



Draft
Annual Financial Reports
Year ending 30 June 2014



PART A

Auditor's Reports

Ballina Shire Council

Report to Council under s417 of
the Local Government Act 1993

30 June 2014



BRW.
CLIENT
CHOICE
AWARDS
2013
WINNER

BRW.
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AWARDS
2014
WINNER



Thomas
Noble &
Russell

Accountants | Auditors | Business Advisers

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

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

1. THE AUDITOR'S ROLE & RESPONSIBILITY

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

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

Our independent audit report is attached to each financial report.

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

Reporting on the Conduct of the Audit

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

2. INCOME STATEMENT

2.1 Consolidated Operating Result

Council's consolidated surplus from all activities for 2014 was \$110,000. This compares to a surplus in 2013 of \$27,211,000. This result is summarised as follows:-

	2014 \$'000	2013 \$'000	2012 \$'000
Revenues from continuing operations	68,930	72,729	63,473
Expenses from continuing operations	(59,916)	(58,704)	(52,399)
Result from continuing operations before depreciation	9,014	14,025	11,074
Less: depreciation expense	(20,305)	(20,428)	(21,701)
Operating Deficit After Depreciation & Before Capital Revenue and Other Significant Items	(11,291)	(6,403)	(10,627)
Significant items impacting the operating result			
Fair value gains and losses on investments	333	414	34
Fair value movement investment properties	-	(2,745)	-
Impairment of non-current assets	-	(935)	-
Reassessment of tip remediation costs	-	2,243	-
Gain / (Loss) on disposal of assets	(2,722)	(4,912)	464
Operating Result Before Capital Revenue	(13,680)	(12,338)	(10,129)
Capital grants and contributions	13,790	39,549	22,699
Surplus from all activities	110	27,211	12,570

Some of the material factors influencing the consolidated operating result after depreciation and before significant items and capital grants and contributions are as follows:

Account	Increase / (Decrease) \$'000	Effect on Operating Result \$'000	Reason for Increase / Decrease
Revenue			
Rates & Annual Charges	2,631	2,631	Rate pegging increase as well as annual price reviews for annual charges.
Waste User Charges	978	978	Annual review of user charge pricing as well as increased water usage.

Account	Increase / (Decrease) \$'000	Effect on Operating Result \$'000	Reason for Increase / Decrease
Operating Grants (RMS Contributions)	(6,400)	(6,400)	In 2013 Council received \$6.4m in funding from the RMS relating to future maintenance of bypassed sections of the Bruxner and Pacific Highways.
Operating grants (Financial Assistance Grant)	(1,613)	(1,613)	Included in the 2012/13 figures is the receipt of financial assistance grant monies relating to the first two quarters of 2014. No such receipts have been received in advance in 2014 relating to the 2015 financial year.
Expenses			
Borrowing costs	1,656	(1,656)	Interest on borrowings has increased in conjunction with approximately \$30m loans drawn down in the 2013 financial year.
Raw materials and consumables	(1,940)	1,940	The 2013 expense is inflated by the contribution toward the cost of the McLeay culvert which is an RMS asset.

2.2 Operating Result by Fund

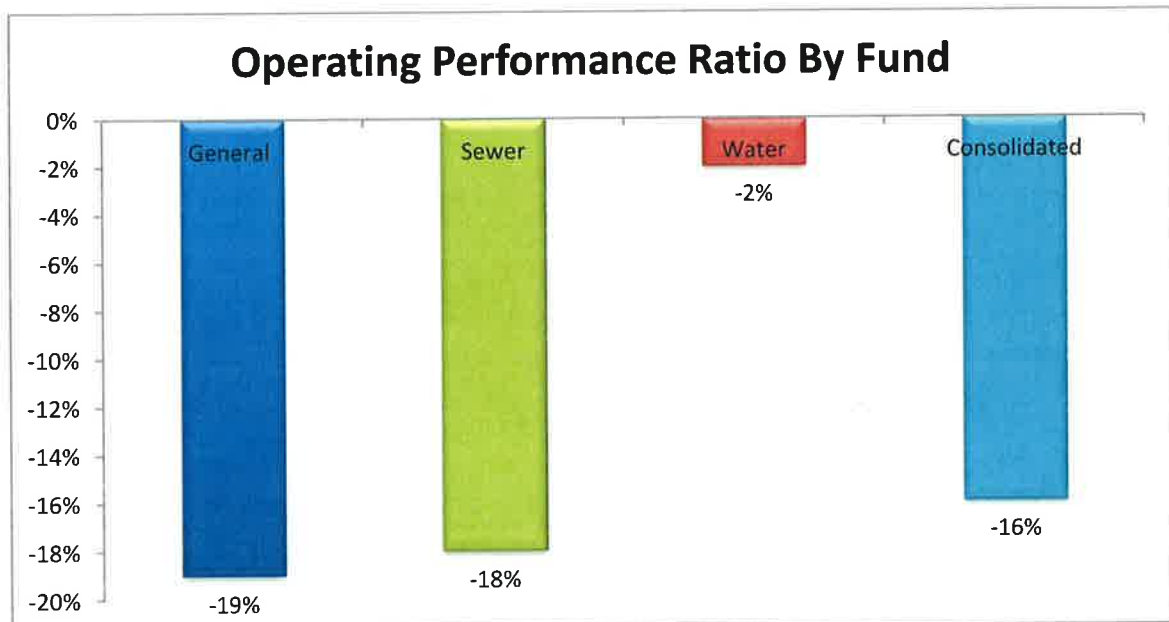
The consolidated operating result comprises the surpluses and deficits associated with Council's general, sewer and water funds. Note 21 to the financial statements provides the results of each fund on a gross basis.

2014	General \$'000	Water \$'000	Sewer \$'000
Revenues from continuing operations	43,436	11,058	14,436
Expenses from continuing operations	(36,431)	(9,109)	(14,376)
Result from continuing operations before depreciation	7,005	1,949	60
Less: depreciation expense	(15,803)	(1,859)	(2,643)
Operating Deficit After Depreciation & Before Capital Revenue and Other Significant Items	(8,798)	90	(2,583)
Significant items impacting the operating result			
Fair value gains and losses on investments	333	-	-
Gain / (Loss) on disposal of assets	(2,617)	(111)	6
Operating Result Before Capital Revenue	(11,082)	(21)	(2,577)
Capital grants and contributions	11,138	638	2,014
Surplus from all activities	56	617	(563)

Operating Performance

The Office of Local Government has introduced a ratio that measures a Council's achievement of containing operating expenditure within operating revenue (achieving a surplus after depreciation but before capital revenue). This ratio is focusing on operating performance and hence capital grants and contributions, fair value adjustments and reversal of revaluation decrements are excluded.

The benchmark is greater than 0%.



The table above indicates that Council's General Fund has an operating deficit after depreciation of \$8.798million. This means that it needs to generate an additional surplus of \$8.798million to fund the depreciation on its assets. This result is adversely impacted by the reduction in Financial Assistance Grant funding in the 2014 financial year to the effect of \$1,613million. Without this negative impact, General Fund's result after depreciation would have been \$7.185million.

The sewer fund operating result for 2014 is also not sufficient to enable renewal of assets. We understand that Council is continually reviewing the long term plan for sewer fund to achieve the desired future operating results and asset renewals programmes.

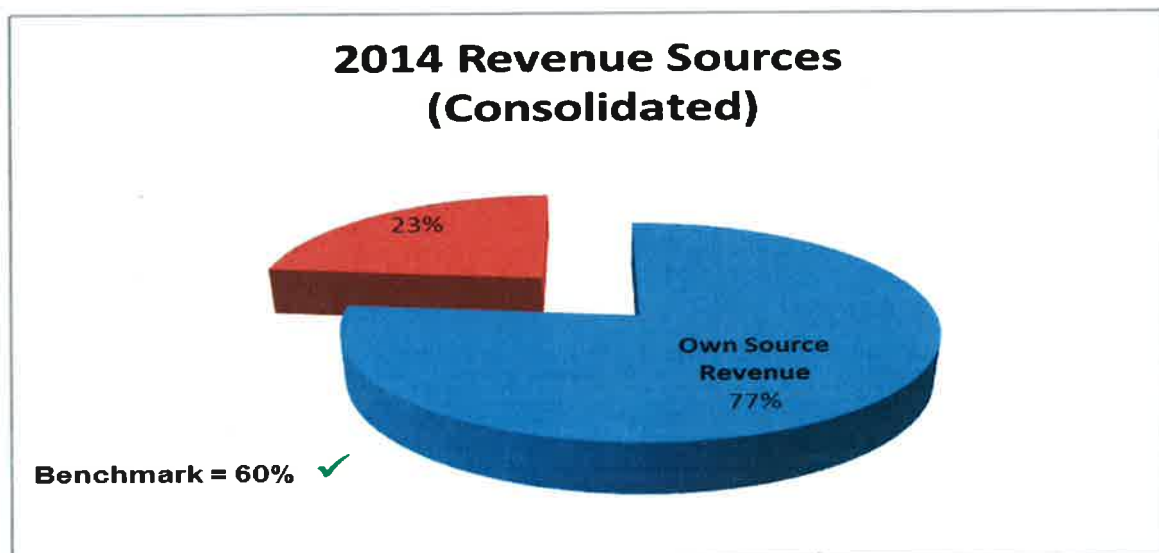
2.3 Capital Grants & Contributions

The table below provides an understanding of the nature and quantum of capital grants and contributions received during the financial year.

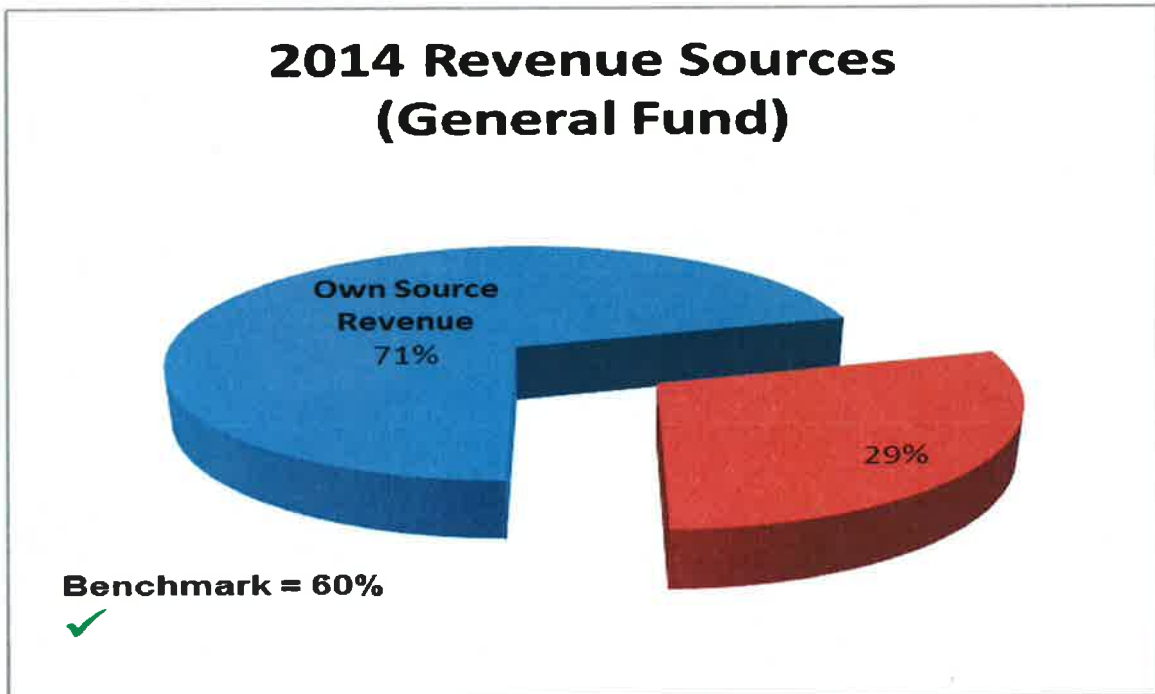
2014	Roads \$'000	Sewer \$'000	Water \$'000	Other \$'000	Total \$'000
Capital Grants	-	-	-	2,088	2,088
Capital Contributions					
Cash	4,123	1,352	430	3,143	9,048
In-Kind	1,784	662	208	-	2,654
	<u>5,907</u>	<u>2,014</u>	<u>638</u>	<u>5,231</u>	<u>13,790</u>

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

Local Government performance benchmarking now analyses the ability of Council to generate its own revenue sources rather than over-reliance on grants and contributions (capital and operating) received from external sources. The graph below illustrates that Council sources 77% of its consolidated revenue from rates, annual charges, user charges, interest etc. which exceeds industry benchmarks.



General Fund revenue sources also exceed industry benchmarks.



3. STATEMENT OF FINANCIAL POSITION

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

	2014 \$'000	2013 \$'000	2012 \$'000
Assets			
Current Assets	69,413	89,691	77,902
Non-Current Assets	1,158,497	1,128,291	1,059,317
Total Assets	1,227,910	1,217,982	1,137,219
Liabilities			
Current Liabilities	22,802	25,184	14,821
Non-Current Liabilities	88,470	91,664	70,599
Total Liabilities	111,272	116,848	85,420
Equity	1,116,638	1,101,134	1,051,799

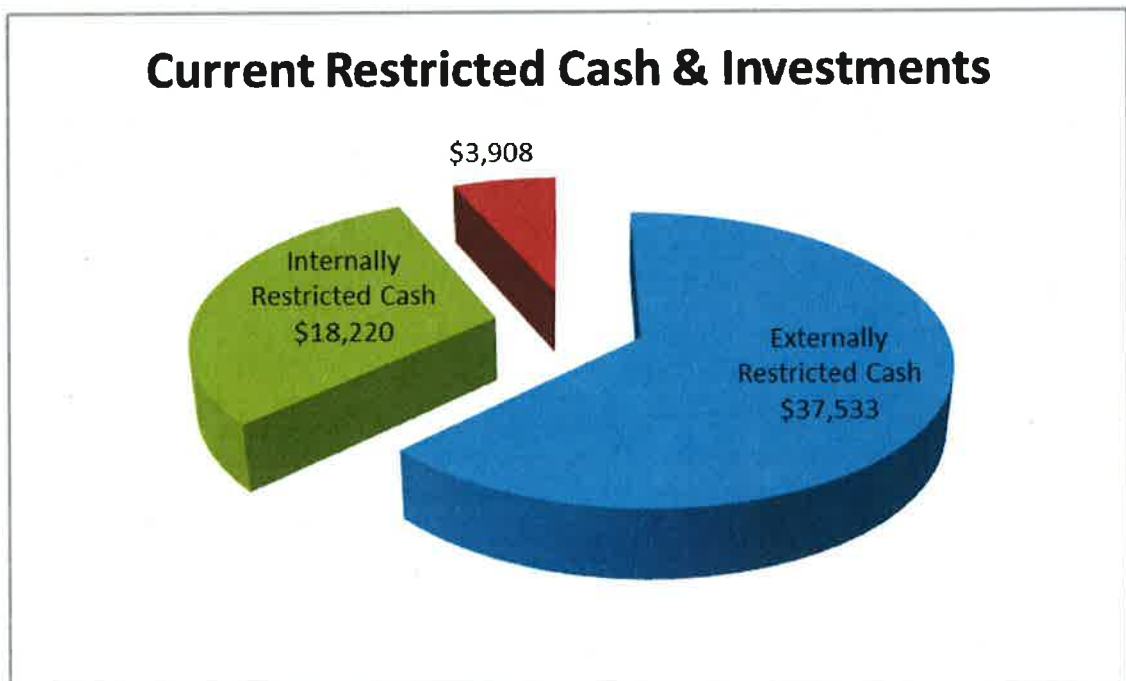
We provide commentary on some of the material assets and liabilities appearing on Council's statement of financial position as at 30 June 2014 together with related Office of Local Government benchmark data.

3.1 Current Assets

3.1.1 Cash & Investments

Included in Council's net current assets are cash and investments totalling \$59.6 million at 30 June 2014. Council's cash and investments are restricted in their use as follows:

	2014 \$'000	2013 \$'000	2012 \$'000
Externally Restricted	37,533	56,000	50,361
<i>Monies can only be spent in accordance with legislation, grant agreement or developer contribution plan specifications.</i>			
Internally Restricted	18,220	21,694	15,970
<i>Money set aside for special projects via Council resolution.</i>			
Unrestricted	3,908	1,566	1,097
<i>Funds forming part of working capital used for day-to-day operations.</i>			
Total Cash & Investments	59,661	79,260	67,428



Internally Restricted Cash

Internal reserves have remained relatively static over the past three years. The table below illustrates Council's efforts to fund important projects and create reserves to assist absorption of any unforeseen financial shocks.

	2014 \$'000	2013 \$'000	2012 \$'000
Capital Works			
Carry-over works	7,527	9,466	6,584
Quarries	1,698	1,751	1,551
Landfill and resource management	1,534	1,368	1,549
Investing Activities			
Land development	5,807	6,220	6,171
Rental properties refurbishment	1,571	1,624	360
Employee Leave Entitlements	1,969	2,008	1,715
Unexpended Federal Assistance Grant	-	1,789	1,757
Other	3,150	2,354	1,840
Total	23,256	26,580	21,527

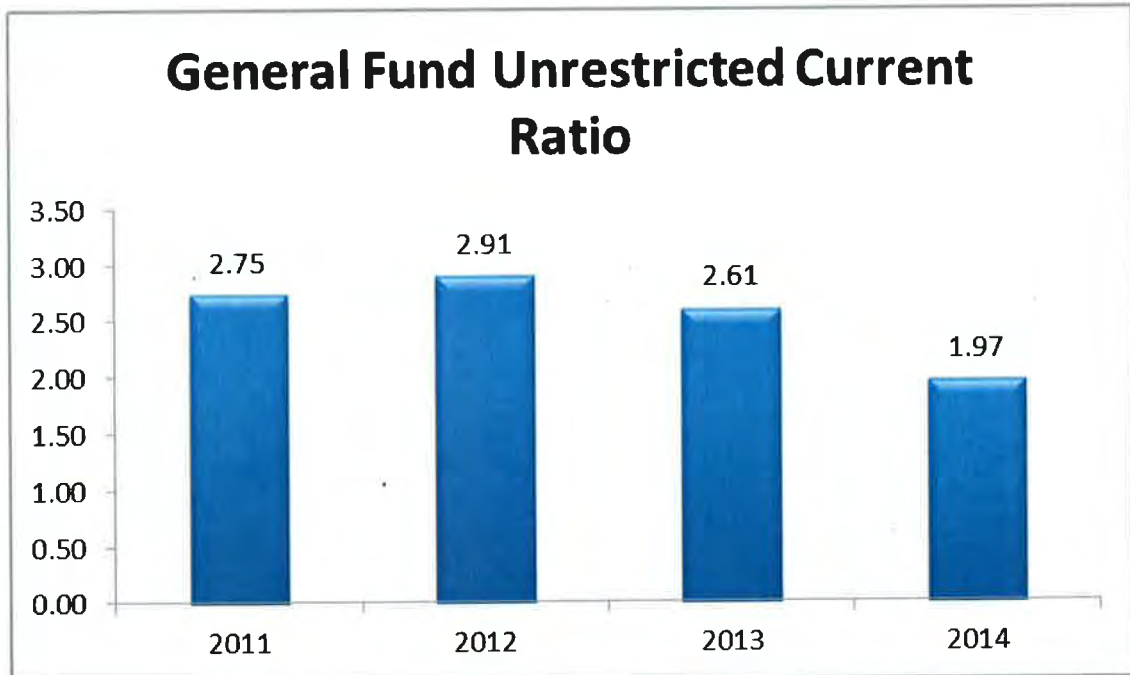
3.1.2 Liquidity

Council's unrestricted net current asset position provides a measure of the organisation's capacity / liquidity to meet its commitments from current assets net of externally restricted assets and liabilities that are not available for day-to-day operational activities.

	2014 \$'000	2013 \$'000	2012 \$'000
Unrestricted Net Current Assets	13,853	18,374	15,365

Unrestricted Current Ratio

The unrestricted net current asset position is measured by the unrestricted current ratio. The Office of Local Government and NSW Treasury consider that this ratio should be in the range of 1.5 – 2.0.



The unrestricted current ratio illustrates that, at balance date 2014, Council has \$1.97 in liquid current assets for every \$1 of current liabilities. When compared to industry benchmarks, this ratio is satisfactory.

3.2 Non-Current Assets

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

The largest asset or liability appearing on Council's statement of financial position is I,P,P&E.

Note 9 to the general purpose financial statements provides an understanding of Council's I,P,P&E and illustrates that Council is responsible for managing assets with a written down value in excess of \$1.1 billion.

2014	Cost to Replace \$'000	WDV \$'000	Dep'n Expense \$'000	WDV as a % of Cost %	Dep'n Expense as a % of Cost %
Plant & Equipment	22,630	9,242	2,031	41%	9%
Operational & Community Land	154,125	154,125	-	100%	
Land Under Roads	12,555	12,555	-	100%	
Land Improvements	21,005	11,935	868	57%	4%
Buildings	113,229	67,214	3,126	59%	3%
Infrastructure					
Roads, Bridges & Footpaths	600,700	409,571	8,106	68%	1%
Roads Bulk Earthworks	1,545	1,545	-	100%	
Stormwater Drainage	117,677	71,218	1,654	61%	1%
Water Supply Infrastructure	163,965	105,492	1,793	64%	1%
Sewer Supply Infrastructure	262,687	194,434	2,490	74%	1%
Work in Progress	87,625	87,625	-	100%	
	<u>1,557,743</u>	<u>1,124,956</u>	<u>20,068</u>		

Council Constructed / Purchased Additions

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

	2014 \$'000	2013 \$'000
Infrastructure Dedications		
Developer Infrastructure Dedications	2,654	24,309
Council Constructed / Purchased Assets		
Land and Buildings	2,091	2,186
Plant and Equipment	1,528	1,962
Roads and Drainage	11,046	16,887
Water & Sewerage Network	1,089	2,228
Work in Progress	20,882	31,765
	<u>39,290</u>	<u>79,337</u>

	2014 \$'000	2013 \$'000
Consisting of:		
Asset Renewals - Buildings & Infrastructure	15,523	20,243
Dedicated Assets	2,654	24,309
New Assets	21,113	34,785
	39,290	79,337

3.1.4 Asset Management Performance Indicators

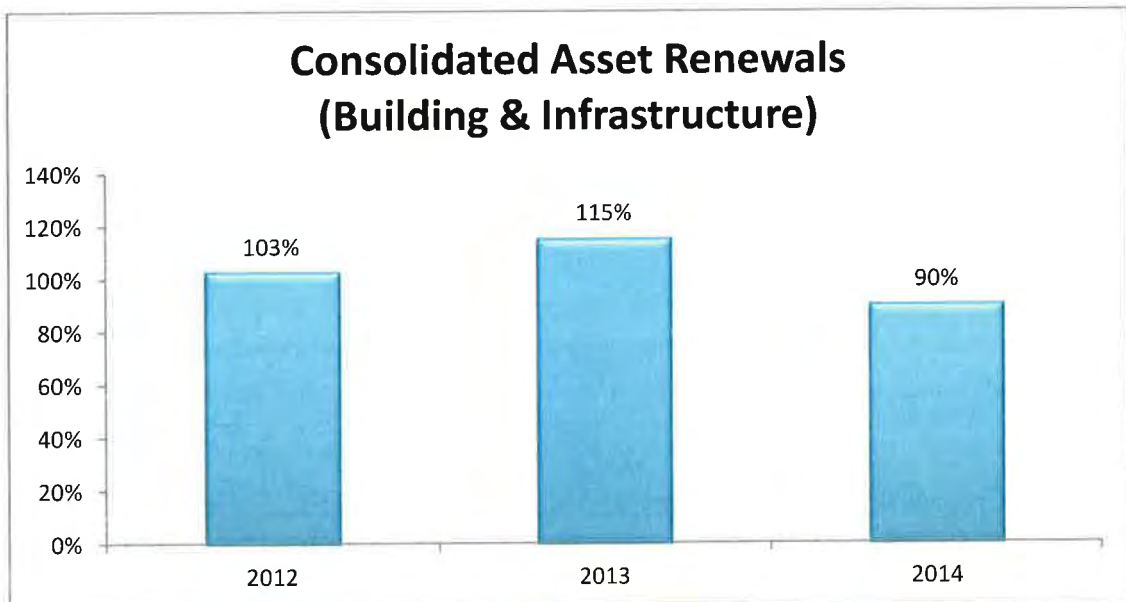
As Council is responsible for managing a large infrastructure and asset portfolio, the Office of Local Government has introduced some ratios designed to measure the effectiveness of asset management activities. These ratios are not subject to audit.

