

---

DRAFT

Annual Financial Statements  
Year Ending 30 June 2016



Part A  
Auditor's Reports

# Ballina Shire Council

Report to Council under s417 of the Local  
Government Act 1993  
30 June 2016



[www.tnr.com.au](http://www.tnr.com.au)

## Contents

<b>Overview .....</b>	<b>3</b>
<b>Income Statement .....</b>	<b>4</b>
<b>Statement of Cashflows .....</b>	<b>9</b>
<b>Statement of Financial Position .....</b>	<b>10</b>
<b>Infrastructure, Property, Plant &amp; Equipment Matters .....</b>	<b>14</b>
<b>Debt Levels .....</b>	<b>19</b>
<b>Other Matters .....</b>	<b>21</b>

## Overview

We are pleased to advise that we have completed the audit of Council's financial reports for the year ended 30 June 2016, in accordance with Section 415 of the *Local Government Act 1993*. The financial reports that have been subject to independent audit are the:

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

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

This report should be read in conjunction with our audit opinion on the general purpose financial report provided under Section 417 (2) of the *Local Government Act 1993*. Section 417 (3) of the *Local Government Act 1993* requires us to consider and provide comment on the material items affecting the general purpose financial report and other matters pertinent to the audit. Arising from the audit, there are a number of observations we wish to raise concerning the trends in Council's finances.

## Income Statement

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

### Consolidated Result









Consolidated Operating Result	Current Year (\$'000)	Prior Year (\$'000)	Audit Comments
Revenues from continuing operations	78,873	74,273	<p>Council's consolidated surplus from all activities for 2016 was \$11,682,000. This compares to a deficit in 2015 of \$346,000.</p> <p>Refer to the 'Material Revenue and Expense Movements' section of this report for audit comments in relation to material movements in operating results.</p>
Expenses from continuing operations	(60,397)	(59,486)	
<b>Result from continuing operations before depreciation</b>	<b>18,476</b>	<b>14,787</b>	
Less: depreciation expense	(19,200)	(17,939)	
<b>Operating deficit after depreciation and before capital revenue and other significant items</b>	<b>(724)</b>	<b>(3,152)</b>	
Gain / (Loss) on disposal of assets	(636)	(13,193)	
Capital grants and contributions	13,678	15,999	
Impairment expense	(636)	-	
<b>Consolidated Surplus/deficit</b>	<b>11,682</b>	<b>(346)</b>	

## Results by Fund

Operating Result by Fund	General		Water		Sewer	
	Current Year (\$'000)	Prior Year (\$'000)	Current Year (\$'000)	Prior Year (\$'000)	Current Year (\$'000)	Prior Year (\$'000)
Revenues from continuing operations	51,344	47,583	11,173	10,893	16,356	15,337
Expenses from continuing operations	(37,430)	(35,978)	(9,247)	(9,283)	(13,720)	(14,196)
<b>Result from continuing operations before depreciation</b>	<b>13,914</b>	<b>11,605</b>	<b>1,926</b>	<b>1,610</b>	<b>2,636</b>	<b>1,141</b>
Less: depreciation expense	(14,170)	(14,146)	(1,498)	(1,479)	(3,532)	(2,314)
<b>Operating result after depreciation and before capital revenue and other significant items</b>	<b>(256)</b>	<b>(2,541)</b>	<b>428</b>	<b>131</b>	<b>(896)</b>	<b>(1,173)</b>
<i>Significant items impacting the operating result:</i>						
Loss on disposal of assets	(595)	(974)	(38)	(21)	(3)	(12,198)
Capital grants and contributions	10,261	12,768	1,031	1,100	2,386	2,131
Impairment expense	(636)	-	-	-	-	-
<b>Surplus/(deficit)</b>	<b>8,774</b>	<b>9,253</b>	<b>1,421</b>	<b>1,210</b>	<b>1,487</b>	<b>(11,240)</b>

The above table illustrates that the operating result after depreciation and before capital revenue and other significant items for each Fund has improved on the prior year. This result is important as it illustrates that the Fund is generating sufficient revenue and controlling its expenses to allow it to cover its depreciation expense.

## Material Revenue and Expense Movements

Revenue / Expense	Increase/ (Decrease) on Prior Year	Audit Comment
<b>Revenues</b>		
Rates and annual charges	 2,512	Rates revenue increased according to rate-pegging and special variation of 5.41%, whilst annual charges are reviewed annually.
User charges and fees	 1,633	Main increases relate to Planning & Building Regulation \$575k and Private Works Section 67 \$536k. This was due to significant increased building activity.
Operating grants and contributions	 1,356	Roads to Recovery funding contributed an increase of \$826k this year. Also \$414k of Natural Disaster funding which was not received in the prior year.
Capital grants and contributions	 (2,321)	Decrease due to a decline in dedications received, which had been significant in 2015 and mainly related to Ballina Heights / Cumbalum developments. Council received \$2.2m in funding in 2016 for the Terminal Precinct expansion project.
<b>Expenses</b>		
Employee benefits and on costs	 1,255	Attributable to an increase in full time equivalent employees (up 7 to 281 – 2.55% increase) and local government state award increase.
Depreciation	 1,261	Majority of increase can be attributed to large capitalisation of wastewater infrastructure assets in 2015.
Loss on disposal of assets	 12,557	Large disposal of assets in 2015 relating to sewer infrastructure assets.
Impairment expense	 636	This expense relates to expenditure incurred on the proposed Biochar project. As this project is not progressing the costs have been written off in the current financial year.



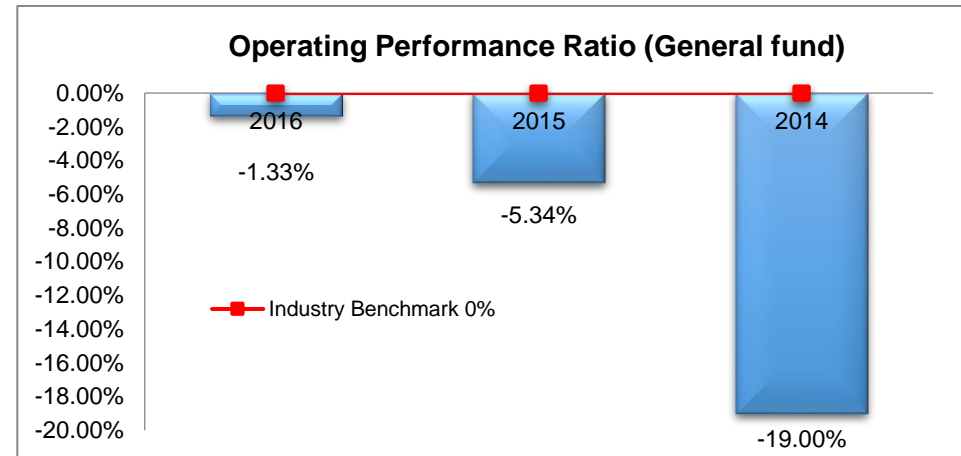
## Income Statement Ratios

### Operating Performance Ratio

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

As illustrated, Council's General Fund has improved its Operating Performance and is almost generating a surplus and fund the depreciation expense on its controlled assets.

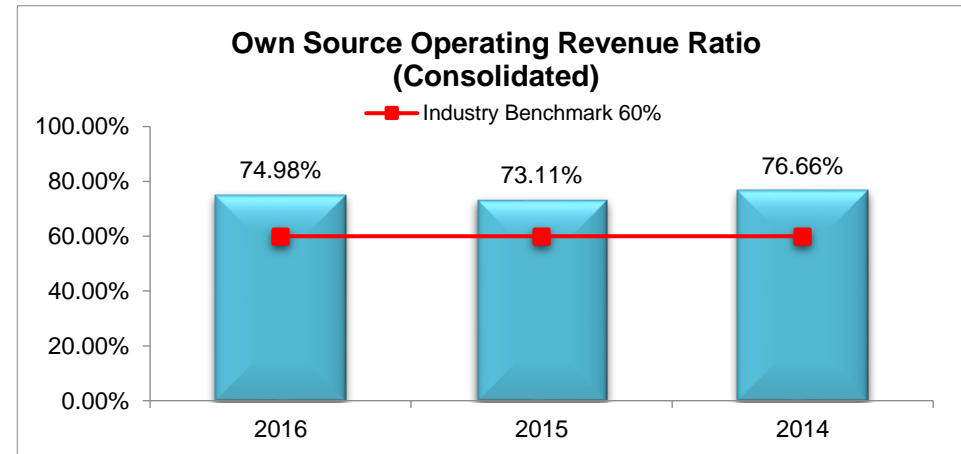
It is important to distinguish that this ratio is focusing on operating performance and hence capital grants and contributions and fair value adjustments are excluded.



### Own Source Operating Revenue Ratio

Local Government performance benchmarking analyses the ability of Council to generate its own revenue sources rather than over-reliance on grants and contributions (capital and operating) received from external sources.

The graph illustrates that Council sources 74.98% of its consolidated revenue from rates, annual charges, user charges, interest etc. which exceeds the industry benchmark of 60%.



## Capital Grants & Contributions

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

Capital grants received during the year amounted to \$2,893,000 and included grants for airport assets - \$2,291,000 and construction of the coast guard tower - \$448,000.

Capital contributions received during the year amounted to \$10,785,000. The table below provides an understanding of the nature and quantum of contributions received during the financial year:

Capital Contribution Type	Current Year (\$'000)	Prior Year (\$'000)	Audit Comments
S 94 - Contributions towards amenities/services	2,226	2,924	Capital contributions has reduced by \$4,024,000 on the 2015 financial year as developer infrastructure dedications transferred on the finalisation of a developer has decreased.  The use of cash contributions received during each year is restricted and accordingly they are not available for use in Council's general operations.
S 64 - Water supply contributions	838	455	
S 64 - Wastewater service contributions	1,724	1,386	
<b>Total Developer Contributions</b>	<b>4,788</b>	<b>4,765</b>	
Non-cash developer dedications	2,869	6,718	
Other contributions	3,128	3,326	
<b>Total</b>	<b>10,785</b>	<b>14,809</b>	

## Statement of Cashflows

Cash Flow Item	Current Year (\$'000)	Prior Year (\$'000)	Audit Comments
Operating and capital receipts	92,068	89,685	The cash result from operations has improved from \$23,710,000 in 2015 to \$27,241,000 in 2016. These cash surpluses are then used to replace / build new infrastructure and other assets as well as make loan repayments.
Operating payments	(64,827)	(65,975)	
<b>Net cash result from operations</b>	<b>27,241</b>	<b>23,710</b>	
Net sale/(purchase) of investments	(5,002)	-	The sale/purchase of investments represents Council's treasury activities. The movement in cash can fluctuate year on year depending on the timing of investing and redeeming.
Net sale/(purchase) of IPPE	(25,208)	(20,810)	
Net sale/(purchase) of real estate assets	1,448	2,208	
Other investing activities	(675)	(2,352)	Council has continued to reduce its debt levels.
New borrowings	500	725	
Repayment of borrowings	(6,170)	(5,110)	
<b>Net Movement in cash</b>	<b>(7,866)</b>	<b>(1,629)</b>	
Cash at the start of the year	9,612	11,241	
Closing cash position	1,746	9,612	
Plus investments	64,266	59,427	
<b>Total cash and investments</b>	<b>66,012</b>	<b>69,039</b>	

## Statement of Financial Position

Line Item	Current Year (\$'000)	Prior Year (\$'000)	Audit Comments
Current assets	71,301	69,578	We provide commentary on some of the material assets and liabilities appearing on Council's statement of financial position as at 30 June 2016 together with related Office of Local Government benchmark data below.
Non-current assets	1,122,213	1,107,601	
<b>Total Assets</b>	<b>1,193,514</b>	<b>1,177,179</b>	
Current liabilities	21,308	20,043	
Non-current liabilities	79,769	85,601	
<b>Total Liabilities</b>	<b>101,077</b>	<b>105,644</b>	
<b>Equity</b>	<b>1,092,437</b>	<b>1,071,535</b>	

## Unrestricted Net Current Assets

Line Item	Current Year (\$'000)	Prior Year (\$'000)	Audit Comments
<b>Current Assets</b>	<b>71,301</b>	<b>69,578</b>	Council's unrestricted current asset position provides a measure of the Council's capacity / liquidity to meet its commitments from current assets net of externally restricted cash, investments and receivables.
Externally restricted cash and investments	(31,667)	(34,297)	
Externally restricted receivables	(3,748)	(3,592)	At 30 June 2016 Council held \$21,106,000 of unrestricted current net assets which is \$3,918,000 more than 30 June 2015.
<b>Current Assets less all External restrictions</b>	<b>35,886</b>	<b>31,689</b>	
<b>Current Liabilities</b>	<b>21,308</b>	<b>20,043</b>	Trends in the General Fund's unrestricted current ratio are shown later in this report.
Externally restricted liabilities	(6,528)	(5,542)	
<b>Current Liabilities less Specific Purpose Liabilities</b>	<b>14,780</b>	<b>14,501</b>	
<b>Unrestricted Current Net Assets before Internal Reserves</b>	<b>21,106</b>	<b>17,188</b>	

## Cash & Investments

Cash & Investments	Current Year (\$'000)	Prior Year (\$'000)	Audit Comments
<b>Externally Restricted</b> <i>Monies can only be spent in accordance with legislation, grant agreement or developer contribution plan specifications</i>	37,667	40,297	Council is managing its investment portfolio in accordance with the Minister's Investment Order which is applicable to all local government authorities.  This table illustrates that the majority of Council's cash and investments is restricted and only \$1.736m is available for day-to-day operational activities.
<b>Internally Restricted</b> <i>Money set aside for special projects via Council resolution</i>	26,609	24,961	
<b>Unrestricted</b> <i>Funds forming part of working capital used for day-to-day Council operations</i>	1,736	3,781	
<b>Total Cash &amp; Investments</b>	<b>66,012</b>	<b>69,039</b>	

## Cash & Investments (Cont'd)

Internally Restricted Cash	Current Year (\$'000)	Prior Year (\$'000)	Audit Comments
Plant and vehicle replacement	1,004	965	Council has resolved to set aside funds for these special purpose reserves.
Employees leave entitlement	2,793	2,509	
Carry over works	6,452	6,590	
Cemeteries	247	188	
Crown land rentals	117	105	
Land development	1,115	3,236	
Landfill and resource management	3,526	2,878	
Management plans and studies	375	238	
Quarries	1,336	1,263	
Rental properties refurbishment	1,503	1,744	
Strategic studies	365	298	
Road works	870	1,161	
Other	6,906	3,786	
<b>Total Internal Restrictions</b>	<b>26,609</b>	<b>24,961</b>	

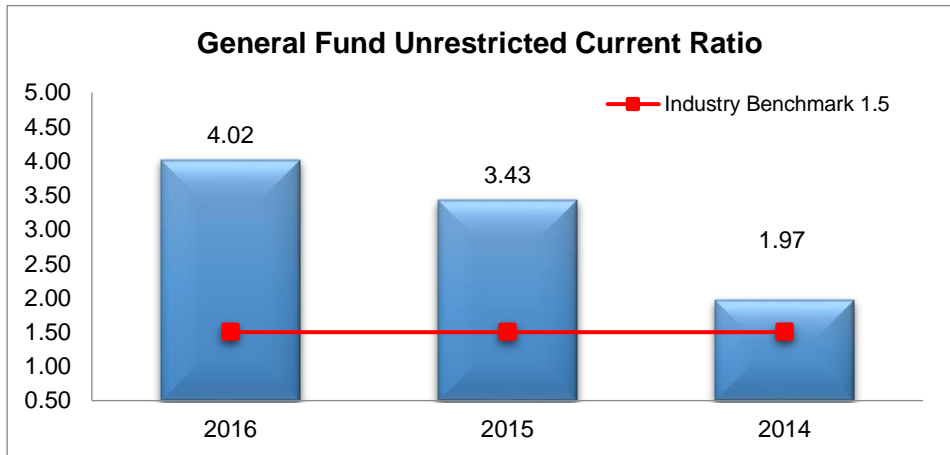
## Statement of Financial Position Ratios

### Unrestricted Current Ratio

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

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

At 30 June 2016 Council's General Fund has \$4.02 in liquid current assets for every \$1 of current liabilities.



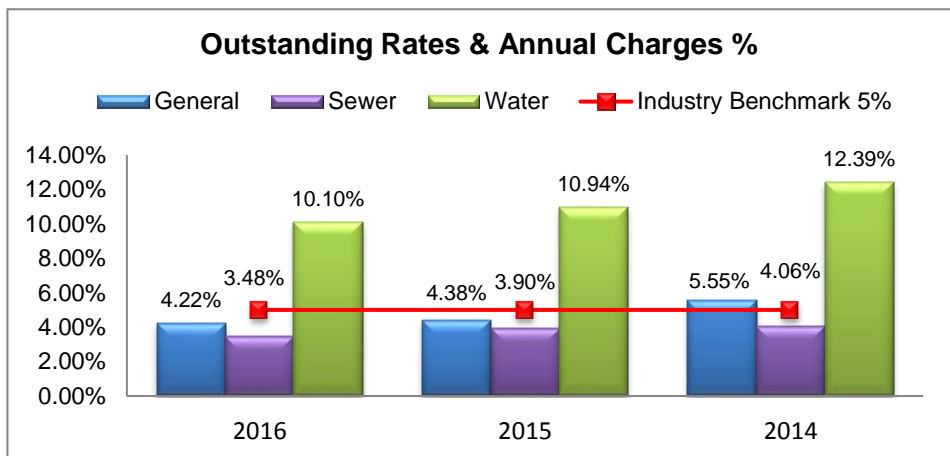
### Rates & Annual Charges Outstanding Ratio

This is a financial performance indicator that assesses the effectiveness of Council's revenue collection processes.

Council's General Fund rates and annual charges outstanding ratio has decreased from 4.38% in 2015 to 4.22% as at 30 June 2016 which satisfies the industry benchmark.

The ratio for Water Fund is higher than the benchmark rate as a result of Council levying annual charges for non-residential fixed charges in arrears.

The NSW Office of Local Government benchmark is less than 5% for urban and Coastal Council's and less than 10% for rural Council's.



## Infrastructure, Property, Plant & Equipment Matters

### Council Constructed / Purchased Additions

Each year Council budgets to renew or capitalise new assets. An illustration of Infrastructure, Property, Plant & Equipment capitalised over the past two years is provided below:

Asset Type	Current Year (\$'000)	Prior Year (\$'000)	Audit Comments
<b>Council Constructed / Purchased Assets:</b>			
Infrastructure under construction - WIP	16,930	6,432	<p>Total asset expenditure for 2016 of \$29.121m is consistent with the prior year.</p> <p>Infrastructure under construction has increased considerably on 2015 with large projects such as the following in progress at June 2016:</p> <ul style="list-style-type: none"> <li>■ Wollongbar sports fields,</li> <li>■ Marine rescue tower,</li> <li>■ Airport apron and taxi overlay,</li> <li>■ Angels Beach Drive roundabout, and</li> <li>■ Coastal path.</li> </ul> <p>Expenditure on roads and drainage has reduced by \$5.521m however there is substantial expenditure included in Infrastructure under construction.</p>
Plant and equipment	2,228	1,465	
Land, buildings & other structures	1,149	2,457	
Roads and drainage network	6,752	12,273	
Water supply network	1,288	2,222	
Sewerage network	774	3,936	
Other assets	-	96	
<b>Total Asset Additions</b>	<b>29,121</b>	<b>28,881</b>	
<b>Asset additions - Renewals</b>	<b>15,448</b>	<b>10,788</b>	
<b>Asset additions – New</b>	<b>13,673</b>	<b>18,093</b>	



## Depreciation

Asset Class	Current Year		Prior Year		Audit Comments
	WDV \$'000	Depreciation Expense \$'000	WDV \$'000	Depreciation Expense \$'000	
Plant & equipment	7,647	1,764	7,213	1,843	<p>By far the largest asset or liability appearing on Council's statement of financial position is Infrastructure, Property, Plant &amp; Equipment (IPP&amp;E).</p> <p>Note 9 to the general purpose financial statements provides an understanding of Council's IPP&amp;E and illustrates that Council is responsible for maintaining assets with a written down value of approximately \$1.1 billion.</p> <p>This table indicates that Council needs to generate over \$19m in surplus to fund the rate at which IPP&amp;E is being consumed.</p> <p>In 2016 Council has generated sufficient surpluses (before capital grants and contributions) to fund its depreciation on a consolidated basis and is close to achieving this benchmark at the Fund level.</p>
Operational land	43,010	-	43,547	-	
Community land	110,326	-	110,326	-	
Land under roads	13,247	-	13,085	-	
Land improvements	10,288	868	11,067	868	
Buildings	62,227	2,666	62,014	2,566	
Other structures	11,330	585	11,064	548	
Roads, bridges & footpaths	476,846	6,901	477,825	6,957	
Bulk earthworks	3,710	-	1,653	-	
Stormwater drainage	72,231	1,466	70,956	1,425	
Water supply infrastructure	67,127	1,433	64,411	1,420	
Wastewater supply infrastructure	189,566	3,375	188,549	2,161	
Swimming pools	1,563	16	1,535	16	
Other assets	376	126	501	135	
Work in progress	21,248	-	11,479	-	
	<b>1,090,742</b>	<b>19,200</b>	<b>1,075,225</b>	<b>17,939</b>	

## Asset Revaluations

---

In accordance with the requirement to maintain assets at fair value, the Council has applied indices to all land, buildings and infrastructure asset classes. Indexation of assets has increased their value by \$9,220,000 in 2016. No other asset revaluations were conducted for 2016.

## Asset Management Performance Indicators

---

### Audit of Asset Management Information

The Office of Local Government is planning to introduce an audit of special schedule 7. At this point in time it is unclear when the first audit will be undertaken as the framework to allow information to be prepared consistently across all NSW council's is yet to be finalised.

In early 2016, the Office of Local Government undertook a review of each council's preparedness for the audit of special schedule 7. The results of this review indicated that most local government authorities require greater investment in asset management practices. The review of Ballina Shire Council's asset management practices indicated that there is sound compliance with most aspects of asset management best practice however improvement is required.

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

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

### Linking Asset Management & Financial Performance

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

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

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

## Building & Infrastructure Renewals Ratio

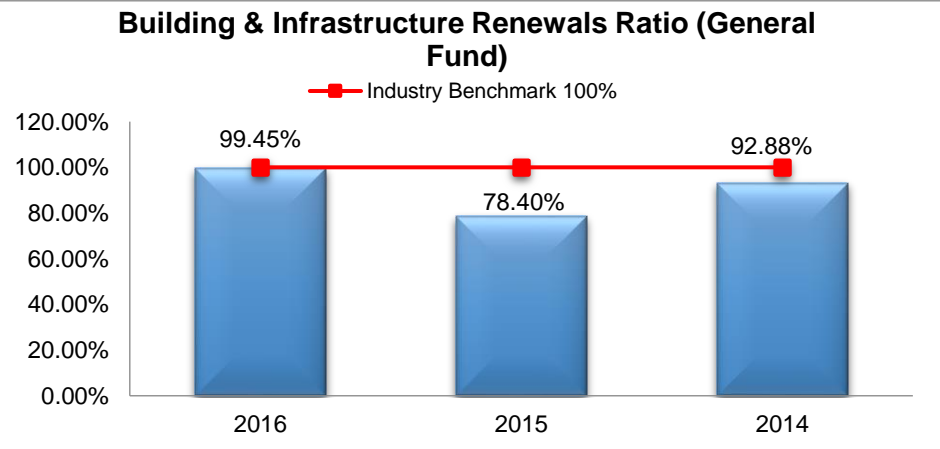
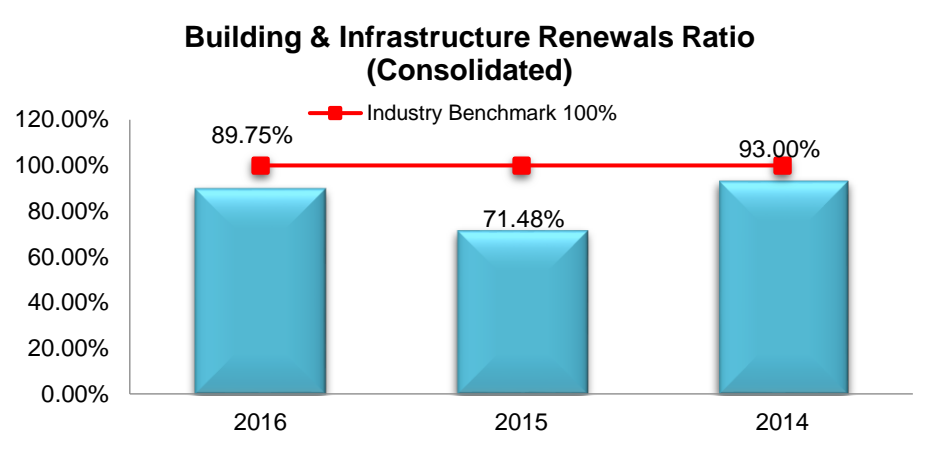
This ratio assesses the rate at which buildings and infrastructure assets are being renewed against the rate at which they are depreciating. The building and infrastructure renewals ratio is calculated based on replacement of existing assets with assets of equivalent capacity or performance as opposed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

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

Council is improving this ratio on a consolidated basis whilst General Fund has almost satisfied the benchmark in 2016. This means that General Fund has renewed assets equivalent to the rate at which they are depreciating.

