

KYOGLE COUNCIL

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

Gateway to the Rainforests



KYOGLE COUNCIL

General Purpose Financial Statements for the year ended 30 June 2018

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Overview

KYOGLE COUNCIL is constituted under the *Local Government Act 1993 (NSW)* and has its principal place of business at:

1 Stratheden Street
Kyogle NSW 2474

Council’s guiding principles are detailed in Chapter 3 of the LGA and includes:

- principles applying to the exercise of functions generally by council,
- principles to be applied when making decisions,
- principles of community participation,
- principles of sound financial management, and
- principles for strategic planning relating to the development of an integrated planning and reporting framework.

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

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

KYOGLE COUNCIL

General Purpose Financial Statements for the year ended 30 June 2018

Statement by Councillors and Management made pursuant to Section 413(2)(c) of the *Local Government Act 1993 (NSW)* (as amended)

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

- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the Local Government Code of Accounting Practice and Financial Reporting.

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

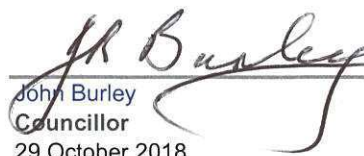
- present fairly the Council's operating result and financial position for the year,
- accord with Council's accounting and other records.

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 29 October 2018.



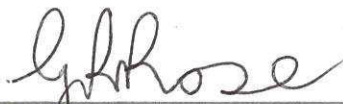
Danielle Mulholland
Mayor
29 October 2018



John Burley
Councillor
29 October 2018



Graham Kennett
General Manager
29 October 2018



Glenn Rose
Responsible Accounting Officer
29 October 2018

KYOGLE COUNCIL

Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Income from continuing operations				
Revenue:				
9,290	Rates and annual charges	3a	9,371	8,922
5,596	User charges and fees	3b	7,011	6,886
384	Interest and investment revenue	3c	384	513
4	Other revenues	3d	175	31
11,333	Grants and contributions provided for operating purpose	3e,f	6,846	10,959
3,893	Grants and contributions provided for capital purposes	3e,f	8,229	5,684
Other income:				
146	Net gains from the disposal of assets	5	–	–
30,646	Total income from continuing operations		32,016	32,995
Expenses from continuing operations				
8,031	Employee benefits and on-costs	4a	7,889	7,826
301	Borrowing costs	4b	185	193
6,693	Materials and contracts	4c	4,904	5,644
7,276	Depreciation and amortisation	4d	6,768	6,934
2,139	Other expenses	4e	1,959	2,020
	Net losses from the disposal of assets	5	2,188	3,994
	Revaluation decrement / impairment of IPP&E	4d	686	–
24,440	Total expenses from continuing operations		24,579	26,611
6,206	Operating result from continuing operations		7,437	6,384
	Operating result from discontinued operations		–	–
6,206	Net operating result for the year		7,437	6,384
6,206	Net operating result attributable to Council		7,437	6,384
	Net operating result attributable to non-controlling interests		–	–
2,313	Net operating result for the year before grants and contributions provided for capital purposes		(792)	700

KYOGLE COUNCIL

Statement of Comprehensive Income for the year ended 30 June 2018

\$ '000	Notes	2018	2017
Net operating result for the year (as per Income Statement)		7,437	6,384
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9a	16,676	24,995
Adjustment to correct prior period errors		–	–
Impairment (loss) reversal relating to IPP&E	9a	1,623	(6,081)
Other movements		–	–
Total items which will not be reclassified subsequently to the operating result		18,299	18,914
Total other comprehensive income for the year		18,299	18,914
Total comprehensive income for the year		25,736	25,298
Total comprehensive income attributable to Council		25,736	25,298
Total comprehensive income attributable to non-controlling interests		–	–

KYOGLE COUNCIL

Statement of Financial Position

as at 30 June 2018

\$ '000	Notes	2018	2017
ASSETS			
Current assets			
Cash and cash equivalents	6a	13,234	22,187
Receivables	7	7,108	5,189
Inventories	8	1,273	1,945
Total current assets		21,615	29,321
Non-current assets			
Infrastructure, property, plant and equipment	9	402,690	369,692
Total non-current assets		402,690	369,692
TOTAL ASSETS		424,305	399,013
LIABILITIES			
Current liabilities			
Payables	10	2,639	2,869
Borrowings	10	252	241
Provisions	11	2,317	2,508
Total current liabilities		5,208	5,618
Non-current liabilities			
Payables	10	200	113
Borrowings	10	2,505	2,757
Provisions	11	1,616	1,485
Total non-current liabilities		4,321	4,355
TOTAL LIABILITIES		9,529	9,973
Net assets		414,776	389,040
EQUITY			
Accumulated surplus	12	158,650	151,213
Revaluation reserves	12	256,126	237,827
Council equity interest		414,776	389,040
Total equity		414,776	389,040

KYOGLE COUNCIL

Statement of Changes in Equity
for the year ended 30 June 2018

\$ '000	Notes	2018				2017					
		Accumulated surplus	IPP&E revaluation reserve	Council interest	Non-controlling interest	Total equity	Accumulated surplus	IPP&E revaluation reserve	Council interest	Non-controlling interest	Total equity
Opening balance		151,213	237,827	389,040	–	389,040	144,829	218,913	363,742	–	363,742
Correction of prior period errors		–	–	–	–	–	–	–	–	–	–
Restated opening balance		151,213	237,827	389,040	–	389,040	144,829	218,913	363,742	–	363,742
Net operating result for the year		7,437	–	7,437	–	7,437	6,384	–	6,384	–	6,384
Other comprehensive income											
– Gain (loss) on revaluation of IPP&E	9a	–	16,676	16,676	–	16,676	–	24,995	24,995	–	24,995
– Impairment (loss) reversal relating to IPP&E	9a	–	1,623	1,623	–	1,623	–	(6,081)	(6,081)	–	(6,081)
Other comprehensive income		–	18,299	18,299	–	18,299	–	18,914	18,914	–	18,914
Total comprehensive income (c&d)		7,437	18,299	25,736	–	25,736	6,384	18,914	25,298	–	25,298
Equity – balance at end of the reporting period		158,650	256,126	414,776	–	414,776	151,213	237,827	389,040	–	389,040

KYOGLE COUNCIL

Statement of Cash Flows

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Cash flows from operating activities				
Receipts:				
9,290	Rates and annual charges		9,347	8,910
5,596	User charges and fees		5,867	7,938
384	Investment and interest revenue received		428	533
15,226	Grants and contributions		14,457	14,603
	Bonds, deposits and retention amounts received		174	38
150	Other		205	–
Payments:				
(8,031)	Employee benefits and on-costs		(7,778)	(7,444)
(6,693)	Materials and contracts		(3,944)	(5,413)
(301)	Borrowing costs		(151)	(156)
(2,139)	Other		(2,165)	(2,218)
13,482	Net cash provided (or used in) operating activities	13	16,440	16,791
Cash flows from investing activities				
Receipts:				
	Sale of infrastructure, property, plant and equipment		643	566
Payments:				
(20,905)	Purchase of infrastructure, property, plant and equipment		(25,795)	(16,777)
(20,905)	Net cash provided (or used in) investing activities		(25,152)	(16,211)
Cash flows from financing activities				
Receipts:				
Nil				
Payments:				
(675)	Repayment of borrowings and advances		(241)	(231)
(675)	Net cash flow provided (used in) financing activities		(241)	(231)
(8,098)	Net increase/(decrease) in cash and cash equivalents		(8,953)	349
19,527	Plus: cash and cash equivalents – beginning of year	13	22,187	21,838
11,429	Cash and cash equivalents – end of the year	13	13,234	22,187

KYOGLE COUNCIL

Notes to the Financial Statements for the year ended 30 June 2018

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Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 29/10/2018.

Council has the power to amend and reissue these financial statements.

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

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (NSW)* and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting. Council is a not for-profit entity for the purpose of preparing these financial statements.

The financial statements are presented in Australian dollars and are rounded to the nearest thousand dollars.

Full dollars have been used in Note 20 Related party disclosures in relation to the disclosure of specific related party transactions.

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts.

Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

- Income statement
- Statement of cash flows
- Note 18 – Material budget variations

and are clearly marked .

(a) New and amended standards adopted by Council

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

(b) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities and certain classes of infrastructure, property, plant and equipment and investment property.

(c) Significant accounting estimates and judgements

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the 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

KYOGLE COUNCIL

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 9,
- (ii) estimated asset remediation provisions – refer Note 11,
- (iii) employee benefit provisions – refer Note 11.

Significant judgements in applying the Council's accounting policies

- (v) Impairment of receivables

Council has made a significant judgement about the impairment of a number of its receivables in Note 7.

Monies and other assets received by Council

(a) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the *Local Government Act 1993 (NSW)*, all money and other assets received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

Cash and other assets of the following entities have been included as part of the Consolidated Fund:

- General purpose operations
- Water supply
- Sewerage service
- Domestic waste management

(b) The Trust Fund

In accordance with the provisions of Section 411 of the *Local Government Act 1993 (NSW)* (as amended), a separate and distinct Trust Fund is maintained to account for all money and other assets 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 other assets subject to Council's control have been included in these reports.

The following Trust monies and other assets are held by Council but are not considered to be under the control of Council and therefore are excluded from these financial statements:

- Companion Animals Receipts
- Unclaimed Monies
- Monumental Deposits

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

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

KYOGLE COUNCIL

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which that are recoverable from, or payable to the taxation authority are presented as operating cash flows.

New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period and which have not been applied.

As at the date of authorisation of these financial statements, Council considers that the standards and interpretations listed below will have an impact upon future published financial statements ranging from additional and / or revised disclosures to actual changes as to how certain transactions and balances are accounted for.

Effective for annual reporting periods beginning on or after 1 July 2018

- *AASB 9 Financial Instruments*

This replaces AASB 139 Financial Instruments: Recognition and Measurement, and addresses the classification, measurement and disclosure of financial assets and liabilities.

The standard introduces a new impairment model that requires impairment provisions to be based on expected credit losses, rather than incurred credit losses.

Based on assessments to date, Council expects a small increase to impairment losses however the standard is not expected to have a material impact overall.

Effective for annual reporting periods beginning on or after 1 July 2019

- *AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities and AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities*

AASB 15 will replace AASB 118 Revenue, AASB 111 Construction Contracts and a number of Interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15, and AASB 1058 will replace AASB 1004 Contributions.

Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers.

While Council is still reviewing the way that income is measured and recognised to identify whether there will be any material impact arising from these standards, these standards may affect the timing of the recognition of some grants and donations.

- *AASB 16 Leases*

Council is currently a party to leases that are not recognised in the Statement of Financial Position.

KYOGLE COUNCIL

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

It is likely that some of these leases will need to be included in the Statement of Financial Position when this standard comes into effect.

A lease liability will initially be measured at the present value of the lease payments to be made over the lease term.

A corresponding right-of-use asset will also be recognised over the lease term.

Council has not elected to apply any pronouncements before their operative date in these financial statements.

Defined Benefit Superannuation Contribution

Council is party to an industry Defined Benefit Plan under the Local Government Superannuation Scheme – Pool B (the Scheme) which is a defined benefit plan that has been deemed to be a “multi-employer fund” for the purpose of AASB119 Employee Benefits. Sufficient information is not available to account for the Scheme as a defined benefit plan in accordance with AASB119 because the assets to the Scheme are pooled together for all councils.

The amount of employer contributions to the defined benefits section of the Scheme and recognised as an expense for the year ending 30 June 2018 was \$155,251.20. The last valuation of the Scheme was performed by Mr Richard Boyfield (FIAA) on 2 December 2016 and covers the year ended 30 June 2018.

As per AASB119.148, the following disclosures are required:

Pooled Employers are required to pay standard employer contributions and additional lump sum contributions to the Fund.

The standard employer contributions were determined using the new entrant rate method under which a contribution rate sufficient to fund the total benefits over the working life-time of a typical new entrant is calculated. The current standard employer contribution rates are:

- Division B 1.9 times employer contributions
- Division C 2.5% salaries
- Division D 1.64 time employee contributions

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40.0 million per annum from 1 July 2017 for 4 years to 30 June 2021, apportioned according to each employer’s share of the accrued liabilities as at 30 June 2017. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2017.

The adequacy of contributions is assessed at each triennial actuarial investigation and monitored annually between triennials.

As stated above, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses.

However, there is no relief under the Fund’s trust deed for employers to walk away from their defined benefit obligations. Under limited circumstances, an employer may withdraw from the plan when there are no active members, on full payment of outstanding additional contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the entity.

KYOGLE COUNCIL

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

Agreed allocation of a surplus or deficit based on:

(i) wind-up of the plan - there are no specific provisions under the Fund's trust deed dealing with deficits or surplus on wind-up.

(ii) the entity's withdrawal from the plan - there is no provision for allocation of any surplus which may be present at the date of withdrawal of an employer.

We confirm that the plan is a defined benefit plan.

The Pooled Employers' sub-group is considered a defined benefit multi-employer plan as:

- Assets are not segregated within the sub-group according to the employees of each sponsoring employer;
- The contribution rates have been the same for all sponsoring employers. That is, contribution rates have not varied for each sponsoring employer according to the experience relating to the employees of that sponsoring employer;
- Benefits for employees of all sponsoring employers are determined according to the same formulae and without regard to the sponsoring employer; and
- The same actuarial assumptions are currently used in respect of the employees of each sponsoring employer.

As such there isn't sufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the subgroup in the same way as it would for a single employer sponsored defined benefit plan. It is estimated that Council's level of participation in the scheme compared with other participating Pooled Employers is approximately 0.16%. The expected contributions for the next annual reporting period is \$151,705.60.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2018 is:

Employer Reserves Only* Millions (\$) Asset Coverage

Assets	1,817.8	
Past Serviced Liabilities	1,787.5	101.7%
Vested Benefits	1,778.0	102.2%

*excluding member accounts and reserves in both assets and liabilities

The key economic long term assumptions used to calculate the present value of accrued benefits are:

Investment return	6.0% per annum
Salary inflation*	3.5% per annum
Increase in CPI	2.5% per annum

*plus promotional increases

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group. The last valuation of the Fund was performed by the Actuary, Mr Richard Boyfield, FIAA on 12 December 2017, relating to the period ending 30 June 2017. The funds next triennial review is scheduled for completion in December 2018.

An employer's additional lump sum contribution per annum as a percentage of the total additional lump sum contributions for all Pooled Employers (of \$40m each year from 1 July 2017 to 30 June 2021) provides an indication of the level of participation of that employer compared with other employers in the Pooled Employer sub-group.

KYOGLE COUNCIL

Notes to the Financial Statements
for the year ended 30 June 2018

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 and non-current)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Governance	–	–	434	450	(434)	(450)	–	–	–	–
Administration	75	–	1,096	955	(1,021)	(955)	75	–	13,226	16,593
Personnel	62	60	422	671	(360)	(611)	–	–	–	–
Finance	9,284	10,197	524	509	8,760	9,688	2,726	3,840	–	–
Crown reserves	–	–	6	10	(6)	(10)	–	–	–	–
Town planning	157	174	348	372	(191)	(198)	–	–	–	–
Environmental health	144	169	359	234	(215)	(65)	–	–	–	–
Building control	62	53	87	79	(25)	(26)	–	–	–	–
Animal control	18	18	125	125	(107)	(107)	–	–	51	70
Other waste management	947	681	860	400	87	281	90	66	2,662	3,496
Economic development	4	60	212	221	(208)	(161)	–	56	–	–
Community services	7	7	220	227	(213)	(220)	7	7	–	–
Art galleries	5	4	83	83	(78)	(79)	–	–	–	–
Pre schools	–	–	65	64	(65)	(64)	–	–	–	–
Public libraries	49	48	379	421	(330)	(373)	44	43	9	10
Regional roads	1,694	2,168	1,759	1,692	(65)	476	593	2,158	57,515	55,637
Urban roads	262	155	912	814	(650)	(659)	257	125	14,538	13,595
Rural roads	3,911	4,566	4,315	8,194	(404)	(3,628)	3,892	3,428	130,389	117,379
Bridges	4,691	2,919	1,261	1,724	3,430	1,195	4,687	2,917	95,126	80,418
Emergency services	468	283	465	450	3	(167)	454	262	2,605	2,427
Swimming pools	129	137	688	704	(559)	(567)	–	–	3,410	3,861
Parks & gardens	150	22	674	622	(524)	(600)	137	–	3,207	3,640
Community buildings	825	256	273	450	552	(194)	299	94	7,688	7,522
Public cemeteries	151	97	165	150	(14)	(53)	–	–	158	206
Stormwater drainage	250	167	146	125	104	42	79	–	25,140	24,753
Engineering administration	197	87	74	148	123	(61)	72	–	–	–
Water supplies	1,570	3,727	1,160	1,556	410	2,171	78	2,326	28,036	27,711
Sewerage services	1,396	1,333	1,053	1,414	343	(81)	26	25	27,879	28,154
Domestic waste management	932	906	855	1,154	77	(248)	29	30	(79)	(156)
State highways	3,902	3,700	3,674	3,544	228	156	–	–	1,815	2,287
Quarries	613	933	471	953	142	(20)	–	–	1,361	1,362
Plant fund	61	68	1,414	(1,904)	(1,353)	1,972	–	–	9,569	10,048
Other	–	–	–	–	–	–	–	–	–	–
Total functions and activities	32,016	32,995	24,579	26,611	7,437	6,384	13,545	15,377	424,305	399,013

KYOGLE COUNCIL

Notes to the Financial Statements for the year ended 30 June 2018

Note 2(b). Council functions/activities – component descriptions

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

Governance

Includes costs relating to Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of Council and policy-making committees, public disclosure (e.g. GIPA), and legislative compliance.

