
DRAFT

Annual Financial Statements
Year Ending 30 June 2017



Part A

Auditor's Report on the Conduct of the Audit

Cr David Wright
Mayor
Ballina Shire Council
PO Box 450
BALLINA NSW 2478

Contact: Karen Taylor
Phone no: (02) 9275 7311
Our ref: XXXX

17 October 2017

Dear David

**Report on the Conduct of the Audit
for the year ended 30 June 2017
Ballina Shire Council**

I have audited the general purpose financial statements of Ballina Shire Council (the Council) for the year ended 30 June 2017 as required by s415 of the *Local Government Act 1993* (the Act).

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

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2017 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

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

INCOME STATEMENT

Operating result

	2017 \$'000	2016 \$'000	Variance %
Rates and annual charges revenue	46,258	43,338	6.7 ↑
Grants and contributions revenue	40,637	23,195	263.0 ↑
Operating result for the year	29,862	11,682	155.6 ↑
Net operating result before capital amounts	2,833	(1,996)	241.9 ↑

Council's consolidated operating result for the year has increased from \$11.7 million in 2016 to \$29.9 million in 2017. The operating result has increased due to sections of the Hinterland Way (previously the Pacific Highway) being transferred to Council's control when the Pacific Motorway construction was completed. This resulted in a transfer of approximately \$17.3 million of assets being recognised by Council as a capital contribution.

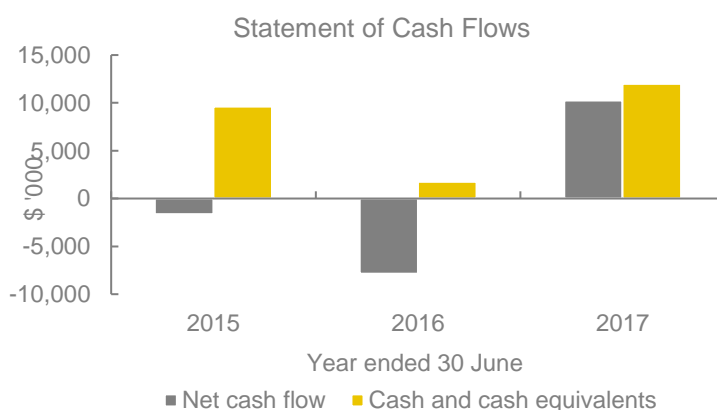
Net operating result before capital items was inflated by the advance payment of the financial assistance grant for 2017-18.

STATEMENT OF CASH FLOWS

The reasons for the increase in cash assets are:

- approximately \$4.6 million in additional grants in 2017 including advance payment of the financial assistance grant for 2017-18.
- special rate variation of 5.34 per cent.

The Statement of Cash Flows illustrates the inflows and outflows of cash during the financial year. The adjacent graph illustrates that cash and cash equivalent assets has increased when compared to prior years.



FINANCIAL POSITION

Cash and Investments

Restricted Cash and Investments	2017	2016	Commentary
	\$'000	\$'000	
External restrictions	39,297	37,667	Externally restricted balances include unexpended specific loans, developer contributions and domestic waste management charges.
Internal restrictions	34,639	26,565	Balances are Internally restricted due to Council policy or decisions for forward plans including works program.
Unrestricted	5,971	1,780	Unrestricted balances provide liquidity for day-to-day operations.
Cash and investments	71,885	59,905	

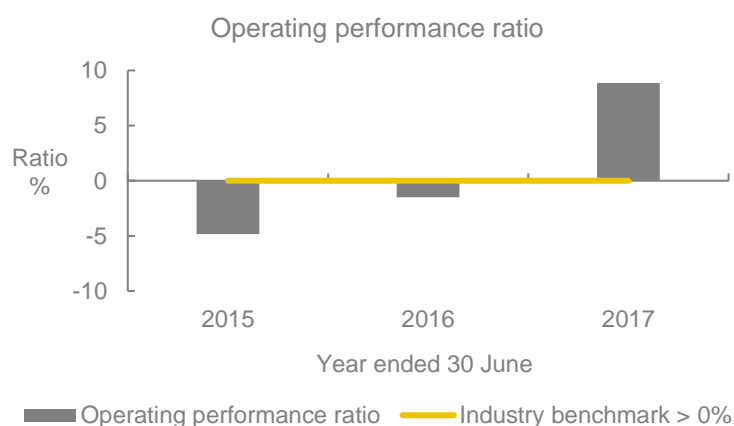
PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 13 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's unaudited Special Schedule 7.

Operating performance ratio

Council's operating performance ratio exceeded the industry benchmark in 2017. This is largely attributable to the advance receipt of \$2.1 million financial assistance grant and an increase of rates and annual charges of \$2.9 million whilst operating expenses have remained comparable to the prior year.

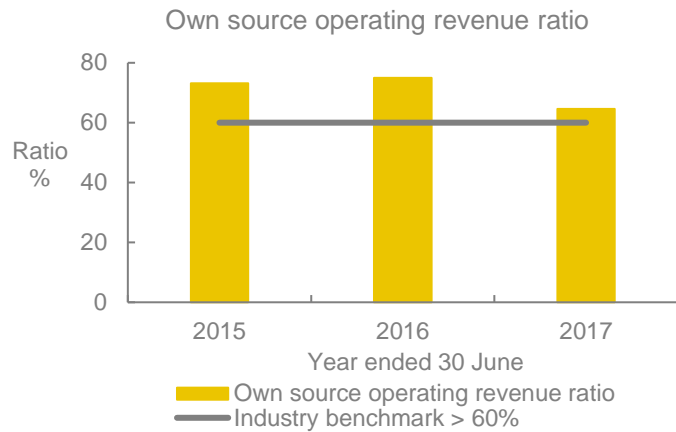
The 'operating performance ratio' measures how well Council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than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



Own source operating revenue ratio

Council continues to exceed the industry benchmark showing that revenue streams, such as rental income from investment properties, reduce Council's reliance on government funding. The ratio for the current year has dipped due to recognising the Hinterland Way road infrastructure totalling \$17.3 million as a capital contribution.

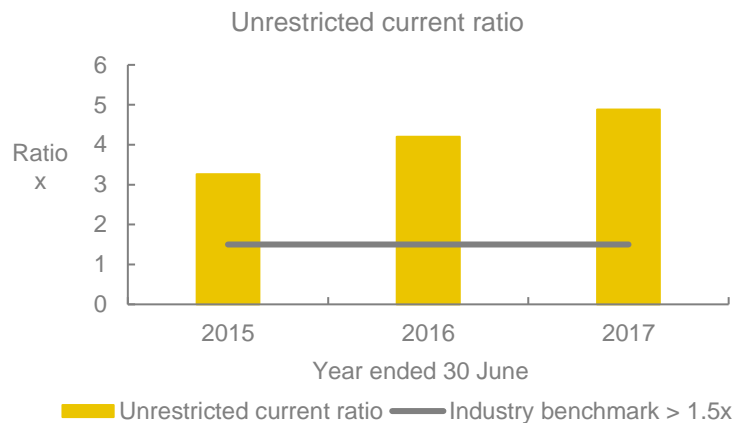
The 'own source operating revenue ratio' measures Council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the OLG is greater than 60 per cent.



Unrestricted current ratio

Council's unrestricted current ratio continues to be well above the industry benchmark and largely reflects the amount of internally restricted reserves set aside for future works and other expenditure programs. The \$8 million increase is largely due to the advance receipt of the financial assistance grant and \$1.9 million received from the Roads and Maritime Services to fund maintenance on the Hinterland Way assets.

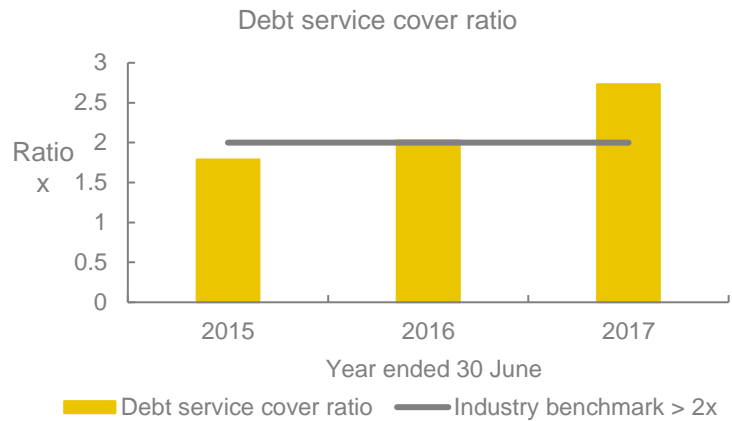
The 'unrestricted current ratio' is specific to local government and represents Council's ability to meet its short-term obligations as they fall due. The benchmark set by the OLG is greater than 1.5 times.



Debt service cover ratio

Council's debt service cover ratio exceeds the industry benchmark. The increase in the ratio is due to the improved operating result (as described above) in the current year whilst debt service levels have remained consistent with the previous year.

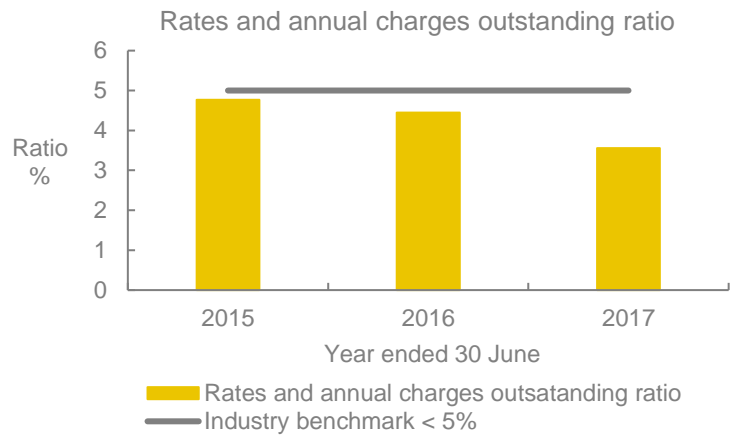
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the OLG is greater than two times.



Rates and annual charges outstanding ratio

Council's rates and annual charge outstanding ratio continues to be better than the industry benchmark and reflects Council's ongoing debt recovery efforts.

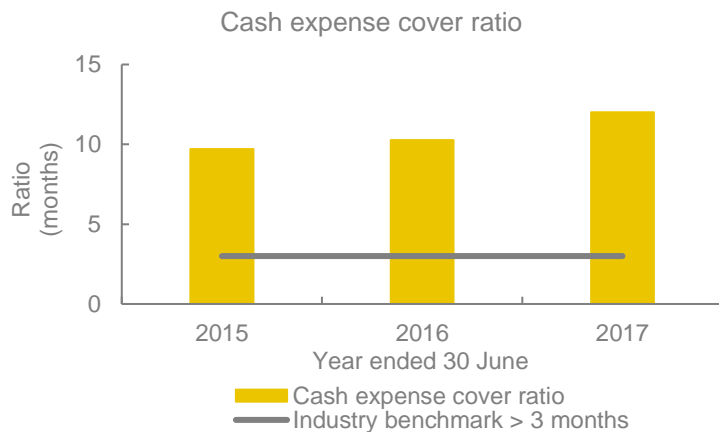
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the OLG is less than 5% for urban / metropolitan councils.



Cash expense cover ratio

This ratio has steadily increased over the past three years as Council increases cash reserves whilst maintaining expenditure levels.

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

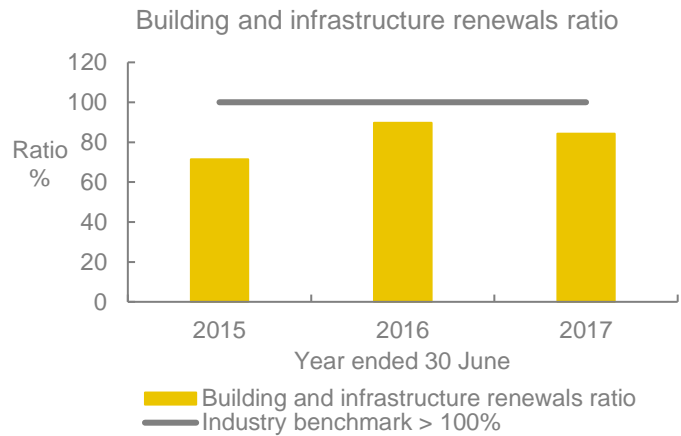


Building and infrastructure renewals ratio

The graph indicates that Council is currently not renewing and replacing its assets at a rate commensurate to its depreciation.

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

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



DRAFT

OTHER MATTERS

New accounting standards implemented

AASB 124 'Related Party Disclosures'

Effective for annual reporting periods beginning on or 1 July 2016

AASB 2015-6 extended the scope of AASB 124 to not-for-profit public sector entities. Council's financial statements disclose the:

- compensation paid to key management personnel
- nature of related party relationships
- amount and nature of related party transactions, outstanding balances and commitments and outstanding balances (including commitments).

Legislative compliance

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

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

Karen Taylor
Director, Financial Audit Services

XX October 2017
SYDNEY

cc: Mr Paul Hickey, General Manager
Tim Hurst, Acting Chief Executive of the Office of Local Government

Part B

General Purpose Financial Statements

Ballina Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017

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 2017

Contents	Page
1. Statement by Councillors and Management	2
2. Primary Financial Statements:	
– Income Statement	3
– Statement of Comprehensive Income	4
– Statement of Financial Position	5
– Statement of Changes in Equity	6
– Statement of Cash Flows	7
3. Notes to the Financial Statements	8
4. Independent Auditor's Reports:	
– On the Financial Statements (Sect 417 [2])	85
– On the Conduct of the Audit (Sect 417 [3])	88

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

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

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

- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by the Council on 26 October 2017. Council has the power to amend and reissue these financial statements.
-

Ballina Shire Council

General Purpose Financial Statements for the year ended 30 June 2017

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 26 October 2017.

Cr David Wright
Mayor

Councillor

Paul Hickey
General manager

Linda Coulter
Responsible accounting officer

Ballina Shire Council

Income Statement

for the year ended 30 June 2017

Budget ¹ 2017	\$ '000	Notes	Actual 2017	Actual 2016
Income from continuing operations				
Revenue:				
46,395	Rates and annual charges	3a	46,258	43,338
19,974	User charges and fees	3b	21,619	19,943
1,743	Interest and investment revenue	3c	2,260	2,111
4,230	Other revenues	3d	4,134	3,964
9,695	Grants and contributions provided for operating purposes	3e,f	13,608	9,517
17,574	Grants and contributions provided for capital purposes	3e,f	27,029	13,678
Other income:				
1,256	Net gains from the disposal of assets	5	–	–
100,867	Total income from continuing operations		114,908	92,551
Expenses from continuing operations				
21,524	Employee benefits and on-costs	4a	22,308	21,690
5,799	Borrowing costs	4b	5,522	5,949
29,882	Materials and contracts	4c	25,829	25,240
17,162	Depreciation and amortisation	4d	18,956	19,200
–	Impairment	4d	–	636
6,993	Other expenses	4e	7,685	7,518
–	Net losses from the disposal of assets	5	4,712	636
–	Net share of interests in joint ventures and associates using the equity method	19	34	–
81,360	Total expenses from continuing operations		85,046	80,869
19,507	Operating result from continuing operations		29,862	11,682
Discontinued operations				
–	Net profit/(loss) from discontinued operations	24	–	–
19,507	Net operating result for the year		29,862	11,682
19,507	Net operating result attributable to Council		29,862	11,682
–	Net operating result attributable to non-controlling interests		–	–
1,933	Net operating result for the year before grants and contributions provided for capital purposes		2,833	(1,996)

¹ Original budget as approved by Council – refer Note 16

Ballina Shire Council

Statement of Comprehensive Income

for the year ended 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
Net operating result for the year (as per Income Statement)		29,862	11,682
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	31,022	9,220
Other movements in reserves	20b (ii)	(436)	–
Total items which will not be reclassified subsequently to the operating result		30,586	9,220
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the year		30,586	9,220
Total comprehensive income for the year		60,448	20,902
Total comprehensive income attributable to Council		60,448	20,902
Total comprehensive income attributable to non-controlling interests		–	–