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

Note that this ratio is not subject to audit.



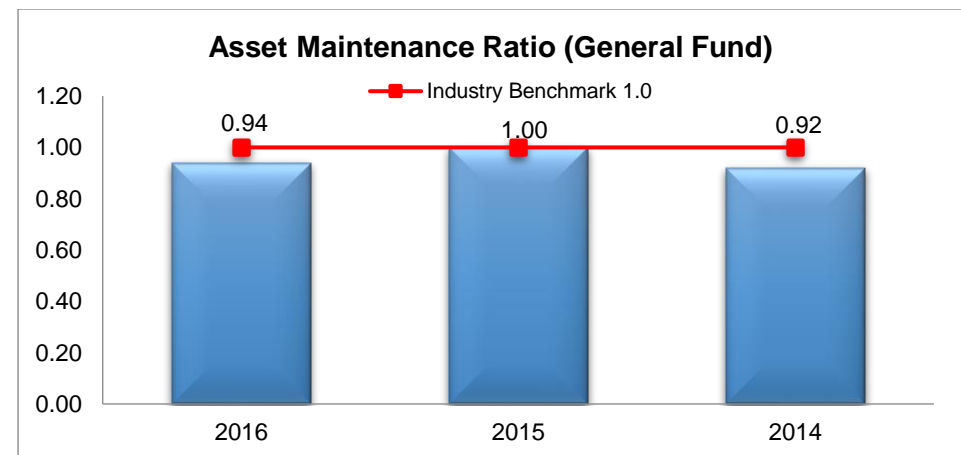
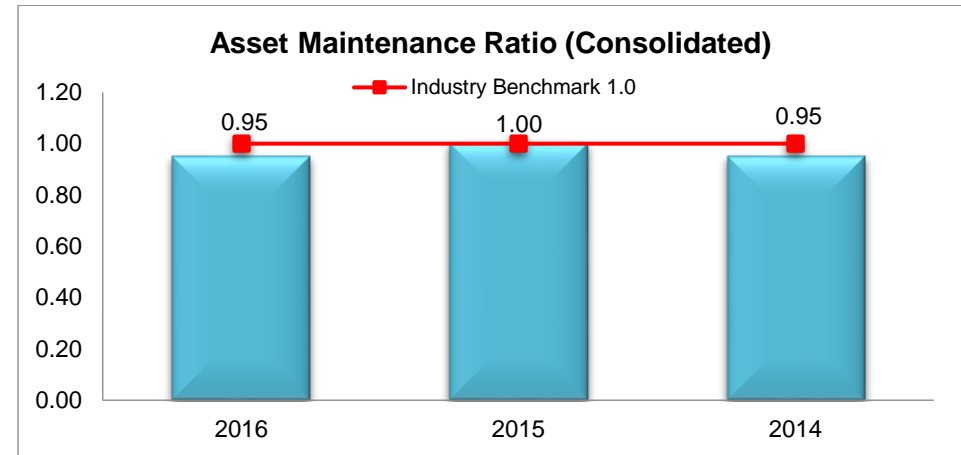
## Asset Maintenance Ratio

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

The benchmark for this ratio is greater than 1.0.

Council's ratios have been very consistent over the past three years. The adjacent graphs illustrate that Council is close to spending sufficient funds on asset maintenance so their condition does not deteriorate below a satisfactory standard.

Note that this ratio is not subject to audit.



## Debt Levels

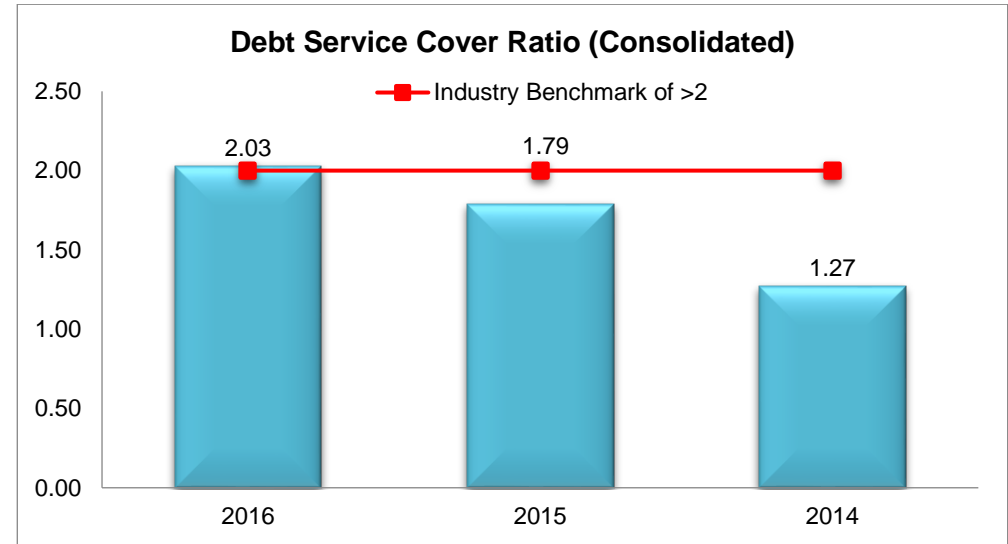
### Loan Liability

Line Item	Current Year (\$'000)	Prior Year (\$'000)	Audit Comments
Current loan liability	6,654	6,586	Council's debt levels continue to fall as a result of little new borrowings and repayment of debt in accordance with the required repayment program.
Non-current loan liability	75,244	80,982	
<b>Total Loan Liability</b>	<b>81,898</b>	<b>87,568</b>	
<b>By Fund</b>			
General Fund (incl. Domestic Waste)	20,015	23,193	
Water Fund	-	-	
Wastewater Fund	61,883	64,375	
<b>Total</b>	<b>81,898</b>	<b>87,568</b>	

## Debt Service Cover Ratio

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

Council has improved this ratio and is now satisfying the industry benchmark. This means that Council is generating sufficient cash to satisfy its debt repayment obligations.



## Other Matters

### Financial Report Planning

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

AASB No.	Application Date	Impact
AASB 2015-6 <i>Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities</i>	1 July 2016	Introduces reporting of related party transactions to local government including disclosure of key management remuneration.
AASB 9 <i>Financial Instruments</i>	1 January 2018	Impacts recognition and reporting of certain financial instruments as well as the way in which calculates the provision for impairment relating to receivables.
AASB 15 <i>Revenue From Contracts With Customers</i>	1 January 2019	<p>Introduces changes to the way in which certain revenue streams are recognised and reported. May have a significant influence on revenue recognition for grants and contributions.</p> <p>The AASB have recently released a draft Accounting Standard with is applicable to not-for-profit entities which complements AASB 15. This Standard will provide not-for-profit entities with clearer and simpler requirements for recognition, measurement and disclosure of income.</p> <p>This draft provides transitional relief to allow for comparatives not to be restated in the year of implementation.</p>
AASB 16 <i>Leases</i>	1 January 2019	Requires financial statements to capitalise certain operating leases.

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

## Local Government Act Amendment

---

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

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

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

### ■ **Audit, Risk & Improvement Committee**

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

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

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

Council is not required to establish an Audit, Risk and Improvement Committee until 6 months after the 2016 Council election however it would be prudent to commence a review of the existing Committee charter to ensure it reflects the new legislative requirements and allow all committee members and Council staff to develop an approach that will achieve the desired outcomes.



## Internal Control Environment


---

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

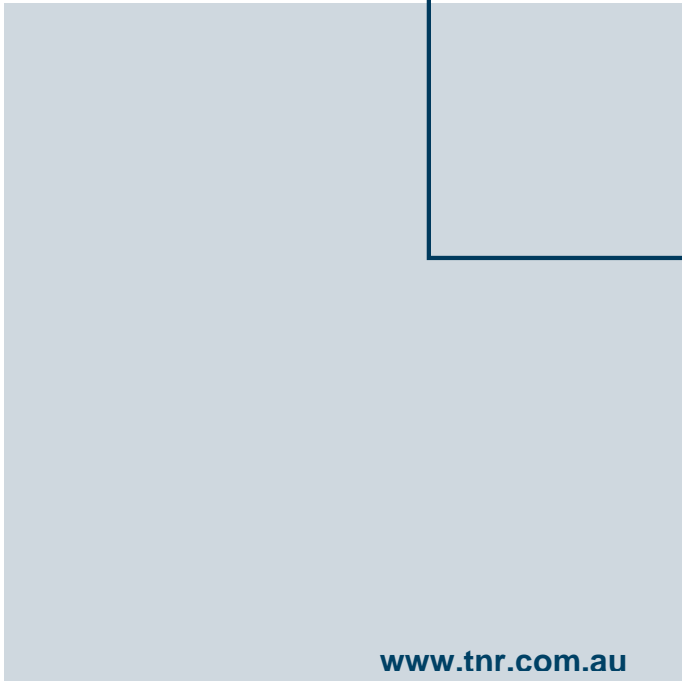
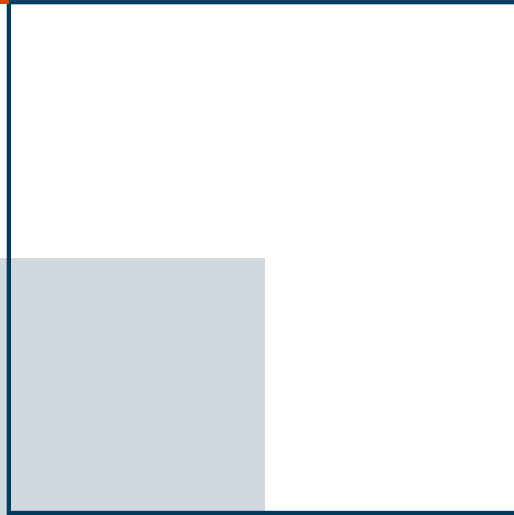
Subject to the foregoing comments the books of account and records of the Council were maintained in good order and condition and the information and explanations required during the course of our work were readily supplied by the General Manager and his staff.

Yours faithfully

**THOMAS NOBLE & RUSSELL**  
**CHARTERED ACCOUNTANTS**

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

Dated at Lismore this 17<sup>th</sup> day of October 2016



[www.tnr.com.au](http://www.tnr.com.au)



Thomas  
Noble &  
Russell

Accountants | Auditors | Business Advisers

31 Keen Street, LISMORE, NSW, 2480  
**Tel** +61 2 6626 3000 **Fax** +61 2 6621 9035

Part B

# General Purpose Financial Statements

# Ballina Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2016

---

Serving the community of today while  
preparing for the challenges of tomorrow



# Ballina Shire Council

## General Purpose Financial Statements for the year ended 30 June 2016

Contents	Page
<b>1. Statement by Councillors and Management</b>	2
<b>2. Primary Financial Statements:</b>	
– Income Statement	3
– Statement of Comprehensive Income	4
– Statement of Financial Position	5
– Statement of Changes in Equity	6
– Statement of Cash Flows	7
<b>3. Notes to the Financial Statements</b>	8
<b>4. Independent Auditor's Reports:</b>	
– On the Financial Statements (Sect 417 [2])	82
– On the Conduct of the Audit (Sect 417 [3])	84

---

### Overview

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

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

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

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

- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by the Council on 27 October 2016. Council has the power to amend and reissue these financial statements.

## Ballina Shire Council

### General Purpose Financial Statements for the year ended 30 June 2016

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

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

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

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

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

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

**Signed in accordance with a resolution of Council made on 27 October 2016.**

---

Cr David Wright  
Mayor

---

Councillor

---

Paul Hickey  
General Manager

---

Peter Morgan  
Responsible Accounting Officer

## Ballina Shire Council

## Income Statement

for the year ended 30 June 2016

Budget <sup>1</sup> 2016	\$ '000	Notes	Actual 2016	Actual 2015
<b>Income from continuing operations</b>				
<i>Revenue:</i>				
43,711	Rates and annual charges	3a	43,338	40,826
18,949	User charges and fees	3b	19,943	18,310
1,875	Interest and investment revenue	3c	2,111	2,500
4,453	Other revenues	3d	3,964	4,476
7,305	Grants and contributions provided for operating purposes	3e,f	9,517	8,161
9,527	Grants and contributions provided for capital purposes	3e,f	13,678	15,999
<i>Other income:</i>				
1,040	Net gains from the disposal of assets	5	–	–
<b>86,860</b>	<b>Total income from continuing operations</b>		<b>92,551</b>	<b>90,272</b>
<b>Expenses from continuing operations</b>				
20,754	Employee benefits and on-costs	4a	21,690	20,435
6,304	Borrowing costs	4b	5,949	6,561
28,190	Materials and contracts	4c	25,240	24,645
16,888	Depreciation and amortisation	4d	19,200	17,939
–	Impairment	4d	636	–
7,443	Other expenses	4e	7,518	7,845
–	Net losses from the disposal of assets	5	636	13,193
<b>79,579</b>	<b>Total expenses from continuing operations</b>		<b>80,869</b>	<b>90,618</b>
<b>7,281</b>	<b>Operating result from continuing operations</b>		<b>11,682</b>	<b>(346)</b>
<b>Discontinued operations</b>				
–	Net profit/(loss) from discontinued operations	24	–	–
<b>7,281</b>	<b>Net operating result for the year</b>		<b>11,682</b>	<b>(346)</b>
7,281	Net operating result attributable to Council		11,682	(346)
<b>–</b>	<b>Net operating result attributable to non-controlling interests</b>		<b>–</b>	<b>–</b>
<b>(2,246)</b>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>(1,996)</b>	<b>(16,345)</b>

<sup>1</sup> Original budget as approved by Council – refer Note 16

## Ballina Shire Council

Statement of Comprehensive Income  
for the year ended 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
<b>Net operating result for the year</b> (as per Income Statement)		<b>11,682</b>	<b>(346)</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	9,220	62,073
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>9,220</b>	<b>62,073</b>
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
<b>Total other comprehensive income for the year</b>		<b>9,220</b>	<b>62,073</b>
<b>Total comprehensive income for the year</b>		<b>20,902</b>	<b>61,727</b>
<b>Total comprehensive income attributable to Council</b>		20,902	61,727
<b>Total comprehensive income attributable to non-controlling interests</b>		-	-



## Ballina Shire Council

Statement of Financial Position  
as at 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	1,746	9,612
Investments	6b	58,159	51,287
Receivables	7	10,289	7,084
Inventories	8	808	1,407
Other	8	299	188
<b>Total current assets</b>		<b>71,301</b>	<b>69,578</b>
<b>Non-current assets</b>			
Investments	6b	6,107	8,140
Receivables	7	361	421
Inventories	8	3,026	2,533
Infrastructure, property, plant and equipment	9	1,090,742	1,075,225
Investment property	14	21,977	21,282
<b>Total non-current assets</b>		<b>1,122,213</b>	<b>1,107,601</b>
<b>TOTAL ASSETS</b>		<b>1,193,514</b>	<b>1,177,179</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	7,103	6,411
Borrowings	10	6,654	6,586
Provisions	10	7,551	7,046
<b>Total current liabilities</b>		<b>21,308</b>	<b>20,043</b>
<b>Non-current liabilities</b>			
Borrowings	10	75,244	80,982
Provisions	10	4,525	4,619
<b>Total non-current liabilities</b>		<b>79,769</b>	<b>85,601</b>
<b>TOTAL LIABILITIES</b>		<b>101,077</b>	<b>105,644</b>
<b>Net assets</b>		<b>1,092,437</b>	<b>1,071,535</b>
<b>EQUITY</b>			
Retained earnings	20	646,084	634,402
Revaluation reserves	20	446,353	437,133
<b>Council equity interest</b>		<b>1,092,437</b>	<b>1,071,535</b>
<b>Non-controlling equity interests</b>		<b>—</b>	<b>—</b>
<b>Total equity</b>		<b>1,092,437</b>	<b>1,071,535</b>

## Ballina Shire Council

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

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling Interest	Total equity
<b>2016</b>						
<b>Opening balance</b> (as per last year's audited accounts)		634,402	437,133	1,071,535	–	1,071,535
a. Correction of prior period errors	20 (c)	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
<b>Revised opening balance</b> (as at 1/7/15)		<b>634,402</b>	<b>437,133</b>	<b>1,071,535</b>	<b>–</b>	<b>1,071,535</b>
<b>c. Net operating result for the year</b>		<b>11,682</b>	<b>–</b>	<b>11,682</b>	<b>–</b>	<b>11,682</b>
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	9,220	9,220	–	9,220
<b>Other comprehensive income</b>		<b>–</b>	<b>9,220</b>	<b>9,220</b>	<b>–</b>	<b>9,220</b>
<b>Total comprehensive income</b> (c&d)		<b>11,682</b>	<b>9,220</b>	<b>20,902</b>	<b>–</b>	<b>20,902</b>
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
<b>Equity – balance at end of the reporting period</b>		<b>646,084</b>	<b>446,353</b>	<b>1,092,437</b>	<b>–</b>	<b>1,092,437</b>

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non-controlling Interest	Total Equity
<b>2015</b>						
<b>Opening balance</b> (as per last year's audited accounts)		634,748	375,060	1,009,808	–	1,009,808
a. Correction of prior period errors	20 (c)	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
<b>Revised opening balance</b> (as at 1/7/14)		<b>634,748</b>	<b>375,060</b>	<b>1,009,808</b>	<b>–</b>	<b>1,009,808</b>
<b>c. Net operating result for the year</b>		<b>(346)</b>	<b>–</b>	<b>(346)</b>	<b>–</b>	<b>(346)</b>
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	62,073	62,073	–	62,073
<b>Other comprehensive income</b>		<b>–</b>	<b>62,073</b>	<b>62,073</b>	<b>–</b>	<b>62,073</b>
<b>Total comprehensive income</b> (c&d)		<b>(346)</b>	<b>62,073</b>	<b>61,727</b>	<b>–</b>	<b>61,727</b>
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
<b>Equity – balance at end of the reporting period</b>		<b>634,402</b>	<b>437,133</b>	<b>1,071,535</b>	<b>–</b>	<b>1,071,535</b>

## Ballina Shire Council

## Statement of Cash Flows

for the year ended 30 June 2016

Budget 2016	\$ '000	Notes	Actual 2016	Actual 2015
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
43,711	Rates and annual charges		43,375	41,058
18,949	User charges and fees		20,563	19,087
1,875	Investment and interest revenue received		2,080	2,615
14,608	Grants and contributions		18,712	18,938
–	Bonds, deposits and retention amounts received		308	167
4,453	Other		7,030	7,820
<b>Payments:</b>				
(20,754)	Employee benefits and on-costs		(21,782)	(20,423)
(28,190)	Materials and contracts		(27,028)	(28,831)
(6,304)	Borrowing costs		(5,900)	(6,453)
(7,443)	Other		(10,117)	(10,268)
<u>20,905</u>	<b>Net cash provided (or used in) operating activities</b>	11b	<u>27,241</u>	<u>23,710</u>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
5,500	Sale of investment securities		52,998	47,000
4,160	Sale of real estate assets		1,836	2,511
–	Sale of infrastructure, property, plant and equipment		803	486
18	Deferred debtors receipts		20	66
<b>Payments:</b>				
–	Purchase of investment securities		(58,000)	(47,000)
–	Purchase of investment property		(695)	(2,418)
(34,070)	Purchase of infrastructure, property, plant and equipment		(26,011)	(21,296)
–	Purchase of real estate assets		(388)	(303)
<u>(24,392)</u>	<b>Net cash provided (or used in) investing activities</b>		<u>(29,437)</u>	<u>(20,954)</u>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
500	Proceeds from borrowings and advances		500	725
<b>Payments:</b>				
(6,741)	Repayment of borrowings and advances		(6,170)	(5,110)
<u>(6,241)</u>	<b>Net cash flow provided (used in) financing activities</b>		<u>(5,670)</u>	<u>(4,385)</u>
<u>(9,728)</u>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>(7,866)</u>	<u>(1,629)</u>
9,612	Plus: <b>cash and cash equivalents – beginning of year</b>	11a	9,612	11,241
<u>(116)</u>	<b>Cash and cash equivalents – end of the year</b>	11a	<u>1,746</u>	<u>9,612</u>
Additional Information:				
	plus: <b>Investments on hand – end of year</b>	6b	64,266	59,427
	<b>Total cash, cash equivalents and investments</b>		<u>66,012</u>	<u>69,039</u>

Please refer to Note 11 for additional cash flow information

This statement should be read in conjunction with the accompanying notes.

page 7

## Ballina Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

### Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	9
2(a)	Council functions/activities – financial information	26
2(b)	Council functions/activities – component descriptions	27
3	Income from continuing operations	28
4	Expenses from continuing operations	32
5	Gains or losses from the disposal of assets	35
6(a)	Cash and cash equivalent assets	36
6(b)	Investments	36
6(c)	Restricted cash, cash equivalents and investments – details	38
7	Receivables	40
8	Inventories and other assets	41
9(a)	Infrastructure, property, plant and equipment	42
9(b)	Externally restricted infrastructure, property, plant and equipment	43
9(c)	Infrastructure, property, plant and equipment – current year impairments	43 n/a
10(a)	Payables, borrowings and provisions	44
10(b)	Description of (and movements in) provisions	45
11	Statement of cash flows – additional information	46
12	Commitments for expenditure	48
13	Statement of performance measures:	
	13a (i) Local government industry indicators (consolidated)	49
	13b Local government industry indicators (by fund)	50
14	Investment properties	51
15	Financial risk management	52
16	Material budget variations	56
17	Statement of developer contributions	58
18	Contingencies and other liabilities/assets not recognised	63
19	Interests in other entities	65
20	Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	68
21	Financial result and financial position by fund	69
22	'Held for sale' non-current assets and disposal groups	71 n/a
23	Events occurring after the reporting date	71 n/a
24	Discontinued operations	71 n/a
25	Intangible assets	71 n/a
26	Reinstatement, rehabilitation and restoration liabilities	72
27	Fair value measurement	74

n/a – not applicable

## Ballina Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies

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

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

##### (a) Basis of preparation

###### (i) Background

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

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

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

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

Because AASBs are sector neutral, some standards either:

- (a) have local Australian content and prescription that is specific to the not-for-profit sector (including local government) which are not in compliance with IFRSs, or
- (b) specifically exclude application by not-for-profit entities.

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

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

###### (iii) New and amended standards adopted by Council

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

###### (iv) Early adoption of accounting standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2015, except for AASB2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities, which has reduced the fair value disclosures for Level 3 assets.

For summary information relating to the effects of standards with future operative dates refer further to paragraph (ab).

###### (v) Basis of accounting

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

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

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

###### (vi) Changes in accounting policies

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

## Ballina Shire Council

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

#### Note 1. Summary of significant accounting policies (continued)

There have also been no changes in accounting policies when compared with previous financial statements unless otherwise stated [refer Note 20 (d)].

##### **(vii) Critical accounting estimates**

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

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

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

##### ***Critical accounting estimates and assumptions***

Council makes estimates and assumptions concerning the future.

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

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

- (i) Estimated fair values of investment properties
- (ii) Estimated fair values of infrastructure, property, plant and equipment,
- (iii) Estimated remediation provisions.
- (iv) Estimated useful lives of infrastructure, property, plant and equipment.

Significant judgements in applying Council's accounting policies include the impairment of receivables – Council makes judgements about the impairment of receivables in Note 7 on a regular basis.

##### **(b) Revenue recognition**

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that

future economic benefits will flow to it, and specific criteria have been met for each of the Council's activities as described below.

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

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

Revenue is measured on major income categories as follows:

##### **Rates, Annual Charges, Grants and Contributions**

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

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

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

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

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

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

## Ballina Shire Council

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

#### Note 1. Summary of significant accounting policies (continued)

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

The Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of s94 of the *EPA Act 1979*.

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

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

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

#### User charges, fees and other income

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

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

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

#### Sale of infrastructure, property, plant and equipment

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

#### Interest and rents

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

Interest income from cash and investments is accounted for using the effective interest rate at the date that interest is earned.

#### Other Income

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

#### (c) Principles of consolidation

These consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

#### (i) The Consolidated Fund

In accordance with the provisions of section 409(1) of the LGA 1993, all money and property received by Council is held in the Council's consolidated fund unless it is required to be held in the Council's trust fund.

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

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

- General Purpose Operations
- Water Supply
- Wastewater Service

#### (ii) The trust fund

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

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

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

## Ballina Shire Council

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

#### Note 1. Summary of significant accounting policies (continued)

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

#### (iii) Interests in other entities

##### Subsidiaries

Council has no interest in any subsidiaries.

##### Joint arrangements

Council has no interest in any joint arrangements.

##### Joint ventures

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

Any interests in joint ventures are accounted for using the equity method and are carried at cost.

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

Detailed information relating to Council's joint ventures can be found at Note 19 (b).

##### Associates

Council has no interest in any associates.

##### County councils

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

- **Richmond River County Council**
- **Rous County Council**
- **Far North Coast County Council**

The governing body of each County Council is responsible for managing its own affairs.

Council is of the opinion that it neither controls nor significantly influences the above county council/s and accordingly these entities have not been consolidated or otherwise included within these financial statements.

##### Unconsolidated structured entities

Council has no interest in any unconsolidated structured entities.

##### (d) Leases

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

##### Finance leases

Council has no finance leases.

