
DRAFT

Annual Financial Statements
Year Ended 30 June 2018



Part A

Auditor's Report on the Conduct of the Audit

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

25 October 2018

Dear Mayor

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

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

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

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

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

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

INCOME STATEMENT

Operating result

	2018 \$m	2017 \$m	Variance %
Rates and annual charges revenue	47.2	46.3	↑ 1.9
Grants and contributions revenue	50.9	40.6	↑ 25.4
Operating result for the year	47.5	29.9	↑ 58.9
Net operating result before capital amounts	5.8	2.8	↑ 107.1

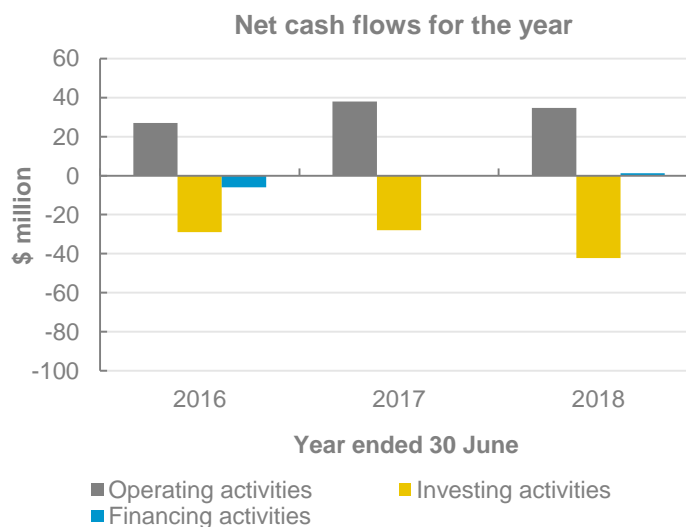
Council's operating result \$47.5 million (including the effect of depreciation and amortisation expense of \$19.4million) was \$17.6 million higher than the 2016–17 result. The key drivers of the higher operating result include:

- \$27.8 million in non-cash developer dedications were received in 2017-2018 (\$1.4 million in 2016-17) due to increased development including the EPIQ Lennox Head subdivision
- \$4.2 million increase in cash contributions from developers
- a new funding agreement between member councils of the Richmond Tweed Regional Library commenced on 1 July 2017, which changed the accounting treatment leading to Council recognising \$1.1 million in income to reflect its 25 per cent share of net assets of the Library
- gain on disposal of assets of \$1.9 million (loss of \$4.7 million in 2016-17)
- financial assistance grant funding reduced by \$1.8 million due to timing of receipts over the past two years.

STATEMENT OF CASH FLOWS

The adjacent graph shows the movement in cash flows from operating, investing and financing activities. Council's cash and cash equivalents decreased from \$12.0 million at 30 June 2017 to \$5.6 million at 30 June 2018, mainly due to increased longer-term investments (see table below). Key cash inflows and outflows for the year include:

- capital expenditure of \$39m compared to \$25.3m in the 2016-2017 year
- net repayment of borrowing of \$1.2 million.



FINANCIAL POSITION

Cash and Investments

	2018 \$m	2017 \$m	
Cash and cash equivalents	5.6	12.0	Cash on hand and at bank as well as term deposits with an original maturity period of less than 3 months
Investments	75.2	67.9	Predominately term deposits with an original maturity period of more than 3 months
Cash and investments	80.8	79.9	

Cash and Investments	2018 \$m	2017 \$m	Commentary
External restrictions	41.7	39.3	Externally restricted balances include unexpended developer contributions and water supply charges.
Internal restrictions	34.6	34.6	Remaining balances are internally restricted in accordance with Councils reserves policy and are largely restricted for employee leave entitlements, carry forward works, capital projects and unexpended general purpose grants.
Unrestricted	4.5	6.0	Unrestricted balances provided liquidity for day-to-day operations.
Cash and investments	80.8	79.9	

Debt

Council has total borrowings of \$83.5 million at 30 June 2018 (\$82.3 million at 30 June 2017). Council borrowed \$18.5 million in 2018 and made loan repayments of \$17.3 million, both of which have been impacted by refinancing of an existing loan of approximately \$11.2 million. Refer to the commentary below on Council's debt service cover ratio.

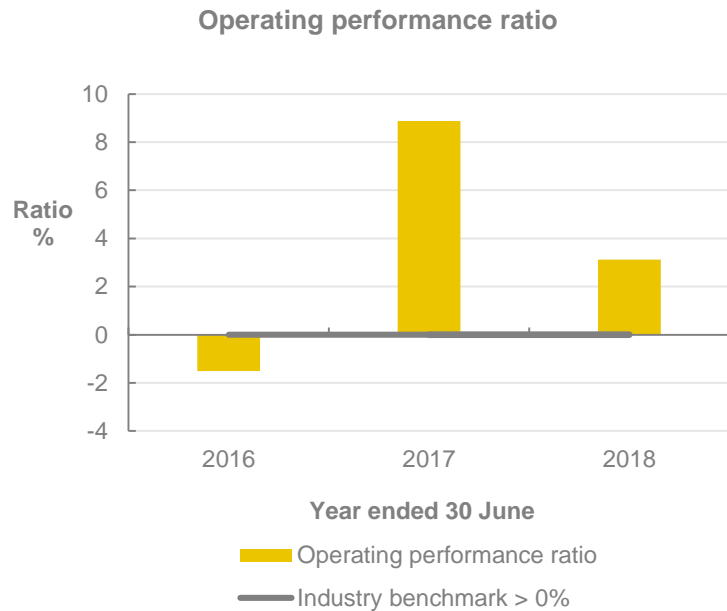
PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the ‘building and infrastructure renewals ratio’) is included in Note 25 of the Council’s audited general purpose financial statements. The ‘building and infrastructure renewals ratio’ is defined in Council’s Special Schedule 7 which has not been audited.

Operating performance ratio

Council’s operating performance ratio has exceeded the industry benchmark in 2018. The decrease from the prior year is largely attributable to receiving a one-off RMS operating contribution for maintenance of the Hinterland Way (previously the Pacific Highway) in 2016-17 and the reduction in financial assistance grant funding mentioned above.

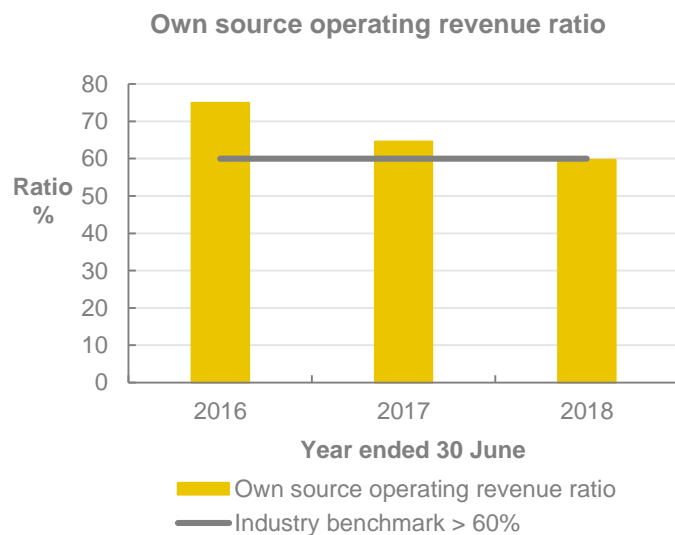
The ‘operating performance ratio’ measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than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



Own source operating revenue ratio

Council results are in line with the industry benchmark which illustrates that revenue streams, such as rental income from investment properties, reduce the Council’s reliance on government funding. The ratio has been negatively impacted in recent years due to high levels of capital grants and contributions.

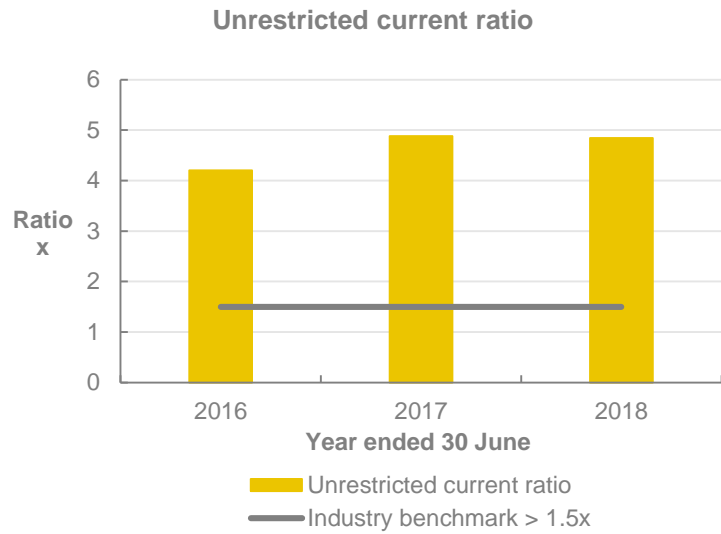
The ‘own source operating revenue ratio’ measures council’s fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

Council continues to exceed the industry benchmark, with results consistent with prior years. Council has \$4.84 in liquid current assets for every \$1 of current liabilities.

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

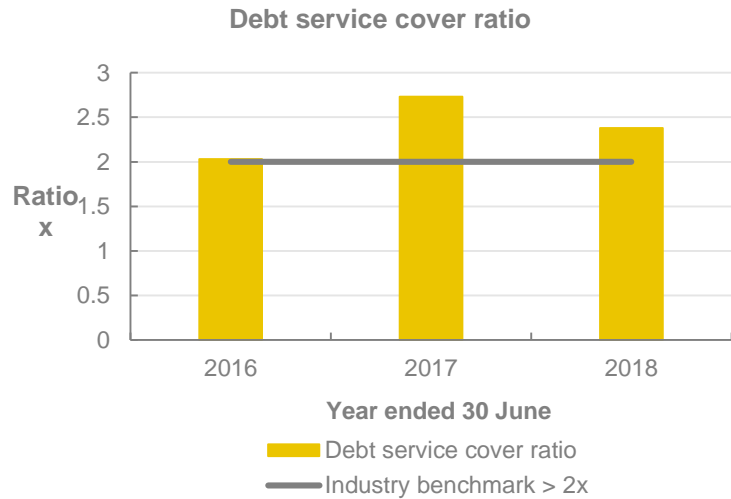


Debt service cover ratio

Council has met the industry benchmark in the current year. The decrease from 2016-17 relates to a lower operating result after adjusting for capital amounts. Debt service levels have remained consistent with previous years.

The wastewater fund achieved a ratio of 1.14, being an increase of 0.12 from 2016-17. Council should continue to monitor the wastewater fund position to ensure cash flow over the short to medium term is sufficient to service debt repayment obligations.

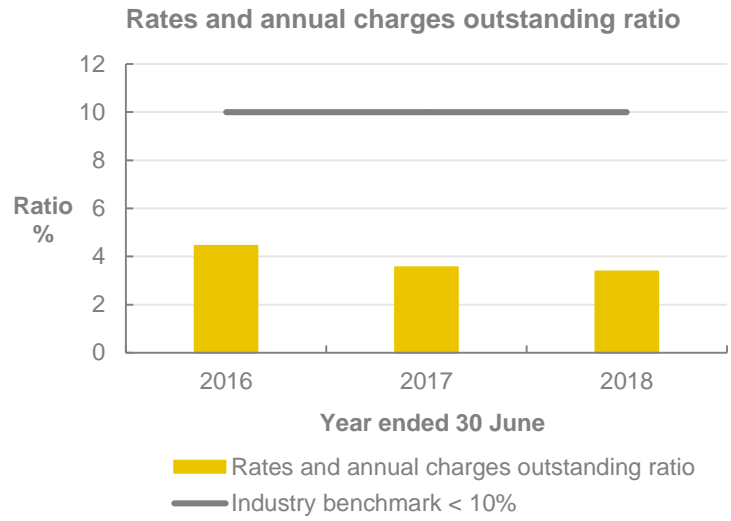
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding ratio

Council has consistently achieved the industry benchmark for this ratio as it continues to improve debt collection outcomes.

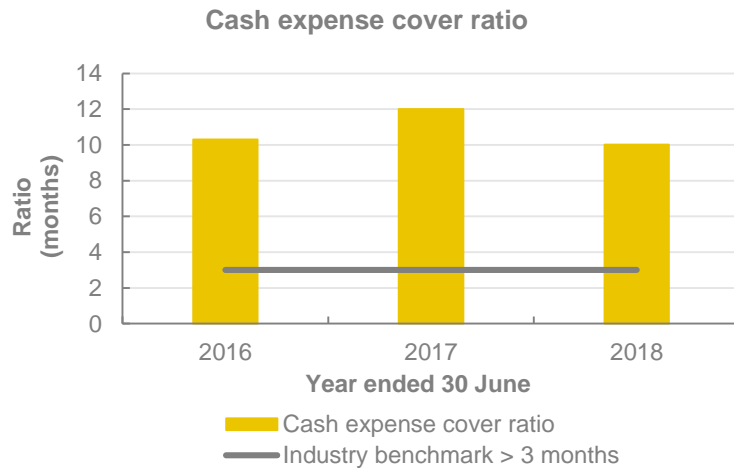
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.



Cash expense cover ratio

This ratio has remained fairly consistent 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 OLG is greater than three months.

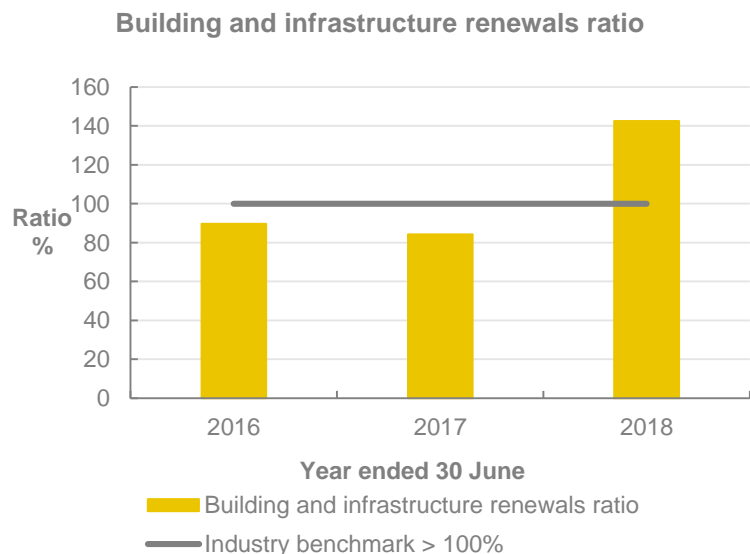


Building and infrastructure renewals ratio (unaudited)

The ratio has improved in the current year due to an increase in capital renewals including major renewal of the Ballina and Alstonville swimming pools.