Administration

Includes corporate support and other support services and any Council policy compliance.

Personnel

Includes costs relating to payroll, human resources and workplace health and safety.

Finance

Includes rates, accounts receivable, accounts payable and annual financial reporting requirements including

Crown reserves

Includes costs relating to reserves not controlled by council.

Town planning

Includes costs relating to planning activities.

Environmental health

Includes costs relating to environmental activities.

Building control

Includes costs relating to building inspections.

Animal control

Includes costs relating to ranger activities.

Other waste management

Includes costs relating to other waste management.

Economic development

Includes costs relating to tourism and economic development.

Community services

Includes costs relating to community services and community projects.

Art galleries

Includes costs relating to gallery operations.

Pre schools

Includes building maintenance and operating contributions to local pre schools.

Public libraries

Includes costs relating to the regional library.

Regional roads

Includes costs relating to sealed and unsealed regional roads and bridges.

KYOGLE COUNCIL

Notes to the Financial Statements for the year ended 30 June 2018

Note 2(b). Council functions/activities – component descriptions (continued)

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

Urban roads

Includes costs relating to sealed and unsealed urban roads and footpaths.

Rural roads

Includes costs relating to sealed and unsealed rural roads.

Bridges

Includes costs relating to rural bridges.

Emergency services

Includes costs relating to rural fire brigades, town brigade and state emergency services.

Swimming pools

Includes costs relating to Kyogle , Bonalbo and Woodenbong swimming centres.

Parks & gardens

Includes costs relating to parks, gardens and sporting fields.

Community buildings

Includes costs relating to community buildings.

Public cemeteries

Includes costs relating to cemeteries, lawn cemetery and columbarium walls.

Stormwater drainage

Includes costs relating to drainage improvements and flood mitigation.

Engineering administration

Includes costs relating to provision of engineering services.

Water supplies

All matters relating to the provision of Water Supplies.

Sewerage services

All matters relating to the provision of Sewerage Services.

Domestic waste management

Includes costs relating to collection of residential and commercial bins.

State highways

All matters relating to works conducted on state highways.

Quarries

All matters relating to the production of quarry materials for council roadworks.

Plant fund

All matters relating to councils vehicle fleet.

KYOGLE COUNCIL

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations

\$ '000	2018	2017
(a) Rates and annual charges		
Ordinary rates		
Residential	2,584	2,456
Farmland	3,301	3,104
Mining	–	–
Business	274	269
Other	–	–
Total ordinary rates	6,159	5,829
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	898	871
Stormwater management services	–	–
Water supply services	762	728
Sewerage services	1,106	1,060
Drainage	169	163
Waste management services (non-domestic)	277	271
Other	–	–
Total annual charges	3,212	3,093
TOTAL RATES AND ANNUAL CHARGES	9,371	8,922

Council has used 2016 year valuations provided by the NSW Valuer General in calculating its rates.

Accounting policy for rates and annual charges

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

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

KYOGLE COUNCIL

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(b) User charges and fees		
Specific user charges (per s.502 – specific 'actual use' charges)		
Domestic waste management services	–	–
Water supply services	711	656
Sewerage services	258	241
Drainage services	–	–
Waste management services (non-domestic)	552	463
Other	–	–
Total specific user charges	1,521	1,360
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Art galleries	5	4
Building services – other	24	17
Caravan parks	136	118
Cemeteries	151	97
Inspection services	75	85
Planning and building regulation	160	172
Pools	129	132
Private works – section 67	118	96
Quarries	613	933
RMS (formerly RTA) charges (State roads not controlled by council)	3,902	3,700
Section 603 certificates	24	24
Other	153	148
Total fees and charges – statutory/regulatory	5,490	5,526
TOTAL USER CHARGES AND FEES	7,011	6,886

Accounting policy for user charges and fees

User charges and fees are recognised as revenue when the service has been provided.

KYOGLE COUNCIL

Notes to the Financial Statements for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(c) Interest and investment revenue (including losses)		
Interest		
– Overdue rates and annual charges (incl. special purpose rates)	78	64
– Cash and investments	303	443
– Other	3	6
Other	–	–
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>	<u>384</u>	<u>513</u>
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	78	64
General Council cash and investments	291	431
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	2	4
– Section 64	1	2
Water fund operations	3	4
Sewerage fund operations	4	3
Domestic waste management operations	5	5
<u>Total interest and investment revenue recognised</u>	<u>384</u>	<u>513</u>

Accounting policy for interest and investment revenue

Interest income is recognised using the effective interest rate at the date that interest is earned.

KYOGLE COUNCIL

Notes to the Financial Statements for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018	2017
(d) Other revenues			
Woodenbong Reinstatement Liability Reversal		149	–
Other		26	31
<u>TOTAL OTHER REVENUE</u>		<u>175</u>	<u>31</u>

Accounting policy for other revenue

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

Parking fees and fines are recognised as revenue when the service has been provided, or when the penalty has been applied, whichever occurs first.

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

Miscellaneous sales are recognised when physical possession has transferred to the customer which is deemed to be the point of transfer of risks and rewards.

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

KYOGLE COUNCIL

Notes to the Financial Statements for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance	4,216	5,987	–	–
Pensioners' rates subsidies – general component	116	123	–	–
Other grants	–	–	–	–
Total general purpose	4,332	6,110	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	27	27	–	–
– Sewerage	26	25	–	–
– Domestic waste management	29	30	–	–
Water supplies	–	–	–	2,243
Bushfire and emergency services	–	–	454	259
Community projects	84	64	369	96
FESL	19	51	–	–
Flood mitigation	55	–	–	–
Flood restoration	23	–	–	–
Library	44	43	100	–
LIRS subsidy	51	56	–	–
Street lighting	34	33	–	–
Transport (other roads and bridges funding)	1,109	3,495	6,701	2,780
Waste sustainability	56	65	32	–
Other	–	–	–	–
Total specific purpose	1,557	3,889	7,656	5,378
Total grants	5,889	9,999	7,656	5,378
Grant revenue is attributable to:				
– Commonwealth funding	5,138	8,768	1,771	2,247
– State funding	751	1,231	5,885	3,131
– Other funding	–	–	–	–
	5,889	9,999	7,656	5,378

KYOGLE COUNCIL

Notes to the Financial Statements for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(f) Contributions					
Developer contributions:					
(s7.4 & s7.11 – EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services		12	12	30	107
S 64 – water supply contributions		–	–	3	3
S 64 – sewerage service contributions		–	–	2	2
S 64 – stormwater contributions		–	–	2	3
Total developer contributions	21	12	12	37	115
Other contributions:					
Recreation and culture		–	–	354	11
Roads and bridges		–	–	–	14
RMS contributions (regional roads, block grant)		905	887	182	166
Other		40	61	–	–
Total other contributions		945	948	536	191
Total contributions		957	960	573	306
<u>TOTAL GRANTS AND CONTRIBUTIONS</u>		<u>6,846</u>	<u>10,959</u>	<u>8,229</u>	<u>5,684</u>

Accounting policy for contributions

Control over grants and contributions is normally obtained upon their receipt (or acquittal) and is valued at the fair value of the granted or contributed asset at the date of transfer.

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 un-discharged at reporting date, the unused grant or contribution is disclosed above.

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

KYOGLE COUNCIL

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Operating grants		
Unexpended at the close of the previous reporting period	55	42
Add: operating grants recognised in the current period but not yet spent	5	23
Less: operating grants recognised in a previous reporting period now spent	(44)	(10)
Unexpended and held as restricted assets (operating grants)	<u>16</u>	<u>55</u>
Capital grants		
Unexpended at the close of the previous reporting period	261	272
Add: capital grants recognised in the current period but not yet spent	202	20
Less: capital grants recognised in a previous reporting period now spent	(261)	(31)
Unexpended and held as restricted assets (capital grants)	<u>202</u>	<u>261</u>
Contributions		
Unexpended at the close of the previous reporting period	276	320
Add: contributions recognised in the current period but not yet spent	53	134
Less: contributions recognised in a previous reporting period now spent	(173)	(178)
Unexpended and held as restricted assets (contributions)	<u>156</u>	<u>276</u>

KYOGLE COUNCIL

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations

\$ '000	2018	2017
(a) Employee benefits and on-costs		
Salaries and wages	6,916	6,701
Employee leave entitlements (ELE)	1,523	1,624
Superannuation – defined contribution plans	681	629
Superannuation – defined benefit plans	155	152
Workers' compensation insurance	144	172
Fringe benefit tax (FBT)	13	14
Training costs (other than salaries and wages)	152	119
Other	121	132
Total employee costs	9,705	9,543
Less: capitalised costs	(1,816)	(1,717)
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>	<u>7,889</u>	<u>7,826</u>

Accounting policy for employee benefits and on-costs

Employee benefit expenses are recorded when the service has been provided by the employee.

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.

Superannuation 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.

Council participates in a Defined Benefit Plan under the Local Government Superannuation Scheme, however, when sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 1 for more information.

KYOGLE COUNCIL

Notes to the Financial Statements for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	2017
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		149	159
Other debts		–	–
Total interest bearing liability costs		149	159
Less: capitalised costs		–	–
Total interest bearing liability costs expensed		149	159
(ii) Other borrowing costs			
Fair value adjustments on recognition of advances and deferred debtor:			
– Remediation liabilities	11	36	34
– Other liabilities		–	–
Other borrowing costs		–	–
Total other borrowing costs		36	34
TOTAL BORROWING COSTS EXPENSED		185	193

Accounting policy for borrowing costs

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

KYOGLE COUNCIL

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(c) Materials and contracts		
Raw materials and consumables	4,790	5,511
Auditors remuneration ⁽¹⁾	57	54
Legal expenses:		
– Legal expenses: debt recovery	43	28
– Legal expenses: other	14	51
Other	–	–
Total materials and contracts	4,904	5,644
Less: capitalised costs	–	–
TOTAL MATERIALS AND CONTRACTS	4,904	5,644

1. Auditor remuneration

During the year the following fees were paid or payable for services provided by the auditor of Council, related practices and non-related audit firms

Auditors of the Council – NSW Auditor-General:

(i) Audit and other assurance services

Audit and review of financial statements	56	52
Remuneration for audit and other assurance services	56	52
Total Auditor-General remuneration	56	52

Non NSW Auditor-General audit firms:

(i) Audit and other assurance services

Other audit services	1	2
Remuneration for audit and other assurance services	1	2
Total remuneration of non NSW Auditor-General audit firms	1	2
Total Auditor remuneration	57	54

KYOGLE COUNCIL

Notes to the Financial Statements for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	2017
(d) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment		1,112	1,140
Office equipment		77	38
Furniture and fittings		1	1
Land improvements (depreciable)		21	71
Infrastructure:			
– Buildings – non-specialised		57	74
– Buildings – specialised		306	334
– Other structures		201	204
– Roads		3,459	3,485
– Bridges		858	831
– Footpaths		54	52
– Stormwater drainage		70	61
– Water supply network		244	252
– Sewerage network		184	187
– Swimming pools		56	108
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	9 & 11	23	21
– Quarry assets	9 & 11	45	75
Total gross depreciation and amortisation costs		6,768	6,934
Less: capitalised costs		–	–
Total depreciation and amortisation costs		6,768	6,934

KYOGLE COUNCIL

Notes to the Financial Statements for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	2017
(d) Depreciation, amortisation and impairment (continued)			
Impairment / revaluation decrement of IPP&E			
Land improvements (depreciable)		450	–
Other structures		236	–
Total IPP&E impairment / revaluation decrement costs / (reversals)		686	–
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED</u>		<u>7,454</u>	<u>6,934</u>

Accounting policy for depreciation, amortisation and impairment expenses

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 9 for IPPE assets.

Impairment of non-financial assets

Intangible assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment losses for revalued assets are firstly offset against the amount in the revaluation surplus for the class of asset, with only the excess to be recognised in the Income Statement.

KYOGLE COUNCIL

Notes to the Financial Statements for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(e) Other expenses		
Advertising	72	58
Bad and doubtful debts	(25)	5
Councillor expenses – mayoral fee	25	23
Councillor expenses – councillors' fees	104	100
Councillors' expenses (incl. mayor) – other (excluding fees above)	31	31
Donations, contributions and assistance to other organisations (Section 356)	264	175
Electricity and heating	293	262
Emergency services	297	291
Insurance	316	528
Regional library	350	351
Street lighting	135	111
Subscriptions and publications	14	12
Telephone and communications	83	73
Total other expenses	1,959	2,020
Less: capitalised costs	–	–
<u>TOTAL OTHER EXPENSES</u>	<u>1,959</u>	<u>2,020</u>

Accounting policy for other expenses

Other expenses are recorded on an accruals basis as the Council receives the goods or services.

KYOGLE COUNCIL

Notes to the Financial Statements for the year ended 30 June 2018

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	2018	2017
Property (excl. investment property)	9		
Plant and equipment	9		
Proceeds from disposal – plant and equipment		643	331
Less: carrying amount of plant and equipment assets sold/written off		(528)	(342)
Net gain/(loss) on disposal		115	(11)
 Infrastructure	 9		
Proceeds from disposal – infrastructure		–	235
Less: carrying amount of infrastructure assets sold/written off		(2,303)	(4,218)
Net gain/(loss) on disposal		(2,303)	(3,983)
 NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		 (2,188)	 (3,994)

Accounting policy for disposal of assets

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

KYOGLE COUNCIL

Notes to the Financial Statements for the year ended 30 June 2018

Note 6(a). Cash and cash equivalent assets

\$ '000	2018	2017
Cash and cash equivalents		
Cash on hand and at bank	4,834	7,187
Cash-equivalent assets		
– Deposits at call	8,400	15,000
Total cash and cash equivalents	13,234	22,187

Accounting policy for cash and cash equivalents

For Statement of Cash Flow 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.