Buildings & Infrastructure Renewals Ratio

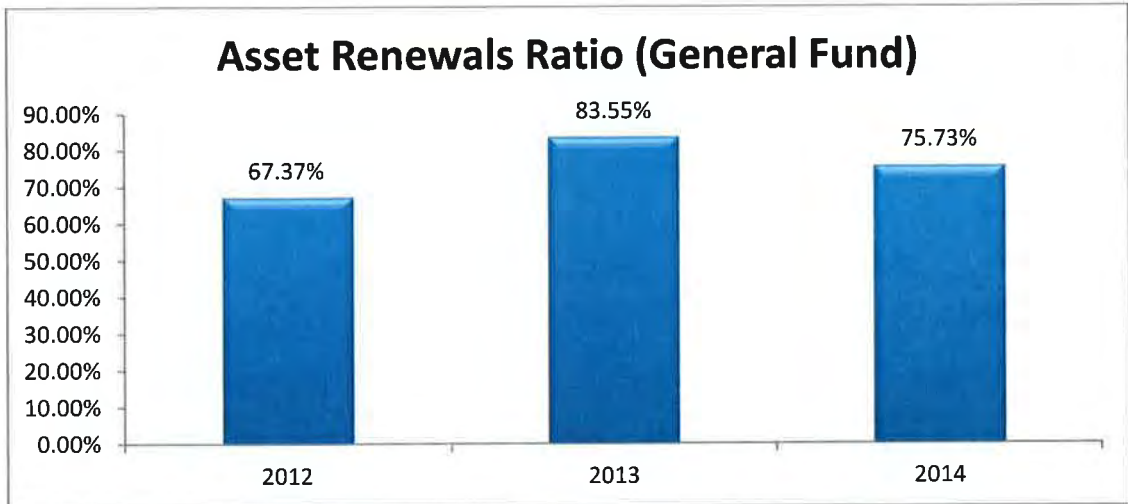
Assessing the rate at which buildings and infrastructure assets are being renewed against the rate at which they are depreciating (being consumed) is measured using the buildings and infrastructure renewals ratio.

This ratio is calculated based on replacement of existing assets with assets of equivalent capacity or performance as opposed to the acquisition of new assets or adding capacity to existing assets. Industry benchmarking recommends that asset renewals equate to the related depreciation expense or be in the range of 90-100%.

On a consolidated basis, Council is renewing assets at the rate they are depreciating and therefore satisfying the asset renewal industry benchmarks.



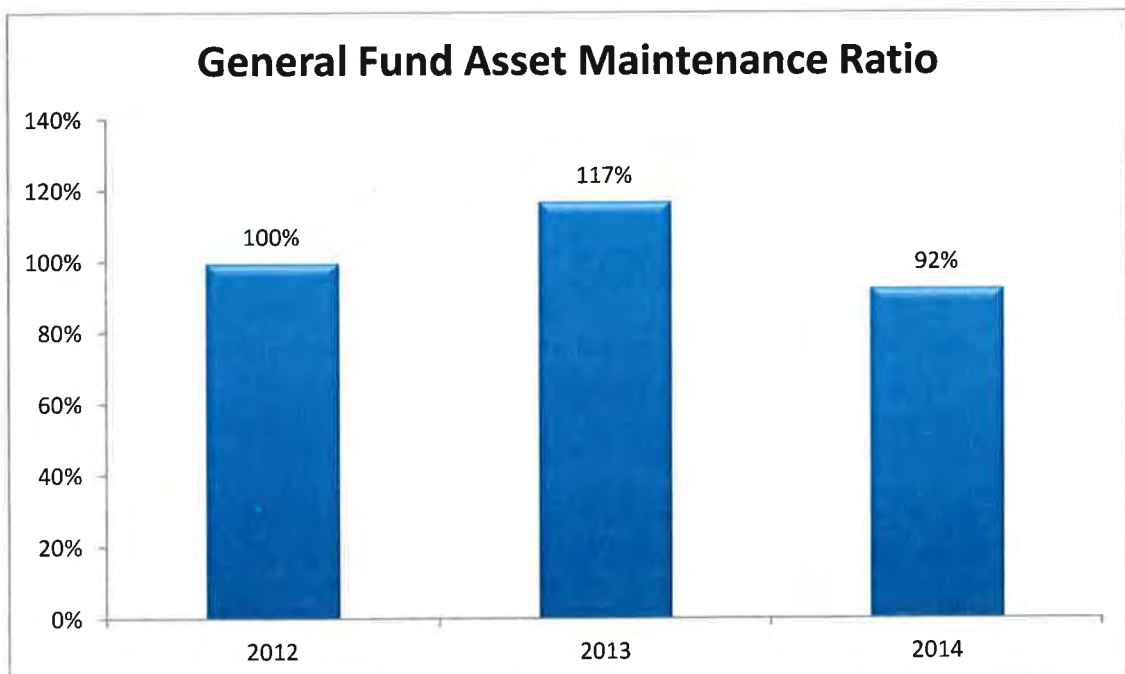
The graph below illustrates the General Fund building and infrastructure renewals ratio over the past three years. Whilst this ratio has been relatively consistent over this period it requires improvement to satisfy industry benchmarks.



Asset Maintenance Ratio

This ratio compares actual versus required annual asset maintenance. Actual versus estimated required maintenance to keep asset conditions at a satisfactory standard over the past three years is summarised as follows:

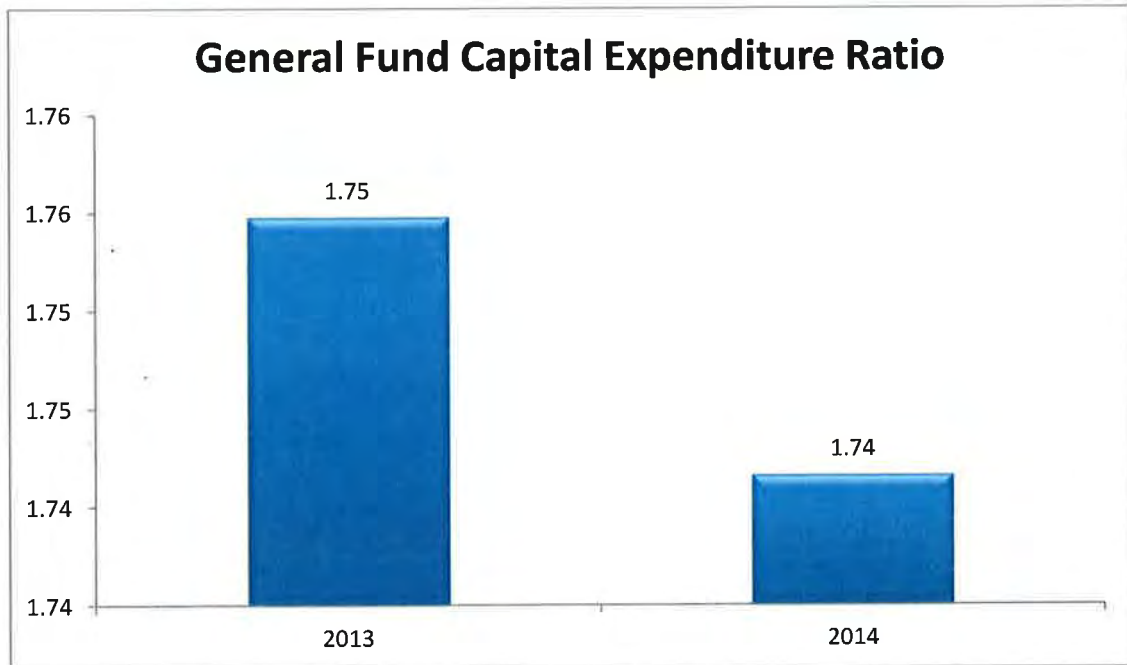
Asset Maintenance	2012 \$'000	2013 \$'000	2014 \$'000
Required annual maintenance	8,569	9,088	8,079
Actual annual maintenance	8,342	9,978	7,680



A ratio of above 1.0 indicates that the Council is investing enough funds within the year to stop its infrastructure maintenance backlog from growing. Over the past three years, Council has collectively satisfied the asset maintenance ratio which means that assets are not deteriorating at an unacceptable rate.

Capital Expenditure Ratio

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



The benchmark for this ratio is greater than 100%. Council is exceeding this ratio in General Fund.

Asset Management

Among other things, Council's function is to manage assets. Infrastructure, property, plant and equipment represent the largest asset group on the Council's Statement of Financial Position. The management of infrastructure, property, plant and equipment is an important part of Council's objectives. The Local Government Infrastructure audit report released by the NSW Office of Local Government in 2013 identified Ballina Shire Council as having weak infrastructure management practices.

Council is making progress on improving its asset management practices. During the 2014 financial year Council has upgraded its asset management information technology, commenced streamlining asset management accounting practices and applied greater resources toward asset condition assessment.

3.3 Liabilities

Council's Statement of Financial Position contains material liabilities such as trade & other payables, employee benefits and loans. There have not been any material movements or other matters warranting discussion on trade & other payables or employee benefits.

Council's loan liability represents 83% of total liabilities at 30 June 2014. We provide discussion on this balance below.

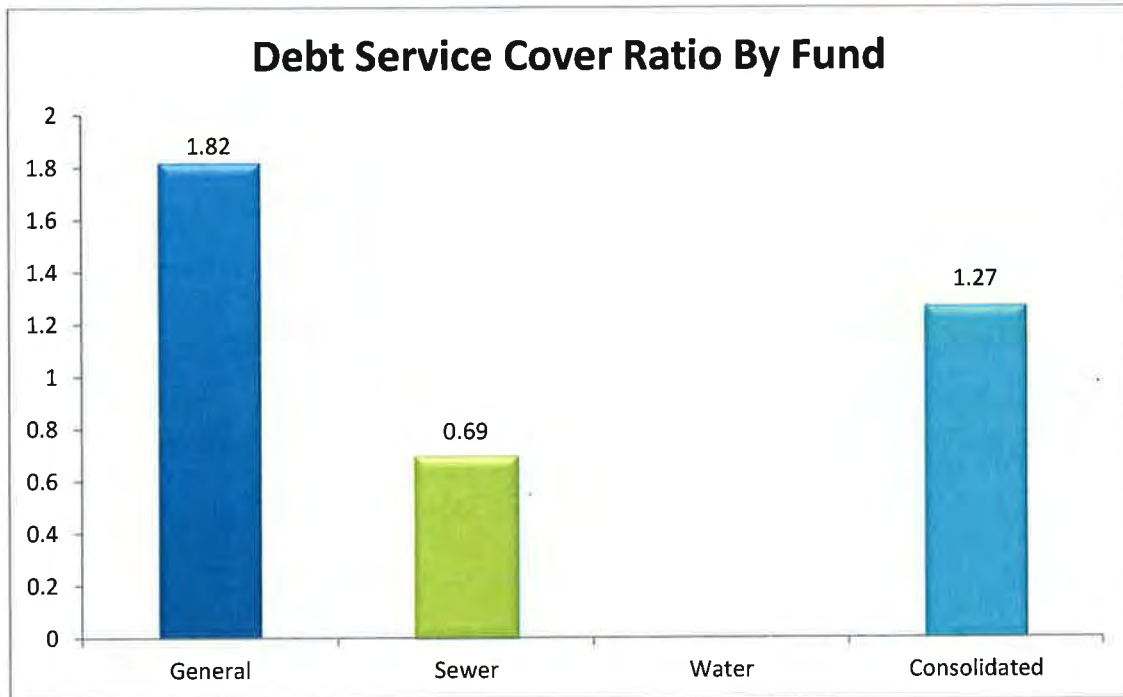
3.3.1 Loans Liability

	2014 \$'000	2013 \$'000	2012 \$'000
Current Loan Liability	8,051	7,950	3,095
Non-Current Loan Liability	83,902	87,186	64,580
Total Loan Liability	91,953	95,136	67,675
By Fund			
General Fund	25,739	27,621	16,498
Sewer Fund	66,214	67,515	51,173
Water Fund	-	-	4
Total Loan Liability	91,953	95,136	67,675

Total borrowings have remained relatively static when compared to 2013. The increase in the loans liability from 2012 to 2013 is due to borrowings associated with the construction of the Lennox Head and Ballina Sewerage treatment plants as well as the Airport runway and apron improvements. The Office of Local Government has developed the following benchmarks relating to borrowing:

Debt Service Cover Ratio

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



This graph indicates that Council needs to generate more cash to support its current debt repayment obligations in general and sewer funds. We suggest that Council review its operations to determine the actions required to satisfy benchmark.

4. OTHER MATTERS

4.1 Internal Control Environment

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

4.2 Audit of Asset Management Information

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

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



Thomas
Noble &
Russell
Accountants | Auditors | Business Advisers

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

Yours faithfully

**THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS**

.....
K R FRANEY (Partner)

23 October 2014



**BALLINA SHIRE COUNCIL
GENERAL PURPOSE FINANCIAL STATEMENTS
INDEPENDENT AUDITOR'S REPORT**

Report on the Financial Statements

We have audited the accompanying financial statements of Ballina Shire Council (the Council), which comprises the statement of financial position as at 30 June 2014, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the statement by Councillors' and Management.

Council's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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



Independence

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

Auditor's Opinion

In our opinion:

- a) the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2;
- b) the financial statements:
 - i. have been presented in accordance with the requirements of this Division;
 - ii. are consistent with the Council's accounting records;
 - iii. present fairly, in all material respects, the Council's financial position as at 30 June 2014, and of its performance and its cash flows for the year then ended; and
 - iv. are in accordance with applicable Accounting Standards;
- c) all information relevant to the conduct of the audit has been obtained; and
- d) there are no material deficiencies in the accounting records or financial report that have come to light during the course of the audit.

Matters Relating to the Electronic Presentation of the Audited Financial Statements

This auditor's report relates to the general purpose financial statements of Ballina Shire Council for the year ended 30 June 2014 included on Council's website. The Council is responsible for the integrity of the website. We have not been engaged to report on the integrity of this website. The auditor's report refers only to the financial statements identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial statements. If users of the financial statements are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements to confirm the information contained in this website version of the financial statements.

THOMAS NOBLE & RUSSELL CHARTERED ACCOUNTANTS

.....
K R FRANEY (Partner)
Registered Company Auditor

Dated at Lismore this 23rd day of October 2014.



Thomas Noble & Russell
Accountants | Auditors | Business Advisers

**BALLINA SHIRE COUNCIL
SPECIAL PURPOSE FINANCIAL REPORT
INDEPENDENT AUDITOR'S REPORT**

Report on the Financial Statements

We have audited the accompanying financial statements, being special purpose financial statements, of Ballina Shire Council (the Council), which comprises the statement of financial position as at 30 June 2014, the income statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the statement by Councillors' and Management.

Council's Responsibility for the Financial Statements

The Council is responsible for the preparation and fair presentation of the financial statements and has determined that the basis of preparation described in Note 1 to the financial statements is appropriate to meet the requirements of the *Local Government Act 1993* and meet the needs of the NSW Office of Local Government. The Council's responsibility also includes such internal control as the Council determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

Our audit responsibility does not extend to the best practice management disclosures in note 2 and note 3, and accordingly, we do not express an opinion on such. In addition, our audit did not include an analysis of the prudence of business decisions made by Council or management.

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

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Audit & Assurance +61 (0)2 6626 3000

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Thomas Noble & Russell is a member of  International A world-wide organization of accounting firms and business advisers



Independence

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

Auditor's Opinion

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

- i) have been prepared in accordance with the requirements of those applicable Australian Accounting Standards detailed in note 1 and the Local Government Code of Accounting Practice and Financial Reporting;
 - a) are consistent with the Council's accounting records;
 - b) present fairly, in all material respects, the financial position of Council's nominated Business Activities as at 30 June 2014 and the results of their operations for the year then ended;
- ii) all information relevant to the conduct of the audit has been obtained; and
- iii) there are no material deficiencies in the accounting records or financial statements that we have become aware of in the course of the audit.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial statements which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the financial reporting requirements of the NSW Office of Local Government. As a result, the financial statements may not be suitable for another purpose.

Matters Relating to the Electronic Presentation of the Audited Financial Statements

This auditor's report relates to the special purpose financial statements of Ballina Shire Council for the year ended 30 June 2014 included on Council's website. The Council is responsible for the integrity of the website. We have not been engaged to report on the integrity of this website. The auditor's report refers only to the financial statements identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial statements. If users of the financial statements are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements to confirm the information contained in this website version of the financial statements.

THOMAS NOBLE & RUSSELL CHARTERED ACCOUNTANTS

.....
K R FRANEY (Partner)
Registered Company Auditor

Dated at Lismore this 23rd day of October 2014.



PART B

General Purpose Financial Statements

BALLINA SHIRE COUNCIL
GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30th June 2014

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These financial statements are general purpose financial statements of Ballina Shire Council and are presented in Australian currency.

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

Ballina Shire Council
Cnr Cherry and Tamar Streets
Ballina NSW 2478

These financial statements were authorised for issue by the Council on 23 October 2014. Council has the power to amend and reissue the financial statements.

Through the use of the internet, we have ensured that our reporting is timely, complete, and available at minimum cost. The financial statements and other information is available on our website:

www.ballina.nsw.gov.au

BALLINA SHIRE COUNCIL

GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 23 October 2014.

.....
Cr David Wright

MAYOR

.....
COUNCILLOR

.....
Paul Hickey

GENERAL MANAGER

.....
Peter Morgan

RESPONSIBLE ACCOUNTING OFFICER

BALLINA SHIRE COUNCIL

INCOME STATEMENT for the year ended 30th June 2014

Budget (1) 2014 \$'000		Notes	Actual 2014 \$'000	Actual 2013 \$'000
INCOME FROM CONTINUING OPERATIONS				
<i>Revenue:</i>				
38,319	Rates and annual charges	3(a)	38,288	35,657
15,449	User charges and fees	3(b)	17,762	15,304
2,610	Interest and investment revenue	3(c)	3,450	4,658
3,806	Other revenues	3(d)	4,244	5,961
5,687	Grants and contributions provided for operating purposes	3(e,f)	5,519	13,806
12,966	Grants and contributions provided for capital purposes	3(e,f)	13,790	39,549
<i>Other Income:</i>				
515	Net gain from disposal of assets	5	-	-
<u>79,352</u>	Total income from continuing operations		83,053	114,935
EXPENSES FROM CONTINUING OPERATIONS				
19,956	Employee benefits and on-costs	4(a)	19,711	18,810
6,937	Borrowing costs	4(b)	6,910	5,254
27,243	Materials and contracts	4(c)	24,156	26,045
20,040	Depreciation and amortisation	4(d)	20,305	20,428
4,823	Other expenses	4(e)	9,139	12,275
-	Net loss from disposal of assets	5	2,722	4,912
<u>78,999</u>	Total expenses from continuing operations		82,943	87,724
<u>353</u>	OPERATING RESULT FROM CONTINUING OPERATIONS		110	27,211
<u>353</u>	NET OPERATING RESULT FOR YEAR		110	27,211
Attributable to:				
<u>353</u>	Ballina Shire Council		110	27,211
<u>353</u>			110	27,211
<u>(12,613)</u>	Net operating result before capital grants and contributions provided for capital purposes		(13,680)	(12,338)

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

The above Income Statement should be read in conjunction with the accompanying notes.

BALLINA SHIRE COUNCIL

STATEMENT OF COMPREHENSIVE INCOME for the year ended 30th June 2014

	Notes	2014 \$'000	2013 \$'000
Net operating result for year - from Income Statement		110	27,211
Other comprehensive income			
<i>Amounts which will not be reclassified subsequently to operating result</i>			
Gain on revaluation of infrastructure, property, plant and equipment	20(b)	15,394	20,863
Total other comprehensive income for the year		<u>15,394</u>	<u>20,863</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>15,504</u>	<u>48,074</u>
Attributable to:			
Ballina Shire Council		<u>15,504</u>	<u>48,074</u>
		<u>15,504</u>	<u>48,074</u>

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

BALLINA SHIRE COUNCIL

STATEMENT OF FINANCIAL POSITION as at 30th June 2014

	Notes	2014 \$'000	2013 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	6(a)	11,241	22,026
Investments	6(b)	48,420	57,234
Receivables	7	8,699	8,717
Inventories	8	996	1,010
Other	8	57	704
Total current assets		<u>69,413</u>	<u>89,691</u>
Non-current assets			
Investments	6(b)	11,036	10,886
Receivables	7	510	641
Inventories	8	3,051	2,816
Infrastructure, property, plant and equipment	9(a)	1,125,496	1,095,598
Investment properties	14	18,404	18,350
Total non-current assets		<u>1,158,497</u>	<u>1,128,291</u>
TOTAL ASSETS		<u>1,227,910</u>	<u>1,217,982</u>
LIABILITIES			
Current liabilities			
Payables	10	7,590	9,341
Borrowings	10	8,051	7,950
Provisions	10	7,161	7,893
Total current liabilities		<u>22,802</u>	<u>25,184</u>
Payables	10	-	540
Borrowings	10	83,902	87,186
Provisions	10	4,568	3,938
Total non-current liabilities		<u>88,470</u>	<u>91,664</u>
TOTAL LIABILITIES		<u>111,272</u>	<u>116,848</u>
NET ASSETS		<u>1,116,638</u>	<u>1,101,134</u>
EQUITY			
Retained earnings	20(a)	634,748	634,638
Revaluation reserves	20(b)	481,890	466,496
TOTAL EQUITY		<u>1,116,638</u>	<u>1,101,134</u>

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

BALLINA SHIRE COUNCIL

STATEMENT OF CHANGES IN EQUITY for the year ended 30th June 2014

2014	Retained Earnings	Asset Reval. Reserve	Council Equity Interest	Total
	\$'000			
Balance at end of previous reporting period	634,638	466,496	1,101,134	1,101,134
Net operating result for the year	110	-	110	110
Other comprehensive income		15,394	15,394	15,394
Total other comprehensive income	-	15,394	15,394	15,394
Balance at end of the reporting period	634,748	481,890	1,116,638	1,116,638

2013	Retained Earnings	Asset Reval. Reserve	Council Equity Interest	Total
	\$'000			
Balance at end of previous reporting period	606,166	445,633	1,051,799	1,051,799
Effect of correction of errors in previous years on retained earnings	1,261	-	1,261	1,261
Restated opening balance	607,427	445,633	1,053,060	1,053,060
Net operating result for the year	27,211	-	27,211	27,211
Other comprehensive income	-	20,863	20,863	20,863
Total other comprehensive income	-	20,863	20,863	20,863
Balance at end of the reporting period	634,638	466,496	1,101,134	1,101,134

The above Statement of Changes in Equity is to be read in conjunction with the accompanying notes.