Ballina Shire Council

Statement of Financial Position
as at 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
ASSETS			
Current assets			
Cash and cash equivalents	6a	11,989	1,746
Investments	6b	59,896	58,159
Receivables	7	8,310	10,289
Inventories	8	2,420	808
Other	8	341	299
Non-current assets classified as 'held for sale'	22	1,400	–
Total current assets		84,356	71,301
Non-current assets			
Investments	6b	8,022	6,107
Receivables	7	310	361
Inventories	8	1,678	3,026
Infrastructure, property, plant and equipment	9	1,140,730	1,090,742
Investments accounted for using the equity method	19	20	–
Investment property	14	22,025	21,977
Total non-current assets		1,172,785	1,122,213
TOTAL ASSETS		1,257,141	1,193,514
LIABILITIES			
Current liabilities			
Payables	10	8,538	6,300
Income received in advance	10	1,011	803
Borrowings	10	6,219	6,654
Provisions	10	8,091	7,551
Total current liabilities		23,859	21,308
Non-current liabilities			
Borrowings	10	76,078	75,244
Provisions	10	4,319	4,525
Total non-current liabilities		80,397	79,769
TOTAL LIABILITIES		104,256	101,077
Net assets		1,152,885	1,092,437
EQUITY			
Retained earnings	20	675,946	646,084
Revaluation reserves	20	476,939	446,353
Council equity interest		1,152,885	1,092,437
Non-controlling equity interests		–	–
Total equity		1,152,885	1,092,437

Ballina Shire Council

Statement of Changes in Equity
for the year ended 30 June 2017

\$ '000	Notes	2017				2016					
		Retained earnings	Asset revaluation reserve (Refer 20b)	Council interest	Non-controlling interest	Total equity	Retained earnings	Asset revaluation reserve (Refer 20b)	Council interest	Non-controlling interest	Total equity
Opening balance (as per last year's audited accounts)		646,084	446,353	1,092,437	–	1,092,437	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)	–	–	–	–	–	–	–	–	–	–
Revised opening balance		646,084	446,353	1,092,437	–	1,092,437	634,402	437,133	1,071,535	–	1,071,535
c. Net operating result for the year		29,862	–	29,862	–	29,862	11,682	–	11,682	–	11,682
d. Other comprehensive income											
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	31,022	31,022	–	31,022	–	9,220	9,220	–	9,220
– Other reserves movements	20b (ii)	–	(436)	(436)	–	(436)	–	–	–	–	–
Other comprehensive income		–	30,586	30,586	–	30,586	–	9,220	9,220	–	9,220
Total comprehensive income (c&d)		29,862	30,586	60,448	–	60,448	11,682	9,220	20,902	–	20,902
e. Distributions to/(contributions from) non-controlling interests		–	–	–	–	–	–	–	–	–	–
f. Transfers between equity		–	–	–	–	–	–	–	–	–	–
Equity – balance at end of the reporting period		675,946	476,939	1,152,885	–	1,152,885	646,084	446,353	1,092,437	–	1,092,437

Ballina Shire Council

Statement of Cash Flows

for the year ended 30 June 2017

Budget 2017	\$ '000	Notes	Actual 2017	Actual 2016
Cash flows from operating activities				
Receipts:				
46,395	Rates and annual charges		46,468	43,375
19,974	User charges and fees		22,911	20,563
1,743	Investment and interest revenue received		2,259	2,080
25,194	Grants and contributions		23,326	18,712
–	Bonds, deposits and retention amounts received		165	308
4,230	Other		7,971	7,030
Payments:				
(21,524)	Employee benefits and on-costs		(22,147)	(21,782)
(29,882)	Materials and contracts		(28,016)	(27,028)
(5,799)	Borrowing costs		(5,281)	(5,900)
(6,993)	Other		(9,692)	(10,117)
33,338	Net cash provided (or used in) operating activities	11b	37,964	27,241
Cash flows from investing activities				
Receipts:				
4,400	Sale of investment securities		58,159	52,998
5,025	Sale of real estate assets		1,107	1,836
–	Sale of infrastructure, property, plant and equipment		603	803
18	Deferred debtors receipts		21	20
Payments:				
–	Purchase of investment securities		(61,661)	(58,000)
–	Purchase of investment property		(408)	(695)
(50,491)	Purchase of infrastructure, property, plant and equipment		(25,330)	(26,011)
–	Purchase of real estate assets		(611)	(388)
(41,048)	Net cash provided (or used in) investing activities		(28,120)	(29,437)
Cash flows from financing activities				
Receipts:				
12,500	Proceeds from borrowings and advances		6,712	500
Payments:				
(6,654)	Repayment of borrowings and advances		(6,313)	(6,170)
5,846	Net cash flow provided (used in) financing activities		399	(5,670)
(1,864)	Net increase/(decrease) in cash and cash equivalents		10,243	(7,866)
1,746	Plus: cash and cash equivalents – beginning of year	11a	1,746	9,612
(118)	Cash and cash equivalents – end of the year	11a	11,989	1,746
Additional Information:				
	plus: Investments on hand – end of year	6b	67,918	64,266
Total cash, cash equivalents and investments			79,907	66,012

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 2017

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	23
2(b)	Council functions/activities – component descriptions	24
3	Income from continuing operations	25
4	Expenses from continuing operations	29
5	Gains or losses from the disposal of assets	33
6(a)	Cash and cash equivalent assets	34
6(b)	Investments	34
6(c)	Restricted cash, cash equivalents and investments – details	35
7	Receivables	37
8	Inventories and other assets	38
9(a)	Infrastructure, property, plant and equipment	39
9(b)	Externally restricted infrastructure, property, plant and equipment	40
9(c)	Infrastructure, property, plant and equipment – current year impairments	40
10(a)	Payables, borrowings and provisions	41
10(b)	Description of (and movements in) provisions	42
11	Statement of cash flows – additional information	43
12	Commitments for expenditure	45
13	Statement of performance measures:	
	13a (i) Local government industry indicators (consolidated)	46
	13b Local government industry indicators (by fund)	47
14	Investment properties	49
15	Financial risk management	50
16	Material budget variations	54
17	Statement of developer contributions	56
18	Contingencies and other liabilities/assets not recognised	61
19	Interests in other entities	63
20	Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	66
21	Financial result and financial position by fund	67
22	'Held for sale' non-current assets and disposal groups	69
23	Events occurring after the reporting date	70 n/a
24	Discontinued operations	70 n/a
25	Intangible assets	70 n/a
26	Reinstatement, rehabilitation and restoration liabilities	71
27	Fair value measurement	73
28	Related party disclosures	84

n/a – not applicable

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies

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

(a) Basis of preparation

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

(i) New and amended standards adopted by Council

AASB 124 Related Party Disclosures was adopted during the year, the impact of this standard had no impact on reporting financial position or performance, however note 28 has been added.

AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 and AASB 11] had no impact on reporting financial position or performance.

(ii) Early adoption of standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2016.

(iii) Historical cost convention

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

(iv) Significant accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in

the process of applying the Council's accounting policies.

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

- (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 the Council's accounting policies

- (i) Impairment of Receivables

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

(b) Revenue recognition

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

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

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

(i) Rates, annual charges, grants and contributions

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenue 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.

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

Control over granted assets/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 un-discharged at reporting date, the unused grant or contribution is disclosed in Note 3(g). The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

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

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.

(ii) User charges and fees

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

(iii) 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.

(iv) Interest

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

(v) Rent

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

(vi) 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

(i) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the Local Government Act 1993 (NSW), all money and property received by Council is held in the

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

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

- General Purpose Operations
- Water Supply
- Wastewater Service

(ii) The Trust Fund

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

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

(iii) County Councils

Council is a member of Rous County Council, which is a body, incorporated under the *Local Government Act*.

The governing body of the 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 and accordingly this entity has not been consolidated or otherwise included within these financial statements.

(iv) Interests in other entities

Subsidiaries

Council has no interest in any subsidiaries.

Joint arrangements

The Council has determined that it has only joint ventures.

Joint ventures

Interests in joint ventures are accounted for using the equity method in accordance with AASB128 Associates and Joint Ventures. Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the investee after the date of acquisition.

If the Council's share of losses of a joint venture equals or exceeds its interest in the joint venture, the Council discontinues recognising its share of further losses.

The Council's share in the joint venture's gains or losses arising from transactions between itself and its joint venture are eliminated.

Adjustments are made to the joint venture's accounting policies where they are different from those of the Council for the purpose of the consolidated financial statements.

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

(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.

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(e) 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.

(f) Cash and cash equivalents

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

Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

(g) Inventories

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

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

Cost comprises direct materials, direct labour, and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts.

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

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.

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

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

be recovered principally through a sale transaction rather than through continuing use.

They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets; assets arising from employee benefits; financial assets; and investment properties that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement. And 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.

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

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

(i) Investments and other financial assets

Classification

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; and held-to-maturity investments.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

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

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

(ii) Loans and receivables

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

Loans and receivables are included in other receivables (note 8) and receivables (note 7) in the Statement of Financial Position.

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

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

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

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

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset.

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

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

Subsequent measurement

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

Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Impairment

Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

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

(i) Assets carried at amortised cost

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

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Council may measure impairment on

the basis of an instrument's fair value using an observable market price.

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

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

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

Investment Policy

Council has an approved investment policy complying with Section 625 of the Local Government Act 1993 (NSW) and Clause 212 of the Local Government (General) Regulation 2005 (NSW).

Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order. Council maintains an investment policy that complies with the Act and ensures that it, or its representatives, exercise the 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 (the Order) arising from the Cole Inquiry recommendations. Certain investments the Council holds are no longer prescribed; however, they have been retained under grandfathering provisions of the

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Order. These will be disposed of when most financially advantageous to Council.

(j) 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 reporting date.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Council uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

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

(k) Infrastructure, property, plant and equipment (I,PPE)

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

Externally valued:

- Operational land
- Buildings – specialised/non-specialised
- Other structures
- Water and wastewater networks
- Swimming pools

Internally valued:

- Community land
- Land improvements
- Roads assets including roads, bridges and footpaths
- Bulk earthworks
- Stormwater drainage

As approximated by depreciated historical cost:

- Plant and equipment

Non-specialised assets with short useful lives are measured at depreciated historical cost as an approximation of fair value. Council has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

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 asset classes, 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 revalue the asset to that amount. Full revaluations are undertaken for all assets on a five-year cycle.

Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss.

Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

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

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

charged to the income statement during the financial period in which they are incurred.

Depreciation

Land is not depreciated.

Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

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.

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

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

(l) Investment property

Investment property, principally comprising freehold office and retail buildings, is held for long-term rental yields and is not occupied by the 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 2017.

(m) Payables

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

(n) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

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

(o) Borrowing costs

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

(p) Provisions

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

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

Provisions are measured at the present value of management's best estimate of the expenditure

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

(q) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

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

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

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

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

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

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. However, when this information is not reliably available, Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable.

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

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 2 December 2016 and covers the period ended 30 June 2016.

However the position is monitored annually and the actuary has estimated that as at 30 June 2017 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 2017 was \$ 598,000.

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.

(r) 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.

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Costs are estimated on the basis of a closure plan.

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

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

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

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

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

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

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

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

These costs are charged to the income statement.

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

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

(s) Land under roads

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

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

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

(t) Self-insurance

Council does not self-insure.

(u) Intangible assets

Council has not classified any assets as intangible.

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(v) 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.

(w) Rural fire service assets

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

Until such time as discussions on this matter have concluded and the legislation changed, Council will 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.

(x) Goods and Services Tax (GST)

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

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

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

(y) New accounting standards and interpretations issued not yet effective

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

Council's assessment of the impact of upcoming new standards and interpretations that are likely to have an effect on Council's future financial statements, financial position, financial performance or cash flows are set out below:

AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107

This standard amends AASB 107 Statement of Cash Flows to require entities who are preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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

There will be no impact on reported financial position or performance, however councils will have to show the changes in liabilities arising from financing activities.

AASB 9 Financial Instruments and Associated Amending Standards

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

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

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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.

AASB16 – Leases

AASB 16 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.

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.

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 1058 Income of NFP Entities

AASB 1058 supersedes all the income recognition requirements relating to councils, previously in AASB 1004 Contribution. The timing of income recognition depends on whether such a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset) received by an entity.

AASB 1058 applies when a council receives volunteer services or enters into other transactions in which the consideration to acquire an asset is significantly less than the fair value of the asset, and where the council's objective is principally to enable the asset to further the council's objectives". In cases where the council enters into other transactions, the council recognises and measures the asset at fair value in accordance with the applicable Australian Accounting Standard (e.g. AASB 116 Property, Plant and Equipment). Upon initial recognition of the asset, this Standard requires Council to consider whether any other financial statement elements (called 'related amounts') should be recognised in

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

accordance with the applicable Accounting Standard, such as:

- (a) contributions by owners;
- (b) revenue, or a contract liability arising from a contract with a customer;
- (c) a lease liability;
- (d) a financial instrument; or
- (e) a provision.

If the transaction is a transfer of a financial asset to enable Council to acquire or construct a recognisable non-financial asset to be controlled by Council (i.e. an in-substance acquisition of a non-financial asset), the council recognises a liability for the excess of the fair value of the transfer over any related amounts recognised.

Council will recognise income as it satisfies its obligations under the transfer similarly to income recognition in relation to performance obligations under AASB 15.

If the transaction does not enable Council to acquire or construct a recognisable non-financial asset to be controlled by Council, then any excess of the initial carrying amount of the recognised asset over the related amounts is recognised as income.

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 1058.

The changes in revenue recognition requirements in AASB15 may cause changes to the timing and amount of revenue recorded in the financial statements, as well as additional disclosures. All revenue streams, including grant agreements, are currently being reviewed to determine the impact of AASB 1058.

Apart from those listed above, there are no other released standards (with future effective dates) that are expected to have a material impact on Council.

(z) Rounding of amounts

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

(aa) 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.

(ab) 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 2017

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current & non-current)	
	Original budget	Actual	Actual	Original budget	Actual	Actual	Original budget	Actual	Actual	Actual	Actual	Actual	Actual
	2017	2017	2016	2017	2017	2016	2017	2017	2016	2017	2016	2017	2016
Governance	–	–	–	1,613	1,414	1,030	(1,613)	(1,414)	(1,030)	–	–	–	–
Administration	1,443	3,869	3,196	5,431	3,574	2,822	(3,988)	295	374	94	28	37,167	29,131
Public order and safety	409	383	405	1,665	1,431	1,397	(1,256)	(1,048)	(992)	1,257	621	8,852	7,889
Health	281	273	262	822	1,530	1,402	(541)	(1,257)	(1,140)	–	–	1,324	788
Environment	10,056	10,865	11,140	11,001	10,846	12,184	(945)	19	(1,044)	242	211	88,064	87,659
Community services and education	684	244	225	861	1,653	1,625	(177)	(1,409)	(1,400)	7	1	8,383	8,381
Housing and community amenities	155	1,358	1,072	1,163	4,206	3,540	(1,008)	(2,848)	(2,468)	98	98	7,038	6,860
Water supplies	12,389	12,336	11,665	11,131	10,692	10,428	1,258	1,644	1,237	160	157	95,021	84,009
Wastewater services	19,572	18,132	18,215	17,287	17,300	16,669	2,285	832	1,546	159	157	222,049	214,938
Recreation and culture	2,013	2,434	2,290	7,923	9,670	7,792	(5,910)	(7,236)	(5,502)	158	172	175,646	172,475
Mining, manufacturing and construction	1,718	1,549	1,749	2,309	1,165	971	(591)	384	778	–	–	2,634	2,771
Transport and communication	23,307	32,805	15,136	16,445	18,792	18,355	6,862	14,013	(3,219)	871	3,156	568,255	539,223
Economic affairs	4,311	3,339	3,759	3,709	2,739	2,654	602	600	1,105	58	–	42,688	39,390
Total functions and activities	76,338	87,587	69,114	81,360	85,012	80,869	(5,022)	2,575	(11,755)	3,104	4,601	1,257,121	1,193,514
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	34	–	–	(34)	–	–	–	20	–
General purpose income ¹	24,529	27,321	23,437	–	–	–	24,529	27,321	23,437	6,700	4,333	–	–
Operating result from continuing operations	100,867	114,908	92,551	81,360	85,046	80,869	19,507	29,862	11,682	9,804	8,934	1,257,141	1,193,514

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

Ballina Shire Council

Notes to the Financial Statements for the year ended 30 June 2017

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 costs.

