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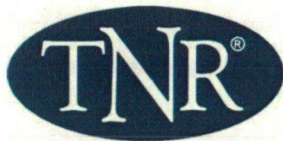
Annual Financial Reports

Year ending 30 June 2011



PART A

Auditor's Reports



27 October 2011

Mayor and Councillors
Ballina Shire Council
P O Box 450
BALLINA NSW 2478

Dear Councillors

We have completed our audit of the Council's general purpose and special purpose financial statements for the year ended 30 June 2011. In accordance with section 417 of the Local Government Act 1993, we now report on the conduct of the audit.

1. COUNCIL'S FINANCIAL REPORTING REQUIREMENTS

Council is required to prepare two financial reports ready for audit each year:

General Purpose Financial Report

This financial report presents the financial position and performance of the Council on a consolidated basis. The report includes all controlled Council operations such as general, water and sewer funds as well as domestic waste management activities. Council has prepared its general purpose financial report in accordance with the Division of Local Government Code of Accounting Practice Manual which adopts applicable Australian Accounting Standards as the framework for financial reporting.

Special Purpose Financial Report

This financial report provides an understanding of the financial position and performance of Council's declared business activities as required under National Competition Policy. Council's declared business activities for the 2011 financial year are:

- Water fund operations
- Sewer fund operations
- Quarry operations
- Aerodrome
- Wigmore Arcade
- Land development
- Commercial waste
- Private works



Council is not required to adopt Australian Accounting Standards when preparing this financial report however the financial position and performance have been calculated by adopting applicable Accounting Standard requirements.

2. AUDITOR'S RESPONSIBILITIES

In order that Councillors may appreciate our responsibilities as auditors, we take this opportunity to briefly discuss the scope of our audit.

Council's annual financial audit engagement has been conducted in accordance with Australian Auditing Standards.

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

Forming Our Audit Opinion

Our function as auditors is to examine the general purpose and special purpose financial reports presented to us by the Council to allow us to express an audit opinion. Our audit opinion does not cover:

- i) The original budget information included in:
 - The income statement;
 - The statement of cash flows; and
 - Note 2(a) to the financial statements in the general purpose financial statements;
- ii) Note 16 budget variation explanations in the general purpose financial statements;
- iii) Note 17 forecast information contained in the general purpose financial statements; and
- iv) The best practice disclosures in notes 2 & 3 to the special purpose financial statements.

As auditors of the Council we are not responsible for the preparation of the financial reports or for the maintenance of accounting records or the organisation's systems of internal control. These responsibilities, together with the requirement to present financial reports, which give a true and fair view of the state of the **Council's affairs and of its results** are imposed on Council by the Local Government Act and Regulations 1993.



3. CONSOLIDATED OPERATING RESULT

Council's surplus from all activities for 2011 was \$19,200,000. This compares to a surplus in 2010 of \$3,730,000. This result can be summarised as follows:-

Consolidated Operating Result	2009	2010	2011
	\$'000	\$'000	\$'000
Revenues from continuing operations	56,728	57,858	59,620
Expenses from continuing operations	(47,081)	(48,132)	(47,004)
Result from ordinary activities before depreciation	9,647	9,726	12,616
Less: Depreciation expense	(14,751)	(14,429)	(19,024)
Result After Depreciation Expense	(5,104)	(4,703)	(6,408)
Significant Items Impacting the Operating Result			
Gain on recognition of interest-free loans	-	4,142	-
Increase in the fair value of investment properties	-	-	2,567
Increase (Reduction) in the fair value of investments	(1,889)	1,641	747
Loss on disposal of assets	(369)	(347)	(1,751)
Capital grants and contributions	8,520	10,375	24,045
Loss on disposal of assets from discontinued operations	-	(7,378)	-
Surplus From All Activities	1,158	3,730	19,200



3.1 Analysis of Operating Result After Depreciation

Council has recorded a deficit from ordinary activities after depreciation of \$6,408,000 which has increased by \$1,705,000 from 2010. Some of the material components contributing to the increased deficit include:

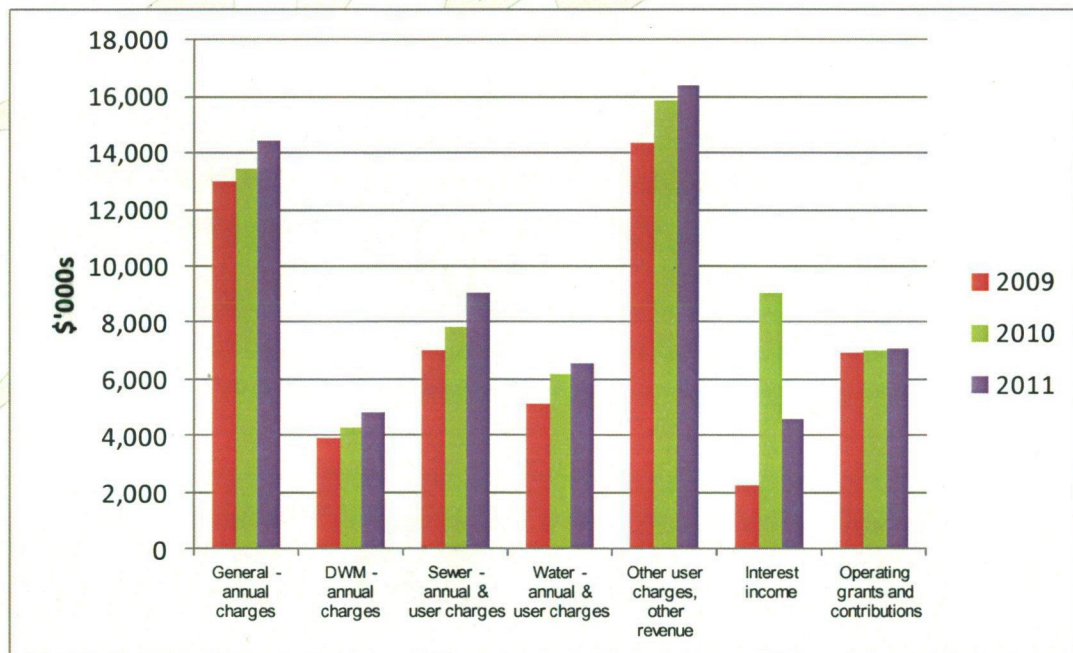
Account	Increase / (Decrease) \$'000	Reason for Increase / Decrease
REVENUE		
General rates	956	General rates revenue increased as a result of Council receiving approval for a rate variation of 6.2%.
Private Works	(3,757)	Private Works revenue has reduced as a result of decreased demand from private contractors. Private works revenue was inflated in 2010 as Council was contracted to construct / implement traffic lights at Bangalow Rd / State Highway and at Kerr St / Fox St as well as the roundabout at the Pacific Highway / North Creek Rd intersections.
Planning and Building Revenue	(645)	Revenue associated with development has reduced as a result of a downturn in economic activity.
Interest Revenue	566	Interest revenue has increased in conjunction with the amount of funds invested. Interest rates also increased during the financial year which enhanced Council's return on investments.
Recovered Legal Expenses	538	Council was successful in defending a claim relating to the validity of zoning of certain land stock held by Ballina Shire Council.
EXPENSES		
Materials & Contracts	(2,969)	Expenditure relating to materials and contracts decreased in conjunction with reduced private works as mentioned above.
Depreciation & Amortisation	4,595	In 2010 Council revalued its roads, bridges and drainage infrastructure and reassessed their remaining useful life. Depreciation of this infrastructure increased in 2011 by \$3,505,000 as a result of this process. Depreciation expense relating to other infrastructure also increased when compared to the previous year.



3.2 Analysis of Income Sources

	2009	2010	2011
	\$'000	\$'000	\$'000
General - annual charges	12,976	13,429	14,416
DWM - annual charges	3,883	4,322	4,804
Sewer - annual & user charges	7,027	7,810	9,058
Water - annual & user charges	5,103	6,192	6,531
Sub - total	<u>28,989</u>	<u>31,753</u>	<u>34,809</u>
Other user charges, other revenue	14,374	15,859	16,428
Interest income	2,231	9,032	4,580
Operating grants and contributions	<u>6,925</u>	<u>6,997</u>	<u>7,117</u>
Total income from continuing operations before profit from disposal of assets and capital grants	<u><u>52,519</u></u>	<u><u>63,641</u></u>	<u><u>62,934</u></u>

\$ Income sources



Council must generate sufficient revenue to enable it to satisfy ratepayer demands, replace or improve its infrastructure and achieve its strategic goals. The above graph illustrates that revenue is trending upwards so that Council can continue to satisfy its community and statutory obligations.



3.3 Capital Revenue

Grants and Contributions

Capital grants received during the year amounted to \$648,000 whilst capital contributions received totalled \$23,397,000. Capital contributions consisted of the following:

	2009	2010	2011
	\$'000	\$'000	\$'000
Section 94 Contributions	471	1,552	2,637
Section 64 Contributions	237	882	2,677
Community Centres	2317	-	-
Roadworks	786	650	859
RTA contributions	495	1,641	553
Non Cash Contributions from developers	1,698	4,007	16,189
Plant & Equipment	300	-	-
Other Contributions	371	611	482
	6,675	9,343	23,397

The increased contributions in 2011 is largely attributable to the receipt of asset dedications of \$16,189,000 on the completion of land subdivisions. Dedications received during the 2011 financial year consisted of:

Roads infrastructure	\$8,213,000
Sewer infrastructure	\$2,954,000
Stormwater infrastructure	\$2,972,000
Water infrastructure	\$1,658,000
Buildings	\$ 392,000

The use of capital contributions is generally restricted and accordingly they are generally not available to meet **Council's general operations**.

Developer Contributions

Developers of land subdivisions and other projects are often required to pay developer contributions (in the form of section 64 & 94 contributions). These contributions must be used by Council to provide infrastructure sufficient to satisfy the needs of a growing population. At 30 June 2011 Council had \$6,233,000 held as a restricted asset for S.94 contributions and \$11,436,000 as a restricted asset for S.64 (water & sewer) contributions as illustrated below.