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

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



OTHER MATTERS

New accounting standards implemented

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

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

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

Council's disclosure of the changes in their liabilities arising from financing activities is disclosed in Note 12.

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

Part B

General Purpose Financial Statements

Ballina Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

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 2018

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Overview

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

40 Cherry St
Ballina NSW 2478

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

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

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

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

Ballina Shire Council

General Purpose Financial Statements for the year ended 30 June 2018

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 25 October 2018.

David Wright
Mayor
25 October 2018

Nathan Willis
Deputy Mayor
25 October 2018

Paul Hickey
General Manager
25 October 2018

Linda Coulter
Responsible Accounting Officer
25 October 2018

Ballina Shire Council

Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Income from continuing operations				
Revenue:				
47,416	Rates and annual charges	3a	47,243	46,258
20,939	User charges and fees	3b	21,537	21,619
1,660	Interest and investment revenue	3c	2,164	2,260
4,297	Other revenues	3d	5,496	4,134
7,722	Grants and contributions provided for operating purposes	3e,f	9,173	13,608
19,191	Grants and contributions provided for capital purposes	3e,f	41,714	27,029
Other income:				
1,970	Net gains from the disposal of assets	5	1,897	–
–	Net share of interests in joint ventures and associates using the equity method	16	55	–
103,195	Total income from continuing operations		129,279	114,908
Expenses from continuing operations				
22,859	Employee benefits and on-costs	4a	23,019	22,308
5,603	Borrowing costs	4b	5,556	5,522
28,174	Materials and contracts	4c	26,734	25,829
18,539	Depreciation and amortisation	4d	19,415	18,956
6,740	Other expenses	4e	7,072	7,325
–	Net losses from the disposal of assets	5	–	4,712
–	Fair value decrement on investment property	11	–	360
–	Net share of interests in joint ventures and associates using the equity method	16	–	34
81,915	Total expenses from continuing operations		81,796	85,046
21,280	Operating result from continuing operations		47,483	29,862
21,280	Net operating result for the year		47,483	29,862
21,280	Net operating result attributable to Council		47,483	29,862
2,089	Net operating result for the year before grants and contributions provided for capital purposes		5,769	2,833

Ballina Shire Council

Statement of Comprehensive Income
for the year ended 30 June 2018

\$ '000	Notes	2018	2017
Net operating result for the year (as per Income Statement)		47,483	29,862
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10	27,342	31,022
Other comprehensive income – joint ventures and associates	16	–	–
Other movements in reserves		–	(436)
Total items which will not be reclassified subsequently to the operating result		27,342	30,586
Total other comprehensive income for the year		27,342	30,586
Total comprehensive income for the year		74,825	60,448
Total comprehensive income attributable to Council		74,825	60,448

Ballina Shire Council

Statement of Financial Position
as at 30 June 2018

\$ '000	Notes	2018	2017
ASSETS			
Current assets			
Cash and cash equivalents	6a	5,625	11,989
Investments	6b	62,507	59,896
Receivables	7	9,219	8,310
Inventories	8	1,472	2,420
Other	8	343	341
Non-current assets classified as 'held for sale'	9	–	1,400
Total current assets		79,166	84,356
Non-current assets			
Investments	6b	12,664	8,022
Receivables	7	237	310
Inventories	8	2,535	1,678
Infrastructure, property, plant and equipment	10	1,214,170	1,140,730
Investment property	11	22,025	22,025
Investments accounted for using the equity method	16	1,159	20
Total non-current assets		1,252,790	1,172,785
TOTAL ASSETS		1,331,956	1,257,141
LIABILITIES			
Current liabilities			
Payables	12	7,063	8,538
Income received in advance	12	1,184	1,011
Borrowings	12	6,624	6,219
Provisions	13	7,972	8,091
Total current liabilities		22,843	23,859
Non-current liabilities			
Borrowings	12	76,870	76,078
Provisions	13	4,533	4,319
Total non-current liabilities		81,403	80,397
TOTAL LIABILITIES		104,246	104,256
Net assets		1,227,710	1,152,885
EQUITY			
Accumulated surplus	14	723,429	675,946
Revaluation reserves	14	504,281	476,939
Total equity		1,227,710	1,152,885

Ballina Shire Council

Statement of Changes in Equity

for the year ended 30 June 2018

\$ '000	Notes	2018	IPP&E	Total equity	2017	IPP&E	Total equity
		Accumulated surplus	revaluation reserve		Accumulated surplus	revaluation reserve	
Opening balance		675,946	476,939	1,152,885	646,084	446,353	1,092,437
Net operating result for the year prior to correction of errors and changes in accounting policies		47,483	–	47,483	29,862	–	29,862
Net operating result for the year		47,483	–	47,483	29,862	–	29,862
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	10	–	27,342	27,342	–	31,022	31,022
– Joint ventures and associates	16	–	–	–	–	–	–
– Other reserves movements		–	–	–	–	(436)	(436)
Other comprehensive income		–	27,342	27,342	–	30,586	30,586
Total comprehensive income (c&d)		47,483	27,342	74,825	29,862	30,586	60,448
Equity – balance at end of the reporting period		723,429	504,281	1,227,710	675,946	476,939	1,152,885

Ballina Shire Council

Statement of Cash Flows
for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Cash flows from operating activities				
Receipts:				
47,416	Rates and annual charges		47,266	46,468
20,939	User charges and fees		22,605	22,911
1,660	Investment and interest revenue received		2,022	2,259
24,933	Grants and contributions		23,684	23,326
–	Bonds, deposits and retention amounts received		–	165
4,297	Other		8,246	7,971
Payments:				
(22,859)	Employee benefits and on-costs		(23,052)	(22,147)
(28,174)	Materials and contracts		(30,207)	(28,016)
(5,603)	Borrowing costs		(5,374)	(5,281)
–	Bonds, deposits and retention amounts refunded		(23)	–
(6,740)	Other		(10,476)	(9,692)
35,869	Net cash provided (or used in) operating activities	15b	34,691	37,964
Cash flows from investing activities				
Receipts:				
7,880	Sale of real estate assets		3,644	1,107
–	Sale of infrastructure, property, plant and equipment		1,637	603
18	Deferred debtors receipts		20	21
Payments:				
6,300	Purchase of investment securities		(7,152)	(3,502)
–	Purchase of investment property		–	(408)
(52,143)	Purchase of infrastructure, property, plant and equipment		(39,046)	(25,330)
–	Purchase of real estate assets		(1,355)	(611)
(37,945)	Net cash provided (or used in) investing activities		(42,252)	(28,120)
Cash flows from financing activities				
Receipts:				
8,328	Proceeds from borrowings and advances		18,532	6,712
Payments:				
(6,410)	Repayment of borrowings and advances		(17,335)	(6,313)
1,918	Net cash flow provided (used in) financing activities		1,197	399
(158)	Net increase/(decrease) in cash and cash equivalents		(6,364)	10,243
11,989	Plus: cash and cash equivalents – beginning of year	15a	11,989	1,746
11,831	Cash and cash equivalents – end of the year	15a	5,625	11,989
Additional Information:				
	plus: Investments on hand – end of year	6b	75,171	67,918
	Total cash, cash equivalents and investments		80,796	79,907

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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Ballina Shire Council

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

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 25/10/2018.

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

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

Basis of preparation

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

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

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

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

- Income statement
- Statement of cash flows
- Note 20 – Material budget variations

and are clearly marked.

(a) New and amended standards adopted by Council

Council adopted the following Australian accounting standard amendments for these financial statements:

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

This disclosure Initiative helps users of financial statements to better understand changes in an entity's debt.

Additional disclosures relating to changes in liabilities arising from financing activities (including both changes arising from cash flows and non-cash changes) have been incorporated in these financial statements at Note 12.

- AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities

This Standard means that Not-for-profit entities (and therefore Council) no longer need to consider AASB 136 Impairment of Assets for non-cash-generating specialised assets at fair value.

Instead it is expected that for Not-for-profit entities holding non-cash-generating the recoverable amount of these assets is expected to be materially the same as fair value, determined under AASB 13 Fair Value Measurement.

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk 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 –refer Note 11,
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note 10,
- (iii) estimated asset remediation provisions – refer Note 13,
- (iv) employee benefit provisions – refer Note 13.

Significant judgements in applying the Council's accounting policies

- (v) Impairment of receivables

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

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General Purpose Operations
- Water Supply
- Wastewater Service

(b) The Trust Fund

In accordance with the provisions of Section 411 of the *Local Government Act 1993 (NSW)* (as amended), a separate and distinct Trust Fund is maintained to account for all money and other assets received by the

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

Council in trust which must be applied only for the purposes of, or in accordance with the trusts relating to those monies. Trust monies and other assets subject to Council's control have been included in these reports.

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

Goods and Services Tax (GST)

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

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

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

New accounting standards and interpretations issued not yet effective

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

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

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

- AASB 9 *Financial Instruments*

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

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

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

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

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

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

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

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

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

- AASB 16 *Leases*

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

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

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

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

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

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).									
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Strategic and Community Facilities Group	7,365	4,011	6,780	7,069	585	(3,058)	419	223	53,970	44,535
Development and Environmental Health Group	2,867	2,719	5,237	4,685	(2,370)	(1,966)	265	95	2,337	1,513
Civil Services Group (General Fund)	40,997	40,958	33,879	37,013	7,118	3,945	1,667	2,334	888,894	839,179
General Manager's Group	37,398	36,753	8,367	8,287	29,031	28,466	5,357	6,833	52,942	54,780
Water Operations	14,818	12,336	10,805	10,692	4,013	1,644	157	160	101,020	90,176
Wastewater Operations	25,834	18,131	16,728	17,300	9,106	831	156	159	232,793	226,958
Total functions and activities	129,279	114,908	81,796	85,046	47,483	29,862	8,021	9,804	1,331,956	1,257,141

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

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

Strategic and Community Facilities Group

Strategic and Community Facilities Group covers the following programs:

Strategic Planning

This program includes all revenues and expenses related to strategic planning projects such as planning proposals (land rezonings), local environmental plans, development control plans, heritage studies and economic development programs.

Community Facilities

This program includes revenues and expenses for the operation of the Kentwell Centre, Lennox Head Cultural and Community Centre, Alstonville Leisure and Entertainment Centre, the Richmond Room, the Ballina Surf Club, the Northern Rivers Community Gallery, Naval Museum and a number of small halls.

Library Services

Costs associated with the operation of the Council owned libraries, which are managed by the Richmond Tweed Regional Library, through Lismore City Council.

Swimming Pools

Revenues and expenses associated with the operation of the Ballina and Alstonville swimming pools.

Tourism

Includes costs associated with the management of a range of activities including visitor services, marketing and grant administration.

Development and Environmental Health Group

Development and Environmental Health Group covers the following programs:

Development Services

Revenues and expenses associated with the assessment and management of development applications.

Building Services

Revenues and expenses associated with the provision of building certification services and the assessment of the building application section of development applications.

Environmental and Public Health Services

Revenues and expenses associated with the provision of services such as environmental health, food premise inspections and licences required under the Local Government Act.

Public Order

Revenues and expenses associated with the delivery of ranger services and a parking officer.

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

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

Civil Services Group (General Fund)

Civil Services Group (General Fund) covers the following programs:

Engineering Management

Includes costs related to the supervision and administration of the programs provided by Civil Services.

Procurement and Building Management

Includes costs to manage and maintain a number of corporate and community buildings including the Council Administration Centre and the Council depot, along with costs associated with Council's procurement functions.

Stormwater and Environmental Management

Relates to services such as flood plain management and pollution control activities such as stormwater drainage.

Roads and Bridges

Provision of urban and rural road services and the maintenance and improvement of bridges.

Ancillary Transport Services

Includes ancillary transport services such as street lighting, footpaths, kerb and gutter and parking.

Roads and Maritime Services (RMS)

All revenues and expenses related to works funded through the RMS for RMS controlled roads.

Open Spaces and Reserves

Costs associated with the maintenance of all Council parks, reserves, public amenities, cemeteries, beaches and sporting grounds.

Fleet Management and Workshop

Revenues and expenses related to the management of Council's fleet and workshop.

Rural Fire Service

Costs associated with the provision of rural fire services.

Quarries and Sandpit

Revenues and expenses associated with the lease and operation of the quarries owned by Council.

Landfill and Resource Management

This represents the operation of the Ballina landfill site, along with other waste initiatives.

Domestic Waste Management

Provision of domestic waste collection services to residential properties.

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

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

General Manager's Group

The General Manager's Group consists of the following programs:

Communications

Includes costs associated with the elected councillors and the General Manager's office, which includes the corporate communications function.

Financial Services

This program covers financial services such as creditors, debtors, statutory/management reporting, purchasing, rates and customer service.

Information Services

This program comprises the expenses associated with the provision of information services to Council. This includes computer equipment, software and geographical information services.

Human Resources and Risk Management

Costs associated with the human resource management function, payroll and risk management such as insurance premiums.

Property Management

Includes costs associated with Council's commercial property portfolio.

Ballina Byron Gateway Airport

Revenue and expenses associated with the operation of the airport.

Water Operations

This program includes the revenue raised to finance the water programs and management and operational expenses associated with the delivery of those programs.

Wastewater Operations

This program includes the revenue raised to finance the wastewater programs, management expenses and expenses associated with the delivery of wastewater services to the local government area.