ADMINISTRATION

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

PUBLIC ORDER AND 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 AND 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 AND COMMUNITY AMENITIES

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

WATER SUPPLIES

WASTEWATER SERVICES

RECREATION AND CULTURE

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

MINING, MANUFACTURING AND CONSTRUCTION

Building control, quarries & 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 2017

Note 3. Income from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
(a) Rates and annual charges			
Ordinary rates			
Residential		14,245	13,329
Farmland		1,505	1,445
Business		3,772	3,557
Total ordinary rates		19,522	18,331
Special rates			
Nil			
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		6,107	5,877
Stormwater management services		375	370
Water supply services		3,370	3,224
Wastewater services		15,093	13,809
Waste management services (non-domestic)		1,791	1,727
Total annual charges		26,736	25,007
TOTAL RATES AND ANNUAL CHARGES		46,258	43,338
Council has used 2014 year valuations provided by the NSW Valuer General in calculating its rates.			
(b) User charges and fees			
Specific user charges (per s.502 – specific 'actual use' charges)			
Water supply services		7,374	6,330
Wastewater services		1,359	1,142
Waste management services (non-domestic)		1,220	1,505
Total user charges		9,953	8,977
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Planning and building regulation		2,425	2,090
Private works – section 67		238	728
Total fees and charges – statutory/regulatory		2,663	2,818
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome		5,541	4,847
Cemeteries		453	398
Ferry tolls		484	453
Plant hire		300	352
Quarry revenues		17	253
Swimming centres		435	407
Other		1,773	1,438
Total fees and charges – other		9,003	8,148
TOTAL USER CHARGES AND FEES		21,619	19,943

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		64	79
– Interest earned on investments (interest and coupon payment income)		2,046	2,195
Fair value adjustments			
– Fair valuation movements in investments (at fair value or held for trading)		150	(163)
TOTAL INTEREST AND INVESTMENT REVENUE		<u>2,260</u>	<u>2,111</u>
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		64	79
General Council cash and investments		2,196	2,032
Total interest and investment revenue recognised		<u>2,260</u>	<u>2,111</u>
(d) Other revenues			
Rental income – investment properties	14	1,798	1,640
Rental income – other council properties		1,387	1,412
Fines – parking		136	161
Fines – other		136	92
Legal fees recovery – rates and charges (extra charges)		57	66
Commissions and agency fees		36	45
Insurance claim recoveries		308	115
Reassessment of provision for remediation		–	53
Recycling income (non-domestic)		82	40
Miscellaneous sales		73	120
Other		121	220
TOTAL OTHER REVENUE		<u>4,134</u>	<u>3,964</u>

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
(e) Grants				
General purpose (untied)				
Financial assistance	4,087	3,831	–	–
Financial assistance grant received in advance	2,108	–	–	–
Pensioners' rates subsidies – general component	355	350	–	–
Total general purpose	6,550	4,181	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	160	157	–	–
– Wastewater	159	157	–	–
– Domestic waste management	150	152	–	–
Airport	–	–	–	2,291
Bushfire and emergency services	96	107	–	–
Coastguard tower	–	–	1,017	448
Community centres	–	–	40	–
Library	118	112	–	–
LIRS subsidy	280	317	–	–
NSW rural fire services	104	66	–	–
Street lighting	98	98	–	–
Natural disaster funding	470	414	–	–
Shaws Bay management plan	–	–	95	–
Observation tower	–	–	40	–
Other	306	280	121	154
Total specific purpose	1,941	1,860	1,313	2,893
Total grants	8,491	6,041	1,313	2,893
Grant revenue is attributable to:				
– Commonwealth funding	6,195	3,836	637	–
– State funding	2,221	2,082	676	2,893
– Other funding	75	123	–	–
	8,491	6,041	1,313	2,893

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
S 94 – contributions towards amenities/services	–	–	2,420	2,226
S 64 – water supply contributions	–	–	469	838
S 64 – wastewater service contributions	–	–	737	1,724
Total developer contributions	–	–	3,626	4,788
Other contributions:				
Dedications (other than by S94)	–	–	1,443	2,869
Employment and training studies	313	345	–	–
Management plans and studies	227	84	–	–
Roadworks	1,563	1,713	–	6
RMS contributions (regional roads, block grant)	2,544	900	20,620	3,122
Wastewater (excl. section 64 contributions)	–	–	27	–
Other	470	434	–	–
Total other contributions	5,117	3,476	22,090	5,997
Total contributions	5,117	3,476	25,716	10,785
TOTAL GRANTS AND CONTRIBUTIONS	13,608	9,517	27,029	13,678

\$ '000	Actual 2017	Actual 2016
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Unexpended at the close of the previous reporting period	20,789	20,350
Add: grants and contributions recognised in the current period but not yet spent:	4,381	7,105
Less: grants and contributions recognised in a previous reporting period now spent:	(4,260)	(6,666)
Net increase (decrease) in restricted assets during the period	121	439
Unexpended and held as restricted assets	20,910	20,789
Comprising:		
– Specific purpose unexpended grants	453	1,811
– Developer contributions	20,380	18,798
– Other contributions	77	180
	20,910	20,789

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
(a) Employee benefits and on-costs			
Salaries and wages		18,057	17,023
Employee leave entitlements (ELE)		3,262	3,466
Superannuation – defined contribution plans		1,647	1,533
Superannuation – defined benefit plans		598	625
Workers' compensation insurance		390	485
Fringe benefit tax (FBT)		17	16
Payroll tax		286	272
Training costs (other than salaries and wages)		262	315
Other		78	78
Total employee costs		24,597	23,813
Less: capitalised costs		(2,289)	(2,123)
TOTAL EMPLOYEE COSTS EXPENSED		22,308	21,690
Number of 'full-time equivalent' employees (FTE) at year end		295	281
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		5,121	5,457
Total interest bearing liability costs expensed		5,121	5,457
(ii) Other borrowing costs			
Unwinding of present value discounts and premiums		401	492
Total other borrowing costs		401	492
TOTAL BORROWING COSTS EXPENSED		5,522	5,949

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Materials and contracts			
Raw materials and consumables		24,249	24,217
Contractor and consultancy costs		226	221
Auditors remuneration ⁽¹⁾		134	139
Legal expenses:			
– Legal expenses: planning and development		327	49
– Legal expenses: other		446	162
Operating leases:			
– Operating lease rentals: minimum lease payments ⁽²⁾		447	452
TOTAL MATERIALS AND CONTRACTS		25,829	25,240
1. Auditor remuneration			
a. During the year, the following fees were incurred for services provided by the Auditor-General:			
(i) Audit and other assurance services			
– Audit and review of financial statements: Auditor-General		71	–
Remuneration for audit and other assurance services		71	–
Total Auditor-General remuneration		71	–
b. During the year, the following fees were incurred for services provided by the other Council's Auditors:			
(i) Audit and other assurance services			
– Audit and review of financial statements (TNR Chartered Accountants)		–	71
– Other services (TNR Chartered Accountants)		–	13
– Internal auditing (Grant Thornton Australia)		63	55
Remuneration for audit and other assurance services		63	139
Total remuneration of other Council's Auditors		63	139
Total Auditor remuneration		134	139
2. Operating lease payments are attributable to:			
Computers		180	186
Motor vehicles		267	266
		447	452

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(d) Depreciation, amortisation and impairment			
Plant and equipment		1,570	1,623
Office equipment		136	136
Furniture and fittings		5	5
Land improvements (depreciable)		771	868
Infrastructure:			
– Buildings		2,775	2,666
– Other structures		614	585
– Roads		5,536	5,859
– Bridges		606	619
– Footpaths		363	423
– Bulk earthworks		4	–
– Stormwater drainage		1,458	1,466
– Water supply network		1,399	1,433
– Sewerage network		3,574	3,375
– Swimming pools		17	16
Future reinstatement costs – tips		124	122
Future reinstatement costs – quarries		4	4
Total depreciation and amortisation costs		18,956	19,200
Impairment			
Other structures		–	636
Total impairment costs		–	636
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		18,956	19,836

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(e) Other expenses			
Advertising		126	144
Bad and doubtful debts		80	20
Bank charges		113	110
– Department of planning levy		221	139
– Emergency services levy (includes FRNSW, SES, and RFS levies)		79	73
– Waste levy		94	375
– Other contributions/levies		209	172
Councillor expenses – mayoral fee		41	40
Councillor expenses – councillors' fees		184	184
Councillors' expenses (incl. mayor) – other (excluding fees above)		46	30
Donations, contributions and assistance to other organisations		2,352	2,543
Electricity and heating		1,470	1,568
Fair value decrements – investment properties	14	360	–
Insurance		1,336	1,331
Street lighting		574	448
Subscriptions and publications		69	67
Telephone and communications		246	210
Other		85	64
<u>TOTAL OTHER EXPENSES</u>		<u>7,685</u>	<u>7,518</u>

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 2017	Actual 2016
Property (excl. investment property)			
Proceeds from disposal – property		203	451
Less: carrying amount of property assets sold/written off		(764)	(303)
Net gain/(loss) on disposal		(561)	148
Plant and equipment			
Proceeds from disposal – plant and equipment		400	352
Less: carrying amount of plant and equipment assets sold/written off		(233)	(61)
Net gain/(loss) on disposal		167	291
Infrastructure			
Less: carrying amount of infrastructure assets sold/written off		(4,952)	(2,383)
Net gain/(loss) on disposal		(4,952)	(2,383)
Real estate assets held for sale			
Proceeds from disposal – real estate assets		1,107	1,836
Less: carrying amount of real estate assets sold/written off		(473)	(528)
Net gain/(loss) on disposal		634	1,308
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>(4,712)</u>	<u>(636)</u>

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	2017	2017	2016	2016
		Actual Current	Actual Non-current	Actual Current	Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		2,984	–	1,233	–
Cash-equivalent assets ¹					
– Deposits at call		3,005	–	513	–
– Short-term deposits		6,000	–	–	–
Total cash and cash equivalents		11,989	–	1,746	–
Investments (Note 6b)					
– Long term deposits		56,500	3,000	57,000	2,000
– NCD's, FRN's (with maturities > 3 months)		3,396	5,022	1,159	4,107
Total investments		59,896	8,022	58,159	6,107
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		71,885	8,022	59,905	6,107

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

Cash, cash equivalents and investments were classified at year end in accordance with AASB 139 as follows:

a. 'At fair value through the profit and loss'	11,989	–	1,746	–
Investments				
a. 'At fair value through the profit and loss'				
– 'Designated at fair value on initial recognition'	3,396	5,022	1,159	4,107
b. 'Held to maturity'	56,500	3,000	57,000	2,000
Investments	59,896	8,022	58,159	6,107

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 2017

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

\$ '000	2017	2017	2016	2016
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	71,885	8,022	59,905	6,107
attributable to:				
External restrictions (refer below)	31,275	8,022	31,667	6,000
Internal restrictions (refer below)	34,639	–	26,458	107
Unrestricted	5,971	–	1,780	–
	71,885	8,022	59,905	6,107

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

Details of restrictions

External restrictions – included in liabilities

Deposits and retentions	1,992	165	–	2,157
Water and wastewater ELE's	660	44	(1)	703
External restrictions – included in liabilities	2,652	209	(1)	2,860

External restrictions – other

Developer contributions – general (A)	5,191	2,529	(1,336)	6,384
Developer contributions – water fund (A)	7,425	685	(509)	7,601
Developer contributions – wastewater fund (A)	6,182	920	(706)	6,395
RMS (formerly RTA) contributions (B)	180	–	(103)	77
Specific purpose unexpended grants (C)	1,811	247	(1,606)	453
Water supplies (D)	3,019	5,872	(733)	8,158
Wastewater services (D)	8,224	4,485	(8,631)	4,078
Domestic waste management (D)	1,384	479	–	1,863
Other	1,599	625	(796)	1,428
External restrictions – other	35,015	15,842	(14,420)	36,437
Total external restrictions	37,667	16,051	(14,421)	39,297

- 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, wastewater, 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 2017

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

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Plant and vehicle replacement	1,004	1,256	(1,381)	879
Employees leave entitlement	2,793	220	–	3,013
Carry over works	4,038	1,637	(2,805)	2,870
Bypass maintenance funding	2,324	1,721	(83)	3,962
Cemeteries	247	134	(50)	331
Crown land rentals	117	76	(58)	135
Financial assistance grant in advance	–	2,108	–	2,108
Land development	3,490	3,731	(4,533)	2,688
Landfill and resource management	3,526	878	(1,404)	3,000
Management plans and studies	375	476	(187)	664
Quarries	1,336	23	(321)	1,038
Rental properties refurbishment	1,503	277	(94)	1,686
Road works	870	2,119	(382)	2,607
Strategic studies	412	147	(100)	459
Sports centre	257	1,075	–	1,332
Swimming pools	490	6,059	(1,379)	5,170
Other	3,783	1,924	(3,010)	2,697
Total internal restrictions	26,565	23,861	(15,787)	34,639
TOTAL RESTRICTIONS	64,232	39,912	(30,208)	73,936

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 7. Receivables

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
Purpose					
Rates and annual charges		1,460	77	1,660	87
Interest and extra charges		129	55	196	84
User charges and fees		2,559	135	2,400	126
Private works		99	–	365	–
Accrued revenues					
– Interest on investments		570	–	623	–
Airport charges		792	–	760	–
Deferred debtors		18	43	18	64
Government grants and subsidies		1,923	–	2,983	–
Net GST receivable		514	–	822	–
Waste centre fees		37	–	83	–
Other debtors		300	–	408	–
Total		8,401	310	10,318	361
Less: provision for impairment					
User charges and fees		(91)	–	(29)	–
Total provision for impairment – receivables		(91)	–	(29)	–
TOTAL NET RECEIVABLES		8,310	310	10,289	361
Externally restricted receivables					
Water supply					
– Specific purpose grants		6	–	6	–
– Rates and availability charges		300	16	312	17
– Other		1,902	129	1,843	102
Sewerage services					
– Specific purpose grants		6	–	6	–
– Rates and availability charges		390	21	429	23
– Other		892	106	869	117
Domestic waste management		221	12	269	14
Stormwater management		10	1	13	1
Total external restrictions		3,727	285	3,748	273
Internally restricted receivables					
Nil					
Unrestricted receivables		4,583	25	6,541	88
TOTAL NET RECEIVABLES		8,310	310	10,289	361

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 8.00% (2016 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 2017

Note 8. Inventories and other assets

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
(a) Inventories					
(i) Inventories at cost					
Real estate for resale (refer below)		1,751	1,678	265	3,026
Stores and materials		650	–	522	–
Trading stock		19	–	21	–
Total inventories at cost		2,420	1,678	808	3,026
(ii) Inventories at net realisable value (NRV)					
Nil					
TOTAL INVENTORIES		2,420	1,678	808	3,026
(b) Other assets					
Prepayments		341	–	299	–
TOTAL OTHER ASSETS		341	–	299	–
Externally restricted assets					
There are no restrictions applicable to the above assets.					
Other disclosures					
Details for real estate development					
Residential		890	492	69	958
Industrial/commercial		861	1,186	196	2,068
Total real estate for resale		1,751	1,678	265	3,026
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition costs		–	202	–	202
Development costs		1,751	1,476	265	2,824
Total costs		1,751	1,678	265	3,026
Total real estate for resale		1,751	1,678	265	3,026
Movements:					
Real estate assets at beginning of the year		265	3,026	898	2,533
– Purchases and other costs		–	611	(105)	493
– WDV of sales (expense)	5	(265)	(208)	(528)	–
– Transfer between current/non-current		1,751	(1,751)	–	–
Total real estate for resale		1,751	1,678	265	3,026

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 9a. Infrastructure, property, plant and equipment