##### Operating Leases

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

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

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

##### (e) Cash and Cash Equivalents

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

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

Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position but are incorporated into cash and cash equivalents for presentation of the Cash Flow Statement.



## Ballina Shire Council

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

#### Note 1. Summary of significant accounting policies (continued)

##### (f) Investments and other financial assets

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

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

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

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

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

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

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

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

##### (ii) Loans and receivables

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

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

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

##### (iii) Held-to-maturity investments

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

In contrast to the 'loans and receivables' classification, these investments are generally quoted in an active market.

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

##### Financial assets – reclassification

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

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

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

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

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

## Ballina Shire Council

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

#### Note 1. Summary of significant accounting policies (continued)

##### General accounting and measurement of financial instruments:

##### (i) Initial recognition

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

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

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

##### (ii) Subsequent measurement

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

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

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

##### Impairment

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

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

##### (iii) Types of investments

Council has an approved Investment Policy in order to invest in accordance with (and to comply with) section 625 of the *Local Government Act* and s212 of the LG (General) Regulation 2005.

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

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

Council amended its policy following revisions to the Ministerial Local Government Investment Order arising from the Cole Inquiry recommendations. Certain investments that Council holds are no longer prescribed (eg. managed funds, CDOs, and equity linked notes), however they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

##### (g) Fair value estimation – financial instruments

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

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

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

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

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

## Ballina Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

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

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

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

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

#### (h) Receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost, less any provision for impairment.

Receivables (excluding rates and annual charges) are generally due for settlement no more than 30 days from the date of recognition.

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

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

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

Impairment losses are recognised in the Income Statement within other expenses.

When a receivable for which an impairment allowance had been recognised becomes

uncollectible in a subsequent period, it is written off against the allowance account.

Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

#### (i) Inventories

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

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

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

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

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

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

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

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

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

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

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

## Ballina Shire Council

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

#### Note 1. Summary of significant accounting policies (continued)

##### (j) Infrastructure, property, plant and equipment (I,PP&E)

###### Acquisition of assets

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

At balance date, the following classes of I,PP&E were stated at their fair value:

- **Water and Wastewater 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).

###### Initial recognition

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

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

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

Where infrastructure, property, plant and equipment assets are acquired for no cost or for an amount other than cost, the assets are recognised in the

financial statements at their fair value at acquisition date – being the amount that the asset could have been exchanged between knowledgeable willing parties in an arm's length transaction.

###### Subsequent costs

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

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

###### Asset revaluations (including indexation)

In accounting for asset revaluations relating to infrastructure, property, plant and equipment:

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

Water and wastewater 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 revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date.

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

## Ballina Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

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

##### Depreciation

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

Land is not depreciated.

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

##### Plant and equipment

- Office equipment	10 to 20 years
- Office furniture	10 to 20 years
- Computer equipment	3 to 8 years
- Vehicles	3 to 5 years
- Heavy plant/road making equipment	8 to 15 years
- Other plant and equipment	2 to 20 years

##### Other equipment

- Playground equipment	10 to 20 years
- Benches, seats etc.	10 to 20 years

##### Buildings

- Buildings: masonry	80 to 100 years
- Buildings: other	30 to 80 years

##### Water and sewer assets

- Dams and reservoirs	80 to 100 years
- Bores	30 to 40 years
- Reticulation pipes: PVC	80 years
- Reticulation pipes: other	60 to 100 years
- Pumps and telemetry	10 to 40 years

##### Stormwater assets

- Drains	80 to 100 years
- Culverts	60 to 80 years

##### Transportation assets

- Sealed roads: surface	10 to 30 years
- Sealed roads: structure	20 to 40 years
- Unsealed roads	100 to 1000 years
- Bridge: concrete	80 to 100 years
- Bridge: other	40 to 80 years
- Road pavements	60 to 100 years
- Kerb, gutter and footpaths	60 to 100 years

Useful lives in excess of 100 years represents the lower sub-base pavement of unsealed roads.

##### Other infrastructure assets

- Bulk earthworks	1000 years
- Swimming pools	40 to 60 years
- Other open space/ recreational assets	10 to 30 years

Bulk earthworks have been assigned a useful life of 1000 years, where alternatively it would have been infinite, on the basis that realignment may occur at some time.

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

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

##### Disposal and derecognition

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

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

##### (k) Land

Land (other than land under roads) is in accordance with Part 2 of Chapter 6 of the *Local Government Act (1993)* classified as either operational or community.

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

##### (l) Land under roads

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

## Ballina Shire Council

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

#### Note 1. Summary of significant accounting policies (continued)

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051.

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

#### (m) Intangible assets

Council has not classified any assets as intangible.

#### (n) Crown reserves

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

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

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

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

#### (o) Rural fire service assets

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

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

Until such time as discussions on this matter have concluded and the legislation changed, Council will continue to account for these assets as it has been doing in previous years, which is to exclude the

assets, their values and depreciation charges from these financial statements.

#### (p) Investment property

Investment property comprises land and/or buildings that are principally held for long-term rental yields, capital gains or both, that is not occupied by Council. Investment property is carried at fair value, representing an in-house valuation based on a discounted cash flow analysis.

Annual changes in the fair value of investment properties are recorded in the Income Statement as part of 'other income'.

The last full revaluation for Council's investment properties was dated 30 June 2016.

#### (q) Provisions for close down, restoration and for environmental clean-up costs – including tips and quarries

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

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

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

Costs are estimated on the basis of a closure plan.

The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Close down, restoration and remediation costs are a normal consequence of tip and quarry operations, and the majority of close down and restoration

## Ballina Shire Council

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

#### Note 1. Summary of significant accounting policies (continued)

expenditure is incurred at the end of the life of the operations.

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

The amortisation or 'unwinding' of the discount applied in establishing the net present value of provisions is charged to the Income Statement in each accounting period.

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

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

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

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

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

These costs are charged to the Income Statement.

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

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

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors, including changes to

the relevant legal requirements, the emergence of new restoration techniques or experience at other locations.

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

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

Specific information about Council's provisions relating to close down, restoration and remediation costs can be found at Note 26.

#### **(r) Non-current assets (or disposal groups) 'held for sale' and discontinued operations**

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of either (i) their carrying amount and (ii) fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The exception to this is plant and motor vehicles, which are turned over on a regular basis. Plant and motor vehicles are retained in non-current assets under the classification of infrastructure, property, plant and equipment – unless the assets are to be traded in after 30 June and the replacement assets were already purchased and accounted for as at 30 June.

For any assets or disposal groups classified as non-current assets 'held for sale', an impairment loss is recognised at any time when the assets carrying value is greater than its fair value less costs to sell.

Non-current assets 'held for sale' are not depreciated or amortised while they are classified as 'held for sale'.

Non-current assets classified as 'held for sale' are presented separately from the other assets in the balance sheet.

A discontinued operation is a component of Council that has been disposed of or is classified as 'held for

## Ballina Shire Council

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

#### Note 1. Summary of significant accounting policies (continued)

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.

The results of discontinued operations are presented separately on the face of the Income Statement.

#### (s) Impairment of assets

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

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

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

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

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

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

Goodwill and other intangible assets that have an indefinite useful life and are not subject to amortisation are tested annually for impairment.

#### (t) Payables

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

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

#### (u) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

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

#### (v) Borrowing costs

Borrowing costs are expensed.

#### (w) Provisions

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

- Council has a present legal or constructive obligation as a result of past events,
- it is more likely than not that an outflow of resources will be required to settle the obligation, and
- the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

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



## Ballina Shire Council

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

#### Note 1. Summary of significant accounting policies (continued)

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.

#### **(x) Employee benefits**

##### **(i) Short-term obligations**

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

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

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

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

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

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

##### **(ii) Other long-term obligations**

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

period) are recognised in the provision for employee benefits.

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

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

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

Due to the nature of when and how long service leave can be taken, all long service leave for employees with 4 or more years of service has been classified as current, as it has been deemed that Council does not have the unconditional right to defer settlement beyond 12 months – even though it is not anticipated that all employees with more than 4 years service (as at reporting date) will apply for and take their leave entitlements in the next 12 months.

##### **(iii) Retirement benefit obligations**

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

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

##### **Defined benefit plans**

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the balance sheet, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost.

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

## Ballina Shire Council

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

#### Note 1. Summary of significant accounting policies (continued)

experience of employee departures and periods of service.

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

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

This scheme has been deemed to be a 'multi-employer fund' for the purposes of AASB 119.

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

The last valuation of the scheme was performed by Mr Richard Boyfield (FIAA) on 24/02/16 and covers the period ended 30/06/15.

However the position is monitored annually and the actuary has estimated that as at 30 June 2016 the prior period deficit still exists.

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

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2016 was \$ 625,000.

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

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

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

#### Defined contribution plans

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

#### (iv) Employee benefit on-costs

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

These amounts include superannuation and workers compensation expenses which will be payable upon the future payment of certain leave liabilities accrued as at balance date.

#### (y) Self-insurance

Council does not self-insure.

#### (z) Allocation between current and non-current assets and liabilities

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

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

#### Exceptions

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

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

## Ballina Shire Council

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

#### Note 1. Summary of significant accounting policies (continued)

##### (aa) Taxes

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

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

##### Goods and Services Tax (GST)

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

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

Receivables and payables within the Balance Sheet are stated inclusive of any applicable GST.

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

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

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

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

##### (ab) New accounting standards and Interpretations issued (not yet effective)

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2016.

Council has not adopted any of these standards early.

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

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

##### **AASB 9 – Financial Instruments**

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

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

These requirements are designed to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.

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

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

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

##### **AASB 15 – Revenue from Contracts with Customers and associated amending standards**

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

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

## Ballina Shire Council

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

#### Note 1. Summary of significant accounting policies (continued)

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

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

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

#### **AASB ED 260 Income of Not-for-Profit Entities**

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

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

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

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

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

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

#### **AASB16 – Leases**

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

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

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

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

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

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

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

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

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

#### **AASB 2014 – 3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 and AASB 11]**

This Standard amends AASB 11 to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business.

The amendments require:

## Ballina Shire Council

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

#### Note 1. Summary of significant accounting policies (continued)

---

- (a) the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in AASB 3 Business Combinations, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11, and
- (b) the acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.

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

If a joint operation is acquired during the reporting period, then this standard clarifies the accounting for the acquisition to be in accordance with AASB 3, i.e. assets and liabilities acquired to be measured at fair value.

#### **(ac) Rounding of amounts**

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

#### **(ad) Comparative figures**

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

#### **(ae) Disclaimer**

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

## Ballina Shire Council

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

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).										Total assets held (current & non-current)			
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Actual 2015	Actual 2016	
	Original budget 2016	Actual 2016	Actual 2015	Original budget 2016	Actual 2016	Actual 2015	Original budget 2016	Actual 2016	Actual 2015	Actual 2016	Actual 2015	Actual 2016	Actual 2015	Actual 2016
Governance	–	–	–	1,065	1,030	817	(1,065)	(1,030)	(817)	–	–	–	–	–
Administration	1,295	3,196	4,551	5,192	2,822	4,134	(3,897)	374	417	28	–	29,131	28,124	
Public order and safety	1,450	405	496	1,674	1,397	1,252	(224)	(992)	(756)	621	532	7,889	8,431	
Health	266	262	238	794	1,402	1,172	(528)	(1,140)	(934)	–	–	788	639	
Environment	10,361	11,140	11,552	11,247	12,184	11,266	(886)	(1,044)	286	211	–	87,659	88,181	
Community services and education	714	225	197	942	1,625	1,541	(228)	(1,400)	(1,344)	1	22	8,381	8,528	
Housing and community amenities	146	1,072	968	1,053	3,540	3,594	(907)	(2,468)	(2,626)	98	98	6,860	6,375	
Water supplies	13,258	11,665	11,491	10,891	10,428	10,387	2,367	1,237	1,104	157	152	84,009	81,671	
Sewerage services	16,805	18,215	16,989	16,640	16,669	27,892	165	1,546	(10,903)	157	153	214,938	213,192	
Recreation and culture	2,080	2,290	3,652	7,721	7,792	7,394	(5,641)	(5,502)	(3,742)	172	806	172,475	167,595	
Mining, manufacturing and construction	1,672	1,749	1,431	2,194	971	713	(522)	778	718	–	–	2,771	2,706	
Transport and communication	6,374	15,136	13,217	11,381	18,355	18,844	(5,007)	(3,219)	(5,627)	3,156	576	539,223	530,354	
Economic affairs	9,514	3,759	3,022	8,785	2,654	1,612	729	1,105	1,410	–	50	39,390	41,383	
<b>Total functions and activities</b>	<b>63,935</b>	<b>69,114</b>	<b>67,804</b>	<b>79,579</b>	<b>80,869</b>	<b>90,618</b>	<b>(15,644)</b>	<b>(11,755)</b>	<b>(22,814)</b>	<b>4,601</b>	<b>2,389</b>	<b>1,193,514</b>	<b>1,177,179</b>	
General purpose income <sup>1</sup>	22,925	23,437	22,468	–	–	–	22,925	23,437	22,468	4,333	4,210	–	–	
<b>Operating result from continuing operations</b>	<b>86,860</b>	<b>92,551</b>	<b>90,272</b>	<b>79,579</b>	<b>80,869</b>	<b>90,618</b>	<b>7,281</b>	<b>11,682</b>	<b>(346)</b>	<b>8,934</b>	<b>6,599</b>	<b>1,193,514</b>	<b>1,177,179</b>	

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

## Ballina Shire Council

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

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

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

##### **GOVERNANCE**

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

##### **ADMINISTRATION**

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

##### **PUBLIC ORDER & SAFETY**

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

##### **HEALTH**

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

##### **ENVIRONMENT**

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

##### **COMMUNITY SERVICES & EDUCATION**

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

##### **HOUSING & COMMUNITY AMENITIES**

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

##### **WATER SUPPLIES**

##### **SEWERAGE SERVICES**

##### **RECREATION & CULTURE**

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

##### **MINING, MANUFACTURING AND CONSTRUCTION**

Building control, quarries & pits, other.

##### **TRANSPORT AND COMMUNICATION**

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

##### **ECONOMIC AFFAIRS**

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

## Ballina Shire Council

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

## Note 3. Income from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Rates and annual charges</b>			
<b>Ordinary rates</b>			
Residential		13,329	12,576
Farmland		1,445	1,387
Business		3,557	3,381
<b>Total ordinary rates</b>		<b>18,331</b>	<b>17,344</b>
<b>Special rates</b>			
Nil			
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		5,877	5,662
Stormwater management services		370	284
Water supply services		3,224	3,091
Wastewater services		13,809	12,776
Waste management services (non-domestic)		1,727	1,669
<b>Total annual charges</b>		<b>25,007</b>	<b>23,482</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>43,338</b>	<b>40,826</b>
Council has used 2014 year valuations provided by the NSW Valuer General in calculating its rates.			
<b>(b) User charges and fees</b>			
<b>Specific user charges</b> (per s.502 – specific 'actual use' charges)			
Water supply services		6,330	6,132
Wastewater services		1,142	1,044
Waste management services (non-domestic)		1,505	1,956
<b>Total user charges</b>		<b>8,977</b>	<b>9,132</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Planning and building regulation		2,090	1,515
Private works – section 67		728	192
<b>Total fees and charges – statutory/regulatory</b>		<b>2,818</b>	<b>1,707</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Aerodrome		4,847	4,423
Cemeteries		398	403
Ferry tolls		453	443
Plant hire		352	292
Quarry revenues		253	218
Swimming centres		407	354
Other		1,438	1,338
<b>Total fees and charges – other</b>		<b>8,148</b>	<b>7,471</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>19,943</b>	<b>18,310</b>



## Ballina Shire Council

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

## Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
<b>(c) Interest and investment revenue (including losses)</b>			
<b>Interest</b>			
– Interest on overdue rates and annual charges (incl. special purpose rates)		79	85
– Interest earned on investments (interest and coupon payment income)		2,195	2,444
<b>Fair value adjustments</b>			
– Fair valuation movements in investments (at fair value or held for trading)		(163)	(29)
<b><u>TOTAL INTEREST AND INVESTMENT REVENUE</u></b>		<b><u>2,111</u></b>	<b><u>2,500</u></b>
<b>Interest revenue is attributable to:</b>			
<b>Unrestricted investments/financial assets:</b>			
Overdue rates and annual charges (general fund)		79	85
General Council cash and investments		2,032	2,415
<b>Total interest and investment revenue recognised</b>		<b><u>2,111</u></b>	<b><u>2,500</u></b>
<b>(d) Other revenues</b>			
Fair value increments – investment properties	14	–	460
Rental income – investment properties	14	1,640	1,462
Rental income – other council properties		1,412	1,429
Fines – parking		161	216
Fines – other		92	98
Legal fees recovery – rates and charges (extra charges)		66	28
Legal fees recovery – other		–	10
Commissions and agency fees		45	44
Insurance claim recoveries		115	227
Miscellaneous sales		120	62
Reassessment of provision for remediation		53	224
Recycling income (non-domestic)		40	80
Other		220	136
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>3,964</u></b>	<b><u>4,476</u></b>

## Ballina Shire Council

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

## Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
Financial assistance	3,831	3,718	–	–
Pensioners' rates subsidies – general component	350	340	–	–
<b>Total general purpose</b>	<b>4,181</b>	<b>4,058</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Water	157	153	–	–
– Wastewater	157	152	–	–
– Domestic waste management	152	152	–	–
Bushfire and emergency services	107	97	–	–
Coastguard tower	–	–	448	350
Fishery Creek car park	–	–	–	154
Lake Ainsworth	–	–	–	136
Lennox auditorium	–	–	–	180
Library	112	131	–	–
LIRS subsidy	317	354	–	–
NSW rural fire services	66	85	–	–
Public reserve management program	–	–	–	282
Street lighting	98	98	–	–
Natural disaster funding	414	–	–	–
Airport	–	–	2,291	–
Other	280	129	154	88
<b>Total specific purpose</b>	<b>1,860</b>	<b>1,351</b>	<b>2,893</b>	<b>1,190</b>
<b>Total grants</b>	<b>6,041</b>	<b>5,409</b>	<b>2,893</b>	<b>1,190</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	5	39	–	–
– State funding	5,913	5,299	2,893	1,190
– Other funding	123	71	–	–
	<b>6,041</b>	<b>5,409</b>	<b>2,893</b>	<b>1,190</b>

## Ballina Shire Council

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

## Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
<b>(f) Contributions</b>				
<b>Developer contributions:</b>				
<b>(s93 &amp; s94 – EP&amp;A Act, s64 of the LGA):</b>				
S 94 – contributions towards amenities/services	–	–	2,226	2,924
S 64 – water supply contributions	–	–	838	455
S 64 – wastewater service contributions	–	–	1,724	1,386
<b>Total developer contributions</b>	<b>–</b>	<b>–</b>	<b>4,788</b>	<b>4,765</b>
<b>Other contributions:</b>				
Dedications (other than by S94)	–	–	2,869	6,718
Employment and training studies	345	333	–	–
Legal settlement proceeds	–	–	–	600
Management plans and studies	84	–	–	–
Roadworks	1,713	887	6	374
RMS contributions (regional roads, block grant)	900	921	3,122	1,835
Other	434	611	–	517
<b>Total other contributions</b>	<b>3,476</b>	<b>2,752</b>	<b>5,997</b>	<b>10,044</b>
<b>Total contributions</b>	<b>3,476</b>	<b>2,752</b>	<b>10,785</b>	<b>14,809</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>	<b>9,517</b>	<b>8,161</b>	<b>13,678</b>	<b>15,999</b>

\$ '000	Actual 2016	Actual 2015
<b>(g) Restrictions relating to grants and contributions</b>		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
Unexpended at the close of the previous reporting period	20,350	19,640
<b>Add:</b> grants and contributions recognised in the current period but not yet spent:	7,105	9,625
<b>Less:</b> grants and contributions recognised in a previous reporting period now spent:	(6,666)	(8,915)
<b>Net increase (decrease) in restricted assets during the period</b>	<b>439</b>	<b>710</b>
<b>Unexpended and held as restricted assets</b>	<b>20,789</b>	<b>20,350</b>
<b>Comprising:</b>		
– Specific purpose unexpended grants	1,811	4,312
– Developer contributions	18,798	15,790
– Other contributions	180	248
	<b>20,789</b>	<b>20,350</b>

## Ballina Shire Council

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

## Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Employee benefits and on-costs</b>			
Salaries and wages		17,023	16,293
Employee leave entitlements (ELE)		3,466	3,188
Superannuation – defined contribution plans		1,533	1,429
Superannuation – defined benefit plans		625	674
Workers' compensation insurance		485	480
Fringe benefit tax (FBT)		16	15
Payroll tax		272	255
Training costs (other than salaries and wages)		315	240
Other		78	70
<b>Total employee costs</b>		<b>23,813</b>	<b>22,644</b>
Less: capitalised costs		(2,123)	(2,209)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>21,690</b>	<b>20,435</b>
Number of 'full-time equivalent' employees (FTE) at year end		<b>281</b>	<b>274</b>
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on loans		5,457	5,981
<b>Total interest bearing liability costs expensed</b>		<b>5,457</b>	<b>5,981</b>
<b>(ii) Other borrowing costs</b>			
Unwinding of present value discounts and premiums		492	580
<b>Total other borrowing costs</b>		<b>492</b>	<b>580</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>5,949</b>	<b>6,561</b>
<b>(c) Materials and contracts</b>			
Raw materials and consumables		24,217	23,726
Contractor and consultancy costs		221	223
Auditors remuneration <sup>(1)</sup>		139	116
Legal expenses:			
– Legal expenses: planning and development		49	87
– Legal expenses: other		162	123
Operating leases:			
– Operating lease rentals: minimum lease payments <sup>(2)</sup>		452	370
<b>TOTAL MATERIALS AND CONTRACTS</b>		<b>25,240</b>	<b>24,645</b>

## Ballina Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
<b>(c) Materials and contracts (continued)</b>			
<b>1. Auditor remuneration</b>			
During the year, the following fees were incurred for services provided by the Council's Auditor:			
<b>Audit and other assurance services</b>			
– Audit and review of financial statements (TNR Chartered Accountants)		84	55
– Internal auditing (Grant Thornton Australia)		55	61
<b>Remuneration for audit and other assurance services</b>		<b>139</b>	<b>116</b>
<b>Total Auditor remuneration</b>		<b>139</b>	<b>116</b>
<b>2. Operating lease payments are attributable to:</b>			
Computers		186	174
Motor vehicles		266	196
		<b>452</b>	<b>370</b>

\$ '000	Notes	Impairment costs		Depreciation/amortisation	
		Actual 2016	Actual 2015	Actual 2016	Actual 2015
<b>(d) Depreciation, amortisation and impairment</b>					
Plant and equipment		–	–	1,623	1,702
Office equipment		–	–	136	136
Furniture and fittings		–	–	5	5
Land improvements (depreciable)		–	–	868	868
Infrastructure:					
– Buildings		–	–	2,666	2,566
– Other structures		636	–	585	548
– Roads		–	–	5,859	6,055
– Bridges		–	–	619	614
– Footpaths		–	–	423	288
– Stormwater drainage		–	–	1,466	1,425
– Water supply network		–	–	1,433	1,420
– Sewerage network		–	–	3,375	2,161
– Swimming pools		–	–	16	16
Future reinstatement costs – tips		–	–	122	131
Future reinstatement costs – quarries		–	–	4	4
<b>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</b>		<b>636</b>	<b>–</b>	<b>19,200</b>	<b>17,939</b>

## Ballina Shire Council

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

#### Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
<b>(e) Other expenses</b>			
Other expenses for the year include the following:			
Advertising		144	175
Bad and doubtful debts		20	–
Bank charges		110	100
Contributions/levies to other levels of government			
– Department of Planning levy		139	63
– Emergency Services levy (includes FRNSW, SES, and RFS levies)		73	62
– Waste levy		375	175
– Other contributions/levies		172	163
Councillor expenses – mayoral fee		40	36
Councillor expenses – councillors' fees		184	181
Councillors' expenses (incl. mayor) – other (excluding fees above)		30	29
Donations, contributions and assistance to other organisations		2,543	2,800
Electricity and heating		1,568	1,913
Insurance		1,331	1,316
Street lighting		448	506
Subscriptions and publications		67	86
Telephone and communications		210	171
Other		64	69
<b><u>TOTAL OTHER EXPENSES</u></b>		<b><u>7,518</u></b>	<b><u>7,845</u></b>

## Ballina Shire Council

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

## Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 2016	Actual 2015
<b>Property</b> (excl. investment property)			
Proceeds from disposal – property		451	298
Less: carrying amount of property assets sold/written off		(303)	(252)
<b>Net gain/(loss) on disposal</b>		<b>148</b>	<b>46</b>
<b>Plant and equipment</b>			
Proceeds from disposal – plant and equipment		352	188
Less: carrying amount of plant and equipment assets sold/written off		(61)	(100)
<b>Net gain/(loss) on disposal</b>		<b>291</b>	<b>88</b>
<b>Infrastructure</b>			
Less: carrying amount of infrastructure assets sold/written off		(2,383)	(15,333)
<b>Net gain/(loss) on disposal</b>		<b>(2,383)</b>	<b>(15,333)</b>
<b>Real estate assets held for sale</b>			
Proceeds from disposal – real estate assets		1,836	2,511
Less: carrying amount of real estate assets sold/written off		(528)	(505)
<b>Net gain/(loss) on disposal</b>		<b>1,308</b>	<b>2,006</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(636)</b>	<b>(13,193)</b>

## Ballina Shire Council

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

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

\$ '000	Notes	2016	2016	2015	2015
		Actual Current	Actual Non-current	Actual Current	Actual Non-current
<b>Cash and cash equivalents (Note 6a)</b>					
Cash on hand and at bank		1,233	–	6,108	–
Cash-equivalent assets <sup>1</sup>					
– Deposits at call		513	–	504	–
– Short-term deposits		–	–	3,000	–
<b>Total cash and cash equivalents</b>		<b>1,746</b>	<b>–</b>	<b>9,612</b>	<b>–</b>
<b>Investments (Note 6b)</b>					
– Long term deposits		57,000	2,000	47,000	1,000
– NCD's, FRN's (with maturities > 3 months)		1,159	4,107	4,287	7,140
<b>Total investments</b>		<b>58,159</b>	<b>6,107</b>	<b>51,287</b>	<b>8,140</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>		<b>59,905</b>	<b>6,107</b>	<b>60,899</b>	<b>8,140</b>

<sup>1</sup> Those investments where time to maturity (from date of purchase) is < 3 mths.

