subsidy to trade waste discharges (page 46 of Guidelines) | | | <input type="text"/> |
| 29. Developer charges | | | |
| a. Has council completed a sewerage Development Servicing** Plan? | <input type="checkbox"/> | <input type="checkbox"/> | |
| b. Total cross-subsidy in sewerage developer charges for 2012/13 (page 47 of Guidelines) | | | <input type="text"/> |
| ** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002. | | | |
| 30. Disclosure of cross-subsidies | | | |
| Total of cross-subsidies (28b + 28c + 29b) | | | <input type="text" value="-"/> |

* Councils which have not yet implemented best practice sewer pricing & liquid waste pricing should disclose cross-subsidies in items 28b and 28c above.

However, disclosure of cross-subsidies is **not** required where a Council has implemented best practice sewerage and liquid waste pricing and is phasing in such pricing over a period of 3 years.

KYOGLE COUNCIL

Special Schedule No. 6 - Sewerage Service Statement of Financial Position

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2015

| \$'000 | Actuals Current | Actuals Non Current | Actuals Total |
|---|--------------------|------------------------|------------------|
| ASSETS | | | |
| 31. Cash and investments | | | |
| a. Developer charges | - | - | - |
| b. Special purpose grants | - | - | - |
| c. Accrued leave | 42 | - | 42 |
| d. Unexpended loans | - | - | - |
| e. Sinking fund | - | - | - |
| f. Other | 542 | - | 542 |
| 32. Receivables | | | |
| a. Specific purpose grants | - | - | - |
| b. Rates and Availability Charges | 172 | - | 172 |
| c. User Charges | 47 | - | 47 |
| d. Other | 27 | - | 27 |
| 33. Inventories | - | - | - |
| 34. Property, plant and equipment | | | |
| a. System assets | - | 23,012 | 23,012 |
| b. Plant and equipment | - | - | - |
| 35. Other assets | - | - | - |
| 36. Total Assets | 830 | 23,012 | 23,842 |
| LIABILITIES | | | |
| 37. Bank overdraft | - | - | - |
| 38. Creditors | 5 | - | 5 |
| 39. Borrowings | | | |
| a. Loans | 16 | 891 | 907 |
| b. Advances | - | - | - |
| c. Finance leases | - | - | - |
| 40. Provisions | | | |
| a. Tax equivalents | - | - | - |
| b. Dividend | - | - | - |
| c. Other | 72 | - | 72 |
| 41. Total Liabilities | 93 | 891 | 984 |
| 42. NET ASSETS COMMITTED | 737 | 22,121 | 22,858 |
| EQUITY | | | |
| 42. Accumulated surplus | | | 8,727 |
| 44. Asset revaluation reserve | | | 14,131 |
| 45. TOTAL EQUITY | | | 22,858 |
| Note to system assets: | | | |
| 46. Current replacement cost of system assets | | | 29,646 |
| 47. Accumulated current cost depreciation of system assets | | | (6,634) |
| 48. Written down current cost of system assets | | | 23,012 |

KYOGLE COUNCIL

Notes to Special Schedule No.'s 3 & 5 for the financial year ended 30 June 2015

Administration ⁽¹⁾

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

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

Engineering and supervision ⁽¹⁾

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes:

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

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

KYOGLE COUNCIL

Special Schedule No. 7 - Report on Infrastructure Assets

as at 30 June 2015

\$'000

| Asset Class | Asset Category | Estimated cost to bring up to a satisfactory standard refer (1) | Required Annual Maintenance refer (2) | Actual Maintenance 2014/15 refer (3) | Written Down Value (WDV) refer (4) | Assets in Condition as a % of WDV | | | | |
|------------------|------------------|---|---------------------------------------|--------------------------------------|------------------------------------|-----------------------------------|--------------|--------------|-------------|-------------|
| | | | | | | 1 | 2 | 3 | 4 | 5 |
| | | | | | | refer (4) & (5) | | | | |
| Buildings | Buildings | 1,143 | 87 | 124 | 12,237 | 17% | 34% | 44% | 4% | 0% |
| | sub total | 1,143 | 87 | 124 | 12,237 | 17.1% | 34.0% | 44.4% | 4.5% | 0.0% |
| Other Structures | Other Structures | 310 | 108 | 103 | 4,083 | 41% | 38% | 20% | 1% | 0% |
| | sub total | 310 | 108 | 103 | 4,083 | 40.7% | 37.8% | 20.2% | 1.2% | 0.0% |
| Roads | Sealed Roads | 5,560 | 1,551 | 1,377 | 123,108 | 39% | 51% | 10% | 0% | 0% |
| | Unsealed Roads | 9,813 | 1,633 | 1,588 | 31,882 | 6% | 53% | 34% | 6% | 0% |
| | Bridges | 18,888 | 647 | 688 | 72,447 | 49% | 38% | 9% | 4% | 0% |
| | Footpaths | 28 | 82 | 68 | 2,792 | 73% | 18% | 9% | 0% | 0% |
| | sub total | 34,289 | 3,913 | 3,721 | 230,229 | 37.9% | 47.0% | 12.8% | 2.4% | 0.0% |