	2009	2010	2011
	\$'000	\$'000	\$'000
Car Parking	1,894	1,986	2,101
Open Space	233	445	329
Roads	1,590	1,756	2,458
Community Facilities	885	1,311	405
Planning & Administration & Other	3	3	18
Heavy Vehicle	1,570	1,855	922
S. 94 balances	6,175	7,356	6,233
S. 64 water balances	9,387	6,419	7,522
S. 64 sewer balances	6,109	4,955	3,914
TOTAL	21,671	18,730	17,669



According to Note 17 of the 2011 general purpose financial report, Council expects to collect sufficient section 64 & 94 contributions to satisfy planned population growth.

4. DECLARED BUSINESS ACTIVITIES UNDER THE NATIONAL COMPETITION GUIDELINES

Under the National Competition guidelines, Council is required to apply taxation equivalent principles to each business similar to those that would apply if they were operating in the commercial sector. Council declared business activities have been reported with operating details and assets disclosed on a gross basis in Council's special purpose financial statements.

Each activity has a required rate of return on its activities that is calculated as the operating result plus interest expense divided by the written down value of property, plant and equipment. Where the return on investment is below the required rate of return, the difference is disclosed as a subsidy. Dividends represent funds used from the relevant business activity for other functions of Council.

Provided below is a summary of the financial performance of Council's declared business activities:

	Revenue \$'000	Expenses \$'000	Result prior to capital amounts \$'000	Return on capital %	Notional Subsidy \$'000	Dividends Paid \$'000
2011						
Water	7,899	9,849	(1,950)	(2.17)	N/A	34
Sewer	10,735	12,032	(1,297)	(0.62)	N/A	20
Quarry	671	201	470	53.75	N/A	336
Aerodrome	2,729	3,233	(504)	(1.59)	1,229	-
Wigmore Arcade	943	270	1,153	11.12	N/A	457
Land development	3,474	3,401	4,116	N/A	N/A	818
Waste Other	7,034	5,884	1,150	13.79	N/A	64
Private Works	228	228	-	N/A	N/A	0
2010						
Water	7,404	8,891	(1,487)	(1.74)	N/A	33
Sewer	12,682	11,080	1,602	1.59	N/A	19
Quarry	366	360	6	8.33	N/A	135
Aerodrome	2,377	2,712	(335)	(0.48)	1,093	-
Wigmore Arcade	644	171	473	8.23	N/A	485
Land development	159	1,417	(1,258)	N/A	N/A	214
Waste Other	5,923	5,686	237	8.30	N/A	11
Private Works	3,971	3,321	650	N/A	N/A	650



Water and Sewer Services

Council's water and sewer operations have returned deficits before capital grants and contributions in 2011. It is important that these funds operate profitably so that they are capable of replacing water and sewer infrastructure. Council has a 30 year plan for each of these funds which budget for the generation of sufficient revenues to satisfy operational and capital requirements for current and future generations.

Quarry Operations

Quarry profits have increased on the previous year. The use of quarry materials for the Ballina Bypass has largely contributed to this improved result.

Aerodrome

The operating loss attributable to aerodrome operations has been impacted by increased depreciation expense arising from capital expenditure incurred in the 2010 financial year.

Wigmore Arcade

The Wigmore Arcade operating result from rental activities was consistent with the 2010 financial year. The operating result for 2011 is inflated as the increase in the fair value of the property is recognised as revenue under Australian Accounting Standards relating to investment properties.

Land development

Land development activities include some investment properties constructed by Council. The result for 2011 has been influenced by movements in the fair value of these investment properties as well as profit from the sale of land stock.

Commercial Waste

Commercial waste activities continue to trade in accordance with Council expectations. The operating result for 2011 has been impacted by reduced borrowing costs as loans are repaid.

Private Works

See explanations at Section 3.1 of this report.



5. BALANCE SHEET

We provide commentary on some of the material assets and liabilities appearing on Council's balance sheet as at 30 June 2011.

5.1.1 CASH AND INVESTMENTS

At balance date Council had \$56,880,000 in cash and investments. Council's cash and investments consist of:

	2011 \$'000	2010 \$'000
Cash on hand and at bank	848	2,158
Deposits at call	2,334	1,518
Short term deposits	4,000	21,650
Financial assets at fair value	22,921	28,657
Held to maturity investments	<u>26,777</u>	<u>19,000</u>
	<u>56,880</u>	<u>72,983</u>

Council's cash and investments are largely restricted in their use:

Externally restricted	36,640	43,173
Internally restricted	18,270	26,752
Unrestricted	<u>1,970</u>	<u>3,058</u>
	<u>56,880</u>	<u>72,983</u>

The above table illustrates that Council has approximately \$1,970,000 unrestricted cash at balance date. This money is used to conduct Council's day-to-day operations. Externally restricted cash consists of unspent monies such as developer contributions, grants and contributions as well as water and sewer funds. These funds are limited in their use under legislation or specific funding agreements and are not available for general Council operations.

Internally restricted reserves are tied to specific Council projects under Council resolution and are generally not available to fund day-to-day operations. Whilst internally restricted reserves have reduced from last year, Council's unrestricted current ratio is within acceptable parameters.

Security of Investments

It is important to note that **most of Council's investments** are capital protected on their maturity.

Capital protected on maturity means that the investment's capital is protected to the extent that the financial institution or issuer has the capacity to repay the invested money at the time of maturity.

Liquidity

Based on information provided by Council management, which has not been subject to audit, the maturity profile of investments held at balance date should not materially impact Council's budgeted operations for the 2011/12 financial year from a liquidity perspective.



5.2.1 PROPERTY, PLANT AND EQUIPMENT

During the year Council capitalised the following property, plant and equipment:

	2010 \$'000	2011 \$'000
Non-cash Contributions		
- Roads and Drainage Network	2,360	11,185
- Water Supply Network	598	1,658
- Sewerage Network	1,048	2,954
- Buildings	-	392
Council Constructed / Purchased Assets		
- Land, Buildings and Other Structures	6,321	9,661
- Plant and Equipment	1,001	1,257
- Bridges, Roads and Drainage Network	5,816	12,408
- Water Supply Network	343	794
- Sewerage Network	6,621	9,875
- Land Under Roads	-	1,696
	<u>24,108</u>	<u>51,880</u>

Non-Cash Contributions

Non cash contributions are only received once completed. These revenues can fluctuate greatly depending on the timing of the completion of such projects. Major development projects which were completed in the 2011 financial year which contributed non-cash assets included North Angels Beach, Ferngrove Estate, Avalon, Coastal Grove and Ballina Heights stages 6b & 7b.

Council Constructed / Purchased Additions

The material assets constructed or purchased by Council during the financial year were:

- Buildings
 - In 2011 the construction of the Lennox Head Community Centre was finalised at a cost of approximately \$5.3 million.
- Bridges, Roads, Drainage
 - During the year Council commenced or finalised the construction of the Teven Bridges, the Wollongbar link road and the Alstonville Town Centre upgrade.
- Sewerage Network
 - Sewerage network capital expenditure relates to sewerage treatment plants being constructed at Lennox Head and Ballina.

Asset Revaluations 2011

The Division of Local Government has mandated that all infrastructure assets including land and buildings are to be recognised in Council's financial records at their fair value. Fair value represents the written-down replacement cost of each asset using modern day equivalent materials, design and capacity.



During the year Council revalued Buildings, Other Structures and Community Land. This revaluation process, together with fair value indexing to other infrastructure assets has resulted in the asset revaluation reserve increasing by \$76million.

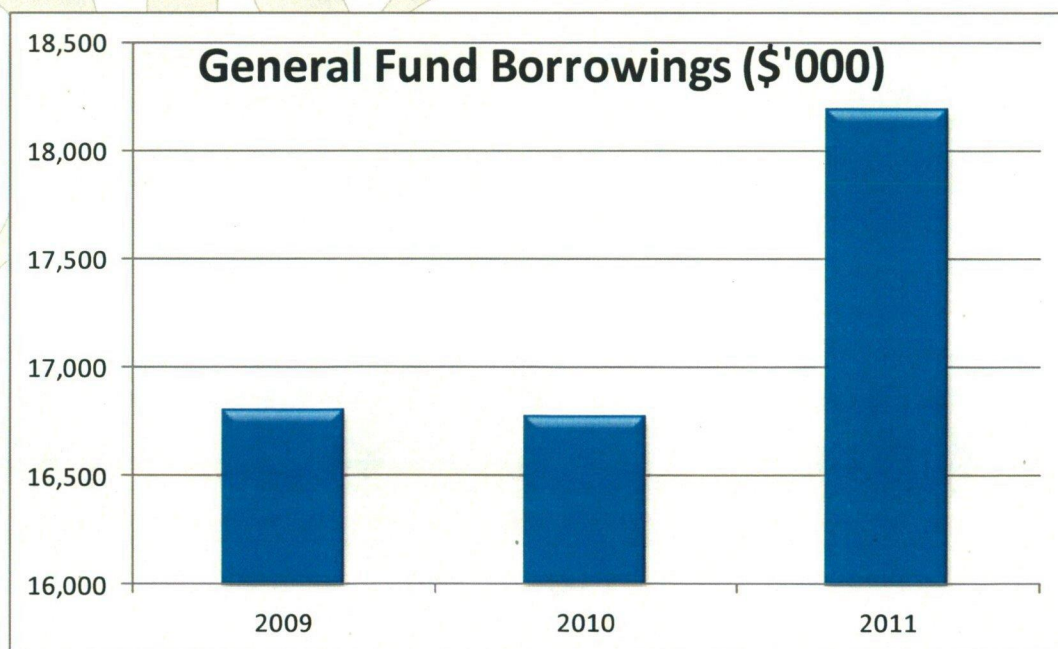
Prior Period Adjustment

During the revaluation of community land, Council identified some controlled assets that had not been previously recognised in the financial report. Council has recognised this in the financial report in accordance with Australian Accounting Standards as a prior period error and additional disclosures have been provided in the balance sheet, the statement of changes in equity and note 20 to the financial statements.