KYOGLE COUNCIL

Notes to the Financial Statements for the year ended 30 June 2018

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

\$ '000	2018 Current	2018 Non-current	2017 Current	2017 Non-current
Total cash, cash equivalents and investments	13,234	–	22,187	–
attributable to:				
External restrictions (refer below)	1,533	–	2,679	–
Internal restrictions (refer below)	8,122	–	14,930	–
Unrestricted	3,579	–	4,578	–
	13,234	–	22,187	–

\$ '000	2018	2017
Details of restrictions		
External restrictions – included in liabilities		
Retention bonds and deposits	401	228
Other	–	–
External restrictions – included in liabilities	401	228
External restrictions – other		
Developer contributions – general	105	228
Developer contributions – sewer fund	51	48
Specific purpose unexpended grants	218	316
Water supplies	539	1,367
Sewerage services	444	795
Domestic waste management	(225)	(303)
External restrictions – other	1,132	2,451
Total external restrictions	1,533	2,679

KYOGLE COUNCIL

Notes to the Financial Statements for the year ended 30 June 2018

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

\$ '000	2018	2017
Internal restrictions		
Plant and vehicle replacement	1,316	1,719
Employees leave entitlement	1,321	1,248
Carry over works	1,904	6,800
Building replacement	150	150
Commercial waste	855	1,025
Emergency works	500	500
Information technology	100	100
Quarries	662	592
Roads and bridges	1,000	1,000
Stormwater management	200	200
Transport	114	1,596
Total internal restrictions	8,122	14,930
TOTAL RESTRICTIONS	9,655	17,609

KYOGLE COUNCIL

Notes to the Financial Statements

for the year ended 30 June 2018

Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Purpose				
Rates and annual charges	699	3	675	146
Interest and extra charges	–	–	23	–
User charges and fees	2,107	–	971	–
Accrued revenues				
– Interest on investments	11	–	32	–
Government grants and subsidies	4,059	–	3,234	–
Net GST receivable	234	–	261	–
Other debtors	1	–	1	–
Total	7,111	3	5,197	146
Less: provision for impairment				
Rates and annual charges	–	(3)	–	(146)
User charges and fees	–	–	(8)	–
Other debtors	(3)	–	–	–
Total provision for impairment – receivables	(3)	(3)	(8)	(146)
<u>TOTAL NET RECEIVABLES</u>	<u>7,108</u>	<u>–</u>	<u>5,189</u>	<u>–</u>
Externally restricted receivables				
Water supply				
– Specific purpose grants	–	–	522	–
– Rates and availability charges	142	–	176	–
– Other	178	–	162	–
Sewerage services				
– Specific purpose grants	–	–	181	–
– Rates and availability charges	156	–	59	–
– Other	63	–	–	–
Domestic waste management	146	–	147	–
Total external restrictions	685	–	1,247	–
Unrestricted receivables	6,423	–	3,942	–
<u>TOTAL NET RECEIVABLES</u>	<u>7,108</u>	<u>–</u>	<u>5,189</u>	<u>–</u>

Movement in provision for impairment of receivables

	2018	2017
Balance at the beginning of the year	154	148
+ new provisions recognised during the year		6
– amounts already provided for and written off this year	(148)	–
– amounts provided for but recovered during the year		–
– previous impairment losses reversed		–
Balance at the end of the year	6	154

KYOGLE COUNCIL

Notes to the Financial Statements for the year ended 30 June 2018

Note 7. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quote in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in receivables (Note 7) in the Statement of Financial Position. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Impairment

For loans and receivables the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

Collectability of receivables is reviewed on an on-going basis. Debts that are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income statement.

KYOGLE COUNCIL

Notes to the Financial Statements for the year ended 30 June 2018

Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
(a) Inventories				
(i) Inventories at cost				
Stores and materials	1,042	–	1,778	–
Trading stock	231	–	167	–
<u>TOTAL INVENTORIES</u>	<u>1,273</u>	<u>–</u>	<u>1,945</u>	<u>–</u>

Externally restricted assets

There are no restrictions applicable to the above assets.

Accounting policy

Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

KYOGLE COUNCIL

Notes to the Financial Statements
for the year ended 30 June 2018

Note 9(a). Infrastructure, property, plant and equipment

Asset class	as at 30/6/2017			Asset movements during the reporting period									as at 30/6/2018			
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	Impairment reversal (recognised in equity)	WIP transfers	Adjustments and transfers	Reinstatement Costs for impaired assets	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000																
Capital work in progress	3,938	–	3,938	2,339	617	–	–	–	–	(3,682)	–	–	–	3,212	–	3,212
Plant and equipment	13,679	7,181	6,498	1,918	–	(528)	(1,112)	–	–	–	–	–	–	13,915	7,139	6,776
Office equipment	688	545	143	106	–	–	(77)	–	–	–	–	–	–	795	623	172
Furniture and fittings	31	21	10	–	–	–	(1)	–	–	–	–	–	–	31	22	9
Plant and equipment (under finance lease)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Land:																
– Operational land	5,131	–	5,131	–	–	–	–	–	–	–	–	703	–	5,834	–	5,834
– Community land	559	–	559	–	–	–	–	–	–	–	–	1,044	–	1,603	–	1,603
– Land under roads (pre 1/7/08)	1,745	–	1,745	–	–	–	–	–	–	–	–	(1)	–	1,744	–	1,744
– Land under roads (post 30/6/08)	2	–	2	–	–	–	–	–	–	–	–	–	–	2	–	2
Land improvements – non-depreciable	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Land improvements – depreciable	1,802	727	1,075	–	–	–	(21)	(450)	–	–	–	(74)	–	834	304	530
Infrastructure:																
– Buildings	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
– Buildings – non-specialised	4,023	1,334	2,689	–	–	–	(57)	–	–	–	–	(581)	–	3,593	1,542	2,051
– Buildings – specialised	23,696	13,319	10,377	80	517	–	(306)	–	–	–	–	431	–	23,180	12,081	11,099
– Other structures	6,977	2,416	4,561	40	531	(6)	(201)	(236)	–	6	–	(1,372)	–	6,094	2,771	3,323
– Roads	229,892	72,404	157,488	6,288	110	(78)	(3,459)	–	578	466	–	2,507	7,730	238,344	66,714	171,630
– Bridges	118,077	38,658	79,419	7,397	–	(1,612)	(858)	–	1,045	1,446	–	–	7,289	126,651	32,525	94,126
– Footpaths	3,487	546	2,941	95	–	(7)	(54)	–	–	–	–	–	72	3,660	613	3,047
– Other road assets	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
– Bulk earthworks (non-depreciable)	14,903	–	14,903	–	–	–	–	–	–	–	–	–	509	15,412	–	15,412
– Stormwater drainage	27,443	2,890	24,553	–	–	(191)	(70)	–	–	–	–	–	389	28,070	3,130	24,940
– Water supply network	29,932	6,260	23,672	1,338	50	(248)	(244)	–	–	1,764	–	–	794	32,048	4,922	27,126
– Sewerage network	32,487	5,416	27,071	697	–	(161)	(184)	–	–	–	–	–	(258)	33,191	6,026	27,165
– Swimming pools	5,696	3,555	2,141	–	–	–	(56)	–	–	–	–	–	1	5,280	3,194	2,086
– Other open space/recreational assets	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
– Other infrastructure	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other assets:																
– Heritage collections	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
– Library books	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
– Other	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Reinstatement, rehabilitation and restoration assets (refer Note 14):																
– Tip assets	1,254	601	653	–	–	–	(23)	–	–	–	–	–	–	1,059	324	735
– Quarry assets	389	266	123	–	–	–	(45)	–	–	–	–	–	–	379	311	68
– Other remediation assets	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	525,831	156,139	369,692	20,557	1,825	(2,831)	(6,768)	(686)	1,623	–	95	2,507	16,676	544,931	142,241	402,690

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

KYOGLE COUNCIL

Notes to the Financial Statements

for the year ended 30 June 2018

Note 9(a). Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

Infrastructure, property, plant and equipment are held at fair value. Independent valuations are performed at least 5 yearly, however the carrying amount of assets is assessed at each reporting date to confirm that it is not materially different from current fair value.

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Crown Lands and Water (CLAW).

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

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

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5	Playground equipment	5 to 15
Office furniture	5	Benches, seats etc.	10 to 20
Computer equipment	3		
Vehicles	10 to 20	Buildings	
Heavy plant/road making equipment	10	Buildings: masonry	50 to 100
Other plant and equipment	10	Buildings: other	20 to 40
Water and sewer assets		Stormwater assets	
Civil Works	40 to 195	Drains	144 to 203
Mechanical and Electrical	25 to 92	Culverts	150 to 203
Reticulation pipes: Water	65 to 203		
Reticulation pipes: Sewer	133 to 319		
Transportation assets			
Sealed roads: surface	10 to 25		
Sealed roads: structure	100		
Unsealed roads	20 to 38		
Bridge: concrete	100 to 171		
Bridge: timber	50 to 100		
Road pavements	100		
Kerb, gutter and footpaths	30 to 70		

KYOGLE COUNCIL

Notes to the Financial Statements for the year ended 30 June 2018

Note 9(a). Infrastructure, property, plant and equipment (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income statement.

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 is recognised in accordance with AASB 116 Property, Plant and Equipment.

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 to the reserves are recognised within Council's Income Statement.

Rural Fire Service assets

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

Until such time as discussions on this matter have concluded and the legislation changed, Council will recognise rural fire service assets including land, buildings, plant and vehicles.

KYOGLE COUNCIL

Notes to the Financial Statements for the year ended 30 June 2018

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

\$ '000 Class of asset	2018			2017		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
WIP	51	–	51	1,812	–	1,812
Infrastructure	32,048	4,922	27,126	29,932	6,260	23,672
Other assets	–	–	–	–	–	–
Total water supply	32,099	4,922	27,177	31,744	6,260	25,484
Sewerage services						
Infrastructure	33,191	6,026	27,165	32,487	5,416	27,071
Other assets	–	–	–	–	–	–
Total sewerage services	33,191	6,026	27,165	32,487	5,416	27,071
TOTAL RESTRICTED IPP&E	65,290	10,948	54,342	64,231	11,676	52,555

KYOGLE COUNCIL

Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	Notes	2018	2017
(i) Impairment losses recognised in the Income Statement:			
Revaluation of land improvements		(450)	–
Revaluation of other structures		(236)	–
<u>IMPAIRMENT OF ASSETS – GAINS/(LOSSES) in P/L</u>	4(d)	<u>(686)</u>	<u>–</u>
(ii) Impairment losses recognised direct to equity (ARR):			
Roads assets impaired during March 2017 flood		–	(4,540)
Bridge assets impaired during March 2017 flood		–	(1,541)
Total impairment losses		<u>–</u>	<u>(6,081)</u>
(iii) Reversals of impairment losses previously recognised direct to equity (ARR):			
Roads assets impaired during March 2017 flood		578	–
Bridge assets impaired during March 2017 flood		1,045	–
Total impairment reversals		<u>1,623</u>	<u>–</u>
<u>IMPAIRMENT OF ASSETS – DIRECT to EQUITY (ARR)</u>		<u>1,623</u>	<u>(6,081)</u>

KYOGLE COUNCIL

Notes to the Financial Statements for the year ended 30 June 2018

Note 10. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Payables				
Goods and services – operating expenditure	999	–	711	–
Goods and services – capital expenditure	1,219	–	1,823	–
Accrued expenses:				
– Borrowings	12	–	14	–
– Salaries and wages	98	–	98	–
– Other expenditure accruals	110	–	109	–
Security bonds, deposits and retentions	201	200	114	113
Total payables	2,639	200	2,869	113
Borrowings				
Loans – secured ¹	252	2,505	241	2,757
Total borrowings	252	2,505	241	2,757
TOTAL PAYABLES AND BORROWINGS	2,891	2,705	3,110	2,870

(a) Payables and borrowings relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Water	394	1,477	481	1,680
Sewer	115	833	109	854
Payables and borrowings relating to externally restricted assets	509	2,310	590	2,534
Total payables and borrowings relating to restricted assets	509	2,310	590	2,534
Total payables and borrowings relating to unrestricted assets	2,382	395	2,520	336
TOTAL PAYABLES AND BORROWINGS	2,891	2,705	3,110	2,870

¹ Loans are secured over the general rating income of Council

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 17.

KYOGLE COUNCIL

Notes to the Financial Statements for the year ended 30 June 2018

Note 10. Payables and borrowings (continued)

\$ '000			2018	2017		
(b) Current payables and borrowings not anticipated to be settled within the next twelve months						
Nil						
(c) Changes in liabilities arising from financing activities						
Class of borrowings	2017		Non-cash changes			2018
	Opening balance as at 1/7/17	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance as at 30/6/18
Loans – secured	2,998	(241)				2,757
TOTAL	2,998	(241)	–	–	–	2,757

\$ '000	2018	2017
(d) Financing arrangements		
(i) Unrestricted access was available at balance date to the following lines of credit:		
Credit cards/purchase cards	10	7
Total financing arrangements	10	7

Accounting policy for payables and borrowings

Payables

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

KYOGLE COUNCIL

Notes to the Financial Statements for the year ended 30 June 2018

Note 10. Payables and borrowings (continued)

Borrowings

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

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

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

Finance leases

Leases of property, plant and equipment where Council, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that Council will obtain ownership at the end of the lease term.

KYOGLE COUNCIL

Notes to the Financial Statements for the year ended 30 June 2018

Note 11. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits:				
Annual leave	916	–	887	–
Long service leave	1,251	182	1,169	180
Other leave - time in lieu	40	–	43	–
ELE on-costs	110	–	109	–
Sub-total – aggregate employee benefits	2,317	182	2,208	180
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	1,434	300	1,305
Sub-total – asset remediation/restoration	–	1,434	300	1,305
TOTAL PROVISIONS	2,317	1,616	2,508	1,485

(a) Provisions relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Water	89	–	–	–
Sewer	89	–	–	–
Provisions relating to externally restricted assets	178	–	–	–
Total provisions relating to unrestricted assets	2,139	1,616	2,508	1,485
TOTAL PROVISIONS	2,317	1,616	2,508	1,485

\$ '000	2018	2017
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(b) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	1,076	1,008
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KYOGLE COUNCIL

Notes to the Financial Statements for the year ended 30 June 2018

Note 11. Provisions (continued)

\$ '000

(c) Description of and movements in provisions

2018	Other provisions				Asset remediation	Total
At beginning of year					1,605	1,605
Changes to provision:						
Unused amounts reversed					(149)	(149)
Remeasurement effects					(58)	(58)
Unwinding of discount					36	36
Total other provisions at end of year	-	-	-	-	1,434	1,434

2017	Other provisions				Asset remediation	Total
At beginning of year					1,805	1,805
Changes to provision:						
Remeasurement effects					(234)	(234)
Unwinding of discount					34	34
Total other provisions at end of year	-	-	-	-	1,605	1,605

Nature and purpose of non-employee benefit provisions

Asset remediation

Council has a legal/public obligation to make, restore, rehabilitate and reinstate the following Council tips & quarries.

Asset/operation	Estimated year of restoration	NPV of provision	
		2018	2017
Tip Remediation - Kyogle	2050	855	725
Tip Remediation - Woodenbong	2018	-	300
Quarry Remediation - Millers	2019	161	161
Quarry Remediation - Medhurst	2021	207	208
Quarry Remediation - Griffiths	2019	157	157
Quarry Remediation - Lloyds	2021	54	54
Balance at end of the reporting period		1,434	1,605

KYOGLE COUNCIL

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Provisions (continued)

Accounting policy for provisions

Provisions are recognised when Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

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.

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

The liability for long service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the Statement of Financial Position if the Council does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

KYOGLE COUNCIL

Notes to the Financial Statements for the year ended 30 June 2018

Note 11. Provisions (continued)

Provisions for close-down and restoration, and environmental clean-up costs – tips and quarries

Restoration

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, eg updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals

Rehabilitation

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each 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 unwinding of the discount which is shown as a borrowing cost.

Remediation procedures generally commence soon after the time the damage, remediation process and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

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

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

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

KYOGLE COUNCIL

Notes to the Financial Statements for the year ended 30 June 2018

Note 12. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

The infrastructure, property, plant and equipment revaluation reserve is used to record increments / decrements of non-current asset values due to their revaluation.

(b) Correction of errors relating to a previous reporting period

Council made no correction of errors during the current reporting period.

(c) Voluntary changes in accounting policies

Council made no voluntary changes in any accounting policies during the year.

(d) Changes in accounting estimates

Council made no changes in accounting estimates during the year.

KYOGLE COUNCIL

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	13,234	22,187
Less bank overdraft	13	–	–
Balance as per the Statement of Cash Flows		13,234	22,187
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		7,437	6,384
Adjust for non-cash items:			
Depreciation and amortisation		6,768	6,934
Net losses/(gains) on disposal of assets		2,188	3,994
Non-cash capital grants and contributions		207	234
Revaluation decrements / impairments of IPP&E direct to P&L		686	–
Unwinding of discount rates on reinstatement provisions		36	34
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(1,771)	(1,251)
Increase/(decrease) in provision for doubtful debts		(148)	6
Decrease/(increase) in inventories		672	202
Decrease/(increase) in other assets		–	25
Increase/(decrease) in payables		288	29
Increase/(decrease) in accrued interest payable		(2)	3
Increase/(decrease) in other accrued expenses payable		1	8
Increase/(decrease) in other liabilities		174	38
Increase/(decrease) in employee leave entitlements		111	362
Increase/(decrease) in other provisions		(207)	(211)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		16,440	16,791
(c) Non-cash investing and financing activities			
Estimated Future Reinstatement Costs		(207)	(234)
Total non-cash investing and financing activities		(207)	(234)

KYOGLE COUNCIL

Notes to the Financial Statements for the year ended 30 June 2018

Note 14. Interests in other entities

\$ '000

Subsidiaries, joint arrangements and associates not recognised

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

Name of entity/operation	Principal activity/type of entity	2018 Net profit	2018 Net assets
Newlog	Vehicle Weight Limits	(256)	128

Reasons for non-recognition

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

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

KYOGLE COUNCIL

Notes to the Financial Statements for the year ended 30 June 2018

Note 15. Commitments for expenditure

\$ '000	2018	2017
(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 and equipment		
Buildings	887	37
Water Supply Infrastructure	–	1,124
Sewer System Infrastructure	–	257
Total commitments	887	1,418
These expenditures are payable as follows:		
Within the next year	887	1,418
Total payable	887	1,418
Sources for funding of capital commitments:		
Unrestricted general funds	285	–
Future grants and contributions	602	1,161
Externally restricted reserves	–	257
Total sources of funding	887	1,418

Details of capital commitments

Kyogle Memorial Institute, Kyogle Aquatic Centre, Woodenbong Amenities Block.