Asset class \$ '000	as at 30/6/2016			Asset movements during the reporting period								as at 30/6/2017		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Tfrs from/(to) 'held for sale' category	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	21,248	–	21,248	7,528	8,307	–	–	(12,600)	–	–	–	24,483	–	24,483
Plant and equipment	18,700	11,454	7,246	–	1,973	(233)	(1,570)	121	–	–	–	19,479	11,942	7,537
Office equipment	1,519	1,152	367	–	–	–	(136)	–	–	–	–	1,519	1,288	231
Furniture and fittings	423	389	34	–	–	–	(5)	–	–	–	–	423	394	29
Land:														
– Operational land	43,010	–	43,010	–	–	–	–	–	–	(1,410)	–	41,600	–	41,600
– Community land	110,326	–	110,326	–	–	–	–	–	–	–	–	110,326	–	110,326
– Land under roads (post 30/6/08)	13,247	–	13,247	–	2,055	–	–	–	–	–	–	15,302	–	15,302
Land improvements – non-depreciable	5,190	–	5,190	–	–	–	–	–	–	–	–	5,190	–	5,190
Land improvements – depreciable	15,903	10,805	5,098	–	–	–	(771)	–	–	–	–	15,903	11,576	4,327
Infrastructure:														
– Buildings	110,408	48,181	62,227	979	33	(764)	(2,775)	1,631	–	(210)	2,797	116,044	52,126	63,918
– Other structures	17,978	6,648	11,330	187	113	(114)	(614)	387	51	(216)	512	18,084	6,448	11,636
– Roads	510,669	86,291	424,378	3,732	17,209	(2,460)	(5,536)	6,904	360	–	6,972	546,305	94,746	451,559
– Bridges	48,841	16,737	32,104	40	–	(162)	(606)	–	–	–	516	49,362	17,470	31,892
– Footpaths	27,575	7,211	20,364	181	962	(151)	(363)	1,881	–	–	390	30,915	7,651	23,264
– Bulk earthworks	3,710	–	3,710	–	31	–	(4)	61	247	–	68	4,121	8	4,113
– Stormwater drainage	114,452	42,221	72,231	294	709	(40)	(1,458)	332	59	–	1,169	117,671	44,375	73,296
– Water supply network	111,820	44,693	67,127	319	141	(59)	(1,399)	140	(3,939)	–	9,320	111,388	39,738	71,650
– Wastewater network	245,590	56,024	189,566	501	218	(416)	(3,574)	1,143	3,222	–	9,278	266,410	66,472	199,938
– Swimming pools	1,597	34	1,563	–	–	(1,546)	(17)	–	–	–	–	–	–	–
Reinstatement, rehabilitation and restoration assets (refer Note 26):														
– Tip assets	1,697	1,329	368	–	24	–	(124)	–	–	–	–	1,720	1,452	268
– Quarry assets	835	827	8	–	167	–	(4)	–	–	–	–	1,002	831	171
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	1,424,738	333,996	1,090,742	13,761	31,942	(5,945)	(18,956)	–	–	(1,836)	31,022	1,497,247	356,517	1,140,730

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 2017

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

\$ '000	Actual 2017			Actual 2016		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
WIP	959	–	959	383	–	383
Plant and equipment	405	166	239	456	260	196
Land						
– Operational land	1,274	–	1,274	1,274	–	1,274
– Community land	1,297	–	1,297	1,297	–	1,297
Buildings and other structures	604	216	388	540	193	347
Other assets	112,760	40,135	72,625	112,718	45,058	67,660
Total water supply	117,299	40,517	76,782	116,668	45,511	71,157
Wastewater services						
WIP	2,994	–	2,994	2,635	–	2,635
Plant and equipment	577	319	258	507	292	215
Land						
– Operational land	2,931	–	2,931	2,931	–	2,931
– Community land	81	–	81	81	–	81
Buildings and other structures	4,407	2,108	2,299	4,189	1,919	2,270
Infrastructure	267,942	66,853	201,089	246,867	56,377	190,490
Total wastewater services	278,932	69,280	209,652	257,210	58,588	198,622
Domestic waste management						
Plant and equipment	2,193	1,667	526	2,193	1,489	704
Total DWM	2,193	1,667	526	2,193	1,489	704
TOTAL RESTRICTED I,PP&E	398,424	111,464	286,960	376,071	105,588	270,483

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

\$ '000	Notes	2017	2016
Impairment losses recognised in the Income Statement:			
Writeoff of costs previously capitalised for Biochar Facility		–	(635)
Other		–	(1)
IMPAIRMENT OF ASSETS – GAINS/(LOSSES) in P/L	4(d)	–	(636)

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
Payables					
Goods and services		5,646	–	3,680	–
Accrued expenses:					
– Borrowings		224	–	234	–
– Salaries and wages		443	–	326	–
– Other expenditure accruals		68	–	68	–
Security bonds, deposits and retentions		2,157	–	1,992	–
Total payables		8,538	–	6,300	–
Income received in advance					
Payments received in advance		1,011	–	803	–
Total income received in advance		1,011	–	803	–
Borrowings					
Loans – secured ¹		6,219	76,078	6,654	75,244
Total borrowings		6,219	76,078	6,654	75,244
Provisions					
Employee benefits:					
Annual leave		2,234	–	2,060	–
Sick leave		2,265	–	2,233	–
Long service leave		3,592	313	3,258	770
Sub-total – aggregate employee benefits		8,091	313	7,551	770
Asset remediation/restoration (future works)	26	–	4,006	–	3,755
Total provisions		8,091	4,319	7,551	4,525
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		23,859	80,397	21,308	79,769
(i) Liabilities relating to restricted assets					
		2017		2016	
		Current	Non-current	Current	Non-current
Externally restricted assets					
Water		138	13	133	14
Sewer		3,759	56,125	3,565	58,970
Domestic waste management		161	6	178	17
Other		2,860	–	2,652	–
Liabilities relating to externally restricted assets		6,918	56,144	6,528	59,001
Internally restricted assets					
Nil					
Total liabilities relating to restricted assets		6,918	56,144	6,528	59,001
Total liabilities relating to unrestricted assets		16,941	24,253	14,780	20,768
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		23,859	80,397	21,308	79,769

¹ Loans are secured over the general rating income of Council

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

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Actual 2017	Actual 2016
---------	----------------	----------------

(ii) Current liabilities not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	5,361	5,197
Payables – security bonds, deposits and retentions	1,472	1,045
	<u>6,833</u>	<u>6,242</u>

Note 10b. Description of and movements in provisions

Class of provision	2016		2017			Closing balance as at 30/6/17
	Opening balance as at 1/7/16	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	
Annual leave	2,060	1,618	(1,444)	–	–	2,234
Sick leave	2,233	742	(710)	–	–	2,265
Long service leave	4,028	513	(636)	–	–	3,905
Asset remediation	3,755	–	–	251	–	4,006
TOTAL	12,076	2,873	(2,790)	251	–	12,410

- 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 2017

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2017	Actual 2016
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	11,989	1,746
Balance as per the Statement of Cash Flows		11,989	1,746
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		29,862	11,682
Adjust for non-cash items:			
Depreciation and amortisation		18,956	19,200
Net losses/(gains) on disposal of assets		4,712	636
Non-cash capital grants and contributions		(18,987)	(2,869)
Impairment losses recognition – I,PP&E and assets held for sale		–	636
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		(150)	163
– Investment properties		360	–
– Other		(54)	–
Unwinding of discount rates on reinstatement provisions		251	81
Movement of associates/joint ventures		34	–
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		1,947	(3,185)
Increase/(decrease) in provision for doubtful debts		62	20
Decrease/(increase) in inventories		(126)	(34)
Decrease/(increase) in other assets		(42)	(111)
Increase/(decrease) in payables		576	770
Increase/(decrease) in accrued interest payable		(10)	(32)
Increase/(decrease) in other accrued expenses payable		117	(494)
Increase/(decrease) in other liabilities		373	448
Increase/(decrease) in employee leave entitlements		83	451
Increase/(decrease) in other provisions		–	(121)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		37,964	27,241

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
(c) Non-cash investing and financing activities			
Developer 'in kind' dedications		1,443	2,869
Other dedications		17,353	–
Estimated future reinstatement, etc costs		191	–
Total non-cash investing and financing activities		18,987	2,869
(d) Financing arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Loan Facilities		82,297	81,898
Credit cards/purchase cards		545	750
Total financing arrangements		82,842	82,648
Amounts utilised as at balance date:			
– Loan Facilities		82,297	81,898
– Credit cards/purchase cards		8	9
Total financing arrangements utilised		82,305	81,907

1. The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.

Interest rates on overdrafts are interest rates on loans and other payables are disclosed in Note 15.

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2017	Actual 2016
(a) Capital commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, plant and equipment			
Buildings and other structures		10,568	2,446
Plant and equipment		490	406
Infrastructure		4,629	858
Inventory			
Real estate for resale		710	–
Investment property			
– Buildings		–	413
Total commitments		16,397	4,123
These expenditures are payable as follows:			
Within the next year		16,397	4,123
Total payable		16,397	4,123
Sources for funding of capital commitments:			
Unrestricted general funds		5,299	4,123
Internally restricted reserves		5,170	–
New loans (to be raised)		5,928	–
Total sources of funding		16,397	4,123

(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	439	477
Later than one year and not later than 5 years	699	740
Later than 5 years	18	68
Total non-cancellable operating lease commitments	1,156	1,285

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 2017

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

\$ '000	Amounts 2017	Indicator 2017	Prior periods		Benchmark
			2016	2015	
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>7,789</u>	8.88%	-1.51%	-4.85%	>0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>87,729</u>				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>74,121</u>	64.59%	74.98%	73.11%	>60.00%
Total continuing operating revenue ⁽¹⁾	<u>114,758</u>				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	<u>49,354</u>	4.88x	4.20x	3.26x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>10,108</u>				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>32,267</u>	2.73x	2.03x	1.79x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>11,835</u>				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	<u>1,721</u>	3.56%	4.45%	4.77%	<10% Rural
Rates, annual and extra charges collectible	<u>48,406</u>				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	<u>71,489</u>	12.01 mths	10.3 mths	9.7 mths	> 3 mths
Payments from cash flow of operating and financing activities	<u>5,954</u>				

Notes

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

(2) Refer Notes 6-8 inclusive.

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

(3) Refer to Note 10(a).

(4) 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 2017

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

\$ '000	General indicators ⁵		Water indicators		Wastewater indicators		Benchmark
	2017	2016	2017	2016	2017	2016	
Local government industry indicators – by fund							
1. Operating performance ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	11.39%	-1.33%	10.03%	3.77%	-0.01%	-5.70%	>0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
2. Own source operating revenue ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	53.04%	68.48%	95.12%	90.29%	95.05%	86.43%	>60.00%
Total continuing operating revenue ⁽¹⁾							
3. Unrestricted current ratio							
Current assets less all external restrictions ⁽²⁾	4.71x	4.02x	132.47x	78.58x	1.59x	2.85x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)							

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 wastewater activities which are listed separately.

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	General indicators ⁵		Water indicators		Wastewater indicators		Benchmark
	2017	2016	2017	2016	2017	2016	
Local government industry indicators – by fund (continued)							
4. Debt service cover ratio							
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation							
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	4.97x	4.93x	0.00x	0.00x	1.02x	0.81x	>2x
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	3.26%	4.22%	9.04%	10.10%	2.80%	3.48%	<10% Rural
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits							
Payments from cash flow of operating and financing activities	11.98 months	9.70 months	19.62 months	13.67 months	7.75 months	9.89 months	> 3 months

Notes

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

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

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 14. Investment properties

\$ '000	Notes	Actual 2017	Actual 2016
(a) Investment properties at fair value			
<u>Investment properties on hand</u>		<u>22,025</u>	<u>21,977</u>
Reconciliation of annual movement:			
Opening balance		21,977	21,282
– Capitalised expenditure – this year		408	454
– Net gain/(loss) from fair value adjustments		(360)	–
– Transfers from/(to) owner occupied (Note 9)		–	241
CLOSING BALANCE – INVESTMENT PROPERTIES		<u>22,025</u>	<u>21,977</u>
(b) Valuation basis			
<p>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.</p> <p>The valuation was completed as at 30 June 2017 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.</p>			
(c) Contractual obligations at reporting date			
Refer to Note 12 for disclosures relating to any capital and service obligations that have been contracted.			
(d) Leasing arrangements – Council as lessor			
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		1,404	1,707
Later than 1 year but less than 5 years		1,708	2,906
Later than 5 years		–	3
Total minimum lease payments receivable		<u>3,112</u>	<u>4,616</u>
(e) Investment property income and expenditure – summary			
Rental income from investment properties:			
– Minimum lease payments		1,585	1,470
– Outgoings recouped		213	170
Direct operating expenses on investment properties:			
– that generated rental income		(251)	(262)
Net revenue contribution from investment properties		<u>1,547</u>	<u>1,378</u>
plus:			
Fair value movement for year		<u>(360)</u>	<u>–</u>
Total income attributable to investment properties		<u>1,187</u>	<u>1,378</u>

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 2017

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	
	2017	2016	2017	2016
Financial assets				
Cash and cash equivalents	11,989	1,746	11,989	1,746
Investments				
– 'Held for trading'	8,418	5,266	8,418	5,266
– 'Held to maturity'	59,500	59,000	59,500	59,000
Receivables	8,620	10,650	8,620	10,650
Total financial assets	88,527	76,662	88,527	76,662
Financial liabilities				
Payables	8,538	6,300	8,538	6,300
Loans/advances	82,297	81,898	109,548	101,372
Total financial liabilities	90,835	88,198	118,086	107,672

Fair value is determined as follows:

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

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 2017

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

Council manages these risks (amongst other measures) by diversifying its portfolio and only purchasing investments with 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	
	Profit	Equity	Profit	Equity
2017				
Possible impact of a 10% movement in market values	842	842	(842)	(842)
Possible impact of a 1% movement in interest rates	717	717	(717)	(717)
2016				
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)

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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:

	2017 Rates and annual charges	2017 Other receivables	2016 Rates and annual charges	2016 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	61%	87%	55%	96%
Overdue	39%	13%	45%	4%
	100%	100%	100%	100%

(ii) Ageing of receivables – %

Other receivables	Other receivables	Other receivables
Current	87	96
0 – 30 days overdue	5	3
31 – 60 days overdue	4	–
61 – 90 days overdue	1	–
> 91 days overdue	3	1
	100	100

(iii) Movement in provision for impairment of receivables

	2017	2016
Balance at the beginning of the year	29	9
+ new provisions recognised during the year	80	20
– previous impairment losses reversed	(18)	–
Balance at the end of the year	91	29

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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			
2017						
Trade/other payables	2,157	6,381	–	–	8,538	8,538
Loans and advances	–	11,269	40,239	78,868	130,376	82,297
Total financial liabilities	2,157	17,650	40,239	78,868	138,914	90,835
2016						
Trade/other payables	1,992	4,308	–	–	6,300	6,300
Loans and advances	–	10,797	40,367	80,557	131,721	81,898
Total financial liabilities	1,992	15,105	40,367	80,557	138,021	88,198

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:

	2017		2016	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	8,538	0.00%	6,300	0.00%
Loans and advances – fixed interest rate	82,297	6.21%	81,898	6.33%
	<u>90,835</u>		<u>88,198</u>	

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 16. Material budget variations

\$ '000

Council's original financial budget for 2016/17 was adopted by the Council on 23 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	2017 Budget	2017 Actual	2017 ----- Variance* -----	
REVENUES				
Rates and annual charges	46,395	46,258	(137)	(0%) U
User charges and fees	19,974	21,619	1,645	8% F
Interest and investment revenue	1,743	2,260	517	30% F
Income from interest on funds invested exceeded forecast primarily because capital expenditure did not occur (from Council funds) to the extent anticipated.				
Other revenues	4,230	4,134	(96)	(2%) U
Operating grants and contributions	9,695	13,608	3,913	40% F
The increase resulted from Council receiving \$2,108,000 (unbudgeted) of their financial assistance grant for 2017/18 in advance.				
Capital grants and contributions	17,574	27,029	9,455	54% F
The significant factor in the increase was the transfer of control of \$17,353,000 (unbudgeted) of highway to Council. This was offset with Council not receiving a \$4,500,000 airport grant, and capital projects not being completed thus the revenue was not able to be recognised in 2016/17.				
It is also the case that Council collected less S94 and S64 developer contributions than was forecast.				
Net gains from disposal of assets	1,256	-	(1,256)	(100%) U
Council budgeted for a net profit from sale of assets of \$1,256,000 from land sales and realised \$634,000 with a lower number of finalised sales than originally anticipated.				
Other profits of \$167,000 (unbudgeted) were realised for sale of plant and equipment.				
These gains were offset by the loss on disposal of \$4,952,000 for infrastructure, \$561,000 for other property and a net loss on disposal of \$4,712,000.				