BALLINA SHIRE COUNCIL

STATEMENT OF CASH FLOWS for the year ended 30th June 2014

Budget 2014 \$'000		Notes	Actual 2014 \$'000	Actual 2013 \$'000
	CASH FLOWS FROM OPERATING ACTIVITIES			
	<u>Receipts:</u>			
38,319	Rates and annual charges		38,670	35,789
15,449	User charges and fees		18,460	13,757
2,610	Investment income		3,441	4,148
16,217	Grants and contributions		17,205	30,907
-	Deposits and retentions received		262	252
3,806	Other operating receipts		8,631	3,718
	<u>Payments:</u>			
(19,956)	Employee benefits and on-costs		(20,633)	(18,456)
(6,937)	Borrowing costs		(6,312)	(4,495)
(27,243)	Materials and contracts		(27,909)	(17,945)
(4,823)	Other operating payments		(12,833)	(9,492)
<u>17,442</u>	Net cash provided by operating activities	11(b)	18,982	<u>38,183</u>
	CASH FLOWS FROM INVESTING ACTIVITIES			
	<u>Receipts:</u>			
2,300	Proceeds from sale of infrastructure, property, plant and equipment		4,561	1,767
2,055	Proceeds from sale of real estate		568	932
10,000	Proceeds from sale of investments		57,997	47,150
70	Repayments from deferred debtors		70	89
	<u>Payments:</u>			
(49,011)	Purchase of infrastructure, property, plant and equipment		(39,768)	(56,814)
-	Purchase of investment property		(54)	-
-	Purchase of real estate		(430)	(287)
-	Purchase of investments		(49,000)	(63,142)
<u>(34,586)</u>	Net cash used in investing activities		(26,056)	<u>(70,305)</u>
	CASH FLOWS FROM FINANCING ACTIVITIES			
	<u>Receipts:</u>			
727	Proceeds from borrowings and advances		1,890	30,341
	<u>Payments:</u>			
(5,713)	Repayments of borrowings and advances		(5,601)	(3,464)
<u>(4,986)</u>	Net cash provided by (or used in) financing activities		(3,711)	<u>26,877</u>
<u>(22,130)</u>	Net decrease in cash and cash equivalents		(10,785)	<u>(5,245)</u>
22,026	Cash and cash equivalents at beginning of reporting period	11(a)	22,026	27,271
<u>(104)</u>	Cash and cash equivalents at end of reporting period	11(a)	11,241	<u>22,026</u>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

BALLINA SHIRE COUNCIL

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BALLINA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

1. Basis of preparation

1.1 Compliance with Australian equivalents to International Financial Reporting Standards

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

1.2 New and amended standards adopted by Council

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

- AASB 13 *Fair Value Measurement*
- AASB 119 *Employee Benefits*

AASB 13 *Fair Value Measurement* has not affected the assets or liabilities which are to be measured at fair value, however it provides detailed guidance on how to measure fair value in accordance with the accounting standards. It introduces the concept of highest and best use for non-financial assets and has caused the Council to review their valuation methodology. The level of disclosures regarding fair value have increased significantly and have been included in the financial statements at note 25.

AASB 119 *Employee Benefits* has changed the basis for determining the income or expense relating to defined benefit plans and introduces revised definitions for short-term employee benefits. The Council has reviewed the annual leave liability to determine the level of annual leave which is expected to be paid more than 12 months after the end of the reporting period.

1.3 Early adoption of standards

Ballina Shire Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2013.

1.4 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.

1.5 Critical 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 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 entity and that are believed to be reasonable under the circumstances.

- *Critical accounting estimates and assumptions*
Ballina Shire Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below.
 - (i) Estimated fair values of investment properties.
 - (ii) Estimated fair values of infrastructure, property, plant and equipment.
 - (iii) Estimated tip and quarry remediation provisions.

Note 1 – Summary of significant accounting policies (cont)

- *Critical judgements in applying the entity's accounting policies*
 - (i) Impairment of Receivables
Council has made a significant judgement about the impairment of a number of its receivables in Note 7.
 - (ii) Projected Section 64 and 94 Commitments
Council has used significant judgement in determining future Section 64 and 94 income and expenditure in Note 17.

2. Revenue recognition

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

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

2.1 Rates, annual charges, grants and contributions

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

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

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

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

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

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

2.2 User charges and fees

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

2.3 Sale of property, infrastructure plant and equipment

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

2.4 Interest and rents

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

Note 1 – Summary of significant accounting policies (cont)

3. Principles of consolidation

3.1 The Consolidated Fund

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

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

- General purpose operations
- Water supply
- Sewerage service

3.2 The Trust Fund

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

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

3.3 Joint Ventures

Jointly controlled assets

The proportionate interests in the assets, liabilities, revenues and expenses of a joint venture activity have been incorporated in the financial statements under the appropriate headings. Details of the activity are set out in Note 19.

4. Leases

Council has no finance leases.

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

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

5. Acquisition of assets

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

6. Impairment of assets

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

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

Note 1 – (cont) Summary of significant accounting policies

7. Cash and cash equivalents

For Statement of cashflow presentation, 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.

8. Receivables

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

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

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

9. Inventories

9.1 Raw materials and stores

Inventories held in respect of stores have been valued by using the weighted average cost on a continual basis, after adjustment for loss of service potential. Inventories held in respect of business undertakings have been valued at the lower of cost and net realisable value.

9.2 Real Estate development assets

Real Estate development assets have been classified as Inventory in accordance with AASB 102 and are valued at the lower of cost and net realisable value. Cost includes the costs of acquisition, development, borrowing and other costs incurred on financing of that acquisition and up to the time of sale. Any amount by which cost exceeds the net realisable value has been recognised as an expense.

Revenues arising from the sale of property are recognised in the income statement when settlement is completed. See Note 5.

10. Non-current assets held for sale and discontinued operations

Ballina Shire Council does not hold any non-current assets which are classified as held for sale.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. There are no discontinued operations presented in this set of statements.

11. Investments and other financial assets

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

Note 1 – Summary of significant accounting policies (cont)

- 11.1 Financial assets at fair value through profit or loss**
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.
- 11.2 Loans and receivables**
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in receivables (Note 7) in the statement of financial position.
- 11.3 Held-to-maturity investments**
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.
- 11.4 Recognition and de-recognition**
Purchases and sales of financial assets are recognised on trade-date – the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.
- 11.5 Subsequent measurement**
Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.
- Financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the income statement as part of revenue when Council's right to receive payment is established.
- 11.6 Impairment**
Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.
- 11.7 Investment Policy**
Council has an approved investment policy complying with Section 625 of the Local Government Act and S212 of the LG (General) Regulations 2005. Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order. Council maintains an investment policy that complies with the Act and ensures that it or its representatives exercise care, diligence and skill that a prudent person would exercise in investing Council funds.
- Council amended its policy following revisions to the Ministerial Local Government Investment Order arising from the Cole inquiry recommendations. Certain investments the Council holds are no longer prescribed – for example equity linked notes and sub-debt FRN's – however they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

Note 1 – Summary of significant accounting policies (cont)

12. Fair value estimation

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

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

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

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

13. Infrastructure, property, plant and equipment (IPPE)

Council's assets have been progressively re-valued to fair value in accordance with a staged implementation advised by the Office of Local Government. At balance date the following classes of IPPE were stated at their fair value:

- Water and Sewerage Networks (Internal valuation).
- Operational land (External valuation).
- Buildings – specialised and non-specialised (External valuation).
- Other Structures (External valuation).
- Plant and equipment (as approximated by depreciated historical cost).
- Road assets – roads, bridges and footpaths (Internal valuation).
- Drainage assets (Internal valuation).
- Community land (Internal valuation).
- Land Improvements (Internal valuation).

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

Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised in 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, net of their residual values, over their estimated useful lives, as follows:

Vehicles	8 to 12 years
Office Furniture & Equipment	5 to 10 years
Other Plant & Equipment	5 to 15 years
Buildings	50 to 100 years
Playground Equipment	10 to 15 years
Roads	10 to 80 years
Concrete Bridges	50 to 80 years
Stormwater Drainage	70 years
Water Network	25 to 80 years
Sewerage Network	25 to 70 years

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

Note 1 – Summary of significant accounting policies (cont)

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

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

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

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

14. Investment property

Investment property, comprising freehold land and buildings, is held for long-term capital appreciation and rental yields and is not occupied by the Council. Investment property is carried at fair value, which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Changes in fair values are recorded in the income statement as part of other income.

15. Payables

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

16. 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.

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.

17. 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.

18. 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.

Note 1 – Summary of significant accounting policies (cont)

19. Employee benefits

19.1 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.

19.2 Other long-term employee benefit obligations

The liability for long service leave and annual leave which 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 date 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 entity 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.

19.3 Retirement benefit obligations

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

Defined benefit plans

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

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme named 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 purposes 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 benefit section of Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2014 was \$718,000. The last valuation of the scheme was performed by Mr Martin Stevenson Bsc, FIA, FIAA on 20 February 2013 and covers the period ended 30 June 2013. However the position is monitored annually and the Actuary has estimated that as at 30 June 2014 a deficit still exists. Effective from 1 July 2013, employers are required to contribute additional contributions to assist in extinguishing this deficit. The amount of additional contributions included in the total employer contribution advised above is \$312,200. Councils expected contributions to the plan for the next annual reporting period is \$677,034.

Council's share of that deficiency cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils. For this reason, no liability for the deficiency has been recognised in Council's accounts. Council has, however, disclosed a contingent liability in Note 18 to reflect the possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

Note 1 – Summary of significant accounting policies (cont)

Defined contribution plans

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

20. Rounding of amounts

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

21. Land under roads

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

Land under roads acquired after 1 July 2008 is recognised in accordance with AASB116 – Property, Plant and Equipment.

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

22. Provisions for close down and restoration and for environmental clean up costs – Tips and quarries

22.1 Restoration

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

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

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

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

22.2 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 statement of financial position date and the cost is charged to the income statement.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

Note 1 – Summary of significant accounting policies (cont)

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.

23. Allocation between current and non-current assets and liabilities

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

24. New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods. Ballina Shire Council's assessment of the impact of these new standards and interpretations relevant to them is set out below.

- AASB 9 Amendments to AASB 9 Classification of financial instruments – Affects accounting for available-for-sale financial assets (*effective from 1 January 2017*). As Council does not hold any assets in this class it has no impact on Council.
- AASB 10 Replaces all of the guidance on control and consolidation in AASB 127 (*effective from 1 January 2014*). Council does not expect the new standard to have a significant impact on its composition.
- AASB 11 Joint arrangements (*effective from 1 January 2014*). Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses assets and liabilities in much the same way as under the previous standard. Council currently accounts for a Joint operation in this way (see Note 19) and no change is expected.
- AASB 12 Sets out the required disclosures for entities reporting under the two new standards AASB 10 & 11 and replaces the disclosures requirements currently found in AASB 127 & 128, (*effective from 1 January 2014*). No impact on Council.
- AASB 2013-3 Amendments to AASB 136 Recoverable Amount Disclosures for Non-Financial Assets (*effective from 1 January 2014*). This standard amends AASB 136 to require additional disclosures about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. In addition, a further requirement has been included to disclose the discount rates that have been used in the current and previous measurements if the recoverable amount of impaired assets based on fair value less costs of disposal was measured using a present value technique. There are no changes to reported financial position or performance from AASB 2013-3, however additional disclosures may be required.
- Interpretation 21 Interpretation 21 Levies (*effective from 1 January 2014*) clarifies the circumstances under which a liability to pay a levy imposed by a government should be recognised, and whether that liability should be recognised in full at a specific date or progressively over a period of time. This interpretation is not expected to have a material impact on Council.
- AASB 2013-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities – Control and Structured Entities (AASB 10, AASB 12 & AASB 1049) (*effective from 1 January 2014*). This standard provides guidance to not-for-profit entities on interpreting and implementing AASB 10; the adoption of AASB 10 may result in different entities being included in the consolidated entity. Council does not expect the new standard to have a significant impact on its composition.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

Note 1 – Summary of significant accounting policies (cont)

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

25. 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.

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

26. 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.

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 are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

BALLINA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2014

Note 2(a) - FUNCTIONS OR ACTIVITIES

	REVENUES, EXPENSES AND ASSETS HAVE BEEN DIRECTLY ATTRIBUTED TO THE FOLLOWING FUNCTIONS OR ACTIVITIES												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			GRANTS INCLUDED IN INCOME		TOTAL ASSETS HELD (CURRENT & NON-CURRENT)	
	ORIGINAL BUDGET	ACTUAL	ACTUAL	ORIGINAL BUDGET	ACTUAL	ACTUAL	ORIGINAL BUDGET	ACTUAL	ACTUAL	2014	2013	2014	2013
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
GOVERNANCE	-	-	902	1,045	1,040	(1,045)	(902)	(1,040)	-	-	-	-	
ADMINISTRATION	4,580	3,422	4,016	7,024	3,654	(2,444)	(594)	(33)	62	26,979	27,085		
PUBLIC ORDER & SAFETY	1,129	1,036	1,221	1,563	1,729	(434)	(185)	(1,364)	560	3,006	8,400		
HEALTH	199	184	641	722	638	(523)	(457)	(450)	-	647	514		
ENVIRONMENT	14,137	10,207	11,565	16,015	11,666	(1,878)	(1,358)	967	148	88,545	84,719		
COMMUNITY SERVICES & EDUCATION	433	172	952	1,396	1,026	(963)	(780)	(823)	8	8,632	9,480		
HOUSING & COMMUNITY AMENITIES	230	901	3,971	987	3,330	(757)	(3,070)	(2,498)	98	6,113	6,979		
WATER SUPPLIES	10,849	11,222	10,651	10,995	10,267	(146)	571	(105)	152	124,642	121,220		
SEWERAGE SERVICES	15,584	16,002	16,002	17,110	15,605	(1,526)	-	(760)	151	284,948	285,463		
RECREATION & CULTURE	3,050	2,866	7,791	8,445	7,342	(5,395)	(4,925)	(3,072)	1,791	165,584	165,864		
MINING, MANUFACTURING & CONSTRUCTION	1,300	1,275	900	2,594	1,129	(1,294)	375	(121)	-	3,400	3,333		
TRANSPORT & COMMUNICATION	7,746	12,182	21,187	14,094	25,190	(6,348)	(9,005)	17,070	32	473,076	459,569		
ECONOMIC AFFAIRS	9,064	3,154	3,144	7,521	5,108	1,543	10	(2,198)	-	42,338	44,095		
TOTALS - FUNCTIONS & ACTIVITIES	68,301	62,623	82,943	89,511	87,724	(21,210)	(20,320)	5,573	2,940	10,280	1,227,910	1,216,721	
GENERAL PURPOSE REVENUES	21,563	20,430	-	-	21,638	21,563	20,430	21,638	2,287	3,862			
TOTALS	89,864	83,053	82,943	89,511	87,724	353	110	27,211	5,227	14,142	1,227,910	1,216,721	

BALLINA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 2(b) - COMPONENTS OF FUNCTIONS OR ACTIVITIES

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

Governance

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

Administration

This includes corporate support and other support services, costs not otherwise attributed to functions.

Public order and safety

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

Health

Administration and inspection, immunisations, food control, health centres and other.

Environment

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

Community services and education

Administration, family day care, child care, youth services, other services to families and children, aged and disabled services, aboriginal services, other community services and education.

Housing and community amenities

Housing, town planning, public cemeteries, public conveniences, street lighting and other community amenities.

Water supplies

Sewerage services

Recreation and culture

Public libraries, museums, art galleries, community centres, public halls, performing arts venues, other performing arts, sporting grounds and venues, swimming pools, parks and gardens, lakes, other sport and recreation.

Mining, manufacturing and construction

Building control, quarries and pits and other.

Transport and communication

Roads and streets, bridges, footpaths, aerodromes, parking areas, bus shelters and services, water transport, works undertaken for Roads and Maritime Services and other.

Economic affairs

Camping areas, tourism and area promotion, industrial development promotion, real estate development, investment properties, private works and other business undertakings.

BALLINA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2014

Note 3 - INCOME FROM CONTINUING OPERATIONS

(a) Rates and annual charges	2014 \$'000	2013 \$'000
<u>Ordinary rates</u>		
Residential	12,199	11,446
Farmland	1,357	1,302
Business	<u>3,210</u>	<u>3,059</u>
Total ordinary rates	<u>16,766</u>	<u>15,807</u>
<u>Annual charges (pursuant to s496, 496A, 496B, 501 & 611)</u>		
Domestic waste management	6,519	6,203
Water supply	2,859	2,599
Sewerage services	11,435	10,353
Stormwater management	282	280
Waste management services (non domestic)	<u>427</u>	<u>415</u>
Total annual charges	<u>21,522</u>	<u>19,850</u>
Total rates and annual charges	<u>38,288</u>	<u>35,657</u>
Council has used 2011 valuations provided by the NSW Valuer General in calculating its rates.		
 (b) User charges and fees		
<u>User charges</u>		
Water supply	6,302	5,324
Sewerage services	1,098	950
Other waste management	<u>1,923</u>	<u>1,581</u>
Total user charges	<u>9,323</u>	<u>7,855</u>
 <u>Fees</u>		
Private works	249	55
RMS works - State roads	-	115
Planning and building - regulatory	1,323	886
Plant hire	252	317
Aerodrome	4,204	3,754
Ferry tolls	435	368
Quarry	320	381
Swimming pools	349	322
Cemeteries	340	360
Other	<u>967</u>	<u>891</u>
Total fees	<u>8,439</u>	<u>7,449</u>
Total user charges and fees	<u>17,762</u>	<u>15,304</u>

BALLINA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2014

Note 3 - INCOME FROM CONTINUING OPERATIONS (cont)

	2014 \$'000	2013 \$'000
(c) Interest and investment revenue		
Interest receivable		
- overdue rates and charges	101	130
- cash and investments	3,016	4,114
Fair value adjustments		
- investments	333	414
Total interest and investment revenue	<u>3,450</u>	<u>4,658</u>
(d) Other revenues		
Reassessment of provision for remediation (Note 24)	33	2,243
Parking fines	106	80
Other fines	88	45
Recycling income (non domestic)	103	89
Rental income		
- Investment property	1,599	1,595
- Other property	1,406	1,261
Insurance claims	366	210
Commissions and agency fees	51	42
Legal fees recovered	30	30
Miscellaneous sales	93	100
Other	369	266
Total other revenues	<u>4,244</u>	<u>5,961</u>

BALLINA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2014

Note 3 - INCOME FROM CONTINUING OPERATIONS (cont)

	Notes	OPERATING		CAPITAL	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
(e) Grants					
General purpose (Untied)					
Financial assistance		1,800	1,624	-	-
Individually significant item - additional grants commission payment	see below	-	1,789	-	-
Pensioner rates subsidies (general)		318	315		
Specific purpose					
Pensioner rates subsidies					
Water supplies		152	155	-	-
Sewerage services		151	150	-	-
Domestic waste management		169	170	-	-
Library		110	116	-	-
Street lighting		98	98	-	-
Roads and bridges		-	522	-	3,000
Sportsfields		-	-	1,521	1,000
Aerodrome improvements		-	-	-	2,344
Surf club		-	-	200	2,100
NSW Rural Fire Services		144	155	-	-
Bushfire and Emergency Services		18	93	183	-
Naval museum		-	-	95	-
Other		179	358	89	153
Total grants and subsidies		3,139	5,545	2,088	8,597
Comprising:					
- Commonwealth funding		1,864	4,027	1,721	8,444
- State funding		1,275	1,503	153	153
- Other funding		-	15	214	-
		3,139	5,545	2,088	8,597
<i>Individually significant item:</i>					
<i>In both 2012 and 2013, Council received payment of the first two quarters instalments of the 2012/13 and 2013/14 Grants Commission (FAG) grants respectively. In 2014, the timing of these grant payments returned to normal schedule. This has materially adversely affected Council's operating results in the 2014 year as these amounts are recognised as income upon receipt.</i>					
(f) Contributions					
Developer contributions- Section 94	17	-	-	2,295	2,841
RMS contributions		1,186	7,086	1,563	1,708
Section 64					
Water	17	-	-	430	308
Sewer	17	-	-	1,352	920
Subdivider dedications	11	-	-	2,654	24,309
Management plans and studies		117	117	-	-
Employment and training programs		346	384	-	-
Roadworks		-	-	2,560	600
Surf club		-	-	329	-
Library expansion		-	-	150	-
Other		731	674	369	266
Total contributions		2,380	8,261	11,702	30,952
Total grants and contributions		5,519	13,806	13,790	39,549

BALLINA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2014

Note 3 - INCOME FROM CONTINUING OPERATIONS (cont)

(g) Restrictions relating to grants and contributions

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

	2014 \$'000		2013 \$'000	
	<u>Grants</u>	<u>Contrib</u>	<u>Grants</u>	<u>Contrib</u>
<i>Unexpended at the close of the previous reporting period</i>				
Section 94/64 developer contributions	-	16,557	-	19,773
Roads infrastructure	-	3,382	-	579
Other	2,448	-	3,364	-
<i>Total</i>	<u>2,448</u>	<u>19,939</u>	<u>3,364</u>	<u>20,312</u>
 <i>Less: expended during the current period from revenues recognised in previous reporting periods</i>				
Section 94/64 developer contributions	-	5,644	-	8,197
Roads infrastructure	-	3,325	-	522
Other	620	-	1,823	-
<i>Subtotal</i>	<u>620</u>	<u>8,969</u>	<u>1,823</u>	<u>8,719</u>
 <i>Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions</i>				
Section 94/64 developer contributions	-	4,637	-	5,021
Roads Infrastructure	-	169	-	3,325
Other	2,051	-	907	-
<i>Subtotal</i>	<u>2,051</u>	<u>4,806</u>	<u>907</u>	<u>8,346</u>
 <i>Unexpended at the close of this reporting period and held as restricted assets</i>				
Section 94/64 Developer Contributions	-	15,550	-	16,557
Roads infrastructure	-	226	-	3,382
Other	3,879	-	2,448	-
<i>Total</i>	<u>3,879</u>	<u>15,776</u>	<u>2,448</u>	<u>19,939</u>
 Net increase (decrease) in restricted grants and contributions				
	<u>1,431</u>	<u>(4,163)</u>	<u>(916)</u>	<u>(373)</u>

BALLINA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2014

Note 4 - EXPENSES FROM CONTINUING OPERATIONS

	2014 \$'000	2013 \$'000
(a) Employee benefits and on-costs		
Salaries and wages	15,457	15,045
Employee leave entitlements	2,904	3,029
Superannuation - defined contribution plan contributions	1,323	1,171
Superannuation - defined benefit plan contributions	718	786
Workers' compensation insurance	500	659
Fringe benefits tax	17	20
Payroll tax	242	242
Training costs (excluding salaries)	290	283
Other	62	46
Less: Capitalised costs	<u>(1,802)</u>	<u>(2,471)</u>
Total employee costs expended	<u>19,711</u>	<u>18,810</u>
Number of FTE employees	270	265
(b) Borrowing costs		
Interest on loans	6,280	4,591
Unwinding of present value discounts and premiums	<u>630</u>	<u>663</u>
Total borrowing costs expended	<u>6,910</u>	<u>5,254</u>
(c) Materials and contracts		
Raw materials and consumables	23,229	25,169
Contractor and consultancy costs	275	218
Remuneration of Auditors (see below)	112	120
Legal fees:		
- Planning and development	67	33
- Other	118	80
Operating leases:		
- Computers	175	278
- Motor vehicles	<u>180</u>	<u>147</u>
Total materials and contracts	<u>24,156</u>	<u>26,045</u>

Remuneration of Auditors

During the year the following fees were paid or payable for services by Council's auditors:

Thomas Noble & Russell:

Audit and other assurance services

Audit and review of financial statements

Total remuneration of Thomas Noble & Russell

56	55
<u>56</u>	<u>55</u>

Grant Thornton Australia:

Audit and other assurance services

Internal audit services

Total remuneration of Grant Thornton Australia

56	65
<u>56</u>	<u>65</u>

BALLINA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2014

Note 4 - EXPENSES FROM CONTINUING OPERATIONS (cont)

	2014 \$'000	2013 \$'000
(d) Depreciation, amortisation and impairment		
Plant and equipment	1,890	1,929
Office equipment	136	61
Furniture and fittings	5	9
Land improvements	868	886
Buildings - non-specialised	364	351
Buildings - specialised	2,247	2,492
Other structures	515	534
Infrastructure		
- roads, bridges and footpaths	8,106	8,021
- stormwater drainage	1,654	1,646
- water supply network	1,793	1,809
- sewerage network	2,490	2,711
Future reinstatement costs		
- Tips	155	154
- Quarries	82	82
Less: Capitalised and distributed costs	-	(257)
Total depreciation and amortisation	20,305	20,428
(e) Other expenses		
Fair value adjustments - investment property (Note 14)	-	2,745
Impairment expense - investment property (Note 14)	-	935
Bad and doubtful debts	41	-
Mayoral fee	35	34
Councillors' fees	178	166
Councillors' (incl. Mayor) expenses	58	74
Insurances	1,301	1,117
Street lighting	450	407
Electricity	1,857	1,783
Telephone	235	220
Contributions and donations	4,022	3,272
Planning levy	77	44
Waste levy	125	811
Emergency services levy	50	41
Other levies	245	188
Advertising	216	171
Bank fees	102	100
Other	147	167
Total other expenses	9,139	12,275