(b) Finance lease commitments

Nil

(c) Operating lease commitments (non-cancellable)

Nil

KYOGLE COUNCIL

Notes to the Financial Statements for the year ended 30 June 2018

Note 16. Contingencies and other liabilities/assets not recognised

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position, but their knowledge and 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. Council believes it has adequate insurance coverage sufficient to cover any ongoing claims or litigation.

(c) Section 7.11 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 21).

KYOGLE COUNCIL

Notes to the Financial Statements for the year ended 30 June 2018

Note 17. Financial risk management

\$ '000

Risk management

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

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

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

Financial risk management is carried out by Council's finance section under policies approved by the Council.

A comparison by category of the carrying amounts and fair values of Council's financial assets and financial liabilities recognised in the financial statements is presented below.

	Carrying value		Fair value	
	2018	2017	2018	2017
Financial assets				
Cash and cash equivalents	13,234	22,187	13,234	22,187
Receivables	7,108	5,189	7,108	5,189
Total financial assets	20,342	27,376	20,342	27,376
Financial liabilities				
Payables	2,839	2,982	2,839	2,982
Loans/advances	2,757	2,998	3,239	3,625
Total financial liabilities	5,596	5,980	6,078	6,607

Fair value is determined as follows:

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

KYOGLE COUNCIL

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Financial risk management (continued)

\$ '000

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

Council's finance area manages the cash and Investments portfolio with the assistance of independent advisors.

Council has an investment policy which complies with the *Local Government Act 1993* and Ministerial Investment Order 625. This policy is regularly reviewed by Council and its staff and a monthly Investment report is provided to Council setting out the make-up and performance of the portfolio as required by Local Government regulations.

The risks associated with the investments held are:

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

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2018				
Possible impact of a 1% movement in interest rates	132	132	(132)	(132)
2017				
Possible impact of a 1% movement in interest rates	222	222	(222)	(222)

KYOGLE COUNCIL

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

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

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

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

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

	2018	2018	2017	2017
	Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	4%	99%	8%	95%
Overdue	96%	1%	92%	5%
	100%	100%	100%	100%
(ii) Ageing of receivables – value				
Rates and annual charges			2018	2017
Current			21	66
< 1 year overdue			681	755
1 – 2 years overdue				
2 – 5 years overdue				
> 5 years overdue				
			702	821
Other receivables				
Current			6,383	4,309
0 – 30 days overdue				
31 – 60 days overdue			29	213
61 – 90 days overdue				
> 91 days overdue				
			6,412	4,522

KYOGLE COUNCIL

Notes to the Financial Statements for the year ended 30 June 2018

Note 17. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk by borrowing long term and fixing the interest rate on a 4-year renewal basis. The Finance Section regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 – 5 Years	> 5 Years		
2018							
Trade/other payables	0.00%	401	2,438			2,839	2,839
Loans and advances	5.40%		391	1,650	1,772	3,813	2,757
Lease liabilities						–	–
Total financial liabilities		401	2,829	1,650	1,772	6,652	5,596
2017							
Trade/other payables	0.00%	227	2,755			2,982	2,982
Loans and advances	5.34%		391	1,700	2,137	4,228	2,998
Lease liabilities						–	–
Total financial liabilities		227	3,146	1,700	2,137	7,210	5,980

KYOGLE COUNCIL

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 15 June 2017 and is not required to be audited.

While the Income Statement included in this General Purpose Financial Report must disclose the original budget adopted by Council, the *Local Government Act 1993* requires Council to review its financial budget on a quarterly basis, so that it is able to manage the various variations between actuals versus budget that invariably occur throughout the year.

This note sets out the details of **material variations** between Council's original budget and its actual results for the year as per the Income Statement – even though such variations may have been adjusted for during each quarterly budget review.

Note that for variations* of budget to actual :

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

F = Favourable budget variation, **U** = Unfavourable budget variation

\$ '000	2018 Budget	2018 Actual	2018 Variance*		
REVENUES					
User charges and fees	5,596	7,011	1,415	25%	F
Level of RMS works higher than anticipated					
Other revenues	4	175	171	4275%	F
Insurance claim recoveries not budgetted for					
Operating grants and contributions	11,333	6,846	(4,487)	(40%)	U
Flood damage grants reclassified to capital					
Capital grants and contributions	3,893	8,229	4,336	111%	F
Flood damage grants reclassified from operating					

KYOGLE COUNCIL

Notes to the Financial Statements for the year ended 30 June 2018

Note 18. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
EXPENSES					
Borrowing costs	301	185	116	39%	F
General fund borrowings deferred to 2018 / 19					
<hr/>					
Materials and contracts	6,693	4,904	1,789	27%	F
Flood damage costs now capitalised					
<hr/>					
Net losses from disposal of assets	(146)	2,188	(2,334)	1599%	U
Council does not budget for disposal of infrastructure assets					
<hr/>					
Revaluation decrement / impairment of IPP&E	–	686	(686)	0%	U
Council does not budget for revaluation adjustments					
<hr/>					
Budget variations relating to Council's Cash Flow Statement include:					
Cash flows from operating activities	13,482	16,440	2,958	21.9%	F
Flood damage costs now capitalised					
<hr/>					
Cash flows from investing activities	(20,905)	(25,152)	(4,247)	20.3%	U
Actual expenditure on capital works includes revoted projects from prior year					
<hr/>					
Cash flows from financing activities	(675)	(241)	434	(64.3%)	F
General fund borrowings deferred to 2018 / 19					

KYOGLE COUNCIL

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Fair value measurement

\$ '000

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

2018	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant & Equipment	30/06/18	–	–	6,775	6,775
Office Equipment	30/06/18	–	–	172	172
Furniture & Fittings	30/06/18	–	–	9	9
Land Operational	30/06/18	–	–	5,834	5,834
Land Community	30/06/18	–	–	1,602	1,602
Land under Roads	30/06/16	–	–	1,747	1,747
Land Improvements	30/06/18	–	–	530	530
Buildings	30/06/18	–	–	13,151	13,151
Other Structures	30/06/18	–	–	3,324	3,324
Roads	30/06/15	–	–	171,630	171,630
Bridges	30/06/15	–	–	94,126	94,126
Footpaths	30/06/15	–	–	3,048	3,048
Earthworks	30/06/15	–	–	15,412	15,412
Stormwater Drainage	30/06/17	–	–	24,940	24,940
Water Supply	30/06/17	–	–	27,126	27,126
Sewerage Network	30/06/17	–	–	27,165	27,165
Swimming Pools	30/06/18	–	–	2,086	2,086
Reinstatement Assets	30/06/18	–	–	801	801
Total infrastructure, property, plant and equipment		–	–	399,478	399,478

KYOGLE COUNCIL

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Fair value measurement (continued)

\$ '000

2017	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant & Equipment	30/06/17			6,498	6,498
Office Equipment	30/06/17			143	143
Furniture & Fittings	30/06/17			10	10
Land Operational	30/06/13			5,131	5,131
Land Community	30/06/13			559	559
Land under Roads	30/06/16			1,747	1,747
Land Improvements	30/06/13			1,075	1,075
Buildings	30/06/13			13,067	13,067
Other Structures	30/06/13			4,560	4,560
Roads	30/06/15			157,488	157,488
Bridges	30/06/15			79,419	79,419
Footpaths	30/06/15			2,941	2,941
Earthworks	30/06/15			14,903	14,903
Stormwater Drainage	30/06/17			24,553	24,553
Water Supply	30/06/17			23,672	23,672
Sewerage Network	30/06/17			27,071	27,071
Swimming Pools	30/06/13			2,141	2,141
Reinstatement Assets	30/06/17			776	776
Total infrastructure, property, plant and equipment		–	–	365,754	365,754

(2) Transfers between level 1 and level 2 fair value hierarchies

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

KYOGLE COUNCIL

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Fair value measurement (continued)

\$ '000

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

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

The fair valuation techniques Council has employed while utilising level 2 and level 3 inputs are as follows:

Infrastructure, property, plant and equipment (IPP&E)

Plant & Equipment, Office Equipment and Furniture & Fittings

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

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

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

Operational & Community Land & Land Improvements

The key unobservable input to the valuation of these classes of assets is the price per square metre. The last valuation was undertaken at 30 June 2018 and was performed by AssetVal Pty Ltd, Director Robert Lee Muller BSc (Hons) MRICS MAPM MAIPM AAPI ,Chartered Valuation Surveyor.

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 Englobo method for nearby or adjacent Community Land having regard to the highest and best use for this land.

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

KYOGLE COUNCIL

Notes to the Financial Statements for the year ended 30 June 2018

Note 19. Fair value measurement (continued)

\$ '000

Buildings - Non-Specialised & Specialised

Buildings were valued by AssetVal Pty Ltd at 30 June 2018 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 AssetVal Pty Ltd at 30 June 2018 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.

Drainage Infrastructure

Assets within this class comprise pits and pipes.

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

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

KYOGLE COUNCIL

Notes to the Financial Statements for the year ended 30 June 2018

Note 19. Fair value measurement (continued)

\$ '000

Water Supply

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

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

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

KYOGLE COUNCIL

Notes to the Financial Statements for the year ended 30 June 2018

Note 19. Fair value measurement (continued)

\$ '000

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

a. The following tables present the changes in level 3 fair value asset classes.

	Plant & Equipment	Office Equipment	Furniture & Fittings	Operational Land	Total
Opening balance – 1/7/16	6,742	29	11	4,998	11,780
Purchases (GBV)	1,239	151	–	(130)	1,260
Disposals (WDV)	(342)	–	–	–	(342)
Depreciation and impairment	(1,141)	(37)	(1)	–	(1,179)
FV gains – other comprehensive income	–	–	–	263	263
Closing balance – 30/6/17	6,498	143	10	5,131	11,782
Purchases (GBV)	1,918	106	–	–	2,024
Disposals (WDV)	(529)	–	–	–	(529)
Depreciation and impairment	(1,111)	(77)	(1)	–	(1,189)
FV gains – other comprehensive income	–	–	–	703	703
Closing balance – 30/6/18	6,776	172	9	5,834	12,791

KYOGLE COUNCIL

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. 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)

	Community Land	Land Under Roads	Land Improve- ments	Buildings Non- Specialised	Total
Opening balance – 1/7/16	530	1,658	1,020	2,489	5,697
Purchases (GBV)	–	–	71	252	323
Disposals (WDV)	–	–	–	(92)	(92)
Depreciation and impairment	–	–	(71)	(74)	(145)
FV gains – other comprehensive income	29	89	55	114	287
Closing balance – 30/6/17	559	1,747	1,075	2,689	6,070
Depreciation and impairment	–	–	(21)	(57)	(78)
FV gains – other comprehensive income	1,044	–	(525)	(581)	(62)
Closing balance – 30/6/18	1,603	1,747	529	2,051	5,930

KYOGLE COUNCIL

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Fair value measurement (continued)

\$ '000

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

a. The following tables present the changes in level 3 fair value asset classes. (continued)

	Buildings Specialised	Other Structures	Roads	Bridges	Total
Opening balance – 1/7/16	9,854	6,424	155,182	71,569	243,029
Purchases (GBV)	240	251	7,139	3,356	10,986
Disposals (WDV)	(56)	(4)	(3,245)	(270)	(3,575)
Depreciation and impairment	(334)	(312)	(3,484)	(831)	(4,961)
FV gains – other comprehensive income	674	342	1,896	5,595	8,507
Closing balance – 30/6/17	10,378	6,701	157,488	79,419	253,986
Purchases (GBV)	597	577	6,864	8,843	16,881
Disposals (WDV)	–	(6)	(79)	(1,612)	(1,697)
Depreciation and impairment	(306)	(257)	(3,459)	(858)	(4,880)
FV gains – other comprehensive income	431	(1,606)	10,816	8,334	17,975
Closing balance – 30/6/18	11,100	5,409	171,630	94,126	282,265

KYOGLE COUNCIL

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Fair value measurement (continued)

\$ '000

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

a. The following tables present the changes in level 3 fair value asset classes. (continued)

	Footpaths	Bulk Earthworks	Stormwater Drainage	Water Supply Network	Total
Opening balance – 1/7/16	2,948	14,697	24,568	15,855	58,068
Purchases (GBV)	27	–	90	2,467	2,584
Disposals (WDV)	(11)	–	(14)	(295)	(320)
Depreciation and impairment	(52)	–	(62)	(252)	(366)
FV gains – other comprehensive income	29	206	(29)	5,897	6,103
Closing balance – 30/6/17	2,941	14,903	24,553	23,672	66,069
Purchases (GBV)	95	–	259	3,153	3,507
Disposals (WDV)	(7)	–	(191)	(248)	(446)
Depreciation and impairment	(54)	–	(70)	(244)	(368)
FV gains – other comprehensive income	73	509	389	793	1,764
Closing balance – 30/6/18	3,048	15,412	24,940	27,126	70,526

KYOGLE COUNCIL

Notes to the Financial Statements for the year ended 30 June 2018

Note 19. Fair value measurement (continued)

\$ '000

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

a. The following tables present the changes in level 3 fair value asset classes. (continued)

	Sewerage Network	Reinstatement Assets	Total
Opening balance – 1/7/16	23,233	1,106	24,339
Purchases (GBV)	372	–	372
Disposals (WDV)	(101)	–	(101)
Depreciation and impairment	(187)	(96)	(283)
FV gains – other comprehensive income	3,754	–	3,754
Reinstatement Remeasurement	–	(234)	(234)
Closing balance – 30/6/17	27,071	776	27,847
Purchases (GBV)	697	–	697
Disposals (WDV)	(160)	–	(160)
Depreciation and impairment	(184)	(68)	(252)
FV gains – other comprehensive income	(259)	–	(259)
Reinstatement Remeasurement	–	93	93
Closing balance – 30/6/18	27,165	801	27,966

KYOGLE COUNCIL

Notes to the Financial Statements for the year ended 30 June 2018

Note 19. Fair value measurement (continued)

\$ '000

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

b. The valuation process for level 3 fair value measurements

Fair Value Hierarchy

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

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

Fair Value Techniques

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

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

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

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

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

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

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

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

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

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

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

KYOGLE COUNCIL

Notes to the Financial Statements for the year ended 30 June 2018

Note 19. 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

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Related party transactions

\$ '000

a. Key management personnel

Key management personnel (KMP) of the Council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly.

The aggregate amount of KMP compensation included in the Income Statement is:

Compensation:	2018	2017
Short-term benefits	848	585
Post-employment benefits	62	39
Other long-term benefits	4	21
Termination benefits	3	16
Total	917	661

KYOGLE COUNCIL

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Related party transactions (continued)

b. Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council as part of Council delivering a public service objective (e.g. access to library or Council swimming pool by KMP) will not be disclosed.

Nature of the transaction		Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
	Ref	Actual \$	Actual \$		Actual \$	Actual \$
2018						
Employee expenses relating to close family members of KMP	1	75,789		Council staff award Local Government (State) Award 2018		

1 One (1) close family member of Council's KMP is employed by the Council under the relevant pay award on an arms length basis.

KYOGLE COUNCIL

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Related party transactions (continued)

b. Other transactions with KMP and their related parties (continued)

Nature of the transaction		Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
	Ref	Actual \$	Actual \$		Actual \$	Actual \$
2017						
Employee expenses relating to close family members of KMP	1	75,161	-	Council staff award Local Government (State) Award 2017	-	-

1 One (1) close family member of Council's KMP is employed by the Council under the relevant pay award on an arms length basis.

KYOGLE COUNCIL

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Statement of developer contributions

\$ '000

Under the *Environmental Planning and Assessment Act 1979*, Council has significant obligations to provide Section 7.11 (contributions towards provision or improvement of amenities or services) infrastructure in new release areas.