Ballina Shire Council

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

Note 3. Income from continuing operations

\$ '000	2018	2017
(a) Rates and annual charges		
Ordinary rates		
Residential	15,352	14,245
Farmland	1,537	1,505
Business	4,008	3,772
Total ordinary rates	20,897	19,522
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	6,128	6,107
Stormwater management services	380	375
Water supply services	3,489	3,370
Wastewater services	15,828	15,093
Waste management services (non-domestic)	521	1,791
Total annual charges	26,346	26,736
TOTAL RATES AND ANNUAL CHARGES	47,243	46,258

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

Accounting policy for rates and annual charges

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

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

(b) User charges and fees			2018	2017
Specific user charges (per s.502 – specific 'actual use' charges)				
Water supply services		7,290	7,374	
Wastewater services		1,336	1,359	
Waste management services (non-domestic)		1,275	1,220	
Total specific user charges		9,901	9,953	
Other user charges and fees				
(i) Fees and charges – statutory and regulatory functions (per s.608)				
Planning and building regulation		2,160	2,425	
Private works – section 67		182	238	
Total fees and charges – statutory/regulatory		2,342	2,663	

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(b) User charges and fees (continued)		
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aerodrome	6,536	5,541
Cemeteries	396	453
Ferry tolls	493	484
Plant hire	267	300
Quarry revenues	–	17
Swimming centres	–	435
Other	1,602	1,773
Total fees and charges – other	9,294	9,003
TOTAL USER CHARGES AND FEES	21,537	21,619

Accounting policy for user charges and fees

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

(c) Interest and investment revenue (including losses)**Interest**

– Overdue rates and annual charges (incl. special purpose rates)	55	64
– Cash and investments	2,008	2,046
Fair value adjustments		
– Fair valuation movements in investments (at fair value or held for trading)	101	150
TOTAL INTEREST AND INVESTMENT REVENUE	2,164	2,260

Interest revenue is attributable to:**Unrestricted investments/financial assets:**

Overdue rates and annual charges (general fund)	55	64
General Council cash and investments	2,109	2,196
Total interest and investment revenue recognised	2,164	2,260

Accounting policy for interest and investment revenue

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

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018	2017
(d) Other revenues			
Rental income – investment property	11	1,851	1,798
Rental income – other council properties		1,482	1,387
Fines – parking		199	136
Fines – other		171	136
Legal fees recovery – rates and charges (extra charges)		74	57
Commissions and agency fees		51	36
Insurance claim recoveries		259	308
Recycling income (non-domestic)		108	82
Miscellaneous sales		75	73
Initial recognition/derecognition of share in joint ventures and associate		1,084	–
Other		142	121
<u>TOTAL OTHER REVENUE</u>		<u>5,496</u>	<u>4,134</u>

Accounting policy for other revenue

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

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

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

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

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

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance	2,171	4,087	–	–
Payment in advance – future year allocation				
Financial assistance	2,221	2,108	–	–
Other				
Pensioners' rates subsidies – general component	344	355	–	–
Total general purpose	4,736	6,550	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	157	160	–	–
– Wastewater	156	159	–	–
– Domestic waste management	142	150	–	–
Bushfire and emergency services	74	96	–	–
Community centres	–	–	–	40
Library	124	118	–	–
LIRS subsidy	241	280	–	–
NSW rural fire services	115	104	–	–
Street lighting	100	98	–	–
Natural disaster funding	104	470	–	–
Shaws Bay management plan	–	–	182	95
Airport	–	–	449	–
Observation tower	–	–	–	40
Coastguard tower	–	–	–	1,017
Northern Rivers Business Recovery	150	–	–	–
Coastal Shared Path East	–	–	290	–
Keith Hall Boat Ramp	–	–	229	–
Other	273	306	499	121
Total specific purpose	1,636	1,941	1,649	1,313
Total grants	6,372	8,491	1,649	1,313
Grant revenue is attributable to:				
– Commonwealth funding	4,395	6,195	–	637
– State funding	1,977	2,221	1,649	676
– Other funding	–	75	–	–
	6,372	8,491	1,649	1,313

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(f) Contributions					
Developer contributions:					
(s7.4 & s7.11 – EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services		–	–	4,680	2,420
S 64 – water supply contributions		–	–	1,031	469
S 64 – wastewater service contributions		–	–	2,077	737
Total developer contributions – cash		–	–	7,788	3,626
Non-cash contributions					
S 7.11 – contributions towards amenities/services		–	–	4,912	–
Total developer contributions – non-cash		–	–	4,912	–
Total developer contributions	23	–	–	12,700	3,626
Other contributions:					
Cash contributions					
Employment and training studies		335	313	–	–
Management plans and studies		21	227	–	–
Roadworks		1,211	1,563	54	–
RMS contributions (regional roads, block grant)		954	2,544	4,297	3,267
Wastewater (excl. section 64 contributions)		–	–	40	27
Other		280	470	60	–
Total other contributions – cash		2,801	5,117	4,451	3,294
Non-cash contributions					
Dedications – subdivisions (other than by s7.11)		–	–	22,914	1,443
RMS contributions (regional roads, block grant)		–	–	–	17,353
Total other contributions – non-cash		–	–	22,914	18,796
Total other contributions		2,801	5,117	27,365	22,090
Total contributions		2,801	5,117	40,065	25,716
TOTAL GRANTS AND CONTRIBUTIONS		9,173	13,608	41,714	27,029

Accounting policy for contributions

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

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed above.

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

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Operating grants		
Unexpended at the close of the previous reporting period	453	1,811
Add: operating grants recognised in the current period but not yet spent	203	247
Less: operating grants recognised in a previous reporting period now spent	(189)	(1,605)
Unexpended and held as restricted assets (operating grants)	<u>467</u>	<u>453</u>
Capital grants		
Unexpended at the close of the previous reporting period	–	1,334
Less: capital grants recognised in a previous reporting period now spent	–	(1,334)
Unexpended and held as restricted assets (capital grants)	<u>–</u>	<u>–</u>
Contributions		
Unexpended at the close of the previous reporting period	20,457	18,978
Add: contributions recognised in the current period but not yet spent	15	4,133
Add: contributions received for the provision of goods and services in a future period	9,314	–
Less: contributions recognised in a previous reporting period now spent	(6,026)	(2,654)
Unexpended and held as restricted assets (contributions)	<u>23,760</u>	<u>20,457</u>

Ballina Shire Council

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

Note 4. Expenses from continuing operations

\$ '000	2018	2017
(a) Employee benefits and on-costs		
Salaries and wages	18,762	18,057
Employee leave entitlements (ELE)	3,718	3,262
Superannuation – defined contribution plans	1,757	1,647
Superannuation – defined benefit plans	582	598
Workers' compensation insurance	285	390
Fringe benefit tax (FBT)	18	17
Payroll tax	303	286
Training costs (other than salaries and wages)	88	262
Other	81	78
Total employee costs	25,594	24,597
Less: capitalised costs	(2,575)	(2,289)
TOTAL EMPLOYEE COSTS EXPENSED	23,019	22,308
Number of 'full-time equivalent' employees (FTE) at year end	306	295

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

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

Superannuation – defined benefit plans

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

Pooled employers are required to pay standard employer contributions and additional lump sum contributions to the Scheme. The standard employer contributions were determined using the new entrant rate method under which a contribution rate sufficient to fund the total benefits over the working life-time of a typical new entrant is calculated.

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

Superannuation – defined benefit plans (continued)

The current standard contribution rates are:

Division B 1.9 times employee contributions

Division C 2.5% salaries

Division D 1.64 times employee contributions

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

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

The expected contributions to the Scheme by Council for the next annual reporting period are \$480,905.

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

Employer reserves only*	\$millions	Asset Coverage
Assets	1,817.8	
Past Service Liabilities	1,787.5	101.7%
Vested Benefits	1,778.0	102.2%

*excluding member accounts and reserves in both assets and liabilities.

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

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

** plus promotional increases

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

Based on a Past Service Liabilities methodology, the share of the surplus that can be attributed Council is 0.66%. Additional contributions are estimated to remain in place until 30 June 2021, it is estimated that there are \$789,000 additional contributions remaining. However, the Trustee will be reviewing the financial position of the Scheme on an annual basis and will provide updates to Council accordingly. The last valuation of the Scheme was performed by the Actuary, Mr Richard Boyfield, FIAA on 12 December 2017, relating to the period ending 30 June 2017.

There is no relief under the Scheme's trust deed for employers to walk away from their defined benefit obligations. Under limited circumstances, an employer may withdraw from the plan when there are no active members, on full payment of outstanding additional contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the entity. There are no specific provisions under the Scheme's trust deed dealing with deficits or surplus on wind-up. There is no provision for allocation of any surplus which may be present at the date of withdrawal of an employer.

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	2017
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		5,212	5,121
Total interest bearing liability costs expensed		5,212	5,121
(ii) Other borrowing costs			
Unwinding of present value discounts and premiums		344	401
Total other borrowing costs		344	401
<u>TOTAL BORROWING COSTS EXPENSED</u>		<u>5,556</u>	<u>5,522</u>

Accounting policy for borrowing costs

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

(c) Materials and contracts

Raw materials and consumables		24,883	24,249
Contractor and consultancy costs		204	226
Auditors remuneration ⁽²⁾		138	134
Legal expenses:			
– Legal expenses: planning and development		863	327
– Legal expenses: other		198	446
Operating leases:			
– Operating lease rentals: minimum lease payments ⁽¹⁾		448	447
<u>TOTAL MATERIALS AND CONTRACTS</u>		<u>26,734</u>	<u>25,829</u>

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (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.

1. Operating lease payments are attributable to:

Computers		193	180
Motor vehicles		255	267
		448	447

Ballina Shire Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(c) Materials and contracts (continued)		
2. Auditor remuneration		
During the year the following fees were paid or payable for services provided by the auditor of Council, related practices and non-related audit firms		
Auditors of the Council – NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements	75	71
Remuneration for audit and other assurance services	75	71
Total Auditor-General remuneration	75	71
Non NSW Auditor-General audit firms:		
(i) Audit and other assurance services		
Internal auditing (Grant Thornton Australia)	63	63
Remuneration for audit and other assurance services	63	63
Total remuneration of non NSW Auditor-General audit firms	63	63
Total Auditor remuneration	138	134

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	2017
(d) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment		1,674	1,570
Office equipment		136	136
Furniture and fittings		5	5
Land improvements (depreciable)		357	771
Infrastructure:			
– Buildings		2,943	2,775
– Bulk earthworks		132	4
– Other structures		624	614
– Roads		5,933	5,536
– Bridges		613	606
– Footpaths		413	363
– Stormwater drainage		1,532	1,458
– Water supply network		1,413	1,399
– Sewerage network		3,495	3,574
– Swimming pools		–	17
Reinstatement, rehabilitation and restoration assets:			
Future reinstatement costs – tips	10 & 13	134	124
Future reinstatement costs – quarries	10 & 13	11	4
Total gross depreciation and amortisation costs		19,415	18,956
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED</u>		<u>19,415</u>	<u>18,956</u>

Accounting policy for depreciation, amortisation and impairment expenses

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 10 for IPPE assets.

Impairment of non-financial assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

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

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

Accounting policy for depreciation, amortisation and impairment expenses (continued)

Impairment of financial assets

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.

\$ '000	2018	2017
(e) Other expenses		
Advertising	114	126
Bad and doubtful debts	–	80
Bank charges	118	113
Contributions/levies to other levels of government		
– Department of planning levy	144	221
– Emergency services levy (includes FRNSW, SES, and RFS levies)	71	79
– Waste levy	108	94
– Other contributions/levies	215	209
Councillor expenses – mayoral fee	42	41
Councillor expenses – councillors' fees	193	184
Councillors' expenses (incl. mayor) – other (excluding fees above)	46	46
Donations, contributions and assistance to other organisations	2,304	2,352
Electricity and heating	1,452	1,470
Insurance	1,261	1,336
Street lighting	588	574
Subscriptions and publications	75	69
Telephone and communications	235	246
Other	106	85
<u>TOTAL OTHER EXPENSES</u>	<u>7,072</u>	<u>7,325</u>

Accounting policy for other expenses

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

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	2018	2017
Property (excl. investment property)	10		
Proceeds from disposal – property		12	203
Less: carrying amount of property assets sold/written off		(140)	(764)
Net gain/(loss) on disposal		(128)	(561)
Plant and equipment	10		
Proceeds from disposal – plant and equipment		198	400
Less: carrying amount of plant and equipment assets sold/written off		(40)	(233)
Net gain/(loss) on disposal		158	167
Infrastructure	10		
Less: carrying amount of infrastructure assets sold/written off		(635)	(4,952)
Net gain/(loss) on disposal		(635)	(4,952)
Real estate assets held for sale	8		
Proceeds from disposal – real estate assets		3,860	1,107
Less: carrying amount of real estate assets sold/written off		(1,487)	(473)
Net gain/(loss) on disposal		2,373	634
Non-current assets classified as 'held for sale'	9		
Proceeds from disposal – non-current assets 'held for sale'		1,427	–
Less: carrying amount of 'held for sale' assets sold/written off		(1,298)	–
Net gain/(loss) on disposal		129	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		1,897	(4,712)

Accounting policy for disposal of assets

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

Note 6(a). Cash and cash equivalent assets

Cash and cash equivalents			
Cash on hand and at bank		5,625	2,984
Cash-equivalent assets			
– Deposits at call		–	3,005
– Short-term deposits		–	6,000
Total cash and cash equivalents		5,625	11,989

Accounting policy for cash and cash equivalents

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

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 6(b). Investments

\$ '000	2018	2018	2017	2017
	Current	Non-current	Current	Non-current
Investments				
a. 'At fair value through the profit and loss'				
– 'Designated at fair value on initial recognition'	2,007	6,664	3,396	5,022
b. 'Held to maturity'	60,500	6,000	56,500	3,000
Total investments	62,507	12,664	59,896	8,022
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS				
	68,132	12,664	71,885	8,022
Financial assets at fair value through the profit and loss				
NCD's, FRN's (with maturities > 3 months)	2,007	6,664	3,396	5,022
Total	2,007	6,664	3,396	5,022
Held to maturity investments				
Long term deposits	60,500	6,000	56,500	3,000
Total	60,500	6,000	56,500	3,000

Accounting policy for investments

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.

(a) 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 held at fair value with changes in value taken through profit or loss at each reporting period.

(b) 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. Assets in this category are measured at amortised cost.

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. 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. Investments 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.