**Investments were classified at year end  
in accordance with AASB 139 as follows:**

**Investments**

**a. 'At fair value through the profit and loss'**

– 'Designated at fair value on initial recognition'	6(b-i)	1,159	4,107	4,287	7,140
---	--------	-------	-------	-------	-------

**b. 'Held to maturity'**

	6(b-ii)	57,000	2,000	47,000	1,000
--	---------	--------	-------	--------	-------

<b>Investments</b>		<b>58,159</b>	<b>6,107</b>	<b>51,287</b>	<b>8,140</b>
--------------------	--	---------------	--------------	---------------	--------------

Refer to Note 27. Fair value measurement for information regarding the fair value of investments held.



## Ballina Shire Council

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

## Note 6b. investments (continued)

\$ '000	2016 Actual Current	2016 Actual Non-current	2015 Actual Current	2015 Actual Non-current
<b>Note 6(b-i)</b>				
<b>Reconciliation of investments classified as 'at fair value through the profit and loss'</b>				
Balance at the beginning of the year	4,287	7,140	1,420	10,036
Revaluations (through the Income Statement)	(130)	(33)	(141)	112
Disposals (sales and redemptions)	(2,998)	(3,000)	–	–
Transfers between current/non-current	–	–	3,008	(3,008)
<b>Balance at end of year</b>	<b>1,159</b>	<b>4,107</b>	<b>4,287</b>	<b>7,140</b>
<b>Comprising:</b>				
– NCD's, FRN's (with maturities > 3 months)	1,159	4,107	4,287	7,140
<b>Total</b>	<b>1,159</b>	<b>4,107</b>	<b>4,287</b>	<b>7,140</b>
<b>Note 6(b-ii)</b>				
<b>Reconciliation of investments classified as 'held to maturity'</b>				
Balance at the beginning of the year	47,000	1,000	47,000	1,000
Additions	57,000	1,000	47,000	–
Disposals (sales and redemptions)	(47,000)	–	(47,000)	–
<b>Balance at end of year</b>	<b>57,000</b>	<b>2,000</b>	<b>47,000</b>	<b>1,000</b>
<b>Comprising:</b>				
– Long term deposits	57,000	2,000	47,000	1,000
<b>Total</b>	<b>57,000</b>	<b>2,000</b>	<b>47,000</b>	<b>1,000</b>

## Ballina Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	2016	2016	2015	2015
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	59,905	6,107	60,899	8,140
<b>attributable to:</b>				
External restrictions (refer below)	31,667	6,000	34,297	6,000
Internal restrictions (refer below)	26,502	107	22,821	2,140
Unrestricted	1,736	–	3,781	–
	<b>59,905</b>	<b>6,107</b>	<b>60,899</b>	<b>8,140</b>

2016 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

## Details of restrictions

**External restrictions – included in liabilities**

Deposits and retentions	1,684	308	–	1,992
Water and wastewater ELE's	617	43	–	660
<b>External restrictions – included in liabilities</b>	<b>2,301</b>	<b>351</b>	<b>–</b>	<b>2,652</b>

**External restrictions – other**

Developer contributions – general (A)	4,660	2,320	(1,789)	5,191
Developer contributions – water fund (A)	6,589	1,045	(209)	7,425
Developer contributions – wastewater fund (A)	4,541	1,885	(244)	6,182
RMS (formerly RTA) contributions (B)	248	103	(171)	180
Specific purpose unexpended grants (C)	4,312	1,752	(4,253)	1,811
Water supplies (D)	3,746	1,670	(2,397)	3,019
Wastewater services (D)	10,034	3,007	(4,817)	8,224
Domestic waste management (D)	1,586	340	(542)	1,384
Other	2,280	131	(812)	1,599
<b>External restrictions – other</b>	<b>37,996</b>	<b>12,253</b>	<b>(15,234)</b>	<b>35,015</b>
<b>Total external restrictions</b>	<b>40,297</b>	<b>12,604</b>	<b>(15,234)</b>	<b>37,667</b>

- A** Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- B** RMS contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.
- C** Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1 (b))
- D** Water, sewerage, domestic waste management (DWM) and other special rates/levies/charges are externally restricted assets and must be applied for the purposes for which they were raised.

## Ballina Shire Council

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

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

2016 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
<b>Internal restrictions</b>				
Plant and vehicle replacement	965	1,424	(1,385)	1,004
Employees leave entitlement	2,509	284	–	2,793
Carry over works	6,590	3,336	(3,474)	6,452
Cemeteries	188	109	(50)	247
Crown land rentals	105	78	(66)	117
Land development	3,236	5,128	(7,249)	1,115
Landfill and resource management	2,878	1,940	(1,292)	3,526
Management plans and studies	238	235	(98)	375
Quarries	1,263	266	(193)	1,336
Rental properties refurbishment	1,744	1,094	(1,335)	1,503
Strategic studies	298	116	(49)	365
Road works	1,161	868	(1,159)	870
Other	3,786	3,770	(650)	6,906
<b>Total internal restrictions</b>	<b>24,961</b>	<b>18,648</b>	<b>(17,000)</b>	<b>26,609</b>
<b>TOTAL RESTRICTIONS</b>	<b>65,258</b>	<b>31,252</b>	<b>(32,234)</b>	<b>64,276</b>

## Ballina Shire Council

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

## Note 7. Receivables

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
<b>Purpose</b>					
Rates and annual charges		1,660	87	1,676	108
Interest and extra charges		196	84	194	84
User charges and fees		2,400	126	2,258	145
Private works		365	–	60	–
Accrued revenues					
– Interest on investments		623	–	431	–
Airport charges		760	–	474	–
Deferred debtors		18	64	18	84
Government grants and subsidies		2,983	–	824	–
Net GST receivable		822	–	311	–
Waste centre fees		83	–	115	–
Other debtors		408	–	732	–
<b>Total</b>		<b>10,318</b>	<b>361</b>	<b>7,093</b>	<b>421</b>
<b>Less: provision for impairment</b>					
User charges and fees		(29)	–	(9)	–
<b>Total provision for impairment – receivables</b>		<b>(29)</b>	<b>–</b>	<b>(9)</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>		<b>10,289</b>	<b>361</b>	<b>7,084</b>	<b>421</b>
<b>Externally restricted receivables</b>					
<b>Water supply</b>					
– Specific purpose grants		6	–	3	–
– Rates and availability charges		312	17	325	21
– Other		1,843	102	1,734	116
<b>Sewerage services</b>					
– Specific purpose grants		6	–	3	–
– Rates and availability charges		429	23	437	28
– Other		869	117	803	144
<b>Domestic waste management</b>		<b>269</b>	<b>14</b>	<b>276</b>	<b>18</b>
<b>Stormwater management</b>		<b>13</b>	<b>1</b>	<b>11</b>	<b>1</b>
<b>Total external restrictions</b>		<b>3,748</b>	<b>273</b>	<b>3,592</b>	<b>328</b>
<b>Internally restricted receivables</b>					
Nil					
<b>Unrestricted receivables</b>		<b>6,541</b>	<b>88</b>	<b>3,492</b>	<b>93</b>
<b>TOTAL NET RECEIVABLES</b>		<b>10,289</b>	<b>361</b>	<b>7,084</b>	<b>421</b>

**Notes on debtors above:**

- (i) Rates and annual charges outstanding are secured against the property.
- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding.  
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates and charges at 8.50% (2015 8.50%).  
Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

## Ballina Shire Council

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

## Note 8. Inventories and other assets

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
<b>(a) Inventories</b>					
<b>(i) Inventories at cost</b>					
Real estate for resale (refer below)		265	3,026	898	2,533
Stores and materials		522	–	497	–
Trading stock		21	–	12	–
<b>Total inventories at cost</b>		<b>808</b>	<b>3,026</b>	<b>1,407</b>	<b>2,533</b>
<b>(ii) Inventories at net realisable value (NRV)</b>					
Nil					
<b>TOTAL INVENTORIES</b>		<b>808</b>	<b>3,026</b>	<b>1,407</b>	<b>2,533</b>
<b>(b) Other assets</b>					
Prepayments		299	–	188	–
<b>TOTAL OTHER ASSETS</b>		<b>299</b>	<b>–</b>	<b>188</b>	<b>–</b>
<b>Externally restricted assets</b>					
There are no restrictions applicable to the above assets.					
<b>Other disclosures</b>					
<b>Details for real estate development</b>					
Residential		69	958	97	705
Industrial/commercial		196	2,068	801	1,828
<b>Total real estate for resale</b>		<b>265</b>	<b>3,026</b>	<b>898</b>	<b>2,533</b>
(Valued at the lower of cost and net realisable value)					
<b>Represented by:</b>					
Acquisition costs		–	202	–	202
Development costs		265	2,824	898	2,331
<b>Total costs</b>		<b>265</b>	<b>3,026</b>	<b>898</b>	<b>2,533</b>
<b>Total real estate for resale</b>		<b>265</b>	<b>3,026</b>	<b>898</b>	<b>2,533</b>
<b>Movements:</b>					
Real estate assets at beginning of the year		898	2,533	582	3,051
– Purchases and other costs		(105)	493	821	(518)
– WDV of sales (expense)	5	(528)	–	(505)	–
<b>Total real estate for resale</b>		<b>265</b>	<b>3,026</b>	<b>898</b>	<b>2,533</b>

## Ballina Shire Council

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

## Note 9a. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2015				Asset movements during the reporting period								as at 30/6/2016			
	At cost	At fair value	Accumulated depreciation	Carrying value	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation and impairment expense	WIP transfers	Adjustments and transfers	Tfns from/to investment properties	Revaluation increments to equity (ARR)	At cost	At fair value	Accumulated depreciation	Carrying value
Capital work in progress	11,479	-	-	11,479	10,546	6,384	-	(636)	(6,518)	-	(7)	-	21,248	-	-	21,248
Plant and equipment	-	18,382	11,711	6,671	-	2,228	(61)	(1,623)	31	-	-	-	-	18,700	11,454	7,246
Office equipment	-	1,519	1,016	503	-	-	-	(136)	-	-	-	-	-	1,519	1,152	367
Furniture and fittings	-	423	384	39	-	-	-	(5)	-	-	-	-	-	423	389	34
Land:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Operational land	-	43,547	-	43,547	-	-	(303)	-	-	-	(234)	-	-	43,010	-	43,010
- Community land	-	110,326	-	110,326	-	-	-	-	-	-	-	-	-	110,326	-	110,326
- Land under roads (post 30/6/08)	-	13,085	-	13,085	162	-	-	-	-	-	-	-	-	13,247	-	13,247
Land improvements – non-depreciable	-	5,102	-	5,102	88	-	-	-	-	-	-	-	-	5,190	-	5,190
Land improvements – depreciable	-	15,903	9,938	5,965	-	-	-	(868)	-	-	-	-	-	15,903	10,805	5,098
Infrastructure:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Buildings	-	106,227	44,213	62,014	96	417	(19)	(2,666)	460	240	-	1,685	-	110,408	48,181	62,227
- Other structures	-	16,945	5,881	11,064	386	-	-	(585)	171	-	-	294	-	17,978	6,648	11,330
- Roads	-	507,136	81,252	425,884	3,581	1,740	(2,112)	(5,859)	2,454	(3,970)	-	2,662	-	510,669	86,291	424,378
- Bridges	-	48,097	16,011	32,086	-	-	-	(619)	-	433	-	204	-	48,841	16,737	32,104
- Footpaths	-	26,678	6,823	19,855	102	177	(64)	(423)	86	502	-	129	-	27,575	7,211	20,364
- Bulk earthworks (non-depreciable)	-	1,653	-	1,653	84	-	-	-	570	1,382	-	21	-	3,710	-	3,710
- Stormwater drainage	-	111,539	40,583	70,956	153	915	(114)	(1,466)	379	957	-	450	-	114,452	42,221	72,231
- Water supply network	-	107,447	43,036	64,411	969	319	(64)	(1,433)	869	1,080	-	975	-	111,820	44,693	67,127
- Wastewater network	-	240,362	51,813	188,549	1	773	(11)	(3,375)	1,495	(624)	-	2,757	-	245,590	56,024	189,566
- Swimming pools	-	1,551	16	1,535	-	-	-	(16)	3	-	-	43	-	1,597	34	1,563
Reinstatement, rehabilitation and restoration assets (refer Note 26):	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Tip assets	-	1,696	1,207	489	-	-	-	(122)	-	-	-	-	-	1,697	1,329	368
- Quarry assets	-	835	823	12	-	-	-	(4)	-	-	-	-	-	835	827	8
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>11,479</b>	<b>1,378,453</b>	<b>314,707</b>	<b>1,075,225</b>	<b>15,448</b>	<b>13,673</b>	<b>(2,748)</b>	<b>(19,836)</b>	<b>-</b>	<b>-</b>	<b>(241)</b>	<b>9,220</b>	<b>21,248</b>	<b>1,403,490</b>	<b>333,996</b>	<b>1,090,742</b>

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

Refer to Note 27. Fair value measurement for information regarding the fair value of other infrastructure, property, plant and equipment.

## Ballina Shire Council

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

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

\$ '000	Actual 2016				Actual 2015			
	At cost	At fair value	A/Dep & impairm't	Carrying value	At cost	At fair value	A/Dep & impairm't	Carrying value
<b>Water supply</b>								
WIP	383	–	–	<b>383</b>	979	–	–	<b>979</b>
Plant and equipment	–	456	260	<b>196</b>	–	477	326	<b>151</b>
Land								
– Operational land	–	1,274	–	<b>1,274</b>	–	1,274	–	<b>1,274</b>
– Community land	–	1,297	–	<b>1,297</b>	–	1,297	–	<b>1,297</b>
Buildings and other structures	–	540	193	<b>347</b>	–	525	177	<b>348</b>
Infrastructure	–	112,718	45,058	<b>67,660</b>	–	108,339	43,389	<b>64,950</b>
<b>Total water supply</b>	<b>383</b>	<b>116,285</b>	<b>45,511</b>	<b>71,157</b>	<b>979</b>	<b>111,912</b>	<b>43,892</b>	<b>68,999</b>
<b>Sewerage services</b>								
WIP	2,635	–	–	<b>2,635</b>	1,901	–	–	<b>1,901</b>
Plant and equipment	–	507	292	<b>215</b>	–	522	254	<b>268</b>
Land								
– Operational land	–	2,931	–	<b>2,931</b>	–	2,931	–	<b>2,931</b>
– Community land	–	81	–	<b>81</b>	–	81	–	<b>81</b>
Buildings and other structures	–	4,189	1,919	<b>2,270</b>	–	3,835	1,779	<b>2,056</b>
Infrastructure	–	246,867	56,377	<b>190,490</b>	–	241,630	52,145	<b>189,485</b>
<b>Total sewerage services</b>	<b>2,635</b>	<b>254,575</b>	<b>58,588</b>	<b>198,622</b>	<b>1,901</b>	<b>248,999</b>	<b>54,178</b>	<b>196,722</b>
<b>Domestic waste management</b>								
Plant and equipment	–	2,193	1,489	<b>704</b>	–	2,193	1,312	<b>881</b>
<b>Total DWM</b>	<b>–</b>	<b>2,193</b>	<b>1,489</b>	<b>704</b>	<b>–</b>	<b>2,193</b>	<b>1,312</b>	<b>881</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	<b>3,018</b>	<b>373,053</b>	<b>105,588</b>	<b>270,483</b>	<b>2,880</b>	<b>363,104</b>	<b>99,382</b>	<b>266,602</b>

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

\$ '000	Notes	2016	2015
Impairment losses recognised in the Income Statement:			
Writeoff of costs previously capitalised fro Biochar Facility		(635)	–
Other		(1)	–
<b>Total impairment losses</b>		<b>(636)</b>	<b>–</b>
<b>IMPAIRMENT OF ASSETS – GAINS/(LOSSES) in P/L</b>	4(d)	<b>(636)</b>	<b>–</b>

## Ballina Shire Council

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

## Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
<b>Payables</b>					
Goods and services		3,680	–	2,910	–
Payments received In advance		803	–	663	–
Accrued expenses:					
– Borrowings		234	–	266	–
– Salaries and wages		326	–	820	–
– Other expenditure accruals		68	–	68	–
Security bonds, deposits and retentions		1,992	–	1,684	–
<b>Total payables</b>		<b>7,103</b>	<b>–</b>	<b>6,411</b>	<b>–</b>
<b>Borrowings</b>					
Loans – secured <sup>1</sup>		6,654	75,244	6,586	80,982
<b>Total borrowings</b>		<b>6,654</b>	<b>75,244</b>	<b>6,586</b>	<b>80,982</b>
<b>Provisions</b>					
<b>Employee benefits:</b>					
Annual leave		2,060	–	1,890	–
Sick leave		2,233	–	2,104	–
Long service leave		3,258	770	3,052	824
<b>Sub-total – aggregate employee benefits</b>		<b>7,551</b>	<b>770</b>	<b>7,046</b>	<b>824</b>
Asset remediation/restoration (future works)	26	–	3,755	–	3,795
<b>Total provisions</b>		<b>7,551</b>	<b>4,525</b>	<b>7,046</b>	<b>4,619</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>		<b>21,308</b>	<b>79,769</b>	<b>20,043</b>	<b>85,601</b>
<b>(i) Liabilities relating to restricted assets</b>					
		2016		2015	
		Current	Non-current	Current	Non-current
<b>Externally restricted assets</b>					
Water		133	14	143	16
Sewer		3,565	58,970	3,392	61,625
Domestic waste management		178	17	323	16
Other		2,652	–	1,684	–
<b>Liabilities relating to externally restricted assets</b>		<b>6,528</b>	<b>59,001</b>	<b>5,542</b>	<b>61,657</b>
<b>Internally restricted assets</b>					
Nil					
<b>Total liabilities relating to restricted assets</b>		<b>6,528</b>	<b>59,001</b>	<b>5,542</b>	<b>61,657</b>
<b>Total liabilities relating to unrestricted assets</b>		<b>14,780</b>	<b>20,768</b>	<b>14,501</b>	<b>23,944</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>		<b>21,308</b>	<b>79,769</b>	<b>20,043</b>	<b>85,601</b>

<sup>1</sup>. Loans are secured over the general rating income of Council

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



## Ballina Shire Council

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

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

\$ '000	Actual 2016	Actual 2015
<b>(ii) Current liabilities not anticipated to be settled within the next twelve months</b>		
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	5,197	4,857
Payables – security bonds, deposits and retentions	1,045	763
	<b>6,242</b>	<b>5,620</b>

#### Note 10b. Description of and movements in provisions

Class of provision	2015		2016			
	Opening balance as at 1/7/15	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	Closing balance as at 30/6/16
Annual leave	1,890	1,540	(1,370)	–	–	2,060
Sick leave	2,104	751	(622)	–	–	2,233
Long service leave	3,876	846	(694)	–	–	4,028
Asset remediation	3,795	–	–	(40)	–	3,755
<b>TOTAL</b>	<b>11,665</b>	<b>3,137</b>	<b>(2,686)</b>	<b>(40)</b>	<b>–</b>	<b>12,076</b>

- a. Employees leave entitlements and on-costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.
- b. Asset remediation, reinstatement and restoration provisions represent the present value estimate of future costs Council will incur in order to remove, restore and remediate assets and/or activities as a result of past operations.

## Ballina Shire Council

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

## Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	1,746	9,612
<b>Balance as per the Statement of Cash Flows</b>		<b>1,746</b>	<b>9,612</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>11,682</b>	<b>(346)</b>
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		19,200	17,939
Net losses/(gains) on disposal of assets		636	13,193
Non-cash capital grants and contributions		(2,869)	(6,814)
Impairment losses recognition – I,PP&E		636	–
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as ‘at fair value’ or ‘held for trading’		163	29
– Investment properties		–	(460)
Unwinding of discount rates on reinstatement provisions		81	108
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		(3,185)	1,638
Increase/(decrease) in provision for doubtful debts		20	–
Decrease/(increase) in inventories		(34)	(95)
Decrease/(increase) in other assets		(111)	(131)
Increase/(decrease) in payables		770	(1,591)
Increase/(decrease) in accrued interest payable		(32)	–
Increase/(decrease) in other accrued expenses payable		(494)	105
Increase/(decrease) in other liabilities		448	307
Increase/(decrease) in employee leave entitlements		451	(45)
Increase/(decrease) in other provisions		(121)	(127)
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>27,241</b>	<b>23,710</b>

## Ballina Shire Council

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

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(c) Non-cash investing and financing activities</b>			
Developer 'in kind' dedications		2,869	6,718
Estimated future reinstatement, etc costs		–	96
<b>Total non-cash investing and financing activities</b>		<b>2,869</b>	<b>6,814</b>
<b>(d) Financing arrangements</b>			
<b>Unrestricted access was available at balance date to the following lines of credit:</b>			
Loan Facilities		81,898	87,568
Credit cards/purchase cards		750	750
<b>Total financing arrangements</b>		<b>82,648</b>	<b>88,318</b>
<b>Amounts utilised as at balance date:</b>			
– Loan Facilities		81,898	87,568
– Credit cards/purchase cards		9	39
<b>Total financing arrangements utilised</b>		<b>81,907</b>	<b>87,607</b>

## Ballina Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Capital commitments (exclusive of GST)</b>			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
<b>Property, plant and equipment</b>			
Buildings		2,446	4,061
Plant and equipment		406	915
Infrastructure		858	1,681
<b>Investment property</b>			
– Buildings		413	–
<b>Total commitments</b>		<b>4,123</b>	<b>6,657</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		4,123	6,607
Later than one year and not later than 5 years		–	50
<b>Total payable</b>		<b>4,123</b>	<b>6,657</b>
<b>Sources for funding of capital commitments:</b>			
Unrestricted general funds		4,123	6,657
<b>Total sources of funding</b>		<b>4,123</b>	<b>6,657</b>

#### (b) Finance lease commitments

Nil

#### (c) Operating lease commitments (non-cancellable)

##### a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:

Within the next year	477	477
Later than one year and not later than 5 years	740	744
Later than 5 years	68	–
<b>Total non-cancellable operating lease commitments</b>	<b>1,285</b>	<b>1,221</b>

##### b. Non-cancellable operating leases include the following assets:

- Various items of information technology
- Plant and equipment

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

##### Conditions relating to operating leases:

- All operating lease agreements are secured only against the leased asset.
- No lease agreements impose any financial restrictions on Council regarding future debt etc.

## Ballina Shire Council

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

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

\$ '000	Amounts	Indicator	Prior periods	
	2016	2016	2015	2014
<b>Local government industry indicators – consolidated</b>				
<b>1. Operating performance ratio</b>				
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<u>(1,197)</u>	-1.51%	-4.85%	-16.38%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<b>79,036</b>			
<b>2. Own source operating revenue ratio</b>				
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<u>69,519</u>	74.98%	73.11%	76.66%
Total continuing operating revenue <sup>(1)</sup>	<b>92,714</b>			
<b>3. Unrestricted current ratio</b>				
Current assets less all external restrictions <sup>(2)</sup>	<u>35,886</u>	4.20x	3.26x	1.97x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<b>8,538</b>			
<b>4. Debt service cover ratio</b>				
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<u>24,588</u>	2.03x	1.79x	1.27x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>12,119</b>			
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>				
Rates, annual and extra charges outstanding	<u>2,027</u>	4.45%	4.77%	5.63%
Rates, annual and extra charges collectible	<b>45,545</b>			
<b>6. Cash expense cover ratio</b>				
Current year's cash and cash equivalents plus all term deposits	<u>60,746</u>	10.27 mths	9.7 mths	9.6 mths
Payments from cash flow of operating and financing activities	<b>5,916</b>			

## Notes

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

<sup>(2)</sup> Refer Notes 6-8 inclusive.

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

<sup>(3)</sup> Refer to Note 10(a).