It is possible that the funds contributed may be less than the cost of this infrastructure, requiring Council to borrow or use general revenue to fund the difference.

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	–	–	–	–	–	–	–	–
Roads	168	37	–	2	(122)	–	85	–
Open space	60	5	–	–	(45)	–	20	–
S7.11 contributions – under a plan	228	42	–	2	(167)	–	105	–
S7.12 levies – under a plan	–	–	–	–	–	–	–	–
Total S7.11 and S7.12 revenue under plans	228	42	–	2	(167)	–	105	–
S7.11 not under plans	–	–	–	–	–	–	–	–
S7.4 planning agreements	–	–	–	–	–	–	–	–
S64 contributions	48	7	–	1	(5)	–	51	–
Total contributions	276	49	–	3	(172)	–	156	–

KYOGLE COUNCIL

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 1

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	–						–	
Roads	168	37		2	(122)		85	
Open space	60	5		–	(45)		20	
Total	228	42	–	2	(167)	–	105	–

KYOGLE COUNCIL

Notes to the Financial Statements for the year ended 30 June 2018

Note 22. Financial result and financial position by fund

Income Statement by fund \$ '000	2018	2018	2018
Continuing operations	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	762	1,106	7,503
User charges and fees	724	258	6,029
Interest and investment revenue	3	5	376
Other revenues	–	–	175
Grants and contributions provided for operating purposes	78	26	6,742
Grants and contributions provided for capital purposes	3	2	8,224
Other income			
Net gains from disposal of assets	–	–	–
Share of interests in joint ventures and associates using the equity method	–	–	–
Total income from continuing operations	1,570	1,397	29,049
Expenses from continuing operations			
Employee benefits and on-costs	322	289	7,278
Borrowing costs	74	64	47
Materials and contracts	715	642	3,547
Depreciation and amortisation	244	184	6,340
Other expenses	146	58	1,755
Net losses from the disposal of assets	248	161	1,779
Revaluation decrement / impairment of IPPE	–	–	686
Total expenses from continuing operations	1,749	1,398	21,432
Operating result from continuing operations	(179)	(1)	7,617
Discontinued operations			
Net profit/(loss) from discontinued operations	–	–	–
Net operating result for the year	(179)	(1)	7,617
Net operating result attributable to each council fund	(179)	(1)	7,617
Net operating result attributable to non-controlling interests	–	–	–
Net operating result for the year before grants and contributions provided for capital purposes	(182)	(3)	(607)

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

NB. All amounts disclosed above are gross – that is, they include internal charges and recoveries made between the funds.

KYOGLE COUNCIL

Notes to the Financial Statements

as at 30 June 2018

Note 22. Financial result and financial position by fund (continued)

Statement of Financial Position by fund			
\$ '000	2018	2018	2018
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	539	495	12,200
Receivables	320	219	6,569
Inventories	–	–	1,273
Total current assets	859	714	20,042
Non-current assets			
Infrastructure, property, plant and equipment	27,177	27,165	348,348
TOTAL ASSETS	28,036	27,879	368,390
LIABILITIES			
Current liabilities			
Payables	102	5	2,532
Borrowings	203	21	28
Provisions	89	89	2,139
Total current liabilities	394	115	4,699
Non-current liabilities			
Payables	–	–	200
Borrowings	1,477	833	195
Provisions	–	–	1,616
Total non-current liabilities	1,477	833	2,011
TOTAL LIABILITIES	1,871	948	6,710
Net assets	26,165	26,931	361,680
EQUITY			
Accumulated surplus	14,780	8,888	134,982
Revaluation reserves	11,385	18,043	226,698
Council equity interest	26,165	26,931	361,680
Non-controlling interests	–	–	–
Total equity	26,165	26,931	361,680

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

NB. All amounts disclosed above are gross – that is, they include internal receivables and payables between the funds.

KYOGLE COUNCIL

Notes to the Financial Statements for the year ended 30 June 2018

Note 23(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>2,082</u>	8.75%	17.19%	4.46%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>23,787</u>				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>16,941</u>	52.91%	49.56%	52.15%	> 60.00%
Total continuing operating revenue ⁽¹⁾	<u>32,016</u>				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	<u>19,397</u>	5.63x	6.32x	8.93x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>3,445</u>				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>9,035</u>	21.21x	27.88x	19.34x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>426</u>				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	<u>699</u>	6.89%	7.21%	7.51%	< 10% regional & rural
Rates, annual and extra charges collectible	<u>10,147</u>				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	<u>13,234</u>	11.12 mths	17.2 mths	16.2 mths	> 3 mths
Payments from cash flow of operating and financing activities	<u>1,190</u>				

Notes

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

(2) Refer Notes 6-8 inclusive.

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

(3) Refer to Notes 13 and 14.

(4) Refer to Note 13(b) and 14(b) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

KYOGLE COUNCIL

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23(b). Statement of performance measures – by fund

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund							
1. Operating performance ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	10.89%	19.81%	-11.61%	-5.13%	-0.22%	-6.31%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
2. Own source operating revenue ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	48.48%	48.86%	94.84%	37.51%	98.00%	97.97%	> 60.00%
Total continuing operating revenue ⁽¹⁾							
3. Unrestricted current ratio							
Current assets less all external restrictions ⁽²⁾	5.63x	6.32x	2.18x	4.63x	5.77x	9.50x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)							

Notes

(1) - (4) Refer to Notes at Note 23a above.

(5) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

KYOGLE COUNCIL

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23(b). Statement of performance measures – by fund (continued)

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund (continued)							
4. Debt service cover ratio							
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	116.95x	162.77x	0.51x	0.96x	2.95x	2.01x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	4.99%	4.53%	15.09%	19.45%	13.33%	14.55%	< 10% regional & rural
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	12.45	18.60	4.46	11.49	5.55	8.84	> 3 months
Payments from cash flow of operating and financing activities	months	months	months	months	months	months	

Notes

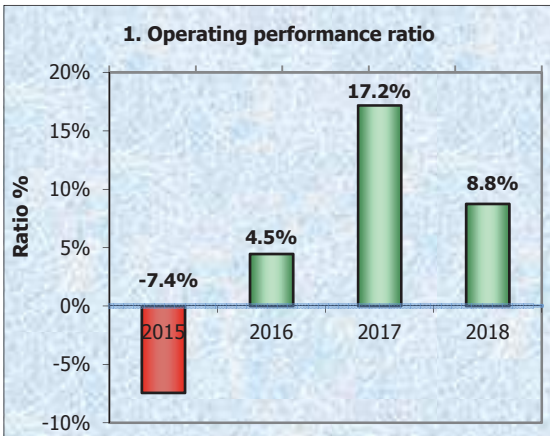
(1) Refer to Notes at Note 23a above.

(5) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

KYOGLE COUNCIL

Notes to the Financial Statements for the year ended 30 June 2018

Note 23(c). Statement of performance measures – consolidated results (graphs)



Purpose of operating performance ratio

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

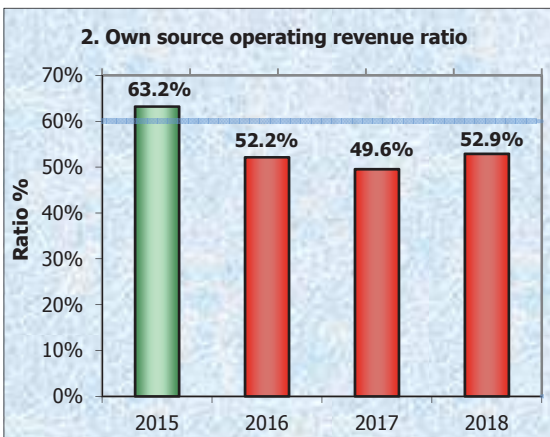
Commentary on 2017/18 result

2017/18 ratio 8.75%

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

Benchmark: Minimum $\geq 0.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
Ratio is outside benchmark



Purpose of own source operating revenue ratio

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

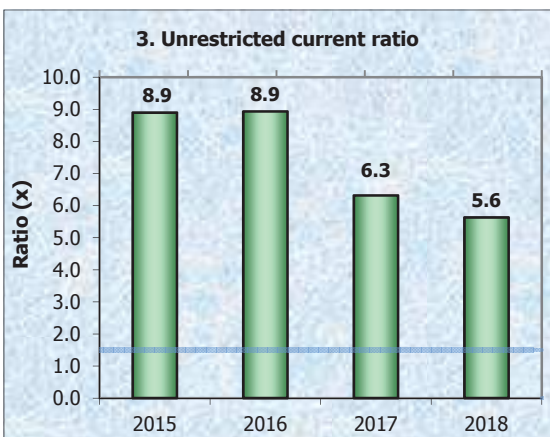
Commentary on 2017/18 result

2017/18 ratio 52.91%

This ratio can fluctuate dramatically each year depending on the level of grant funding. Flood damage grants of \$4.7 million and advance payment of financial assistance grants of \$2.1 million have impacted this ratio.

Benchmark: Minimum $\geq 60.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
Ratio is outside benchmark



Purpose of unrestricted current ratio

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

Commentary on 2017/18 result

2017/18 ratio 5.63x

Council has adequate unrestricted cash & internal reserves to satisfy its current obligations & has adequate levels of internally restricted funds to meet identified needs.

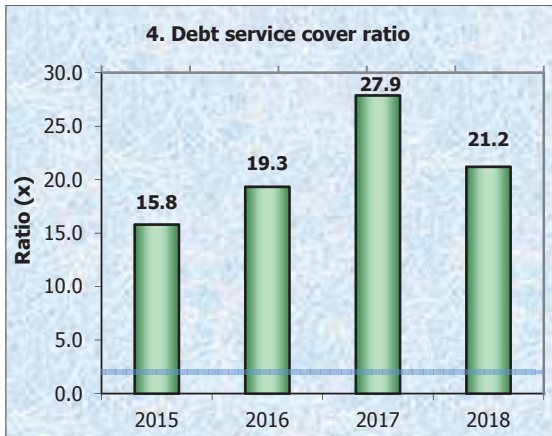
Benchmark: Minimum ≥ 1.50
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
Ratio is outside benchmark

KYOGLE COUNCIL

Notes to the Financial Statements for the year ended 30 June 2018

Note 23(c). Statement of performance measures – consolidated results (graphs)



Purpose of debt service cover ratio

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

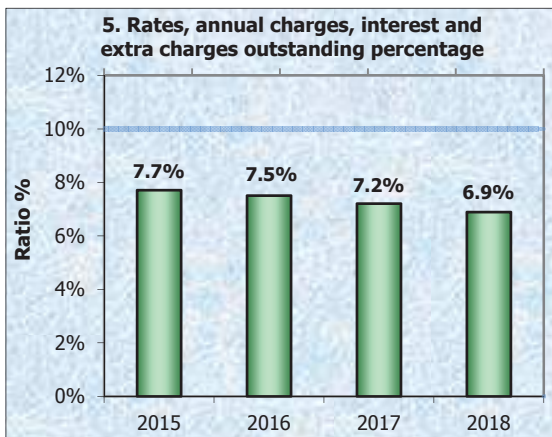
Commentary on 2017/18 result

2017/18 ratio 21.21x

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 #26

Ratio achieves benchmark
Ratio is outside benchmark



Purpose of rates and annual charges outstanding ratio

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

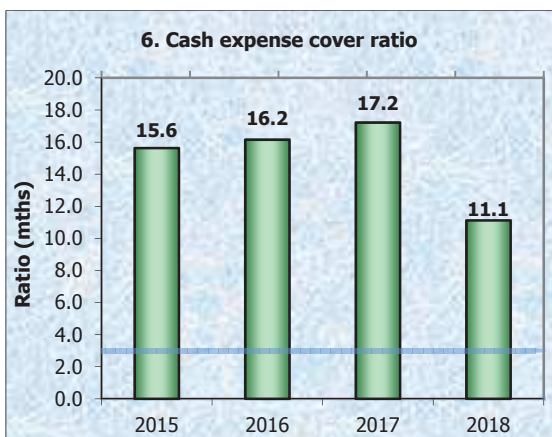
Commentary on 2017/18 result

2017/18 ratio 6.89%

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

Benchmark: Maximum $<10.00\%$
Source for Benchmark: Code of Accounting Practice and Financial Reporting #26

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 2017/18 result

2017/18 ratio 11.12 mths

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

Benchmark: Minimum ≥ 3.00
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
Ratio is outside benchmark



INDEPENDENT AUDITOR'S REPORT
Report on the general purpose financial report
Kyogle Council

To the Councillors of the Kyogle Council

Opinion

I have audited the accompanying financial report of the Kyogle Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, the 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.

In my opinion,

- 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 (the Division)
- the financial report:
 - has been presented, in all material respects, in accordance with the requirements of this Division
 - is consistent with the Council's accounting records
 - presents fairly, in all material respects, the financial position of the Council as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial report have come to light during the audit.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Report' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Other Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the financial report and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial report does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the special purpose financial statements and Special Schedule 2 - Permissible income for general rates.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

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

In preparing the financial report, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting except where the Council will be dissolved or amalgamated by an Act of Parliament, or otherwise cease operations.

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:


- obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial report.

A description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 18 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule 2 - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.



Reiky Jiang
Director, Financial Audit Services

30 October 2018
SYDNEY

Cr Danielle Mulholland
Mayor
Kyogle Council
PO Box 11
KYOGLÉ NSW 2474

Contact: Reiky Jiang
Phone no: 02 9275 7100
Our ref: D1826779/ 1749

30 October 2018

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2018
Kyogle Council**

I have audited the general purpose financial statements of the Kyogle Council (the Council) for the year ended 30 June 2018 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's general purpose financial statements.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2018 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

I did not identify any significant audit issues or observations during my audit of the Council's financial statements.

INCOME STATEMENT

Operating result

	2018 \$m	2017 \$m	Variance %
Rates and annual charges revenue	9.4	8.9	↑ 5.6
Grants and contributions revenue	15.1	16.6	↓ 9.0
Operating result for the year	7.4	6.4	↑ 15.6
Net operating result before capital amounts	(0.8)	0.7	↓ 214

Council's operating result (\$7.4 million including the effect of depreciation and amortisation expense of \$6.8 million) was \$1.0 million higher than the 2016-17 result. This increase is largely attributable to the following:

- grants and contributions provided for operating purposes decreased by \$4.1 million. This was predominantly due to declines in the financial assistance grant (2 quarters of advance payment was received for the first time in 2016-17) and roads to recovery funding
- grants and contributions provided for capital purposes increased by \$2.5 million This was predominately due to additional natural disaster funding and funding for roads and bridges
- materials and contracts expenses decreased by \$0.7 million
- net losses from disposal of assets decreased by \$1.8 million.

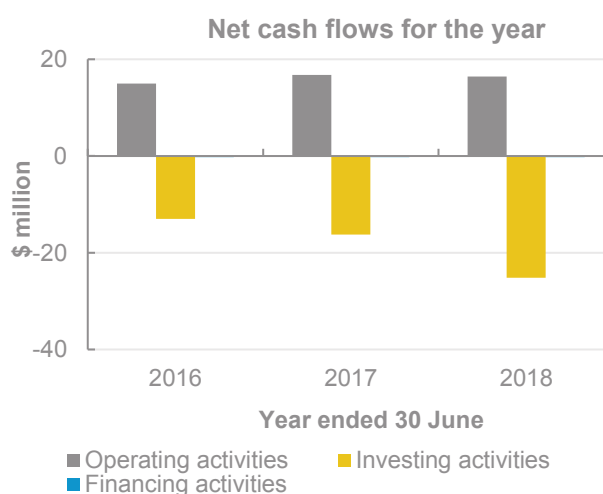
STATEMENT OF CASH FLOWS

The adjacent graph shows the movement in cash flows from operating, investing and financing activities.

Council's cash and cash equivalents decreased by \$9.0 million during the financial year.

This decrease is consistent with an \$8.9 million increase in cash used in investment activities. A larger capital works program was undertaken in 2017-18, particularly for renewal works performed on roads and bridges.

Cash provided from operating activities decreased by \$0.4 million.