BALLINA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2014

Note 5 - GAIN OR LOSS ON DISPOSAL OF ASSETS

	2014 \$'000	2013 \$'000
Gain (or loss) on disposal of infrastructure, property, plant and equipment		
Proceeds from disposal	1,429	1,767
Less: Carrying amount of assets sold	<u>4,561</u>	<u>7,367</u>
Gain (Loss) on disposal	<u>(3,132)</u>	<u>(5,600)</u>
Gain (or loss) on disposal of real estate development assets		
Proceeds from disposal	568	932
Less: Carrying amount of assets sold	<u>158</u>	<u>244</u>
Gain (Loss) on disposal	<u>410</u>	<u>688</u>
Net gain (or loss) from disposal of assets	<u>(2,722)</u>	<u>(4,912)</u>

BALLINA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2014

Note 6 - CASH, CASH EQUIVALENTS AND INVESTMENTS

	2014		2013	
	\$'000		\$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
(a) Cash and cash equivalents				
Cash at bank and on hand	2,193		2,120	
Deposits at call	3,048		56	
Short term deposits	6,000		19,850	
Total cash and cash equivalents	<u>11,241</u>		<u>22,026</u>	
(b) Investments				
The following financial assets are held as investments:				
Summary				
Financial assets at fair value through profit and loss - held for trading	1,420	10,036	8,234	7,886
Held to maturity investments	47,000	1,000	49,000	3,000
Total investments	<u>48,420</u>	<u>11,036</u>	<u>57,234</u>	<u>10,886</u>
Financial assets at fair value through profit and loss - held for trading				
At beginning of year	8,234	7,886	8,157	10,557
Revaluation to income statement	183	150	-	414
Additions	-	2,000	-	3,991
Disposals	(6,997)	-	(6,999)	-
Transfers current/non-current	-	-	7,076	(7,076)
At end of year	<u>1,420</u>	<u>10,036</u>	<u>8,234</u>	<u>7,886</u>
Comprising of:				
- FRNs	1,420	10,036	7,246	7,886
- Equity linked notes	-	-	988	-
	<u>1,420</u>	<u>10,036</u>	<u>8,234</u>	<u>7,886</u>
Held to maturity investments				
At beginning of year	49,000	3,000	32,000	1,000
Additions	47,000	-	49,000	2,000
Disposals	(49,000)	(2,000)	(32,000)	-
At end of year	<u>47,000</u>	<u>1,000</u>	<u>49,000</u>	<u>3,000</u>
Comprising of:				
- Term deposits	47,000	1,000	49,000	3,000
	<u>47,000</u>	<u>1,000</u>	<u>49,000</u>	<u>3,000</u>

BALLINA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2014

Note 6 - CASH, CASH EQUIVALENTS AND INVESTMENTS (cont)

(c) Restricted cash, cash equivalents and investments

	2014		2013	
	\$'000		\$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
Cash and cash equivalents	11,241		22,026	
Investments	48,420	11,036	57,234	10,886
Total cash, cash equivalents and investments	59,661	11,036	79,260	10,886
External restrictions	37,533	6,000	56,000	6,000
Internal restrictions	18,220	5,036	21,694	4,886
Unrestricted	3,908	-	1,566	-
	59,661	11,036	79,260	10,886

Details of movements in restricted cash, cash equivalents and investments

	Notes	Opening Balance	Movements		Closing Balance
			Transfers To Restriction	Transfers From Restriction	
		\$'000	\$'000	\$'000	\$'000
External restrictions					
Included in liabilities					
Unexpended loans (A)		4,648	-	4,648	-
Deposits and retentions (B)		1,255	1,599	1,337	1,517
Water and sewer ELE's (C)		608	-	35	573
		6,511	1,599	6,020	2,090
Other					
Developer contributions (D)	17	16,557	4,637	5,644	15,550
RMS contributions (E)		3,382	169	3,325	226
Unexpended grants (F)		2,448	2,051	620	3,879
Water supply funds (G)		2,466	1,402	833	3,035
Sewerage funds (H)		26,632	948	12,877	14,703
Domestic waste management (I)		872	833	142	1,563
Crown land rentals (J)		197	109	208	98
Other		2,935	-	546	2,389
		55,489	10,149	24,195	41,443
Total external restrictions		62,000	11,748	30,215	43,533

A Loan moneys which must be applied for the purposes for which the loans were raised.

B Moneys held in Trust Account such as works bonds and deposits.

C Funds set aside to cover employee leave entitlements provisions in restricted activities.

D Development contributions which are not yet expended for the provision of services and amenities in accordance with contribution plans.

E RMS contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.

F Grants which are not yet expended for the purposes for which the grants were obtained (See Note 1).

G - J Water, sewerage, stormwater and domestic waste management funds are externally restricted assets which must be applied for the purposes for which they were raised.

K Funds raised from lease and rental of crown land properties must be expended on provision of services and amenities on crown land.

BALLINA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2014

Note 6 - CASH, CASH EQUIVALENTS AND INVESTMENTS (cont)

Notes	Opening Balance	Movements		Closing Balance
		Transfers To Restriction	Transfers From Restriction	
	\$'000	\$'000	\$'000	\$'000
<u>Internal restrictions</u>				
Employee leave entitlements	2,008	297	336	1,969
Plant replacement	865	1,169	1,113	921
Quarries	1,751	307	360	1,698
Carry-over works	9,466	5,113	7,052	7,527
Land development	6,220	5,342	5,755	5,807
Strategic studies	332	131	135	328
Rental properties refurbishment	1,624	172	225	1,571
Management plans and studies	303	115	92	326
Cemeteries	149	120	159	110
Unexpended federal assistance grant	1,789	-	1,789	-
Landfill and resource management	1,368	1,481	1,315	1,534
Other	705	760	-	1,465
Total internal restrictions	26,580	15,007	18,331	23,256

Internal restrictions arise pursuant to resolutions of Council to set aside reserves of cash resources either relating to liabilities recognised in these reports or to fund future expenditure for the stated purpose.

BALLINA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2014

Note 7 - RECEIVABLES

		2014		2013	
		Current	Non-Current	Current	Non-Current
		\$'000		\$'000	
Rates and annual charges	(Note 1)	1,875	141	2,206	192
Interest and extra charges		216	93	215	116
User charges and fees		2,207	166	1,866	162
Accrued revenues		486	-	788	-
Deferred debtors	(Note 2)	58	110	67	171
Government grants and contributions	(Note 3)	1,812	-	1,326	-
Airport charges		487	-	397	-
Waste centre fees		203	-	150	-
Private works		50	-	6	-
GST receivable		557	-	1,071	-
Other		757	-	634	-
Total		8,708	510	8,726	641
Less: Provision for impairment					
User charges and fees		9	-	9	-
Total receivables		8,699	510	8,717	641

Note 1. Rates, annual charges, interest and extra charges

Overdue rates and annual charges (being amounts not paid on or before the due date determined in accordance with the Local Government Act) are secured over the relevant land and are subject to simple interest at a rate of 9.00% (2013: 10.00%). Although Council is not materially exposed to any individual ratepayer, credit risk exposure is concentrated within the Council boundaries in the State of New South Wales.

Note 2. Deferred debtors

Deferred payment for sewerage connection fees has been extended to new connections in several fringe urban areas throughout the Shire. The properties concerned have ten years over which to repay the connection fee. Repayment is required in ten equal instalments with no interest payable. The debt is secured over the relevant land.

Note 3. Government grants and contributions

Amounts due have been calculated in accordance with the terms and conditions of the respective programs following advice of approvals, and do not bear interest. All amounts are due by Departments and Agencies of the Government of New South Wales and the Government of Australia.

Externally restricted receivables

Water supply	2,095	164	1,866	165
Sewerage services	1,335	190	1,780	319
Domestic waste management	303	23	268	23
Stormwater management services	12	1	11	1
Total externally restricted receivables	3,745	378	3,925	508
Unrestricted receivables	4,954	132	4,792	133
Total receivables	8,699	510	8,717	641

BALLINA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2014

Note 8 - INVENTORIES AND OTHER ASSETS

	2014		2013	
	\$'000		\$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
Inventories				
Stores and materials	400	-	447	-
Trading stock	14	-	18	-
Real estate development	582	3,051	545	2,816
Total inventories	<u>996</u>	<u>3,051</u>	<u>1,010</u>	<u>2,816</u>
<i>Inventories not expected to be realised within the next 12 months.</i>	-	3,051	-	2,816
Other assets				
Prepayments	57	-	704	-
Total other assets	<u>57</u>	-	<u>704</u>	-
Real estate development <i>(Valued at the lower of cost and net realisable value)</i>				
Residential	93	893	-	788
Industrial and commercial	489	2,158	545	2,028
Total real estate held for sale	<u>582</u>	<u>3,051</u>	<u>545</u>	<u>2,816</u>
<i>Represented by:</i>				
Acquisition costs	-	937	-	937
Development costs	582	2,114	545	1,879
Total real estate held for sale	<u>582</u>	<u>3,051</u>	<u>545</u>	<u>2,816</u>
Externally restricted inventories and other assets				
Inventories	-	-	-	-
Other assets	-	-	-	-
Total externally restricted inventories and other assets	-	-	-	-
Unrestricted inventories and other assets	<u>1,053</u>	<u>3,051</u>	<u>1,714</u>	<u>2,816</u>
Total inventories and other assets	<u>1,053</u>	<u>3,051</u>	<u>1,714</u>	<u>2,816</u>

BALLINA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2014

Note 9(a) - INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT

	2013 \$'000						2014 \$'000							
	AT COST	AT FAIR VALUE	ACCUM DEPN	CARRYING AMOUNT	Asset Purchases	Asset Disposals	Depreciation	Impairment	Transfers, etc.	Net Revaluation	AT COST	AT FAIR VALUE	ACCUM DEPN	CARRYING AMOUNT
Capital work-in-progress	67,964	-	-	67,964	20,882	-	-	(1,221)	-	-	87,625	-	-	87,625
Plant and equipment	-	16,918	(9,358)	7,560	1,528	(123)	(1,890)	(67)	-	-	-	17,586	(10,578)	7,008
Office equipment	-	1,519	(744)	775	-	-	(136)	-	-	-	-	1,519	(880)	639
Furniture and fittings	-	423	(374)	49	-	-	(5)	-	-	-	-	423	(379)	44
Land	-	-	-	-	-	(279)	-	(437)	-	(116)	-	43,799	-	43,799
- Operational land	-	44,631	-	44,631	-	-	-	-	-	(10,428)	-	110,326	-	110,326
- Community land	-	120,754	-	120,754	-	-	-	-	-	-	-	-	-	-
Land under roads	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- post 1 July 2008	-	11,872	-	11,872	246	-	-	437	-	-	-	12,555	-	12,555
Land improvements - non-depreciable	-	4,734	-	4,734	368	-	-	-	-	-	-	5,102	-	5,102
Land improvements - depreciable	-	15,903	(8,202)	7,701	-	-	(868)	-	-	-	-	15,903	(9,070)	6,833
Buildings - non-specialised	-	10,670	(5,518)	5,152	294	-	(364)	-	301	-	-	11,613	(6,230)	5,383
Buildings - specialised	-	79,866	(30,271)	49,595	732	(203)	(2,247)	485	2,863	-	-	85,586	(34,361)	51,225
Other structures	-	13,379	(4,295)	9,084	451	(39)	(515)	1,071	554	-	-	16,030	(5,424)	10,606
Infrastructure	-	-	-	-	-	(3,323)	(7,156)	1,424	10,469	-	-	530,413	(169,806)	360,607
- Roads	-	508,597	(159,843)	348,754	10,439	-	-	-	885	-	-	44,161	(14,705)	29,456
- Bridges	-	43,354	(13,994)	29,360	48	(386)	(451)	-	592	-	-	26,126	(5,911)	20,215
- Footpaths	-	24,817	(5,235)	19,582	540	-	(499)	-	25	-	-	1,545	(707)	838
- Bulk earthworks (non-deprec.)	-	-	-	-	813	-	-	-	-	-	-	-	-	-
- Stormwater drainage	-	113,261	(43,514)	69,747	990	(78)	(1,654)	105	2,108	-	-	117,677	(46,459)	71,218
- Water supply network	-	160,147	(55,413)	104,734	302	(110)	(1,793)	(506)	2,865	-	-	163,965	(58,473)	105,492
- Sewerage network	-	256,334	(65,032)	191,302	1,657	(20)	(2,490)	(1,291)	5,276	-	-	262,687	(68,253)	194,434
- Swimming pools	-	3,102	(1,551)	1,551	-	-	-	-	-	-	-	3,102	(1,551)	1,551
Future reinstatement costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Tips	-	1,537	(922)	615	64	-	(155)	-	-	-	-	1,600	(1,076)	524
- Quarries	-	819	(737)	82	16	-	(82)	-	-	-	-	835	(819)	16
Totals	67,964	1,432,637	(405,003)	1,095,598	39,370	(4,561)	(20,305)	-	15,394	-	87,625	1,472,553	(434,682)	1,125,496

Asset acquisitions were apportioned between:

Building & Infrastructure Renewals	15,523
Building & Infrastructure New Assets	21,733
Other Assets	2,114

BALLINA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2014

Note 9(b) - RESTRICTED PROPERTY, PLANT AND EQUIPMENT

	2014 \$'000			2013 \$'000		
	AT VALUATION	ACCUM DEPN	CARRYING AMOUNT	AT VALUATION	ACCUM DEPN	CARRYING AMOUNT
Water supply						
Plant and equipment	535	(345)	190	468	(296)	172
Land						
- Operational	1,274	-	1,274	1,168	-	1,168
- Community	1,297	-	1,297	1,310	-	1,310
Buildings and other structures	416	(164)	252	127	(70)	57
Water supply infrastructure	167,074	(58,601)	108,473	161,077	(55,413)	105,664
Total water supply	170,596	(59,110)	111,486	164,150	(55,779)	108,371
Sewerage services						
Plant and equipment	477	(251)	226	487	(291)	196
Land						
- Operational	2,931	-	2,931	3,158	-	3,158
- Community	81	-	81	77	-	77
Buildings and other structures	3,774	(1,800)	1,974	2,924	(1,368)	1,556
Sewerage infrastructure	328,530	(69,156)	259,374	313,578	(65,032)	248,546
Total sewerage services	335,793	(71,207)	264,586	320,224	(66,691)	253,533
Domestic waste management						
Plant and equipment	2,193	(1,135)	1,058	2,193	(956)	1,237
Total domestic waste	2,193	(1,135)	1,058	2,193	(956)	1,237
TOTAL RESTRICTIONS	508,582	(131,452)	377,130	486,567	(123,426)	363,141

BALLINA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2014

Note 10 - PAYABLES, BORROWINGS AND PROVISIONS

	2014		2013	
	\$'000		\$'000	
	Current	Non-Current	Current	Non-Current
Payables				
Goods and services	4,501	-	7,331	-
Payments received in advance	593	-	441	-
Accrued salaries and wages	715	-	558	-
Accrued interest payable	196	-	228	-
Accrued expenses - other	68	-	68	-
Deposits, retentions and bonds	1,517	-	715	540
Total payables	<u>7,590</u>	<u>-</u>	<u>9,341</u>	<u>540</u>

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

Borrowings

Loans				
- Secured	8,051	83,902	7,950	87,186
Total borrowings	<u>8,051</u>	<u>83,902</u>	<u>7,950</u>	<u>87,186</u>

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

Provisions

Employee benefits - annual leave	1,798	-	1,959	-
- sick leave	2,283	-	2,335	-
- long service leave	3,080	754	3,599	272
Asset remediation (see also Note 24)	-	3,814	-	3,666
Total Provisions	<u>7,161</u>	<u>4,568</u>	<u>7,893</u>	<u>3,938</u>

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

5,044

6,116

Provision for Asset Remediation

Council is required by law to reinstate/ rehabilitate the areas of certain tips and quarries for roadmaking materials when it ceases to use each facility. Engineering estimates have been made based on current reinstatement standards and discounted to its present value over the estimated remaining life of each facility at the rates applicable to government securities

Movements in Provisions	Opening balance \$'000	Increases in provision \$'000	Payments \$'000	Remeasure-ment \$'000	Closing balance \$'000
Annual leave	1,959	1,273	(1,434)	-	1,798
Sick leave	2,335	510	(562)	-	2,283
Long service leave	3,871	829	(866)	-	3,834
Asset Remediation	3,666	148	-	-	3,814
Closing Balance	<u>11,831</u>	<u>2,760</u>	<u>(2,862)</u>	<u>-</u>	<u>11,729</u>

BALLINA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2014

Note 10 - PAYABLES, BORROWINGS AND PROVISIONS (cont)

	2014		2013	
	\$'000		\$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
<i>Liabilities relating to restricted assets</i>				
<i>Domestic waste management</i>				
<i>Interest bearing liabilities</i>	152	163	143	315
<i>Provisions</i>	170	-	162	-
<i>Subtotal</i>	322	163	305	315
<i>Water supplies</i>				
<i>Provisions</i>	124	-	146	-
<i>Subtotal</i>	124	-	146	-
<i>Sewerage services</i>				
<i>Payables</i>	83	-	4,379	-
<i>Interest bearing liabilities</i>	2,495	63,719	2,385	65,130
<i>Provisions</i>	452	-	461	-
<i>Subtotal</i>	3,030	63,719	7,225	65,130
TOTAL	3,476	63,882	7,676	65,445

BALLINA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2014

Note 11 - RECONCILIATION OF OPERATING RESULT TO NET CASH MOVEMENT FROM OPERATING ACTIVITIES

(a) Reconciliation of cash assets

	2014 \$'000	2013 \$'000
Total cash and cash equivalents (Note 6)	11,241	22,026
Balances per statement of cash flows	11,241	22,026

(b) Reconciliation of net operating result to cash provided from operating activities

Net operating result from Income statement	110	27,211
Add: Depreciation, amortisation and impairment	20,387	20,428
Unwinding of present value discounts and premiums	1,425	1,076
Increase in employee benefits provisions	-	344
Increase in other provisions	80	
Decrease in receivables	79	404
Decrease in inventories	51	30
Decrease in other assets	647	-
Increase in trade creditors and other accruals	-	5,122
Increase in other payables	-	252
Transfer previous years WIP to operating	-	935
Loss on sale of assets	2,722	4,912
Fair value adjustments as expense items	-	2,745
	25,501	63,459
Less: Decrease in provision for doubtful debts	-	6
Decrease in employee benefits provisions	1,079	-
Increase in other assets	-	547
Decrease in trade creditors and other accruals	2,259	-
Decrease in accrued interest payable	32	-
Fair value adjustments as revenue items	333	414
Non-cash capital grants and contributions	2,734	24,309
Net cash provided by operations from Statement of Cash Flows	19,064	38,183

(c) Non-cash financing and investing activities

Acquisition of assets by means of:		
- Developer contributions received in kind	2,644	2,757
- Inherited assets from RMS	-	21,552
- Estimated future reinstatement, etc costs	80	-
	2,724	24,309

(d) Financing arrangements

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

Loan facilities		
Approved for drawing during the year	1,890	33,300
Actual amount drawn during the year	1,890	30,341
Corporate credit cards		
Available limit	750	750
Facilities used	47	41

BALLINA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2014

Note 12 - COMMITMENTS

	2014 \$'000	2013 \$'000
(a) Capital commitments		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Construction of investment property	760	-
Infrastructure	2,671	16,858
Buildings	363	768
Total	3,794	17,626

(b) Finance lease commitments

Council does not have any commitments under finance lease at reporting date.

(c) Non-cancellable operating lease commitments

Commitments under non-cancellable operating leases at the reporting date but not recognised in the financial statements are payable as follows:

Not later than one year	351	304
Later than one year and not later than 5 years	569	549
Later than 5 years	-	-
Total	920	853

Council has entered into non-cancellable operating leases for various items of information technology and other plant and equipment.

There are no contingent rental payments. No lease imposes any additional restrictions on Council in relation to additional debt or further leasing.

Leases in relation to computer and office equipment permit Council, at expiry of the lease, to elect to re-lease, return or acquire the equipment leased.

(d) Repairs and maintenance - investment property

Council does not have any contractual obligations for repairs or maintenance of investment properties.

BALLINA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2014

Note 13 - STATEMENT OF PERFORMANCE MEASURES

(a) Consolidated results

	<u>Amounts</u>	<u>2014 Indicators</u>	2013	2012
1. Operating performance				
Total continuing operating revenue (less fair value adjustments) less capital grants & contributions less operating expenses	<u>-\$11,291</u>	-0.16:1	-0.07:1	-0.17:1
Total continuing operating revenue (less fair value adjustments) less capital grants & contributions	\$68,930			
2. Own source operating revenue				
Total continuing operating revenue (less fair value adjustments) less all grants & contributions	<u>\$63,411</u>	0.77:1	0.53:1	0.74:1
Total continuing operating revenue (less fair value adjustments) including grants & contributions	\$82,720			
3. Unrestricted current ratio				
<u>Unrestricted Current Assets*</u>	<u>\$28,135</u>	1.97:1	2.61:1	2.91:1
Current Liabilities not relating to Restricted Assets	\$14,282			
4. Debt service cover ratio				
Operating results (excluding fair value adjustments) before capital, excluding interest, depreciation & amortisation	<u>\$15,924</u>	1.27:1	2.36:1	2.54:1
Principal repayments + borrowing interest costs	\$12,511			
5. Rates and annual charges outstanding percentage				
<u>Rates and annual charges outstanding</u>	<u>\$2,316</u>	5.63%	7.05%	7.59%
Rates and annual charges collectible	\$41,109			
6. Cash expense cover ratio				
Cash and cash equivalents including term deposits * 12	<u>\$58,241</u>	9.6 :1	15.84 :1	12.72 :1
Cash payments of operating and financing activities	\$72,920			

(b) Fund results

	Current Year Indicators		
	General	Water	Sewer
1. Operating performance	-0.19 :1	-0.02 :1	-0.18 :1
2. Own source operating revenue	0.71 :1	0.9 :1	0.87 :1
3. Unrestricted current ratio	1.97:1	42.34:1	5.44:1
4. Debt service cover ratio	1.82	N/A	0.69
5. Rates and annual charges outstanding percentage	5.55%	12.39%	4.06%
6. Cash expense cover ratio	8.52 :1	12.72 :1	10.44 :1

BALLINA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2014

Note 14 - INVESTMENT PROPERTIES

	2014 \$'000	2013 \$'000
At fair value		
Opening balance at 1 July 2013	18,350	22,030
Acquisitions	54	-
Net gain (loss) from fair value adjustment	-	-2,745
Previous years WIP expensed	-	-935
Closing balance at 30 June 2014	18,404	18,350

(a) Amounts recognised in profit and loss

Rental income	1,519	1,534
Outgoings recouped	80	61
Net gain (loss) from fair value adjustment	-	-2,745
Transfer from previous years WIP to expenses	-	-935
Direct operating expenses from property that generated rental income	-281	-300
Direct operating expenses from property that did not generate rental income	-17	-33
	1,301	-2,418

(b) Valuation basis

The 2013 valuation was made by Mr David Gates, AAPI, of Taylor Byrne.
Further information on the valuation basis is provided in Note 25 *Fair Value Measurement*.

(c) Contractual obligations

Refer to Note 12 for disclosure of any contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

(d) Leasing arrangements

All of the investment properties are leased to tenants under long term operating leases with rentals payable monthly.