5.3 LOANS LIABILITY

Council has total borrowings at balance date of \$24,468,000 increasing from \$23,725,000 in 2010. The total loan liability at balance date is attributable to the Council's operating funds as follows:

	2011 \$'000
General fund	18,196
Sewer fund	6,265
Water fund	<u>7</u>
Total Loan Liability as at 30 June 2011	<u>24,468</u>



During the 2011 financial year, General Fund borrowed \$3,000,000 to fund Teven Bridge works (\$2,500,000) and Airport improvements (\$500,000).

Debt totalling \$2,901,300 was repaid during the financial year and Council is projecting to repay a further \$2,825,000 in principal in the 2012 financial year.



6. KEY FINANCIAL PERFORMANCE INDICATORS

Council's performance can be measured using selected financial indicators. The local government sector utilises certain key performance indicators to measure some aspects of its financial position and performance. Note 13 to the general purpose financial statements provides details of local government sector key performance indicators on a consolidated basis as well as by Fund. We provide an analysis of some of these key performance indicators on a Fund-by-Fund basis.

When interpreting the ratios below it is important to recognise that they represent a measure of certain aspects of Council's operations at a particular point in time and do not provide a complete assessment of Council's financial performance or position nor do they consider the plans Council has in place to manage its operations into the future.

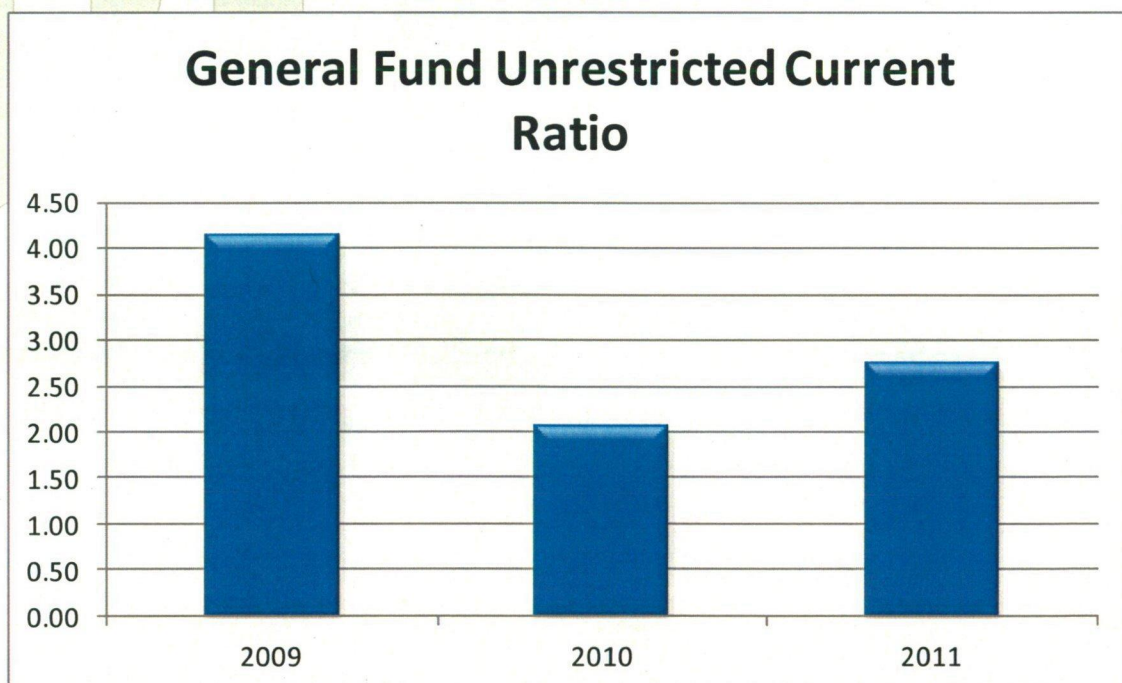
Unrestricted Current Ratio

The unrestricted current ratio represents Council's capacity to meet its commitments from current assets net of externally restricted cash, investments and receivables.

Factors influencing Council's unrestricted current assets ratio include:

- Planning and budgetary controls
- Cash management and the timing of cash flows
- The level of internally restricted assets
- Credit management policies and economic circumstances

General Fund Unrestricted Current Ratio



The general fund unrestricted current ratio has increased from 2.07 as at 30 June 2010 to 2.75 at balance date 2011. This means that Council has \$2.75 in liquid current assets for every \$1 of current liabilities.

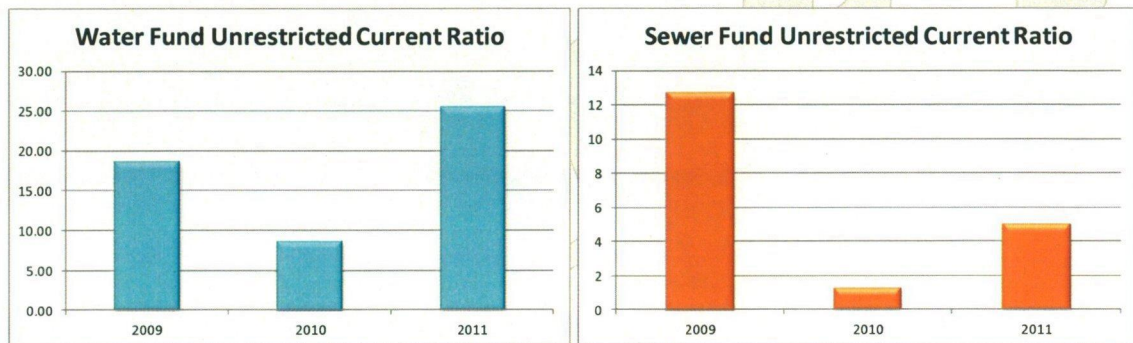


An unrestricted current ratio of at least 1.5 is considered to be an appropriate level to allow Council to satisfy its day-to-day commitments and absorb any unforeseen expenses or reductions in revenue.

General Fund Long-Term Objectives

It is important to note that the unrestricted current ratio does not reflect Council's capacity to fund long term infrastructure needs nor the current state of the infrastructure itself. As part of its asset management processes Council needs to assess its infrastructure requirements and develop strategies to ensure the long-term viability (ability to provide services) of its assets.

Sewer and Water Fund Unrestricted Current Ratio



The water fund unrestricted current ratio has increased from 8.72 to 25.5 and the sewer fund unrestricted current ratio has increased from 1.21 to 4.98.

The unrestricted current ratio for water and sewer activities may fluctuate significantly. Yearly fluctuations may result from the accumulation of internal reserves and the impact of lower debt levels and will continue to fluctuate in the future as further funds are collected and expended on infrastructure improvements

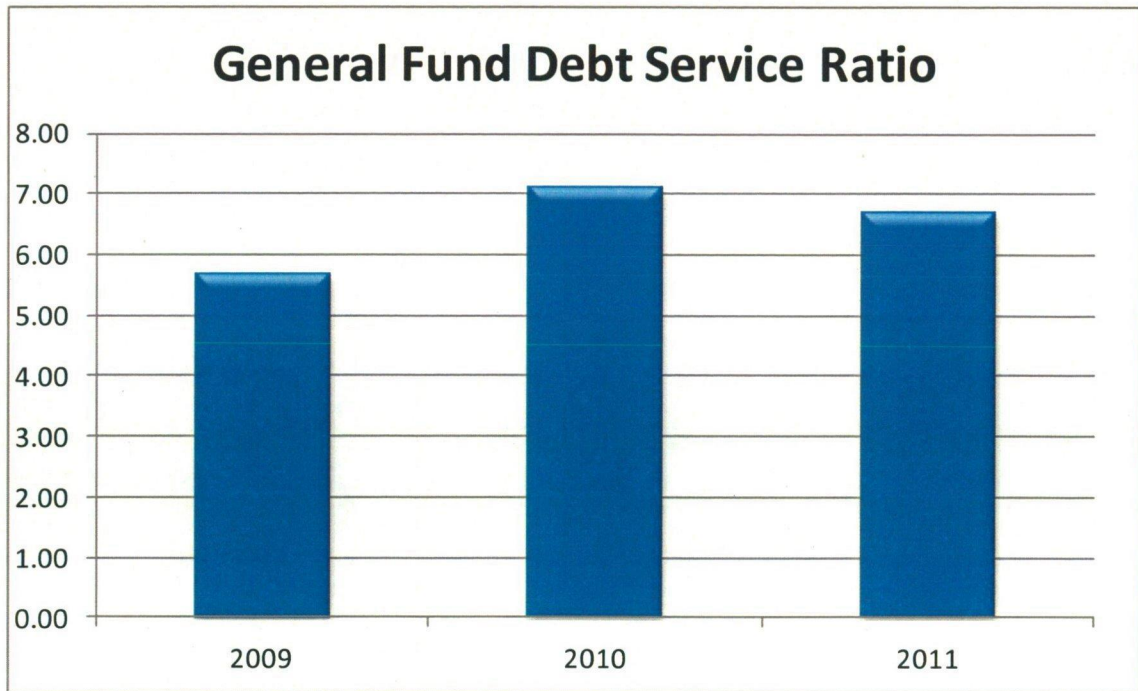
Debt Service Ratio

This indicator assesses the degree to which revenues from continuing operations are committed to the repayment of debt. Factors influencing a council's debt service ratio include:

- The rate of new development in the Council area and the need to borrow to fund new infrastructure;
- Council's debt policy;
- Interest rate movements and loan terms;
- Capital investment strategies and capital contributions policies;
- The level of cash reserves available to reduce the level of borrowings; and
- The state of Council's infrastructure assets and the need to borrow to replace them.



General Fund Debt Service Ratio



The above graph illustrates the movement in Council's general fund debt service levels over the past three years. This ratio remains relatively static and indicates that debt levels are being appropriately managed for a growing coastal council.