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

Impairment of available for sale investments

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Ballina Shire Council

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

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

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	68,132	12,664	71,885	8,022
attributable to:				
External restrictions (refer below)	28,996	12,664	31,275	8,022
Internal restrictions (refer below)	34,592	–	34,639	–
Unrestricted	4,544	–	5,971	–
	68,132	12,664	71,885	8,022

\$ '000	2018	2017
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Details of restrictions

External restrictions – included in liabilities

Deposits and retentions	2,134	2,157
Water and wastewater ELE's	766	703
External restrictions – included in liabilities	2,900	2,860

External restrictions – other

Developer contributions – general	9,059	6,384
Developer contributions – water fund	8,766	7,601
Developer contributions – wastewater fund	5,843	6,395
RMS contributions	92	77
Specific purpose unexpended grants	467	453
Water supplies	8,728	8,158
Wastewater services	2,270	4,078
Domestic waste management	2,474	1,863
Other	1,061	1,428
External restrictions – other	38,760	36,437
Total external restrictions	41,660	39,297

Ballina Shire Council

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

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

\$ '000	2018	2017
Internal restrictions		
Plant and vehicle replacement	1,155	879
Employees leave entitlement	3,013	3,013
Carry over works	2,794	2,870
Bypass maintenance funding	3,747	3,962
Cemeteries	266	331
Crown land rentals	172	135
Financial assistance grant in advance	2,221	2,108
Property reserves	3,521	2,688
Landfill and resource management	1,712	3,000
Management plans and studies	854	664
Quarries	833	1,038
Rental properties refurbishment	996	1,686
Road works	5,521	2,607
Sports centre	2,963	1,332
Strategic studies	558	459
Swimming pools	119	5,170
Skennars Head Sportfields	1,250	–
Other	2,897	2,697
Total internal restrictions	34,592	34,639
TOTAL RESTRICTIONS	76,252	73,936

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Purpose				
Rates and annual charges	1,453	61	1,460	77
Interest and extra charges	100	43	129	55
User charges and fees	2,646	110	2,559	135
Private works	52	–	99	–
Accrued revenues				
– Interest on investments	652	–	570	–
Airport charges	1,469	–	792	–
Amounts due from other councils	54	–	–	–
Deferred debtors	18	23	18	43
Government grants and subsidies	1,790	–	1,923	–
Net GST receivable	78	–	514	–
Waste centre fees	30	–	37	–
Other debtors	930	–	300	–
Total	9,272	237	8,401	310
Less: provision for impairment				
User charges and fees	(53)	–	(91)	–
Total provision for impairment – receivables	(53)	–	(91)	–
<u>TOTAL NET RECEIVABLES</u>	<u>9,219</u>	<u>237</u>	<u>8,310</u>	<u>310</u>
Externally restricted receivables				
Water supply				
– Specific purpose grants	6	–	6	–
– Rates and availability charges	290	12	300	16
– Other	2,018	82	1,902	129
Sewerage services				
– Specific purpose grants	–	–	6	–
– Rates and availability charges	401	17	390	21
– Other	885	62	892	106
Domestic waste management	188	8	221	12
Stormwater management	12	–	10	1
Total external restrictions	3,800	181	3,727	285
Unrestricted receivables	5,419	56	4,583	25
TOTAL NET RECEIVABLES	9,219	237	8,310	310
Movement in provision for impairment of receivables			2018	2017
Balance at the beginning of the year			91	29
+ new provisions recognised during the year			31	80
– amounts provided for but recovered during the year			(69)	–
– previous impairment losses reversed			–	(18)
Balance at the end of the year			53	91

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 7. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

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

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

Impairment

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

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

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes 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.

Note 8. Inventories and other assets

\$ '000	Notes	2018		2017	
		Current	Non-current	Current	Non-current
(a) Inventories					
Inventories at cost					
Real estate for resale (refer below)		762	2,535	1,751	1,678
Stores and materials		689	–	650	–
Trading stock		21	–	19	–
Total inventories at cost		1,472	2,535	2,420	1,678
TOTAL INVENTORIES		1,472	2,535	2,420	1,678
(b) Other assets					
Prepayments		343	–	341	–
TOTAL OTHER ASSETS		343	–	341	–

Externally restricted assets

There are no restrictions applicable to the above assets.

Ballina Shire Council

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

Note 8. Inventories and other assets (continued)

\$ '000	Notes	2018		2017	
		Current	Non-current	Current	Non-current
(i) Other disclosures					
Details for real estate development					
Residential		–	518	890	492
Industrial/commercial		762	2,017	861	1,186
Total real estate for resale		762	2,535	1,751	1,678
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition costs		–	202	–	202
Development costs		762	2,333	1,751	1,476
Total costs		762	2,535	1,751	1,678
Total real estate for resale		762	2,535	1,751	1,678
Movements:					
Real estate assets at beginning of the year		1,751	1,678	265	3,026
– Purchases and other costs		1,243	112	–	611
– WDV of sales (expense)	5	(1,487)	–	(265)	(208)
– Transfer between current/non-current		(745)	745	1,751	(1,751)
Total real estate for resale		762	2,535	1,751	1,678

Accounting policy

Trading stock

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

Inventory held for distribution

Inventory held for distribution is held at cost, adjusted where applicable for any loss of service potential.

Land held for resale/capitalisation of borrowing costs

Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 9. Non-current assets classified as held for sale (and disposal groups)

\$ '000	2018		2017	
	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	–
TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'				
	–	–	1,400	–

(ii) Details of assets and disposal groups

The sale of Russellton tennis courts occurred in 2017/18.

\$ '000	Assets 'held for sale'	
	2018	2017
(iii) Reconciliation of non-current assets 'held for sale'		
Opening balance	1,400	–
Less: assets no longer classified as 'held for sale'	(102)	–
Plus new transfers in:		
– Assets 'held for sale'	–	1,836
Less impairment losses:		
– Assets 'held for sale' (losses on reclassification)	–	(436)
Less: carrying value of assets/operations sold that were re-classified this reporting period	(1,298)	–
Closing balance of 'held for sale' non-current assets and operations	–	1,400

Accounting policy for non-current assets classified as held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will 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 property that are carried at fair value.

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.

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 10. Infrastructure, property, plant and equipment

Asset class \$ '000	as at 30/6/2017			Asset movements during the reporting period								as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Other movements (1)	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	24,483	–	24,483	21,003	15,374	–	–	(13,776)	–	–	–	47,084	–	47,084
Plant and equipment	19,479	11,942	7,537	–	1,221	(39)	(1,674)	–	–	–	–	20,094	13,049	7,045
Office equipment	1,519	1,288	231	–	–	–	(136)	–	–	–	–	1,519	1,424	95
Furniture and fittings	423	394	29	–	–	–	(5)	–	–	–	–	423	399	24
Land:														
– Operational land	41,600	–	41,600	–	–	–	–	–	–	102	–	41,702	–	41,702
– Community land	110,326	–	110,326	–	–	–	–	–	–	–	–	110,326	–	110,326
– Land under roads (post 30/6/08)	15,302	–	15,302	–	1,390	–	–	–	–	–	–	16,692	–	16,692
Land improvements – non-depreciable	5,190	–	5,190	–	–	–	–	3,018	–	–	–	8,208	–	8,208
Land improvements – depreciable	15,903	11,576	4,327	–	–	–	(357)	–	–	–	–	15,903	11,933	3,970
Infrastructure:														
– Buildings	116,044	52,126	63,918	296	–	(140)	(2,943)	3,008	–	–	1,668	122,251	56,444	65,807
– Other structures	18,084	6,448	11,636	–	230	–	(624)	609	–	–	372	19,533	7,310	12,223
– Roads	546,305	94,746	451,559	2,721	7,711	(466)	(5,933)	4,120	(127,817)	–	10,885	446,464	103,684	342,780
– Bridges	49,362	17,470	31,892	12	13	–	(613)	–	(40)	–	1,069	51,035	18,702	32,333
– Footpaths	30,915	7,651	23,264	–	1,611	–	(413)	687	9	–	787	34,285	8,340	25,945
– Bulk earthworks	4,121	8	4,113	236	1,251	(158)	(132)	313	127,848	–	4,504	138,503	528	137,975
– Stormwater drainage	117,671	44,375	73,296	58	6,093	–	(1,532)	1,198	–	–	2,455	129,044	47,476	81,568
– Water supply network	111,388	39,738	71,650	–	1,407	(12)	(1,413)	170	–	–	1,475	115,256	41,979	73,277
– Sewerage network	266,410	66,472	199,938	53	5,481	–	(3,495)	653	–	–	4,127	278,193	71,436	206,757
Reinstatement, rehabilitation and restoration assets (refer Note 13):														
– Tip assets	1,720	1,452	268	–	17	–	(134)	–	–	–	–	1,737	1,586	151
– Quarry assets	1,002	831	171	–	48	–	(11)	–	–	–	–	1,050	842	208
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	1,497,247	356,517	1,140,730	24,379	41,847	(815)	(19,415)	–	–	102	27,342	1,599,302	385,132	1,214,170

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

(1) During the year Council reviewed the classification of a number of assets. This majority of this movement (\$127,848,000) relates to the reclassification of the bulk earthworks component of road and bridge assets into bulk earthworks.

Council considers this component to be more appropriately classified as bulk earthworks and provide more relevant information.

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 10. Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

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

Plant and equipment	Years	Other equipment	Years
Office equipment	10 to 20	Playground equipment	10 to 20
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	3 to 8		
Vehicles	3 to 5	Buildings	
Heavy plant/road making equipment	8 to 15	Buildings: masonry	80 to 100
Other plant and equipment	2 to 20	Buildings: other	30 to 80
		Stormwater assets	
Water and sewer assets		Drains	80 to 100
Dams and reservoirs	80 to 100	Culverts	60 to 80
Bores	30 to 40		
Reticulation pipes: PVC	80		
Reticulation pipes: other	60 to 100		
Pumps and telemetry	10 to 40		
		Other infrastructure assets	
Transportation assets		Bulk earthworks	1000
Sealed roads: surface	10 to 30	Swimming pools	40 to 60
Sealed roads: structure	20 to 40	Other open space/recreational assets	10 to 30
Unsealed roads	100 to 1000		
Bridge: concrete	80 to 100		
Bridge: other	40 to 80		
Road pavements	60 to 100		
Kerb, gutter and footpaths	60 to 100		

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 10. Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment (continued)

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

Land under roads

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

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

Crown reserves

Crown Reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated. Improvements on Crown Reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

Rural Fire Service assets

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

Until such time as discussions on this matter have concluded and the legislation changed, Council will continue to recognise rural fire service assets as it has in prior years, including only building assets.

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Investment property

\$ '000	2018	2017
(a) Investment property at fair value		
<u>Investment property on hand</u>	<u>22,025</u>	<u>22,025</u>
Reconciliation of annual movement:		
Opening balance	22,025	21,977
– Capitalised expenditure – this year	–	408
– Net gain/(loss) from fair value adjustments	–	(360)
CLOSING BALANCE – INVESTMENT PROPERTY	<u>22,025</u>	<u>22,025</u>
(b) Contractual obligations at reporting date		
Refer to Note 17 for disclosures relating to any capital and service obligations that have been contracted.		
(c) Leasing arrangements – Council as lessor		
The investment property are leased to tenants under long-term operating leases with rentals payable monthly.		
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	1,709	1,404
Later than 1 year but less than 5 years	3,171	1,708
Total minimum lease payments receivable	<u>4,880</u>	<u>3,112</u>
(d) Investment property income and expenditure – summary		
Rental income from investment property:		
– Minimum lease payments	1,628	1,585
– Outgoings recouped	223	213
Direct operating expenses on investment property:		
– that generated rental income	(241)	(251)
Net revenue contribution from investment property	<u>1,610</u>	<u>1,547</u>
plus:		
Fair value movement for year	<u>–</u>	<u>(360)</u>
Total income attributable to investment property	<u>1,610</u>	<u>1,187</u>

Accounting policy for 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. Changes in fair values are recorded in the income statement as part of other income.

Properties that are under construction for future use as investment property are regarded as investment property. These are also carried at fair value unless the fair value cannot yet be reliably determined. Where that is the case, the property will be accounted for at cost until either the fair value becomes reliably determinable or construction is complete.

Ballina Shire Council

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

Note 12. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Payables				
Goods and services	4,176	–	5,646	–
Accrued expenses:				
– Borrowings	265	–	224	–
– Salaries and wages	488	–	443	–
– Other expenditure accruals	–	–	68	–
Security bonds, deposits and retentions	2,134	–	2,157	–
Total payables	7,063	–	8,538	–
Income received in advance				
Payments received in advance	1,184	–	1,011	–
Total income received in advance	1,184	–	1,011	–
Borrowings				
Loans – secured ¹	6,624	76,870	6,219	76,078
Total borrowings	6,624	76,870	6,219	76,078
TOTAL PAYABLES AND BORROWINGS	14,871	76,870	15,768	76,078

(a) Payables and borrowings relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Water	21	–	18	–
Sewer	3,529	52,885	3,236	56,079
Other	2,900	–	2,860	–
Payables and borrowings relating to externally restricted assets	6,450	52,885	6,114	56,079
Total payables and borrowings relating to restricted assets	6,450	52,885	6,114	56,079
Total payables and borrowings relating to unrestricted assets	8,421	23,985	9,654	19,999
TOTAL PAYABLES AND BORROWINGS	14,871	76,870	15,768	76,078

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 19.

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Payables and borrowings (continued)

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

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

Payables – security bonds, deposits and retentions	914	1,472
	914	1,472

(c) Changes in liabilities arising from financing activities

Class of borrowings	2017		Non-cash changes			2018
	Opening balance as at 1/7/17	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance as at 30/6/18
Loans – secured	82,297	1,197	–	–	–	83,494
TOTAL	82,297	1,197	–	–	–	83,494

\$ '000	2018	2017
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(d) Financing arrangements**(i) Unrestricted access was available at balance date to the following lines of credit:**

Loan Facilities	83,494	82,297
Credit cards/purchase cards	575	545
Total financing arrangements	84,069	82,842

Drawn facilities as at balance date:

– Loan Facilities	83,494	82,297
– Credit cards/purchase cards	142	8
Total drawn financing arrangements	83,636	82,305

Undrawn facilities as at balance date:

– Credit cards/purchase cards	433	537
Total undrawn financing arrangements	433	537

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Payables and borrowings (continued)

Accounting policy for payables and borrowings

Payables

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

Borrowings

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

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

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

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits:				
Annual leave	2,298	–	2,234	–
Sick leave	2,086	–	2,265	–
Long service leave	3,588	383	3,592	313
Sub-total – aggregate employee benefits	7,972	383	8,091	313
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	4,150	–	4,006
Sub-total – asset remediation/restoration	–	4,150	–	4,006
<u>TOTAL PROVISIONS</u>	<u>7,972</u>	<u>4,533</u>	<u>8,091</u>	<u>4,319</u>

(a) Provisions relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Water	143	6	120	13
Sewer	591	26	523	46
Domestic waste management	169	8	161	6
Provisions relating to externally restricted assets	903	40	804	65
Total provisions relating to restricted assets	903	40	804	65
Total provisions relating to unrestricted assets	7,069	4,493	7,287	4,254
<u>TOTAL PROVISIONS</u>	<u>7,972</u>	<u>4,533</u>	<u>8,091</u>	<u>4,319</u>

\$ '000	2018	2017
---------	------	------

(b) Current provisions not anticipated to be settled within the

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

Provisions – employees benefits	4,997	5,361
	4,997	5,361

Ballina Shire Council

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

Note 13. Provisions (continued)

\$ '000

(c) Description of and movements in provisions

	Other provisions	
	Asset remediation	Total
2018		
At beginning of year	4,006	4,006
Changes to provision:		
– Revised life	3	3
– Revised discount rate	62	62
Unwinding of discount	79	79
Total other provisions at end of year	4,150	4,150
	Other provisions	
	Asset remediation	Total
2017		
At beginning of year	3,755	3,755
Changes to provision:		
– Revised discount rate	190	190
Unwinding of discount	61	61
Total other provisions at end of year	4,006	4,006

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Provisions (continued)

Nature and purpose of non-employee benefit provisions

Asset remediation

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.