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 16. Material budget variations (continued)

\$ '000	2017 Budget	2017 Actual	2017 ----- Variance* -----	
EXPENSES				
Employee benefits and on-costs	21,524	22,308	(784)	(4%) U
Borrowing costs	5,799	5,522	277	5% F
Materials and contracts	29,882	25,829	4,053	14% F
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 this figure were grant funded works such as roads expenditure.				
Depreciation and amortisation	17,162	18,956	(1,794)	(10%) U
Increases in depreciation for assets resulted from capitalisation of infrastructure assets at 30 June 2016, with those assets being depreciated for the first time in 2017.				
Impairment expenses	-	-	-	0% F
Other expenses	6,993	7,685	(692)	(10%) U
Net losses from disposal of assets	-	4,712	(4,712)	0% U
Joint ventures and associates – net losses	-	34	(34)	0% U

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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	2,859	1,070	–	97	(48)	–	3,978	–
Parking	228	17	–	–	(10)	–	235	–
Open space	549	313	–	25	(75)	(86)	726	2,110
Community facilities	553	311	–	20	(60)	(249)	575	4,839
Community facilities (old)	63	147	–	4	(214)	–	–	–
Heavy vehicles	710	451	–	23	(485)	–	699	–
Wollongbar expansion	229	44	–	7	–	(110)	170	2,226
S94 contributions – under a plan	5,191	2,353	–	176	(892)	(445)	6,383	9,175
Total S94 revenue under plans	5,191	2,353	–	176	(892)	(445)	6,383	9,175
S64 contributions	13,607	1,206	–	399	(1,215)	–	13,997	–
Total contributions	18,798	3,559	–	575	(2,107)	(445)	20,380	9,175

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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)	1,005	281	–	34	–	–	1,320	–
Roads (2010)	1,854	789	–	63	(48)	–	2,658	–
Total	2,859	1,070	–	97	(48)	–	3,978	–

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	432	24	–	15	(7)	–	464	–
Lennox District	57	16	–	2	–	–	75	–
Plateau District	(4)	21	–	–	–	(17)	–	1,178
Wardell District	18	1	–	1	(20)	–	–	–
Regional	–	51	–	–	–	(51)	–	932
West Ballina	46	59	–	7	–	–	112	–
OSR Other	–	141	–	–	(48)	(18)	75	–
	549	313	–	25	(75)	(86)	726	2,110

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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	216	6	–	–	(10)	–	212	–
Lennox Head	–	11	–	–	–	–	11	–
Alstonville Village Centre	12	–	–	–	–	–	12	–
Total	228	17	–	–	(10)	–	235	–

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	9	147	–	1	(157)	–	–	–
Alstonville/Wollongbar	1	–	–	–	(1)	–	–	–
Wardell	53	–	–	3	(56)	–	–	–
Total	63	147	–	4	(214)	–	–	–

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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	440	47	–	16	(60)	–	443	–
Lennox district	–	23	–	–	–	(23)	–	1,024
Plateau district	103	13	–	4	–	–	120	–
Wardell district	10	2	–	–	–	–	12	–
Regional	–	226	–	–	–	(226)	–	3,815
Total	553	311	–	20	(60)	(249)	575	4,839

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	710	451	–	23	(485)	–	699	–
Total	710	451	–	23	(485)	–	699	–

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	117	39	–	4	–	(110)	50	2,226
Transport works	112	5	–	3	–	–	120	–
Total	229	44	–	7	–	(110)	170	2,226

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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	7,425	469	–	216	(509)	–	7,601	–
Total	7,425	469	–	216	(509)	–	7,601	–

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	6,182	737	–	183	(706)	–	6,396	–
Total	6,182	737	–	183	(706)	–	6,396	–

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2017 is:

Assets \$1,754.4 million.

Vesting Benefits \$1,775.9 million

The asset coverage of vested benefits is 98.8%

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

Investment return 6.5% per annum

Salary inflation plus promotional increases 3.5% p.a

Increase in CPI 2.5% per annum

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers.

LIABILITIES NOT RECOGNISED (continued):

(i) Defined benefit superannuation contribution plans (continued)

The implications are that additional contributions are estimated to remain in place until 30 June 2020 (ie \$840,000 additional contributions remaining).

It is estimated that Council's level of participation in the Scheme compared with other participating Pooled Employers is approximately 0.63%.

(ii) StateCover Limited

Council is a member of StateCover Mutual Limited and holds a partly paid share in the entity.

StateCover is a company providing workers compensation insurance cover to the NSW Local Government Industry and specifically Council.

Council has a contingent liability to contribute further equity in the event of the erosion of the company's capital base as a result of the company's past performance and/or claims experience or as a result of any increased prudential requirements from APRA.

These future equity contributions would be required to maintain the company's minimum level of Net Assets in accordance with its Licence Requirements.

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.

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other liabilities (continued)

(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 Council's intention to spend funds in the manner and timing set out in those plans.

(iii) Contract variation dispute

Contract variation costs totalling approximately \$525,000 are in dispute and have not been recognised as a liability in the financial statements, as the amount expected, if any to be paid, can not be quantified.

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 and including 30/6/08.

ASSETS NOT RECOGNISED (continued):

(ii) Natural Disaster Claims

In March 2017, the Council experienced a flood event triggered by ex-Tropical Cyclone Debbie which damaged a portion of infrastructure and other

essential public assets. These assets continue to be functional with an immaterial value of assets being impaired.

Council has lodged a claim with the NSW Government for funding under the Natural Disaster Assistance Scheme for \$438,680 to assist with restoring services and damaged infrastructure and other assets. Council anticipates that this funding application will be approved and remaining repairs and remediation works will be conducted in the 2018 financial year.

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 2017

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;

Controlled entities (subsidiaries)

Note 19(a)

Operational arrangements where Council's control (but not necessarily interest) exceeds 50%.

Joint ventures and associates

Note 19(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).

Joint operations

Note 19(c)

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.

Unconsolidated structured entities

Note 19(d)

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.

Subsidiaries, joint arrangements and associates not recognised

Note 19(e)

Accounting recognition:

(i) Subsidiaries disclosed under Note 19(a) and joint operations disclosed at Note 19(c) are accounted for on a 'line by line' consolidation basis within the Income Statement and Statement of Financial Position.

(ii) Joint ventures and associates as per Note 19(b) are accounted for using the equity accounting method and are disclosed as a 1 line entry in both the Income Statement and Statement of Financial Position.

	Council's share of net income		Council's share of net assets	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
Joint ventures	(34)	(31)	20	24
Total	(34)	(31)	20	24

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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.

(a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	2017	2016
North East Weight of Loads Group (NEWLOG)	Joint venture	Equity	20	24
Total carrying amounts – material joint ventures and associates			20	24

(b) 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

(c) Relevant interests and fair values

Name of entity	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
	2017	2016	2017	2016	2017	2016	2017	2016
North East Weight of Loads Group (NEWLOG)		n/a	13%	13%	13%	13%	13%	11%

(d) Summarised financial information for joint ventures and associates

	North East Weight of Loads Group (NEWLOG)	
	2017	2016
Statement of financial position		
Current assets		
Cash and cash equivalents	203	300
Other current assets	53	49
Non-current assets	113	27
Current liabilities		
Payables	11	4
Provisions	207	191
Net assets	151	181
Reconciliation of the carrying amount		
Opening net assets (1 July)	181	190
Profit/(loss) for the period	(259)	(232)
New Capital Contributions	231	223
Other adjustments to equity	(3)	
Closing net assets	150	181
Council's share of net assets (%)	13.3%	13.2%
Council's share of net assets (\$)	20	24

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 19. Interests in other entities (continued)

\$ '000

(b) Joint ventures and associates (continued)

(d) Summarised financial information for joint ventures and associates (cont'd)

	North East Weight of Loads Group (NEWLOG)	
	2017	2016
Statement of comprehensive income		
Interest and investment revenue	8	8
Other revenue	40	54
Grants and contributions provided for operating purposes	184	181
Net loss from the disposal of assets	2	–
Employee benefits and on-costs	(358)	(352)
Materials and contracts	(36)	(32)
Depreciation and amortisation	(19)	(19)
Other expenses	(80)	(72)
Profit/(loss) for period	(259)	(232)
Total comprehensive income	(259)	(232)
Share of income – Council (%)	13.3%	13.2%
Profit/(loss) – Council (\$)	(34)	(31)
Total comprehensive income – Council (\$)	(34)	(31)

(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 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		646,084	634,402
a. Net operating result for the year		29,862	11,682
Balance at end of the reporting period		675,946	646,084
(b) Revaluation reserves			
(i) Reserves are represented by:			
– Infrastructure, property, plant and equipment revaluation reserve		476,939	446,353
Total		476,939	446,353
(ii) Reconciliation of movements in reserves:			
Infrastructure, property, plant and equipment revaluation reserve			
– Opening balance		446,353	437,133
– Revaluations for the year	9(a)	31,022	9,220
– (Impairment of revalued assets)/impairment reversals		(436)	–
– Balance at end of year		476,939	446,353
TOTAL VALUE OF RESERVES		476,939	446,353

(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 2017

Note 21. Financial result and financial position by fund

Income Statement by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
<u>Continuing operations</u>	Water	Wastewater	General ¹
Income from continuing operations			
Rates and annual charges	3,372	15,408	27,478
User charges and fees	8,499	1,338	11,782
Interest and investment revenue	344	493	1,423
Other revenues	–	476	3,658
Grants and contributions provided for operating purposes	160	159	13,289
Grants and contributions provided for capital purposes	469	764	25,796
Other income			
Net gains from disposal of assets	53	–	(53)
Total income from continuing operations	12,897	18,638	83,373
Expenses from continuing operations			
Employee benefits and on-costs	1,920	3,816	16,572
Borrowing costs	–	4,449	1,073
Materials and contracts	1,219	5,265	19,345
Depreciation and amortisation	1,460	3,731	13,765
Impairment	–	–	–
Other expenses	6,550	574	561
Net losses from the disposal of assets	61	402	4,249
Share of interests in joint ventures and associates using the equity method	–	–	34
Total expenses from continuing operations	11,210	18,237	55,599
Operating result from continuing operations	1,687	401	27,774
<u>Discontinued operations</u>			
Net profit/(loss) from discontinued operations	–	–	–
Net operating result for the year	1,687	401	27,774
Net operating result attributable to each council fund	1,687	401	27,774
Net operating result attributable to non-controlling interests	–	–	–
Net operating result for the year before grants and contributions provided for capital purposes	1,218	(363)	1,978

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

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 2017

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

Statement of Financial Position by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
	Water	Wastewater	General ¹
ASSETS			
Current assets			
Cash and cash equivalents	–	–	11,989
Investments	14,303	9,938	35,655
Receivables	2,130	1,288	4,892
Inventories	–	–	2,420
Other	111	–	230
Non-current assets classified as 'held for sale'	–	–	1,400
Total current assets	16,544	11,226	56,586
Non-current assets			
Investments	1,589	1,105	5,328
Receivables	112	127	71
Inventories	–	–	1,678
Infrastructure, property, plant and equipment	76,782	209,652	854,296
Investments accounted for using the equity method	–	–	20
Investment property	–	–	22,025
Total non-current assets	78,483	210,884	883,418
TOTAL ASSETS	95,027	222,110	940,004
LIABILITIES			
Current liabilities			
Payables	18	140	8,380
Income received in advance	–	–	1,011
Borrowings	–	3,096	3,123
Provisions	120	523	7,448
Total current liabilities	138	3,759	19,962
Non-current liabilities			
Payables	–	–	–
Borrowings	–	56,079	19,999
Provisions	13	46	4,260
Total non-current liabilities	13	56,125	24,259
TOTAL LIABILITIES	151	59,884	44,221
Net assets	94,876	162,226	895,783
EQUITY			
Retained earnings	42,124	98,522	535,300
Revaluation reserves	52,752	63,704	360,483
Total equity	94,876	162,226	895,783

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

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 2017

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

\$ '000	2017		2016	
	Current	Non-current	Current	Non-current
(i) Non-current assets and disposal group assets				
Non-current assets 'held for sale'				
Land, buildings and other structures	1,400	–	–	–
Total non-current assets 'held for sale'	1,400	–	–	–
Disposal group assets 'held for sale'				
None				
<u>TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'</u>	<u>1,400</u>	<u>–</u>	<u>–</u>	<u>–</u>

(ii) Details of assets and disposal groups

There is a contract in place for the sale of Russellton tennis courts, finalisation is pending sub-division approval, this should occur in 2018.

(iii) Disposal group liabilities

Nil

\$ '000	Assets 'held for sale'	
	2017	2016
(iv) Reconciliation of non-current assets 'held for sale'		
Opening balance	–	–
Plus new transfers in:		
– Assets 'held for sale'	1,836	–
Less impairment losses:		
– Assets 'held for sale' (losses on reclassification)	(436)	–
Closing balance of 'held for sale' non-current assets and operations	<u>1,400</u>	<u>–</u>

Refer to Note 27. Fair value measurement for fair value measurement information.

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 23. Events occurring after the reporting date

\$ '000

Events that occur between the end of the reporting period (30 June 2017) 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 26/10/17.

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 2017.

(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 2017 and which are only indicative of conditions that arose after 30 June 2017.

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 2017

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	
		2017	2016
Tuckombil quarry remediation	2019	896	780
Stokers quarry remediation	2025	464	393
Southern Cross tip (Ballina) remediation	2020	2,646	2,582
Balance at end of the reporting period		10(a) <u>4,006</u>	<u>3,755</u>

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	3,755	3,795
Amounts capitalised to new or existing assets:		
Effect of a change in discount rates used in PV calculations	190	(106)
Effect of a change in other calculation estimates used	–	(15)
Amortisation of discount (expensed to borrowing costs)	61	81
Total – reinstatement, rehabilitation and restoration provision	<u>4,006</u>	<u>3,755</u>

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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 2017

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

During the reporting period, Council has also fair value measured the following assets on a non-recurring basis:

- Non-current assets classified as 'held for sale'

The carrying amount of the non-current assets held for sale was higher than its fair value and therefore the assets were written down to fair value.

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:

2017	Fair value measurement hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements				
Financial assets				
Investments				
– 'Held at fair value through profit or loss'	–	8,418	–	8,418
Total financial assets	–	8,418	–	8,418
Investment properties				
Land and buildings	–	22,025	–	22,025
Total investment properties	–	22,025	–	22,025

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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)

2017	Fair value measurement hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements				
Infrastructure, property, plant and equipment				
Plant and equipment	–	–	7,537	7,537
Office equipment	–	–	231	231
Furniture and fittings	–	–	29	29
Operational land	–	41,600	–	41,600
Community land	–	–	110,326	110,326
Land under roads	–	–	15,302	15,302
Land improvements – non-depreciable	–	–	5,190	5,190
Land Improvements – depreciable	–	–	4,327	4,327
Buildings – non-specialised	–	6,272	–	6,272
Buildings – specialised	–	–	57,646	57,646
Other structures	–	–	11,636	11,636
Roads	–	–	451,559	451,559
Bridges	–	–	31,892	31,892
Footpaths	–	–	23,264	23,264
Bulk earthworks	–	–	4,113	4,113
Stormwater drainage	–	–	73,296	73,296
Water supply network	–	–	71,650	71,650
Wastewater network	–	–	199,938	199,938
Tip remediation	–	–	268	268
Quarries remediation	–	–	171	171
Total infrastructure, property, plant and equipment	–	47,872	1,068,375	1,116,247
Non-recurring fair value measurements				
Non-current assets classified as ‘held for sale’				
Land, buildings and other structures	–	1,400	–	1,400
Total NCA’s classified as ‘held for sale’	–	1,400	–	1,400
2016				
Recurring fair value measurements				
Financial assets				
Investments				
– ‘Held at fair value through profit or loss’	–	5,266	–	5,266
Total financial assets	–	5,266	–	5,266
Investment properties				
Land and buildings	–	21,977	–	21,977
Total investment properties	–	21,977	–	21,977

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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)

2016	Fair value measurement hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements				
Infrastructure, property, plant and equipment				
Plant 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
Total infrastructure, property, plant and equipment	–	49,316	1,020,178	1,069,494

(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 2017

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 2014) 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.

A valuation was completed as at 30 June 2017 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 2017

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 2017

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) and Stormwater Drainage

Roads are valued in-house by suitably qualified engineers and requires extensive professional judgement. All roads and stormwater 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.

The approach estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on square metres or similar capacity could be supported from market evidence such as recently completed road constructions and industry construction cost data (Level 2), unobservable inputs (such as estimates of residual value, useful life, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such, these assets were classified as having been valued using Level 3 valuation inputs.