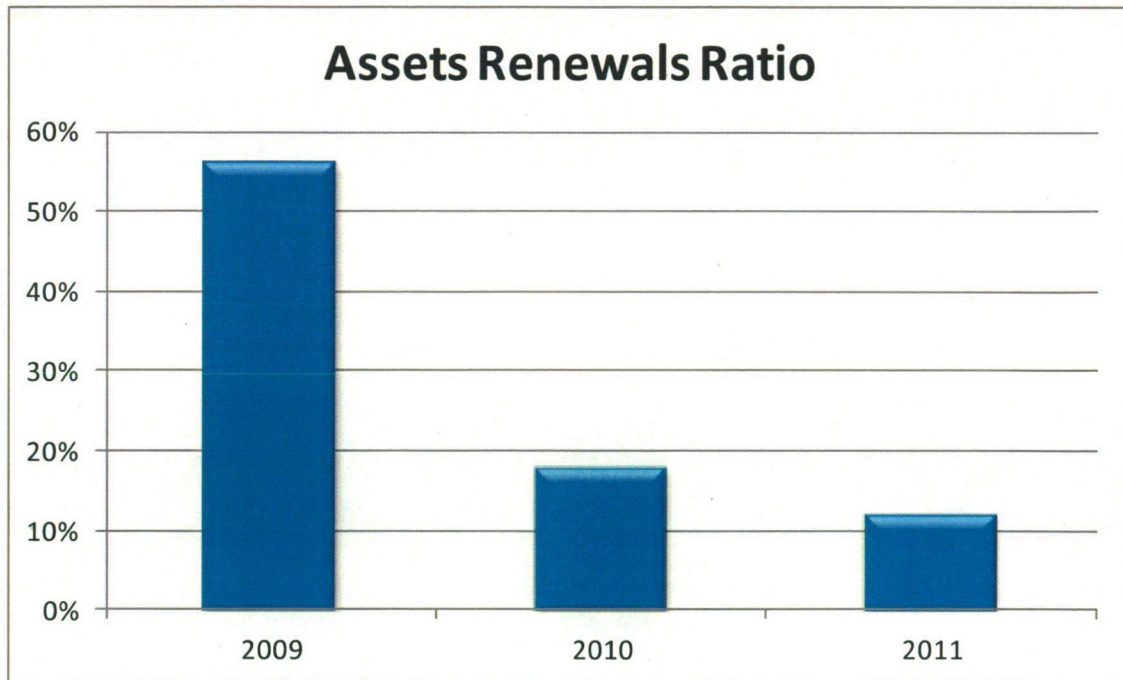
Sewer and Water Fund Debt Service Ratio

Water and sewer fund debt service ratios have remained low. Borrowings by Water and Sewer Funds will be impacted by the level of investment in infrastructure as determined by Council's 30 year infrastructure plan.

Buildings & Infrastructure Renewals Ratio

The purpose of this ratio is to assess the rate at which these assets are being renewed against the rate at which they are depreciating.

Renewals are defined as the replacement of existing assets with equivalent capacity or performance as opposed to the acquisition of new assets. The graph below has been prepared on a consolidated basis.



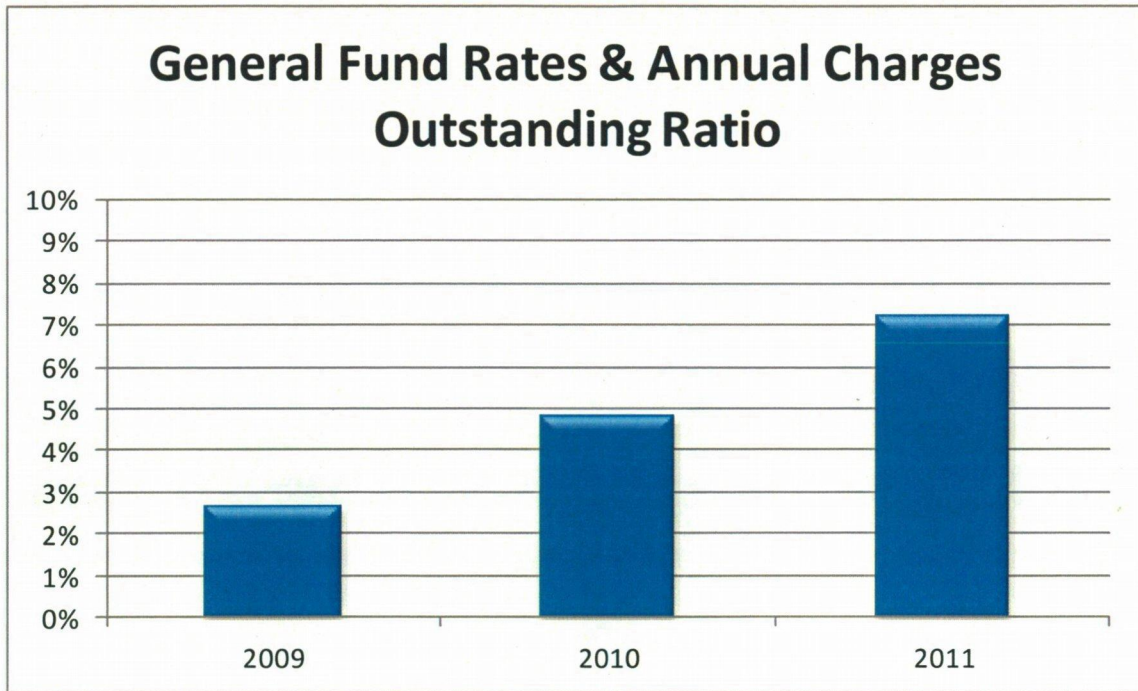
The table above indicates that Council's asset renewal expenditure is not keeping pace with the rate at which these assets are depreciating. We recommend that Council review the reasons for this low ratio and determine what its renewal investment should be.

Rates and Annual Charges Outstanding Percentage

This indicator assesses the effectiveness of Council's revenue collection. Factors influencing Council's rates and annual charges outstanding ratio include:

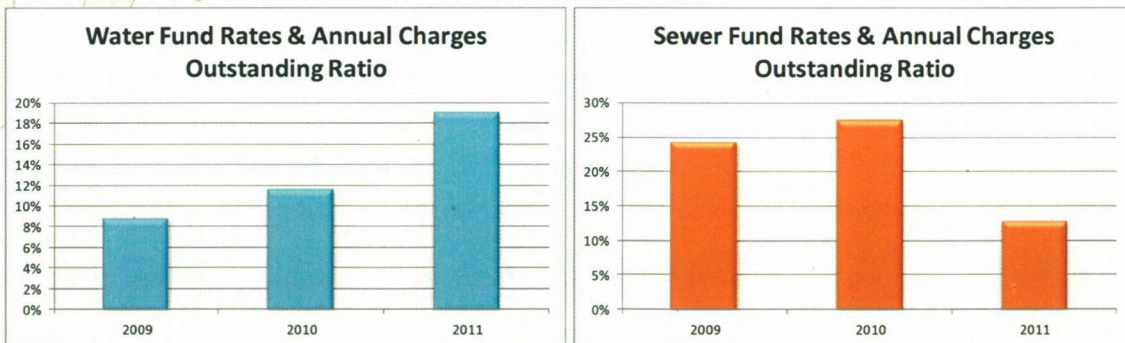
- Council's rating policy;
- Credit management policies;
- The socioeconomic characteristics of the area; and
- Environmental factors influencing ratepayers ability to satisfy their obligations.

General Fund Rates & Annual Charges Outstanding Ratio



Council's General Fund rates and annual charges outstanding is trending upwards. Whilst the ratio is still within acceptable parameters we recommend that Council review its debt collection management practices to ensure cashflow is maximised.

Sewer and Water Fund Rates & Annual Charges Outstanding Ratio



The above graphs illustrate the rates and annual charges outstanding ratio for water and sewer funds. The ratio for water fund can often be influenced by the invoicing for user charges close to the end of the financial year.

7. INTERNAL CONTROL ENVIRONMENT

No significant breakdowns of internal control were encountered during the course of our audit nor did we become aware of the existence of items comprising material error, sufficient to cause us to issue a qualified audit opinion.



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

Yours faithfully

**THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS**

Per:

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

DRAFT



PART B

General Purpose Financial Reports

BALLINA SHIRE COUNCIL

General Purpose Financial Statements for the year ended 30th June 2011

TABLE OF CONTENTS

	<u>Page</u>
General purpose financial statements	
Statement by Councillors and Management	1
Income Statement	2
Statement of Comprehensive Income	3
Balance Sheet	4
Statement of Changes in Equity	5
Statement of Cash Flows	6
Notes to the financial statements	N1 - N47
Auditors' reports	i - xxii

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

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

Ballina Shire Council
Cnr Cherry & Tamar Streets
Ballina NSW 2478

The financial statements are authorised for issue by the Council on 27 October 2011. Council has the power to amend and reissue the financial statements.