Accounting policy for provisions

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

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

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

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

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

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

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Provisions (continued)

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

Restoration

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

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

Rehabilitation

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

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

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

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

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

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

Note 14. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

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.

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 15. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	5,625	11,989
Balance as per the Statement of Cash Flows		5,625	11,989
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		47,483	29,862
Adjust for non-cash items:			
Depreciation and amortisation		19,415	18,956
Net losses/(gains) on disposal of assets		(1,897)	4,712
Non-cash capital grants and contributions		(28,975)	(18,987)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		(101)	(150)
– investment property		–	360
– Other		–	(54)
Unwinding of discount rates on reinstatement provisions		141	251
Share of net (profits) or losses of associates/joint ventures		(55)	34
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(602)	1,947
Increase/(decrease) in provision for doubtful debts		(38)	62
Decrease/(increase) in inventories		(41)	(126)
Decrease/(increase) in other assets		(2)	(42)
Increase/(decrease) in payables		(759)	576
Increase/(decrease) in accrued interest payable		41	(10)
Increase/(decrease) in other accrued expenses payable		(23)	117
Increase/(decrease) in other liabilities		150	373
Increase/(decrease) in employee leave entitlements		(49)	83
Increase/(decrease) in other provisions		3	–
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		34,691	37,964
(c) Non-cash investing and financing activities			
Developer contributions 'in kind'		27,826	1,443
Other dedications		–	17,353
Estimated future reinstatement, etc costs		65	191
Total non-cash investing and financing activities		27,891	18,987

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. Interests in other entities

\$ '000

	Council's share of net income		Council's share of net assets	
	2018	2017	2018	2017
Joint ventures	–	(34)	–	20
Associates	55	–	1,159	–
Total	55	(34)	1,159	20

(a) Associates

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

(a) Summarised financial information for individually immaterial associates

Council has interests in a number of individually immaterial associates that have still been accounted for using the equity method.

Individually immaterial associates	2018	2017
Aggregate carrying amount of individually immaterial associates	1,159	–
Aggregate amounts of Council's share of individually immaterial:		
Profit/(loss) from continuing operations	55	–
Total comprehensive income – individually immaterial associates	55	–

(b) The nature and extent of significant restrictions relating to associates

Council signed a new Richmond Tweed Regional Library (RTRL) deed with 3 other local Councils on 29 November 2017 resulting in RTRL becoming an associate of Council. Council cannot access the assets of RTRL, but is entitled to on termination of this deed equal share of the total equity at 30 June 2017, and a share of the changes in equity from this date in the same proportion as Council's financial contributions over the duration of the agreement.

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. Interests in other entities (continued)

Accounting policy for associates

Interests in associates are accounted for using the equity method in accordance with AASB128 Investments in 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 an associate equals or exceeds its interest in the associate, the Council discontinues recognising its share of further losses.

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

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

(b) Subsidiaries, joint arrangements and associates not recognised

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

Name of entity/operation	Principal activity/type of entity	2018 Net profit	2018 Net assets
1. North East Weight of Loads Group (NEWLOG)	Enforcement of load weights carried by heavy vehicles. Joint Venture	(256)	128

Reasons for non-recognition

Council's share of NEWLOG net assets is 13.42%, Council considers this immaterial to the consolidated financial statements.

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Commitments for expenditure

\$ '000	2018	2017
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings and other structures	5,756	10,568
Plant and equipment	598	490
Infrastructure	830	4,629
Inventory		
Real estate for resale	178	710
Total commitments	7,362	16,397
These expenditures are payable as follows:		
Within the next year	7,362	16,397
Total payable	7,362	16,397

Details of capital commitments

Capital expenditure commitments relate to the Airport terminal upgrade, Wollongbar skate park and other various projects.

(b) 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	466	439
Later than one year and not later than 5 years	661	699
Later than 5 years	–	18
Total non-cancellable operating lease commitments	1,127	1,156

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 2018

Note 18. Contingencies and other liabilities/assets not recognised

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) 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.

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.

(ii) Variation Cost Indemnity

Council has lodged a letter of demand for the indemnification of costs, totalling \$804,277.82 (GST excl). This has not been recognised as an asset in the financial statements.

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Financial risk management

\$ '000

Risk management

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

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

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

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

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

	Carrying value		Fair value	
	2018	2017	2018	2017
Financial assets				
Cash and cash equivalents	5,625	11,989	5,625	11,989
Investments				
– 'Designated at fair value on initial recognition'	8,671	8,418	8,671	8,418
– 'Held to maturity'	66,500	59,500	66,500	59,500
Receivables	9,456	8,620	9,456	8,620
Total financial assets	90,252	88,527	90,252	88,527
Financial liabilities				
Payables	7,063	8,538	7,063	8,538
Loans/advances	83,494	82,297	105,036	109,548
Total financial liabilities	90,557	90,835	112,099	118,086

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.

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Financial risk management (continued)

\$ '000

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

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

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

The risks associated with the investments held are:

- **Price risk** – the risk that the capital value of investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income
- **Credit risk** – the risk that the investment 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
2018				
Possible impact of a 10% movement in market values	867	867	(867)	(867)
Possible impact of a 1% movement in interest rates	797	797	(797)	(797)
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)

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

Council receives detailed reports where appropriate.

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

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

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

	2018	2018	2017	2017
	Rates, annual and user charges	Other receivables	Rates, annual and user charges	Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	62%	75%	61%	87%
Overdue	38%	25%	39%	13%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

(ii) Ageing of receivables – value

Rates and annual charges and user fees and charges

No ageing information is currently available for rates & annual charges and user charges.

	2018	2017
Current	1,514	1,537
	<u>1,514</u>	<u>1,537</u>
Other receivables		
Current	3,349	3,248
0 – 30 days overdue	610	178
31 – 60 days overdue	182	138
61 – 90 days overdue	10	49
> 91 days overdue	292	114
	<u>4,443</u>	<u>3,727</u>

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. 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.

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk by diversification of borrowing types, maturities and interest rate structures. The Finance Section regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 – 5 Years	> 5 Years		
2018							
Trade/other payables	0.00%	2,134	4,929	-	-	7,063	7,063
Loans and advances	5.68%	-	11,281	39,048	75,730	126,059	83,494
Total financial liabilities		2,134	16,210	39,048	75,730	133,122	90,557
2017							
Trade/other payables	0.00%	2,157	6,381	-	-	8,538	8,538
Loans and advances	6.21%	-	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

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 22 June 2017 and is not required to be audited.

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

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

Note that for variations* of budget to actual :

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

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

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
REVENUES					
Rates and annual charges	47,416	47,243	(173)	(0%)	U
User charges and fees	20,939	21,537	598	3%	F
Interest and investment revenue	1,660	2,164	504	30%	F
Higher than projected investment holdings resulted in an increase in interest revenue.					
Other revenues	4,297	5,496	1,199	28%	F
Unbudgeted other revenue relating to initial recognition of Council's share in associate Richmond Tweed Regional Library.					
Operating grants and contributions	7,722	9,173	1,451	19%	F
Operating grants is dependent on the outcome of grant applications submitted during the year. Some of the larger unbudgeted grants were \$116,000 financial assistance grant, \$150,000 for Northern Rivers Business Recovery Program, \$98,500 from NSW Environmental trust and Roads to Recovery increase of \$295,000.					
Capital grants and contributions	19,191	41,714	22,523	117%	F
Council received \$25,846,000 of developer contributed assets during the year above what was forecast and the remaining movement is due to timing of capital projects completion and receipt of funding.					
Net gains from disposal of assets	1,970	1,897	(73)	(4%)	U

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
EXPENSES					
Employee benefits and on-costs	22,859	23,019	(160)	(1%)	U
Borrowing costs	5,603	5,556	47	1%	F
Materials and contracts	28,174	26,734	1,440	5%	F
Depreciation and amortisation	18,539	19,415	(876)	(5%)	U
Other expenses	6,740	7,072	(332)	(5%)	U

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Fair value measurement

\$ '000

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

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

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

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

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

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

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

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

2018	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	–	8,671	–	8,671
Total financial assets	–	8,671	–	8,671
Investment property				
Land and buildings	–	22,025	–	22,025
Total investment property	–	22,025	–	22,025
Infrastructure, property, plant and equipment				
Plant and equipment	–	–	7,045	7,045
Office equipment	–	–	95	95
Furniture and fittings	–	–	24	24
Operational land	–	41,702	–	41,702
Community land	–	–	110,326	110,326
Land under roads	–	–	16,692	16,692
Land improvements – non-depreciable	–	–	8,208	8,208
Land Improvements – depreciable	–	–	3,970	3,970
Buildings – non-specialised	–	6,082	–	6,082
Buildings – specialised	–	–	59,726	59,726
Other structures	–	–	12,223	12,223
Roads	–	–	342,780	342,780
Bridges	–	–	32,333	32,333
Footpaths	–	–	25,945	25,945
Bulk earthworks	–	–	137,975	137,975
Stormwater drainage	–	–	81,568	81,568
Water supply network	–	–	73,277	73,277
Wastewater network	–	–	206,757	206,757
Tip remediation	–	–	151	151
Quarries remediation	–	–	208	208
Total infrastructure, property, plant and equipment	–	47,784	1,119,303	1,167,087

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. 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				
Financial assets				
Investments				
Held at fair value through profit or loss	–	8,418	–	8,418
Total financial assets	–	8,418	–	8,418
Investment property				
Land and buildings	–	22,025	–	22,025
Total investment property	–	22,025	–	22,025
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

(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 2018

Note 21. 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 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 2018

Note 21. 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 7.11 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 2018

Note 21. 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 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, 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 cast data (Level 2), unobservable inputs (such as estimates of 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 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 cast data (Level 2), unobservable inputs (such as estimates of 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 be valued at Level 3.

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. 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 2018

Note 21. 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 – 1/7/16	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
Purchases (GBV)	1,221	–	–	–	1,221
Disposals (WDV)	(39)	–	–	–	(39)
Depreciation and impairment	(1,674)	(136)	(5)	–	(1,815)
Closing balance – 30/6/18	7,045	95	24	110,326	117,490

	Land under roads	Land improve- ments	Buildings – specialised	Other structures	Total
Opening balance – 1/7/16	13,247	10,287	55,921	11,330	90,785
Transfers from/(to) level 2 FV hierarchy	–	–	(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
Transfers from/(to) another asset class	–	–	–	609	609
Purchases (GBV)	1,390	3,018	3,305	230	7,943
Disposals (WDV)	–	–	(140)	–	(140)
Depreciation and impairment	–	(357)	(2,591)	(624)	(3,572)
Revaluation increments/ (decrements)	–	–	1,506	372	1,878
Closing balance – 30/6/18	16,692	12,177	59,726	12,223	100,818

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. 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 – 1/7/16	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
Transfers from/(to) another asset class	(127,817)	(40)	9	127,848	–
Purchases (GBV)	14,552	25	2,298	1,800	18,675
Disposals (WDV)	(466)	–	–	(158)	(624)
Depreciation and impairment	(5,933)	(613)	(413)	(132)	(7,091)
Revaluation increments/ (decrements)	10,885	1,069	787	4,504	17,245
Closing balance – 30/6/18	342,780	32,333	25,945	137,975	539,033

	Stormwater drainage	Water supply network	Wastewater network	Swimming pools	Total
Opening balance – 1/7/16	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
Purchases (GBV)	7,349	1,577	6,187	–	15,113
Disposals (WDV)	–	(12)	–	–	(12)
Depreciation and impairment	(1,532)	(1,413)	(3,495)	–	(6,440)
Revaluation increments/ (decrements)	2,455	1,475	4,127	–	8,057
Closing balance – 30/6/18	81,568	73,277	206,757	–	361,602

Ballina Shire Council

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

Note 21. 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 – 1/7/16	375	375
Purchases (GBV)	192	192
Depreciation and impairment	(128)	(128)
Closing balance – 30/6/17	<u>439</u>	<u>439</u>
Purchases (GBV)	65	65
Depreciation and impairment	(145)	(145)
Closing balance – 30/6/18	<u>359</u>	<u>359</u>

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Fair value measurement (continued)

\$ '000

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

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

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

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
IPP&E			
Plant & equipment, office equipment and furniture & fittings	7,164	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	16,692	Unimproved capital value provided by NSW Valuer-General	Land value, land area
Land improvements	12,177	Cost used to approximate fair value	Asset condition and remaining useful lives
Buildings – specialised	59,726	Cost used to approximate fair value	Asset condition and remaining useful lives
Other structures	12,223	Cost used to approximate fair value	Asset condition and remaining useful lives
Roads	342,780	Unit rates per m2 or length	Asset condition and remaining useful lives
Bridges	32,333	Unit rates per item, m2 or length	Asset condition and remaining useful lives
Footpaths	25,945	Unit rates per m2	Asset condition and remaining useful lives
Bulk earthworks	137,975	Unit rates per m3	Asset condition and remaining useful lives
Stormwater drainage	81,568	Unit rates per item, m2 or length	Asset condition and remaining useful lives
Water supply network	73,277	Unit rates per item, m2 or length	Asset condition and remaining useful lives
Wastewater network	206,757	Unit rates per item, m2 or length	Asset condition and remaining useful lives
Tip and quarries remediation	359	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 2018

Note 22. Related party transactions

\$ '000

a. Key management personnel

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

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

Compensation:	2018	2017
Short-term benefits	1,197	1,119
Post-employment benefits	72	105
Other long-term benefits	100	41
Total	1,369	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.

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Related party transactions (continued)

c. Other related party transactions

Nature of the transaction		Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
	Ref	Actual \$	Actual \$		Actual \$	Actual \$
2018						
Associate - Richmond Tweed Regional Library	1	1,354	-	Contributions based on deed	-	-
2017						
Nil						

1 Contributions to the Richmond Tweed Regional Library are based on formula parameters set in the Richmond Tweed Regional Library Deed of Agreement.