Minimum lease payments under all non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:

	2014 \$'000	2013 \$'000
Not later than one year	1,512	884
Later than one year and not later than 5 years	3,586	666
Later than 5 years	-	-
	5,098	1,550

BALLINA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2014

Note 15 - FINANCIAL RISK MANAGEMENT

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

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

Council held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Cash and cash equivalents	11,241	22,026	11,241	22,026
Receivables	9,209	9,358	9,209	9,358
Financial assets at fair value through profit and loss	11,456	16,120	11,456	16,120
Held-to-maturity investments	48,000	52,000	48,000	52,000
	79,906	99,504	79,906	99,504
Financial liabilities				
Payables	7,590	9,881	7,590	9,881
Borrowings	91,953	95,136	121,883	126,331
	99,543	105,017	129,473	136,212

(a) Cash and cash equivalents

Financial assets at fair value through profit and loss

Held-to-maturity investments

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital. The Finance section manages the cash and investments portfolio. Council has an investment policy which complies with the Local Government Act and Minister's Order. The policy is regularly reviewed by Council and an Investment Report provided to Council monthly setting out the make-up and performance of the portfolio.

The risks associated with the investments held are:

Price Risk

The risk that the capital value of investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or factors affecting similar instruments traded in a market.

Interest Rate Risk

The risk that movements in interest rates could affect returns.

Credit Risk

The risk that a contracting entity will not complete its obligations under a financial instrument resulting in a financial loss to Council.

Council manages these risks by diversifying its portfolio and only purchasing investments in approved Australian Deposit Institutions (Banks, Credit Unions and Building Societies). Council obtains three quotes before placing an investment and also seeks advice from its independent advisers when considered relevant.

Interest sensitivity analysis

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

	2014	2013
	\$'000	\$'000
Impact of a 10% movement in price of investments (for assets subject to price risk only)		
- Equity	1,178	1,678
- Income Statement	1,178	1,678
Impact of a 1% change in interest rates on cash & investments		
- Equity	707	901
- Income Statement	707	901

BALLINA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2014

Note 15 - FINANCIAL RISK MANAGEMENT (cont)

(b) Receivables

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

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

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

Council receives detailed reports where appropriate.

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

	2014	2013
	\$'000	\$'000
Percentage of Rates and Annual Charges		
- Current	48%	50%
- Overdue	52%	50%
Analysis of overdue debts *		
up to 30 days overdue	N/A	N/A
up to 60 days overdue	N/A	N/A
up to 90 days overdue	N/A	N/A
over 90 days overdue	N/A	N/A
* An analysis of overdue debts by these categories is unable to be produced by Council's Rates system, however the breakdown of current vs overdue is shown above, and a breakdown of current vs non-current is shown at Note 7.		
Percentage of Other Receivables		
- Current	88%	96%
- Overdue	12%	4%
Analysis of overdue debts		
up to 30 days overdue	10%	2%
up to 60 days overdue	0%	1%
up to 90 days overdue	1%	0%
over 90 days overdue	1%	1%

BALLINA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2014

Note 15 - FINANCIAL RISK MANAGEMENT (cont)

(c) Payables and Borrowings

Payables and borrowings are both subject to liquidity risk - the risk that insufficient funds may be on hand to meet payment obligations as they fall due. Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. As well, the investment portfolio is managed so as to provide adequate liquidity at all times, particularly during the periods between the quarterly receipt of rates.

Liquidity sensitivity table

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

	2014 '000	Due			Total Contractual Cash Flows	Carrying Value
		≤ 1 year	2 - 5 years	> 5 years		
Payables		7,590	-	-	7,590	7,590
Borrowings		8,051	34,127	51,547	93,725	91,953
		<u>15,641</u>	<u>34,127</u>	<u>51,547</u>	<u>101,315</u>	<u>99,543</u>
	2013 '000					
		≤ 1 year	2 - 5 years	> 5 years	Total Contractual Cash Flows	Carrying Value
Payables		9,341	540	-	9,881	9,881
Borrowings		7,950	24,282	65,204	97,436	95,136
		<u>17,291</u>	<u>24,822</u>	<u>65,204</u>	<u>107,317</u>	<u>105,017</u>

Borrowings are also subject to interest rate risk - the risk that changes in interest rates could adversely affect funding costs. Council manages this risk by generally borrowing long term, commonly at rates fixed for four to ten years or for the duration of the loan. Council has no borrowings that are at variable rates; the associated interest rate risk is not considered material.

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

	2014		2013	
	Weighted average interest rate	Balance	Weighted average interest rate	Balance
Loans - fixed interest rate	5.38%	<u>91,953</u>	6.51%	<u>95,136</u>
		<u>91,953</u>		<u>95,136</u>

BALLINA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30th June 2014

Note 16 – MATERIAL BUDGET VARIATIONS

Council's original budget was adopted by Council on 27 June 2013. The original projections on which the budget was based have been affected by a number of factors. These include State and Federal Government decisions including new grant programs, changing economic activity, the weather, and by decisions made by the Council. Material variations of more than 10% are explained below:

1 REVENUES

1.1 User charges and fees

User charges and fees were \$2.3 m higher budget (15% favourable). User fees and charges covers a wide range of Council services including water and sewer charges, landfill fees, aerodrome revenue and building & town planning fees.

1.2 Interest and investment revenue

Interest and investment revenues were \$840,000 (32% favourable) above budget. The decrease in investment holdings over the year were not as significant as anticipated in the original budget. Various works were not commenced or completed which resulted in more cash on hand than anticipated.

1.3 Gain from disposal of assets

Council budgeted for a net profit from sale of assets of \$515,000 from Industrial land sales and did realise \$410,000 from these sales in the 2013/14 year. This gain, however, was offset by the loss on disposal of infrastructure of \$3.1 m, resulting in nil income from sale of assets and a net loss on disposal of assets of \$2.7 million.

2 EXPENSES

2.1 Materials and contracts

Materials and contracts costs were \$3.1 m below budget (11% favourable). Comparing original budget to end year actuals showed that there were savings in numerous sections of the budget including planning, quarry, water and wastewater. A significant part of the savings relate to studies and consultancies not commenced or completed.

2.2 Other expenses

Other expenses were \$4.3m above budget (89% unfavourable). Significant items within other expenses include contributions and donations from Council, which exceeded budget due to higher than budgeted land sales at Ballina Heights and Wollongbar Urban Expansion areas. Other significant expenses within other expenses include electricity and insurance costs.

2.3 Loss from disposal of assets

The loss shown here of \$2.7m is from Note 5 and is net of asset sale profits (see Income point 3 above), the actual loss on infrastructure disposals was \$3.1m. Council does not budget for loss on infrastructure disposals.

BALLINA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2014

Note 17 - STATEMENT OF DEVELOPER CONTRIBUTIONS

(a) SUMMARY OF DEVELOPER CONTRIBUTIONS

PURPOSE	OPENING BALANCE	CONTRIBUTIONS RECEIVED DURING YEAR		INTERES T EARNED DURING YEAR	EXPENDED DURING YEAR	INTERNAL BORROWINGS (to)/from	HELD AS RESTRICTED ASSET	EST FUTURE CONTRIBS	EST WORKS OUTSTANDING	EST OVER/ (UNDER) FUNDING	BALANCE INTERNAL BORROWINGS
		CASH	NON-CASH								
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Roads	3,354	596		128	(1,403)		2,675	91,002	93,677		
Open Space	190	501		14	(24)	(470)	211	8,761	6,147	2,825	2,788
Parking	1,155			31	(854)		332	1,721	1,986	67	67
Community Facilities (old)	71	87		3	(114)		47		47		
Community facilities	139	562		12		(469)	244	15,278	12,620	2,902	2,902
Heavy Vehicles	659	245		26	(249)		681		681		
Wollongbar Expansion	46	266		4		(121)	195	2,866	488		
Subtotal S94 under plans	5,614	2,257		218	(2,644)	(1,060)	4,385	119,628	115,646	5,794	5,757
Sec 64 Contributions	10,943	1,782		389	(1,948)		11,166				
Total Contributions	16,557	4,039		607	(4,592)	(1,060)	15,551				5,757

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

(b) Contribution plan - roads

PURPOSE	OPENING BALANCE	CONTRIBUTIONS RECEIVED DURING YEAR		INTERES T EARNED DURING YEAR	EXPENDED DURING YEAR	INTERNAL BORROWINGS (to)/from	HELD AS RESTRICTED ASSET	EST FUTURE CONTRIBS	EST WORKS OUTSTANDING	EST OVER/ (UNDER) FUNDING	BALANCE INTERNAL BORROWINGS
		CASH	NON-CASH								
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Roads (2002)	1,977	72	0	69	-1,372	0	746	50	796		
Roads (2010)	1,377	524	0	59	-31	0	1,929	90,952	92,881		
Total	3,354	596		128	(1,403)		2,675	91,002	93,677		

(c) Contribution plan - open space

PURPOSE	OPENING BALANCE	CONTRIBUTIONS RECEIVED DURING YEAR		INTERES T EARNED DURING YEAR	EXPENDED DURING YEAR	INTERNAL BORROWINGS (to)/from	HELD AS RESTRICTED ASSET	EST FUTURE CONTRIBS	EST WORKS OUTSTANDING	EST OVER/ (UNDER) FUNDING	BALANCE INTERNAL BORROWINGS
		CASH	NON-CASH								
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Ballina District	182	29	0	13	-24		200	1,436	1,636		
Lennox District	0	56	0	0	0	-56	0	1,113	1,297	(184)	18
Plateau District	1	312	0	0	0	-312	1	1,634		1,635	1,396
Wardell District	7	2	0	1	0		10	18	28		
Regional	0	102	0	0	0	-102	0	4,560	3,186	1,374	1,374
Total	190	501		14	(24)	(470)	211	8,761	6,147	2,825	2,788

(d) Contribution plan - car parking

PURPOSE	OPENING BALANCE	CONTRIBUTIONS RECEIVED DURING YEAR		INTERES T EARNED DURING YEAR	EXPENDED DURING YEAR	INTERNAL BORROWINGS (to)/from	HELD AS RESTRICTED ASSET	EST FUTURE CONTRIBS	EST WORKS OUTSTANDING	EST OVER/ (UNDER) FUNDING	BALANCE INTERNAL BORROWINGS
		CASH	NON-CASH								
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Ballina	1,155	0	0	31	-854		332	574	906		
Lennox Head	0	0	0	0	0			1,147	1,080	67	67
Traffic Facilities											
Parking											
Open Space											
Community facilities											
Other											
Total	1,155			31	(854)		332	1,721	1,986	67	67

BALLINA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2014

Note 17 - STATEMENT OF DEVELOPER CONTRIBUTIONS (cont)

(e) Contribution plan - community facilities (old)

PURPOSE	OPENING BALANCE \$'000	CONTRIBUTIONS RECEIVED DURING YEAR		INTERES T EARNED DURING YEAR \$'000	EXPENDED DURING YEAR \$'000	INTERNAL BORROWINGS (to)/from \$'000	HELD AS RESTRICTED ASSET \$'000	EST FUTURE CONTRIBS \$'000	EST WORKS OUTSTANDING \$'000	EST OVER/ (UNDER) FUNDING \$'000	BALANCE INTERNAL BORROWINGS \$'000
		CASH \$'000	NON-CASH \$'000								
Ballina	0	36			-36		0				
Lennox Head	0	0			0		0				
Alstonville/Wollongbar	0	3			-3		0				
Cumbalum	26	38		1	-65		0				
Skenners Head	0	10			-10		0				
Wardell	45	0		2	0		47		47		
Total	71	87		3	(114)		47		47		

(f) Contribution plan - community facilities

PURPOSE	OPENING BALANCE \$'000	CONTRIBUTIONS RECEIVED DURING YEAR		INTERES T EARNED DURING YEAR \$'000	EXPENDED DURING YEAR \$'000	INTERNAL BORROWINGS (to)/from \$'000	HELD AS RESTRICTED ASSET \$'000	EST FUTURE CONTRIBS \$'000	EST WORKS OUTSTANDING \$'000	EST OVER/ (UNDER) FUNDING \$'000	BALANCE INTERNAL BORROWINGS \$'000
		CASH \$'000	NON-CASH \$'000								
Ballina District	135	45	0	12	0	0	192	2,955	3,147		
Lennox District	0	26	0	0	0	-26	0	1,802	609	1,193	1,193
Plateau District	0	84	0	0	0	-37	47	949	996		
Wardell District	4	1	0	0	0	0	5	28	33		
Regional	0	406	0	0	0	-406	0	9,544	7,835	1,709	1,709
Total	139	562		12		(469)	244	15,278	12,620	2,902	2,902

(g) Contribution plan - heavy vehicles

PURPOSE	OPENING BALANCE \$'000	CONTRIBUTIONS RECEIVED DURING YEAR		INTERES T EARNED DURING YEAR \$'000	EXPENDED DURING YEAR \$'000	INTERNAL BORROWINGS (to)/from \$'000	HELD AS RESTRICTED ASSET \$'000	EST FUTURE CONTRIBS \$'000	EST WORKS OUTSTANDING \$'000	EST OVER/ (UNDER) FUNDING \$'000	BALANCE INTERNAL BORROWINGS \$'000
		CASH \$'000	NON-CASH \$'000								
Shire Wide	659	245	0	26	-249		681		681		
Total	659	245		26	(249)		681		681		

(h) Contribution plan - Wollongbar urban expansion area

PURPOSE	OPENING BALANCE \$'000	CONTRIBUTIONS RECEIVED DURING YEAR		INTERES T EARNED DURING YEAR \$'000	EXPENDED DURING YEAR \$'000	INTERNAL BORROWINGS (to)/from \$'000	HELD AS RESTRICTED ASSET \$'000	EST FUTURE CONTRIBS \$'000	EST WORKS OUTSTANDING \$'000	EST OVER/ (UNDER) FUNDING \$'000	BALANCE INTERNAL BORROWINGS \$'000
		CASH \$'000	NON-CASH \$'000								
Link Road	1	240	0	0	0	-121	120	2,453		2,573	
Transport Works	45	26	0	4	0	0	75	413	488		
Total	46	266		4		(121)	195	2,866	488	2,573	

BALLINA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2014

Note 17 - STATEMENT OF DEVELOPER CONTRIBUTIONS (cont)

(i) Contribution plan - Section 64 water

PURPOSE	OPENING BALANCE \$'000	CONTRIBUTIONS RECEIVED DURING YEAR		INTEREST EARNED DURING YEAR \$'000	EXPENDED DURING YEAR \$'000	INTERNAL BORROWINGS (to)/from \$'000	HELD AS RESTRICTED ASSET \$'000	BALANCE INTERNAL BORROWINGS \$'000
		CASH \$'000	NON-CASH \$'000					
Ballina	2,151	25		75	-500		1,751	
East Ballina	725	-19		25	-203		528	
West Ballina	964	0		34	-200		798	
North Ballina	669	80		23	-131		641	
Lennox Head	2,936	38		102	-6		3,070	
Wardell	79	1		3	0		83	
Alstonville	303	15		10	0		328	
Wollongbar	2	54		0	0		56	
Skennars Head	197	24		7	0		228	
Cumbalum	175	120		6	-97		204	
WUEA	4	92		0	-37		59	
Total	8,205	430		285	(1,174)		7,746	

(j) Contribution plan - Section 64 sewer

PURPOSE	OPENING BALANCE \$'000	CONTRIBUTIONS RECEIVED DURING YEAR		INTEREST EARNED DURING YEAR \$'000	EXPENDED DURING YEAR \$'000	INTERNAL BORROWINGS (to)/from \$'000	HELD AS RESTRICTED ASSET \$'000	BALANCE INTERNAL BORROWINGS \$'000
		CASH \$'000	NON-CASH \$'000					
Ballina	0	56			-56		0	
East Ballina	0	3			-3		0	
West Ballina	0	0			0		0	
North Ballina	0	181			0		181	
Pacific Pines	0	0			0		0	
Lennox Head	0	84			-84		0	
Wardell	30	2		1	0		33	
Alstonville	1,347	18		51	0		1,416	
Wollongbar	852	60		33	0		945	
Skennars Head	0	52			-52		0	
Cumbalum	0	359			-359		0	
WUEA	509	537		19	-220		845	
Total	2,738	1,352		104	(774)		3,420	

BALLINA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2014

Note 18 - CONTINGENCIES

Contingent Liabilities

Council contributes to the Local Government Superannuation Scheme which has a closed section where a portion of member entitlements are defined as a multiple of salary. Member Councils bear the responsibility of ensuring there are sufficient monies available to pay out benefits as these members cease employment.

The Scheme has a deficit of assets over liabilities and its administrators have advised all Councils that they will need to make significantly higher contributions to help reverse this deficit. However, the Trustees may also call upon Councils to make an immediate payment sufficient to offset all or part of this deficit at any time. There is no current indication that such action will be necessary.

As the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member Councils, the amount of such a payment is not able to be reliably quantified.

Contingent Assets

In regards to the Lennox Head Cultural and Community Centre, Council has lodged a professional indemnity claim against the original project architect (whose contract was terminated during construction) for damages relating to inadequacies in the design and documentation for the project that resulted in cost variations.

Richmond-Tweed Regional Library

Council, together with other Local Government authorities, originally entered into an agreement to operate a regional library known as Richmond-Tweed Regional Library (RTRL). Annually the Council contributes to the library to fund its activities based upon a prescribed formula.

The RTRL is administered by the Lismore City Council and currently there is some doubt over the continuance of the existing agreement. The member councils are currently reviewing the existing arrangements to determine a preferred future model. In the event that the Council wishes to withdraw from the arrangement, the assets and liabilities of the regional library attributable to Council will be determined either by the members or by the Library Board of New South Wales.

BALLINA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2014

Note 19 - INTERESTS IN JOINT VENTURES AND ASSOCIATES

Jointly controlled entity

NEWLOG

The Council is a member of the North East Weight of Loads Group (NEWLOG) and is the administering Council. The constitution of the Group specifies the Council as having a share of the assets and liabilities proportionate to its shareholding in the venture. The stated objectives of the Group include to generally promote the aims of reducing damage to Council and classified roads by the policing of vehicle weight limits. The agreement between eight (8) local Councils, lapsed as at June 3, 2001, but the conditions are expected to continue on a "year to year" basis.

The interest in NEWLOG is accounted for in the financial statements using the equity method of accounting and is carried at cost. Information relating to the joint venture partnership is set out below.

Carrying amount of investment in partnership	Actual 2014 \$'000	Actual 2013 \$'000
Share of partnership's assets and liabilities		
Current assets	39	45
Non-current assets	9	7
Total assets	48	52
Current liabilities	(23)	(22)
Total liabilities	(23)	(22)
Net assets	25	30
Share of partnership's revenue, expenses and results		
Revenues	36	37
Expenses	(65)	(64)
Operating result	(29)	(27)
Council's respective interests are:		
- interest in outputs of the partnership operation	13%	13%
- ownership interest in the partnership operation	13%	13%
- the proportion of voting power in the partnership operation	11%	11%
Movements in investment in partnership operation		
	\$'000	\$'000
Opening balance	30	35
New capital contributions	23	22
Share in operating result	(29)	(27)
Share in equity of partnership operation	24	30

In accordance with the Code of Accounting Practice, reserves other than Asset Revaluation Reserve have been treated as internal restrictions of cash and investments, and are included in the Share in Equity of the partnership operation.

Expenditure commitments

There was no expenditure (including capital expenditure) committed for at the reporting date but not recognised in the financial statements as liabilities.

Contingent liabilities

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

BALLINA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2014

Note 20 - REVALUATION RESERVES AND RETAINED EARNINGS

(a) Retained earnings	2014	2013
	\$'000	\$'000
Balance at end of previous reporting period	634,638	606,166
Adjustment to correct prior period error (Note 20d)		1,261
Restated opening balance	634,638	607,427
Net operating result for the year	110	27,211
Balance at end of the reporting period	634,748	634,638

(b) Revaluation reserves

Infrastructure, property, plant and equipment

Balance at end of previous reporting period	466,496	445,633
Revaluation of infrastructure, property, plant and equipment (Note 9)	15,394	20,863
Balance at end of reporting period	481,890	466,496

At the end of the reporting period, the amount held in the reserve related to the following asset classes:

Land		
- Operational land	25,581	25,697
- Community land	39,085	49,513
Buildings	32,434	29,270
Other structures	3,438	2,884
Infrastructure		
- Roads, bridges, footpaths	149,191	137,221
- Stormwater drainage	35,583	33,475
- Water supply network	86,611	83,746
- Sewerage network	109,967	104,690
Balance at end of reporting period	481,890	466,496

(c) Nature and purpose of reserves

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

(d) Correction of errors in previous years

(i) In the course of revaluations of land carried out in the current year it was found that some parcels of operational land and community land which were controlled by Council had not previously been included within the asset register.	-	3,720
(ii) the current year it was found that some parcels which had previously been included as community land should not be recognised as Council did not have control of these parcels.	-	(4,699)
(ii) In the course of revaluations of other structures and other assets carried out in the current year it was found that the swimming pools and some structures at the cemeteries had not previously been included within the asset register.	-	2,240

BALLINA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2014

Note 21 - RESULTS BY FUND

INCOME STATEMENT BY FUND	General \$'000	Water \$'000	Sewer \$'000
Income from continuing operations			
Rates and annual charges	23,725	2,860	11,703
User charges and fees	9,435	7,264	1,063
Interest and investment revenues	2,068	413	969
Other revenues	3,694	0	550
Grants and contributions - operating	4,847	521	151
Grants and contributions - capital	11,138	638	2,014
Profit from disposal of assets	0	0	6
Total income from continuing operations	<u>54,907</u>	<u>11,696</u>	<u>16,456</u>
Expenses from continuing operations			
Employee benefits and on-costs	14,772	1,428	3,511
Materials and contracts	12,684	7,169	4,303
Borrowing costs	1,749	0	5,161
Depreciation and amortisation	15,803	1,859	2,643
Impairment	0	0	0
Other expenses	7,226	512	1,401
Interest and investment losses	0	0	0
Loss from disposal of assets	2,617	111	0
Total expenses from continuing operations	<u>54,851</u>	<u>11,079</u>	<u>17,019</u>
Operating result from continuing operations	<u>56</u>	<u>617</u>	<u>(563)</u>
Net operating result for the year	<u>56</u>	<u>617</u>	<u>(563)</u>
Attributable to:			
Ballina Shire Council	<u>56</u>	<u>617</u>	<u>(563)</u>
	<u>56</u>	<u>617</u>	<u>(563)</u>
Net operating result for the year before capital grants and contributions provided for capital purposes	<i>(11,082)</i>	<i>(21)</i>	<i>(2,577)</i>

BALLINA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2014

Note 21 - RESULTS BY FUND (cont)

STATEMENT OF FINANCIAL POSITION BY FUND	GENERAL FUND \$'000	WATER SUPPLY \$'000	SEWER \$'000
Current assets			
Cash and investments	31,942	9,662	18,057
Receivables	5,269	2,095	1,335
Inventories	996	0	0
Other	57	0	0
Total current assets	<u>38,264</u>	<u>11,757</u>	<u>19,392</u>
Non-current assets			
Investments	9,277	1,240	519
Receivables	156	164	190
Inventories	3,051	0	0
Infrastructure, property, plant and equipment	749,424	111,486	264,586
Investment property	18,404	0	0
Total non-current assets	<u>780,312</u>	<u>112,890</u>	<u>265,295</u>
Total assets	<u>818,576</u>	<u>124,647</u>	<u>284,687</u>
Current liabilities			
Payables	7,507	0	83
Borrowings	5,556	0	2,495
Provisions	6,585	124	452
Total current liabilities	<u>19,648</u>	<u>124</u>	<u>3,030</u>
Non-current liabilities			
Payables	0	0	0
Borrowings	20,183	0	63,719
Provisions	4,568	0	0
Total non-current liabilities	<u>24,751</u>	<u>0</u>	<u>63,719</u>
Total liabilities	<u>44,399</u>	<u>124</u>	<u>66,749</u>
Net assets	<u>774,177</u>	<u>124,523</u>	<u>217,938</u>
Equity			
Retained earnings	488,865	37,912	107,971
Revaluation reserves	285,312	86,611	109,967
Council equity interest	774,177	124,523	217,938
Total equity	<u>774,177</u>	<u>124,523</u>	<u>217,938</u>

BALLINA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2014

Note 22 - NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Council did not classify any non-current assets or disposal groups as "Held-for-Sale".

Note 23 - EVENTS OCCURRING AFTER STATEMENT OF FINANCIAL POSITION DATE

Events that occur after the reporting date of 30 June 2014, up to and including the date when the financial report is "authorised for issue", have been taken into account in preparing this financial report.