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

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

Water Supply Network and Wastewater Network

Water and wastewater infrastructure assets were valued by APV Valuers & Asset Management in 2017 using the "Cost approach" utilising Level 2 and 3 inputs. 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 constructions and industry construction cost data (Level 2), unobservable inputs (such as estimates of residual value, useful life, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such, these assets were classified as having been valued using Level 3 valuation inputs.

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

Ballina Shire Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

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.

Assets Held For Sale

Assets held for sale have been valued based on the price per a conditional sales contract net of costs to sell. Given that the contract is conditional and costs to sell have been approximated it has been deemed to be valued at Level 2.

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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
Opening balance – 1/7/15	6,671	503	39	110,326	117,539
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)
Closing balance – 30/6/16	7,246	367	34	110,326	117,973
Purchases (GBV)	2,094	–	–	–	2,094
Disposals (WDV)	(233)	–	–	–	(233)
Depreciation and impairment	(1,570)	(136)	(5)	–	(1,711)
Closing balance – 30/6/17	7,537	231	29	110,326	118,123
	Land under roads	Land improve- ments	Buildings – specialised	Other structures	Total
Opening balance – 1/7/15	13,085	11,067	55,660	11,064	90,876
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
Closing balance – 30/6/16	13,247	10,287	55,921	11,330	90,785
Transfers from/(to) level 2 FV hierarchy ^{27 4(b)}	–	–	(210)	(216)	(426)
Transfers from/(to) another asset class	–	–	–	51	51
Purchases (GBV)	2,055	–	2,625	687	5,367
Disposals (WDV)	–	–	(764)	(114)	(878)
Depreciation and impairment	–	(771)	(2,438)	(614)	(3,823)
Revaluation increments/ (decrements)	–	–	2,512	512	3,024
Closing balance – 30/6/17	15,302	9,516	57,646	11,636	94,100

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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
Opening balance – 1/7/15	425,884	32,086	19,855	1,653	479,478
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
Closing balance – 30/6/16	424,378	32,104	20,364	3,710	480,556
Transfers from/(to) another asset class	360	–	–	247	607
Purchases (GBV)	27,845	40	3,024	92	31,001
Disposals (WDV)	(2,460)	(162)	(151)	–	(2,773)
Depreciation and impairment	(5,536)	(606)	(363)	(4)	(6,509)
FV gains – other comprehensive income	6,972	516	390	68	7,946
Closing balance – 30/6/17	451,559	31,892	23,264	4,113	510,828
	Stormwater drainage	Water supply network	Wastewater network	Swimming pools	Total
Opening balance – 1/7/15	70,956	64,411	188,549	1,535	325,451
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
Closing balance – 30/6/16	72,231	67,127	189,566	1,563	330,487
Transfers from/(to) another asset class	59	(3,939)	3,222	–	(658)
Purchases (GBV)	1,335	600	1,862	–	3,797
Disposals (WDV)	(40)	(59)	(416)	(1,546)	(2,061)
Depreciation and impairment	(1,458)	(1,399)	(3,574)	(17)	(6,448)
FV gains – other comprehensive income	1,169	9,320	9,278	–	19,767
Closing balance – 30/6/17	73,296	71,650	199,938	–	344,884

Ballina Shire Council

Notes to the Financial Statements for the year ended 30 June 2017

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
Opening balance – 1/7/15	501	501
Depreciation and impairment	(126)	(126)
Closing balance – 30/6/16	<u>375</u>	<u>375</u>
Purchases (GBV)	192	192
Depreciation and impairment	(128)	(128)
Closing balance – 30/6/17	<u>439</u>	<u>439</u>

b. Information relating to the transfers into and out of the level 3 fair valuation hierarchy (as disclosed in the table above) includes:

Transfer out of specialised buildings and other structures relates to the movement of the Russellton tennis courts to non-current assets classified as 'held for sale'. On transfer this asset's valuation methodology was changed, resulting in components of the asset transferring from level 3 to level 2.

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various level 3 asset class fair values.

Class	Fair value (30/6/17) \$'000	Valuation technique/s	Unobservable inputs
I,PP&E			
Plant & equipment, office equipment and furniture & fittings	7,797	Cost used to approximate fair value	Gross replacement cost, useful lives and residual value
Community land	110,326	Land values obtained from the NSW Valuer-General	Land value, land area
Land under roads	15,302	Unimproved capital value provided by NSW Valuer-General	Land value, land area
Land improvements	9,517	Cost used to approximate fair value	Asset condition and remaining useful lives
Buildings – specialised	57,646	Cost used to approximate fair value	Asset condition and remaining useful lives
Other structures	11,636	Cost used to approximate fair value	Asset condition and remaining useful lives
Roads	451,559	Unit rates per m2 or length	Asset condition and remaining useful lives
Bridges	31,892	Unit rates per item, m2 or length	Asset condition and remaining useful lives
Footpaths	23,264	Unit rates per m2	Asset condition and remaining useful lives
Bulk earthworks	4,113	Unit rates per m3	Asset condition and remaining useful lives
Stormwater drainage	73,296	Unit rates per item, m2 or length	Asset condition and remaining useful lives
Water supply network	71,650	Unit rates per item, m2 or length	Asset condition and remaining useful lives
Wastewater network	199,938	Unit rates per item, m2 or length	Asset condition and remaining useful lives
Tip and quarries remediation	439	Discounted remediation cost	Discount rate, cost escalation rate and timing of costs

(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

Notes to the Financial Statements

for the year ended 30 June 2017

Note 28. Related party disclosures

\$ '000

a. Key management personnel

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

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

Compensation:	Actual 2017
Short-term benefits	1,119
Post-employment benefits	105
Other long-term benefits	41
Termination benefits	–
Total	1,265

b. Other transactions with KMP and their related parties

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

There have been no other material transactions between KMP and Council during the year.

c. Other related party transactions

There have been no material transactions with other related parties and Council.



INDEPENDENT AUDITOR'S REPORT
Report on the general purpose financial statements
Ballina Shire Council

To the Councillors of the Ballina Shire Council

Opinion

I have audited the accompanying financial statements of Ballina Shire Council (the Council), which comprise the statement of financial position as at 30 June 2017, the income statement, the 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.

In my opinion,

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been presented, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

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

Other Matter

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 27 October 2016.

The Councillors' Responsibility for the Financial Statements

The Councillors are 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 Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar3.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, Note 2(a) and Note 16 budget variation explanations
- on the attached Special Schedules
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

Karen Taylor
Director, Financial Audit Services

26 October 2017
SYDNEY

Part C

Special Purpose Financial Statements

Ballina Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017

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 2017

Contents	Page
1. Statement by Councillors and Management	2
2. Special Purpose Financial Statements:	
Income Statement – Water Supply Business Activity	3
Income Statement – Wastewater Business Activity	4
Income Statement – Other Business Activities	5
Statement of Financial Position – Water Supply Business Activity	8
Statement of Financial Position – Wastewater Business Activity	9
Statement of Financial Position – Other Business Activities	10
3. Notes to the Special Purpose Financial Statements	13
4. Auditor’s Report	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 2017

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 26 October 2017.

Cr David Wright
Mayor

Councillor

Paul Hickey
General manager

Linda Coulter
Responsible accounting officer

Ballina Shire Council

Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2017

\$ '000	Actual 2017	Actual 2016
Income from continuing operations		
Access charges	3,372	3,226
User charges	7,771	6,654
Fees	728	797
Interest	344	339
Grants and contributions provided for non-capital purposes	160	157
Profit from the sale of assets	53	26
Other income	–	–
Total income from continuing operations	12,428	11,199
Expenses from continuing operations		
Employee benefits and on-costs	1,920	1,876
Borrowing costs	–	–
Materials and contracts	1,219	1,007
Depreciation, amortisation and impairment	1,460	1,498
Water purchase charges	5,887	5,703
Loss on sale of assets	61	64
Calculated taxation equivalents	32	32
Other expenses	663	661
Total expenses from continuing operations	11,242	10,841
Surplus (deficit) from continuing operations before capital amounts	1,186	358
Grants and contributions provided for capital purposes	469	1,031
Surplus (deficit) from continuing operations after capital amounts	1,655	1,389
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	1,655	1,389
Less: corporate taxation equivalent (30%) [based on result before capital]	(356)	(107)
SURPLUS (DEFICIT) AFTER TAX	1,299	1,282
Plus opening retained profits	40,469	39,088
Plus/less: prior period adjustments	–	–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	32	32
– Debt guarantee fees	–	–
– Corporate taxation equivalent	356	107
Less:		
– Tax equivalent dividend paid	(32)	(40)
– Surplus dividend paid	–	–
Closing retained profits	42,124	40,469
Return on capital %	1.5%	0.5%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	1,299	1,282
Less: capital grants and contributions (excluding developer contributions)	–	–
Surplus for dividend calculation purposes	1,299	1,282
Potential dividend calculated from surplus	650	641

Ballina Shire Council

Income Statement of Council's Wastewater Business Activity

for the year ended 30 June 2017

\$ '000	Actual 2017	Actual 2016
Income from continuing operations		
Access charges	15,408	14,087
User charges	1,175	997
Liquid trade waste charges	163	135
Fees	–	–
Interest	493	497
Grants and contributions provided for non-capital purposes	159	157
Other income	476	483
Total income from continuing operations	17,874	16,356
Expenses from continuing operations		
Employee benefits and on-costs	3,816	3,676
Borrowing costs	4,449	4,647
Materials and contracts	5,265	5,044
Depreciation, amortisation and impairment	3,731	3,532
Loss on sale of assets	402	3
Calculated taxation equivalents	40	37
Debt guarantee fee (if applicable)	605	653
Other expenses	574	353
Total expenses from continuing operations	18,882	17,945
Surplus (deficit) from continuing operations before capital amounts	(1,008)	(1,589)
Grants and contributions provided for capital purposes	764	2,386
Surplus (deficit) from continuing operations after capital amounts	(244)	797
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	(244)	797
Less: corporate taxation equivalent (30%) [based on result before capital]	–	–
SURPLUS (DEFICIT) AFTER TAX	(244)	797
Plus opening retained profits	98,161	96,711
Plus/less: prior period adjustments	–	–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	40	37
– Debt guarantee fees	605	653
– Corporate taxation equivalent	–	–
Less:		
– Tax equivalent dividend paid	(40)	(37)
– Surplus dividend paid	–	–
Closing retained profits	98,522	98,161
Return on capital %	1.6%	1.5%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	(244)	797
Less: capital grants and contributions (excluding developer contributions)	(27)	–
Surplus for dividend calculation purposes	–	797
Potential dividend calculated from surplus	–	399

Ballina Shire Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2017

\$ '000	Quarry		Airport	
	Category 2		Category 1	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
Income from continuing operations				
Access charges	–	–	–	–
User charges	69	324	5,781	5,112
Fees	–	–	–	–
Interest	34	40	–	–
Grants and contributions provided for non-capital purposes	–	–	–	–
Profit from the sale of assets	–	–	–	–
Share of profit from equity accounted investment	–	–	–	–
Other income	–	53	–	–
Total income from continuing operations	103	417	5,781	5,112
Expenses from continuing operations				
Employee benefits and on-costs	–	–	698	641
Borrowing costs	20	28	423	472
Materials and contracts	102	91	3,037	2,579
Depreciation, amortisation and impairment	10	9	807	830
Loss on sale of assets	–	–	–	–
Calculated taxation equivalents	24	23	95	9
Debt guarantee fee (if applicable)	–	–	85	90
Other expenses	–	–	–	–
Total expenses from continuing operations	156	151	5,145	4,621
Surplus (deficit) from continuing operations before capital amounts	(53)	266	636	491
Grants and contributions provided for capital purposes	–	–	–	2,291
Surplus (deficit) from continuing operations after capital amounts	(53)	266	636	2,782
Surplus (deficit) from discontinued operations	–	–	–	–
Surplus (deficit) from all operations before tax	(53)	266	636	2,782
Less: corporate taxation equivalent (30%) [based on result before capital]	–	(80)	(191)	(147)
SURPLUS (DEFICIT) AFTER TAX	(53)	186	445	2,635
Plus opening retained profits	966	878	14,175	11,294
Plus/less: prior period adjustments	–	–	–	–
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	24	23	95	9
– Debt guarantee fees	–	–	85	90
– Corporate taxation equivalent	–	80	191	147
Add:				
– Subsidy paid/contribution to operations	–	–	–	–
Less:				
– TER dividend paid	–	–	–	–
– Dividend paid	(321)	(201)	–	–
Closing retained profits	616	966	14,991	14,175
Return on capital %	-2.3%	20.6%	2.6%	2.4%
Subsidy from Council	67	–	–	–

Ballina Shire Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2017

	Wigmore Arcade Category 2		Land development Category 1	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
\$ '000				
Income from continuing operations				
Access charges	–	–	–	–
User charges	584	465	1,581	2,588
Fees	–	–	–	–
Interest	–	3	55	87
Grants and contributions provided for non-capital purposes	–	–	–	–
Profit from the sale of assets	–	–	–	–
Share of profit from equity accounted investment	–	–	–	–
Other income	163	–	–	–
Total income from continuing operations	747	468	1,636	2,675
Expenses from continuing operations				
Employee benefits and on-costs	–	–	–	–
Borrowing costs	–	–	–	–
Materials and contracts	259	225	1,502	1,547
Depreciation, amortisation and impairment	–	–	–	–
Loss on sale of assets	–	–	–	–
Calculated taxation equivalents	124	105	159	163
Debt guarantee fee (if applicable)	–	–	–	–
Other expenses	–	–	–	–
Total expenses from continuing operations	383	330	1,661	1,710
Surplus (deficit) from continuing operations before capital amounts	364	138	(25)	965
Grants and contributions provided for capital purposes	378	439	–	–
Surplus (deficit) from continuing operations after capital amounts	742	577	(25)	965
Surplus (deficit) from discontinued operations	–	–	–	–
Surplus (deficit) from all operations before tax	742	577	(25)	965
Less: corporate taxation equivalent (30%) [based on result before capital]	(109)	(41)	–	(290)
SURPLUS (DEFICIT) AFTER TAX	633	536	(25)	676
Plus opening retained profits	6,323	5,828	14,218	14,393
Plus/less: prior period adjustments	–	–	–	–
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	124	105	159	163
– Debt guarantee fees	–	–	–	–
– Corporate taxation equivalent	109	41	–	290
Add:				
– Subsidy paid/contribution to operations	–	–	–	–
Less:				
– TER dividend paid	–	–	–	–
– Dividend paid	(273)	(187)	(648)	(1,303)
Closing retained profits	6,916	6,323	13,704	14,218
Return on capital %	5.0%	2.2%	n/a	n/a
Subsidy from Council	–	–	25	–

Ballina Shire Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2017

\$ '000	Landfill and resource recovery		Private works	
	Category 1		Category 2	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
Income from continuing operations				
Access charges	–	–	–	–
User charges	6,448	6,599	238	728
Fees	–	–	–	–
Interest	108	106	–	–
Grants and contributions provided for non-capital purposes	125	326	–	–
Profit from the sale of assets	–	–	–	–
Share of profit from equity accounted investment	–	–	–	–
Other income	–	–	–	–
Total income from continuing operations	6,681	7,031	238	728
Expenses from continuing operations				
Employee benefits and on-costs	1,036	921	–	–
Borrowing costs	56	133	–	–
Materials and contracts	3,537	4,476	244	637
Depreciation, amortisation and impairment	898	1,072	–	–
Loss on sale of assets	–	–	–	–
Calculated taxation equivalents	37	27	–	–
Debt guarantee fee (if applicable)	7	10	–	–
Other expenses	163	108	–	–
Total expenses from continuing operations	5,734	6,747	244	637
Surplus (deficit) from continuing operations before capital amounts	947	284	(6)	91
Grants and contributions provided for capital purposes	–	–	–	–
Surplus (deficit) from continuing operations after capital amounts	947	284	(6)	91
Surplus (deficit) from discontinued operations	–	–	–	–
Surplus (deficit) from all operations before tax	947	284	(6)	91
Less: corporate taxation equivalent (30%) [based on result before capital]	(284)	(85)	–	(27)
SURPLUS (DEFICIT) AFTER TAX	663	199	(6)	64
Plus opening retained profits	2,494	2,173	–	–
Plus/less: prior period adjustments	–	–	–	–
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	37	27	–	–
– Debt guarantee fees	7	10	–	–
– Corporate taxation equivalent	284	85	–	27
Add:				
– Subsidy paid/contribution to operations	–	–	6	–
Less:				
– TER dividend paid	(1,404)	–	–	–
– Dividend paid	–	–	–	(91)
Closing retained profits	2,081	2,494	–	–
Return on capital %	13.9%	5.2%	n/a	n/a
Subsidy from Council	–	–	6	–