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	3,978	1,709	–	124	(282)	–	5,529	–
Parking	235	521	–	13	–	–	769	–
Open space	726	1,031	–	26	(369)	(333)	1,081	1,778
Community facilities	575	1,369	–	30	–	(1,125)	849	3,581
Community facilities (old)	–	133	–	2	–	(133)	2	–
Heavy vehicles	699	359	–	22	(404)	–	676	–
Wollongbar expansion	170	87	–	6	–	(110)	153	2,115
S7.11 contributions – under a plan	6,383	5,209	–	223	(1,055)	(1,701)	9,059	7,474
Total S7.11 and S7.12 revenue under plans	6,383	5,209	–	223	(1,055)	(1,701)	9,059	7,474
S64 contributions	13,997	3,446	–	370	(3,204)	–	14,609	
Total contributions	20,380	8,655	–	593	(4,259)	(1,701)	23,668	7,474

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23. Statement of developer contributions (continued)

\$ '000

S7.11 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)	1,320	174	–	39	–	–	1,533	–
Roads (2010)	2,658	1,535	–	85	(282)	–	3,996	–
Total	3,978	1,709	–	124	(282)	–	5,529	–

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	464	97	–	17	(357)	–	221	–
Lennox District	75	117	–	2	–	–	194	–
Plateau District	–	86	–	–	–	(86)	–	1,092
Regional	–	247	–	–	–	(247)	–	686
Old Plan	112	49	–	4	(12)	–	153	–
OSR Other	75	435	–	3	–	–	513	–
Total	726	1,031	–	26	(369)	(333)	1,081	1,778

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23. Statement of developer contributions (continued)

\$ '000

S7.11 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	212	521	–	12	–	–	745	–
Lennox Head	11	–	–	–	–	–	11	–
Alstonville Village Centre	12	–	–	1	–	–	13	–
Total	235	521	–	13	–	–	769	–

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	–	126	–	2	–	(126)	2	–
Lennox Head	–	7	–	–	–	(7)	–	–
Total	–	133	–	2	–	(133)	2	–

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23. Statement of developer contributions (continued)

\$ '000

S7.11 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	443	184	–	24	–	–	651	–
Lennox district	–	172	–	–	–	(172)	–	845
Plateau district	120	60	–	6	–	–	186	–
Wardell district	12	–	–	–	–	–	12	–
Regional	–	953	–	–	–	(953)	–	2,736
Total	575	1,369	–	30	–	(1,125)	849	3,581

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	699	359	–	22	(404)	–	676	–
Total	699	359	–	22	(404)	–	676	–

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

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	50	76	–	2	–	(110)	18	2,115
Transport works	120	11	–	4	–	–	135	–
Total	170	87	–	6	–	(110)	153	2,115

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	7,601	1,075	–	215	(125)	–	8,766	–
Total	7,601	1,075	–	215	(125)	–	8,766	–

Section 64 – Wastewater

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	6,396	2,371	–	155	(3,079)	–	5,843	–
Total	6,396	2,371	–	155	(3,079)	–	5,843	–

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 24. Financial result and financial position by fund

Income Statement by fund			
\$ '000	2018	2018	2018
Continuing operations	Water	Wastewater	General¹
Income from continuing operations			
Rates and annual charges	3,489	16,175	27,579
User charges and fees	8,323	1,331	11,883
Interest and investment revenue	436	253	1,475
Other revenues	–	456	5,040
Grants and contributions provided for operating purposes	157	156	8,860
Grants and contributions provided for capital purposes	3,118	8,265	30,331
Other income			
Net gains from disposal of assets	6	–	1,891
Share of interests in joint ventures and associates using the equity method	–	–	55
Total income from continuing operations	15,529	26,636	87,114
Expenses from continuing operations			
Employee benefits and on-costs	2,051	4,392	16,576
Borrowing costs	–	4,248	1,308
Materials and contracts	6,815	4,196	15,723
Depreciation and amortisation	1,482	3,674	14,259
Other expenses	729	779	5,564
Total expenses from continuing operations	11,077	17,289	53,430
Operating result from continuing operations	4,452	9,347	33,684
Net operating result attributable to each council fund	4,452	9,347	33,684
Net operating result for the year before grants and contributions provided for capital purposes	1,334	1,082	3,353

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 2018

Note 24. Financial result and financial position by fund (continued)

Statement of Financial Position by fund			
\$ '000	2018	2018	2018
ASSETS	Water	Wastewater	General¹
Current assets			
Cash and cash equivalents	–	–	5,625
Investments	14,820	7,333	40,354
Receivables	2,170	1,286	5,763
Inventories	–	–	1,472
Other	148	–	195
Total current assets	17,138	8,619	53,409
Non-current assets			
Investments	2,823	1,397	8,444
Receivables	90	79	68
Inventories	–	–	2,535
Infrastructure, property, plant and equipment	80,935	222,700	910,535
Investments accounted for using the equity method	–	–	1,159
Investment property	–	–	22,025
Total non-current assets	83,848	224,176	944,766
TOTAL ASSETS	100,986	232,795	998,175
LIABILITIES			
Current liabilities			
Payables	21	142	6,900
Income received in advance	–	–	1,184
Borrowings	–	3,387	3,237
Provisions	143	591	7,238
Total current liabilities	164	4,120	18,559
Non-current liabilities			
Borrowings	–	52,885	23,985
Provisions	6	26	4,501
Total non-current liabilities	6	52,911	28,486
TOTAL LIABILITIES	170	57,031	47,045
Net assets	100,816	175,764	951,130
EQUITY			
Accumulated surplus	46,545	107,831	569,053
Revaluation reserves	54,271	67,933	382,077
Total equity	100,816	175,764	951,130

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 2018

Note 25(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>2,632</u>	3.12%	8.88%	-1.51%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>84,428</u>				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>75,255</u>	59.66%	64.59%	74.98%	> 60.00%
Total continuing operating revenue ⁽¹⁾	<u>126,142</u>				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	<u>46,370</u>	4.84x	4.88x	4.20x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>9,579</u>				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>27,603</u>	2.38x	2.73x	2.03x	> 2x
Principal repayments (Statement of Cash Flows) ⁽⁵⁾ plus borrowing costs (Income Statement)	<u>11,606</u>				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	<u>1,657</u>	3.38%	3.56%	4.45%	< 10% regional & rural
Rates, annual and extra charges collectible	<u>49,093</u>				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	<u>72,125</u>	10.01 mths	12.0 mths	10.3 mths	> 3 mths
Payments from cash flow of operating and financing activities	<u>7,206</u>				

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

⁽³⁾ Refer to Notes 12 and 13.

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

⁽⁵⁾ Excludes loans refinanced during the year.

Ballina Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 25(b). Statement of performance measures – by fund

\$ '000	General indicators ⁵		Water indicators		Wastewater indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund							
1. Operating performance ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	0.14%	11.39%	11.71%	10.03%	5.89%	-0.01%	> 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	53.33%	53.04%	78.90%	95.12%	68.38%	95.05%	> 60.00%
Total continuing operating revenue ⁽¹⁾							
3. Unrestricted current ratio							
Current assets less all external restrictions ⁽²⁾	4.62x	4.71x	117.72x	132.47x	0.99x	1.59x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)							

Notes

(1) - (4) Refer to Notes at Note 25a 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 2018

Note 25(b). Statement of performance measures – by fund (continued)

\$ '000	General indicators ⁵		Water indicators		Wastewater indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund (continued)							
4. Debt service cover ratio							
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation							
	3.81x	4.97x	0.00x	0.00x	1.15x	1.02x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
	3.14%	3.26%	8.26%	9.04%	2.65%	2.80%	< 10% regional & rural
Rates, annual and extra charges outstanding							
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
	11.25	11.98	21.99	19.62	3.74	7.75	> 3 months
Current year's cash and cash equivalents plus all term deposits x12							
Payments from cash flow of operating and financing activities							

Notes

(1) Refer to Notes at Note 25a above.

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

END OF AUDITED FINANCIAL STATEMENTS



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

To the Councillors of the Ballina Shire Council

Opinion

I have audited the accompanying financial report of Ballina Shire Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial report:
 - has been presented, in all material respects, in accordance with the requirements of this Division
 - is consistent with the Council's accounting records
 - presents fairly, in all material respects, the financial position of the Council as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial report have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

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

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

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

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 20 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule 2 - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.

Karen Taylor
Director, Financial Audit Services

25 October 2018
SYDNEY

Part C

Special Purpose Financial Statements

Ballina Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

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 2018

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Background

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

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.
 - (iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

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

Ballina Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2018

Statement by Councillors and Management

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 25 October 2018.

David Wright

Mayor

25 October 2018

Nathan Willis

Deputy Mayor

25 October 2018

Paul Hickey

General Manager

25 October 2018

Linda Coulter

Responsible Accounting Officer

25 October 2018

Ballina Shire Council

Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2018

\$ '000	2018	2017
Income from continuing operations		
Access charges	3,489	3,372
User charges	7,538	7,771
Fees	785	728
Interest	436	344
Grants and contributions provided for non-capital purposes	157	160
Profit from the sale of assets	6	53
Total income from continuing operations	12,411	12,428
Expenses from continuing operations		
Employee benefits and on-costs	2,051	1,920
Materials and contracts	837	1,219
Depreciation, amortisation and impairment	1,482	1,460
Water purchase charges	5,978	5,887
Loss on sale of assets	–	61
Calculated taxation equivalents	31	32
Other expenses	729	663
Total expenses from continuing operations	11,108	11,242
Surplus (deficit) from continuing operations before capital amounts	1,303	1,186
Grants and contributions provided for capital purposes	3,118	469
Surplus (deficit) from continuing operations after capital amounts	4,421	1,655
Surplus (deficit) from all operations before tax	4,421	1,655
Less: corporate taxation equivalent (30%) [based on result before capital]	(391)	(356)
SURPLUS (DEFICIT) AFTER TAX	4,030	1,299
Plus opening retained profits	42,124	40,469
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	31	32
– Corporate taxation equivalent	391	356
Less:		
– Tax equivalent dividend paid	(31)	(32)
Closing retained profits	46,545	42,124
Return on capital %	1.6%	1.5%
Calculation of dividend payable:		
Surplus (deficit) after tax	4,030	1,299
Less: capital grants and contributions (excluding developer contributions)	(176)	–
Surplus for dividend calculation purposes	3,854	1,299
Potential dividend calculated from surplus	1,927	650

Ballina Shire Council

Income Statement of Council's Wastewater Business Activity

for the year ended 30 June 2018

\$ '000	2018	2017
Income from continuing operations		
Access charges	16,175	15,408
User charges	1,167	1,175
Liquid trade waste charges	164	163
Interest	253	493
Grants and contributions provided for non-capital purposes	156	159
Other income	456	476
Total income from continuing operations	18,371	17,874
Expenses from continuing operations		
Employee benefits and on-costs	4,392	3,816
Borrowing costs	4,248	4,449
Materials and contracts	4,196	5,265
Depreciation, amortisation and impairment	3,674	3,731
Loss on sale of assets	–	402
Calculated taxation equivalents	38	40
Debt guarantee fee (if applicable)	596	605
Other expenses	779	574
Total expenses from continuing operations	17,923	18,882
Surplus (deficit) from continuing operations before capital amounts	448	(1,008)
Grants and contributions provided for capital purposes	8,265	764
Surplus (deficit) from continuing operations after capital amounts	8,713	(244)
Surplus (deficit) from all operations before tax	8,713	(244)
Less: corporate taxation equivalent (30%) [based on result before capital]	(134)	–
SURPLUS (DEFICIT) AFTER TAX	8,579	(244)
Plus opening retained profits	98,522	98,161
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	38	40
– Debt guarantee fees	596	605
– Corporate taxation equivalent	134	–
Less:		
– Tax equivalent dividend paid	(38)	(40)
Closing retained profits	107,831	98,522
Return on capital %	2.1%	1.6%
Calculation of dividend payable:		
Surplus (deficit) after tax	8,579	(244)
Less: capital grants and contributions (excluding developer contributions)	(40)	(27)
Surplus for dividend calculation purposes	8,539	–
Potential dividend calculated from surplus	4,269	–

Ballina Shire Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2018

	Quarry		Airport	
	Category 2		Category 1	
\$ '000	2018	2017	2018	2017
Income from continuing operations				
User charges	64	69	6,750	5,781
Interest	25	34	–	–
Total income from continuing operations	89	103	6,750	5,781
Expenses from continuing operations				
Employee benefits and on-costs	–	–	755	698
Borrowing costs	27	20	369	423
Materials and contracts	57	102	2,921	3,037
Depreciation, amortisation and impairment	17	10	864	807
Calculated taxation equivalents	23	24	6	10
Debt guarantee fee (if applicable)	–	–	75	85
Total expenses from continuing operations	124	156	4,990	5,060
Surplus (deficit) from continuing operations before capital amounts	(35)	(53)	1,760	721
Grants and contributions provided for capital purposes	–	–	449	–
Surplus (deficit) from continuing operations after capital amounts	(35)	(53)	2,209	721
Surplus (deficit) from all operations before tax	(35)	(53)	2,209	721
Less: corporate taxation equivalent (30%) [based on result before capital]	–	–	(528)	(216)
SURPLUS (DEFICIT) AFTER TAX	(35)	(53)	1,681	505
Plus opening retained profits	616	966	14,991	14,175
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	23	24	6	10
– Debt guarantee fees	–	–	75	85
– Corporate taxation equivalent	–	–	528	216
Add:				
– Subsidy paid/contribution to operations	–	–	24	–
Less:				
– Dividend paid	(238)	(321)	–	–
Closing retained profits	366	616	17,305	14,991
Return on capital %	-0.6%	-2.3%	5.2%	2.9%
Subsidy from Council	45	67	–	–

Ballina Shire Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2018

	Wigmore Arcade Category 2		Land development Category 1	
\$ '000	2018	2017	2018	2017
Income from continuing operations				
User charges	608	584	5,349	1,581
Interest	–	–	66	55
Other income	–	163	–	–
Total income from continuing operations	608	747	5,415	1,636
Expenses from continuing operations				
Materials and contracts	255	259	3,920	1,502
Calculated taxation equivalents	109	124	145	159
Total expenses from continuing operations	364	383	4,065	1,661
Surplus (deficit) from continuing operations before capital amounts	244	364	1,350	(25)
Grants and contributions provided for capital purposes	–	378	–	–
Surplus (deficit) from continuing operations after capital amounts	244	742	1,350	(25)
Surplus (deficit) from all operations before tax	244	742	1,350	(25)
Less: corporate taxation equivalent (30%) [based on result before capital]	(73)	(109)	(405)	–
SURPLUS (DEFICIT) AFTER TAX	171	633	945	(25)
Plus opening retained profits	6,916	6,323	13,704	14,218
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	109	124	145	159
– Corporate taxation equivalent	73	109	405	–
– Dividend paid	(303)	(273)	(3,096)	(648)
Closing retained profits	6,966	6,916	12,103	13,704
Return on capital %	3.6%	5.4%	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 2018