Council has adopted the date of receipt of the Auditor's Report as the appropriate "authorised for issue" date relating to this General Purpose Financial Report.

Accordingly, the "authorised for issue" date is 23 October 2014.

BALLINA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2014

Note 24 - REINSTATEMENT, REHABILITATION AND RESTORATION LIABILITIES

Tip and quarry site remediations

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

	2014 \$'000	2013 \$'000
Tuckombil quarry remediation		
At beginning of year	883	759
Amounts capitalised to remediation asset:		
Revised life	4	-
Revised discount rate	12	105
Amortisation of discount - expensed to borrowing costs	22	19
At end of year	921	883
Stokers quarry remediation		
At beginning of year	479	412
Amounts recognised in income:		
Revised life	(39)	-
Revised discount rate	6	57
Amortisation of discount - expensed to borrowing costs	12	10
At end of year	458	479
Canal tip (Ballina) remediation		
At beginning of year	-	1,431
Amounts recognised in income:		
Revised costs	-	(1,431)
At end of year	-	-

BALLINA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2014

Note 24 - REINSTATEMENT, REHABILITATION AND RESTORATION LIABILITIES (cont)

	2014 \$'000	2013 \$'000
Southern Cross tip (Ballina) remediation		
At beginning of year	2,304	2,003
Amounts capitalised to remediation asset:		
Revised life	-	-
Revised discount rate	64	249
Amortisation of discount - expensed to borrowing costs	67	52
At end of year	<u><u>2,435</u></u>	<u><u>2,304</u></u>
Wardell tip remediation		
At beginning of year	-	563
Amounts recognised in income:		
Revised costs	-	(563)
At end of year	<u><u>-</u></u>	<u><u>-</u></u>
Lennox Head tip remediation		
At beginning of year	-	249
Amounts recognised in income:		
Revised costs	-	(249)
At end of year	<u><u>-</u></u>	<u><u>-</u></u>
Total remediation provisions at end of year (Note 10)	<u><u>3,814</u></u>	<u><u>3,666</u></u>

BALLINA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2014

Note 25 - FAIR VALUE MEASUREMENT

The Council measures the following assets at fair value on a recurring basis:

- Financial assets
- Infrastructure, property, plant and equipment
- Investment property

Fair value hierarchy

AASB 113 *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 Council 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 the asset or liability.

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

2014	Note	Fair value hierarchy			Total
		Level 1 Quoted prices in active markets	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Financial assets					
Investments					
- financial assets at fair value through profit and loss - held for trading	6	11,456	-	-	11,456
Total financial assets		11,456	-	-	11,456
Infrastructure, property, plant and equipment					
	9				
Plant and equipment		-	-	7,008	7,008
Office equipment		-	-	639	639
Furniture and fittings		-	-	44	44
Operational land		-	43,799	-	43,799
Community land		-	-	110,326	110,326
Land under roads		-	-	12,555	12,555
Land improvements - non depreciable		-	-	5,102	5,102
Land improvements - depreciable		-	-	6,833	6,833
Buildings - non specialised		-	5,383	-	5,383
Buildings - specialised		-	-	51,225	51,225
Other structures		-	-	10,606	10,606
Roads		-	-	360,607	360,607
Bridges		-	-	29,456	29,456
Footpaths		-	-	20,215	20,215
Bulk earthworks (non depreciable)		-	-	838	838
Stormwater drainage		-	-	71,218	71,218
Water supply network		-	-	105,492	105,492
Sewerage network		-	-	194,434	194,434
Swimming pools		-	-	1,551	1,551
Tip remediation		-	-	524	524
Quarries remediation		-	-	16	16
Total infrastructure, property, plant and equipment		-	49,182	988,689	1,037,871
Total investment property					
	14	-	18,404	-	18,404

Note: Council does not have any non-recurring fair value assets or liabilities.

BALLINA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2014

Note 25 (cont) - Fair value measurement

(2) Valuation techniques used to derive Level 2 fair values

Operational land

This asset class comprises all of Council's land classified as Operational land under the NSW Local Government Act 1993.

Council obtains its fair values for operational land from an external valuer every 3 to 5 years (last valuation being 2011) using predominantly Level 2 inputs.

Level 1 and Level 2 inputs were used to value land held in freehold title and those with special use, which are restricted under the zoning objectives. Sale prices of comparable land parcels in close proximity were adjusted for differences in key attributes such as size and configuration.

The key unobservable inputs to the valuation are the rate per square metre and the description of the land. There has been no change to the valuation process during the reporting period.

Buildings -non-specialised

Non-specialised buildings were valued by Scott Fullerton Valuations Pty Ltd in 2011 using the "Market approach" utilising Level 1 and 2 inputs.

The properties fair values have been derived from sales prices of comparable properties after adjusting for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square metre.

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

Investment property

Council obtains independent valuations of its investment property on a bi-annual basis and reviews this at the end of each reporting period to ensure the financial statements reflect the most up-to-date valuation. The fair value of the investment property is determined by an independent, qualified valuer who has experience in the location of the properties.

The last independent valuation was completed as at 30 June 2013 by Mr David Gates, AAPI, of Taylor Byrne.

The valuations are based on the capitalisation of estimated net rental returns. The key unobservable input to the valuation is the price per square metre.

(3) Valuation techniques used to derive 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:

Plant and equipment, office equipment, furniture and fittings

Plant and equipment, office equipment and furniture and fittings are valued at cost but are disclosed at fair value in the notes. The carrying value of these assets is assumed to approximate fair value due to the nature of the items.

The key unobservable inputs to the valuation are the remaining useful life and residual value. There has been no change to the valuation process during the reporting period.

BALLINA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2014

Note 25 (cont) - Fair value measurement

Community land

Council's "Community" land (including owned by Council, the Crown and various other Government Agencies that is managed by Council) by definition is land intended for public access and use or where other restrictions applying to the land create some obligation to maintain public access (such as a trust deed, dedication under section 94 of the Environment Planning and Assessment Act 1979). This gives rise to the restrictions in the Act, intended to preserve the qualities of the land.

The Office of Local Government has determined that community land and controlled Crown land may be valued as follows: - The NSW Valuer General's valuations may be used under the revaluation model to represent fair value for land under clause 31 of AASB 116.

Valuations of all Council's Community land and Council controlled land were based on either the land values provided by the Valuer-General or an average unit rate based on the land values for similar properties where the Valuer-General did not provide a land value having regard to the the highest and best use for this land. As these rates were not considered to be observable market evidence they have been classified as Level 3.

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

Land under roads

Council has elected to recognise land under roads where the road was acquired on or after 1 July 2008. Land under roads have been valued using the square metre rates applicable for nearby or adjacent Community land having regard to the highest and best use for this land.

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

Land improvements - depreciable and non-depreciable

This asset class comprises land improvements such as spectator mounds, mulched areas, streetscaping and landscaping.

These assets were valued in-house using the cost approach by experienced Council staff. The cost approach has been utilised whereby the replacement cost was estimated for each asset taking into account a range of factors including but not limited to construction rates and industry construction cost benchmarks such as Rawlinson's Australian Construction handbook.

The unobservable Level 3 inputs used include gross replacement cost, asset condition, residual value and remaining useful life.

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

Buildings - specialised and other structures

Specialised buildings and other structures were valued by Scott Fullerton Valuations Pty Ltd in 2011 using the "Cost approach" utilising Level 1, 2 and 3 inputs.

The approach estimated the replacement cost of each building/other structure and componentising of significant parts with different useful lives and taking into account a range of factors. The unit rates could be supported by market evidence (Level 1 and 2 input), other inputs (such as estimates of residual value, useful life and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such, these assets have been valued using Level 3 inputs.

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

BALLINA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2014

Note 25 (cont) - Fair value measurement

Roads (including bridges, footpaths, bulk earthworks), stormwater drainage, water supply network and sewerage network

Roads are valued in-house by suitably qualified engineers and requires extensive professional judgement. All roads, stormwater, water supply and sewerage networks infrastructure assets are valued using Level 3 valuation inputs using the "Cost approach". Council staff completed the valuation of these assets internally using replacement cost approach and the last valuation was completed in 2010 for roads and stormwater drainage and 2012 for water and sewerage network assets.

The 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 square metres or similar capacity could be supported from market evidence such as recently completed road constructions and industry construction cost data (Level 2), unobservable inputs (such as estimates of residual value, useful life, pattern of consumption and asset condition) 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.

During the year there were a number of new projects completed where the actual cost was recorded and the impact of depreciation at year end was negligible. While these could be classified as valued at Level 2, given the low proportion of the total portfolio that these represented and the likelihood that in future valuations they would most likely be valued at Level 3, we have adopted a policy that all road, stormwater, water and sewerage infrastructure assets are deemed be valued at Level 3.

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

Tip and quarries remediation assets

It has been recognised that there will be significant costs associated with the closure and post closure management of tip and quarries sites.

Evaluation of costs for tips and quarries closure and post closure management is prepared internally. The key unobservable inputs are the discount rate, cost escalation rate, actual timing of costs and future environmental management requirements.

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

BALLINA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2014

Note 25 (cont) - Fair Value Measurement

(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	Community land	Total
Closing balance - 30/6/13	-	-	-	-	-
Adoption of AASB 13	7,560	775	49	120,754	129,138
Transfers from/(to) another asset class	(67)	-	-	-	(67)
Purchases	1,528	-	-	-	1,528
Disposals	(123)	-	-	-	(123)
Depreciation	(1,890)	(136)	(5)	-	(2,031)
Revaluation increments/(decrements)	-	-	-	(10,428)	(10,428)
Closing balance - 30/6/14	7,008	639	44	110,326	118,017

	Land under roads	Land improvements	Buildings - specialised	Other structures	Total
Closing balance - 30/6/13	-	-	-	-	-
Adoption of AASB 13	11,872	12,435	49,595	9,084	82,986
Transfers from/(to) another asset class	437	-	485	1,071	1,993
Purchases	246	368	732	451	1,797
Disposals	-	-	(203)	(39)	(242)
Depreciation	-	(868)	(2,247)	(515)	(3,630)
Revaluation increments/(decrements)	-	-	2,863	554	3,417
Closing balance - 30/6/14	12,555	11,935	51,225	10,606	86,321

	Roads	Bridges	Footpaths	Bulk earthworks	Total
Closing balance - 30/6/13	-	-	-	-	-
Adoption of AASB 13	348,754	29,360	19,582	-	397,696
Transfers from/(to) another asset class	1,424	-	-	-	1,424
Purchases	10,439	48	540	813	11,840
Disposals	(3,323)	(386)	-	-	(3,709)
Depreciation	(7,156)	(451)	(499)	-	(8,106)
Revaluation increments/(decrements)	10,469	885	592	25	11,971
Closing balance - 30/6/14	360,607	29,456	20,215	838	411,116

	Stormwater drainage	Water supply network	Sewerage network	Swimming pools	Total
Closing balance - 30/6/13	-	-	-	-	-
Adoption of AASB 13	69,747	104,734	191,302	1,551	367,334
Transfers from/(to) another asset class	105	(506)	(1,291)	-	(1,692)
Purchases	990	302	1,657	-	2,949
Disposals	(78)	(110)	(20)	-	(208)
Depreciation	(1,654)	(1,793)	(2,490)	-	(5,937)
Revaluation increments/(decrements)	2,108	2,865	5,276	-	10,249
Closing balance - 30/6/14	71,218	105,492	194,434	1,551	372,695

BALLINA SHIRE COUNCIL

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2014**

Note 25 (cont) - Fair value measurement

	Tip and quarry remediation	Total
Closing balance - 30/6/13	-	-
Adoption of AASB 13	697	697
Transfers from/(to) another asset class	-	-
Purchases	80	80
Disposals	-	-
Depreciation	(237)	(237)
Revaluation increments/(decrements)	-	-
Closing balance - 30/6/14	540	540

BALLINA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2014

Note 25 (cont) - Fair value measurement

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

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

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

Class	Fair value \$'000	Key unobservable inputs	Expected range of inputs	Relationship of unobservable inputs to fair value
Plant & equipment, Office equipment and Furniture & fittings	7,691	Gross replacement cost Remaining Useful Life	Varies significantly from asset to asset 0-20 yrs useful life estimates	Increase/decrease in the cost of the asset by 10% would result in 10% increase/decrease to fair value measurement. Asset condition rating and pattern of consumption that impact the remaining life of the asset will also result in changes to fair value.
Community land	110,326	Unimproved capital value provided by Valuer General	\$13.16 per square metre	Increase/decrease in the price per square metre based on the unimproved capital value by 10% would result in 10% increase/decrease to fair value measurement.
Land under roads	12,555	Unimproved capital value provided by Valuer General	\$13.16 per square metre	Increase/decrease in the price per square metre based on the unimproved capital value by 10% would result in 10% increase/decrease to fair value measurement.
Land improvements	11,935	Replacement cost Remaining useful life	Varies significantly from asset to asset 20 to 100 yrs	Increase/decrease in the cost of the asset by 10% would result in 10% increase/decrease to fair value measurement. Asset condition rating and pattern of consumption that impact the remaining life of the asset will also result in changes to fair value.
Buildings -specialised, Other structures and Swimming pools	63,382	Replacement cost Asset condition rating Remaining useful life	Varies significantly from asset to asset 20 to 100 yrs useful life estimates.	Increase/decrease in the cost of the asset by 10% would result in 10% increase/decrease to fair value measurement. Asset condition rating and pattern of consumption that impact the remaining life of the asset will also result in changes to fair value.

BALLINA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2014

Note 25 (cont) - Fair value measurement

Buildings -specialised, Other structures and Swimming pools	63,382	Replacement cost Asset condition rating Remaining useful life	Varies significantly from asset to asset 20 to 100 yrs useful life estimates	Increase/decrease in the cost of the asset by 10% would result in 10% increase/decrease to fair value measurement Asset condition rating and pattern of consumption that impact the remaining life of the asset will also result in changes to fair value.
Roads (including bulk earthworks)	361,445	Replacement cost Asset condition rating Remaining useful life	Unit rates - Wearing course \$5 to \$20 per square metre, Pavement \$30 to \$50 per square metre, Formation \$15 to \$25 per cubic metre (Unit rates vary from asset to asset); Asset condition, assessed as 1 to 5 (1 "As New, 5 "Unserviceable"); Useful life, Wearing course 12 to 20 yrs, Pavement 40 to 60 yrs.	Increase/decrease in the unit rate of the asset by 10% would result in 10% increase/decrease to fair value measurement. Asset condition rating and pattern of consumption that impact the remaining life of the asset will also result in changes to fair value.
Bridges	29,456	Replacement cost Asset condition rating Remaining useful life	Unit rates - vary from asset to asset; Asset condition 1 to 5 (1 "As New", 5 "Unserviceable"); Useful life 60 to 80 yrs.	Increase/decrease in the unit rate of the asset by 10% would result in 10% increase/decrease to fair value measurement. Asset condition rating and pattern of consumption that impact the remaining life of the asset will also result in changes to fair value.
Footpaths	20,215	Replacement cost Asset condition rating Remaining useful life	Unit rates - vary from asset to asset, \$70 to \$120 per square metre; Asset condition 1 to 5 (1 "As New", 5 "Unserviceable"); Useful life 70 to 80 yrs.	Increase/decrease in the unit rate of the asset by 10% would result in 10% increase/decrease to fair value measurement. Asset condition rating and pattern of consumption that impact the remaining life of the asset will also result in changes to fair value.
Stormwater drainage	71,218	Replacement cost Asset condition rating Remaining useful life	Unit rates - vary from asset to asset; Asset condition 1 to 5 (1 "As New", 5 "Unserviceable") based on observation for culverts and based on age for reticulation assets; Useful life 60 to 80 yrs.	Increase/decrease in the unit rate of the asset by 10% would result in 10% increase/decrease to fair value measurement. Asset condition rating and pattern of consumption that impact the remaining life of the asset will also result in changes to fair value.

BALLINA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2014

Note 25 (cont) - Fair Value Measurement

Water supply network	105,492	Replacement cost Asset condition rating Remaining useful life Residual value	Unit rates - vary from asset to asset; Asset condition 1 to 5 (1 "As New", 5 "Unserviceable") based on age; Useful life 60 to 80 yrs; Estimated Residual value 22%.	Increase/decrease in the unit rate of the asset by 10% would result in 10% increase/decrease to fair value measurement. Asset condition rating and pattern of consumption that impact the remaining life or residual value of the asset will also result in changes to fair value
Sewerage network	194,434	Replacement cost Asset condition rating Remaining useful life Residual value	Unit rates - vary from asset to asset; Asset condition 1 to 5 (1 "As New", 5 "Unserviceable") based on age; Useful life 60 to 80 yrs; Estimated Residual value 22%.	Increase/decrease in the unit rate of the asset by 10% would result in 10% increase/decrease to fair value measurement. Asset condition rating and pattern of consumption that impact the remaining life or residual value of the asset will also result in changes to fair value.
Tip and quarries remediation assets	540	Discount rate Cost escalation rate Timing of costs Future environmental management requirements (affecting the actual cost outlay)		Changes in any of the observable inputs impacts on the fair value of these assets. An decrease in discount rate, increase in cost escalation rate, extension of time until remediation and/or and increase in actual expected cost outlay impacts on the carrying value of the asset.



PART C

Special Purpose Financial Statements

BALLINA SHIRE COUNCIL
SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30th June 2014

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BALLINA SHIRE COUNCIL

SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

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

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

- NSW Government Policy Statement "*Application of National Competition Policy to Local Government*".
- Office of Local Government guidelines "*Pricing & Costing for Council Businesses: A Guide to Competitive Neutrality*".
- Local Government Code of Accounting Practice and Financial Reporting.
- The NSW Office of Water guidelines.

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

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

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

Signed in accordance with a resolution of Council made on 23 October 2014.

.....
Cr David Wright
MAYOR

.....
COUNCILLOR

.....
Paul Hickey
GENERAL MANAGER

.....
Peter Morgan
RESPONSIBLE ACCOUNTING OFFICER

BALLINA SHIRE COUNCIL
INCOME STATEMENT
WATER SUPPLY BUSINESS ACTIVITY
for the year ended 30th June 2014

	Notes	2014 '000	2013 '000
INCOME FROM CONTINUING OPERATIONS			
Access charges	A4	2,860	2,603
User charges	A4	6,591	5,582
Fees	A4	673	669
Interest	A4	413	624
Grants and contributions provided for non capital purposes	A4	521	155
TOTAL		<u>11,058</u>	<u>9,633</u>
EXPENSES FROM CONTINUING OPERATIONS			
Employee benefits and on-costs	A3	1,428	1,469
Materials and contracts	A3	1,750	2,001
Borrowing costs	A3	-	-
Depreciation and impairment	A3	1,859	1,883
Water purchase charges		5,419	5,143
Loss on disposal of assets	A5	111	162
Calculated taxation equivalents	1	34	34
Other expenses	A3	512	275
TOTAL		<u>11,113</u>	<u>10,967</u>
SURPLUS / (DEFICIT) FROM CONTINUING OPERATIONS BEFORE CAPITAL AMOUNTS		(55)	(1,334)
Grants and contributions provided for capital purposes	A4	638	1,008
SURPLUS / (DEFICIT) FROM ALL OPERATIONS BEFORE TAX		583	(326)
Less corporate taxation equivalent (30%)	1	-	-
SURPLUS (DEFICIT) AFTER TAX		583	(326)
Add: opening retained profits		37,329	37,654
<i>Adjustments for amounts unpaid</i>			
Taxation equivalent payments	1	34	34
Less: dividends paid	1	(34)	(34)
CLOSING RETAINED PROFITS		<u>37,912</u>	<u>37,328</u>
<i>RETURN ON CAPITAL %</i>	1	-0.05%	-1.23%
<i>NOTIONAL SUBSIDY FROM COUNCIL</i>	1	55	1,334
<i>Calculation of dividend payable</i>			
Surplus (deficit) after tax		583	-326
Less: Capital grants and contributions (excluding developer contributions)		0	0
Surplus for dividend calculation purposes		<u>583</u>	<u>0</u>
Dividend calculated from surplus		292	0

The above Income Statement is to be read in conjunction with the accompanying notes.

BALLINA SHIRE COUNCIL
INCOME STATEMENT
SEWERAGE BUSINESS ACTIVITY
for the year ended 30th June 2014

	Notes	2014 '000	2013 '000
INCOME FROM CONTINUING OPERATIONS			
Access charges	A4	11,703	10,603
User charges	A4	938	803
Liquid trade waste charges	A4	93	85
Fees	A4	32	20
Interest	A4	969	1,703
Grants and contributions provided for non capital purposes	A4	151	158
Other income	A4	550	408
TOTAL		<u>14,442</u>	<u>13,780</u>
EXPENSES FROM CONTINUING OPERATIONS			
Employee benefits and on-costs	A3	3,511	3,609
Materials and contracts	A3	4,303	5,526
Borrowing costs	A3	5,161	3,702
Depreciation and impairment	A3	2,643	2,841
Loss on disposal of assets	A5	-	1,582
Calculated taxation equivalents	1	20	27
Debt guarantee fee		669	593
Other expenses	A3	1,401	230
TOTAL		<u>17,708</u>	<u>18,110</u>
SURPLUS / (DEFICIT) FROM CONTINUING OPERATIONS BEFORE CAPITAL AMOUNTS		(3,266)	(4,330)
Grants and contributions provided for capital purposes	A4	2,014	1,482
SURPLUS / (DEFICIT) FROM ALL OPERATIONS BEFORE TAX		(1,252)	(2,848)
Less corporate taxation equivalent (30%)	1	-	-
SURPLUS (DEFICIT) AFTER TAX		(1,252)	(2,848)
Add: opening retained profits		108,554	110,809
<i>Adjustments for amounts unpaid</i>			
Taxation equivalent payments	1	20	27
Debt guarantee fees		669	593
Less: dividends paid	1	(20)	(28)
ACCUMULATED SURPLUS		<u>107,971</u>	<u>108,553</u>
<i>RETURN ON CAPITAL %</i>	1	0.72%	-0.25%
<i>NOTIONAL SUBSIDY FROM COUNCIL</i>	1	N/A	628
<i>Calculation of dividend payable</i>			
Surplus (deficit) after tax		-1,252	-2,848
Less: Capital grants and contributions (excluding developer contributions)		<u>151</u>	
Surplus for dividend calculation purposes		<u>0</u>	<u>0</u>
Dividend calculated from surplus		0	0

The above Income Statement is to be read in conjunction with the accompanying notes.

INCOME STATEMENT BY BUSINESS ACTIVITIES
for the year ended 30th June 2014

	Notes	BUSINESS ACTIVITIES											
		Quarry '000		Airport '000		Wigmore Arcade '000		Land Development '000		Landfill and Resource Recovery '000		Private Works '000	
		2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
INCOME FROM CONTINUING OPERATIONS													
User charges	A4	350	410	4,546	3,917	335	445	1,259	1,391	6,653	6,527	248	113
Interest	A4	63	76	72	89	2	4	181	178	54	79	-	-
Grants and contributions provided for non capital purposes	A4	-	-	-	-	54	-	-	-	146	253	-	-
TOTAL		413	486	4,618	4,006	391	449	1,440	1,569	6,853	6,859	248	113
EXPENSES FROM CONTINUING OPERATIONS													
Employee benefits and on-costs	A3	-	-	651	700	-	-	-	-	812	795	-	-
Materials and contracts	A3	43	71	2,368	2,093	293	315	456	1,048	4,264	4,348	222	98
Borrowing costs	A3	17	200	554	424	-	-	-	-	300	670	-	-
Depreciation and impairment	A3	80	82	761	830	-	-	50	-	1,298	1,240	-	-
Fair value adjustment on investment property	A5	-	-	2,075	-	57	1,000	-	-	-	-	-	-
Loss on disposal of assets	A5	26	26	110	39	57	58	396	398	68	63	-	-
Calculated taxation equivalents	2	166	379	6,519	4,086	350	1,373	902	1,446	6,742	7,116	222	98
TOTAL		247	107	(1,901)	(80)	41	(924)	538	123	111	(257)	26	15
SURPLUS (DEFICIT) FROM CONTINUING OPERATIONS RESULT BEFORE CAPITAL													
Grants and contributions provided for capital purposes	A4	-	-	-	2,344	-	-	-	-	-	212	-	-
SURPLUS (DEFICIT) FROM ALL OPERATIONS BEFORE TAX		247	107	(1,901)	2,264	41	(924)	538	123	111	(45)	26	15
Less corporate taxation equivalent (30%)	2	74	32	-	-	12	-	161	37	33	-	8	5
SURPLUS (DEFICIT) AFTER TAX		173	75	(1,901)	2,264	29	(924)	377	86	78	(45)	18	10
Add: opening retained profits		1,291	1,373	12,404	10,101	5,078	6,201	15,502	15,840	876	858	-	-
Taxation equivalent payments	1	100	58	110	39	71	58	557	435	101	63	8	5
Less: dividends paid		(423)	(215)	-	-	(11)	(257)	(1,592)	(859)	(50)	-	(26)	(15)
CLOSING RETAINED PROFITS		1,141	1,291	10,613	12,404	5,167	5,078	14,844	15,502	1,005	876	-	-
RATE OF RETURN ON CAPITAL %	2	18.40%	22.12%	-4.57%	1.30%	0.80%	NIL	NIL	NIL	4.21%	4.71%	NIL	NIL
NOTIONAL SUBSIDY FROM COUNCIL	2	1	N/A	2,158	648	99	N/A	0	0	N/A	N/A	N/A	N/A

The above Income Statement is to be read in conjunction with the accompanying notes.