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

## Ballina Shire Council

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

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

\$ '000	Water 2016	Wastewater 2016	General <sup>5</sup> 2016
<b>Local government industry indicators – by fund</b>			
<b>1. Operating performance ratio</b>			
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<b>3.77%</b>	<b>-5.70%</b>	<b>-1.33%</b>
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	prior period: 1.20%	prior period: -7.65%	prior period: -5.34%
<b>2. Own source operating revenue ratio</b>			
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<b>90.29%</b>	<b>86.43%</b>	<b>68.48%</b>
Total continuing operating revenue <sup>(1)</sup>	prior period: 89.55%	prior period: 86.93%	prior period: 65.84%
<b>3. Unrestricted current ratio</b>			
Current assets less all external restrictions <sup>(2)</sup>	<b>78.58x</b>	<b>2.85x</b>	<b>4.02x</b>
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	prior period: 73.05x	prior period: 3.37x	prior period: 3.43x
<b>4. Debt service cover ratio</b>			
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<b>0.00</b>	<b>0.81x</b>	<b>4.93x</b>
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	prior period: 0.00x	prior period: 0.85x	prior period: 2.94x
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>			
Rates, annual and extra charges outstanding	<b>10.10%</b>	<b>3.48%</b>	<b>4.22%</b>
Rates, annual and extra charges collectible	prior period: 10.94%	prior period: 3.90%	prior period: 4.38%
<b>6. Cash expense cover ratio</b>			
Current year's cash and cash equivalents plus all term deposits	<b>13.67</b>	<b>9.89</b>	<b>9.70</b>
Payments from cash flow of operating and financing activities	prior period: 13.31	prior period: 10.66	prior period: 8.65

## Notes

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

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

## Ballina Shire Council

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

## Note 14. Investment properties

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Investment properties at fair value</b>			
<u>Investment properties on hand</u>		<u>21,977</u>	<u>21,282</u>
<b>Reconciliation of annual movement:</b>			
<b>Opening balance</b>		21,282	18,404
– Capitalised expenditure – this year		454	1,701
– Net gain/(loss) from fair value adjustments		–	460
– Transfers from/(to) owner occupied (Note 9)		241	717
<b>CLOSING BALANCE – INVESTMENT PROPERTIES</b>		<b><u>21,977</u></b>	<b><u>21,282</u></b>
<b>(b) Valuation basis</b>			
The basis of valuation of investment properties is fair value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.			
<b>(c) Contractual obligations at reporting date</b>			
Refer to Note 12 for disclosures relating to any capital and service obligations that have been contracted.			
<b>(d) Leasing arrangements</b>			
Details of leased investment properties are as follows;			
Future minimum lease payments receivable under non-cancellable investment property operating leases not recognised in the financial statements are receivable as follows:			
Within 1 year		1,707	1,353
Later than 1 year but less than 5 years		2,906	2,208
Later than 5 years		3	–
<b>Total minimum lease payments receivable</b>		<b><u>4,616</u></b>	<b><u>3,561</u></b>
<b>(e) Investment property income and expenditure – summary</b>			
<b>Rental income from investment properties:</b>			
– Minimum lease payments		1,470	1,339
– Outgoings recouped		170	123
<b>Direct operating expenses on investment properties:</b>			
– that generated rental income		(262)	(211)
<b>Net revenue contribution from investment properties</b>		<b><u>1,378</u></b>	<b><u>1,251</u></b>
plus:			
<b>Fair value movement for year</b>		–	460
<b>Total income attributable to investment properties</b>		<b><u>1,378</u></b>	<b><u>1,711</u></b>

Refer to Note 27. Fair value measurement for information regarding the fair value of investment properties held.

## Ballina Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 15. Financial risk management

\$ '000

##### Risk management

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

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

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

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

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

	Carrying value		Fair value	
	2016	2015	2016	2015
<b>Financial assets</b>				
Cash and cash equivalents	1,746	9,612	1,746	9,612
Investments				
– 'Held for trading'	5,266	11,427	5,266	11,427
– 'Held to maturity'	59,000	48,000	59,000	48,000
Receivables	10,650	7,505	10,650	7,505
<b>Total financial assets</b>	<b>76,662</b>	<b>76,544</b>	<b>76,662</b>	<b>76,544</b>
<b>Financial liabilities</b>				
Payables	6,300	5,748	6,300	5,478
Loans/advances	81,898	87,568	101,372	113,830
<b>Total financial liabilities</b>	<b>88,198</b>	<b>93,316</b>	<b>107,672</b>	<b>119,308</b>

Fair value is determined as follows:

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

Refer to Note 27. Fair value measurement for information regarding the fair value of financial assets and liabilities.



## Ballina Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 15. Financial risk management (continued)

\$ '000

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

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

Council has an investment policy which complies with the *Local Government Act 1993* and Minister's investment order. This policy is regularly reviewed by Council and it's staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

The risks associated with the investments held are:

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

Council manages these risks (amongst other measures) by diversifying its portfolio and only purchasing investments with agreed parameters based on ratings and product type.

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

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

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

	Increase of values/rates		Decrease of values/rates	
	\$'000	\$'000	\$'000	\$'000
<b>2016</b>	<b>Profit</b>	<b>Equity</b>	<b>Profit</b>	<b>Equity</b>
Possible impact of a 10% movement in market values	527	527	(527)	(527)
Possible impact of a 1% movement in interest rates	591	591	(591)	(591)
<b>2015</b>				
Possible impact of a 10% movement in market values	1,143	1,143	(1,143)	(1,143)
Possible impact of a 1% movement in interest rates	584	584	(584)	(584)

## Ballina Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 15. Financial risk management (continued)

\$ '000

##### (b) Credit risk

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

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

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures.

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

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

Council receives detailed reports where appropriate.

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

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

	2016 Rates and annual charges	2016 Other receivables	2015 Rates and annual charges	2015 Other receivables
<b>(i) Ageing of receivables – %</b>				
Current (not yet overdue)	55%	96%	54%	84%
Overdue	45%	4%	46%	16%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
<b>(ii) Ageing of receivables – %</b>		<b>Other receivables</b>		<b>Other receivables</b>
<b>Other Receivables</b>				
Current		96		84
0-30 days overdue		3		13
30-60 days overdue		–		2
> 90 days overdue		1		1
		<u>100</u>		<u>100</u>
<b>(iii) Movement in provision for impairment of receivables</b>			<b>2016</b>	<b>2015</b>
Balance at the beginning of the year			9	9
+ new provisions recognised during the year			20	–
<b>Balance at the end of the year</b>			<u>29</u>	<u>9</u>

## Ballina Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 15. Financial risk management (continued)

\$ '000

## (c) Liquidity risk

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

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

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

\$ '000	Subject to no maturity		payable in:		Total cash outflows	Actual carrying values
	≤ 1 Year	1-5 Yrs	> 5 Yrs			
<b>2016</b>						
Trade/other payables	1,992	4,308	–	–	6,300	<b>6,300</b>
Loans and advances	–	6,467	32,979	43,340	82,786	<b>81,898</b>
<b>Total financial liabilities</b>	<b>1,992</b>	<b>10,775</b>	<b>32,979</b>	<b>43,340</b>	<b>89,086</b>	<b>88,198</b>
<b>2015</b>						
Trade/other payables	1,684	4,064	–	–	5,748	<b>5,748</b>
Loans and advances	–	6,880	24,227	57,760	88,867	<b>87,568</b>
<b>Total financial liabilities</b>	<b>1,684</b>	<b>10,944</b>	<b>24,227</b>	<b>57,760</b>	<b>94,615</b>	<b>93,316</b>

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

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

	2016		2015	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	6,300	0.00%	5,748	0.00%
Loans and advances – fixed interest rate	81,898	6.33%	87,568	6.27%
	<u>88,198</u>		<u>93,316</u>	

## Ballina Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 16. Material budget variations

\$ '000

Council's original financial budget for 15/16 was adopted by the Council on 25 June 2016.

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

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

**Note that for variations\* of budget to actual :**

Material variations represent those variances that amount to 10% or more of the original budgeted figure **and** more than 1% of total expenses from continuing operations.

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

\$ '000	2016 Budget	2016 Actual	2016 Variance to budget*		
<b>REVENUES</b>					
<b>Rates and annual charges</b>	<b>43,711</b>	<b>43,338</b>	<b>(373)</b>	(1%)	<b>U</b>
<b>User charges and fees</b>	<b>18,949</b>	<b>19,943</b>	<b>994</b>	5%	<b>F</b>
<b>Interest and investment revenue</b>	<b>1,875</b>	<b>2,111</b>	<b>236</b>	13%	<b>F</b>
Income from interest on funds invested exceeded forecast primarily because capital expenditure did not occur (from Council funds) to the extent anticipated.					
<b>Other revenues</b>	<b>4,453</b>	<b>3,964</b>	<b>(489)</b>	(11%)	<b>U</b>
<b>Operating grants and contributions</b>	<b>7,305</b>	<b>9,517</b>	<b>2,212</b>	30%	<b>F</b>
A significant contributor was Roads to Recovery funding. Income of \$1.7 million was recognised in the budget as capital however has been reclassified to operating for correct financial report disclosure. Further, Natural Disaster funding of \$414,000 which was unbudgeted, was received (or due and payable to Council) in the 2015/16 year.					
<b>Capital grants and contributions</b>	<b>9,527</b>	<b>13,678</b>	<b>4,151</b>	44%	<b>F</b>
A significant factor was grant funding received for Airport infrastructure works (\$2.2 million) which was not forecast. Also Council received \$4.7 million in capital funding for roads during the year including Angels Beach Drive and roundabout \$1.5 million, Teven Road \$1 million and various smaller projects. It is also the case that Council collected considerably more developer contributions for water and wastewater than was forecast.					
<b>Net gains from disposal of assets</b>	<b>1,040</b>	<b>–</b>	<b>(1,040)</b>	(100%)	<b>U</b>
Council budgeted for a net profit from sale of assets of \$1,040,000 from land sales and did actually realise \$1,308,000 from these sales in the 2015/16 year (gross income was \$1,836,000), with a higher number of land sales than originally anticipated. Other profits of \$439,000 (unbudgeted) were realised for sale of other property and plant. These gains were offset by the loss on disposal of infrastructure of \$2,383,000 resulting in nil income from sale of assets and a net loss on disposal of \$636,000.					

## Ballina Shire Council

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

## Note 16. Material budget variations (continued)

\$ '000	2016 Budget	2016 Actual	2016 ----- Variance* -----		
<b>EXPENSES</b>					
<b>Employee benefits and on-costs</b>	<b>20,754</b>	<b>21,690</b>	<b>(936)</b>	(5%)	<b>U</b>
<b>Borrowing costs</b>	<b>6,304</b>	<b>5,949</b>	<b>355</b>	6%	<b>F</b>
<b>Materials and contracts</b>	<b>28,190</b>	<b>25,240</b>	<b>2,950</b>	10%	<b>F</b>
Materials and contract costs were significantly below budget. Comparing original budget to end year actuals showed that various expenditures did not occur in the year. Some of the larger projects that impacted were plans and studies as well as grant funded works such as regional roads expenditure.					
<b>Depreciation and amortisation</b>	<b>16,888</b>	<b>19,200</b>	<b>(2,312)</b>	(14%)	<b>U</b>
The large increase in the depreciation expense predominantly relates to wastewater infrastructure assets. The main cause of this variation was the significant capitalisation of wastewater infrastructure assets at 30 June 2015, with those assets being depreciated for the first time in 2016.					
<b>Other expenses</b>	<b>7,443</b>	<b>7,518</b>	<b>(75)</b>	(1%)	<b>U</b>
<b>Net losses from disposal of assets</b>	<b>–</b>	<b>636</b>	<b>(636)</b>	0%	<b>U</b>

## Ballina Shire Council

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

## Note 17. Statement of developer contributions

\$ '000

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

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

## SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	2,273	768	-	78	(260)	-	2,859	-
Parking	376	64	-	10	(222)	-	228	-
Open space	552	257	-	19	(211)	(68)	549	2,333
Community facilities	431	531	-	17	(25)	(401)	553	5,107
Community facilities (old)	86	156	-	3	(182)	-	63	-
Heavy vehicles	614	379	-	23	(306)	-	710	-
Wollongbar expansion	328	-	-	11	-	(110)	229	2,336
<b>S94 contributions – under a plan</b>	<b>4,660</b>	<b>2,155</b>	<b>-</b>	<b>161</b>	<b>(1,206)</b>	<b>(579)</b>	<b>5,191</b>	<b>9,776</b>
<b>Total S94 revenue under plans</b>	<b>4,660</b>	<b>2,155</b>	<b>-</b>	<b>161</b>	<b>(1,206)</b>	<b>(579)</b>	<b>5,191</b>	<b>9,776</b>
S64 contributions	11,130	2,563	-	367	(453)	-	13,607	-
<b>Total contributions</b>	<b>15,790</b>	<b>4,718</b>	<b>-</b>	<b>528</b>	<b>(1,659)</b>	<b>(579)</b>	<b>18,798</b>	<b>9,776</b>

## Ballina Shire Council

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

## Note 17. Statement of developer contributions (continued)

\$ '000

**S94 CONTRIBUTIONS – UNDER A PLAN**

## CONTRIBUTION PLAN - ROADS

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads (2002)	791	187	-	27	-	-	1,005	-
Roads (2010)	1,482	581	-	51	(260)	-	1,854	-
<b>Total</b>	<b>2,273</b>	<b>768</b>	<b>-</b>	<b>78</b>	<b>(260)</b>	<b>-</b>	<b>2,859</b>	<b>-</b>

## CONTRIBUTION PLAN - OPEN SPACE

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Ballina District	356	63	-	13	-	-	432	-
Lennox District	5	61	-	-	(9)	-	57	-
Plateau District	178	10	-	6	(198)	-	(4)	1,350
Wardell District	13	5	-	-	-	-	18	-
Regional	-	68	-	-	-	(68)	-	983
West Ballina	-	50	-	-	(4)	-	46	-
<b>Total</b>	<b>552</b>	<b>257</b>	<b>-</b>	<b>19</b>	<b>(211)</b>	<b>(68)</b>	<b>549</b>	<b>2,333</b>

## Ballina Shire Council

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

## Note 17. Statement of developer contributions (continued)

\$ '000

**S94 CONTRIBUTIONS – UNDER A PLAN**

## CONTRIBUTION PLAN - CAR PARKING

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Ballina	376	52	-	10	(222)	-	216	-
Alstonville Village Centre	-	12	-	-	-	-	12	-
<b>Total</b>	<b>376</b>	<b>64</b>	<b>-</b>	<b>10</b>	<b>(222)</b>	<b>-</b>	<b>228</b>	<b>-</b>

## CONTRIBUTION PLAN - COMMUNITY FACILITIES (OLD)

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Ballina	27	155	-	-	(173)	-	9	-
Lennox Head	8	1	-	-	(9)	-	-	-
Alstonville/Wollongbar	1	-	-	-	-	-	1	-
Wardell	50	-	-	3	-	-	53	-
<b>Total</b>	<b>86</b>	<b>156</b>	<b>-</b>	<b>3</b>	<b>(182)</b>	<b>-</b>	<b>63</b>	<b>-</b>



## Ballina Shire Council

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

## Note 17. Statement of developer contributions (continued)

\$ '000

**S94 CONTRIBUTIONS – UNDER A PLAN**

## CONTRIBUTION PLAN - COMMUNITY FACILITIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Ballina district	304	124	-	12	-	-	440	-
Lennox district	-	107	-	-	-	(107)	-	1,056
Plateau district	120	3	-	5	(25)	-	103	-
Wardell district	7	3	-	-	-	-	10	-
Regional	-	294	-	-	-	(294)	-	4,051
<b>Total</b>	<b>431</b>	<b>531</b>	<b>-</b>	<b>17</b>	<b>(25)</b>	<b>(401)</b>	<b>553</b>	<b>5,107</b>

## CONTRIBUTION PLAN - HEAVY VEHICLES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Shire Wide	614	379	-	23	(306)	-	710	-
<b>Total</b>	<b>614</b>	<b>379</b>	<b>-</b>	<b>23</b>	<b>(306)</b>	<b>-</b>	<b>710</b>	<b>-</b>

## CONTRIBUTION PLAN - WOLLONGBAR URBAN EXPANSION AREA

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Link road	220	-	-	7	-	(110)	117	2,336
Transport works	108	-	-	4	-	-	112	-
<b>Total</b>	<b>328</b>	<b>-</b>	<b>-</b>	<b>11</b>	<b>-</b>	<b>(110)</b>	<b>229</b>	<b>2,336</b>

## Ballina Shire Council

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

## Note 17. Statement of developer contributions (continued)

\$ '000

**S64 contributions**

## Section 64 - Water

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Shire Wide	6,589	838	-	207	(209)	-	7,425	-
<b>Total</b>	<b>6,589</b>	<b>838</b>	<b>-</b>	<b>207</b>	<b>(209)</b>	<b>-</b>	<b>7,425</b>	<b>-</b>

## Section 64 - Sewer

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Shire Wide	4,541	1,725	-	160	(244)	-	6,182	-
<b>Total</b>	<b>4,541</b>	<b>1,725</b>	<b>-</b>	<b>160</b>	<b>(244)</b>	<b>-</b>	<b>6,182</b>	<b>-</b>

## Ballina Shire Council

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

#### Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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

#### LIABILITIES NOT RECOGNISED:

##### 1. Guarantees

##### (i) Defined benefit superannuation contribution plans

Council participates in an employer-sponsored defined benefit superannuation scheme, and makes contributions as determined by the superannuation scheme's trustees.

Member councils bear responsibility of ensuring there are sufficient funds available to pay out the required benefits as they fall due.

The schemes most recent full actuarial review indicated that the net assets of the scheme were not sufficient to meet the accrued benefits of the schemes defined benefit member category with member councils required to make significantly higher contributions in future years.

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of its share of the net deficit and accordingly Council has not recorded any net liability from its defined benefit scheme obligations in accordance with AASB 119.

Future contributions made to the defined benefit scheme to rectify the net deficit position will be recognised as an expense when they become payable – similar to the accounting for defined contributions plans.

#### LIABILITIES NOT RECOGNISED (continued):

##### 2. Other Liabilities

##### (i) Third Party Claims

The Council is involved from time to time in various claims incidental to the ordinary course of business including claims for damages relating to its services.

Council believes that it is appropriately covered for all claims through its Insurance Coverage and does not expect any material liabilities to eventuate.

##### (ii) S94 Plans

Council levies Section 94/94A Contributions upon various development across the Council area through the required Contributions Plans.

As part of these Plans, Council has received funds for which it will be required to expend the monies in accordance with those Plans.

As well, these Plans indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years or where a shortfall exists by the use of Council's General Funds.

These future expenses do not yet qualify as liabilities as of the Reporting Date, but represent Councils intention to spend funds in the manner and timing set out in those Plans.

#### ASSETS NOT RECOGNISED:

##### (i) Land Under Roads

As permitted under AASB 1051, Council has elected not to bring to account Land Under Roads that it owned or controlled up to & including 30/6/08.

## Ballina Shire Council

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

#### Note 18. Contingencies and other assets/liabilities not recognised (continued)

---

\$ '000

---

##### **OTHER CONTINGENCIES**

##### **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 controlled and administered by the Lismore City Council. 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 the Financial Statements for the year ended 30 June 2016

#### Note 19. Interests in other entities

---

**\$ '000**

---

Council's objectives can and in some cases are best met through the use of separate entities and operations.

The accounting and reporting for these various entities, operations and arrangements varies in accordance with accounting standards, depending on the level of council's (i) interest and (ii) control and the type (form) of entity/operation, as follows;

---

<b>Controlled entities (subsidiaries)</b>	<b>Note 19(a)</b>
Operational arrangements where Council's control (but not necessarily interest) exceeds 50%.	

<b>Joint ventures and associates</b>	<b>Note 19(b)</b>
Joint ventures are operational arrangements where the parties that have joint control have rights to the net assets of the arrangement.	
Associates are separate entities where Council has significant influence over the operations (but neither controls nor jointly controls them).	

<b>Joint operations</b>	<b>Note 19(c)</b>
Operational arrangements where the parties that have joint control have rights to specific assets and obligations for specific liabilities relating to the arrangement rather than a right to the net assets of the arrangement.	

<b>Unconsolidated structured entities</b>	<b>Note 19(d)</b>
Unconsolidated structured entities represent "special vehicles" that Council has an interest in but which are not controlled by Council and therefore not consolidated as a subsidiary, joint arrangement or associate. Attributes of structured entities include restricted activities, a narrow and well-defined objective and insufficient equity to finance its activities without financial support.	

<b>Subsidiaries, joint arrangements and associates not recognised</b>	<b>Note 19(e)</b>
---	-------------------

---

## Ballina Shire Council

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

#### Note 19. Interests in other entities (continued)

\$ '000

##### (a) Controlled entities (subsidiaries) – being entities and operations controlled by Council

Council has no interest in any controlled entities (subsidiaries).

##### (b) Joint ventures and associates

Council has incorporated the following joint ventures and associates into its consolidated financial statements.

##### (i) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	2016	2015
North East Weight of Loads Group (NEWLOG)	Joint venture	Equity	24	25
<b>Total carrying amounts – material joint ventures and associates</b>			<b>24</b>	<b>25</b>

##### (ii) Details

Name of entity	Principal activity	Place of business
North East Weight of Loads Group (NEWLOG)	Enforcement of load weights carried by heavy vehicles.	Ballina

##### (iii) Relevant interests and fair values

Name of entity	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
	2016	2015	2016	2015	2016	2015	2016	2015
North East Weight of Loads Group (NEWLOG)	n/a	n/a	13%	13%	13%	13%	11%	11%

## Ballina Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 19. Interests in other entities (continued)

\$ '000

## (b) Joint ventures and associates (continued)

## (iv) Summarised financial information for joint ventures and associates

	North East Weight of Loads Group (NEWLOG)	
	2016	2015
<b>Statement of financial position</b>		
<b>Current assets</b>		
Cash and cash equivalents	300	276
Other current assets	49	56
<b>Total current assets</b>	<b>349</b>	<b>332</b>
<b>Non-current assets</b>	<b>27</b>	<b>46</b>
<b>Current liabilities</b>		
Payables	4	10
Provisions	191	178
<b>Total current liabilities</b>	<b>195</b>	<b>188</b>
<b>Non-current liabilities</b>	<b>-</b>	<b>-</b>
<b>Net assets</b>	<b>181</b>	<b>190</b>
<b>Reconciliation of the carrying amount</b>		
Opening net assets (1 July)	190	187
Profit/(loss) for the period	(232)	(214)
New Capital Contributions	223	217
<b>Closing net assets</b>	<b>181</b>	<b>190</b>
<b>Council's share of net assets (%)</b>	<b>13.2%</b>	<b>13.4%</b>
<b>Council's share of net assets (\$)</b>	<b>24</b>	<b>25</b>
<b>Statement of comprehensive income</b>		
Interest and investment revenue	8	9
Other revenue	54	73
Grants and contributions provided for operating purposes	181	179
Employee benefits and on-costs	(352)	(344)
Materials and contracts	(32)	(31)
Depreciation and amortisation	(19)	(22)
Other expenses	(72)	(78)
<b>Total comprehensive income</b>	<b>(232)</b>	<b>(214)</b>
<b>Share of income – Council (%)</b>	<b>13.2%</b>	<b>13.4%</b>
<b>Profit/(loss) – Council (\$)</b>	<b>(31)</b>	<b>(29)</b>
<b>Total comprehensive income – Council (\$)</b>	<b>(31)</b>	<b>(29)</b>

## (c) Joint operations

Council has no interest in any joint operations.

## (d) Unconsolidated structured entities

Council has no unconsolidated structured entities

## (e) Subsidiaries, joint arrangements and associates not recognised

All subsidiaries, joint arrangements and associates have been recognised in this financial report.