KYOGLE COUNCIL

Special Schedule No. 7 - Report on Infrastructure Assets (continued)

as at 30 June 2015

\$'000

| Asset Class | Asset Category | Estimated cost to bring up to a satisfactory standard refer (1) | Required Annual Maintenance refer (2) | Actual Maintenance 2014/15 refer (3) | Written Down Value (WDV) refer (4) | Assets in Condition as a % of WDV | | | | |
|-----------------------------|-----------------------|---|---------------------------------------|--------------------------------------|------------------------------------|-----------------------------------|--------------|--------------|-------------|-------------|
| | | | | | | 1 | 2 | 3 | 4 | 5 |
| | | | | | | refer (4) & (5) | | | | |
| Water Supply Network | Reticulation | 37 | 143 | 148 | 5,539 | 31% | 17% | 51% | 1% | 0% |
| | Transport & Treatment | 3,151 | 103 | 123 | 6,213 | 63% | 17% | 15% | 4% | 0% |
| | sub total | 3,188 | 246 | 271 | 11,752 | 48.1% | 17.0% | 32.3% | 2.5% | 0.1% |
| Sewerage Network | Reticulation | 688 | 66 | 77 | 16,710 | 48% | 15% | 26% | 5% | 6% |
| | Transport & Treatment | - | 123 | 225 | 6,302 | 58% | 35% | 7% | 0% | 0% |
| | sub total | 688 | 189 | 302 | 23,012 | 50.6% | 20.6% | 20.5% | 3.9% | 4.4% |

KYOGLE COUNCIL

Special Schedule No. 7 - Report on Infrastructure Assets (continued) as at 30 June 2015

\$'000

| Asset Class | Asset Category | Estimated cost to bring up to a satisfactory standard refer (1) | Required Annual Maintenance refer (2) | Actual Maintenance 2014/15 refer (3) | Written Down Value (WDV) refer (4) | Assets in Condition as a % of WDV | | | | |
|----------------------------------|------------------|---|---------------------------------------|--------------------------------------|------------------------------------|-----------------------------------|--------------|---------------|-------------|-------------|
| | | | | | | 1 | 2 | 3 | 4 | 5 |
| | | | | | | refer (4) & (5) | | | | |
| Stormwater Drainage | Urban Stormwater | 46 | 41 | 48 | 21,785 | 25% | 70% | 5% | 0% | 0% |
| | sub total | 46 | 41 | 48 | 21,785 | 24.9% | 69.8% | 4.7% | 0.3% | 0.3% |
| Open Space / Recreational Assets | Swimming Pools | - | 54 | 60 | 2,184 | 0% | 0% | 100% | 0% | 0% |
| | sub total | - | 54 | 60 | 2,184 | 0.0% | 0.0% | 100.0% | 0.0% | 0.0% |
| TOTAL - ALL ASSETS | | 39,664 | 4,638 | 4,629 | 305,282 | 37.3% | 44.5% | 15.5% | 2.4% | 0.4% |

Notes:

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

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

KYOGLE COUNCIL

Special Schedule No. 7 - Report on Infrastructure Assets (continued) for the financial year ended 30 June 2015

| \$ '000 | Amounts | Indicator | Prior Periods | |
|--|----------------|---------------|---------------|--------|
| | 2015 | 2015 | 2014 | 2013 |
| Infrastructure Asset Performance Indicators Consolidated | | | | |
| 1. Building, Infrastructure & Other Structures | | | | |
| Renewals Ratio | | | | |
| Asset Renewals | | | | |
| <u>(Building, Infrastructure & Other Structures) ⁽¹⁾</u> | <u>2,918</u> | 45.43% | 72.29% | 82.82% |
| Depreciation, Amortisation & Impairment | <u>6,423</u> | | | |
| 2. Infrastructure Backlog Ratio | | | | |
| Estimated Cost to bring Assets to a Satisfactory Condition | <u>39,664</u> | 12.99% | 18.71% | 16.77% |
| Total value ⁽²⁾ of Infrastructure, Building, Other Structures & depreciable Land Improvement Assets | <u>305,282</u> | | | |
| 3. Asset Maintenance Ratio | | | | |
| <u>Actual Asset Maintenance</u> | <u>4,629</u> | 1.00 | 0.99 | 0.56 |
| Required Asset Maintenance | <u>4,638</u> | | | |
| 4. Capital Expenditure Ratio | | | | |
| <u>Annual Capital Expenditure</u> | <u>4,087</u> | 0.53 | 0.66 | 1.00 |
| Annual Depreciation | <u>7,758</u> | | | |