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

www.ballina.nsw.gov.au

BALLINA SHIRE COUNCIL

GENERAL PURPOSE FINANCIAL STATEMENTS For the year ended 30 June 2011

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

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

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

To the best of our knowledge and belief, these Statements

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

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

Signed in accordance with a resolution of Council made on 27 October 2011

.....
MAYOR

.....
COUNCILLOR

.....
GENERAL MANAGER

.....
RESPONSIBLE ACCOUNTING OFFICER

BALLINA SHIRE COUNCIL

INCOME STATEMENT for the year ended 30th June 2011

Budget (1) 2011 \$'000		Notes	Actual 2011 \$'000	Actual 2010 \$'000
	INCOME FROM CONTINUING OPERATIONS			
	<i>Revenue:</i>			
29,424	Rates & Annual Charges	3	29,625	26,558
18,497	User Charges & Fees	3	14,987	18,292
2,370	Investment Revenues	3	4,580	9,032
7,657	Other Revenues	3	6,625	2,762
5,146	Grants & Contributions - Operating	3	7,117	6,997
6,575	Grants & Contributions - Capital	3	24,045	10,375
	<i>Other Income:</i>			
12,201	Profit from Disposal of Assets	5	-	-
<u>81,870</u>	Total Income from Continuing Operations		<u>86,979</u>	<u>74,016</u>
	EXPENSES FROM CONTINUING OPERATIONS			
18,583	Employee Benefits and oncosts	4	18,473	18,482
23,858	Materials & Contracts	4	20,921	23,360
1,109	Borrowing Costs	4	1,947	1,494
14,336	Depreciation & Amortisation	4	19,024	14,429
7,786	Other Expenses	4	5,663	4,796
-	Loss from Disposal of Assets	5	1,751	347
<u>65,672</u>	Total expenses from Continuing Operations		<u>67,779</u>	<u>62,908</u>
16,198	OPERATING RESULT FROM CONTINUING OPERATIONS		19,200	11,108
-	Operating result from discontinued operations	24	-	(7,378)
<u>16,198</u>	NET OPERATING RESULT FOR YEAR		<u>19,200</u>	<u>3,730</u>
	Attributable to:			
16,198	BALLINA SHIRE COUNCIL		19,200	3,730
<u>16,198</u>			<u>\$ 19,200</u>	<u>\$ 3,730</u>
<u>9,623</u>	Net operating result before capital grants and contributions		<u>\$ (4,845)</u>	<u>\$ 733</u>

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

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

BALLINA SHIRE COUNCIL

STATEMENT OF COMPREHENSIVE INCOME for the year ended 30th June 2011

	Notes	Actual 2011 \$'000	Actual 2010 \$'000
Net operating result for year - from Income Statement		19,200	3,730
Other comprehensive income			
Gain (loss) on revaluation of infrastructure, property, plant & equipment	20 (b)	76,620	132,373
Total other comprehensive income for the year		<u>76,620</u>	<u>132,373</u>
TOTAL COMPREHENSIVE INCOME		<u>95,820</u>	<u>136,103</u>
Attributable to:			
BALLINA SHIRE COUNCIL		<u>95,820</u>	<u>136,103</u>
		\$ <u>95,820</u>	\$ <u>136,103</u>

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

BALLINA SHIRE COUNCIL

BALANCE SHEET

as at 30th June 2011

	Notes	2011 \$'000	2010 Restated \$'000	1/07/2009 Restated \$'000
CURRENT ASSETS				
Cash & cash equivalents	6	7,182	25,326	15,191
Investments	6	28,426	20,451	19,782
Receivables	7	7,502	9,389	8,239
Inventories	8	4,050	2,940	1,214
Other	8	557	539	550
TOTAL CURRENT ASSETS		<u>47,717</u>	<u>58,645</u>	<u>44,976</u>
NON-CURRENT ASSETS				
Investments	6	21,272	27,206	30,774
Receivables	7	594	720	218
Inventories	8	2,456	2,481	2,276
Infrastructure, Property, Plant & Equipment	9	865,229	759,782	624,727
Investment Property	14	22,030	16,030	16,030
TOTAL NON-CURRENT ASSETS		<u>911,581</u>	<u>806,219</u>	<u>674,025</u>
TOTAL ASSETS		<u>959,298</u>	<u>864,864</u>	<u>719,001</u>
CURRENT LIABILITIES				
Payables	10	4,764	6,582	4,196
Borrowings	10	2,825	7,867	1,794
Provisions	10	7,575	7,861	7,384
TOTAL CURRENT LIABILITIES		<u>15,164</u>	<u>22,310</u>	<u>13,374</u>
NON-CURRENT LIABILITIES				
Payables	10	1,106	1,373	1,554
Borrowings	10	21,643	15,858	15,217
Provisions	10	5,890	5,648	5,284
TOTAL NON CURRENT LIABILITIES		<u>28,639</u>	<u>22,879</u>	<u>22,055</u>
TOTAL LIABILITIES		<u>43,803</u>	<u>45,189</u>	<u>35,429</u>
NET ASSETS		<u>\$ 915,495</u>	<u>819,675</u>	<u>683,572</u>
EQUITY				
Accumulated Surplus	20	558,222	539,022	535,292
Revaluation Reserves	20	357,273	280,653	148,280
Council Equity Interest		<u>915,495</u>	<u>819,675</u>	<u>683,572</u>
TOTAL EQUITY		<u>\$ 915,495</u>	<u>819,675</u>	<u>683,572</u>

The above Balance Sheet is to be read in conjunction with the accompanying notes.

BALLINA SHIRE COUNCIL

STATEMENT OF CHANGES IN EQUITY for the year ended 30th June 2011

2011		Retained Earnings	Asset Reval. Reserve	Council Equity Interest	Total
	Note	\$'000			
Balance at end of previous reporting period		499,755	280,653	780,408	780,408
Effect of correction of errors in previous years on retained earnings	20(d)	39,267	-	39,267	39,267
Restated opening balance		539,022	280,653	819,675	819,675
Net Operating Result for the year		19,200	-	19,200	19,200
Other comprehensive income					
Revaluation of infrastructure, property, plant & equipment	20(b)	-	76,620	76,620	76,620
Total other comprehensive income		-	76,620	76,620	76,620
Balance at end of the reporting period		558,222	357,273	915,495	915,495

2010		Retained Earnings	Asset Reval. Reserve	Council Equity Interest	Total
	Note	\$'000			
Balance at end of previous reporting period		451,962	148,280	600,242	600,242
Effect of correction of errors in previous years on retained earnings		44,063	-	44,063	44,063
Restated opening balance		496,025	148,280	644,305	644,305
Net Operating Result for the year		3,730	-	3,730	3,730
Other comprehensive income					
Revaluation of infrastructure, property, plant & equipment	20	-	132,373	132,373	132,373
Total other comprehensive income		-	132,373	132,373	132,373
Balance at end of the reporting period		499,755	280,653	780,408	780,408

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

BALLINA SHIRE COUNCIL

CASH FLOW STATEMENT for the year ended 30th June 2011

Budget 2011 \$'000		Actual 2011 \$'000	Actual 2010 \$'000
	CASH FLOWS FROM OPERATING ACTIVITIES	Notes	
	<u>Receipts</u>		
29,424	Rates & Annual Charges	29,997	25,604
18,497	User Charges & Fees	16,919	17,943
2,370	Investment Revenue & Interest	3,884	3,123
11,721	Grants & Contributions	17,489	13,526
7,657	Other operating receipts	7,239	2,762
	<u>Payments</u>		
(18,583)	Employee Benefits and on-costs	(18,693)	(19,383)
(23,858)	Materials & Contracts	(24,411)	(19,866)
(1,109)	Borrowing Costs	(1,002)	(1,149)
(7,786)	Other	(9,461)	(4,769)
-	Discontinued Operations	-	(1,368)
18,333	Net Cash provided by Operating Activities	21,961	16,423
	CASH FLOWS FROM INVESTING ACTIVITIES		
	<u>Receipts</u>		
-	Proceeds from sale of Infrastructure, Property, Plant and Equipment	289	141
12,201	Proceeds from sale of Real Estate	703	-
-	Proceeds from sale of Investment Securities	6,483	4,540
-	Repayments from Deferred Debtors	114	25
	<u>Payments</u>		
(75,638)	Purchase of Infrastructure, Property, Plant & Equipment	(35,535)	(19,596)
-	Purchase of Investment Property	(1,822)	-
-	Purchase of Real Estate	(2,659)	(1,812)
-	Purchase of Investment Securities	(7,777)	-
-	Loans to Deferred Debtors	-	(442)
(63,437)	Net Cash used in Investing Activities	(40,204)	(17,144)
	CASH FLOWS FROM FINANCING ACTIVITIES		
	<u>Receipts</u>		
40,800	Proceeds from Borrowings & Advances	3,000	12,650
	<u>Payments</u>		
(3,251)	Repayments of Borrowings & Advances	(2,901)	(1,794)
37,549	Net Cash provided by Financing Activities	99	10,856
(7,555)	Net Decrease in cash and cash equivalents	(18,144)	10,135
	Cash and cash equivalents at beginning of reporting period	11 25,326	15,191
17,771	Cash and cash equivalents at end of reporting period	11 7,182	25,326

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

BALLINA SHIRE COUNCIL

General Purpose Financial Statements for the year ended 30th June 2011

Contents of the notes to the financial statements	<u>Page</u>
Note 1 - Summary of significant accounting policies	N1
Note 2 - Functions or activities	N10
Note 3 - Income from Continuing Operations	N12
Note 4 - Expenses from Continuing Operations	N16
Note 5 - Gain (or Loss) on Disposal of Assets	N18
Note 6 - Cash, cash Equivalents and Investments	N19
Note 7 - Receivables	N22
Note 8 - Inventories & Other Assets	N23
Note 9 - Infrastructure, Property, Plant & Equipment	N24
Note 10 - Liabilities	N26
Note 11 - Reconciliation of Operating result to net cash movement from Operating activities	N28
Note 12 - Commitments for Expenditure	N30
Note 13 - Statement of Performance Measures	N32
Note 14 - Investment Properties	N33
Note 15 - Financial Risk Management	N34
Note 16 - Material Budget Variations	N37
Note 17 - Summary of Developer Contributions	N38
Note 18 - Contingencies	N41
Note 19 - Interests in Joint Ventures	N42
Note 20 - Revaluation Reserves & Retained Earnings	N43
Note 21 - Results by Fund	N44
Note 22 - Non-current assets classified as held for sale	N46
Note 23 - Events occurring after reporting date	N46
Note 24 - Discontinued Operation	N47
Note 25 - Reinstatement, rehabilitation & restoration liabilities	N48
Auditors Report on the Financial Statements [s 417 (2)]	
Auditors Report on the Conduct of the Audit [s 417 (3)]	

BALLINA SHIRE COUNCIL

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

Note 1 – Summary of significant accounting policies

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

1. Basis of preparation

1.1 Compliance with Australian equivalents to International Financial Reporting Standards

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations, the NSW Local Government Act (1993) and regulations and the Local Government Code of Accounting Practice and Financial Reporting.