## Ballina Shire Council

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

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Retained earnings</b>			
<b>Movements in retained earnings were as follows:</b>			
Balance at beginning of year (from previous years audited accounts)		634,402	634,748
a. Net operating result for the year		11,682	(346)
<b>Balance at end of the reporting period</b>		<b>646,084</b>	<b>634,402</b>
<b>(b) Revaluation reserves</b>			
<b>(i) Reserves are represented by:</b>			
– Infrastructure, property, plant and equipment revaluation reserve		446,353	437,133
<b>Total</b>		<b>446,353</b>	<b>437,133</b>
<b>(ii) Reconciliation of movements in reserves:</b>			
<b>Infrastructure, property, plant and equipment revaluation reserve</b>			
– Opening balance		437,133	375,060
– Revaluations for the year	9(a)	9,220	62,073
<b>– Balance at end of year</b>		<b>446,353</b>	<b>437,133</b>
<b>TOTAL VALUE OF RESERVES</b>		<b>446,353</b>	<b>437,133</b>

**(iii) Nature and purpose of reserves****Infrastructure, property, plant and equipment revaluation reserve**

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

**(c) Correction of error/s relating to a previous reporting period**

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

**(d) Voluntary changes in accounting policies**

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



## Ballina Shire Council

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

## Note 21. Financial result and financial position by fund

Income Statement by fund \$ '000	Actual 2016	Actual 2016	Actual 2016
<b>Continuing operations</b>	Water	Wastewater	General <sup>1</sup>
<b>Income from continuing operations</b>			
Rates and annual charges	3,226	14,087	26,025
User charges and fees	7,451	1,132	11,360
Interest and investment revenue	339	497	1,275
Other revenues	–	483	3,481
Grants and contributions provided for operating purposes	157	157	9,203
Grants and contributions provided for capital purposes	1,031	2,386	10,261
<b>Other income</b>			
Net gains from disposal of assets	26	–	(26)
<b>Total income from continuing operations</b>	<b>12,230</b>	<b>18,742</b>	<b>61,579</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	1,876	3,676	16,138
Borrowing costs	–	4,647	1,302
Materials and contracts	1,007	5,044	19,189
Depreciation and amortisation	1,498	3,532	14,170
Impairment	–	–	636
Other expenses	6,364	353	801
Net losses from the disposal of assets	64	3	569
<b>Total expenses from continuing operations</b>	<b>10,809</b>	<b>17,255</b>	<b>52,805</b>
<b>Operating result from continuing operations</b>	<b>1,421</b>	<b>1,487</b>	<b>8,774</b>
<b>Discontinued operations</b>			
Net profit/(loss) from discontinued operations	–	–	–
<b>Net operating result for the year</b>	<b>1,421</b>	<b>1,487</b>	<b>8,774</b>
<b>Net operating result attributable to each council fund</b>	<b>1,421</b>	<b>1,487</b>	<b>8,774</b>
<b>Net operating result attributable to non-controlling interests</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>390</b>	<b>(899)</b>	<b>(1,487)</b>

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

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

## Ballina Shire Council

## Notes to the Financial Statements

as at 30 June 2016

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

Statement of Financial Position by fund \$ '000	Actual 2016	Actual 2016	Actual 2016
<b>ASSETS</b>	Water	Wastewater	General <sup>1</sup>
<b>Current assets</b>			
Cash and cash equivalents	–	–	1,746
Investments	9,625	13,588	34,946
Receivables	2,043	1,305	6,941
Inventories	–	–	808
Other	118	–	181
<b>Total current assets</b>	<b>11,786</b>	<b>14,893</b>	<b>44,622</b>
<b>Non-current assets</b>			
Investments	952	1,344	3,811
Receivables	108	139	114
Inventories	11	–	3,015
Infrastructure, property, plant and equipment	71,157	198,622	820,963
Investment property	–	–	21,977
<b>Total non-current assets</b>	<b>72,228</b>	<b>200,105</b>	<b>849,880</b>
<b>TOTAL ASSETS</b>	<b>84,014</b>	<b>214,998</b>	<b>894,502</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	–	125	6,978
Borrowings	–	2,958	3,696
Provisions	133	482	6,936
<b>Total current liabilities</b>	<b>133</b>	<b>3,565</b>	<b>17,610</b>
<b>Non-current liabilities</b>			
Payables	–	–	–
Borrowings	–	58,925	16,319
Provisions	14	45	4,466
<b>Total non-current liabilities</b>	<b>14</b>	<b>58,970</b>	<b>20,785</b>
<b>TOTAL LIABILITIES</b>	<b>147</b>	<b>62,535</b>	<b>38,395</b>
<b>Net assets</b>	<b>83,867</b>	<b>152,463</b>	<b>856,107</b>
<b>EQUITY</b>			
Retained earnings	40,469	98,161	507,454
Revaluation reserves	43,398	54,302	348,653
<b>Council equity interest</b>	<b>83,867</b>	<b>152,463</b>	<b>856,107</b>
<b>Non-controlling interests</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total equity</b>	<b>83,867</b>	<b>152,463</b>	<b>856,107</b>

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

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

## Ballina Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 22. 'Held for sale' non-current assets and disposal groups

---

\$ '000

---

Council did not classify any non-current assets or disposal groups as 'held for sale'.

#### Note 23. Events occurring after the reporting date

---

Events that occur between the end of the reporting period (30 June 2016) and the date when the financial statements are 'authorised for issue' have been taken into account in preparing these statements.

Council has adopted the date of receipt of the Auditors' Report as the applicable 'authorised for issue' date relating to these General Purpose Financial Statements.

Accordingly, the 'authorised for issue' date is 27/10/16.

Events that occur after the reporting period represent one of two types:

**(i) Events that provide evidence of conditions that existed at the reporting period**

These financial statements (and the figures therein) incorporate all 'adjusting events' that provided evidence of conditions that existed at 30 June 2016.

**(ii) Events that provide evidence of conditions that arose after the reporting period**

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 30 June 2016 and which are only indicative of conditions that arose after 30 June 2016.

**Council is unaware of any material or significant 'non-adjusting events' that should be disclosed.**

#### Note 24. Discontinued operations

---

Council has not classified any of its operations as 'discontinued'.

#### Note 25. Intangible assets

---

Intangible assets represent identifiable non-monetary assets without physical substance.

Council is unaware of any control over intangible assets that warrant recognition in the financial statements, including either internally generated and developed assets or purchased assets.

## Ballina Shire Council

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

#### Note 26. Reinstatement, rehabilitation and restoration liabilities

\$ '000

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

Asset/operation	Estimated year of restoration	NPV of provision	
		2016	2015
Tuckombil quarry remediation	2018	780	812
Stokers quarry remediation	2025	393	386
Southern Cross tip (Ballina) remediation	2019	2,582	2,597
<b>Balance at end of the reporting period</b>	10(a)	<b>3,755</b>	<b>3,795</b>

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

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

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

#### Reconciliation of movement in provision for year:

Balance at beginning of year	3,795	3,814
Amounts capitalised to new or existing assets:		
– Tip assets	–	96
Effect of a change in other calculation estimates used	(121)	(223)
Amortisation of discount (expensed to borrowing costs)	81	108
<b>Total – reinstatement, rehabilitation and restoration provision</b>	<b>3,755</b>	<b>3,795</b>

## Ballina Shire Council

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

#### Note 26. Reinstatement, rehabilitation and restoration liabilities (continued)

---

\$ '000

---

##### **Provisions for close down and restoration and for environmental clean up costs – tips and quarries**

###### ***Restoration***

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

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

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.

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.

###### ***Rehabilitation***

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

Provision is made for the estimated present value of the costs of environmental clean up obligations outstanding at the reporting date. These costs are charged to the Income Statement. Movements in the environmental clean up provisions are presented as an operating cost, except for the unwinding of the discount which is shown as a borrowing cost.

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

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

## Ballina Shire Council

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

## Note 27. Fair value measurement

\$ '000

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

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

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

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

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

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

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

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

2016	Fair value measurement hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>				
<b>Financial assets</b>				
Investments				
– 'Held at fair value through profit or loss'	–	5,266	–	5,266
<b>Total financial assets</b>	<b>–</b>	<b>5,266</b>	<b>–</b>	<b>5,266</b>
<b>Investment properties</b>				
Land and buildings	–	21,977	–	21,977
<b>Total investment properties</b>	<b>–</b>	<b>21,977</b>	<b>–</b>	<b>21,977</b>
<b>Infrastructure, property, plant and equipment</b>				
Plant and equipment	–	–	7,246	7,246
Office equipment	–	–	367	367
Furniture and fittings	–	–	34	34
Operational land	–	43,010	–	43,010
Community land	–	–	110,326	110,326
Land under roads	–	–	13,247	13,247
Land improvements – non-depreciable	–	–	5,190	5,190
Land Improvements – depreciable	–	–	5,098	5,098
Buildings – non-specialised	–	6,306	–	6,306
Buildings – specialised	–	–	55,921	55,921
Other structures	–	–	11,330	11,330
Roads	–	–	424,378	424,378
Bridges	–	–	32,104	32,104
Footpaths	–	–	20,364	20,364
Bulk earthworks (non depreciable)	–	–	3,710	3,710
Stormwater drainage	–	–	72,231	72,231
Water supply network	–	–	67,127	67,127
Sewerage network	–	–	189,566	189,566
Swimming pools	–	–	1,563	1,563
Tip remediation	–	–	368	368
Quarries remediation	–	–	8	8
<b>Total infrastructure, property, plant and equipment</b>	<b>–</b>	<b>49,316</b>	<b>1,020,178</b>	<b>1,069,494</b>

## Ballina Shire Council

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

## Note 27. Fair value measurement (continued)

\$ '000

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

2015	Fair value measurement hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>				
<b>Financial assets</b>				
Investments				
– ‘Held at fair value through profit or loss’	–	11,427	–	11,427
<b>Total financial assets</b>	<b>–</b>	<b>11,427</b>	<b>–</b>	<b>11,427</b>
<b>Investment properties</b>				
Land and buildings	–	21,282	–	21,282
<b>Total investment properties</b>	<b>–</b>	<b>21,282</b>	<b>–</b>	<b>21,282</b>
<b>Infrastructure, property, plant and equipment</b>				
Plant and equipment	–	–	6,671	6,671
Office equipment	–	–	503	503
Furniture and fittings	–	–	39	39
Operational land	–	43,547	–	43,547
Community land	–	–	110,326	110,326
Land under roads	–	–	13,085	13,085
Land improvements – non-depreciable	–	–	5,102	5,102
Land Improvements – depreciable	–	–	5,965	5,965
Buildings – non-specialised	–	6,354	–	6,354
Buildings – specialised	–	–	55,660	55,660
Other structures	–	–	11,064	11,064
Roads	–	–	425,965	425,965
Bridges	–	–	32,086	32,086
Footpaths	–	–	19,855	19,855
Bulk earthworks (non depreciable)	–	–	1,572	1,572
Stormwater drainage	–	–	70,956	70,956
Water supply network	–	–	64,411	64,411
Sewerage network	–	–	188,549	188,549
Swimming pools	–	–	1,535	1,535
Tip remediation	–	–	489	489
Quarries remediation	–	–	12	12
<b>Total infrastructure, property, plant and equipment</b>	<b>–</b>	<b>49,901</b>	<b>1,013,845</b>	<b>1,063,746</b>

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

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

## Ballina Shire Council

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

#### Note 27. Fair value measurement (continued)

---

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

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

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

##### **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 2014 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 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 a qualified valuer who has experience in the location of the properties.

The last valuation was completed as at 30 June 2015 in-house by an experienced and qualified Council employee, Mr Paul Tsikleas, AAPI.

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 and expected rates of return determined by the market.

---

##### **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.



## Ballina Shire Council

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

#### Note 27. Fair value measurement (continued)

---

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.

---

#### 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 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.

---

## Ballina Shire Council

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

#### Note 27. Fair value measurement (continued)

---

##### **Buildings - Specialised and Other Structures**

Specialised buildings and other structures were valued by Scott Fullerton Valuations Pty Ltd in 2014 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.

---

##### **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 2015 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 cast 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 the Financial Statements

for the year ended 30 June 2016

## Note 27. Fair value measurement (continued)

\$ '000

**(4). Fair value measurements using significant unobservable inputs (level 3)****a. The following tables present the changes in level 3 fair value asset classes.**

	Plant and Equipment	Office equipment	Furniture and fittings	Community land	Total
<b>Opening balance – 1/7/14</b>	7,008	639	44	110,326	118,017
Purchases (GBV)	1,465	–	–	–	1,465
Disposals (WDV)	(100)	–	–	–	(100)
Depreciation and impairment	(1,702)	(136)	(5)	–	(1,843)
<b>Closing balance – 30/6/15</b>	<b>6,671</b>	<b>503</b>	<b>39</b>	<b>110,326</b>	<b>117,539</b>
Transfers from/(to) another asset class	31	–	–	–	31
Purchases (GBV)	2,228	–	–	–	2,228
Disposals (WDV)	(61)	–	–	–	(61)
Depreciation and impairment	(1,623)	(136)	(5)	–	(1,764)
<b>Closing balance – 30/6/16</b>	<b>7,246</b>	<b>367</b>	<b>34</b>	<b>110,326</b>	<b>117,973</b>
	Land under roads	Land improve- ments	Buildings – specialised	Other structures	Total
<b>Opening balance – 1/7/14</b>	12,555	11,935	51,225	10,606	86,321
Transfers from/(to) another asset class	–	–	5,184	409	5,593
Purchases (GBV)	530	–	307	478	1,315
Disposals (WDV)	–	–	–	(130)	(130)
Depreciation and impairment	–	(868)	(2,265)	(548)	(3,681)
Revaluation increments/ (decrements)	–	–	1,209	249	1,458
<b>Closing balance – 30/6/15</b>	<b>13,085</b>	<b>11,067</b>	<b>55,660</b>	<b>11,064</b>	<b>90,876</b>
Transfers from/(to) another asset class	–	–	–	171	171
Purchases (GBV)	162	88	848	386	1,484
Depreciation and impairment	–	(868)	(2,343)	(585)	(3,796)
Revaluation increments/ (decrements)	–	–	1,756	294	2,050
<b>Closing balance – 30/6/16</b>	<b>13,247</b>	<b>10,287</b>	<b>55,921</b>	<b>11,330</b>	<b>90,785</b>

## Ballina Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 27. Fair value measurement (continued)

\$ '000

**(4). Fair value measurements using significant unobservable inputs (level 3)** (continued)**a. The following tables present the changes in level 3 fair value asset classes.** (continued)

	Roads	Bridges	Footpaths	Bulk earthworks	Total
<b>Opening balance – 1/7/14</b>	360,607	29,456	20,215	838	411,116
Transfers from/(to) another asset class	9,935	–	604	198	10,737
Purchases (GBV)	9,286	–	833	608	10,727
Disposals (WDV)	(2,943)	–	(65)	(851)	(3,859)
Depreciation and impairment	(6,055)	(613)	(288)	–	(6,956)
Revaluation increments/ (decrements)	55,054	3,243	(1,444)	860	57,713
<b>Closing balance – 30/6/15</b>	<b>425,884</b>	<b>32,086</b>	<b>19,855</b>	<b>1,653</b>	<b>479,478</b>
Transfers from/(to) another asset class	(1,516)	433	588	1,952	1,457
Purchases (GBV)	5,321	–	279	84	5,684
Disposals (WDV)	(2,112)	–	(64)	–	(2,176)
Depreciation and impairment	(5,861)	(619)	(423)	–	(6,903)
FV gains – other comprehensive income	2,662	204	129	21	3,016
<b>Closing balance – 30/6/16</b>	<b>424,378</b>	<b>32,104</b>	<b>20,364</b>	<b>3,710</b>	<b>480,556</b>
	Stormwater drainage	Water supply network	Sewerage network	Swimming pools	Total
<b>Opening balance – 1/7/14</b>	71,218	60,179	132,917	1,551	265,865
Transfers from/(to) another asset class	219	2,564	62,689	–	65,472
Purchases (GBV)	1,545	2,222	3,936	–	7,703
Disposals (WDV)	(1)	(21)	(11,322)	–	(11,344)
Depreciation and impairment	(1,425)	(1,420)	(2,161)	(16)	(5,022)
Revaluation increments/ (decrements)	(600)	887	2,490	–	2,777
<b>Closing balance – 30/6/15</b>	<b>70,956</b>	<b>64,411</b>	<b>188,549</b>	<b>1,535</b>	<b>325,451</b>
Transfers from/(to) another asset class	1,336	1,949	871	1	4,157
Purchases (GBV)	1,069	1,289	775	–	3,133
Disposals (WDV)	(114)	(64)	(11)	–	(189)
Depreciation and impairment	(1,466)	(1,433)	(3,375)	(16)	(6,290)
FV gains – other comprehensive income	450	975	2,757	43	4,225
<b>Closing balance – 30/6/16</b>	<b>72,231</b>	<b>67,127</b>	<b>189,566</b>	<b>1,563</b>	<b>330,487</b>

## Ballina Shire Council

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

#### Note 27. Fair value measurement (continued)

\$ '000

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

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

	Tip and quarry remediation	Total
<b>Opening balance – 1/7/14</b>	540	540
Purchases (GBV)	96	96
Depreciation and impairment	(135)	(135)
<b>Closing balance – 30/6/15</b>	<b>501</b>	<b>501</b>
Depreciation and impairment	(126)	(126)
<b>Closing balance – 30/6/16</b>	<b>375</b>	<b>375</b>

#### (5). Highest and best use

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



**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 2016, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the statement by Councillors' and Management.

***Council's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

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



### **Independence**

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

### **Opinion**

In our opinion:

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

### ***Matters Relating to the Electronic Presentation of the Audited Financial Statements***

This auditor's report relates to the general purpose financial statements of Ballina Shire Council for the financial year ended 30 June 2016 published in the annual report and included on Council's website. The Council is responsible for the integrity of the Council's website. We have not been engaged to report on the integrity of this website. The auditor's report refers only to the financial statements identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial statements. If users of the financial statements are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements to confirm the information contained in this website version of the financial statements.

Dated at Lismore this 27<sup>th</sup> day of October 2016

**THOMAS NOBLE & RUSSELL  
CHARTERED ACCOUNTANTS**

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

Part C

# Special Purpose Financial Statements



# Ballina Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2016

---

Serving the community of today while  
preparing for the challenges of tomorrow



## Ballina Shire Council

### Special Purpose Financial Statements

for the year ended 30 June 2016

Contents	Page
<b>1. Statement by Councillors and Management</b>	2
<b>2. Special Purpose Financial Statements:</b>	
Income Statement – Water Supply Business Activity	3
Income Statement – Sewerage Business Activity	4
Income Statement – Other Business Activities	5
Statement of Financial Position – Water Supply Business Activity	8
Statement of Financial Position – Sewerage Business Activity	9
Statement of Financial Position – Other Business Activities	10
<b>3. Notes to the Special Purpose Financial Statements</b>	13
<b>4. Auditor’s Report</b>	22

---

#### Background

(i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.

(ii) The principle of competitive neutrality is based on the concept of a ‘level playing field’ between persons/entities competing in a market place, particularly between private and public sector competitors.

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

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

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

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

## Ballina Shire Council

### Special Purpose Financial Statements

for the year ended 30 June 2016

### Statement by Councillors and Management

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

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

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

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

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

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

**Signed in accordance with a resolution of Council made on 27 October 2016.**

---

Cr David Wright  
Mayor

---

Councillor

---

Paul Hickey  
General manager

---

Peter Morgan  
Responsible accounting officer

## Ballina Shire Council

Income Statement of Council's Water Supply Business Activity  
for the year ended 30 June 2016

\$ '000	Actual 2016	Actual 2015
<b>Income from continuing operations</b>		
Access charges	3,226	3,092
User charges	6,654	6,432
Fees	797	798
Interest	339	418
Grants and contributions provided for non-capital purposes	157	153
Profit from the sale of assets	26	–
Other income	–	–
<b>Total income from continuing operations</b>	<b>11,199</b>	<b>10,893</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	1,876	1,763
Borrowing costs	–	–
Materials and contracts	1,007	1,348
Depreciation and impairment	1,498	1,479
Water purchase charges	5,703	5,720
Loss on sale of assets	64	21
Calculated taxation equivalents	32	34
Debt guarantee fee (if applicable)	–	–
Other expenses	661	452
<b>Total expenses from continuing operations</b>	<b>10,841</b>	<b>10,817</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>358</b>	<b>76</b>
Grants and contributions provided for capital purposes	1,031	1,100
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>1,389</b>	<b>1,176</b>
Surplus (deficit) from discontinued operations	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>1,389</b>	<b>1,176</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(107)	(23)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>1,282</b>	<b>1,153</b>
<b>Plus opening retained profits</b>	39,088	37,912
<b>Plus/less: prior period adjustments</b>	–	–
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	32	34
– Debt guarantee fees	–	–
– Corporate taxation equivalent	107	23
<b>Less:</b>		
– Tax equivalent dividend paid	(32)	(34)
– Surplus dividend paid	–	–
<b>Closing retained profits</b>	<b>40,477</b>	<b>39,088</b>
<b>Return on capital %</b>	<b>0.5%</b>	<b>0.11%</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>–</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	1,282	1,153
Less: capital grants and contributions (excluding developer contributions)	–	–
<b>Surplus for dividend calculation purposes</b>	<b>1,282</b>	<b>1,153</b>
<b>Potential dividend calculated from surplus</b>	<b>641</b>	<b>577</b>

## Ballina Shire Council

Income Statement of Council's Sewerage Business Activity  
for the year ended 30 June 2016

\$ '000	Actual 2016	Actual 2015
<b>Income from continuing operations</b>		
Access charges	14,087	13,004
User charges	997	892
Liquid trade waste charges	135	147
Fees	–	–
Interest	497	679
Grants and contributions provided for non-capital purposes	157	152
Profit from the sale of assets	–	–
Other income	483	463
<b>Total income from continuing operations</b>	<b>16,356</b>	<b>15,337</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	3,676	3,219
Borrowing costs	4,647	4,997
Materials and contracts	5,044	5,651
Depreciation and impairment	3,532	2,314
Loss on sale of assets	3	12,198
Calculated taxation equivalents	37	26
Debt guarantee fee (if applicable)	653	675
Other expenses	353	329
<b>Total expenses from continuing operations</b>	<b>17,945</b>	<b>29,409</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(1,589)</b>	<b>(14,072)</b>
Grants and contributions provided for capital purposes	2,386	2,131
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>797</b>	<b>(11,941)</b>
Surplus (deficit) from discontinued operations	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>797</b>	<b>(11,941)</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	–	–
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>797</b>	<b>(11,941)</b>
<b>Plus opening retained profits</b>	96,711	107,971
<b>Plus/less: prior period adjustments</b>	–	–
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	37	26
– Debt guarantee fees	653	675
– Corporate taxation equivalent	–	–
<b>Less:</b>		
– Tax equivalent dividend paid	(37)	(20)
– Surplus dividend paid	–	–
<b>Closing retained profits</b>	<b>98,161</b>	<b>96,711</b>
<b>Return on capital %</b>	<b>1.5%</b>	<b>-4.6%</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>9,075</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	797	(11,941)
Less: capital grants and contributions (excluding developer contributions)	–	–
<b>Surplus for dividend calculation purposes</b>	<b>797</b>	<b>–</b>
<b>Potential dividend calculated from surplus</b>	<b>399</b>	<b>–</b>

## Ballina Shire Council

## Income Statement of Council's Other Business Activities

for the year ended 30 June 2016

\$ '000	Quarry		Airport	
	Category 2		Category 1	
	Actual 2016	Actual 2015	Actual 2016	Actual 2015
<b>Income from continuing operations</b>				
Access charges	–	–	–	–
User charges	324	252	5,112	4,710
Fees	–	–	–	–
Interest	40	47	–	–
Grants and contributions provided for non-capital purposes	–	–	–	–
Profit from the sale of assets	–	–	–	–
Other income	53	224	–	–
<b>Total income from continuing operations</b>	<b>417</b>	<b>523</b>	<b>5,112</b>	<b>4,710</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	–	–	641	617
Borrowing costs	28	43	472	502
Materials and contracts	91	175	2,579	2,498
Depreciation and impairment	9	10	830	771
Loss on sale of assets	–	–	–	–
Calculated taxation equivalents	23	24	9	8
Debt guarantee fee (if applicable)	–	–	90	92
Other expenses	–	–	–	–
<b>Total expenses from continuing operations</b>	<b>151</b>	<b>252</b>	<b>4,621</b>	<b>4,488</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>266</b>	<b>271</b>	<b>491</b>	<b>222</b>
Grants and contributions provided for capital purposes	–	–	2,291	–
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>266</b>	<b>271</b>	<b>2,782</b>	<b>222</b>
Surplus (deficit) from discontinued operations	–	–	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>266</b>	<b>271</b>	<b>2,782</b>	<b>222</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(80)	(81)	(147)	(67)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>186</b>	<b>190</b>	<b>2,635</b>	<b>155</b>
<b>Plus opening retained profits</b>	878	1,141	11,294	10,613
<b>Plus/less: prior period adjustments</b>	–	–	–	–
<b>Plus adjustments for amounts unpaid:</b>				
– Taxation equivalent payments	23	24	9	8
– Debt guarantee fees	–	–	90	92
– Corporate taxation equivalent	80	81	147	67
<b>Add:</b>				
– Subsidy paid/contribution to operations	–	–	–	–
<b>Less:</b>				
– TER dividend paid	–	–	–	–
– Dividend paid	(201)	(558)	–	–
<b>Closing retained profits</b>	<b>966</b>	<b>878</b>	<b>14,175</b>	<b>11,294</b>
<b>Return on capital %</b>	<b>20.6%</b>	<b>21.9%</b>	<b>2.4%</b>	<b>1.96%</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>392</b>