	Private works Category 2		Landfill and resource recovery Category 1	
\$ '000	2018	2017	2018	2017
Income from continuing operations				
User charges	182	238	5,272	6,448
Interest	–	–	82	108
Grants and contributions provided for non-capital purposes	–	–	82	125
Total income from continuing operations	182	238	5,436	6,681
Expenses from continuing operations				
Employee benefits and on-costs	–	–	963	1,036
Borrowing costs	–	–	6	56
Materials and contracts	162	244	3,216	3,537
Depreciation, amortisation and impairment	–	–	420	898
Calculated taxation equivalents	–	–	25	24
Debt guarantee fee (if applicable)	–	–	2	13
Other expenses	–	–	186	163
Total expenses from continuing operations	162	244	4,818	5,727
Surplus (deficit) from continuing operations before capital amounts	20	(6)	618	954
Surplus (deficit) from continuing operations after capital amounts	20	(6)	618	954
Surplus (deficit) from all operations before tax	20	(6)	618	954
Less: corporate taxation equivalent (30%) [based on result before capital]	(6)	–	(185)	(286)
SURPLUS (DEFICIT) AFTER TAX	14	(6)	433	668
Plus opening retained profits	–	–	2,081	2,494
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	–	–	25	24
– Debt guarantee fees	–	–	2	13
– Corporate taxation equivalent	6	–	185	286
Add:				
– Subsidy paid/contribution to operations	–	6	–	–
Less:				
– TER dividend paid	–	–	–	–
– Dividend paid	(20)	–	(2,082)	(1,404)
Closing retained profits	–	–	644	2,081
Return on capital %	n/a	n/a	8.7%	14.0%
Subsidy from Council	–	6	–	–

Ballina Shire Council

Statement of Financial Position – Council's Water Supply Business Activity
as at 30 June 2018

\$ '000	2018	2017
ASSETS		
Current assets		
Investments	14,820	14,303
Receivables	2,170	2,130
Other	148	111
Total current assets	17,138	16,544
Non-current assets		
Investments	2,823	1,589
Receivables	90	112
Infrastructure, property, plant and equipment	80,935	76,782
Total non-current assets	83,848	78,483
TOTAL ASSETS	100,986	95,027
LIABILITIES		
Current liabilities		
Payables	21	18
Provisions	143	120
Total current liabilities	164	138
Non-current liabilities		
Provisions	6	13
Total non-current liabilities	6	13
TOTAL LIABILITIES	170	151
NET ASSETS	100,816	94,876
EQUITY		
Accumulated surplus	46,545	42,124
Revaluation reserves	54,271	52,752
TOTAL EQUITY	100,816	94,876

Ballina Shire Council

Statement of Financial Position – Council's Wastewater Business Activity
as at 30 June 2018

\$ '000	2018	2017
ASSETS		
Current assets		
Investments	7,333	9,938
Receivables	1,286	1,288
Total current Assets	8,619	11,226
Non-current assets		
Investments	1,397	1,105
Receivables	79	127
Infrastructure, property, plant and equipment	222,700	209,652
Total non-current assets	224,176	210,884
TOTAL ASSETS	232,795	222,110
LIABILITIES		
Current liabilities		
Payables	142	140
Borrowings	3,387	3,096
Provisions	591	523
Total current liabilities	4,120	3,759
Non-current liabilities		
Borrowings	52,885	56,079
Provisions	26	46
Total non-current liabilities	52,911	56,125
TOTAL LIABILITIES	57,031	59,884
NET ASSETS	175,764	162,226
EQUITY		
Accumulated surplus	107,831	98,522
Revaluation reserves	67,933	63,704
TOTAL EQUITY	175,764	162,226

Ballina Shire Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2018

\$ '000	Quarry Category 2		Airport Category 1	
	2018	2017	2018	2017
ASSETS				
Current assets				
Cash and cash equivalents	810	1,015	1,150	–
Other	208	171	–	–
Total Current Assets	1,018	1,186	1,150	–
Non-current assets				
Infrastructure, property, plant and equipment	1,421	1,425	40,707	40,052
Total non-current assets	1,421	1,425	40,707	40,052
TOTAL ASSETS	2,439	2,611	41,857	40,052
LIABILITIES				
Current liabilities				
Borrowings	–	–	1,189	1,542
Provisions	–	–	116	178
Total current liabilities	–	–	1,305	1,720
Non-current liabilities				
Borrowings	–	–	5,181	6,455
Provisions	1,436	1,360	–	–
Total non-current liabilities	1,436	1,360	5,181	6,455
TOTAL LIABILITIES	1,436	1,360	6,486	8,175
NET ASSETS	1,003	1,251	35,371	31,877
EQUITY				
Accumulated surplus	366	616	17,305	14,991
Revaluation reserves	637	635	18,066	16,886
TOTAL EQUITY	1,003	1,251	35,371	31,877

Ballina Shire Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2018

\$ '000	Wigmore Arcade Category 2		Land development Category 1	
	2018	2017	2018	2017
ASSETS				
Current assets				
Cash and cash equivalents	226	176	1,911	2,983
Total Current Assets	226	176	1,911	2,983
Non-current assets				
Inventories	–	–	4,112	4,641
Infrastructure, property, plant and equipment	6,740	6,740	–	–
Other	–	–	6,080	6,080
Total non-current assets	6,740	6,740	10,192	10,721
TOTAL ASSETS	6,966	6,916	12,103	13,704
LIABILITIES				
Current liabilities				
Nil				
Non-current liabilities				
Nil				
TOTAL LIABILITIES	–	–	–	–
NET ASSETS	6,966	6,916	12,103	13,704
EQUITY				
Accumulated surplus	6,966	6,916	12,103	13,704
TOTAL EQUITY	6,966	6,916	12,103	13,704

Ballina Shire Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2018

\$ '000	Private works Category 2		Landfill and resource recovery Category 1	
	2018	2017	2018	2017
ASSETS				
Current assets				
Cash and cash equivalents	–	–	2,444	3,703
Inventories	–	–	–	8
Other	–	–	151	269
Total Current Assets	–	–	2,595	3,980
Non-current assets				
Infrastructure, property, plant and equipment	–	–	7,148	7,197
Total non-current assets	–	–	7,148	7,197
TOTAL ASSETS	–	–	9,743	11,177
LIABILITIES				
Current liabilities				
Borrowings	–	–	–	182
Total current liabilities	–	–	–	182
Non-current liabilities				
Provisions	–	–	2,714	2,646
Total non-current liabilities	–	–	2,714	2,646
TOTAL LIABILITIES	–	–	2,714	2,828
NET ASSETS	–	–	7,029	8,349
EQUITY				
Accumulated surplus	–	–	644	2,081
Revaluation reserves	–	–	6,385	6,268
TOTAL EQUITY	–	–	7,029	8,349

Ballina Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2018

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	14
2	Water Supply Business Best-Practice Management disclosure requirements	18
3	Sewerage Business Best-Practice Management disclosure requirements	20

Ballina Shire Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2018

Note 1. Significant accounting policies

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

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

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

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

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

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

National Competition Policy

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

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

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

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide a standard for disclosure requirements.

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

Declared business activities

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

Category 1

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

a. Water Supplies

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

Ballina Shire Council

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

Note 1. Significant accounting policies (continued)

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.

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 (Sewerage Best-Practice Management Disclosures).

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

(i) Taxation-equivalent charges

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

However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in Special Purpose Financial Statements.

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

Ballina Shire Council

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

Note 1. Significant accounting policies (continued)

Notional rate applied (%)

Corporate income tax rate – 30%

Land tax – the first \$629,000 of combined land values attracts **0%**. For the combined land values in excess of \$629,001 up to \$3,846,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$3,846,000 a premium marginal rate of **2.0%** applies.

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

In accordance with Crown Lands and Water (CLAW), a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

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

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

Income tax

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

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

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

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

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

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

Local government rates and charges

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

Loan and debt guarantee fees

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

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

Ballina Shire Council

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

Note 1. Significant accounting policies (continued)

(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 2.63% at 30/6/18. 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 sewerage businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

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

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

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

Ballina Shire Council

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

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

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

2018

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	31,000
(ii)	Number of assessments multiplied by \$3/assessment	48,414
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	31,000
(iv)	Amounts actually paid for tax equivalents	31,000

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	1,927,050
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	453,140
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	6,434,900

2018 Surplus	3,854,100	2017 Surplus	1,299,200	2016 Surplus	1,281,600
		2017 Dividend	–	2016 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	453,140
(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 2018Note 2. Water supply business
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2018

National Water Initiative (NWI) financial performance indicators

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	15,087
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)]	%	66.31%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	80,608
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	9,583
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	3,901
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)]	%	4.97%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

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

Ballina Shire Council

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

Note 3. Wastewater business best-practice management disclosure requirements

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

2018

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	634,000
(ii)	Number of assessments multiplied by \$3/assessment	47,628
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	47,628
(iv)	Amounts actually paid for tax equivalents	38,000

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	4,269,300
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	428,652
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	9,064,600

2018 Surplus	8,538,600	2017 Surplus	(271,000)	2016 Surplus	797,000
		2017 Dividend	-	2016 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	428,652
(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 2018Note 3. Wastewater business
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2018

National Water Initiative (NWI) financial performance indicators

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	26,383
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	222,279
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	9,154
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	12,161
NWI F18	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	6.09%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

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

NWI F3	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	41,476
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	0.75%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	16,062
NWI F19	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	5.79%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
NWI F21	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

Ballina Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2018Note 3. Wastewater business
best-practice management disclosure requirements (continued)

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

2018

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

NWI F22	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	10.81%
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest Earnings before interest and tax (EBIT): Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c) Net interest: Interest expense (w4a + s4a) – interest income (w9 + s10)		5
NWI F24	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	13,661
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	313

- 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 report
Ballina Shire Council

To the Councillors of the Ballina Shire Council

Opinion

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

The Declared Business Activities of the Council are:

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

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

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

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

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

My opinion does not provide assurance:

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

Karen Taylor
Director, Financial Audit Services

25 October 2018
SYDNEY

Part D
Special Schedules

Ballina Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2018

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



Ballina Shire Council

Special Schedules for the year ended 30 June 2018

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

Background

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

Ballina Shire Council

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

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	1,647	–	–	(1,647)
Administration	3,698	926	4,680	1,908
Public order and safety				
Fire service levy, fire protection, emergency services	637	189	–	(448)
Beach control	376	–	–	(376)
Enforcement of local government regulations	–	–	–	–
Animal control	89	126	–	37
Other	480	171	–	(309)
Total public order and safety	1,582	486	–	(1,096)
Health	970	388	–	(582)
Environment				
Noxious plants and insect/vermin control	117	–	–	(117)
Other environmental protection	676	22	182	(472)
Solid waste management	7,507	8,601	–	1,094
Street cleaning	357	–	–	(357)
Drainage	1,954	380	6,459	4,885
Stormwater management	–	–	–	–
Total environment	10,611	9,003	6,641	5,033
Community services and education				
Administration and education	1,061	346	–	(715)
Social protection (welfare)	–	–	–	–
Aged persons and disabled	–	–	–	–
Children's services	328	–	–	(328)
Total community services and education	1,389	346	–	(1,043)
Housing and community amenities				
Public cemeteries	329	396	–	67
Public conveniences	430	–	–	(430)
Street lighting	626	–	–	(626)
Town planning	3,450	779	–	(2,671)
Other community amenities	78	–	–	(78)
Total housing and community amenities	4,913	1,175	–	(3,738)
Water supplies	10,805	11,919	2,898	4,012
Wastewater services	16,728	17,864	7,971	9,107

Ballina Shire Council

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

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	1,631	1,228	–	(403)
Museums	10	–	–	(10)
Art galleries	352	157	–	(195)
Community centres and halls	1,106	218	–	(888)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	–	–	–	–
Sporting grounds and venues	1,189	–	92	(1,097)
Swimming pools	806	44	49	(713)
Parks and gardens (lakes)	2,804	437	127	(2,240)
Other sport and recreation	112	–	1,282	1,170
Total recreation and culture	8,010	2,084	1,550	(4,376)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	1,219	1,418	–	199
Other mining, manufacturing and construction	191	64	–	(127)
Total mining, manufacturing and const.	1,410	1,482	–	72
Transport and communication				
Urban roads (UR) – local	8,286	1,445	–	(6,841)
Urban roads – regional	160	7	16,608	16,455
Sealed rural roads (SRR) – local	789	–	–	(789)
Sealed rural roads (SRR) – regional	377	–	–	(377)
Unsealed rural roads (URR)	644	–	–	(644)
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges	112	–	–	(112)
Bridges on SRR – local	–	–	–	–
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	42	–	–	(42)
Footpaths	843	–	394	(449)
Aerodromes	4,928	6,749	449	2,270
Other transport and communication	969	1,596	523	1,150
Total transport and communication	17,150	9,797	17,974	10,621
Economic affairs				
Camping areas and caravan parks	250	418	–	168
Other economic affairs	2,633	5,027	–	2,394
Total economic affairs	2,883	5,445	–	2,562
Totals – functions	81,796	60,915	41,714	20,833
General purpose revenues ⁽¹⁾	–	26,595	–	26,595
Share of interests – joint ventures and associates using the equity method	–	55	–	55
NET OPERATING RESULT ⁽²⁾	81,796	87,565	41,714	47,483

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

Ballina Shire Council

Special Schedule 2 – Permissible income for general rates

for the year ended 30 June 2019

\$'000		Calculation 2018/19	Calculation 2017/18
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	21,510	20,329
Plus or minus adjustments ⁽²⁾	b	168	175
Notional general income	c = (a + b)	21,678	20,504
Permissible income calculation			
Special variation percentage ⁽³⁾	d	9.10%	4.90%
Or rate peg percentage	e	–	–
Or crown land adjustment (incl. rate peg percentage)	f	–	–
Less expiring special variation amount	g	(697)	–
Plus special variation amount	h = d x (c – g)	1,909	1,005
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)	22,890	21,509
Plus (or minus) last year's carry forward total	l	(14)	0
Less valuation objections claimed in the previous year	m	(2)	(15)
Sub-total	n = (l + m)	(16)	(15)
Total permissible income	o = k + n	22,874	21,494
Less notional general income yield	p	22,868	21,510
Catch-up or (excess) result	q = o – p	6	(16)
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	6	2
Less unused catch-up ⁽⁵⁾	s	–	–
Carry forward to next year	t = q + r – s	12	(14)