FINANCIAL POSITION

Cash and Investments

Restrictions on Funds	\$m	\$m	
External restrictions	1.5	2.7	Externally restricted balances include unexpended specific grants, developer contributions and water supply, sewerage services and domestic waste management charges. The decrease in externally restricted cash and investments is predominantly due to a \$0.8 million decrease in water supply funds.
Internal restrictions	8.1	14.9	Balances are internally restricted due to Council policy or decisions for forward plans including works programs. Internally restricted cash and investments have decreased by \$6.8 million, with decreases of \$4.9 million for carry over works and \$1.5 million for transport being most significant.
Unrestricted	3.6	4.6	Unrestricted balances provide liquidity for day-to-day operations.
Cash and investments	13.2	22.2	

Debt

Council has total borrowings of \$2.8 million at 30 June 2018 (\$3.0 million at 30 June 2017). Council made loan repayments of \$0.2 million in 2017-18. Refer to the commentary below on Council's debt service cover ratio.

PERFORMANCE RATIOS

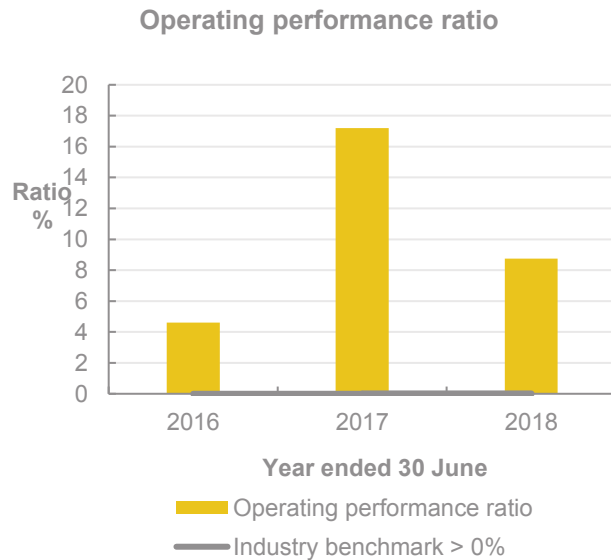
The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 23 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7 which has not been audited.

Operating performance ratio

Council's operating performance ratio has deteriorated over the prior year. However, Council still meets the industry benchmark and has done so for three consecutive periods. The reduction is largely due to grants and contributions provided for operating purposes decreased by \$4.1 million in 2016-17.

Water and sewer fund did not achieve a positive operating performance ratio. Council should continue to monitor the performance of these funds.

The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than zero per cent.

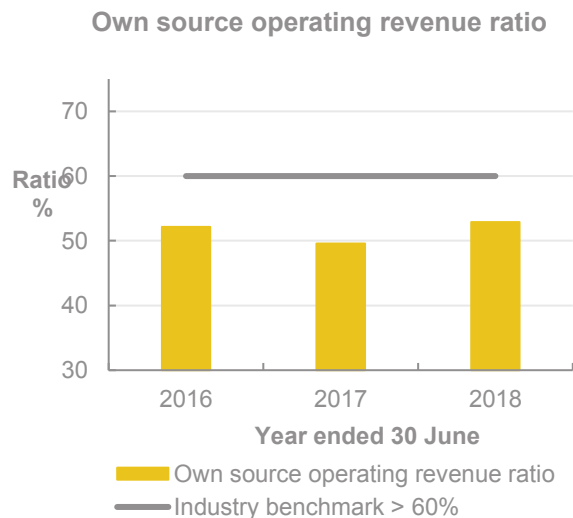


Own source operating revenue ratio

Council did not meet the industry benchmark for the own source operating revenue ratio.

This ratio has been negatively impacted in recent years due to higher levels of capital grants and contributions.

The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.

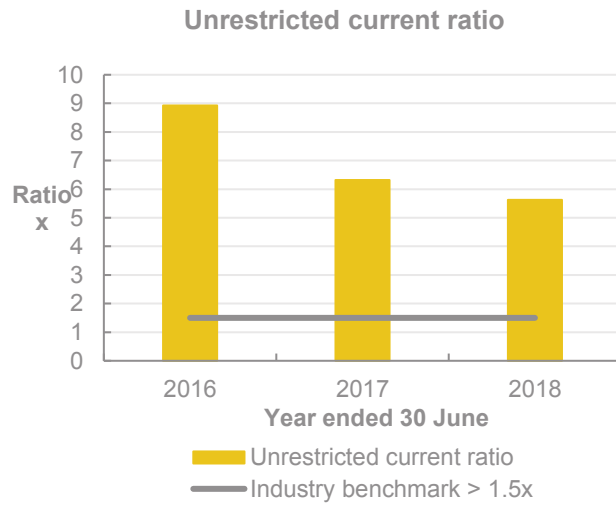


Unrestricted current ratio

Council's unrestricted current ratio continues to be well above the industry benchmark. Council has \$5.63 in liquid current assets for every \$1 of current liabilities as at 30 June 2018.

All funds had an unrestricted current ratio above the industry benchmark.

The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



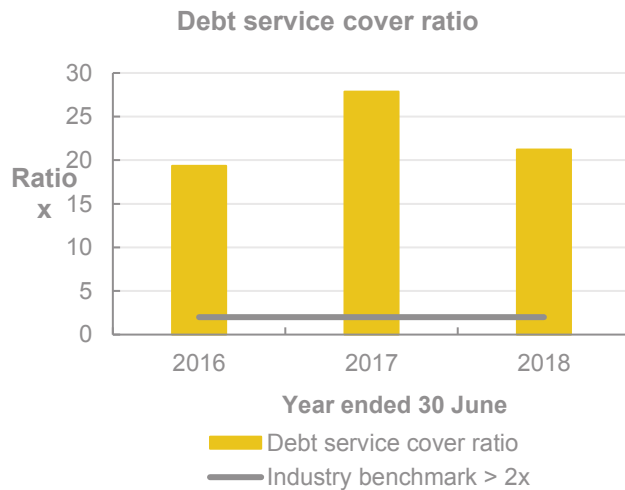
Debt service cover ratio

Council's debt service cover ratio continues to be well above the industry benchmark

For the water fund, the debt service cover ratio remains below the benchmark at 0.51.

Council should continue to monitor the water fund position to ensure cash flow over the short to medium term is sufficient to meet the debt repayment obligations

The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



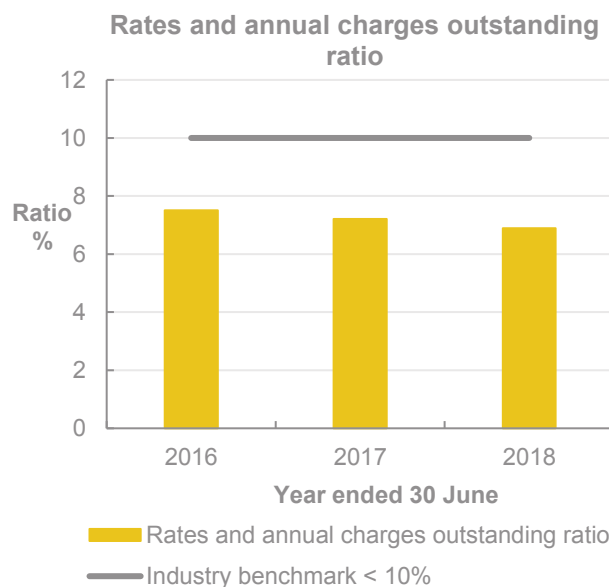
Rates and annual charges outstanding ratio

Council has continued to meet the industry benchmark for the rates and annual charges outstanding ratio as at 30 June 2018.

The water and sewer fund ratios are higher than the general fund ratio (and industry benchmark).

Council should monitor and pursue outstanding amounts through its debt recovery practices.

The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.

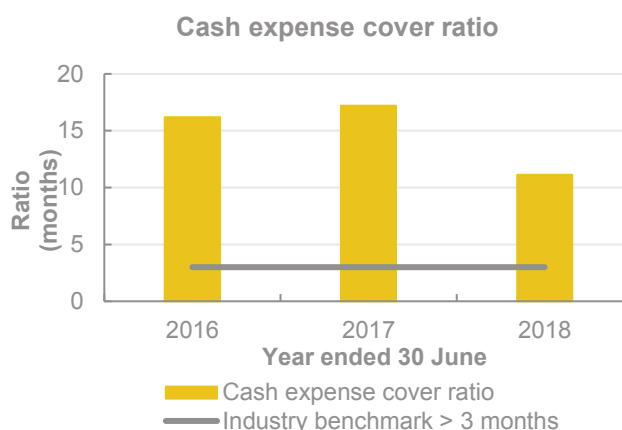


Cash expense cover ratio

Council continues to maintain its cash expense cover ratio well above the industry benchmark.

All funds' cash expenses cover ratio met the industry benchmark as at 30 June 2018.

This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.



Building and infrastructure renewals ratio (unaudited)

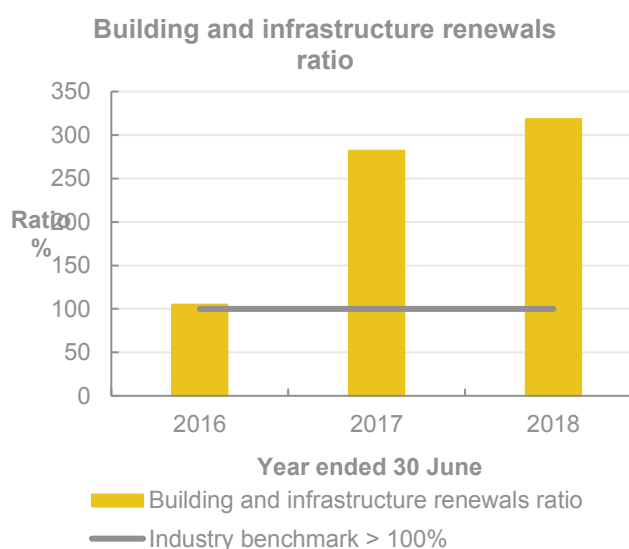
Council's building and infrastructure renewals ratio has improved significantly again in 2017-18.

There has been an increase in the level of Council expenditure on roads and bridge renewals.

All funds' building and infrastructure renewals ratio were above the industry benchmark in 2017-18.

The 'building and infrastructure renewals ratio' assesses the rate at which these assets are being renewed against the rate at which they are depreciating. The benchmark set by OLG is greater than 100 per cent.

This ratio is sourced from council's Special Schedule 7 which has not been audited.



OTHER MATTERS

New accounting standards implemented

AASB 2016-2 'Disclosure Initiative – Amendments to AASB 107'

Effective for annual reporting periods beginning on or after 1 January 2017

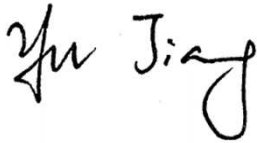
This Standard requires entities to provide disclosures that enable users of financial statements to evaluate changes (both cash flows and non-cash changes) in liabilities arising from financing activities.

Council's disclosure of the changes in their liabilities arising from financing activities is disclosed in Note 10.

Legislative compliance

My audit procedures did not identify any instances of non-compliance with legislative requirements or a material deficiency in the Council's accounting records or financial reports. The Council's:

- accounting records were maintained in a manner and form to allow the general purpose financial statements to be prepared and effectively audited
- staff provided all accounting records and information relevant to the audit.



Reiky Jiang
Director, Financial Audit Services

KYOGLE COUNCIL

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

Gateway to the Rainforests



KYOGLE COUNCIL

Special Purpose Financial Statements

for the year ended 30 June 2018

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Background

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

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

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

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).
 - (iv) In preparing these financial statements for Council’s self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council’s borrowing position by comparison with commercial rates).
-

KYOGLE COUNCIL

Special Purpose Financial Statements

for the year ended 30 June 2018

Statement by Councillors and Management

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

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

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

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


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

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

Signed in accordance with a resolution of Council made on 29 October 2018.



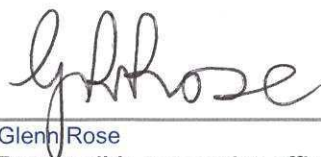
Danielle Mulholland
Mayor



John Burley
Councillor



Graham Kennett
General manager



Glenn Rose
Responsible accounting officer

KYOGLE COUNCIL

Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2018

\$ '000	2018	2017
Income from continuing operations		
Access charges	762	726
User charges	711	656
Fees	13	12
Interest	3	4
Grants and contributions provided for non-capital purposes	78	83
Profit from the sale of assets	–	–
Other income	–	–
Total income from continuing operations	1,567	1,481
Expenses from continuing operations		
Employee benefits and on-costs	322	296
Borrowing costs	74	82
Materials and contracts	715	709
Depreciation, amortisation and impairment	244	252
Water purchase charges	–	–
Loss on sale of assets	248	65
Calculated taxation equivalents	–	–
Debt guarantee fee (if applicable)	–	–
Other expenses	146	153
Total expenses from continuing operations	1,749	1,557
Surplus (deficit) from continuing operations before capital amounts	(182)	(76)
Grants and contributions provided for capital purposes	3	2,246
Surplus (deficit) from continuing operations after capital amounts	(179)	2,170
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	(179)	2,170
Less: corporate taxation equivalent (30%) [based on result before capital]	–	–
SURPLUS (DEFICIT) AFTER TAX	(179)	2,170
Plus opening retained profits	14,959	12,789
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	14,780	14,959
Return on capital %	-0.4%	0.0%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	(179)	2,170
Less: capital grants and contributions (excluding developer contributions)	(0)	(2,243)
Surplus for dividend calculation purposes	–	–
Potential dividend calculated from surplus	–	–

KYOGLE COUNCIL

Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2018

\$ '000	2018	2017
Income from continuing operations		
Access charges	1,106	1,060
User charges	203	182
Liquid trade waste charges	55	50
Fees	–	–
Interest	5	5
Grants and contributions provided for non-capital purposes	26	25
Profit from the sale of assets	–	–
Other income	–	9
Total income from continuing operations	1,395	1,331
Expenses from continuing operations		
Employee benefits and on-costs	289	305
Borrowing costs	64	66
Materials and contracts	642	692
Depreciation, amortisation and impairment	184	187
Loss on sale of assets	161	101
Calculated taxation equivalents	–	–
Debt guarantee fee (if applicable)	–	–
Other expenses	58	64
Total expenses from continuing operations	1,398	1,415
Surplus (deficit) from continuing operations before capital amounts	(3)	(84)
Grants and contributions provided for capital purposes	2	2
Surplus (deficit) from continuing operations after capital amounts	(1)	(82)
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	(1)	(82)
Less: corporate taxation equivalent (30%) [based on result before capital]	–	–
SURPLUS (DEFICIT) AFTER TAX	(1)	(82)
Plus opening retained profits	8,889	8,971
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	8,888	8,889
Return on capital %	0.2%	-0.1%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	(1)	(82)
Less: capital grants and contributions (excluding developer contributions)	0	0
Surplus for dividend calculation purposes	–	–
Potential dividend calculated from surplus	–	–

KYOGLE COUNCIL

Income Statement of Council's Other Business Activities

for the year ended 30 June 2018

	Domestic Waste		Quarries	
	Category 2		Category 2	
\$ '000	2018	2017	2018	2017
Income from continuing operations				
Access charges	898	871	–	–
User charges	–	–	613	933
Fees	–	–	–	–
Interest	5	5	–	–
Grants and contributions provided for non-capital purposes	29	30	–	–
Profit from the sale of assets	–	–	–	–
Other income	–	–	–	–
Total income from continuing operations	932	906	613	933
Expenses from continuing operations				
Employee benefits and on-costs	–	–	101	89
Borrowing costs	–	–	11	10
Materials and contracts	855	1,154	378	584
Depreciation, amortisation and impairment	–	–	52	96
Loss on sale of assets	–	–	–	124
Calculated taxation equivalents	–	–	–	–
Debt guarantee fee (if applicable)	–	–	–	–
Other expenses	–	–	–	–
Total expenses from continuing operations	855	1,154	542	903
Surplus (deficit) from continuing operations before capital amounts	77	(248)	71	30
Grants and contributions provided for capital purposes	–	–	–	–
Surplus (deficit) from continuing operations after capital amounts	77	(248)	71	30
Surplus (deficit) from discontinued operations	–	–	–	–
Surplus (deficit) from all operations before tax	77	(248)	71	30
Less: corporate taxation equivalent (30%) [based on result before capital]	(23)	–	(21)	(9)
SURPLUS (DEFICIT) AFTER TAX	54	(248)	50	21
Plus opening retained profits	(156)	92	259	279
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	23	–	21	9
Add:				
– Subsidy paid/contribution to operations	–	–	–	–
Less:				
– TER dividend paid	–	–	–	–
– Dividend paid	–	–	–	(50)
Closing retained profits	(79)	(156)	330	259
Return on capital %	n/a	n/a	17.5%	6.6%
Subsidy from Council	–	248	–	–