BALLINA SHIRE COUNCIL

STATEMENT OF FINANCIAL POSITION WATER SUPPLY BUSINESS ACTIVITY for the year ended 30th June 2014

	Notes	2014 '000	2013 '000
CURRENT ASSETS			
Cash and cash equivalents	A6	9,662	2,380
Investments	A6		7,140
Receivables	A7	2,095	1,866
TOTAL CURRENT ASSETS		<u>11,757</u>	<u>11,386</u>
NON-CURRENT ASSETS			
Investments	A6	1,240	1,298
Receivables	A7	164	165
Infrastructure, property, plant and equipment	A9	111,486	108,371
TOTAL NON-CURRENT ASSETS		<u>112,890</u>	<u>109,834</u>
TOTAL ASSETS		<u>124,647</u>	<u>121,220</u>
CURRENT LIABILITIES			
Interest bearing liabilities	A10		-
Provisions	A10	124	146
TOTAL CURRENT LIABILITIES		<u>124</u>	<u>146</u>
TOTAL LIABILITIES		<u>124</u>	<u>146</u>
NET ASSETS		<u>124,523</u>	<u>121,074</u>
EQUITY			
Retained earnings		37,912	37,328
Revaluation reserve		86,611	83,746
TOTAL EQUITY		<u>124,523</u>	<u>121,074</u>

This Statement of Financial Position is to be read in conjunction with the accompanying notes.

BALLINA SHIRE COUNCIL

STATEMENT OF FINANCIAL POSITION SEWERAGE BUSINESS ACTIVITY for the year ended 30th June 2014

	Notes	2014 '000	2013 '000
CURRENT ASSETS			
Cash and cash equivalents	A6	18,057	7,382
Investments	A6		22,120
Receivables	A7	1,335	1,780
Other	A8		-
TOTAL CURRENT ASSETS		<u>19,392</u>	<u>31,282</u>
NON-CURRENT ASSETS			
Investments	A6	519	329
Receivables	A7	190	319
Infrastructure, property, plant and equipment	A9	264,586	253,669
TOTAL NON-CURRENT ASSETS		<u>265,295</u>	<u>254,317</u>
TOTAL ASSETS		<u>284,687</u>	<u>285,599</u>
CURRENT LIABILITIES			
Payables	A10	83	4,379
Interest bearing liabilities	A10	2,495	2,385
Provisions	A10	452	461
TOTAL CURRENT LIABILITIES		<u>3,030</u>	<u>7,225</u>
NON-CURRENT LIABILITIES			
Interest bearing liabilities	A10	63,719	65,130
TOTAL NON CURRENT LIABILITIES		<u>63,719</u>	<u>65,130</u>
TOTAL LIABILITIES		<u>66,749</u>	<u>72,355</u>
NET ASSETS		<u>217,938</u>	<u>213,244</u>
EQUITY			
Retained earnings		107,971	108,553
Revaluation reserve		109,967	104,691
TOTAL EQUITY		<u>217,938</u>	<u>213,244</u>

This Statement of Financial Position is to be read in conjunction with the accompanying notes.

BALLINA SHIRE COUNCIL

**STATEMENT OF FINANCIAL POSITION OF OTHER BUSINESS ACTIVITIES
for the year ended 30th June 2014**

		BUSINESS ACTIVITIES											
		Quarry '000		Airport '000		Wigmore Arcade '000		Land Development '000		Refill and Resource Recov '000		Private Works '000	
		2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
CURRENT ASSETS													
Cash and cash equivalents	A6	1,698	1,751		4,648	63	28	3,778	4,613	2,332	2,063		
Inventories	A8									10	13		
Other	A8	16	82							525	615		
TOTAL CURRENT ASSETS		1,714	1,833		4,648	63	28	3,778	4,613	2,867	2,691		
NON-CURRENT ASSETS													
Inventories	A8							5,486	5,259				
Property, plant and equipment	A9	1,435	1,388	29,505	26,440	5,104	5,050	5,580	5,630	9,752	8,638		
Other	A8												
TOTAL NON-CURRENT ASSETS		1,435	1,388	29,505	26,440	5,104	5,050	11,066	10,869	9,752	8,638		
TOTAL ASSETS		3,149	3,221	29,505	31,088	5,167	5,078	14,844	15,502	12,619	11,329		
CURRENT LIABILITIES													
Interest bearing liabilities	A10												
Provisions	A10	1,379	1,362	139	134					1,053	982		
TOTAL CURRENT LIABILITIES		1,379	1,362	139	134					1,053	982		
NON-CURRENT LIABILITIES													
Interest bearing liabilities	A10			9,750	10,451								
Provisions	A10												
TOTAL NON CURRENT LIABILITIES				9,750	10,451								
TOTAL LIABILITIES		1,379	1,362	9,889	10,585					2,585	3,709		
NET ASSETS		1,770	1,859	19,616	20,503	5,167	5,078	14,844	15,502	6,545	4,334		
EQUITY													
Retained earnings		1,141	1,291	10,613	12,404	5,167	5,078	14,844	15,502	1,005	876		
Revaluation reserve		629	568	9,003	8,099					5,540	3,458		
TOTAL EQUITY		1,770	1,859	19,616	20,503	5,167	5,078	14,844	15,502	6,545	4,334		

This Statement of Financial Position is to be read in conjunction with the accompanying notes.

BALLINA SHIRE COUNCIL

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS for the year ended 30th June 2014

Contents of the notes to the financial statements

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Note 2 - Water supply business best practice management disclosure	P12
Note 3 - Sewerage business best practice management disclosure	P13

BALLINA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 1 - SIGNIFICANT ACCOUNTING POLICIES

1. The Special Purpose Financial Statements

A statement summarising the supplemental accounting policies adopted in the preparation of the special purpose financial statements (SPFS) for National Competition Policy reporting purposes follows.

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

2. Basis of Accounting

2.1 Compliance

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

2.2 Basis

The statements are prepared on an accrual basis. They are also 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.

3. National Competition Policy

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

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

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

Category One

Water Supplies

The supply of water to households and businesses in Ballina shire.

Sewerage Service

The collection and treatment of sewerage from households and businesses in Ballina Shire.

Landfill & Resource Recovery

The Waste Management Centre is located at Southern Cross Drive Ballina. The Waste Management Centre receives, disposes and recycles waste that is brought to the centre from private and commercial sources. It also includes the collection of commercial waste in the Ballina Shire by Council but does not include the collection of domestic waste in Ballina Shire by Council.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2014

Note 1 - Significant Accounting Policies (cont)

Airport

The provision of aerodrome infrastructure and facilities for commercial and private air traffic. The airport is situated at Southern Cross Drive Ballina.

Category Two

Quarries

Extraction and sale of sand, gravel and shale from 'Tuckombil Quarry', 'Airport Sandpit' and 'Stokers Shale Quarry'.

Wigmore Arcade

The provision of attractive and competitive shopping centre in central Ballina.

Land Development

The construction of industrial and residential land estates. Council is progressively developing an industrial estate at Wollongbar and another in Ballina. Council also has residential land inventory at Wollongbar.

Private works

Various works conducted on private land.

3.1 Taxation Equivalent Payments

Council does not pay certain taxes and duties that are paid by equivalent private sector operations, but is liable for others. The Special Purpose Financial Statements disclose the effect of imputing these taxes to the declared business units at the several rates that would have applied to equivalent private sector operations. In accordance with the guidelines for Best-Practice Management of Water Supply and Sewerage, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from Water Supply and Sewerage Business activities. The payment of taxation equivalent charges, referred in the Best Practice Management of Water Supply and Sewerage Guides to as a "Dividend for Taxation equivalent", may be applied for any purpose allowed under the Local Government Act, 1993.

Details of the rates of each tax or duty applicable to each different business unit are set out in the table titled Note 1 Table. The narration "applies" indicates that the tax or duty has in fact been paid to the taxing authority by the Business Unit, and that these costs have been included in actual Operating Expenses, and the narration "calculated" indicates that Council has based the calculation of imputed tax on the differing rates of tax or duty applicable to different purchases.

3.2 Council Rates, Charges & Fees

Council rates have been *imputed* in relation to all non-rateable land, and *applied* in relation to all rateable land, owned or exclusively used by all business units. Annual and User Charges, and Regulatory and Other Fees, have been *applied* in relation to all services supplied to business units by Council or other business units.

3.3 Loan & Debt Guarantee Fees

The debt guarantee fee is designed to ensure that Council's business units face equivalent commercial borrowing costs to private sector competitors. In order to calculate the debt guarantee fees, Council has estimated an average differential between actual and commercial borrowing rates for each business unit.

3.4 Corporate Taxation Equivalent

In accordance with the Code of Local Government Accounting Practice and Financial Reporting, income taxation has been calculated on the Operating Result before Capital Amounts disclosed in the Income Statements of the Special Purpose Financial Reports. No allowance has been made for non-deductible items, timing differences or carried forward losses. Australian Accounting Standard AASB 112 "Income Taxes" has not been applied.

3.5 Dividends Paid

In accordance with National Competition Policy guidelines, it is expected that business units will pay dividends to its owner, Council, equivalent to those paid by private sector competitors. In accordance with the Code of Local Government Accounting Practice and Financial Reporting, the rate of dividend paid has been expressed as a percentage of the Change in Net Assets Resulting from Operations after Taxation.

Council is required to pay a dividend from the water and sewer businesses. This compulsory dividend is calculated as the lesser of the number of rateable properties multiplied by \$3 or tax equivalents payable by the business. Typically the lesser of the two is tax equivalents and this calculation can be seen in notes 2 and 3.

Council is permitted, but not required, to pay a dividend to the general funds of the Council from surpluses generated by the business operations. In regard to the water and sewer businesses the maximum amount of such dividend permitted under the Best-Practice Management of Water Supply and Sewerage guidelines is set out at the foot of the relevant Income Statements. Actual payment of the dividend is subject to compliance with the procedures set out in the guidelines.

3.6 Return on Investment (Rate of Return)

The Policy statement states that Category 1 businesses "would be expected to generate a rate of return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field." In accordance with the Code of Accounting Practice, the rate of return on monopoly businesses such as water and sewerage services has been set at an amount sufficient to cover costs and replace assets needed to maintain services. For competitive markets, the rate of return has been set equal to or better than the return on Commonwealth 10 year bonds.

In accordance with the Code of Accounting Practice, the rate of return has been calculated as the Operating Result before Capital Amounts plus Interest Expense expressed as a percentage of the carrying value of Property, Plant & Equipment at the reporting date. Where a loss has been incurred and a negative rate of return is calculated the negative rate is shown so that it explains the notional subsidy paid by Council.

3.7 Notional Subsidy from Council

Government policy requires that subsidies provided to customers and the funding of those subsidies must be explicitly disclosed. Subsidies occur where Council provides services on a less than cost recovery basis, or accepts a lower rate of return on its investment in the business unit than would be acceptable to a private sector competitor.

In accordance with the Code of Accounting Practice, this amount has been calculated as the dollar difference between the required and actual rates of return.

4. Special Rate Funds

The Local Government Act 1993 (as amended) requires that moneys raised by way of Special Rates (or for Domestic Waste Management) be used only for those purposes, except for "dividends" payable in accordance with the Best-Practice Management of Water Supply and Sewerage guidelines, which also impose limits on the amounts payable. Accordingly, *imputed* amounts in excess of the permitted limits have been retained in those funds, and added back to Accumulated Surplus.

All such amounts have been eliminated in the course of preparation of the Council's General Purpose Annual Financial Statements.

5. Other Accounting Policies and Notes

Other accounting policies relating to the determination of revenues and expenses, and assets and liabilities, not specifically referred to above are reported in Note 1 to the Council's Annual General Purpose Financial Statements, and should be read in conjunction with this Note. Note references in the Income Statements of Business Activities and the Statement of Financial Position of Business Activities that are prefixed "A" refer to the Notes to the Annual General Purpose Financial Statements.

6. Rounding

In accordance with the Code of Accounting Practice all amounts shown in these statements are in Australian currency and, other than Notes 2 & 3, have been rounded to the nearest thousand dollars, amounts in Notes 2 & 3 are shown in whole dollars.

BALLINA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE FINANCIAL REPORTS

**NOTE 1 Table - NATIONAL COMPETITION POLICY NOTIONAL PAYMENTS
for the year ended 30th June 2014**

		BUSINESS ACTIVITIES													
		SEWER		Quarry		Airport		Wigmore Arcade		Land Development		Landfill and Resource Recovery		Private Works	
		2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
WATER	1	1	1	2	2	1	1	2	2	2	2	1	1	2	2
	Rate	Calculated	Rate	Calculated	Rate	Calculated	Rate	Calculated	Rate	Calculated	Rate	Calculated	Rate	Calculated	Rate
	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%
	5.83%	0.00%	N/A	244.51%	286.67%	N/A	0.00%	37.93%	N/A	422.28%	986.84%	64.10%	N/A	144.44%	150.00%
	0.00%	0.00%	0.00%	2.75%	3.75%	2.75%	3.75%	2.75%	3.75%	2.75%	3.75%	2.75%	3.75%	2.75%	3.75%
	-0.05%	-1.23%	0.72%	18.40%	22.12%	-4.57%	1.30%	0.80%	NIL	NIL	NIL	4.21%	4.71%	NIL	NIL

Category

TAXATION EQUIVALENT PAYMENTS
 Land tax
 Stamp duty
 Payroll tax
 Fringe benefits tax

COUNCIL RATES, CHARGES & FEES

LOAN & DEBT GUARANTEE FEES

CORPORATE TAXATION EQUIVALENT

DIVIDENDS PAID

RATE OF RETURN ON CAPITAL
 Required rate of return
 Actual rate of return

See Note 1, Item 3.2

BALLINA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE STATEMENTS for the year ended 30th June 2014

Note 2 - BEST PRACTICE MANAGEMENT DISCLOSURES - WATER SUPPLY

	2014
<i>Values shown in this Note are expressed in WHOLE DOLLARS</i>	\$
Calculation and Payment of Tax-Equivalents	
(i) Calculated tax equivalents	34,000
(ii) No of assessments multiplied by \$3/assessment	45,741
(iii) Amounts payable for tax equivalents	34,000
(iv) Tax equivalents paid	34,000
Dividend from Surplus	
(i) 50% of surplus before dividends <i>(Calculated in accordance with Best Practice Management for Water Supply and Sewerage guidelines.)</i>	292,000
(ii) No of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	423,410
(iii) Cumulative surplus before dividends for 3 years to 30 June 2014, less cumulative dividends paid for 2 years to 30 June 2013	0
(iv) Maximum dividend from surplus <i>(least of (i), (ii) and (iii))</i>	0
(v) Dividend paid from surplus	0
Required Outcomes for 6 Criteria	
(i) Completion of Strategic Business Plan (including Financial Plan)	Yes
(ii) Pricing with full cost-recovery, without significant cross subsidies <i>(Item 2(a) in Table 1 on page 22 of Best Practice guidelines)</i>	Yes
Complying charges <i>(Item 2(b) in Table 1)</i>	Yes
DSP with commercial developer charges <i>(Item 2(e) in Table 1)</i>	Yes
If dual water supplies, complying charges <i>(Item 2(g) in Table 1)</i>	Yes
(iii) Sound Water Conservation & Demand Management Implemented	Yes
(iv) Sound Drought Management implemented	Yes
(v) Complete Performance Reporting Form <i>(by 15 September each year)</i>	Yes
(vi) Complete Integrated Water Cycle Management Evaluation	Yes
(vii) Complete and implement Integrated Water Cycle Management Strategy	Yes
National Water Initiative (NWI) Financial Performance Indicators	
NWI F1 Total Revenue (Water)	\$'000 11,283
NWI F4 Residential Revenue from Usage Charges (Water)	% 68.11
NWI F9 Written Down Replacement Cost of Fixed Assets (Water)	\$'000 111,296
NWI F11 Operating Cost (OMA) (Water)	\$'000 9,097
NWI F14 Capital Expenditure (Water)	\$'000 2,100
NWI F17 Economic Real Rate of Return (Water)	% 0.29
NWI F20 Capital Works Grants (Water)	\$'000

BALLINA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE STATEMENTS for the year ended 30th June 2014

Note 3 - BEST PRACTICE MANAGEMENT DISCLOSURES - SEWERAGE

		2014
<i>Values shown in this Note are expressed in WHOLE DOLLARS</i>		\$
Calculation and Payment of Tax-Equivalents		
(i) Calculated taxEquivalents		20,000
(ii) No of assessments multiplied by \$3/assessment		44,979
(iii) Amounts payable for tax equivalents <i>(lesser of (i) and (ii))</i>		20,000
(iv) Tax equivalents paid		20,000
Dividend from Surplus		
(i) 50% of surplus before dividends <i>(Calculated in accordance with Best Practice Management for Water Supply and Sewerage guidelines.)</i>		0
(ii) No of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment		429,790
(iii) Cumulative surplus before dividends for 3 years to 30 June 2014, less cumulative dividends paid for 2 years to 30 June 2013		0
(iv) Maximum dividend from surplus <i>(least of (i), (ii) and (iii))</i>		0
(v) Dividend paid from Surplus		0
Required Outcomes for 4 Criteria		
(i) Complete current Strategic Business Plan (including Financial Plan)		Yes
(ii) Pricing with full cost-recovery, without significant cross subsidies <i>(Item 2(a) in Table 1 on page 18 of Best practice guidelines)</i>		Yes
Complying charges (a) Residential <i>(Item 2(c) in Table 1)</i>		Yes
(b) Non-residential <i>(Item 2(c) in Table 1)</i>		Yes
(c) Trade waste <i>(Item 2(d) in Table 1)</i>		Yes
DSP with commercial developer charges <i>(Item 2(e) in Table 1)</i>		Yes
Liquid Trade Waste Approvals & Policy <i>(Item 2(f) in Table 1)</i>		Yes
(iii) Complete Performance Reporting Form <i>(by 15 September each year)</i>		Yes
(iv) a. Complete Integrated Water Cycle Management Evaluation		Yes
(iv) b. Complete and implement Integrated Water Cycle Management Strategy		Yes
National Water Initiative (NWI) Financial Performance Indicators		
NWI F2 Total Revenue (Sewerage)	\$'000	15,481
NWI F10 Written Down Replacement Cost of Fixed Assets (Sewerage)	\$'000	264,360
NWI F12 Operating Cost (Sewerage)	\$'000	9,045
NWI F15 Capital Expenditure (Sewerage)	\$'000	8,794
NWI F18 Economic Real Rate of Return (Sewerage)	%	1
NWI F27 Capital Works Grants (Sewer)	\$'000	0
NWI F3 Total Income (Water & Sewerage)	\$'000	26,659
NWI F8 Revenue from Community Service Obligations (Water & Sewerage)	%	1
NWI F16 Capital Expenditure (Water & Sewerage)	\$'000	10,894
NWI F19 Economic Real Rate of Return (Water & Sewerage)	%	1
NWI F20 Dividend (Water & Sewerage)	\$'000	0
NWI F21 Dividend Payout Ratio (Water & Sewerage)	%	0
NWI F22 Net Debt to Equity (Water & Sewerage)	%	11
NWI F23 Interest Cover (Water & Sewerage)	times	1
NWI F24 Net Profit after Tax (Water & Sewerage)	\$'000	-54
NWI F25 Community Service Obligations (Water & Sewerage)	\$'000	303



PART D

Special Schedules

BALLINA SHIRE COUNCIL

SPECIAL SCHEDULES for the year ended 30th June 2014

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BALLINA SHIRE COUNCIL
SPECIAL SCHEDULE NO. 1
NET COST OF SERVICES
for the year ended 30th June 2014

\$'000

Function or Activity	Expenses from continuing operations	Income from continuing operations (non-capital)	Income from continuing operations (capital)	NET COST OF SERVICES
GOVERNANCE	902	-	-	902
ADMINISTRATION	4,016	1,032	2,390	594
PUBLIC ORDER & SAFETY				
Fire Service Levy, Fire Protection, Emergency Services	495	161	183	151
Beach Control	245	-	529	(284)
Animal Control	87	71	-	16
Other	394	92	-	302
Total Public Order & Safety	1,221	324	712	185
HEALTH	641	-	184	457
ENVIRONMENT				
Noxious Plants and Insect / Vermin Control	104	-	-	104
Other Environmental Protection	569	43	-	526
Solid Waste Management	8,540	9,419	-	(879)
Street Cleaning	335	-	-	335
Drainage	2,017	282	463	1,272
Total Environment	11,565	9,744	463	1,358
COMMUNITY SERVICES & EDUCATION				
Administration & Education	886	172	-	714
Childrens Services	66	-	-	66
Total Community Services & Education	952	172	-	780
HOUSING & COMMUNITY AMENITIES				
Public Cemeteries	232	340	-	(108)
Public Conveniences	324	-	-	324
Street Lighting	450	-	-	450
Town Planning	2,778	561	-	2,217
Other Community Amenities	187	-	-	187
Total Housing & Community Amenities	3,971	901	-	3,070
WATER SUPPLIES	10,651	10,215	1,007	(571)
SEWERAGE SERVICES	16,002	13,988	2,014	-

BALLINA SHIRE COUNCIL

SPECIAL SCHEDULE NO. 1 - NET COST OF SERVICES (cont) for the year ended 30th June 2014

\$'000

Function or Activity	Expenses from continuing operations	Income from continuing operations (non-capital)	Income from continuing operations (capital)	NET COST OF SERVICES
RECREATION & CULTURE				
Public Libraries	1,690	110	-	1,580
Museums	21	-	-	21
Art Galleries	217	76	-	141
Community Centres and Halls	1,229	144	25	1,060
Sporting Grounds	786	83	1,521	(818)
Swimming Pools	715	349	15	351
Parks & Gardens, Lakes	3,031	543	-	2,488
Other Sport & Recreation	102	-	-	102
Total Recreation & Culture	7,791	1,305	1,561	4,925
MINING, MANUFACTURING & CONSTRUCTION				
Building Control	728	893	-	(165)
Other Mining Manufacturing & Construction	172	382	-	(210)
Total Mining Manufacturing & Construction	900	1,275	-	(375)
TRANSPORT & COMMUNICATION				
Urban Roads: Local	11,151	500	4,925	5,726
Urban Roads: Regional	329	-	-	329
Sealed Rural Roads: Local	1,040	-	-	1,040
Sealed Rural Roads: Regional	358	-	-	358
Unsealed Rural Roads: Local	586	-	-	586
Bridges - Urban Roads: Local	199	-	-	199
Parking Areas	37	-	-	37
Footpaths	329	-	534	(205)
Aerodromes	6,368	4,618	-	1,750
Other Transport & Communication	790	1,571	34	(815)
Total Transport & Communication	21,187	6,689	5,493	9,005
ECONOMIC AFFAIRS				
Camping Areas & Caravan Parks	724	423	-	301
Other Economic Affairs	2,420	2,581	150	(311)
Total Economic Affairs	3,144	3,004	150	(10)
TOTALS - FUNCTIONS				
	82,943	48,649	13,974	20,320
General Purpose Revenues				20,430
NET OPERATING RESULT FOR YEAR				110

BALLINA SHIRE COUNCIL

**SPECIAL SCHEDULE NO. 2 (A)
STATEMENT OF LONG TERM DEBT (ALL PURPOSE)
for the year ended 30th June 2014**

\$'000

Classification of Debt	Principal Outstanding at beginning of year		New Loans Raised	Debt Redemption		Tfrs to Sinking Funds	Interest applicable for year	Principal outstanding at end of year	
	Current	Non-Current		From Revenue	Sinking Funds			Current	Non-Current
LOANS (by source)									
Treasury Corporation	1,285	8,010	-	1,285	-	-	-	1,285	6,725
Financial Institutions	6,665	81,476	1,890	4,316	-	-	6,280	6,766	78,949
TOTAL LONG TERM DEBT	7,950	87,186	1,890	5,601	-	-	6,280	8,051	85,674

This Schedule excludes refinancing of existing borrowings (except for any additional borrowings) and internal loans.