Ballina Shire Council

Statement of Financial Position – Council's Water Supply Business Activity
as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
ASSETS		
Current assets		
Cash and cash equivalents	14,303	9,625
Investments	–	–
Receivables	2,130	2,043
Inventories	–	–
Other	111	118
Non-current assets classified as held for sale	–	–
Total current assets	16,544	11,786
Non-current assets		
Investments	1,589	952
Receivables	112	108
Inventories	–	11
Infrastructure, property, plant and equipment	76,782	71,157
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Total non-current assets	78,483	72,228
TOTAL ASSETS	95,027	84,014
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	18	–
Income received in advance	–	–
Borrowings	–	–
Provisions	120	133
Total current liabilities	138	133
Non-current liabilities		
Payables	–	–
Borrowings	–	–
Provisions	13	14
Total non-current liabilities	13	14
TOTAL LIABILITIES	151	147
NET ASSETS	94,876	83,867
EQUITY		
Retained earnings	42,124	40,469
Revaluation reserves	52,752	43,398
Other reserves	–	–
Council equity interest	94,876	83,867
Non-controlling equity interest	–	–
TOTAL EQUITY	94,876	83,867

Ballina Shire Council

Statement of Financial Position – Council's Wastewater Business Activity
as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
ASSETS		
Current assets		
Cash and cash equivalents	9,938	13,588
Investments	–	–
Receivables	1,288	1,305
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
Total current Assets	11,226	14,893
Non-current assets		
Investments	1,105	1,344
Receivables	127	139
Inventories	–	–
Infrastructure, property, plant and equipment	209,652	198,622
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Total non-current assets	210,884	200,105
TOTAL ASSETS	222,110	214,998
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	140	125
Income received in advance	–	–
Borrowings	3,096	2,958
Provisions	523	482
Total current liabilities	3,759	3,565
Non-current liabilities		
Payables	–	–
Borrowings	56,079	58,925
Provisions	46	45
Total non-current liabilities	56,125	58,970
TOTAL LIABILITIES	59,884	62,535
NET ASSETS	162,226	152,463
EQUITY		
Retained earnings	98,522	98,161
Revaluation reserves	63,704	54,302
Other reserves	–	–
Council equity interest	162,226	152,463
Non-controlling equity interest	–	–
TOTAL EQUITY	162,226	152,463

Ballina Shire Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2017

\$ '000	Quarry		Airport	
	Category 2		Category 1	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
ASSETS				
Current assets				
Cash and cash equivalents	1,015	1,336	–	–
Investments	–	–	–	–
Receivables	–	–	–	–
Inventories	–	–	–	–
Other	171	8	–	–
Non-current assets classified as held for sale	–	–	–	–
Total Current Assets	1,186	1,344	–	–
Non-current assets				
Investments	–	–	–	–
Receivables	–	–	–	–
Inventories	–	–	–	–
Infrastructure, property, plant and equipment	1,425	1,427	40,052	39,411
Investments accounted for using equity method	–	–	–	–
Investment property	–	–	–	–
Total non-current assets	1,425	1,427	40,052	39,411
TOTAL ASSETS	2,611	2,771	40,052	39,411
LIABILITIES				
Current liabilities				
Bank overdraft	–	–	–	–
Payables	–	–	–	–
Income received in advance	–	–	–	–
Borrowings	–	–	–	–
Provisions	1,360	1,173	178	166
Total current liabilities	1,360	1,173	178	166
Non-current liabilities				
Payables	–	–	–	–
Borrowings	–	–	7,997	8,927
Provisions	–	–	–	–
Other Liabilities	–	–	–	–
Total non-current liabilities	–	–	7,997	8,927
TOTAL LIABILITIES	1,360	1,173	8,175	9,093
NET ASSETS	1,251	1,598	31,877	30,318
EQUITY				
Retained earnings	616	966	14,991	14,175
Revaluation reserves	635	632	16,886	16,143
Council equity interest	1,251	1,598	31,877	30,318
Non-controlling equity interest	–	–	–	–
TOTAL EQUITY	1,251	1,598	31,877	30,318

Ballina Shire Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2017

	Wigmore Arcade Category 2		Land development Category 1	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
\$ '000				
ASSETS				
Current assets				
Cash and cash equivalents	176	123	2,983	3,220
Investments	–	–	–	–
Receivables	–	–	–	–
Inventories	–	–	–	–
Non-current assets classified as held for sale	–	–	–	–
Total Current Assets	176	123	2,983	3,220
Non-current assets				
Investments	–	–	–	–
Receivables	–	–	–	–
Inventories	–	–	4,641	4,578
Infrastructure, property, plant and equipment	6,740	6,200	–	–
Investments accounted for using equity method	–	–	–	–
Investment property	–	–	–	–
Other	–	–	6,080	6,420
Total non-current assets	6,740	6,200	10,721	10,998
TOTAL ASSETS	6,916	6,323	13,704	14,218
LIABILITIES				
Current liabilities				
Bank overdraft	–	–	–	–
Payables	–	–	–	–
Income received in advance	–	–	–	–
Borrowings	–	–	–	–
Provisions	–	–	–	–
Total current liabilities	–	–	–	–
Non-current liabilities				
Payables	–	–	–	–
Borrowings	–	–	–	–
Provisions	–	–	–	–
Other Liabilities	–	–	–	–
Total non-current liabilities	–	–	–	–
TOTAL LIABILITIES	–	–	–	–
NET ASSETS	6,916	6,323	13,704	14,218
EQUITY				
Retained earnings	6,916	6,323	13,704	14,218
Revaluation reserves	–	–	–	–
Council equity interest	6,916	6,323	13,704	14,218
Non-controlling equity interest	–	–	–	–
TOTAL EQUITY	6,916	6,323	13,704	14,218

Ballina Shire Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2017

\$ '000	Landfill and resource recovery Category 1		Private works Category 2	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
ASSETS				
Current assets				
Cash and cash equivalents	3,703	4,170	–	–
Investments	–	–	–	–
Receivables	–	–	–	–
Inventories	8	6	–	–
Other	269	367	–	–
Non-current assets classified as held for sale	–	–	–	–
Total Current Assets	3,980	4,543	–	–
Non-current assets				
Investments	–	–	–	–
Receivables	–	–	–	–
Inventories	–	–	–	–
Infrastructure, property, plant and equipment	7,197	7,973	–	–
Investments accounted for using equity method	–	–	–	–
Investment property	–	–	–	–
Total non-current assets	7,197	7,973	–	–
TOTAL ASSETS	11,177	12,516	–	–
LIABILITIES				
Current liabilities				
Bank overdraft	–	–	–	–
Payables	–	–	–	–
Income received in advance	–	–	–	–
Borrowings	182	1,294	–	–
Provisions	–	–	–	–
Total current liabilities	182	1,294	–	–
Non-current liabilities				
Payables	–	–	–	–
Borrowings	–	–	–	–
Provisions	2,646	2,582	–	–
Other Liabilities	–	–	–	–
Total non-current liabilities	2,646	2,582	–	–
TOTAL LIABILITIES	2,828	3,876	–	–
NET ASSETS	8,349	8,640	–	–
EQUITY				
Retained earnings	2,081	2,494	–	–
Revaluation reserves	6,268	6,146	–	–
Council equity interest	8,349	8,640	–	–
Non-controlling equity interest	–	–	–	–
TOTAL EQUITY	8,349	8,640	–	–

Ballina Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2017

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 2017

Note 1. Significant accounting policies

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

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

The figures presented in these Special Purpose Financial Statements have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Australian Accounting Interpretations.

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

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

National Competition Policy

Council has adopted the principle of 'competitive neutrality' in its business activities as part of the National Competition Policy which is being applied throughout Australia at all levels of government.

The framework for its application is set out in the June 1996 NSW government policy statement titled 'Application of National Competition Policy to Local Government'.

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

The pricing and costing guidelines outline the process for identifying and allocating costs to

activities and provide a standard for disclosure requirements.

These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, council subsidies, return on investments (rate of return), and dividends paid.

Declared business activities

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

Category 1

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

a. Water Supplies

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

b. Wastewater 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.

e. 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.

Ballina Shire Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

Note 1. Significant accounting policies (continued)

Category 2

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

f. Quarries

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

g. Wigmore Arcade

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

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, except for Note 2 (Water Supply Best Practice Management Disclosures) and Note 3 (Wastewater 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. Where this is the case, they are disclosed as a cost of operations just like all other costs.

However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council nominated business activities and are reflected in 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 **\$549,000** of combined land values attracts **0%**. For the combined land values in excess of \$549,001 up to \$3,357,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$3,357,000 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 Department of Primary Industries Water (DPIW), a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and wastewater business activities.

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

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

Income tax

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

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

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

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

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

Ballina Shire Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

Note 1. Significant accounting policies (continued)

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

Local government rates and charges

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

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

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 2.38% at 30/6/17. The exception to this rule is the monopoly businesses of water and wastewater where Council's adopted rate of return is nil.

(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 wastewater businesses are permitted to pay an annual dividend from its water supply or wastewater business surplus.

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

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or wastewater assessments at 30 June 2017 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

Ballina Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2017Note 2. Water supply business
best-practice management disclosure requirements

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

2017

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	47,862
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	32,000
(iv)	Amounts actually paid for tax equivalents	32,000

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	649,600
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	446,620
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	3,734,000

2017 Surplus	1,299,200	2016 Surplus	1,281,600	2015 Surplus	1,153,200
		2016 Dividend	–	2015 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	446,620
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	–
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? ^a	YES

3. Required outcomes for 6 criteria

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

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Full cost recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	– Complying charges [item 2 (b) in table 1]	YES
	– DSP with commercial developer charges [item 2 (e) in table 1]	YES
	– If dual water supplies, complying charges [item 2 (g) in table 1]	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 2017Note 2. Water supply business
best-practice management disclosure requirements (continued)

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

2017

National Water Initiative (NWI) financial performance indicators

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	12,553
NWI F4	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	68.09%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	76,543
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	9,678
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	1,289
NWI F17	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	1.84%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

- Notes:
- References to w (e.g. w12) refer to item numbers within Special Schedules 3 and 4 of Council's Annual Financial Statements.
 - The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
 - 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 2017Note 3. Sewerage business
best-practice management disclosure requirements

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

2017

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	645,000
(ii)	Number of assessments multiplied by \$3/assessment	47,022
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	47,022
(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]	–
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	423,198
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	(11,415,000)

2017 Surplus	(271,000)	2016 Surplus	797,000	2015 Surplus	(11,941,000)
		2016 Dividend	–	2015 Dividend	–

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

3. Required outcomes for 4 criteria

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

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

Ballina Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2017Note 3. Sewerage business
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2017

National Water Initiative (NWI) financial performance indicators

NWI F2	Total revenue (wastewater) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	18,145
NWI F10	Written down replacement cost of fixed assets (wastewater) Written down current cost of system assets (s48)	\$'000	209,394
NWI F12	Operating cost (wastewater) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	9,313
NWI F15	Capital expenditure (wastewater) Acquisition of fixed assets (s17)	\$'000	2,330
NWI F18	Economic real rate of return (wastewater) [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)]	%	2.43%
NWI F27	Capital works grants (wastewater) Grants for the acquisition of assets (12a)	\$'000	–

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

NWI F3	Total income (water and wastewater) 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	30,235
NWI F8	Revenue from community service obligations (water and wastewater) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.06%
NWI F16	Capital expenditure (water and wastewater) Acquisition of fixed assets (w16 + s17)	\$'000	3,619
NWI F19	Economic real rate of return (water and wastewater) [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)]	%	2.27%
NWI F20	Dividend (water and wastewater) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
NWI F21	Dividend payout ratio (water and wastewater) 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 2017Note 3. Sewerage business
best-practice management disclosure requirements (continued)

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

2017

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

NWI F22	Net debt to equity (water and wastewater) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	12.54%
NWI F23	Interest cover (water and wastewater) 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)		2
NWI F24	Net profit after tax (water and wastewater) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	1,944
NWI F25	Community service obligations (water and wastewater) Grants for pensioner rebates (w11b + s12b)	\$'000	319

- Notes:
- References to w (eg. s12) refer to item numbers within Special Schedules 5 and 6 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



INDEPENDENT AUDITOR'S REPORT
Report on the special purpose financial statement
Ballina Shire Council

To the Councillors of the Ballina Shire Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Ballina Shire Council's (the Council) Declared Business Activities, which comprise the statement of financial position of each Declared Business Activity as at 30 June 2017, the income statement of each Declared Business Activity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information for the Business Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council are:

- Water
- Wastewater
- Quarry
- Airport
- Wigmore Arcade
- Land development
- Landfill and resource recovery
- Private works.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2017, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

My opinion should be read in conjunction with the rest of this report and in particular, the Emphasis of Matter referring to the basis of accounting.

Basis for Opinion

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

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

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

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

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I 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 Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.

Other Matter

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 27 October 2016.

The Councillors' Responsibility for the Financial Statements

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

In preparing the financial statements, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting, as it affects the Council's Declared Business Activities.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at:
http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf.

The description forms part of my auditor's report.

My opinion does not provide assurance:

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

Karen Taylor
Director, Financial Audit Services

26 October 2017
SYDNEY

Part D
Special Schedules

Ballina Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2017

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



Ballina Shire Council

Special Schedules

for the year ended 30 June 2017

Contents

Page

Special Schedules¹

Special Schedule 1	Net Cost of Services	2
Special Schedule 2(a)	Statement of Long Term Debt (all purposes)	4
Special Schedule 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993)	n/a
Special Schedule 3	Water Supply Operations – incl. Income Statement	5
Special Schedule 4	Water Supply – Statement of Financial Position	8
Special Schedule 5	Wastewater Service Operations – incl. Income Statement	9
Special Schedule 6	Wastewater Service – Statement of Financial Position	12
Notes to Special Schedules 3 and 5		13
Special Schedule 7	Report on Infrastructure Assets	14
Special Schedule 8	Permissible Income Calculation	19

¹ 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 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	1,414	–	–	(1,414)
Administration	3,574	1,415	2,454	295
Public order and safety				
Fire service levy, fire protection, emergency services	546	200	–	(346)
Beach control	315	–	–	(315)
Animal control	85	70	–	(15)
Other	485	113	–	(372)
Total public order and safety	1,431	383	–	(1,048)
Health	1,530	273	–	(1,257)
Environment				
Noxious plants and insect/vermin control	114	–	–	(114)
Other environmental protection	355	179	95	(81)
Solid waste management	8,309	9,621	–	1,312
Street cleaning	362	–	–	(362)
Drainage	1,706	375	595	(736)
Total environment	10,846	10,175	690	19
Community services and education				
Administration and education	1,334	244	–	(1,090)
Children's services	319	–	–	(319)
Total community services and education	1,653	244	–	(1,409)
Housing and community amenities				
Public cemeteries	338	453	–	115
Public conveniences	402	–	–	(402)
Street lighting	586	–	–	(586)
Town planning	2,773	905	–	(1,868)
Other community amenities	107	–	–	(107)
Total housing and community amenities	4,206	1,358	–	(2,848)
Water supplies	10,692	11,867	469	1,644
Wastewater services	17,300	17,368	764	832