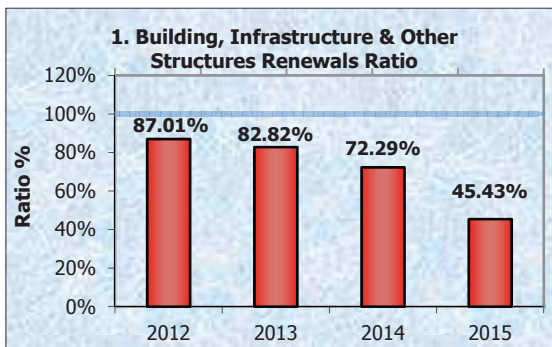
Notes

⁽¹⁾ Asset Renewals represent the replacement &/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance. Asset Renewals include building, infrastructure & Other Structure assets only.

⁽²⁾ Written Down Value

KYOGLE COUNCIL

Special Schedule No. 7 - Report on Infrastructure Assets (continued) for the financial year ended 30 June 2015



Purpose of Asset Renewals Ratio

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

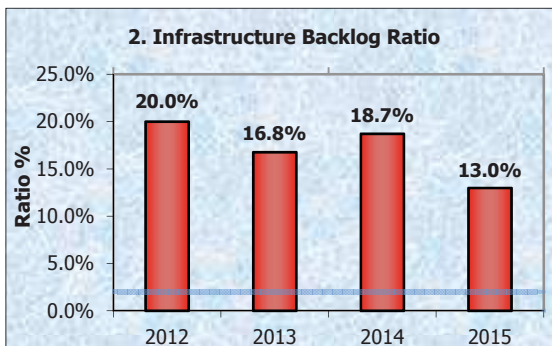
Commentary on 2014/15 Result

2014/15 Ratio 45.43%

Council acknowledges it's Building, Infrastructure & Other Structures Renewals Ratio is below Tcorp's benchmark. Council is continually focusing on asset expenditure but like all other NSW council's faces a large impost associated with asset backlogs & maintenance. Council will continue to focus on this area of expenditure.

Benchmark: Minimum $\geq 100.00\%$
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Ratio is within Benchmark
Ratio is outside Benchmark



Purpose of Infrastructure Backlog Ratio

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

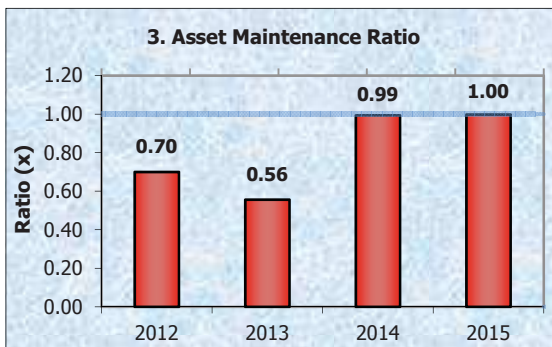
Commentary on 2014/15 Result

2014/15 Ratio 12.99%

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

Benchmark: Maximum < 0.02
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Ratio is within Benchmark
Ratio is outside Benchmark



Purpose of Asset Maintenance Ratio

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

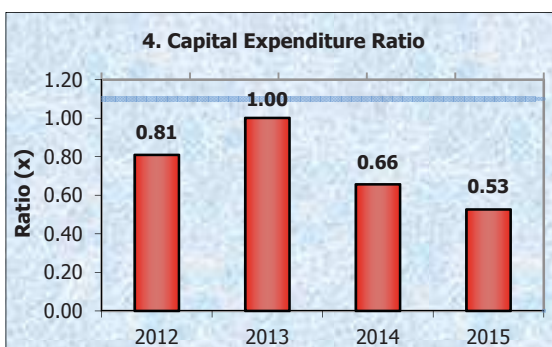
Commentary on 2014/15 Result

2014/15 Ratio 1.00 x

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

Benchmark: Minimum > 1.00
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Ratio is within Benchmark
Ratio is outside Benchmark



Purpose of Capital Expenditure Ratio

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

Commentary on 2014/15 Result

2014/15 Ratio 0.53 x

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

Benchmark: Minimum > 1.10
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Ratio is within Benchmark
Ratio is outside Benchmark