1.2 Historical cost convention

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

1.3 Critical accounting estimates

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

1.4 Financial statement presentation

The Council has applied the revised AASB 101 Presentation of Financial Statements which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the Council had to change the presentation of its financial statements.

2. Revenue recognition

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

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

2.1 Rates, annual charges, grants and contributions

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

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

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

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

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

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

Note 1 – (cont) Summary of significant accounting policies

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

2.2 User charges and fees

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

A provision for doubtful debt is recognised when collection in full is no longer probable.

2.3 Sale of property, infrastructure and equipment

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

2.4 Interest and rents

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

3. Principles of consolidation

3.1 The Consolidated Fund

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

Other joint ventures and associated entities in which Council is involved are included to the extent set out in paragraph 3.3 below and in Note 19.

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

- General purpose operations
- Water supply
- Sewerage service

3.2 The Trust Fund

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

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

3.3 Joint ventures

The Council's interest in joint ventures has been recognised in the financial statements by including its share of any assets, liabilities, revenues and expenses of the joint venture within the relevant items reported in the balance sheet and income statement. Details of the joint venture are set out in Note 19.

4. Leases

Lease arrangements have been accounted for in accordance with Australian Accounting Standard AASB117 'Leases'.

Council has no finance leases.

In respect of operating leases, where the lessor substantially retains all of the risks and benefits incidental to ownership of the leased items, lease payments are charged to expense over the lease term.

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

5. Acquisition of assets

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

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

Note 1 – (cont) Summary of significant accounting policies

6. Impairment of assets

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

For non-cash generating assets of the Council such as roads, drains, public buildings and other infrastructure – value in use is represented by the asset's written down replacement cost.

7. Cash and cash equivalents

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

8. Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are due for settlement no more than 30 days from the date of recognition.

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

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

9. Inventories

9.1 Raw materials and stores

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

9.2 Real Estate assets developments

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

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

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

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

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the income statement.

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

Note 1 – (cont) Summary of significant accounting policies

11. Investments and other financial assets

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

11.1 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. The policy of management is to designate a financial asset in this category if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the reporting date.

11.2 Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in receivables (Note 7) in the balance sheet.

11.3 Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council's management has the positive intention and ability to hold to maturity. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

11.4 Recognition and de-recognition

Purchases and sales of financial assets are recognised on trade-date – the date on which the Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Council has transferred substantially all the risks and rewards of ownership.

11.5 Subsequent measurement

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

Financial assets at fair value through profit and loss are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in the income statement in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the income statement as part of revenue when Council's right to receive payment is established.

11.6 Fair value

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Council establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

11.7 Impairment

Council assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired.

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

Note 1 – (cont) Summary of significant accounting policies

11.8 Investment Policy

Council has an approved investment policy complying with Section 625 of the Local Government Act and S212 of the LG (General) Regulations 2005. Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order. Council maintains an investment policy that complies with the Act and ensures that it or its representatives exercise care, diligence and skill that a prudent person would exercise in investing council funds.

Council amended its policy following revisions to the Ministerial Local Government Investment Order arising from the Cole inquiry recommendations. Certain investments the Council holds are no longer prescribed – for example equity linked notes and sub-debt FRN's – however they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

12. Fair Value Estimation

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

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

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

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

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

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

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

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

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

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

Note 1 – (cont) Summary of significant accounting policies

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

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

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

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

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

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

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

14. Investment Property

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

15. Payables

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

16. Borrowings

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

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

17. Borrowing Costs

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

18. Provisions

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

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

Note 1 – (cont) Summary of significant accounting policies

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.

19. Employee Benefits

19.1 Short term obligations

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

19.2 Other long-term employee obligations

The liability for long service leave and annual leave which is not expected to be 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 reporting date on national government bonds with terms to maturity and currency that match as closely as possible, the estimated future cash outflows. Where council does not have the unconditional right to defer settlement beyond 12 months, the liability is recognised as a current liability.

19.3 Retirement benefit obligations

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

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

The Local Government Superannuation Scheme has advised that, as a result of the global financial crisis, it has a significant deficiency of assets over liabilities amounting to around \$286m at 30 June 2010. As a result, they have asked for significant increases in contributions to recover that deficiency. Council's share of that deficiency cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils. For this reason, no liability for the deficiency has been recognised in Council's accounts. Council has, however, disclosed a contingent liability in Note 18 to reflect the possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

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

20. Rounding of amounts

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

21. Land under roads

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

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

Note 1 – (cont) Summary of significant accounting policies

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

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

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

22.1 Restoration

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

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

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

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

22.2 Rehabilitation

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

Provision is made for the estimated present value of the costs or environmental clean up obligations outstanding at the balance sheet date. These costs are charged to the income statement. Movements in the environmental clean up provisions are presented as an operating cost, except for the unwind of the discount which is shown as a borrowing cost. Remediation procedures generally commence soon after the time the damage, remediation process and estimated remediations 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.

23. Allocation between current and non-current

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

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

Note 1 – (cont) Summary of significant accounting policies

24. New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2011 reporting period. Ballina Shire Council's assessment of the impact of these new standards and interpretations is set out below.

- AASB 2009-11 Amendments to AASB 9 Classification of financial instruments – **Affects accounting for available-for-sale financial assets, as Council does not hold any assets in the this class it has no impact on Council.**
- AASB 2009-12 Amendments to AASB 124 Related party disclosures – **No impact on Council.**
- AASB 2009-14 Amendments to Australian Interpretation - Prepayments of a minimum funding requirement – **No impact on Council.**
- AASB 1053 Reduced disclosure requirements – **Council is ineligible to adopt, therefore no impact on Council.**
- AASB 2010-6 Transfer of Financial Assets – **No impact on Council.**
- AASB 2010-8 Deferred Tax – Recovery of Underlying Assets – **No impact on Council.**

25. Crown Reserves

Crown Reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

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

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

26. GST Implications

In accordance with UIG Abstract 31 "Accounting for the Goods & Services Tax":

- Receivables and Payables include GST receivable and payable;
- Except in relation to input taxed activities, income and expenses exclude GST receivable and payable;
- Non-current assets and capital expenditures include GST net of any recoupments; and
- Amounts included in the Statement of Cash Flows are on a gross basis.

BALLINA SHIRE COUNCIL

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

Note 2 (a) - FUNCTIONS OR ACTIVITIES

REVENUES, EXPENSES AND ASSETS HAVE BEEN DIRECTLY ATTRIBUTED TO THE FOLLOWING FUNCTIONS & ACTIVITIES. DETAILS OF THOSE FUNCTIONS AND ACTIVITIES ARE PROVIDED IN NOTE 2 (b).												
Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			GRANTS INCLUDED IN INCOME		TOTAL ASSETS HELD (CURRENT & NON-CURRENT)	
ORIGINAL BUDGET	ACTUAL	ACTUAL	ORIGINAL BUDGET	ACTUAL	ACTUAL	ORIGINAL BUDGET	ACTUAL	ACTUAL	2011	2010	2011	2010
2011	2011	2010	2011	2011	2010	2011	2011	2010	\$'000	\$'000	\$'000	\$'000
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
GOVERNANCE	-	-	884	760	889	(884)	(760)	(889)	-	-	-	-
ADMINISTRATION	9,028	3,409	2,697	3,828	4,597	4,000	5,200	(1,303)	-	-	28,575	26,886
PUBLIC ORDER & SAFETY	215	303	221	1,530	1,557	1,420	(1,315)	(1,199)	243	184	1,686	952
HEALTH	200	273	167	748	703	822	(548)	(655)	-	5	514	549
ENVIRONMENT	11,955	11,614	8,810	11,000	8,676	8,106	955	704	183	176	85,876	82,757
COMMUNITY SERVICES & EDUCATION	10	132	9	327	691	338	(317)	(329)	101	9	9,817	9,938
HOUSING & COMMUNITY AMENITIES	900	896	869	4,806	3,841	3,349	(3,906)	(2,480)	-	-	7,027	3,877
WATER SUPPLIES	7,781	9,973	7,950	9,288	9,544	8,675	(1,507)	(725)	191	146	102,194	97,847
SEWERAGE SERVICES	10,364	15,331	14,007	11,623	11,609	10,765	(1,259)	3,242	150	149	129,044	122,580
RECREATION & CULTURE	731	2,312	1,914	6,049	6,334	5,679	(5,318)	(3,765)	599	1,290	164,106	69,900
MINING, MANUFACTURING & CONSTRUCTION	1,121	1,348	1,097	885	917	1,096	236	431	-	-	3,390	3,191
TRANSPORT & COMMUNICATION	5,184	15,130	8,890	11,777	16,607	12,144	(6,593)	(3,254)	526	969	379,701	356,485
ECONOMIC AFFAIRS	15,539	5,970	6,444	2,927	1,943	13,003	12,612	(6,559)	-	-	47,368	50,635
TOTALS - FUNCTIONS	63,028	66,691	53,075	65,672	67,779	70,286	(2,644)	(17,211)	1,993	2,928	959,298	825,597
GENERAL PURPOSE REVENUES	18,842	20,288	20,941				18,842	20,941	3,650	3,436		
TOTALS	81,870	86,979	74,016	65,672	67,779	70,286	16,198	3,730	5,643	6,364	959,298	825,597

The above functions conform to those used by the Australian Bureau of Statistics and provide a basis for comparison with other Councils.

BALLINA SHIRE COUNCIL

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

Note 2 (b) – Components of functions or activities

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

Governance

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

Administration

Which includes corporate support and other support services.

Public order and safety

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

Health

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

Environment

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

Community services and education

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

Housing and community amenities

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

Water supplies

Sewerage services

Recreation and culture

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

Mining, manufacturing and construction

Building control, quarries and pits, other.

Transport and communication

Roads and streets, bridges, footpaths, aerodromes, parking areas, bus shelters and services, water transport, works undertaken for Roads & Transport Authority, other.