Ballina Shire Council

Special Schedule 1 – Net Cost of Services (continued)
for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	1,628	118	–	(1,510)
Museums	12	–	–	(12)
Art galleries	341	99	40	(202)
Community centres and halls	1,154	179	–	(975)
Sporting grounds and venues	1,120	50	–	(1,070)
Swimming pools	665	435	–	(230)
Parks and gardens (lakes)	4,642	449	40	(4,153)
Other sport and recreation	108	7	1,017	916
Total recreation and culture	9,670	1,337	1,097	(7,236)
Mining, manufacturing and construction				
Building control	1,040	1,480	–	440
Other mining, manufacturing and construction	125	69	–	(56)
Total mining, manufacturing and const.	1,165	1,549	–	384
Transport and communication				
Urban roads (UR) – local	10,163	1,637	–	(8,526)
Urban roads – regional	181	2,105	21,431	23,355
Sealed rural roads (SRR) – local	644	–	–	(644)
Sealed rural roads (SRR) – regional	526	–	–	(526)
Unsealed rural roads (URR)	567	–	–	(567)
Bridges	105	–	–	(105)
Parking areas	41	–	–	(41)
Footpaths	750	–	3	(747)
Aerodromes	4,930	5,780	–	850
Other transport and communication	885	1,728	121	964
Total transport and communication	18,792	11,250	21,555	14,013
Economic affairs				
Camping areas and caravan parks	246	413	–	167
Other economic affairs	2,493	2,926	–	433
Total economic affairs	2,739	3,339	–	600
Totals – functions	85,012	60,558	27,029	2,575
General purpose revenues ⁽¹⁾		27,321		27,321
Share of interests – joint ventures and associates using the equity method	34	–		(34)
NET OPERATING RESULT ⁽²⁾	85,046	87,879	27,029	29,862

(1) Includes: rates and annual charges (including ex gratia, excluding water and wastewater), 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 2017

\$'000

Classification of debt	Principal outstanding at beginning of the year			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
Loans (by source)											
Treasury Corporation	1,335	4,055	5,390	6,712	1,335	–	–	–	1,570	9,197	10,767
Financial institutions	5,319	72,078	77,397	–	5,319	–	–	5,121	4,649	67,429	72,078
Total loans	6,654	76,133	82,787	6,712	6,654	–	–	5,121	6,219	76,626	82,845
Total debt	6,654	76,133	82,787	6,712	6,654	–	–	5,121	6,219	76,626	82,845

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 2017

\$'000	Actuals 2017	Actuals 2016
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	2,043	1,802
b. Engineering and supervision	346	379
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
– Mains		
c. Operation expenses	49	83
d. Maintenance expenses	397	364
– Reservoirs		
e. Operation expenses	29	22
f. Maintenance expenses	37	34
– Pumping stations		
g. Operation expenses (excluding energy costs)	12	11
h. Energy costs	38	34
i. Maintenance expenses	–	–
– Treatment		
j. Operation expenses (excluding chemical costs)	135	112
k. Chemical costs	–	–
l. Maintenance expenses	42	31
– Other		
m. Operation expenses	224	248
n. Maintenance expenses	439	413
o. Purchase of water	5,887	5,703
3. Depreciation expenses		
a. System assets	1,428	1,454
b. Plant and equipment	32	44
4. Miscellaneous expenses		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	11	11
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	32	40
5. Total expenses	11,181	10,785

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 2017

\$'000	Actuals 2017	Actuals 2016
Income		
6. Residential charges		
a. Access (including rates)	2,662	2,540
b. Usage charges	5,680	4,809
7. Non-residential charges		
a. Access (including rates)	710	686
b. Usage charges	2,091	1,845
8. Extra charges	–	–
9. Interest income	344	339
10. Other income	781	823
10a. Aboriginal Communities Water and Sewerage Program	–	–
11. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	160	157
c. Other grants	–	–
12. Contributions		
a. Developer charges	469	838
b. Developer provided assets	–	193
c. Other contributions	–	–
13. Total income	12,897	12,230
14. Gain (or loss) on disposal of assets	(61)	(64)
15. Operating result	1,655	1,381
15a. Operating result (less grants for acquisition of assets)	1,655	1,381

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 2017

\$'000	Actuals 2017	Actuals 2016
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	185	92
b. New assets for growth	615	226
c. Renewals	376	1,241
d. Plant and equipment	113	90
17. Repayment of debt	–	–
18. Totals	1,289	1,649
Non-operating funds employed		
19. Proceeds from disposal of assets	53	26
20. Borrowing utilised	–	–
21. Totals	53	26
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	14,180	13,794
b. Residential (unoccupied, ie. vacant lot)	223	335
c. Non-residential (occupied)	1,520	1,506
d. Non-residential (unoccupied, ie. vacant lot)	31	31
23. Number of ETs for which developer charges were received	146 ET	265 ET
24. Total amount of pensioner rebates (actual dollars)	\$ 290,829	\$ 286,133

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 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
25. Cash and investments			
a. Developer charges	6,841	760	7,601
b. Special purpose grants	–	–	–
c. Accrued leave	120	13	133
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	7,342	816	8,158
26. Receivables			
a. Specific purpose grants	6	–	6
b. Rates and availability charges	300	16	316
c. User charges	1,824	96	1,920
d. Other	78	33	111
27. Inventories	–	–	–
28. Property, plant and equipment			
a. System assets	–	76,543	76,543
b. Plant and equipment	–	239	239
29. Other assets	–	–	–
30. Total assets	16,511	78,516	95,027
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	18	–	18
33. Borrowings	–	–	–
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	120	13	133
35. Total liabilities	138	13	151
36. NET ASSETS COMMITTED	16,373	78,503	94,876
EQUITY			
37. Accumulated surplus			42,124
38. Asset revaluation reserve			52,752
40. TOTAL EQUITY			94,876
Note to system assets:			
41. Current replacement cost of system assets			116,894
42. Accumulated current cost depreciation of system assets			(40,351)
43. Written down current cost of system assets			76,543

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 2017

\$'000	Actuals 2017	Actuals 2016
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	3,401	2,912
b. Engineering and supervision	411	384
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	–	–
b. Maintenance expenses	313	655
– Pumping stations		
c. Operation expenses (excluding energy costs)	271	258
d. Energy costs	359	386
e. Maintenance expenses	1,010	932
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	1,169	1,364
g. Chemical costs	–	–
h. Energy costs	592	647
i. Effluent management	–	–
j. Biosolids management	67	99
k. Maintenance expenses	1,146	1,038
– Other		
l. Operation expenses	313	228
m. Maintenance expenses	261	125
3. Depreciation expenses		
a. System assets	3,680	3,479
b. Plant and equipment	51	53
4. Miscellaneous expenses		
a. Interest expenses	4,449	4,647
b. Revaluation decrements	–	–
c. Other expenses	342	45
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	40	37
5. Total expenses	17,875	17,289

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 2017

\$'000	Actuals 2017	Actuals 2016
Income		
6. Residential charges (including rates)	13,597	12,422
7. Non-residential charges		
a. Access (including rates)	1,811	1,665
b. Usage charges	1,175	997
8. Trade waste charges		
a. Annual fees	41	38
b. Usage charges	122	97
c. Excess mass charges	20	10
d. Re-inspection fees	–	–
9. Extra charges	–	–
10. Interest income	493	497
11. Other income	456	473
11a. Aboriginal Communities Water and Sewerage Program	–	–
12. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	159	157
c. Other grants	–	–
13. Contributions		
a. Developer charges	737	1,724
b. Developer provided assets	–	662
c. Other contributions	27	–
14. Total income	18,638	18,742
15. Gain (or loss) on disposal of assets	(402)	(3)
16. Operating result	361	1,450
16a. Operating result (less grants for acquisition of assets)	361	1,450

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 2017

\$'000	Actuals 2017	Actuals 2016
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	821	139
b. New assets for growth	841	828
c. Renewals	573	2,010
d. Plant and equipment	95	–
18. Repayment of debt	2,958	4,358
19. Totals	5,288	7,335
Non-operating funds employed		
20. Proceeds from disposal of assets	12	8
21. Borrowing utilised	–	–
22. Totals	12	8
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	13,814	13,489
b. Residential (unoccupied, ie. vacant lot)	404	452
c. Non-residential (occupied)	1,425	1,427
d. Non-residential (unoccupied, ie. vacant lot)	31	31
24. Number of ETs for which developer charges were received	150 ET	356 ET
25. Total amount of pensioner rebates (actual dollars)	\$ 289,234	\$ 284,709

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 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
26. Cash and investments			
a. Developer charges	5,755	640	6,395
b. Special purpose grants	–	–	–
c. Accrued leave	513	57	570
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	3,670	408	4,078
27. Receivables			
a. Specific purpose grants	6	–	6
b. Rates and availability charges	390	21	411
c. User charges	734	39	773
d. Other	158	67	225
28. Inventories	–	–	–
29. Property, plant and equipment			
a. System assets	–	209,394	209,394
b. Plant and equipment	–	258	258
30. Other assets	–	–	–
31. Total assets	11,226	210,884	222,110
LIABILITIES			
32. Bank overdraft	–	–	–
33. Creditors	140	–	140
34. Borrowings	3,096	56,079	59,175
35. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	523	46	569
36. Total liabilities	3,759	56,125	59,884
37. NET ASSETS COMMITTED	7,467	154,759	162,226
EQUITY			
38. Accumulated surplus			98,522
39. Asset revaluation reserve			63,704
41. TOTAL EQUITY			162,226
Note to system assets:			
42. Current replacement cost of system assets			278,355
43. Accumulated current cost depreciation of system assets			(68,961)
44. Written down current cost of system assets			209,394

Ballina Shire Council

Notes to Special Schedules 3 and 5 for the year ended 30 June 2017

Administration ⁽¹⁾

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

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

Engineering and supervision ⁽¹⁾

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes:

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

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

Ballina Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017

\$'000

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	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Council Offices	54	13	75	51	6,662	14,951	62%	35%	3%	1%	0%
	Works Depot	356	70	100	103	7,033	10,995	83%	10%	4%	0%	3%
	Halls	116	54	50	1	1,090	3,915	11%	29%	59%	0%	0%
	Dwellings	400	114	50	–	829	3,450	9%	43%	38%	0%	10%
	Airport	4	0	100	154	5,065	8,276	91%	8%	1%	0%	0%
	Shops/Offices	86	8	50	37	3,814	8,124	48%	39%	13%	0%	0%
	Library	–	1	30	–	3,916	6,581	96%	4%	0%	0%	0%
	Community Centres	–	1	300	284	15,096	21,308	86%	14%	0%	0%	0%
	Childcare Centres	58	5	20	–	2,048	6,162	16%	65%	19%	0%	0%
	Waste Centre	37	4	60	101	2,322	4,204	75%	22%	0%	2%	0%
	Amenities/Toilets	502	78	350	224	16,043	28,079	59%	28%	12%	0%	1%
	Sub-total	1,613	348	1,185	956	63,918	116,044	65.4%	24.7%	8.8%	0.3%	0.9%
Other structures	Other structures	858	300	45	34	11,636	18,084	60%	17%	15%	5%	3%
	Sub-total	858	300	45	34	11,636	18,084	59.9%	17.4%	14.8%	5.1%	2.7%
Roads	Sealed roads	651	536	1,570	1,006	379,995	455,918	74%	20%	5%	0%	0%
	Unsealed roads	216	58	618	540	33,183	36,219	38%	1%	0%	61%	0%
	Bridges	609	170	21	9	31,892	49,362	64%	14%	22%	0%	0%
	Footpaths/Cycleways	44	40	100	92	23,264	30,915	65%	33%	2%	0%	0%
	Kerb & Gutter	14	10	5	–	25,134	36,454	66%	33%	1%	0%	0%
	Road Furniture	140	50	5	58	17,360	21,836	74%	13%	13%	0%	0%
	Sub-total	1,674	863	2,318	1,705	510,828	630,703	70.3%	19.6%	6.1%	3.9%	0.1%

Ballina Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (continued)

\$'000

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	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost					
								1	2	3	4	5	
Water supply network	Water supply network												
	Treatment Plants	156	146	55	40	2,722	5,413	3%	19%	74%	3%	0%	
	Pump Stations	51	45	55	8	1,672	2,058	78%	0%	15%	7%	0%	
	Reservoirs	1,722	1,678	110	37	13,218	18,180	10%	0%	79%	0%	12%	
	Water Connections	232	200	300	376	1,263	2,668	21%	20%	34%	15%	9%	
	Pipelines	4,571	3,669	400	397	52,775	83,069	10%	44%	37%	8%	2%	
	Sub-total	6,733	5,738	920	859	71,650	111,388	10.9%	33.9%	45.2%	6.5%	3.5%	
Wastewater network	Wastewater network												
	Treatment	2,874	906	1,133	1,146	60,944	85,778	50%	2%	45%	3%	1%	
	Pumping Stations	3,832	2,020	1,040	1,010	30,722	51,280	13%	8%	67%	6%	6%	
	Mains	572	453	465	275	97,672	117,394	17%	76%	7%	0%	1%	
	Recycled Water	–	–	155	50	10,599	11,958	68%	32%	0%	0%	0%	
	Sub-total	7,278	3,379	2,793	2,480	199,938	266,410	29.0%	36.9%	30.5%	2.1%	1.6%	

Ballina Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (continued)

\$'000

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	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost						
								1	2	3	4	5		
Stormwater drainage	Stormwater drainage													
	Pollution Control	–	–	25	23	1,495	1,736	67%	33%	0%	0%	0%		
	Outfall Structures	4	5	10		171	333	34%	49%	16%	2%	0%		
	Reticulation – Pipe	2	–	206	192	49,568	76,382	57%	43%	0%	0%	0%		
	Reticulation – Pit	10	10	6		16,073	26,740	49%	51%	1%	0%	0%		
	Culverts	189	170	6		5,989	12,481	20%	51%	29%	0%	0%		
	Sub-total	205	185	253	214	73,296	117,671	51.4%	45.3%	3.3%	0.0%	0.0%		
Open space/recreational assets	Swimming pools	–	–	50	22	–	–	0%	0%	0%	0%	0%		
	Sub-total	–	–	50	22	–	–	0.0%	0.0%	0.0%	0.0%	0.0%		
	TOTAL – ALL ASSETS	18,360	10,813	7,564	6,271	931,266	1,260,300	53.9%	27.4%	14.8%	3.1%	0.8%		

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 2017

\$ '000	Amounts	Indicator	Benchmark	Prior periods	
	2017	2017		2016	2015
Infrastructure asset performance indicators * consolidated					
1. Infrastructure renewals ratio					
Asset renewals ⁽¹⁾	<u>13,761</u>	84.19%	>= 100%	89.75%	71.48%
Depreciation, amortisation and impairment	<u>16,346</u>				
2. Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	<u>18,360</u>	1.98%	< 2%	0.91%	0.73%
Net carrying amount of infrastructure assets	<u>927,153</u>				
3. Asset maintenance ratio					
Actual asset maintenance	<u>6,271</u>	0.83	> 1.00	1.00	1.00
Required asset maintenance	<u>7,564</u>				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	<u>10,813</u>	0.86%		0.41%	n/a
Gross replacement cost	<u>1,260,300</u>				

Notes

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

(1) 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 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2017

\$ '000	Benchmark	Water 2017	Wastewater 2017	General ⁽¹⁾ 2017
Infrastructure asset performance indicators by fund				
1. Infrastructure renewals ratio				
Asset renewals ⁽²⁾		34.31%	31.79%	106.79%
Depreciation, amortisation and impairment	>= 100%			
	prior period:	85.35%	57.74%	99.45%
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard		9.24%	3.60%	0.66%
Net carrying amount of infrastructure assets	< 2%			
	prior period:	3.42%	0.86%	0.65%
3. Asset maintenance ratio				
Actual asset maintenance		0.93	0.89	0.76
Required asset maintenance	> 1.00			
	prior period:	0.93	0.97	1.03
4. Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council		5.07%	1.25%	0.19%
Gross replacement cost				
	prior period:	1.88%	0.31%	0.25%

Notes

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

Ballina Shire Council

Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2018

\$'000		Calculation 2016/17	Calculation 2017/18
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	19,183	20,329
Plus or minus adjustments ⁽²⁾	b	112	175
Notional general income	c = (a + b)	19,295	20,504
Permissible income calculation			
Special variation percentage ⁽³⁾	d	5.34%	4.90%
Or rate peg percentage	e	1.80%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	(697)
Plus special variation amount	h = d x (c – g)	1,030	971
Or plus rate peg amount	i = c x e	–	–
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
Sub-total	k = (c + g + h + i + j)	20,325	20,778
Plus (or minus) last year's carry forward total	l	–	0
Less valuation objections claimed in the previous year	m	(11)	(15)
Sub-total	n = (l + m)	(11)	(15)
Total permissible income	o = k + n	20,314	20,763
Less notional general income yield	p	20,329	21,510
Catch-up or (excess) result	q = o – p	(15)	(747)
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	15	2
Less unused catch-up ⁽⁵⁾	s	–	–
Carry forward to next year	t = q + r – s	0	(745)

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.