KYOGLE COUNCIL

Income Statement of Council's Other Business Activities

for the year ended 30 June 2018

Transport

Category 1

\$ '000	2018	2017
Income from continuing operations		
Access charges	–	–
User charges	3,902	3,700
Fees	–	–
Interest	–	–
Grants and contributions provided for non-capital purposes	–	–
Profit from the sale of assets	–	–
Other income	–	–
Total income from continuing operations	3,902	3,700
Expenses from continuing operations		
Employee benefits and on-costs	515	627
Borrowing costs	–	–
Materials and contracts	3,159	2,917
Depreciation, amortisation and impairment	–	–
Loss on sale of assets	–	–
Calculated taxation equivalents	–	–
Debt guarantee fee (if applicable)	–	–
Other expenses	–	–
Total expenses from continuing operations	3,674	3,544
Surplus (deficit) from continuing operations before capital amounts	228	156
Grants and contributions provided for capital purposes	–	–
Surplus (deficit) from continuing operations after capital amounts	228	156
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	228	156
Less: corporate taxation equivalent (30%) [based on result before capital]	(68)	(47)
SURPLUS (DEFICIT) AFTER TAX	160	109
Plus opening retained profits	2,287	2,441
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	68	47
Add:		
– Subsidy paid/contribution to operations	–	–
Less:		
– TER dividend paid	–	–
– Dividend paid	(700)	(310)
Closing retained profits	1,815	2,287
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 2018

\$ '000	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	539	1,367
Receivables	320	860
Total current assets	859	2,227
Non-current assets		
Infrastructure, property, plant and equipment	27,177	25,484
Total non-current assets	27,177	25,484
TOTAL ASSETS	28,036	27,711
LIABILITIES		
Current liabilities		
Payables	102	201
Borrowings	203	195
Provisions	89	85
Total current liabilities	394	481
Non-current liabilities		
Payables	–	–
Borrowings	1,477	1,680
Provisions	–	–
Total non-current liabilities	1,477	1,680
TOTAL LIABILITIES	1,871	2,161
NET ASSETS	26,165	25,550
EQUITY		
Accumulated surplus	14,780	14,959
Revaluation reserves	11,385	10,591
Council equity interest	26,165	25,550
Non-controlling equity interest	–	–
TOTAL EQUITY	26,165	25,550

KYOGLE COUNCIL

Statement of Financial Position – Council's Sewerage Business Activity

as at 30 June 2018

\$ '000	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	495	843
Receivables	219	240
Total current Assets	714	1,083
Non-current assets		
Infrastructure, property, plant and equipment	27,165	27,071
Total non-current assets	27,165	27,071
TOTAL ASSETS	27,879	28,154
LIABILITIES		
Current liabilities		
Payables	5	5
Borrowings	21	19
Provisions	89	85
Total current liabilities	115	109
Non-current liabilities		
Payables	–	–
Borrowings	833	854
Provisions	–	–
Total non-current liabilities	833	854
TOTAL LIABILITIES	948	963
NET ASSETS	26,931	27,191
EQUITY		
Accumulated surplus	8,888	8,889
Revaluation reserves	18,043	18,302
Council equity interest	26,931	27,191
Non-controlling equity interest	–	–
TOTAL EQUITY	26,931	27,191

KYOGLE COUNCIL

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2018

\$ '000	Domestic Waste		Quarries	
	Category 2		Category 2	
	2018	2017	2018	2017
ASSETS				
Current assets				
Cash and cash equivalents	–	–	662	592
Receivables	146	147	–	–
Inventories	–	–	231	167
Total Current Assets	146	147	893	759
Non-current assets				
Infrastructure, property, plant and equipment	–	–	468	602
Total non-current assets	–	–	468	602
TOTAL ASSETS	146	147	1,361	1,361
LIABILITIES				
Current liabilities				
Bank overdraft	225	303	–	–
Payables	–	–	–	–
Borrowings	–	–	–	–
Provisions	–	–	–	–
Total current liabilities	225	303	–	–
Non-current liabilities				
Provisions	–	–	579	579
Total non-current liabilities	–	–	579	579
TOTAL LIABILITIES	225	303	579	579
NET ASSETS	(79)	(156)	782	782
EQUITY				
Accumulated surplus	(79)	(156)	330	259
Revaluation reserves	–	–	452	523
Council equity interest	(79)	(156)	782	782
Non-controlling equity interest	–	–	–	–
TOTAL EQUITY	(79)	(156)	782	782

KYOGLE COUNCIL

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2018

Transport

Category 1

\$ '000	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	114	1,596
Receivables	1,701	691
Total Current Assets	1,815	2,287
Non-current assets		
Total non-current assets	-	-
TOTAL ASSETS	1,815	2,287
LIABILITIES		
Current liabilities		
Payables	-	-
Borrowings	-	-
Provisions	-	-
Total current liabilities	-	-
Non-current liabilities		
Payables	-	-
Borrowings	-	-
Provisions	-	-
Total non-current liabilities	-	-
TOTAL LIABILITIES	-	-
NET ASSETS	1,815	2,287
EQUITY		
Accumulated surplus	1,815	2,287
Revaluation reserves	-	-
Council equity interest	1,815	2,287
Non-controlling equity interest	-	-
TOTAL EQUITY	1,815	2,287

KYOGLE COUNCIL

Special Purpose Financial Statements

for the year ended 30 June 2018

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	12 - 15
2	Water Supply Business Best-Practice Management disclosure requirements	16 - 17
3	Sewerage Business Best-Practice Management disclosure requirements	18 - 20

Kyogle Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2018

Note 1. Significant accounting policies

A statement summarising the supplemental accounting policies adopted in the preparation of the Special Purpose Financial Statements (SPFS) for National Competition Policy (NCP) reporting purposes follows.

These financial statements are SPFS prepared for use by Council and the Office of Local Government. For the purposes of these statements, the Council is a non-reporting not-for-profit entity.

The figures presented in these Special Purpose Financial Statements 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) and Australian Accounting Interpretations.

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 1993 (NSW), the Local Government (General) Regulation, and the Local Government Code of Accounting Practice and Financial Reporting.

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

The Statement of Financial Position includes notional assets/liabilities receivable from/payable to Council's general fund. These balances reflect a notional intra-entity funding arrangement with the declared business activities.

National Competition Policy

Council has adopted the principle of 'competitive neutrality' in 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 NSW government policy statement titled 'Application of National Competition Policy to Local Government'.

The Pricing and 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 and costing guidelines outline the process for identifying and allocating costs to activities and provide a standard for 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 and 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

Kyogle Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

Note 1. Significant accounting policies (continued)

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 thousand dollars, except for Note 2 (Water Supply Best-Practice Management Disclosures) and Note 3 (Sewerage Best-Practice Management Disclosures).

As required by Crown Lands and Water (CLAW), the amounts shown in Note 2 and Note 3 are disclosed in whole dollars.

(i) Taxation-equivalent charges

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

However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in Special Purpose 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 \$629,000 of combined land values attracts **0%**. For the combined land values in excess of \$629,001 up to \$3,846,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$3,846,000 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 Crown Lands and Water (CLAW), 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.

Kyogle Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2018

Note 1. Significant accounting policies (continued)

The payment of taxation equivalent charges, referred to in the NSW Office of Water Guidelines to as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

Achievement of substantial compliance to the NSW Office of Water Guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

Income tax

An income tax equivalent has been applied on the profits of the business activities.

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

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

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

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

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

Local government rates and charges

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

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

Subsidies occur when 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 Council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of each reported business activity.

Kyogle Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

Note 1. Significant accounting policies (continued)

(iii) Return on investments (rate of return)

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

The rate of return is calculated as follows:

$$\frac{\text{Operating result before capital income + interest expense}}{\text{Written down value of I,PP\&E as at 30 June}}$$

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.79% at 30/6/18.

(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.

Each dividend must be calculated and approved in accordance with the DPIW guidelines and must not exceed:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2018 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the DPIW guidelines a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the DPIW.

END OF AUDITED SPECIAL PURPOSE FINANCIAL STATEMENTS

KYOGLE COUNCIL

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

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

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

2018

1. Calculation and payment of tax-equivalents

[all local government local water utilities must pay this dividend for tax equivalents]

(i)	Calculated tax equivalents	–
(ii)	Number of assessments multiplied by \$3/assessment	5,949
(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)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	59,490
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	(177,065)

2018 Surplus	(179,017)	2017 Surplus	(73,057)	2016 Surplus	75,009
		2017 Dividend	–	2016 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	n/a
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	–
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? ^a	YES

3. Required outcomes for 6 criteria

[to be eligible for the payment of a 'dividend from surplus', all the criteria below need a 'YES']

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Full cost recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	– Complying charges [item 2 (b) in table 1]	YES
	– DSP with commercial developer charges [item 2 (e) in table 1]	YES
	– If dual water supplies, complying charges [item 2 (g) in table 1]	NO
(iii)	Sound water conservation and demand management implemented	YES
(iv)	Sound drought management implemented	YES
(v)	Complete performance reporting form (by 15 September each year)	YES
(vi)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	YES

KYOGLE COUNCIL

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

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

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

2018

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	1,569
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)]	%	44.59%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	27,177
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	1,182
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	1,392
NWI F17	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	0.53%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

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

KYOGLE COUNCIL

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

Note 3. Sewerage business best-practice management disclosure requirements

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

2018

1. Calculation and payment of tax-equivalents

[all local government local water utilities must pay this dividend for tax equivalents]

(i)	Calculated tax equivalents	-
(ii)	Number of assessments multiplied by \$3/assessment	5,442
(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)	Number of assessments x (\$30 less tax equivalent charges per assessment)	54,420
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	(51,076)

2018 Surplus	(797)	2017 Surplus	(81,827)	2016 Surplus	31,548
		2017 Dividend	-	2016 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	n/a
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	-
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? ^a	YES

3. Required outcomes for 4 criteria

[to be eligible for the payment of a 'dividend from surplus', all the criteria below need a 'YES']

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Pricing with full cost-recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	Complying charges (a) Residential [item 2 (c) in table 1]	YES
	(b) Non-residential [item 2 (c) in table 1]	YES
	(c) Trade waste [item 2 (d) in table 1]	YES
	DSP with commercial developer charges [item 2 (e) in table 1]	YES
	Liquid trade waste approvals and policy [item 2 (f) in table 1]	YES
(iii)	Complete performance reporting form (by 15 September each year)	YES
(iv)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	YES

KYOGLE COUNCIL

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

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

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

2018

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	1,396
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	27,165
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	988
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	697
NWI F18	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	0.82%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

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

NWI F3	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	2,556
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	2.07%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	2,089
NWI F19	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	0.68%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
NWI F21	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

KYOGLE COUNCIL

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

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

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

2018

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

NWI F22	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	2.83%
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest Earnings before interest and tax (EBIT): Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c) Net interest: Interest expense (w4a + s4a) – interest income (w9 + s10)		3
NWI F24	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	(180)
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	53

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



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial report

Kyogle Council

To the Councillors of the Kyogle Council

Opinion

I have audited the accompanying special purpose financial report (the financial report) of Kyogle Council's (the Council) Declared Business Activities, which comprise the Income Statement of each Declared Business Activity for the year ended 30 June 2018, the Statement of Financial Position of each Declared Business Activity as at 30 June 2018, notes comprising a summary of Significant accounting policies and other explanatory information for the Business Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council are:

- Water supply
- Sewerage
- Domestic waste
- Quarries
- Transport.

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2018, and its financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Report' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as the auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to Note 1 to the financial report which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the LG Code. As a result, the financial report may not be suitable for another purpose.

Other Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the financial report and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial report does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and Special Schedule 2 - Permissible income for general rates.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

The Councillors are responsible for the preparation and fair presentation of the financial report and for determining that the accounting policies, described in Note 1 to the financial report, are appropriate to meet the requirements in the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

- obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

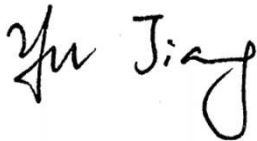
Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements.

Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial report.

A description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the best practice management disclosures in Notes 2 and 3 of the financial report
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.



Reiky Jiang

Director, Financial Audit Services

30 October 2018
SYDNEY

KYOGLE COUNCIL

SPECIAL SCHEDULES
for the year ended 30 June 2018

Gateway to the Rainforests



KYOGLE COUNCIL

Special Schedules for the year ended 30 June 2018

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¹ Special Schedules are not audited (with the exception of Special Schedule 2).

Background

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

KYOGLE COUNCIL

Special Schedule 1 – Net Cost of Services for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	156	–	–	(156)
Administration	2,320	187	–	(2,133)
Public order and safety				
Fire service levy, fire protection, emergency services	465	15	454	4
Beach control	–	–	–	–
Enforcement of local government regulations	–	–	–	–
Animal control	125	18	–	(107)
Other	–	–	–	–
Total public order and safety	590	33	454	(103)
Health	241	144	–	(97)
Environment				
Noxious plants and insect/vermin control	118	–	–	(118)
Other environmental protection	–	–	–	–
Solid waste management	1,715	1,846	32	163
Street cleaning	–	–	–	–
Drainage	–	–	–	–
Stormwater management	146	248	2	104
Total environment	1,979	2,094	34	149
Community services and education				
Administration and education	285	6	–	(279)
Social protection (welfare)	–	–	–	–
Aged persons and disabled	–	–	–	–
Children's services	–	–	–	–
Total community services and education	285	6	–	(279)
Housing and community amenities				
Public cemeteries	165	151	–	(14)
Public conveniences	–	–	–	–
Street lighting	135	34	–	(101)
Town planning	348	157	–	(191)
Other community amenities	–	–	–	–
Total housing and community amenities	648	342	–	(306)
Water supplies	1,160	1,567	3	410
Sewerage services	1,053	1,394	2	343

KYOGLE COUNCIL

Special Schedule 1 – Net Cost of Services (continued) for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	379	49	–	(330)
Museums	–	–	–	–
Art galleries	83	5	–	(78)
Community centres and halls	272	179	646	553
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	–	–	–	–
Sporting grounds and venues	–	–	–	–
Swimming pools	688	129	–	(559)
Parks and gardens (lakes)	680	–	149	(531)
Other sport and recreation	–	–	–	–
Total recreation and culture	2,102	362	795	(945)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	87	62	–	(25)
Other mining, manufacturing and construction	471	613	–	142
Total mining, manufacturing and const.	558	675	–	117
Transport and communication				
Urban roads (UR) – local	777	–	172	(605)
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	1,748	597	2,177	1,026
Sealed rural roads (SRR) – regional	1,760	1,024	670	(66)
Unsealed rural roads (URR) – local	2,567	–	–	(2,567)
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	–	–	–	–
Bridges on SRR – local	1,261	338	3,922	2,999
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	–	–	–	–
Footpaths	–	–	–	–
Aerodromes	–	–	–	–
Other transport and communication	5,162	4,160	–	(1,002)
Total transport and communication	13,275	6,119	6,941	(215)
Economic affairs				
Camping areas and caravan parks	–	–	–	–
Other economic affairs	212	4	–	(208)
Total economic affairs	212	4	–	(208)
Totals – functions	24,579	12,927	8,229	(3,423)
General purpose revenues ⁽¹⁾		10,860		10,860
Share of interests – joint ventures and associates using the equity method	–	–		–
NET OPERATING RESULT ⁽²⁾	24,579	23,787	8,229	7,437

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

KYOGLE COUNCIL

Special Schedule 2 – Permissible income for general rates

for the year ended 30 June 2019

\$'000		Calculation 2018/19	Calculation 2017/18
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	6,621	6,209
Plus or minus adjustments ⁽²⁾	b	34	65
Notional general income	c = (a + b)	6,655	6,274
Permissible income calculation			
Special variation percentage ⁽³⁾	d	5.44%	5.43%
Or rate peg percentage	e	0.00%	0.00%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	362	341
Or plus rate peg amount	i = c x e	–	–
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
Sub-total	k = (c + g + h + i + j)	7,017	6,615
Plus (or minus) last year's carry forward total	l	(2)	8
Less valuation objections claimed in the previous year	m	–	(4)
Sub-total	n = (l + m)	(2)	4
Total permissible income	o = k + n	7,015	6,619
Less notional general income yield	p	6,987	6,621
Catch-up or (excess) result	q = o – p	28	(2)
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	–	–
Less unused catch-up ⁽⁵⁾	s	–	–
Carry forward to next year	t = q + r – s	28	(2)

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 2 in the financial data return (FDR) to administer this process.