**SPECIAL SCHEDULE NO. 2 (B)
STATEMENT OF INTERNAL LOANS
for the year ended 30th June 2014**

\$'000

SUMMARY OF INTERNAL LOANS

Borrower (by purpose)	Amount Originally Raised	Total Repaid During Year Principal & Interest	Principal Outstanding at end of year
Nil Internal Loans	-	-	-
Totals	-	-	-

BALLINA SHIRE COUNCIL
SPECIAL SCHEDULE NO. 3
WATER SUPPLY INCOME STATEMENT
(Gross including Internal Transactions)
for the year ended 30th June 2014

<u>A. EXPENSES & REVENUES</u>	2014	2013
<u>EXPENSES</u>	\$'000	\$'000
1.a. Management - Administration	1,843	2,005
b. - Engineering & Supervision	277	215
2 Operations		
a. - Dams & Weirs - Operation Expenses	-	-
b. - Maintenance Expenses	-	-
c. - Mains - Operation Expenses	192	245
d. -Maintenance Expenses	349	425
e. - Reservoirs - Operation Expenses	-	-
f. - Maintenance Expenses	63	69
g. - Pumping Stations - Operation Expenses	58	49
h. - Energy Costs	55	50
i. - Maintenance Expenses	-	-
j. - Treatment - Operation Expenses	154	80
k. - Chemical Costs	-	-
l. - Maintenance Expenses	-	-
m. - Other - Operation Expenses	217	204
n. - Maintenance Expenses	470	395
o. - Purchase of Water	5,419	5,143
3.a. Depreciation - System Assets	1,810	1,809
b. - Plant & Equipment	49	74
4.a. Miscellaneous - Interest expenses	-	-
b. - Revaluation decrements	-	-
c. - Other	12	8
c. - NCP Tax & Other Equivalentents	34	34
d. - Impairment system assets	-	-
e. - Impairment plant and equipment	-	-
f. - Aboriginal Communities Water & Sewerage Program	-	-
5 Total Expenses	11,002	10,805
<u>REVENUE</u>		
6 Residential Charges		
a. - Access (including rates)	2,236	2,035
b. - User Charges	4,776	4,105
7 Non-Residential Charges		
a. - Access (including rates)	624	568
b. - User Charges	1,815	1,477
8 Extra Charges	-	-
9 Interest income	413	624
10 Other Income	673	669
10a. - Aboriginal Communities Water & Sewerage Program	-	-
11.a. Grants - Acquisition of Assets	-	45
b. - Pensioner Rebates	152	155
c. - Other	-	-
12.a. Contributions - Developer Charges	430	308
b. - Developer Provided Assets	208	655
c. - Other Contributions	369	-
13 Total Revenues	11,696	10,641
14 Gain (Loss) on Disposal of Assets	(111)	(162)
15 OPERATING RESULT	583	(326)
15a. Operating Result before Grants for Acquisition of Assets	583	(371)

BALLINA SHIRE COUNCIL

SPECIAL SCHEDULE NO. 3 - WATER SUPPLY INCOME STATEMENT (cont)

	2014 \$'000	2013 \$'000
B. CAPITAL TRANSACTIONS		
<u>Non - Operating Expenditure</u>		
16 Acquisition of Fixed Assets		
a. - New assets for improved standards	-	-
b. - New assets for growth	387	1,381
c. - Renewals	1,646	116
d. - Plant & Equipment	67	98
17 Repayment of Debt		
a. - Loans	-	4
b. - Advances	-	-
c. - Finance Leases	-	-
18 Transfers to Sinking Funds	-	-
19 Total Non-Operating Expenditure	2,100	1,599
<u>Non-Operating Funds Employed</u>		
20 Proceeds from Disposal of Assets	-	6
21 Borrowings Utilised		
a. - Loans	-	-
b. - Advances	-	-
c. - Finance Leases	-	-
22 Transfers from Sinking Funds	-	-
23 Total Non-Operating Funds Employed	-	6
C. RATES & CHARGES		
24 Number of Assessments		
a. - Residential (occupied)	13,429	
b. - Residential (unoccupied - vacant land)	302	
c. - Non-Residential (occupied)	1,475	
d. - Non -Residential (unoccupied - vacant land)	41	
25 Number of ETs for which Developer Charges were	125 ET	
26 Total Amount of Pensioner Rebates	274 \$'000	
D. BEST PRACTICE ANNUAL CHARGES & DEVELOPER CHARGES		
27 Annual Charges		
a. Does Council have best-practice water supply annual charges and usage charges?	<input checked="" type="checkbox"/> YES	
If Yes, go to 28a.		
If No, has Council removed land value from access charges (i.e. rates)	<input type="checkbox"/>	
b. Cross subsidy from residential customers using less than allowance		_____
c. Cross subsidy to non-residential customers		_____
d. Cross subsidy to large connections in unmetered supplies		_____
28 Developer Charges		
a. Has Council completed a water supply Development Servicing Plan?	<input checked="" type="checkbox"/> YES	
b. Total cross-subsidy in water supply developer charges		_____
29 TOTAL OF CROSS SUBSIDIES		-

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

BALLINA SHIRE COUNCIL

**SPECIAL SCHEDULE NO. 4
WATER SUPPLY - STATEMENT OF FINANCIAL POSITION
(Gross including Internal Transactions)
for the year ended 30th June 2014**

	<u>Current</u>	<u>Non-Current</u>	<u>Total</u>
	\$'000	\$'000	\$'000
<u>ASSETS</u>			
30 Cash and Investments			
a. - Developer Charges	6,507	1,240	7,747
b. - Specific Purpose Grants	-	-	-
c. - Accrued Leave	120	-	120
d. - Unexpended Loans	-	-	-
e. - Sinking Funds	-	-	-
f. - Other	3,035	-	3,035
31 Receivables			
a. - Specific Purpose Grants	3	-	3
b. - Rates & Availability Charges	372	28	400
c. - User charges	1,621	122	1,743
d. - Other	99	14	113
32 Inventories	-	-	-
33 Property, Plant & Equipment			
a. - System Assets	-	111,296	111,296
b. - Plant & Equipment	-	190	190
34 Other	-	-	-
35 Total Assets	<u>11,757</u>	<u>112,890</u>	<u>124,647</u>
<u>LIABILITIES</u>			
36 Bank Overdraft	-	-	-
37 Creditors	-	-	-
38 Borrowings			
a. - Loans	-	-	-
b. - Advances	-	-	-
c. - Finance Leases	-	-	-
39 Provisions			
- Tax Equivalents	-	-	-
a. - Dividend	-	-	-
b. - Other	124	-	124
40 Total Liabilities	<u>124</u>	<u>-</u>	<u>124</u>
41 NET ASSETS COMMITTED	<u>11,633</u>	<u>112,890</u>	<u>124,523</u>
<u>EQUITY</u>			
42 Accumulated Surplus			37,912
43 Asset Revaluation Reserve			86,611
44 Total Equity			<u>124,523</u>
45 Current Replacement Cost of System Assets			170,061
46 Accumulated Current Cost Depreciation of System Assets			58,765
47 Written Down Current Cost of System Assets			<u>111,296</u>

BALLINA SHIRE COUNCIL

**SPECIAL SCHEDULE NO. 5
SEWERAGE SERVICES INCOME STATEMENT**

(Gross including Internal Transactions)
for the year ended 30th June 2014

<u>A. EXPENSES & REVENUES</u>	2014	2013
<u>EXPENSES</u>	\$'000	\$'000
1.a. Management - Administration	3,288	3,830
b. - Engineering & Supervision	586	398
2 Operations & Maintenance Expenses		
a. -Mains - Operation Expenses	-	-
b. -Maintenance Expenses	464	501
c. - Pumping Stations - Operation Expenses	118	170
d. - Energy Costs	343	439
e. - Maintenance Expenses	1,075	1,030
f. - Treatment - Operation Expenses	1,498	1,191
g. - Chemical Costs	-	-
h. - Energy Costs	933	754
i. - Effluent Management	-	-
j. - Biosolids Management	198	187
k. - Maintenance Expenses	259	359
l. - Other - Operation Expenses	141	87
m. - Maintenance Expenses	142	189
3.a. Depreciation - System Assets	2,580	2,711
b. - Plant & Equipment	63	130
4.a. Miscellaneous - Interest expense	5,161	3,702
b. - Revaluation decrements	-	-
c. - Other	170	230
c. - NCP Tax & Other Equivalentents	20	27
d. - Impairment system assets	-	-
e. - Impairment plant and equipment	-	-
f. - Aboriginal Communities Water & Sewerage Program	-	-
5 Total Expenses	<u>17,039</u>	<u>15,935</u>
 <u>REVENUE</u>		
6 Residential Charges (including rates)	10,233	9,278
7 Non-Residential Charges		
a Access (including rates)	1,436	1,292
b User Charges	938	803
8 Trade Waste Charges		
a Annual Fees	34	33
b User Charges	93	85
c. Excess Mass Charges	32	20
Re-inspection charges	-	-
9 Extra Charges	-	-
10 Interest income	969	1,703
11 Other Income	550	408
11a. Aboriginal Communities Water & Sewerage Program	-	-
12.a. Grants - Acquisition of Assets	-	-
b. - Pensioner Rebates	151	150
c. - Other	-	-
13.a Contributions - Developer Charges	1,352	920
b. - Developer Provided Assets	662	562
c. - Other Contributions	-	8
14 Total Revenues	<u>16,450</u>	<u>15,262</u>
 15 Gain (Loss) on Disposal of Assets	<u>6</u>	<u>(1,582)</u>
16 OPERATING RESULT	<u>(583)</u>	<u>(2,255)</u>
 16.a. Operating Result before Grants for Acquisition of Assets	<u>(583)</u>	<u>(2,255)</u>

BALLINA SHIRE COUNCIL

SPECIAL SCHEDULE NO. 5 - SEWERAGE SERVICES INCOME STATEMENT (cont)

	2014 \$'000	2013 \$'000
<u>B. CAPITAL TRANSACTIONS</u>		
<u>Non - Operating Expenditure</u>		
17 Acquisition of Fixed Assets		
a. - New assets for improved standards	-	608
b. - New assets for growth	6,783	16,111
c. - Renewals	1,909	9,229
d. - Plant & Equipment	102	104
18 Repayment of Debt		
a. - Loans	2,385	985
b. - Advances	-	-
c. - Finance Leases	-	-
19 Transfers to Sinking Funds	-	-
20 Total Non-Operating Expenditure	11,179	27,037
<u>Non-Operating Funds Employed</u>		
21 Proceeds of Disposal of Assets	35	15
22 Borrowings Utilised		
a. - Loans	690	16,892
b. - Advances	-	-
c. - Finance Leases	-	-
23 Transfers from Sinking Funds	-	-
24 Total Non-Operating Funds Employed	725	16,907
<u>C. RATES AND CHARGES</u>		
25 Number of Assessments		
a. - Residential (occupied)	13,085	
b. - Residential (unoccupied - vacant land)	455	
c. - Non-Residential (occupied)	1,412	
d. - Non-Residential (unoccupied - vacant land)	41	
26 Number of ETs for which Developer Charges were	181 ET	
27 Total Amount of Pensioner Rebates	276 \$'000	
<u>D. BEST PRACTICE ANNUAL CHARGES & DEVELOPER CHARGES</u>		
28 Annual Charges		
a Does Council have best-practice sewerage annual charges, usage charges and trade waste fees and charges?	<input type="checkbox"/>	<input checked="" type="checkbox"/> YES
If Yes, go to 29a.		
If No, has Council removed land value from access charges (i.e. rates)	<input type="checkbox"/>	<input type="checkbox"/>
b Cross subsidy to non-residential customers	<input type="checkbox"/>	<input type="checkbox"/>
c Cross subsidy to trade waste dischargers	<input type="checkbox"/>	<input type="checkbox"/>
29 Developer Charges		
a Has Council completed a sewerage Development Servicing Plan?	<input type="checkbox"/>	<input checked="" type="checkbox"/> YES
b Total cross-subsidy in sewerage developer charges	<input type="checkbox"/>	<input type="checkbox"/>
30 TOTAL OF CROSS SUBSIDIES	<input type="checkbox"/>	<input type="checkbox"/>

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

BALLINA SHIRE COUNCIL

**SPECIAL SCHEDULE NO. 6
SEWERAGE SERVICES - STATEMENT OF FINANCIAL POSITION
(Gross including Internal Transactions)
for the year ended 30th June 2014**

	<u>Current</u>	<u>Non-Current</u>	<u>Total</u>
	\$'000	\$'000	\$'000
<u>ASSETS</u>			
31 Cash and Investments			
a. - Developer Charges	2,902	519	3,421
b. - Specific Purpose Grants	-	-	-
c. - Accrued Leave	452	-	452
d. - Unexpended Loans	-	-	-
e. - Sinking Funds	-	-	-
f. - Other	14,703	-	14,703
32 Receivables			
a. - Specific Purpose Grants	3	-	3
b. - Rates & Availability Charges	473	36	509
c. - User charges	586	44	630
d. - Other	273	110	383
33 Inventories	-	-	-
34 Property, Plant & Equipment			
a. - System Assets	-	264,360	264,360
b. - Plant & Equipment	-	226	226
35 Other	-	-	-
36 Total Assets	<u>19,392</u>	<u>265,295</u>	<u>284,687</u>
<u>LIABILITIES</u>			
37 Bank Overdraft	-	-	-
38 Creditors	83	-	83
39 Borrowings			
a. - Loans	2,495	63,719	66,214
b. - Advances	-	-	-
c. - Finance Leases	-	-	-
40 Provisions			
- Tax Equivalents	-	-	-
a. - Dividend	-	-	-
b. - Other	452	-	452
41 Total Liabilities	<u>3,030</u>	<u>63,719</u>	<u>66,749</u>
42 NET ASSETS COMMITTED	<u>16,362</u>	<u>201,576</u>	<u>217,938</u>
<u>EQUITY</u>			
43 Accumulated Surplus			107,971
44 Asset Revaluation Reserve			109,967
45 Total Equity			<u>217,938</u>
46 Current Replacement Cost of System Assets			335,316
47 Accumulated Current Cost Depreciation of System Assets			70,956
48 Written Down Current Cost of System Assets			<u>264,360</u>

BALLINA SHIRE COUNCIL

**SPECIAL SCHEDULE NO. 7
REPORT ON INFRASTRUCTURE ASSETS
as at 30th June 2014**

Asset Class	Asset Category	Estimated Cost to bring to a Satisfactory Standard '000	Required Annual Maintenance '000	2013/14 Actual Maintenance '000	Carrying Value '000	Assets in condition as % of WDV					
						1	2	3	4	5	
Public Buildings	Council Offices	-	150	85	6,704	19%	81%	0%	0%	0%	
	Works Depot	197	112	112	3,966	82%	10%	3%	4%	1%	
	Halls	-	66	66	4,140	4%	69%	27%	0%	0%	
	Dwellings	-	48	48	964	0%	46%	54%	0%	0%	
	Airport	-	139	139	5,181	90%	9%	1%	0%	0%	
	Shops/Offices	41	99	99	5,190	46%	23%	28%	1%	2%	
	Library	-	11	11	3,221	96%	4%	0%	0%	0%	
	Community Centres	-	125	95	12,226	100%	0%	0%	0%	0%	
	Childcare Centres	-	-	-	2,110	0%	72%	28%	0%	0%	
	Waste Centre	-	57	57	2,184	75%	23%	2%	0%	0%	
	Amenities/Toilets	163	131	131	10,722	41%	38%	20%	1%	0%	
	Subtotal		401	938	843	56,608	58%	30%	11%	1%	0%
	Other Structures	Structures not included in buildings	55	-	-	10,606	62%	32%	6%	0%	0%
Subtotal		55	-	-	10,606	62%	32%	6%	0%	0%	
Public Roads	Sealed Roads	664	2,997	2,747	299,941	74%	23%	3%	0%	0%	
	Unsealed Roads	155	591	591	12,232	42%	54%	3%	0%	1%	
	Bridges	53	15	15	29,457	68%	9%	23%	0%	0%	
	Footpaths/Cycleways	-	191	191	20,215	87%	11%	2%	0%	0%	
	Kerb & Gutter	15	7	7	20,561	60%	39%	1%	0%	0%	
	Road Furniture	-	151	151	27,279	76%	24%	0%	0%	0%	
Subtotal		887	3,952	3,702	409,685	73%	23%	4%	0%	0%	
Water	Treatment Plants	6	77	77	3,137	56%	44%	0%	0%	0%	
	Water Connections	-	401	401	785	23%	39%	29%	9%	0%	
	Reservoirs	-	63	63	9,448	23%	73%	1%	3%	0%	
	Pipelines	350	349	349	92,202	40%	33%	25%	1%	1%	
	Pump Stations	-	23	23	431	15%	76%	9%	0%	0%	
Subtotal		356	913	913	106,003	39%	37%	22%	1%	1%	

BALLINA SHIRE COUNCIL

SPECIAL SCHEDULE NO. 7 - REPORT ON INFRASTRUCTURE ASSETS (cont)
as at 30th June 2014

Asset Class	Asset Category	Estimated Cost to bring to a Satisfactory Standard '000	Estimated Annual Maintenance Expense '000	2013/14 Actual Maintenance '000	Carrying Value '000	Assets in condition as % of WDV				
						1	2	3	4	5
Sewerage	Mains	241	464	464	134,973	43%	55%	2%	0%	0%
	Pumping Stations	-	1,075	1,075	27,723	45%	39%	12%	0%	4%
	Treatment	-	259	259	1,328	38%	17%	7%	0%	38%
	Reuse Irrigation	-	67	67	31,331	100%	0%	0%	0%	0%
	Subtotal	241	1,865	1,865	195,355	52%	44%	3%	0%	1%
Stormwater Drainage	Pollution Control	-	50	44	1,487	96%	4%	0%	0%	0%
	Outfall Structures	16	-	-	148	48%	33%	13%	6%	0%
	Reticulation - Pipe	4	250	202	53,788	50%	49%	1%	0%	0%
	Reticulation - Pit	2	-	-	11,009	55%	44%	1%	0%	0%
	Subtotal	109	-	-	4,787	19%	40%	40%	1%	0%
Open Space / Recreational	Swimming Pools	131	300	246	71,219	50%	47%	4%	0%	0%
	Other Open Space / Recreational	-	46	46	1,551	48%	22%	30%	0%	0%
	Subtotal	-	111	111	1,551	48%	22%	30%	0%	0%
Total Classes - All Assets		2,071	8,079	7,680	851,027	61%	32%	7%	0%	0%

Infrastructure Asset Condition Assessment

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

BALLINA SHIRE COUNCIL

SPECIAL SCHEDULE NO. 7 - REPORT ON INFRASTRUCTURE ASSETS (cont) as at 30th June 2014

Infrastructure Asset Performance Indicators - Consolidated

	2014	2013	2012
	<u>Amounts</u>	<u>Indicators</u>	
Building & infrastructure renewals ratio			
<u>Asset renewals (buildings & infrastructure)</u>	<u>15,523</u>		
Depreciation, amortisation & impairment (buildings & infrastructure)	16,727	0.93:1	1.15:1 1.03:1
Infrastructure backlog			
Estimated cost to bring assets to satisfactory condition	<u>2,071</u>		
Carrying value of infrastructure, building, other structures & depreciable land improvements	857,860	0: 1	0.01: 1 0.02: 1
Asset maintenance ratio			
<u>Actual asset maintenance</u>	<u>7,680</u>		
Required asset maintenance	8,079	0.95: 1	1.23: 1 0.99: 1
Capital expenditure ratio			
<u>Actual capital expenditure</u>	<u>36,716</u>		
Annual depreciation	20,305	1.81: 1	2.69: 1 2.09: 1

Infrastructure Asset Performance Indicators - General, Water & Sewer Funds

	Current Year Indicators		
	General	Water	Sewer
* Calculated as for the consolidated indicators shown above.			
Building & infrastructure renewals ratio	0.75: 1	0.91: 1	0.74: 1
Infrastructure backlog	0: 1	0: 1	0: 1
Asset maintenance ratio	0.92: 1	1: 1	1: 1
Capital expenditure ratio	1.74: 1	0.74: 1	2.96: 1

BALLINA SHIRE COUNCIL

**SPECIAL SCHEDULE NO. 8 - FINANCIAL PROJECTIONS
as at 30th June 2014**

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m
Recurrent Budget										
Income from continuing operations	82	84	86	94	100	97	98	98	102	106
Expenses from continuing operations	83	83	84	85	88	90	92	94	97	99
Operating result from continuing operations	(1)	1	2	9	12	7	6	4	5	7
Capital Budget										
New Works	20	13	11	16	25	15	13	6	6	5
Replacement of existing assets	14	6	10	12	11	6	5	7	7	8
	34	19	21	28	36	21	18	13	13	13
Funded by										
- Loans	1	4	4	8	5	-	-	-	-	-
- Reserves	26	11	13	15	26	17	13	8	8	7
- Grants/Contributions	4	1	1	1	1	1	1	1	1	1
- Recurrent revenue	3	3	3	4	4	3	4	4	4	5
	34	19	21	28	36	21	18	13	13	13

Financial projections are in accordance with Council's Integrated Planning and Reporting framework.

BALLINA SHIRE COUNCIL

SPECIAL SCHEDULE NO. 9 - PERMISSIBLE INCOME for GENERAL RATES as at 30th June 2014

	2013/14 "Rating \$'000	2014/15 "Rating \$'000
Notional General Income Calculation		
Last Year Notional General Income Yield	16,593	17,625
+/- Yield changes arising from valuation adjustments ⁽¹⁾	42	104
Notional General Income	16,635	17,729
 Permissible Income Calculation		
Less: expiring special variation amount		
Plus: special variation amount ⁽²⁾	5.90% 981	0.00%
or rate peg amount	3.40%	2.30% 408
or crown land adjustment and rate peg amount	0.00%	0.00%
Sub-total	17,616	18,137
 Previous year carry forward total		
Less: Income lost due to valuation objections ⁽³⁾		
<i>(claimed in the previous year)</i>	(18)	(27)
Sub-total	(18)	(27)
Total Permissible income	17,598	18,110
 Calculation of catch up / excess amount		
Total permissible income	17,598	18,110
General income yield	17,625	18,231
Catch-up or (excess) result ⁽³⁾	(27)	(121)
Plus: Income lost due to valuation objections claimed ⁽⁴⁾	27	67
Less: Unused catch-up ⁽³⁾		
Carry forward to next year	0	(54)

Notes

- (1) Changes in valuations are advised as *supplementary valuations* in accordance with the *Valuation of Land Act 1916*.
- (2) A special variation amount includes any crown land adjustment applicable.
- (3) Catch-up amounts may be offset against excess amounts in the next 2 years, after which the entitlement is lost and unused amounts are deducted.
- (4) Successful objections to valuations by landowners usually result in a loss of income to Council, which may relate to multiple "rating years". Council can recoup the lost income irrespective of "rating year" as a one-off adjustment.