KYOGLE COUNCIL

Special Schedule No. 7 - Report on Infrastructure Assets (continued) for the financial year ended 30 June 2015

| \$ '000 | Water 2015 | Sewer 2015 | General ⁽¹⁾ 2015 |
|---|----------------------|---------------|--------------------------------|
| Infrastructure Asset Performance Indicators By Fund | | | |
| 1. Building, Infrastructure & Other Structures Renewals Ratio | | | |
| Asset Renewals (Building, Infrastructure & Other Structures) ⁽²⁾ | 11.56% | 60.19% | 46.05% |
| Depreciation, Amortisation & Impairment | prior period: 73.33% | 92.54% | 71.59% |
| 2. Infrastructure Backlog Ratio | | | |
| Estimated Cost to bring Assets to a Satisfactory Condition | 27.13% | 2.99% | 13.18% |
| Total value ⁽³⁾ of Infrastructure, Building, Other Structures & Depreciable Land Improvement Assets | prior period: 28.30% | 3.46% | 19.66% |
| 3. Asset Maintenance Ratio | | | |
| Actual Asset Maintenance | 1.10 | 1.60 | 0.97 |
| Required Asset Maintenance | prior period: 0.96 | 1.29 | 0.98 |
| 4. Capital Expenditure Ratio | | | |
| Annual Capital Expenditure | 0.78 | 1.91 | 0.48 |
| Annual Depreciation | prior period: 0.81 | 0.67 | 0.65 |

Notes

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

(2) Asset Renewals represent the replacement &/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance. Asset Renewals include building, infrastructure & Other Structure assets only.

(3) Written Down Value

KYOGLE COUNCIL

Special Schedule No. 9 - Permissible Income Calculation

for the financial year ended 30 June 2016

| \$'000 | | Calculation 2014/15 | Calculation 2015/16 |
|---|-----------------|------------------------|------------------------|
| Notional General Income Calculation ⁽¹⁾ | | | |
| Last Year Notional General Income Yield | a | 5,145 | 5,165 |
| Plus or minus Adjustments ⁽²⁾ | b | 23 | 8 |
| Notional General Income | c = (a + b) | 5,168 | 5,173 |
| Permissible Income Calculation | | | |
| Special variation percentage ⁽³⁾ | d | 0.00% | 12.43% |
| or Rate peg percentage | e | 2.30% | 0.00% |
| or Crown land adjustment (incl. rate peg percentage) | f | 0.00% | 0.00% |
| less expiring Special variation amount | g | - | - |
| plus Special variation amount | h = d x (c-g) | - | 643 |
| or plus Rate peg amount | i = c x e | 119 | - |
| or plus Crown land adjustment and rate peg amount | j = c x f | - | - |
| sub-total | k = (c+g+h+i+j) | 5,287 | 5,816 |
| plus (or minus) last year's Carry Forward Total | l | (52) | 72 |
| less Valuation Objections claimed in the previous year | m | - | (2) |
| sub-total | n = (l + m) | (52) | 70 |
| Total Permissible income | o = k + n | 5,235 | 5,886 |
| less Notional General Income Yield | p | 5,165 | 5,879 |
| Catch-up or (excess) result | q = o - p | 70 | 7 |
| plus Income lost due to valuation objections claimed ⁽⁴⁾ | r | 2 | 2 |
| less Unused catch-up ⁽⁵⁾ | s | - | - |
| Carry forward to next year | t = q + r - s | 72 | 9 |

Notes

- The Notional General Income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called "supplementary valuations" as defined in the Valuation of Land Act 1916.
- The Special Variation Percentage is inclusive of the Rate Peg percentage and where applicable crown land adjustment.
- Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- Carry forward amounts which are in excess (an amount that exceeds the permissible income) require Ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from councils' Special Schedule 9 in the Financial Data Return (FDR) to administer this process.



**KYOGLE COUNCIL
SPECIAL SCHEDULE NO 9
INDEPENDENT AUDITORS' REPORT**

REPORT ON SPECIAL SCHEDULE NO 9

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 9) of Kyogle Council for the year ending 30 June 2016.

Responsibility of Council for Special Schedule No. 9

The Council is responsible for the preparation and fair presentation of Special Schedule No. 9 in accordance with the *Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 23*. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule No. 9 that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule No. 9 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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



Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

Audit Opinion

In our opinion, Special Schedule No. 9 of Kyogle Council for 2015/16 is properly drawn up in accordance with the requirements of the NSW Office of Local Government and in accordance with the books and records of the Council.

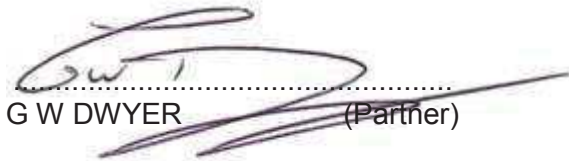
Basis of Accounting

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

Dated at Lismore this 26th day of October 2015

**THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS**

Per:


G W DWYER (Partner)