INDEPENDENT AUDITOR'S REPORT
Special Schedule 2 - Permissible Income for general rates
Kyogle Council

To the Councillors of Kyogle Council

Opinion

I have audited the accompanying Special Schedule 2 – Permissible Income for general rates (the Schedule) of Kyogle Council (the Council) for the year ending 30 June 2019.

In my opinion, the Schedule of the Council for the year ending 30 June 2019 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Schedule' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Emphasis of Matter – Basis of Accounting

Without modifying my opinion, I draw attention to the special purpose framework used to prepare the Schedule. The Schedule had been prepared for the purpose of fulfilling the Council's reporting obligations under the LG Code. As a result, the Schedule may not be suitable for another purpose.

Other Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and the Special Schedules excluding Special Schedule 2 (the other Schedules).

My opinion on the Schedule does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and the special purpose financial statements.

In connection with my audit of the Schedule, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Schedule or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

The Councillors are responsible for the preparation of the Schedule in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of the Schedule that is free from material misstatement, whether due to fraud or error.

In preparing the Schedule, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

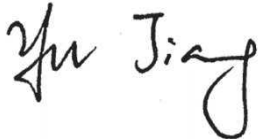
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the Schedule.

A description of my responsibilities for the audit of the Schedule is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar8.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Schedule on any website where it may be presented
- about any other information which may have been hyperlinked to/from the Schedule.

A handwritten signature in black ink, appearing to read 'Yu Jiang'.

Reiky Jiang
Director, Financial Audit Services

30 October 2018
SYDNEY

KYOGLE COUNCIL

Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	2017
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	236	244
b. Engineering and supervision	79	77
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
– Mains		
c. Operation expenses	–	–
d. Maintenance expenses	178	136
– Reservoirs		
e. Operation expenses	–	–
f. Maintenance expenses	20	29
– Pumping stations		
g. Operation expenses (excluding energy costs)	–	–
h. Energy costs	40	52
i. Maintenance expenses	132	146
– Treatment		
j. Operation expenses (excluding chemical costs)	444	409
k. Chemical costs	53	65
l. Maintenance expenses	–	–
– Other		
m. Operation expenses	–	–
n. Maintenance expenses	–	–
o. Purchase of water	–	–
3. Depreciation expenses		
a. System assets	244	252
b. Plant and equipment	–	–
4. Miscellaneous expenses		
a. Interest expenses	74	82
b. Revaluation decrements	–	–
c. Other expenses	–	–
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	1,500	1,492

KYOGLE COUNCIL

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	2017
Income		
6. Residential charges		
a. Access (including rates)	584	549
b. Usage charges	470	431
7. Non-residential charges		
a. Access (including rates)	178	177
b. Usage charges	253	232
8. Extra charges	3	4
9. Interest income	–	–
10. Other income	–	5
10a. Aboriginal Communities Water and Sewerage Program	–	–
11. Grants		
a. Grants for acquisition of assets	–	2,243
b. Grants for pensioner rebates	27	27
c. Other grants	51	56
12. Contributions		
a. Developer charges	3	3
b. Developer provided assets	–	–
c. Other contributions	–	–
13. Total income	<u>1,569</u>	<u>3,727</u>
14. Gain (or loss) on disposal of assets	(248)	(65)
15. Operating result	<u>(179)</u>	<u>2,170</u>
15a. Operating result (less grants for acquisition of assets)	(179)	(73)

KYOGLE COUNCIL

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	2017
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	50	571
c. Renewals	1,342	2,731
d. Plant and equipment	–	–
17. Repayment of debt	195	188
18. Totals	1,587	3,490
Non-operating funds employed		
19. Proceeds from disposal of assets	–	230
20. Borrowing utilised	–	–
21. Totals	–	230
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	1,647	1,602
b. Residential (unoccupied, ie. vacant lot)	76	80
c. Non-residential (occupied)	260	294
d. Non-residential (unoccupied, ie. vacant lot)	–	–
23. Number of ETs for which developer charges were received	1 ET	1 ET
24. Total amount of pensioner rebates (actual dollars)	\$ 48,750	\$ 48,202

KYOGLE COUNCIL

Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2018

\$'000	Current	Non-current	Total
ASSETS			
25. Cash and investments			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	56	–	56
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	483	–	483
26. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	142	–	142
c. User charges	178	–	178
d. Other	–	–	–
27. Inventories	–	–	–
28. Property, plant and equipment			
a. System assets	–	27,177	27,177
b. Plant and equipment	–	–	–
29. Other assets	–	–	–
30. Total assets	859	27,177	28,036
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	102	–	102
33. Borrowings	203	1,477	1,680
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	89	–	89
35. Total liabilities	394	1,477	1,871
36. NET ASSETS COMMITTED	465	25,700	26,165
EQUITY			
37. Accumulated surplus			14,780
38. Asset revaluation reserve			11,385
39. Other reserves			–
40. TOTAL EQUITY			26,165
Note to system assets:			
41. Current replacement cost of system assets			32,099
42. Accumulated current cost depreciation of system assets			(4,922)
43. Written down current cost of system assets			27,177

KYOGLE COUNCIL

Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	2017
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	224	224
b. Engineering and supervision	63	62
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	–	–
b. Maintenance expenses	102	110
– Pumping stations		
c. Operation expenses (excluding energy costs)	88	132
d. Energy costs	29	30
e. Maintenance expenses	–	–
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	459	468
g. Chemical costs	10	23
h. Energy costs	13	12
i. Effluent management	–	–
j. Biosolids management	–	–
k. Maintenance expenses	–	–
– Other		
l. Operation expenses	–	–
m. Maintenance expenses	–	–
3. Depreciation expenses		
a. System assets	184	187
b. Plant and equipment	–	–
4. Miscellaneous expenses		
a. Interest expenses	64	66
b. Revaluation decrements	–	–
c. Other expenses	–	–
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	1,236	1,314

KYOGLE COUNCIL

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	2017
Income		
6. Residential charges (including rates)	1,094	1,048
7. Non-residential charges		
a. Access (including rates)	–	–
b. Usage charges	196	182
8. Trade waste charges		
a. Annual fees	12	12
b. Usage charges	55	50
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
9. Extra charges	5	5
10. Interest income	–	–
11. Other income	6	9
11a. Aboriginal Communities Water and Sewerage Program	–	–
12. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	26	25
c. Other grants	–	–
13. Contributions		
a. Developer charges	2	2
b. Developer provided assets	–	–
c. Other contributions	–	–
14. Total income	<u>1,396</u>	<u>1,333</u>
15. Gain (or loss) on disposal of assets	(161)	(101)
16. Operating result	<u>(1)</u>	<u>(82)</u>
16a. Operating result (less grants for acquisition of assets)	(1)	(82)

KYOGLÉ COUNCIL

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	2017
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	–	44
c. Renewals	697	289
d. Plant and equipment	–	–
18. Repayment of debt	19	18
19. Totals	716	351
Non-operating funds employed		
20. Proceeds from disposal of assets	–	–
21. Borrowing utilised	–	–
22. Totals	–	–
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	1,540	1,539
b. Residential (unoccupied, ie. vacant lot)	89	88
c. Non-residential (occupied)	185	183
d. Non-residential (unoccupied, ie. vacant lot)	–	–
24. Number of ETs for which developer charges were received	1 ET	1 ET
25. Total amount of pensioner rebates (actual dollars)	\$ 46,673	\$ 46,300

KYOGLE COUNCIL

Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2018

\$'000	Current	Non-current	Total
ASSETS			
26. Cash and investments			
a. Developer charges	51	–	51
b. Special purpose grants	–	–	–
c. Accrued leave	56	–	56
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	388	–	388
27. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	156	–	156
c. User charges	63	–	63
d. Other	–	–	–
28. Inventories	–	–	–
29. Property, plant and equipment			
a. System assets	–	27,165	27,165
b. Plant and equipment	–	–	–
30. Other assets	–	–	–
31. Total assets	714	27,165	27,879
LIABILITIES			
32. Bank overdraft	–	–	–
33. Creditors	5	–	5
34. Borrowings	21	833	854
35. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	89	–	89
36. Total liabilities	115	833	948
37. NET ASSETS COMMITTED	599	26,332	26,931
EQUITY			
38. Accumulated surplus			8,888
39. Asset revaluation reserve			18,043
40. Other reserves			–
41. TOTAL EQUITY			26,931
Note to system assets:			
42. Current replacement cost of system assets			33,191
43. Accumulated current cost depreciation of system assets			(6,026)
44. Written down current cost of system assets			27,165

KYOGLE COUNCIL

Notes to Special Schedules 3 and 5

for the year ended 30 June 2018

Administration ⁽¹⁾

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

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

Engineering and supervision ⁽¹⁾

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

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

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

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

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

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

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

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

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

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

Trade waste charges (item 8 of Special Schedule 5) include all income from trade waste charges separated into 8a annual fees, 8b usage charges and 8c excess mass charges and 8d re-inspection fees.

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

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

Notes:

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

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

KYOGLE COUNCIL

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
							1	2	3	4	5
Buildings	Buildings	427	95	130	13,150	26,773	13%	65%	20%	2%	0%
	Sub-total	427	95	130	13,150	26,773	12.9%	64.7%	20.5%	1.9%	0.0%
Other structures	Other structures	44	117	108	3,323	6,094	33%	35%	31%	1%	0%
	Sub-total	44	117	108	3,323	6,094	32.5%	35.2%	31.5%	0.8%	0.0%
Roads	Sealed roads	2,793	1,685	1,613	134,380	177,242	42%	45%	11%	1%	1%
	Unsealed roads	3,158	1,774	1,539	37,250	61,102	18%	40%	38%	3%	1%
	Bridges	6,807	703	508	94,126	126,651	53%	21%	19%	6%	0%
	Footpaths	26	89	29	3,047	3,660	70%	18%	11%	1%	0%
	Bulk earthworks	–	–	–	15,412	15,412	100%				0%
	Sub-total	12,784	4,251	3,688	284,215	384,067	44.4%	34.3%	17.8%	2.8%	0.7%
Water supply	Water supply network	36	267	392	27,126	32,048	62%	14%	24%	0%	0%
	Sub-total	36	267	392	27,126	32,048	61.8%	14.2%	23.8%	0.2%	0.0%
Sewerage	Sewerage network	2,040	205	390	27,165	33,192	61%	14%	17%	4%	5%
	Sub-total	2,040	205	390	27,165	33,192	60.6%	13.9%	16.9%	4.0%	4.5%

KYOGLE COUNCIL

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
							1	2	3	4	5
Stormwater	Stormwater drainage	414	45	52	24,940	28,070	95%	0%	3%	1%	1%
	Sub-total	414	45	52	24,940	28,070	95.3%	0.0%	2.7%	0.7%	1.3%
Open space / recreational assets	Swimming pools	–	59	68	2,086	5,280	0%	20%	80%	0%	0%
	Sub-total	–	59	68	2,086	5,280	0.0%	19.8%	80.2%	0.0%	0.0%
	TOTAL – ALL ASSETS	15,745	5,039	4,828	382,005	515,524	47.1%	31.3%	18.2%	2.5%	0.9%

Notes:

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

Infrastructure asset condition assessment 'key'

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

KYOGLE COUNCIL

Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2018

	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
Infrastructure asset performance indicators * consolidated					
1. Buildings and infrastructure renewals ratio ⁽¹⁾					
Asset renewals ⁽²⁾	18,218	318.22%	281.82%	105.04%	>= 100%
Depreciation, amortisation and impairment	5,725				
2. Infrastructure backlog ratio ⁽¹⁾					
Estimated cost to bring assets to a satisfactory standard	15,745	4.29%	10.73%	12.17%	< 2.00%
Net carrying amount of infrastructure assets	366,593				
3. Asset maintenance ratio					
Actual asset maintenance	4,828	95.82%	100.47%	103.02%	> 100%
Required asset maintenance	5,039				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	15,745	3.05%	7.23%		
Gross replacement cost	515,524				

Notes

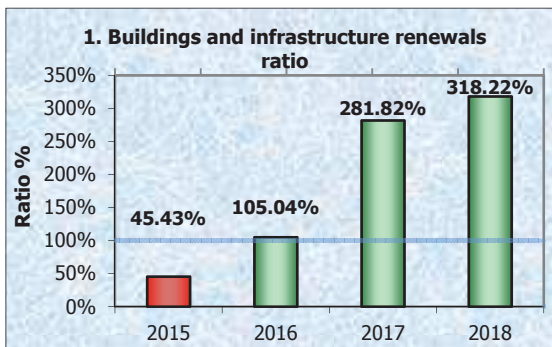
* All asset performance indicators are calculated using the asset classes identified in the previous table.

⁽¹⁾ Excludes Work In Progress (WIP)

⁽²⁾ Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

KYOGLE COUNCIL

Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2018



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.

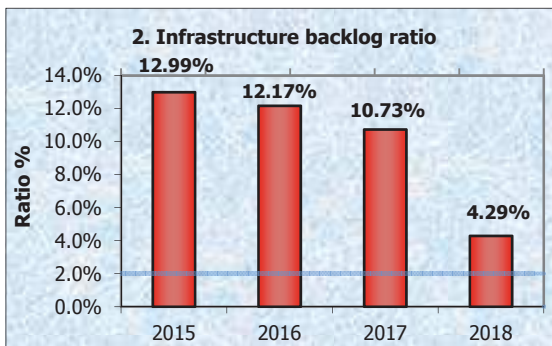
Commentary on 2017/18 result

2017/18 Ratio 318.22%

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

Benchmark: ——— Minimum $\geq 100.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of infrastructure backlog ratio

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

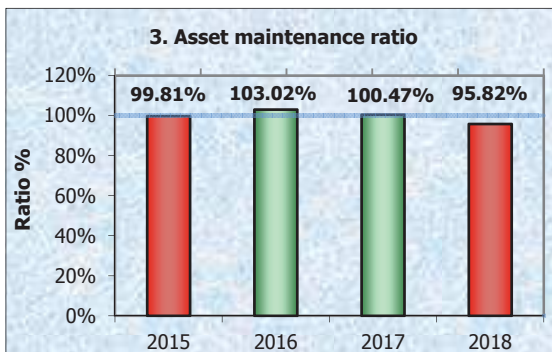
Commentary on 2017/18 result

2017/18 Ratio 4.29%

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

Benchmark: ——— Maximum $< 2.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of asset maintenance ratio

Compares actual vs. required annual asset maintenance. A ratio above 100% indicates Council is investing enough funds to stop the infrastructure backlog growing.

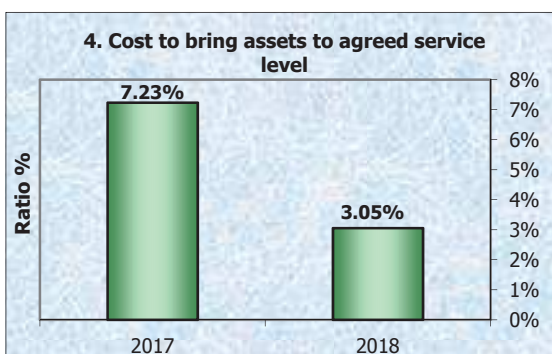
Commentary on 2017/18 result

2017/18 Ratio 95.82%

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 $> 100.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of agreed service level ratio

This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.

Commentary on 2017/18 result

2017/18 Ratio 3.05%

Council is continually focused 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.

KYOGLE COUNCIL

Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2018

	General indicators ⁽¹⁾		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Infrastructure asset performance indicators by fund							
1. Buildings and infrastructure renewals ratio ⁽²⁾							
<u>Asset renewals ⁽³⁾</u>	305.51%	247.19%	548.36%	1083.73%	378.80%	154.55%	>= 100%
Depreciation, amortisation and impairment							
2. Infrastructure backlog ratio ⁽²⁾							
<u>Estimated cost to bring assets to a satisfactory standard</u>	4.37%	11.97%	0.13%	0.57%	7.51%	6.13%	< 2.00%
Net carrying amount of infrastructure assets							
3. Asset maintenance ratio							
<u>Actual asset maintenance</u>	88.59%	93.99%	147.12%	152.90%	190.02%	176.50%	> 100%
Required asset maintenance							
4. Cost to bring assets to agreed service level							
<u>Estimated cost to bring assets to an agreed service level set by Council</u>	3.04%	7.86%	0.11%	0.45%	6.15%	5.11%	
Gross replacement cost							

Notes

- (1) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.
- (2) Excludes Work In Progress (WIP)
- (3) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.