## Ballina Shire Council

## Income Statement of Council's Other Business Activities

for the year ended 30 June 2016

\$ '000	Wigmore Arcade		Land development	
	Category 2		Category 1	
	Actual 2016	Actual 2015	Actual 2016	Actual 2015
<b>Income from continuing operations</b>				
Access charges	–	–	–	–
User charges	465	280	2,588	3,054
Fees	–	–	–	–
Interest	3	2	87	110
Grants and contributions provided for non-capital purposes	–	–	–	–
Profit from the sale of assets	–	–	–	–
Other income	–	–	–	840
<b>Total income from continuing operations</b>	<b>468</b>	<b>282</b>	<b>2,675</b>	<b>4,004</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	–	–	–	–
Borrowing costs	–	–	–	–
Materials and contracts	225	202	1,547	1,754
Depreciation and impairment	–	–	–	–
Loss on sale of assets	–	–	–	–
Calculated taxation equivalents	105	98	163	181
Debt guarantee fee (if applicable)	–	–	–	–
Fair value adjustment on investment property	–	1,014	–	–
Other expenses	–	–	–	–
<b>Total expenses from continuing operations</b>	<b>330</b>	<b>1,314</b>	<b>1,710</b>	<b>1,935</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>138</b>	<b>(1,032)</b>	<b>965</b>	<b>2,069</b>
Grants and contributions provided for capital purposes	439	1,670	–	–
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>577</b>	<b>638</b>	<b>965</b>	<b>2,069</b>
Surplus (deficit) from discontinued operations	–	–	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>577</b>	<b>638</b>	<b>965</b>	<b>2,069</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(41)	–	(290)	(621)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>536</b>	<b>638</b>	<b>676</b>	<b>1,448</b>
<b>Plus opening retained profits</b>	5,828	5,167	14,393	14,844
<b>Plus/less: prior period adjustments</b>	–	–	–	–
<b>Plus adjustments for amounts unpaid:</b>				
– Taxation equivalent payments	105	98	163	181
– Debt guarantee fees	–	–	–	–
– Corporate taxation equivalent	41	–	290	621
<b>Add:</b>				
– Subsidy paid/contribution to operations	–	–	–	–
<b>Less:</b>				
– TER dividend paid	–	–	–	–
– Dividend paid	(187)	(75)	(3,223)	(2,701)
<b>Closing retained profits</b>	<b>6,323</b>	<b>5,828</b>	<b>12,298</b>	<b>14,393</b>
<b>Return on capital %</b>	<b>2.2%</b>	<b>-17.9%</b>	<b>n/a</b>	<b>n/a</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>1,206</b>	<b>–</b>	<b>–</b>

## Ballina Shire Council

## Income Statement of Council's Other Business Activities

for the year ended 30 June 2016

\$ '000	Landfill and resource recovery		Private works	
	Category 1		Category 2	
	Actual 2016	Actual 2015	Actual 2016	Actual 2015
<b>Income from continuing operations</b>				
Access charges	–	–	–	–
User charges	6,599	7,041	728	189
Fees	–	–	–	–
Interest	106	85	–	–
Grants and contributions provided for non-capital purposes	326	126	–	–
Profit from the sale of assets	–	–	–	–
Other income	–	96	–	–
<b>Total income from continuing operations</b>	<b>7,031</b>	<b>7,348</b>	<b>728</b>	<b>189</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	921	765	–	–
Borrowing costs	133	232	–	–
Materials and contracts	4,476	3,631	637	173
Depreciation and impairment	1,072	1,213	–	–
Loss on sale of assets	–	–	–	–
Calculated taxation equivalents	27	18	–	–
Debt guarantee fee (if applicable)	10	11	–	–
Other expenses	108	161	–	–
<b>Total expenses from continuing operations</b>	<b>6,747</b>	<b>6,031</b>	<b>637</b>	<b>173</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>284</b>	<b>1,317</b>	<b>91</b>	<b>16</b>
Grants and contributions provided for capital purposes	–	–	–	–
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>284</b>	<b>1,317</b>	<b>91</b>	<b>16</b>
Surplus (deficit) from discontinued operations	–	–	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>284</b>	<b>1,317</b>	<b>91</b>	<b>16</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(85)	(395)	(27)	(5)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>199</b>	<b>922</b>	<b>64</b>	<b>11</b>
<b>Plus opening retained profits</b>	2,173	1,005	–	–
<b>Plus/less: prior period adjustments</b>	–	–	–	–
<b>Plus adjustments for amounts unpaid:</b>				
– Taxation equivalent payments	27	18	–	–
– Debt guarantee fees	10	11	–	–
– Corporate taxation equivalent	85	395	27	5
<b>Add:</b>				
– Subsidy paid/contribution to operations	–	–	–	–
<b>Less:</b>				
– TER dividend paid	–	–	–	–
– Dividend paid	–	(178)	(91)	(16)
<b>Closing retained profits</b>	<b>2,494</b>	<b>2,173</b>	<b>–</b>	<b>–</b>
<b>Return on capital %</b>	<b>5.2%</b>	<b>16.7%</b>	<b>n/a</b>	<b>n/a</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>



## Ballina Shire Council

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

\$ '000	Actual 2016	Actual 2015
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	9,625	9,094
Investments	–	–
Receivables	2,043	2,062
Inventories	–	–
Other	118	121
Non-current assets classified as held for sale	–	–
<b>Total current assets</b>	<b>11,786</b>	<b>11,277</b>
<b>Non-current assets</b>		
Investments	952	1,241
Receivables	108	137
Inventories	11	–
Infrastructure, property, plant and equipment	71,157	68,999
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	16
<b>Total non-current assets</b>	<b>72,228</b>	<b>70,393</b>
<b>TOTAL ASSETS</b>	<b>84,014</b>	<b>81,670</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank overdraft	–	–
Payables	–	–
Borrowings	–	–
Provisions	133	143
<b>Total current liabilities</b>	<b>133</b>	<b>143</b>
<b>Non-current liabilities</b>		
Payables	–	–
Borrowings	–	–
Provisions	14	16
<b>Total non-current liabilities</b>	<b>14</b>	<b>16</b>
<b>TOTAL LIABILITIES</b>	<b>147</b>	<b>159</b>
<b>NET ASSETS</b>	<b>83,867</b>	<b>81,511</b>
<b>EQUITY</b>		
Retained earnings	40,469	39,088
Revaluation reserves	43,398	42,423
Council equity interest	83,867	81,511
Non-controlling equity interest	–	–
<b>TOTAL EQUITY</b>	<b>83,867</b>	<b>81,511</b>

## Ballina Shire Council

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

\$ '000	Actual 2016	Actual 2015
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	13,588	12,826
Investments	–	–
Receivables	1,305	1,243
Inventories	–	–
Other	–	422
Non-current assets classified as held for sale	–	–
<b>Total Current Assets</b>	<b>14,893</b>	<b>14,491</b>
<b>Non-current assets</b>		
Investments	1,344	1,749
Receivables	139	172
Inventories	–	–
Infrastructure, property, plant and equipment	198,622	196,722
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	58
<b>Total non-current assets</b>	<b>200,105</b>	<b>198,701</b>
<b>TOTAL ASSETS</b>	<b>214,998</b>	<b>213,192</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank overdraft	–	–
Payables	125	162
Borrowings	2,958	2,793
Provisions	482	437
<b>Total current liabilities</b>	<b>3,565</b>	<b>3,392</b>
<b>Non-current liabilities</b>		
Payables	–	–
Borrowings	58,925	61,582
Provisions	45	43
<b>Total non-current liabilities</b>	<b>58,970</b>	<b>61,625</b>
<b>TOTAL LIABILITIES</b>	<b>62,535</b>	<b>65,017</b>
<b>NET ASSETS</b>	<b>152,463</b>	<b>148,175</b>
<b>EQUITY</b>		
Retained earnings	98,161	96,711
Revaluation reserves	54,302	51,464
Council equity interest	152,463	148,175
Non-controlling equity interest	–	–
<b>TOTAL EQUITY</b>	<b>152,463</b>	<b>148,175</b>

## Ballina Shire Council

## Statement of Financial Position – Council's Other Business Activities

as at 30 June 2016

\$ '000	Quarry		Airport	
	Category 2		Category 1	
	Actual 2016	Actual 2015	Actual 2016	Actual 2015
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	1,336	1,263	–	–
Investments	–	–	–	–
Receivables	–	–	–	–
Inventories	–	–	–	–
Other	8	12	–	–
Non-current assets classified as held for sale	–	–	–	–
<b>Total Current Assets</b>	<b>1,344</b>	<b>1,275</b>	<b>–</b>	<b>–</b>
<b>Non-current assets</b>				
Investments	–	–	–	–
Receivables	–	–	–	–
Inventories	–	–	–	–
Infrastructure, property, plant and equipment	1,427	1,431	39,411	36,941
Investments accounted for using equity method	–	–	–	–
Investment property	–	–	–	–
Other	–	–	–	–
<b>Total non-current assets</b>	<b>1,427</b>	<b>1,431</b>	<b>39,411</b>	<b>36,941</b>
<b>TOTAL ASSETS</b>	<b>2,771</b>	<b>2,706</b>	<b>39,411</b>	<b>36,941</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Bank overdraft	–	–	–	–
Payables	–	–	–	–
Borrowings	–	–	–	–
Provisions	1,173	1,198	166	164
<b>Total current liabilities</b>	<b>1,173</b>	<b>1,198</b>	<b>166</b>	<b>164</b>
<b>Non-current liabilities</b>				
Payables	–	–	–	–
Borrowings	–	–	8,927	9,761
Provisions	–	–	–	–
Other Liabilities	–	–	–	–
<b>Total non-current liabilities</b>	<b>–</b>	<b>–</b>	<b>8,927</b>	<b>9,761</b>
<b>TOTAL LIABILITIES</b>	<b>1,173</b>	<b>1,198</b>	<b>9,093</b>	<b>9,925</b>
<b>NET ASSETS</b>	<b>1,598</b>	<b>1,508</b>	<b>30,318</b>	<b>27,016</b>
<b>EQUITY</b>				
Retained earnings	966	878	14,175	11,294
Revaluation reserves	632	630	16,143	15,722
Council equity interest	<b>1,598</b>	<b>1,508</b>	<b>30,318</b>	<b>27,016</b>
Non-controlling equity interest	–	–	–	–
<b>TOTAL EQUITY</b>	<b>1,598</b>	<b>1,508</b>	<b>30,318</b>	<b>27,016</b>

## Ballina Shire Council

## Statement of Financial Position – Council's Other Business Activities

as at 30 June 2016

\$ '000	Wigmore Arcade		Land development	
	Category 2		Category 1	
	Actual 2016	Actual 2015	Actual 2016	Actual 2015
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	123	68	1,300	2,537
Investments	–	–	–	–
Receivables	–	–	–	–
Inventories	–	–	–	–
Other	–	–	–	–
Non-current assets classified as held for sale	–	–	–	–
<b>Total Current Assets</b>	<b>123</b>	<b>68</b>	<b>1,300</b>	<b>2,537</b>
<b>Non-current assets</b>				
Investments	–	–	–	–
Receivables	–	–	–	–
Inventories	–	–	4,578	5,436
Infrastructure, property, plant and equipment	6,200	5,760	–	–
Investments accounted for using equity method	–	–	–	–
Investment property	–	–	–	–
Other	–	–	6,420	6,420
<b>Total non-current assets</b>	<b>6,200</b>	<b>5,760</b>	<b>10,998</b>	<b>11,856</b>
<b>TOTAL ASSETS</b>	<b>6,323</b>	<b>5,828</b>	<b>12,298</b>	<b>14,393</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Bank overdraft	–	–	–	–
Payables	–	–	–	–
Borrowings	–	–	–	–
Provisions	–	–	–	–
<b>Total current liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Non-current liabilities</b>				
Payables	–	–	–	–
Borrowings	–	–	–	–
Provisions	–	–	–	–
Other Liabilities	–	–	–	–
<b>Total non-current liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>TOTAL LIABILITIES</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>NET ASSETS</b>	<b>6,323</b>	<b>5,828</b>	<b>12,298</b>	<b>14,393</b>
<b>EQUITY</b>				
Retained earnings	6,323	5,828	12,298	14,393
Revaluation reserves	–	–	–	–
Council equity interest	<b>6,323</b>	<b>5,828</b>	<b>12,298</b>	<b>14,393</b>
Non-controlling equity interest	–	–	–	–
<b>TOTAL EQUITY</b>	<b>6,323</b>	<b>5,828</b>	<b>12,298</b>	<b>14,393</b>

## Ballina Shire Council

## Statement of Financial Position – Council's Other Business Activities

as at 30 June 2016

\$ '000	Landfill and resource recovery Category 1		Private works Category 2	
	Actual 2016	Actual 2015	Actual 2016	Actual 2015
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	4,170	3,563	–	–
Investments	–	–	–	–
Receivables	–	–	–	–
Inventories	6	6	–	–
Other	367	490	–	–
Non-current assets classified as held for sale	–	–	–	–
<b>Total Current Assets</b>	<b>4,543</b>	<b>4,059</b>	<b>–</b>	<b>–</b>
<b>Non-current assets</b>				
Investments	–	–	–	–
Receivables	–	–	–	–
Inventories	–	–	–	–
Infrastructure, property, plant and equipment	7,973	9,293	–	–
Investments accounted for using equity method	–	–	–	–
Investment property	–	–	–	–
Other	–	–	–	–
<b>Total non-current assets</b>	<b>7,973</b>	<b>9,293</b>	<b>–</b>	<b>–</b>
<b>TOTAL ASSETS</b>	<b>12,516</b>	<b>13,352</b>	<b>–</b>	<b>–</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Bank overdraft	–	–	–	–
Payables	–	–	–	–
Borrowings	1,294	1,209	–	–
Provisions	–	–	–	–
<b>Total current liabilities</b>	<b>1,294</b>	<b>1,209</b>	<b>–</b>	<b>–</b>
<b>Non-current liabilities</b>				
Payables	–	–	–	–
Borrowings	–	1,294	–	–
Provisions	2,582	2,597	–	–
Other Liabilities	–	–	–	–
<b>Total non-current liabilities</b>	<b>2,582</b>	<b>3,891</b>	<b>–</b>	<b>–</b>
<b>TOTAL LIABILITIES</b>	<b>3,876</b>	<b>5,100</b>	<b>–</b>	<b>–</b>
<b>NET ASSETS</b>	<b>8,640</b>	<b>8,252</b>	<b>–</b>	<b>–</b>
<b>EQUITY</b>				
Retained earnings	2,494	2,173	–	–
Revaluation reserves	6,146	6,079	–	–
Council equity interest	<b>8,640</b>	<b>8,252</b>	<b>–</b>	<b>–</b>
Non-controlling equity interest	–	–	–	–
<b>TOTAL EQUITY</b>	<b>8,640</b>	<b>8,252</b>	<b>–</b>	<b>–</b>

## Ballina Shire Council

### Special Purpose Financial Statements for the year ended 30 June 2016

#### Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	14
2	Water Supply Business Best-Practice Management disclosure requirements	17
3	Sewerage Business Best-Practice Management disclosure requirements	19

## Ballina Shire Council

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

#### Note 1. Significant accounting policies

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

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

The figures presented in the SPFS, unless otherwise stated, have been prepared in accordance with:

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

The disclosures in the SPFS have been prepared in accordance with:

- the Local Government Act (1993) NSW,
- the Local Government (General) Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

#### National Competition Policy

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

The framework for its application is set out in the June 1996 government policy statement, *Application of National Competition Policy to Local Government*.

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

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

#### Declared business activities

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

#### Category 1

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

##### a. Water Supplies

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

##### b. Sewerage Service

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

##### c. 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.

##### d. Airport

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

#### Category 2

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

##### e. Quarries

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

##### f. Wigmore Arcade

The provision of attractive and competitive shopping centre in central Ballina

## Ballina Shire Council

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

#### Note 1. Significant accounting policies (continued)

##### g. 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.

##### h. Private Works

Various works conducted on private land.

##### Monetary amounts

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

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

##### (i) Taxation-equivalent charges

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

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

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

##### Notional rate applied (%)

##### Corporate income tax rate – 30%

Land tax – the first \$482,000 of combined land values attracts 0%. For that valued from \$482,001 to \$2,947,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds

\$2,947,000, a premium marginal rate of 2.0% applies.

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

In accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, 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 Guidelines to as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

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

##### Income tax

An income tax equivalent has been applied on the profits of each reported business activity.

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

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

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

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



## Ballina Shire Council

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

#### Note 1. Significant accounting policies (continued)

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

##### Local government rates and charges

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

##### Loan and debt guarantee fees

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

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

##### (ii) Subsidies

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

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

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

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

##### (iii) Return on investments (rate of return)

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

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

The rate of return on capital is calculated as follows:

##### Operating result before capital income + interest expense

##### Written down value of I,PP&E as at 30 June

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.17% at 30/6/16. The exception of this rule is the monopoly businesses of Water and Wastewater where Council's adopted rate of return is nil.

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

##### (iv) Dividends

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

Local government water supply and sewerage businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

The dividend, calculated and approved in accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, must not exceed either:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2016 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

## Ballina Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2016Note 2. Water supply business  
best-practice management disclosure requirements

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

2016

**1. Calculation and payment of tax-equivalents**

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

(i)	Calculated tax equivalents	32,000
(ii)	Number of assessments multiplied by \$3/assessment	46,998
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	32,000
(iv)	Amounts actually paid for tax equivalents	40,000

**2. Dividend from surplus**

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	640,800
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	437,980
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	3,017,800

2016 Surplus	1,281,600	2015 Surplus	1,153,200	2014 Surplus	583,000
		2015 Dividend	–	2014 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	437,980
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	–
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? <sup>a</sup>	YES

**3. Required outcomes for 6 criteria**

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

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Full cost recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	– Complying charges [item 2 (b) in table 1]	YES
	– DSP with commercial developer charges [item 2 (e) in table 1]	YES
	– If dual water supplies, complying charges [item 2 (g) in table 1]	YES
(iii)	Sound water conservation and demand management implemented	YES
(iv)	Sound drought management implemented	YES
(v)	Complete performance reporting form (by 15 September each year)	YES
(vi)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	YES

## Ballina Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2016Note 2. Water supply business  
best-practice management disclosure requirements (continued)

---

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2016


---

**National Water Initiative (NWI) financial performance indicators**

<b>NWI F1</b>	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	11,891
<b>NWI F4</b>	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	65.44%
<b>NWI F9</b>	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	70,961
<b>NWI F11</b>	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	9,236
<b>NWI F14</b>	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	1,649
<b>NWI F17</b>	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	1.63%
<b>NWI F26</b>	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

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

## Ballina Shire Council

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

#### Note 3. Sewerage business best-practice management disclosure requirements

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

2016

##### 1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	690,000
(ii)	Number of assessments multiplied by \$3/assessment	46,197
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	46,197
(iv)	Amounts actually paid for tax equivalents	37,000

##### 2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	398,500
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	415,773
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	(12,396,000)

2016 Surplus	797,000	2015 Surplus	(11,941,000)	2014 Surplus	(1,252,000)
		2015 Dividend	—	2014 Dividend	—

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

##### 3. Required outcomes for 4 criteria

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

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

## Ballina Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2016Note 3. Sewerage business  
best-practice management disclosure requirements (continued)

---

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2016


---

**National Water Initiative (NWI) financial performance indicators**

<b>NWI F2</b>	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	18,245
<b>NWI F10</b>	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	198,407
<b>NWI F12</b>	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	9,028
<b>NWI F15</b>	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	2,977
<b>NWI F18</b>	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	2.86%
<b>NWI F27</b>	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

---

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

<b>NWI F3</b>	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	30,069
<b>NWI F8</b>	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.04%
<b>NWI F16</b>	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	4,626
<b>NWI F19</b>	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	2.54%
<b>NWI F20</b>	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
<b>NWI F21</b>	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

## Ballina Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2016Note 3. Sewerage business  
best-practice management disclosure requirements (continued)

---

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2016


---

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

<b>NWI F22</b>	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	15.39%
<b>NWI F23</b>	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest  Earnings before interest and tax (EBIT): Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c)  Net interest: Interest expense (w4a + s4a) – interest income (w9 + s10)		-
<b>NWI F24</b>	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	2,754
<b>NWI F25</b>	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	314

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



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

***Report on the Financial Statements***

We have audited the accompanying financial statements, being special purpose financial statements, of Ballina Shire Council ("the Council"), which comprises the statement of financial position as at 30 June 2016, the income statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the statement by Councillors' and Management.

***Council's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

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



### ***Independence***

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

### ***Opinion***

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

- a) Have been prepared in accordance with the requirements of those applicable Australian Accounting Standards detailed in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting;
  - i. Are consistent with the Council's accounting records;
  - ii. Present fairly, in all material respects, the financial position of Council's nominated Business Activities as at 30 June 2016 and the results of their operations for the year then ended;
- b) All information relevant to the conduct of the audit has been obtained; and
- c) There are no material deficiencies in the accounting records or financial statements that we have become aware of in the course of the audit.

### ***Basis of Accounting***

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

### ***Matters Relating to the Electronic Presentation of the Audited Financial Statements***

This auditor's report relates to the special purpose financial statements of Ballina Shire Council for the financial year ended 30 June 2016 included on Council's website. The Council is responsible for the integrity of the website. We have not been engaged to report on the integrity of this website. The auditor's report refers only to the financial statements identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial statements. If users of the financial statements are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements to confirm the information contained in this website version of the financial statements.

Dated at Lismore this 27<sup>th</sup> day of October 2016

**THOMAS NOBLE & RUSSELL  
CHARTERED ACCOUNTANTS**

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



Part D  
Special Schedules

# Ballina Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2016

---

Serving the community of today while  
preparing for the challenges of tomorrow



# Ballina Shire Council

## Special Schedules for the year ended 30 June 2016

Contents		Page
<b>Special Schedules<sup>1</sup></b>		
<b>Special Schedule 1</b>	Net Cost of Services	2
<b>Special Schedule 2(a)</b>	Statement of Long Term Debt (all purposes)	4
<b>Special Schedule 2(b)</b>	Statement of Internal Loans (Sect. 410(3) LGA 1993)	n/a
<b>Special Schedule 3</b>	Water Supply Operations – incl. Income Statement	5
<b>Special Schedule 4</b>	Water Supply – Statement of Financial Position	9
<b>Special Schedule 5</b>	Wastewater Service Operations – incl. Income Statement	10
<b>Special Schedule 6</b>	Wastewater Service – Statement of Financial Position	14
<b>Notes to Special Schedules 3 and 5</b>		15
<b>Special Schedule 7</b>	Report on Infrastructure Assets	16
<b>Special Schedule 8</b>	Permissible Income Calculation	20

<sup>1</sup> Special Schedules are not audited (with the exception of Special Schedule 8).

---

### Background

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

## Ballina Shire Council

## Special Schedule 1 – Net Cost of Services

for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Governance</b>	<b>1,030</b>	–	–	<b>(1,030)</b>
<b>Administration</b>	<b>2,822</b>	<b>936</b>	<b>2,260</b>	<b>374</b>
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	505	172	–	<b>(333)</b>
Beach control	347	–	–	<b>(347)</b>
Animal control	75	91	–	<b>16</b>
Other	470	142	–	<b>(328)</b>
<b>Total public order and safety</b>	<b>1,397</b>	<b>405</b>	–	<b>(992)</b>
<b>Health</b>	<b>1,402</b>	<b>262</b>	–	<b>(1,140)</b>
<b>Environment</b>				
Noxious plants and insect/vermin control	116	–	–	<b>(116)</b>
Other environmental protection	496	5	–	<b>(491)</b>
Solid waste management	9,330	9,883	–	<b>553</b>
Street cleaning	398	–	–	<b>(398)</b>
Drainage	1,844	370	882	<b>(592)</b>
<b>Total environment</b>	<b>12,184</b>	<b>10,258</b>	<b>882</b>	<b>(1,044)</b>
<b>Community services and education</b>				
Administration and education	1,319	225	–	<b>(1,094)</b>
Children's services	306	–	–	<b>(306)</b>
<b>Total community services and education</b>	<b>1,625</b>	<b>225</b>	–	<b>(1,400)</b>
<b>Housing and community amenities</b>				
Public cemeteries	309	398	–	<b>89</b>
Public conveniences	338	–	–	<b>(338)</b>
Street cleaning	469	–	–	<b>(469)</b>
Town planning	2,290	674	–	<b>(1,616)</b>
Other community amenities	134	–	–	<b>(134)</b>
<b>Total housing and community amenities</b>	<b>3,540</b>	<b>1,072</b>	–	<b>(2,468)</b>
<b>Water supplies</b>	<b>10,428</b>	<b>10,659</b>	<b>1,006</b>	<b>1,237</b>
<b>Wastewater services</b>	<b>16,669</b>	<b>15,837</b>	<b>2,378</b>	<b>1,546</b>

## Ballina Shire Council

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

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Recreation and culture</b>				
Public libraries	1,567	112	–	(1,455)
Museums	13	–	–	(13)
Art galleries	275	77	–	(198)
Community centres and halls	1,168	185	20	(963)
Sporting grounds and venues	1,078	113	433	(532)
Swimming pools	661	407	–	(254)
Parks and gardens, lakes	2,910	495	–	(2,415)
Other sport and recreation	120	–	448	328
<b>Total recreation and culture</b>	<b>7,792</b>	<b>1,389</b>	<b>901</b>	<b>(5,502)</b>
<b>Mining, manufacturing and construction</b>				
Building control	836	1,425	–	589
Other mining, manufacturing and construction	135	324	–	189
<b>Total mining, manufacturing and const.</b>	<b>971</b>	<b>1,749</b>	<b>–</b>	<b>778</b>
<b>Transport and communication</b>				
Urban roads (UR) – local	10,002	2,258	3,241	(4,503)
Urban roads – regional	242	–	269	27
Sealed rural roads (SRR) – local	735	–	–	(735)
Sealed rural roads (SRR) – regional	387	–	–	(387)
Unsealed rural roads (URR)	672	–	–	(672)
Bridges	89	–	–	(89)
Parking areas	58	–	–	(58)
Footpaths	796	–	450	(346)
Aerodromes	4,479	5,112	2,291	2,924
Other transport and communication	895	1,515	–	620
<b>Total transport and communication</b>	<b>18,355</b>	<b>8,885</b>	<b>6,251</b>	<b>(3,219)</b>
<b>Economic affairs</b>				
Camping areas and caravan parks	242	422	–	180
Other economic affairs	2,412	3,337	–	925
<b>Total economic affairs</b>	<b>2,654</b>	<b>3,759</b>	<b>–</b>	<b>1,105</b>
<b>Totals – functions</b>	<b>80,869</b>	<b>55,436</b>	<b>13,678</b>	<b>(11,755)</b>
<b>General purpose revenues</b> <sup>(1)</sup>		<b>23,437</b>		<b>23,437</b>
<b>Share of interests – joint ventures and associates using the equity method</b>	<b>–</b>	<b>–</b>		<b>–</b>
<b>NET OPERATING RESULT</b> <sup>(2)</sup>	<b>80,869</b>	<b>78,873</b>	<b>13,678</b>	<b>11,682</b>

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

## Ballina Shire Council

Special Schedule 2(a) – Statement of Long Term Debt (all purpose)  
for the year ended 30 June 2016

Classification of debt	Principal outstanding at beginning of the year		New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year	
	Current	Non-current		From revenue	Sinking funds			Current	Non-current
<b>Loans (by source)</b>									
Treasury corporation	1,335	5,390	–	1,335	–	–	–	1,335	4,055
Financial institutions	5,251	76,893	500	5,247	–	–	5,471	5,319	72,078
<b>Total loans</b>	<b>6,586</b>	<b>82,283</b>	<b>500</b>	<b>6,582</b>	<b>–</b>	<b>–</b>	<b>5,471</b>	<b>6,654</b>	<b>76,133</b>
<b>Total debt</b>	<b>6,586</b>	<b>82,283</b>	<b>500</b>	<b>6,582</b>	<b>–</b>	<b>–</b>	<b>5,471</b>	<b>6,654</b>	<b>82,787</b>

Notes: Excludes (i) internal loans and (ii) principal inflows/outflows relating to loan re-financing.

This schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which are reported in the GPFS).

## Ballina Shire Council

## Special Schedule 3 – Water Supply Income Statement

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

\$'000	Actuals 2016	Actuals 2015
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	1,802	1,888
b. Engineering and supervision	379	299
<b>2. Operation and maintenance expenses</b>		
– <b>dams and weirs</b>		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
– <b>Mains</b>		
c. Operation expenses	83	173
d. Maintenance expenses	364	447
– <b>Reservoirs</b>		
e. Operation expenses	22	–
f. Maintenance expenses	34	78
– <b>Pumping stations</b>		
g. Operation expenses (excluding energy costs)	11	46
h. Energy costs	34	48
i. Maintenance expenses	–	–
– <b>Treatment</b>		
j. Operation expenses (excluding chemical costs)	112	129
k. Chemical costs	–	–
l. Maintenance expenses	31	3
– <b>Other</b>		
m. Operation expenses	248	28
n. Maintenance expenses	413	399
o. Purchase of water	5,703	5,720
<b>3. Depreciation expenses</b>		
a. System assets	1,454	1,440
b. Plant and equipment	44	39
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	11	25
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	40	34
<b>5. Total expenses</b>	<b>10,785</b>	<b>10,796</b>

## Ballina Shire Council

## Special Schedule 3 – Water Supply Income Statement (continued)

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

\$'000	Actuals 2016	Actuals 2015
<b>Income</b>		
<b>6. Residential charges</b>		
a. Access (including rates)	2,540	2,424
b. Usage charges	4,809	4,755
<b>7. Non-residential charges</b>		
a. Access (including rates)	686	668
b. Usage charges	1,845	1,677
<b>8. Extra charges</b>	–	–
<b>9. Interest income</b>	339	418
<b>10. Other income</b>	823	798
<b>10a. Aboriginal Communities Water and Sewerage Program</b>	–	–
<b>11. Grants</b>		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	157	153
c. Other grants	–	–
<b>12. Contributions</b>		
a. Developer charges	193	455
b. Developer provided assets	838	309
c. Other contributions	–	336
<b>13. Total income</b>	<b>12,230</b>	<b>11,993</b>
<b>14. Gain (or loss) on disposal of assets</b>	(64)	(21)
<b>15. Operating result</b>	<b>1,381</b>	<b>1,176</b>
<b>15a. Operating result (less grants for acquisition of assets)</b>	1,381	1,176



## Ballina Shire Council

## Special Schedule 3 – Water Supply Income Statement (continued)

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

\$'000	Actuals 2016	Actuals 2015
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>16. Acquisition of fixed assets</b>		
a. New assets for improved standards	92	1,709
b. New assets for growth	226	840
c. Renewals	1,241	532
d. Plant and equipment	90	–
<b>17. Repayment of debt</b>	–	–
<b>18. Totals</b>	<b>1,649</b>	<b>3,081</b>
<b>Non-operating funds employed</b>		
<b>19. Proceeds from disposal of assets</b>	26	7
<b>20. Borrowing utilised</b>	–	–
<b>21. Totals</b>	<b>26</b>	<b>7</b>
<b>C Rates and charges</b>		
<b>22. Number of assessments</b>		
a. Residential (occupied)	13,794	13,629
b. Residential (unoccupied, ie. vacant lot)	335	281
c. Non-residential (occupied)	1,506	1,494
d. Non-residential (unoccupied, ie. vacant lot)	31	35
<b>23. Number of ETs for which developer charges were received</b>	265 ET	128 ET
<b>24. Total amount of pensioner rebates (actual dollars)</b>	\$ 286,133	\$ 277,424

## Ballina Shire Council

Special Schedule 3 – Water Supply Cross Subsidies  
for the year ended 30 June 2016

\$'000	Yes	No	Amount
<b>D Best practice annual charges and developer charges*</b>			
<b>27. Annual charges</b>			
a. Does Council have best-practice water supply annual charges and usage charges*?	<input type="checkbox"/>	<input type="checkbox"/>	
If yes, go to 28a.			
If no, please report if council has removed <b>land value</b> from access charges (ie rates)?	<input type="checkbox"/>	<input type="checkbox"/>	
<b>NB.</b> Such charges for both residential customers and non-residential customers comply with section 3.2 of Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.			
b. Cross-subsidy <b>from</b> residential customers using less than allowance (page 25 of Guidelines)			<input type="text"/>
c. Cross-subsidy <b>to</b> non-residential customers (page 24 of Guidelines)			<input type="text"/>
d. Cross-subsidy <b>to</b> large connections in unmetered supplies (page 26 of Guidelines)			<input type="text"/>
<b>28. Developer charges</b>			
a. Has council completed a water supply development servicing** plan?	<input type="checkbox"/>	<input type="checkbox"/>	
b. Total cross-subsidy in water supply developer charges for 2015/16 (page 47 of Guidelines)			<input type="text"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
<b>29. Disclosure of cross-subsidies</b>			
<b>Total of cross-subsidies (27b +27c + 27d + 28b)</b>			<input type="text" value="-"/>

\* Councils which have not yet implemented best practice water supply pricing should disclose cross-subsidies in items 27b, 27c and 27d above.

However, disclosure of cross-subsidies is **not** required where a Council has implemented best practice pricing and is phasing in such pricing over a period of 3 years.

## Ballina Shire Council

## Special Schedule 4 – Water Supply Statement of Financial Position

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

\$'000	Actuals Current	Actuals Non-current	Actuals Total
<b>ASSETS</b>			
<b>25. Cash and investments</b>			
a. Developer charges	6,757	668	7,425
b. Special purpose grants	–	–	–
c. Accrued leave	121	12	133
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	2,747	272	3,019
<b>26. Receivables</b>			
a. Specific purpose grants	6	–	6
b. Rates and availability charges	312	17	329
c. User charges	1,725	91	1,816
d. Other	118	11	129
<b>27. Inventories</b>	–	–	–
<b>28. Property, plant and equipment</b>			
a. System assets	–	70,961	70,961
b. Plant and equipment	–	196	196
<b>29. Other assets</b>	–	–	–
<b>30. Total assets</b>	<b>11,786</b>	<b>72,228</b>	<b>84,014</b>
<b>LIABILITIES</b>			
<b>31. Bank overdraft</b>	–	–	–
<b>32. Creditors</b>	–	–	–
<b>33. Borrowings</b>	–	–	–
<b>34. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	133	14	147
<b>35. Total liabilities</b>	<b>133</b>	<b>14</b>	<b>147</b>
<b>36. NET ASSETS COMMITTED</b>	<b>11,653</b>	<b>72,214</b>	<b>83,867</b>
<b>EQUITY</b>			
<b>37. Accumulated surplus</b>			40,469
<b>38. Asset revaluation reserve</b>			43,398
<b>39. TOTAL EQUITY</b>			<b>83,867</b>
<b>Note to system assets:</b>			
<b>40. Current replacement cost</b> of system assets			116,212
<b>41. Accumulated current cost</b> depreciation of system assets			(45,251)
<b>42. Written down current cost</b> of system assets			<b>70,961</b>

## Ballina Shire Council

## Special Schedule 5 – Wastewater Service Income Statement

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

\$'000	Actuals 2016	Actuals 2015
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	2,912	3,012
b. Engineering and supervision	384	622
<b>2. Operation and maintenance expenses</b>		
<b>– Mains</b>		
a. Operation expenses	–	–
b. Maintenance expenses	655	542
<b>– Pumping stations</b>		
c. Operation expenses (excluding energy costs)	258	114
d. Energy costs	386	357
e. Maintenance expenses	932	1,078
<b>– Treatment</b>		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	1,364	1,634
g. Chemical costs	–	–
h. Energy costs	647	948
i. Effluent management	–	–
j. Biosolids management	99	138
k. Maintenance expenses	1,038	425
<b>– Other</b>		
l. Operation expenses	228	136
m. Maintenance expenses	125	119
<b>3. Depreciation expenses</b>		
a. System assets	3,479	2,246
b. Plant and equipment	53	68
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	4,647	4,997
b. Revaluation decrements	–	–
c. Other expenses	45	74
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	37	20
<b>5. Total expenses</b>	<b>17,289</b>	<b>16,530</b>

## Ballina Shire Council

## Special Schedule 5 – Wastewater Service Income Statement (continued)

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

\$'000	Actuals 2016	Actuals 2015
<b>Income</b>		
<b>6. Residential charges</b> (including rates)	12,422	11,417
<b>7. Non-residential charges</b>		
a. Access (including rates)	1,665	1,587
b. Usage charges	997	892
<b>8. Trade waste charges</b>		
a. Annual fees	38	37
b. Usage charges	97	87
c. Excess mass charges	10	23
d. Re-inspection fees	–	–
<b>9. Extra charges</b>	–	6
<b>10. Interest income</b>	497	673
<b>11. Other income</b>	473	463
<b>11a. Aboriginal Communities Water and Sewerage Program</b>	–	–
<b>12. Grants</b>		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	157	152
c. Other grants	–	–
<b>13. Contributions</b>		
a. Developer charges	1,724	1,386
b. Developer provided assets	662	745
c. Other contributions	–	–
<b>14. Total income</b>	<b>18,742</b>	<b>17,468</b>
<b>15. Gain (or loss) on disposal of assets</b>	(3)	(12,198)
<b>16. Operating result</b>	<b>1,450</b>	<b>(11,260)</b>
<b>16a. Operating result (less grants for acquisition of assets)</b>	1,450	(11,260)

## Ballina Shire Council

## Special Schedule 5 – Wastewater Service Income Statement (continued)

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

\$'000	Actuals 2016	Actuals 2015
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>17. Acquisition of fixed assets</b>		
a. New assets for improved standards	139	–
b. New assets for growth	828	3,796
c. Renewals	2,010	1,231
d. Plant and equipment	–	112
<b>18. Repayment of debt</b>	4,358	2,188
<b>19. Totals</b>	<b>7,335</b>	<b>7,327</b>
<b>Non-operating funds employed</b>		
<b>20. Proceeds from disposal of assets</b>	8	22
<b>21. Borrowing utilised</b>	–	–
<b>22. Totals</b>	<b>8</b>	<b>22</b>
<b>C Rates and charges</b>		
<b>23. Number of assessments</b>		
a. Residential (occupied)	13,489	13,259
b. Residential (unoccupied, ie. vacant lot)	452	460
c. Non-residential (occupied)	1,427	1,418
d. Non-residential (unoccupied, ie. vacant lot)	31	35
<b>24. Number of ETs for which developer charges were received</b>	356 ET	181 ET
<b>25. Total amount of pensioner rebates (actual dollars)</b>	\$ 284,709	\$ 275,815

## Ballina Shire Council

Special Schedule 5 – Wastewater Service Cross Subsidies  
for the year ended 30 June 2016

\$'000	Yes	No	Amount
<b>D Best practice annual charges and developer charges*</b>			
<b>28. Annual charges</b>			
a. Does Council have best-practice sewerage annual charges, usage charges and trade waste fees and charges*?	<input type="checkbox"/>	<input type="checkbox"/>	
If yes, go to 29a.			
If no, please report if council has removed <b>land value</b> from access charges (ie rates)?	<input type="checkbox"/>	<input type="checkbox"/>	
<b>NB.</b> Such charges for both residential customers and non-residential customers comply with section 4.2 and 4.3 of the Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.			
b. Cross-subsidy to non-residential customers (page 45 of Guidelines)			<input type="text"/>
c. Cross-subsidy to trade waste discharges (page 46 of Guidelines)			<input type="text"/>
<b>29. Developer charges</b>			
a. Has council completed a sewerage development servicing** plan?	<input type="checkbox"/>	<input type="checkbox"/>	
b. Total cross-subsidy in sewerage developer charges for 2015/16 (page 47 of Guidelines)			<input type="text"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
<b>30. Disclosure of cross-subsidies</b>			
<b>Total of cross-subsidies (28b + 28c + 29b)</b>			<input type="text" value="-"/>

\* Councils which have not yet implemented best practice sewer pricing and liquid waste pricing should disclose cross-subsidies in items 28b and 28c above.

However, disclosure of cross-subsidies is **not** required where a Council has implemented best practice sewerage and liquid waste pricing and is phasing in such pricing over a period of 3 years.

## Ballina Shire Council

## Special Schedule 6 – Wastewater Service Statement of Financial Position

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

\$'000	Actuals Current	Actuals Non-current	Actuals Total
<b>ASSETS</b>			
<b>26. Cash and investments</b>			
a. Developer charges	5,626	556	6,182
b. Special purpose grants	–	–	–
c. Accrued leave	480	47	527
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	7,483	740	8,223
<b>27. Receivables</b>			
a. Specific purpose grants	6	–	6
b. Rates and availability charges	429	23	452
c. User charges	675	36	710
d. Other	195	81	276
<b>28. Inventories</b>	–	–	–
<b>29. Property, plant and equipment</b>			
a. System assets	–	198,407	198,407
b. Plant and equipment	–	215	215
<b>30. Other assets</b>	–	–	–
<b>31. Total assets</b>	<u>14,893</u>	<u>200,105</u>	<u>214,998</u>
<b>LIABILITIES</b>			
<b>32. Bank overdraft</b>	–	–	–
<b>33. Creditors</b>	125	–	125
<b>34. Borrowings</b>	2,958	58,925	61,883
<b>35. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	482	45	527
<b>36. Total liabilities</b>	<u>3,565</u>	<u>58,970</u>	<u>62,535</u>
<b>37. NET ASSETS COMMITTED</b>	<u>11,328</u>	<u>141,135</u>	<u>152,463</u>
<b>EQUITY</b>			
<b>38. Accumulated surplus</b>			98,161
<b>39. Asset revaluation reserve</b>			54,302
<b>40. TOTAL EQUITY</b>			<u>152,463</u>
<b>Note to system assets:</b>			
<b>41. Current replacement cost</b> of system assets			256,703
<b>42. Accumulated current cost</b> depreciation of system assets			(58,296)
<b>43. Written down current cost</b> of system assets			<u>198,407</u>



## Ballina Shire Council

### Notes to Special Schedules 3 and 5 for the year ended 30 June 2016

#### Administration <sup>(1)</sup>

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

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

#### Engineering and supervision <sup>(1)</sup>

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

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

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

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

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

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

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

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

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

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

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

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

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

#### Notes:

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

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

## Ballina Shire Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance <sup>a</sup>	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
<b>Buildings</b>	Council Offices	52	195	250	190	6,722	14,247	61%	35%	3%	1%	0%
	Works Depot	340	73	50	80	5,080	8,807	77%	15%	5%	0%	3%
	Halls	111	51	50	1	1,123	3,737	11%	29%	59%	0%	1%
	Dwellings	382	107	50	5	866	3,293	9%	43%	38%	0%	10%
	Airport	4	77	100	205	5,056	7,900	91%	8%	1%	0%	0%
	Shops/Offices	82	109	100	121	3,853	7,783	48%	39%	13%	0%	0%
	Library	-	3	25	23	3,932	6,282	96%	4%	0%	0%	0%
	Community Centres	-	16	300	316	14,958	20,331	86%	14%	0%	0%	0%
	Childcare Centres	55	4	10	-	2,108	5,882	16%	65%	19%	0%	0%
	Waste Centre	35	3	50	152	2,113	3,816	74%	23%	0%	2%	1%
	Amenities/Toilets	479	77	350	220	16,416	28,330	58%	30%	11%	0%	1%
	<b>Sub-total</b>	<b>1,540</b>	<b>715</b>	<b>1,335</b>	<b>1,313</b>	<b>62,227</b>	<b>110,408</b>	<b>64.1%</b>	<b>26.1%</b>	<b>8.7%</b>	<b>0.2%</b>	<b>0.9%</b>
	<b>Other</b>	Other Structures	871	500	50	36	11,330	17,978	54%	20%	18%	5%
<b>Sub-total</b>		<b>871</b>	<b>500</b>	<b>50</b>	<b>36</b>	<b>11,330</b>	<b>17,978</b>	<b>54.0%</b>	<b>20.0%</b>	<b>18.0%</b>	<b>5.0%</b>	<b>3.0%</b>
<b>Roads</b>	Sealed roads	561	525	1,519	1,222	358,585	427,031	75%	20%	4%	1%	0%
	Unsealed roads	216	55	600	613	32,706	35,631	38%	1%	0%	61%	0%
	Bridges	603	100	20	6	32,104	48,841	64%	14%	22%	0%	0%
	Footpaths/Cycleways	44	20	50	112	20,363	27,575	61%	37%	2%	0%	0%
	Kerb & Gutter	13	5	5	-	24,304	35,095	65%	34%	1%	0%	0%
	Road Furniture	8	5	5	3	12,493	16,622	82%	17%	1%	0%	0%
	<b>Sub-total</b>	<b>1,445</b>	<b>710</b>	<b>2,199</b>	<b>1,956</b>	<b>480,556</b>	<b>590,795</b>	<b>70.8%</b>	<b>19.9%</b>	<b>4.9%</b>	<b>4.4%</b>	<b>0.0%</b>

Ballina Shire Council

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

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance <sup>a</sup>	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost						
								1	2	3	4	5		
<b>Water supply network</b>	Treatment Plants	6	50	50	30	3,318	4,923	55%	45%	0%	0%	0%	0%	
	Pump Stations	1	50	50	15	1,739	1,954	79%	20%	1%	0%	0%	0%	
	Reservoirs	324	250	100	34	10,820	16,048	30%	66%	1%	0%	3%	0%	
	Water Connections	558	507	250	345	1,213	2,438	32%	17%	25%	0%	26%	0%	
	Pipelines	1,423	1,260	400	364	50,037	86,457	50%	28%	21%	0%	1%	0%	
	<b>Sub-total</b>		<b>2,312</b>	<b>2,117</b>	<b>850</b>	<b>788</b>	<b>67,127</b>	<b>111,820</b>	<b>47.5%</b>	<b>33.8%</b>	<b>16.9%</b>	<b>0.0%</b>	<b>1.8%</b>	<b>0.0%</b>
<b>Wastewater network</b>	Treatment	61	200	1,100	1,038	74,158	83,685	89%	9%	2%	0%	0%	0%	
	Pumping Stations	1,495	446	944	932	31,145	46,272	50%	34%	12%	4%	0%	0%	
	Mains	51	100	450	459	76,968	108,086	92%	7%	1%	0%	0%	0%	
	Recycled Water	–	–	150	131	7,295	7,546	100%	0%	0%	0%	0%	0%	0%
	<b>Sub-total</b>		<b>1,607</b>	<b>746</b>	<b>2,644</b>	<b>2,560</b>	<b>189,566</b>	<b>245,589</b>	<b>83.3%</b>	<b>12.6%</b>	<b>3.4%</b>	<b>0.8%</b>	<b>0.0%</b>	<b>0.0%</b>

Ballina Shire Council

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

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance <sup>a</sup>	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost					
								1	2	3	4	5	
<b>Stormwater drainage</b>	Pollution Control	-	-	20	20	1,472	1,674	92%	8%	0%	0%	0%	0%
	Outfall Structures	4	5	5	-	172	327	35%	47%	16%	2%	0%	0%
	Reticulation - Pipe	7	7	200	251	48,910	74,381	55%	45%	0%	0%	0%	0%
	Reticulation - Pit	8	8	5	-	16,029	26,158	48%	51%	1%	0%	0%	0%
	Culverts	160	50	5	-	5,648	11,912	20%	55%	25%	0%	0%	0%
	<b>Sub-total</b>	<b>179</b>	<b>70</b>	<b>235</b>	<b>271</b>	<b>72,231</b>	<b>114,452</b>	<b>50.2%</b>	<b>46.9%</b>	<b>2.9%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Open space/recreational assets</b>	Swimming pools	79	79	357	357	1,563	1,597	0%	1%	99%	0%	0%	0%
	<b>Sub-total</b>	<b>79</b>	<b>79</b>	<b>357</b>	<b>357</b>	<b>1,563</b>	<b>1,597</b>	<b>0.2%</b>	<b>1.3%</b>	<b>98.5%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
	<b>TOTAL – ALL ASSETS</b>	<b>8,033</b>	<b>4,937</b>	<b>7,670</b>	<b>7,281</b>	<b>884,600</b>	<b>1,192,639</b>	<b>68.3%</b>	<b>22.8%</b>	<b>6.2%</b>	<b>2.4%</b>	<b>0.3%</b>	<b>0.0%</b>

Notes:

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

Infrastructure asset condition assessment 'key'

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

## Ballina Shire Council

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

\$ '000	Amounts 2016	Indicator 2016	Prior periods	
			2015	2014
<b>Infrastructure asset performance indicators * consolidated</b>				
<b>1. Infrastructure renewals ratio</b>				
Asset renewals <sup>(1)</sup>	<u>15,327</u>	<b>89.75%</b>	71.48%	93.00%
Depreciation, amortisation and impairment	<u>17,078</u>			
<b>2. Infrastructure backlog ratio</b>				
Estimated cost to bring assets to a satisfactory standard	<u>8,033</u>	<b>0.91%</b>	0.73%	0.28%
Carrying value of infrastructure assets	<u>880,890</u>			
<b>3. Asset maintenance ratio</b>				
Actual asset maintenance	<u>7,281</u>	<b>0.95</b>	1.00	0.95
Required asset maintenance	<u>7,670</u>			

## Notes

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

<sup>(1)</sup> Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

\$ '000	Water 2016	Wastewater 2016	General 2016
<b>Infrastructure asset performance indicators by fund</b>			
<b>1. Infrastructure renewals ratio</b>			
Asset renewals <sup>(2)</sup>	<b>85.35%</b>	<b>57.74%</b>	<b>99.45%</b>
Depreciation, amortisation and impairment			
	prior period: 36.94%	54.81%	78.40%
<b>2. Infrastructure backlog ratio</b>			
Estimated cost to bring assets to a satisfactory standard	<b>3.42%</b>	<b>0.86%</b>	<b>0.65%</b>
Carrying value of infrastructure assets			
	prior period: 2.79%	0.90%	0.47%
<b>3. Asset maintenance ratio</b>			
Actual asset maintenance	<b>0.93</b>	<b>0.97</b>	<b>0.94</b>
Required asset maintenance			
	prior period: 1.00	1.00	1.00

## Notes

<sup>(1)</sup> General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

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

## Ballina Shire Council

## Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2017

\$'000		Calculation 2015/16	Calculation 2016/17
<b>Notional general income calculation <sup>(1)</sup></b>			
Last year notional general income yield	a	18,231	19,183
Plus or minus adjustments <sup>(2)</sup>	b	71	112
<b>Notional general income</b>	c = (a + b)	<b>18,302</b>	<b>19,295</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>(3)</sup>	d	5.41%	5.34%
Or rate peg percentage	e	2.40%	1.80%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	990	1,030
Or plus rate peg amount	i = c x e	–	–
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>19,292</b>	<b>20,325</b>
Plus (or minus) last year's carry forward total	l	(53)	–
Less valuation objections claimed in the previous year	m	(67)	(11)
<b>Sub-total</b>	n = (l + m)	<b>(120)</b>	<b>(11)</b>
<b>Total permissible income</b>	o = k + n	<b>19,172</b>	<b>20,314</b>
Less notional general income yield	p	19,183	20,329
<b>Catch-up or (excess) result</b>	q = o – p	<b>(11)</b>	<b>(14)</b>
Plus income lost due to valuation objections claimed <sup>(4)</sup>	r	11	15
Less unused catch-up <sup>(5)</sup>	s	–	–
<b>Carry forward to next year</b>	t = q + r – s	<b>–</b>	<b>1</b>

**Notes**

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 8 in the financial data return (FDR) to administer this process.