Notes

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

Ballina Shire Council

Special Schedule 2 – Independent Auditors Report for the year ended 30 June 2019

Report on Special Schedule 2

Insert here signed Independent Auditors Report

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 2018

\$'000	2018	2017
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	1,767	2,043
b. Engineering and supervision	366	346
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
– Mains		
c. Operation expenses	56	49
d. Maintenance expenses	409	397
– Reservoirs		
e. Operation expenses	20	29
f. Maintenance expenses	35	37
– Pumping stations		
g. Operation expenses (excluding energy costs)	6	12
h. Energy costs	37	38
i. Maintenance expenses	–	–
– Treatment		
j. Operation expenses (excluding chemical costs)	160	135
k. Chemical costs	–	–
l. Maintenance expenses	20	42
– Other		
m. Operation expenses	250	224
n. Maintenance expenses	479	439
o. Purchase of water	5,978	5,887
3. Depreciation expenses		
a. System assets	1,443	1,428
b. Plant and equipment	39	32
4. Miscellaneous expenses		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	12	11
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	31	32
5. Total expenses	11,108	11,181

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 2018

\$'000	2018	2017
Income		
6. Residential charges		
a. Access (including rates)	2,763	2,662
b. Usage charges	5,439	5,680
7. Non-residential charges		
a. Access (including rates)	726	710
b. Usage charges	2,099	2,091
8. Extra charges	–	–
9. Interest income	436	344
10. Other income	785	781
10a. Aboriginal Communities Water and Sewerage Program	–	–
11. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	157	160
c. Other grants	–	–
12. Contributions		
a. Developer charges	1,075	469
b. Developer provided assets	1,867	–
c. Other contributions	176	–
13. Total income	15,523	12,897
14. Gain (or loss) on disposal of assets	6	(61)
15. Operating result	4,421	1,655
15a. Operating result (less grants for acquisition of assets)	4,421	1,655

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 2018

\$'000	2018	2017
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	158	185
b. New assets for growth	3,487	615
c. Renewals	256	376
d. Plant and equipment	–	113
17. Repayment of debt	–	–
18. Totals	3,901	1,289
Non-operating funds employed		
19. Proceeds from disposal of assets	18	53
20. Borrowing utilised	–	–
21. Totals	18	53
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	14,253	14,180
b. Residential (unoccupied, ie. vacant lot)	334	223
c. Non-residential (occupied)	1,523	1,520
d. Non-residential (unoccupied, ie. vacant lot)	28	31
23. Number of ETs for which developer charges were received	328 ET	146 ET
24. Total amount of pensioner rebates (actual dollars)	\$ 284,944	\$ 290,829

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 2018

\$'000	Current	Non-current	Total
ASSETS			
25. Cash and investments			
a. Developer charges	7,363	1,403	8,766
b. Special purpose grants	–	–	–
c. Accrued leave	125	24	149
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	7,332	1,396	8,728
26. Receivables			
a. Specific purpose grants	6	–	6
b. Rates and availability charges	290	12	302
c. User charges	1,874	78	1,952
d. Other	144	4	148
27. Inventories	–	–	–
28. Property, plant and equipment			
a. System assets	–	80,608	80,608
b. Plant and equipment	–	327	327
29. Other assets	–	–	–
30. Total assets	17,134	83,852	100,986
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	21	–	21
33. Borrowings	–	–	–
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	143	6	149
35. Total liabilities	164	6	170
36. NET ASSETS COMMITTED	16,970	83,846	100,816
EQUITY			
37. Accumulated surplus			46,545
38. Asset revaluation reserve			54,271
39. Other reserves			–
40. TOTAL EQUITY			100,816
Note to system assets:			
41. Current replacement cost of system assets			123,251
42. Accumulated current cost depreciation of system assets			(42,643)
43. Written down current cost of system assets			80,608

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 2018

\$'000	2018	2017
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	3,140	3,401
b. Engineering and supervision	390	411
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	–	–
b. Maintenance expenses	293	313
– Pumping stations		
c. Operation expenses (excluding energy costs)	288	271
d. Energy costs	355	359
e. Maintenance expenses	855	1,010
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	1,312	1,169
g. Chemical costs	–	–
h. Energy costs	634	592
i. Effluent management	–	–
j. Biosolids management	112	67
k. Maintenance expenses	996	1,146
– Other		
l. Operation expenses	340	313
m. Maintenance expenses	439	261
3. Depreciation expenses		
a. System assets	3,606	3,680
b. Plant and equipment	68	51
4. Miscellaneous expenses		
a. Interest expenses	4,248	4,449
b. Revaluation decrements	–	–
c. Other expenses	213	342
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	38	40
5. Total expenses	17,327	17,875

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 2018

\$'000	2018	2017
Income		
6. Residential charges (including rates)	14,292	13,597
7. Non-residential charges		
a. Access (including rates)	1,883	1,811
b. Usage charges	1,167	1,175
8. Trade waste charges		
a. Annual fees	43	41
b. Usage charges	121	122
c. Excess mass charges	10	20
d. Re-inspection fees	–	–
9. Extra charges	–	–
10. Interest income	253	493
11. Other income	446	456
11a. Aboriginal Communities Water and Sewerage Program	–	–
12. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	156	159
c. Other grants	–	–
13. Contributions		
a. Developer charges	2,371	737
b. Developer provided assets	5,854	–
c. Other contributions	40	27
14. Total income	<u>26,636</u>	<u>18,638</u>
15. Gain (or loss) on disposal of assets	–	(402)
16. Operating result	<u>9,309</u>	<u>361</u>
16a. Operating result (less grants for acquisition of assets)	9,309	361

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 2018

\$'000	2018	2017
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	191	821
b. New assets for growth	7,242	841
c. Renewals	4,728	573
d. Plant and equipment	–	95
18. Repayment of debt	14,380	2,958
19. Totals	26,541	5,288
Non-operating funds employed		
20. Proceeds from disposal of assets	–	12
21. Borrowing utilised	–	–
22. Totals	–	12
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	14,080	13,814
b. Residential (unoccupied, ie. vacant lot)	329	404
c. Non-residential (occupied)	1,439	1,425
d. Non-residential (unoccupied, ie. vacant lot)	28	31
24. Number of ETs for which developer charges were received	472 ET	150 ET
25. Total amount of pensioner rebates (actual dollars)	\$ 283,687	\$ 289,234

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 2018

\$'000	Current	Non-current	Total
ASSETS			
26. Cash and investments			
a. Developer charges	4,908	935	5,843
b. Special purpose grants	–	–	–
c. Accrued leave	518	99	617
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	1,907	363	2,270
27. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	401	17	418
c. User charges	779	32	811
d. Other	106	30	136
28. Inventories	–	–	–
29. Property, plant and equipment			
a. System assets	–	222,279	222,279
b. Plant and equipment	–	421	421
30. Other assets	–	–	–
31. Total assets	8,619	224,176	232,795
LIABILITIES			
32. Bank overdraft	–	–	–
33. Creditors	142	–	142
34. Borrowings	3,387	52,885	56,272
35. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	591	26	617
36. Total liabilities	4,120	52,911	57,031
37. NET ASSETS COMMITTED	4,499	171,265	175,764
EQUITY			
38. Accumulated surplus			107,831
39. Asset revaluation reserve			67,933
40. Other reserves			–
41. TOTAL EQUITY			175,764
Note to system assets:			
42. Current replacement cost of system assets			296,390
43. Accumulated current cost depreciation of system assets			(74,111)
44. Written down current cost of system assets			222,279

Ballina Shire Council

Notes to Special Schedules 3 and 5 for the year ended 30 June 2018

Administration ⁽¹⁾

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

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

Engineering and supervision ⁽¹⁾

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

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

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

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

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

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

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

Aboriginal Communities Water and Sewerage Program (item 4f of Special Schedules 3 and 5) is to be used when operation and maintenance work has been undertaken on behalf of the Aboriginal Communities Water and Sewerage Program. Similarly, income for item 11a of Special Schedule 3 and item 12a of Special Schedule 5 are for services provided to the Aboriginal Communities Water and Sewerage Program and is not part of Council's water supply and 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 sewerage services received by Council under Section 565 of the *Local Government Act*.

Notes:

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

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

Ballina Shire Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Council Offices	56	20	75	68	7,976	16,913	65%	31%	3%	1%	0%
	Works Depot	366	90	100	136	6,956	11,295	83%	10%	4%	0%	3%
	Halls	119	60	50	20	1,032	4,022	11%	29%	59%	0%	0%
	Dwellings	411	120	50	–	772	3,544	9%	43%	38%	0%	10%
	Airport	4	–	100	102	4,965	8,502	91%	8%	1%	0%	0%
	Shops/Offices	88	120	50	59	3,721	8,345	48%	39%	13%	0%	0%
	Library	–	5	30	–	3,814	6,761	96%	4%	0%	0%	0%
	Community Centres	–	20	250	258	14,908	21,890	86%	14%	0%	0%	0%
	Childcare Centres	59	10	20	–	1,939	6,330	16%	65%	19%	0%	0%
	Waste Centre	38	10	60	108	2,281	4,319	75%	22%	0%	2%	0%
	Amenities/Toilets	515	150	300	211	17,444	30,331	60%	27%	12%	0%	1%
	Sub-total	1,657	605	1,085	962	65,807	122,251	66.1%	24.2%	8.6%	0.3%	0.9%
Other structures	Other structures	887	310	450	458	12,223	19,533	62%	17%	14%	5%	3%
	Sub-total	887	310	450	458	12,223	19,533	61.6%	16.7%	14.2%	4.9%	2.6%
Roads	Sealed roads	628	554	840	849	275,355	358,771	66%	26%	7%	1%	0%
	Unsealed roads	216	100	583	627	20,598	23,762	2%	2%	0%	96%	0%
	Bridges	717	250	70	51	32,333	51,035	63%	14%	22%	1%	0%
	Footpaths/Cycleways	46	50	125	137	25,946	34,286	67%	31%	1%	0%	0%
	Kerb & Gutter	15	10	–	–	27,348	39,493	67%	32%	1%	0%	0%
	Bulk earthworks	–	–	–	–	137,976	138,503	100%	0%	0%	0%	0%
	Road Furniture	147	52	50	55	19,477	24,437	76%	12%	12%	0%	0%
	Sub-total	1,769	1,016	1,668	1,719	539,033	670,287	71.0%	19.1%	6.0%	3.8%	0.1%

Ballina Shire Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Water supply network	Treatment Plants	159	149	60	20	2,700	5,526	3%	19%	74%	3%	0%
	Pump Stations	52	46	60	44	1,629	2,101	78%	0%	15%	7%	0%
	Reservoirs	1,759	1,713	60	35	13,249	18,562	10%	0%	79%	0%	12%
	Water Connections	214	204	300	387	1,304	2,830	30%	27%	25%	11%	7%
	Pipelines	4,667	3,746	400	409	54,395	86,236	11%	43%	36%	8%	2%
	Sub-total	6,851	5,858	880	895	73,277	115,256	12.3%	33.6%	44.4%	6.3%	3.4%
Wastewater network	Treatment	2,927	925	1,000	996	60,932	87,579	50%	2%	45%	3%	1%
	Pumping Stations	3,897	2,062	900	855	30,571	52,772	14%	8%	67%	6%	5%
	Mains	584	463	450	293	102,815	123,884	19%	74%	7%	0%	1%
	Recycled Water	–	–	100	178	12,439	13,958	72%	28%	0%	0%	0%
	Sub-total	7,407	3,450	2,450	2,323	206,757	278,193	30.5%	36.0%	30.0%	2.0%	1.4%

Ballina Shire Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Pollution Control	–	–	25	26	1,909	2,200	93%	7%	0%	0%	0%
	Outfall Structures	4	5	10	–	173	344	35%	47%	16%	2%	0%
	Reticulation – Pipe	7	–	400	405	54,835	83,550	58%	42%	0%	0%	0%
	Reticulation – Pit	8	10	6	–	17,661	29,082	51%	49%	1%	0%	0%
	Culverts	170	176	30	–	6,990	13,868	27%	50%	23%	0%	0%
	Sub-total	190	191	471	431	81,568	129,044	53.4%	43.8%	2.8%	0.0%	0.0%
TOTAL – ALL ASSETS	18,761	11,430	7,004	6,787	978,666	1,334,565	55.2%	26.7%	14.3%	3.0%	0.8%	

Notes:

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

Infrastructure asset condition assessment 'key'

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

Ballina Shire Council

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

	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
Infrastructure asset performance indicators * consolidated					
1. Buildings and infrastructure renewals ratio					
Asset renewals ⁽²⁾	<u>24,379</u>	142.58%	84.21%	89.75%	>= 100%
Depreciation, amortisation and impairment	<u>17,098</u>				
2. Infrastructure backlog ratio ⁽¹⁾					
Estimated cost to bring assets to a satisfactory standard	<u>18,761</u>	1.92%	1.98%	0.91%	< 2.00%
Net carrying amount of infrastructure assets	<u>978,665</u>				
3. Asset maintenance ratio					
Actual asset maintenance	<u>6,787</u>	96.90%	82.91%	99.66%	> 100%
Required asset maintenance	<u>7,004</u>				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	<u>11,430</u>	0.86%	0.86%	0.41%	
Gross replacement cost	<u>1,334,565</u>				

Notes

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

(1) Excludes Work In Progress (WIP)

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

Ballina Shire Council

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

	General indicators ⁽¹⁾		Water indicators		Wastewater indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Infrastructure asset performance indicators by fund							
1. Buildings and infrastructure renewals ratio							
Asset renewals ⁽³⁾	161.25%	106.83%	14.72%	34.31%	135.28%	31.79%	>= 100%
Depreciation, amortisation and impairment							
2. Infrastructure backlog ratio ⁽²⁾							
Estimated cost to bring assets to a satisfactory standard	0.64%	0.66%	9.21%	9.24%	3.55%	3.60%	< 2.00%
Net carrying amount of infrastructure assets							
3. Asset maintenance ratio							
Actual asset maintenance	97.15%	75.98%	101.67%	93.27%	94.80%	88.84%	> 100%
Required asset maintenance							
4. Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	0.23%	0.19%	5.00%	5.07%	1.22%	1.25%	
Gross replacement cost							

Notes

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



INDEPENDENT AUDITOR'S REPORT

Special Schedule 2 - Permissible Income for general rates

Ballina Shire Council

To the Councillors of Ballina Shire Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

My opinion does *not* provide assurance:

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

Karen Taylor
Director, Financial Audit Services

25 October 2018
SYDNEY