Economic affairs

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

BALLINA SHIRE COUNCIL

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

Note 3 - INCOME FROM CONTINUING OPERATIONS

(a) Rates and Annual Charges	2011	2010
	\$'000	\$'000
<u>Ordinary Rates</u>		
Residential	9,925	9,482
Farmland	1,156	1,066
Business	2,699	2,276
	<u>13,780</u>	<u>12,824</u>
 <u>Annual Charges (pursuant to s496 & 501)</u>		
Domestic Waste Management	4,804	4,322
Water Supply	2,158	1,806
Sewerage Services	8,247	7,001
Stormwater Management	273	273
Other Waste Management	363	332
	<u>15,845</u>	<u>13,734</u>
Total Rates & Annual Charges	<u>29,625</u>	<u>26,558</u>

Council has used 2008 valuations provided by the NSW Valuer General in calculating its rates.

(b) User Charges and Fees

<u>User Charges</u>		
Water Supply	4,373	4,386
Sewerage Services	811	809
Other Waste Management	2,343	1,852
Total User Charges	<u>7,527</u>	<u>7,047</u>
 <u>Fees</u>		
Private Works	214	3,971
RTA Works (State Roads not controlled by Council)	848	803
Planning & Building - regulatory	1,091	1,736
Plant Hire	121	576
Aerodrome	2,708	2,355
Ferry Tolls	354	372
Quarries	585	280
Swimming Pools	265	281
Cemeteries	374	313
Other	900	558
Total Fees	<u>7,460</u>	<u>11,245</u>
Total User Charges & Fees	<u>14,987</u>	<u>18,292</u>

BALLINA SHIRE COUNCIL

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

Note 3 - INCOME FROM CONTINUING OPERATIONS (cont)

	2011 \$'000	2010 \$'000
(c) Interest and Investment Revenue		
Interest and Dividends		
- overdue rates & charges	96	78
- cash & investments	3,737	3,171
Fair value adjustments - investments	747	1,641
Amortisation of discounts and premiums on financial instruments - Interest free loan provided	-	4,142
Total Interest and Investment Revenues	<u>4,580</u>	<u>9,032</u>
(d) Other Revenues		
Fair value adjustments - investment property	2,567	-
Parking fines	77	76
Other fines	46	38
Recycling Income (Non domestic)	146	117
Rental income - Investment Property	1,758	1,482
- Other property	991	665
Insurance Claims	130	89
Commissions & Agency Fees	32	30
Legal Fees Recovered	542	4
Miscellaneous sales	105	160
Miscellaneous charges - overdue rates & charges	4	7
Other	227	94
Total Other Revenues	<u>6,625</u>	<u>2,762</u>

BALLINA SHIRE COUNCIL

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

Note 3 - INCOME FROM CONTINUING OPERATIONS (cont)

	Notes	OPERATING		CAPITAL	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
(e) Grants					
General Purpose (Untied)					
Financial Assistance		3,328	3,107		
Pensioner Rates Subsidies (General)		323	329		
Specific Purpose					
Pensioner Rates Subsidies					
Water Supplies		140	146	-	-
Sewerage Services		150	149	-	-
Domestic Waste Management		155	148	-	-
Water Supplies		51	-	-	-
Library		113	112	-	-
Community Centres		-	-	-	1,000
Street Lighting		94	91	-	-
Roads & Bridges		-	353	180	-
Natural Disaster Emergency		-	525	-	-
NSW Rural Fire Services		120	137	-	-
Bushfire & Emergency Services		93	25	-	-
Other		428	210	468	32
Total Grants & Subsidies		4,995	5,332	648	1,032
Comprising:					
- Commonwealth funding		3,363	3,484	190	1,000
- State funding		1,591	1,842	458	32
- Other funding		41	6	-	-
		4,995	5,332	648	1,032
(f) Contributions					
Developer Contributions					
Section 94	17	-	-	2,637	1,552
RTA Contributions		1,142	1,154	553	1,641
Section 64					
Water	17	-	-	718	264
Sewer	17	-	-	1,959	618
Subdivider Dedications	11	-	-	16,189	4,007
Management Plans and Studies		198	124	-	-
Employment and Training Programs		315	267	-	-
Roadworks		-	-	859	650
Other		467	120	482	611
Total Contributions		2,122	1,665	23,397	9,343
Total Grants and Contributions		7,117	6,997	24,045	10,375

BALLINA SHIRE COUNCIL

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

Note 3 - INCOME FROM CONTINUING OPERATIONS (cont)

(g) Restrictions relating to Grants and Contributions

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

	2011 \$'000		2010 \$'000	
	<u>Grants</u>	<u>Contrib</u>	<u>Grants</u>	<u>Contrib</u>
Unexpended at the close of the previous reporting period				
<i>Section 94/64 Developer Contributions</i>	0	18,730	0	21,671
<i>Roads Infrastructure</i>	0	536	0	254
<i>Community Centres</i>	0	0	0	1,912
<i>Other</i>	861	0	895	0
<i>Total</i>	<u>861</u>	<u>19,266</u>	<u>895</u>	<u>23,837</u>
Less: expended during the current period from revenues recognised in previous reporting periods				
<i>Section 94/64 Developer Contributions</i>	0	8,118	0	6,367
<i>Roads Infrastructure</i>	0	258	0	187
<i>Community Centres</i>	0	0	0	1,912
<i>Other</i>	654	0	474	0
<i>Subtotal</i>	<u>654</u>	<u>8,376</u>	<u>474</u>	<u>8,466</u>
Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions				
<i>Section 94/64 Developer Contributions</i>	0	7,057	0	3,426
<i>Roads Infrastructure</i>	0	205	0	469
<i>Other</i>	785	0	440	0
<i>Subtotal</i>	<u>785</u>	<u>7,262</u>	<u>440</u>	<u>3,895</u>
Unexpended at the close of this reporting period and held as restricted assets				
<i>Section 94/64 Developer Contributions</i>	0	17,669	0	18,730
<i>Roads Infrastructure</i>	0	483	0	536
<i>Other</i>	992	0	861	0
<i>Total</i>	<u>992</u>	<u>18,152</u>	<u>861</u>	<u>19,266</u>
Net increase (decrease) in restricted assets in the current reporting period	<u>131</u>	<u>-1,114</u>	<u>-34</u>	<u>-4,571</u>

BALLINA SHIRE COUNCIL

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

Note 4 - EXPENSES FROM CONTINUING OPERATIONS

	2011 \$'000	2010 \$'000
(a) Employee Benefits and On Costs		
Salaries and Wages	14,096	13,451
Employee Leave Entitlements	2,690	2,591
Superannuation - defined contribution plan contributions	1,010	1,049
Superannuation - defined benefit plan contributions	1,027	1,023
Workers' Compensation Insurance	653	436
Fringe Benefits Tax	24	22
Payroll Tax	235	178
Training Costs (excluding Salaries)	253	238
Other	28	180
Less: Capitalised and distributed costs	<u>(1,543)</u>	<u>(686)</u>
Total Employee Costs Expended	<u>18,473</u>	<u>18,482</u>
 Total Number of Employees	 268	 255
<i>(Full time equivalent at end of reporting period)</i>		
 (b) Borrowing Costs		
Interest on Loans	1,058	1,141
Unwinding of present value discounts & premiums	889	353
Total Borrowing Costs Expended	<u>1,947</u>	<u>1,494</u>
 (c) Materials and Contracts		
Raw materials & consumables	19,570	22,539
Contractor and consultancy costs	128	-
Audit fees:		
- External Audit Services	48	55
- Internal Audit Services	42	11
- Other Services	4	-
Legal Expenses		
- Planning & Development	467	277
- Other Legal Expenses	302	216
Operating Leases		
- Computers	262	179
- Motor vehicles	98	83
Total Materials & Contracts	<u>20,921</u>	<u>23,360</u>

BALLINA SHIRE COUNCIL

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

Note 4 - EXPENSES FROM CONTINUING OPERATIONS (cont)

	2011 \$'000	2010 \$'000
(d) Depreciation and Amortisation		
Plant and Equipment	1,718	1,488
Office Equipment	61	158
Furniture & Fittings	10	9
Land Improvements	863	863
Buildings - non-specialised	201	188
Buildings - specialised	1,341	1,459
Other Structures	336	333
Infrastructure		
- roads, bridges & footpaths	7,098	3,593
- stormwater drainage	1,532	701
- water supply network not elsewhere included	2,188	2,104
- sewerage network not elsewhere included	3,494	3,264
Future Reinstatement Costs		
- Tips	256	258
- Quarries	82	82
Less: Capitalised and distributed costs	(156)	(71)
Total Depreciation & Amortisation	<u>19,024</u>	<u>14,429</u>
(e) Other Expenses		
Bad and Doubtful Debts	3	27
Mayoral fee	35	34
Councillors' Fees & Allowances	160	150
Councillors' (incl. Mayor) Expenses	55	65
Insurances	1,074	896
Street Lighting	467	357
Light, Power & Heating	1,307	1,005
Telephone & Communications	196	202
Donations & Contributions to Local & Regional Bodies	1,574	1,422
Waste levy	576	315
Emergency services levy	-	12
Election Expenses	-	76
Other	216	235
Total Other Expenses	<u>5,663</u>	<u>4,796</u>

BALLINA SHIRE COUNCIL

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

Note 5 - GAIN OR LOSS FROM THE DISPOSAL OF ASSETS

	2011 \$'000	2010 \$'000
Gain (or Loss) on disposal of Plant and Equipment		
Proceeds from disposal	259	141
Less: Carrying amount of assets sold	335	227
Gain (Loss) on disposal	<u>(76)</u>	<u>(86)</u>
Gain (or Loss) on disposal of Land, Buildings and Infrastructure		
Proceeds from disposal	30	-
Less: Carrying amount of assets sold	1,927	261
Gain (Loss) on disposal	<u>(1,897)</u>	<u>(261)</u>
Gain (or Loss) on disposal of Real Estate assets held for sale		
Proceeds from disposal	703	-
Less: Carrying amount of assets sold	481	-
Gain (Loss) on disposal	<u>222</u>	<u>-</u>
Net Gain (or Loss) from disposal of assets	<u>(1,751)</u>	<u>(347)</u>

BALLINA SHIRE COUNCIL

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

Note 6 - CASH, CASH EQUIVALENTS AND INVESTMENTS

	2011		2010	
	\$'000		\$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
(a) Cash and Cash Equivalents				
Cash on Hand and at Bank	848		2,158	
Deposits at Call	2,334		1,518	
Short Term Deposits & Bills, etc	4,000		21,650	
Total Cash Assets	<u>7,182</u>		<u>25,326</u>	

(b) Investments

The following financial assets are held as investments:

Summary

Financial assets at fair value through profit and loss	6,649	16,272	6,451	22,206
Held to maturity investments	21,777	5,000	14,000	5,000
Total	<u>28,426</u>	<u>21,272</u>	<u>20,451</u>	<u>27,206</u>

Financial assets at fair value through profit and loss

At beginning of year	6,451	22,206	4,224	25,774
Revaluation to Income Statement	288	459	272	1,369
Additions	-	-	-	18
Disposals	(6,483)	-	(3,000)	-
Transfers Current/Non-current	6,393	(6,393)	4,955	(4,955)
At end of year	<u>6,649</u>	<u>16,272</u>	<u>6,451</u>	<u>22,206</u>

Comprising of:

- Managed Funds	1,242	-	-	1,134
- FRNs	5,407	15,357	6,451	20,190
- Equity linked notes	-	915	-	882
	<u>6,649</u>	<u>16,272</u>	<u>6,451</u>	<u>22,206</u>

Fair values for financial assets at fair value through profit or loss are determined by quoted prices in active markets for identical investments.

Held to Maturity Investments

At beginning of year	14,000	5,000	15,558	5,000
Additions	16,777	-	12,000	-
Disposals	(9,000)	-	(13,558)	-
At end of year	<u>21,777</u>	<u>5,000</u>	<u>14,000</u>	<u>5,000</u>

Comprising:

- Term Deposits	21,777	5,000	14,000	5,000
	<u>21,777</u>	<u>5,000</u>	<u>14,000</u>	<u>5,000</u>

BALLINA SHIRE COUNCIL

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

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

(c) Restricted Cash, Cash Equivalents and Investments

	2011 \$'000		2010 \$'000	
	Current	Non-Current	Current	Non-Current
Cash & Cash Equivalent Assets	7,182		25,326	
Investments	28,426	21,272	20,451	27,206
Total Cash, Cash Equivalents and Investments	35,608	21,272	45,777	27,206
External Restrictions	24,340	12,300	24,591	18,582
Internal Restrictions	9,298	8,972	18,128	8,624
Unrestricted	1,970	-	3,058	-
	35,608	21,272	45,777	27,206

Details of movements of restricted Cash, Cash Equivalents and Investments

Notes	Opening Balance 30 June 2010	Movements		Closing Balance 30 June 2011
		Transfers To Restriction	Transfers From Restriction	
	\$'000	\$'000	\$'000	\$'000
External Restrictions				
Included in liabilities				
Unexpended Loans (A)	12,619	-	7,890	4,729
Sinking Fund Sewer (B)	200	-	200	-
Deposits and Retentions (C)	2,323	-	698	1,625
Water and Sewer ELE's (D)	671	-	60	611
	15,813	-	8,848	6,965
Other				
Developer Contributions (E) 17	18,730	7,057	8,118	17,669
RTA Contributions (F)	536	205	258	483
Unexpended Grants (G)	861	785	654	992
Water Supply funds (H)	3,577	-	331	3,246
Sewerage funds (I)	2,017	3,664	-	5,681
Stormwater Management (J)	462	-	126	336
Domestic Waste Management (K)	982	15	-	997
Crown Land rentals (L)	91	53	-	144
Other	104	23	-	127
	27,360	11,802	9,487	29,675
Total External Restrictions	43,173	11,802	18,335	36,640

- A Loan moneys which must be applied for the purposes for which the loans were raised.
- B Funds set aside to repay principal at maturity of interest only loan.
- C Moneys held in Trust Account such as works bonds and deposits.
- D Funds set aside to cover Employee Leave Entitlements provisions in restricted activities.
- E Development contributions which are not yet expended for the provision of services and amenities in accordance with contribution plans.
- F RTA contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.
- G Grants which are not yet expended for the purposes for which the grants were obtained (See Note 1).
- H-K Water, Sewerage, Stormwater and Domestic Waste Management funds are externally restricted assets which must be applied for the purposes for which they were raised.
- L Funds raised from lease and rental of Crown Land properties must be expended on provision of services and amenities on Crown Land.

BALLINA SHIRE COUNCIL

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

Details of movements of restricted Cash, Cash Equivalents and Investments

	Opening Balance 30 June 2010	Movements		Closing Balance 30 June 2011
		Transfers To Restriction	Transfers From Restriction	
Notes	\$'000	\$'000	\$'000	\$'000
<u>Internal Restrictions</u>				
Employee Leave Entitlements	1,956	-	345	1,611
Plant Replacement	734	91	-	825
Quarries	1,342	284	-	1,626
Carry-over Works	1,198	427	928	697
Land Development	13,198	-	9,607	3,591
Strategic Studies	222	73	5	290
Civil Works	5,647	-	(326)	5,973
Rental Properties Refurbishment	321	-	35	286
Management Plans and Studies	329	-	70	259
Cemeteries	207	32	-	239
Unexpended Federal Assist Grant	815	847	815	847
Waste Disposal Facility	469	-	(1,260)	1,729
Other	314	-	17	297
Total Internal Restrictions	26,752	1,754	10,236	18,270
Total Restrictions	69,925	13,556	28,571	54,910

Internal Restrictions arise pursuant to resolutions of Council to set aside reserves of cash resources either relating to liabilities recognised in these reports or to fund future expenditure for the stated purpose. Such reserves are not permitted to exceed the amounts of cash assets and cash investments not otherwise restricted.

BALLINA SHIRE COUNCIL

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

Note 7 - RECEIVABLES

Purpose	2011 \$'000		2010 \$'000	
	Current	Non-Current	Current	Non-Current
Rates & Annual Charges	2,829	242	3,171	272
Interest & Extra Charges	144	50	81	29
User Charges & Fees	1,256	-	1,707	-
Accrued Revenues	453	-	588	-
Deferred Debtors	103	302	100	419
Other levels of Government	1,382	-	1,848	-
Airport Charges	316	-	309	-
Waste Centre Fees	216	-	196	-
Private Works	162	-	999	-
Other	688	-	471	-
Total	7,549	594	9,470	720
Less: Allowance for Doubtful Debts				
User Charges & Fees	47	-	81	-
	7,502	594	9,389	720

Rates, Annual Charges, Interest & Extra Charges

Overdue rates and annual charges (being amounts not paid on or before the due date determined in accordance with the Local Government Act) are secured over the relevant land and are subject to simple interest at a rate of 9.00% (2010: 9.00%). Although Council is not materially exposed to any individual ratepayer, credit risk exposure is concentrated within the Council boundaries in the State of New South Wales.

Deferred Debtors

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

Other Levels of Government

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

Other Receivables

Amounts due (other than User Charges which are secured over the relevant land) are unsecured and do not bear interest. Although Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries in the State of New South Wales.

Restricted Receivables

Water Supply	1,820	36	2,113	39
Sewerage Services	1,489	409	2,803	463
Domestic Waste Management	263	23	161	26
Stormwater Management Services	17	2	18	2
Total Restrictions	3,589	470	5,095	530
Unrestricted Receivables	3,913	124	4,294	190
Total Receivables	7,502	594	9,389	720

BALLINA SHIRE COUNCIL

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

Note 8 - INVENTORIES & OTHER ASSETS

	2011 \$'000		2010 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
Inventories				
Stores & Materials	356	-	340	-
Trading Stock	92	-	112	-
Real Estate Developments	3,602	2,456	2,488	2,481
Total Inventories	<u>4,050</u>	<u>2,456</u>	<u>2,940</u>	<u>2,481</u>
<i>Inventories not expected to be realised within the next 12 months.</i>	-	2,456	-	2,481
Other Assets				
Prepayments	557	-	539	-
Total Other Assets	<u>557</u>	<u>-</u>	<u>539</u>	<u>-</u>
Real Estate Developments <i>(Valued at the lower of cost and net realisable value)</i>				
Residential	-	735	-	735
Industrial & Commercial	3,602	1,721	2,488	1,746
Total Real Estate for Resale	<u>3,602</u>	<u>2,456</u>	<u>2,488</u>	<u>2,481</u>
<i>Represented by:</i>				
Acquisition Costs		1,255	28	1,255
Development Costs	3,602	1,201	2,460	1,226
Total Real Estate for Resale	<u>3,602</u>	<u>2,456</u>	<u>2,488</u>	<u>2,481</u>

BALLINA SHIRE COUNCIL

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

Note 9 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	2010 \$'000				CARRYING AMOUNT MOVEMENTS DURING YEAR \$'000					2011 \$'000			
	AT COST	AT FAIR VALUE	ACCUM DEPN	CARRYING AMOUNT	Asset Purchases	Asset Disposals	Depreciation	Transfers, etc.	Net Revaluation	AT COST	AT FAIR VALUE	ACCUM DEPN	CARRYING AMOUNT
Capital Work-in-progress	14,254	-	-	14,254	20,446	-	-	(8,679)	-	26,021	-	-	26,021
Plant & Equipment	-	15,684	(7,511)	8,173	1,171	(335)	(1,718)	-	-	-	16,003	(8,712)	7,291
Office Equipment	-	1,264	(554)	710	63	(1)	(61)	-	-	-	1,327	(616)	711
Furniture & Fittings	-	384	(346)	38	23	-	(10)	-	-	-	407	(356)	51
Land													
- Operational Land	-	38,242	-	38,242	1,277	-	-	(184)	453	-	39,788	-	39,788
- Community Land	74,554	-	-	74,554	(2,732)	-	-	184	50,660	-	122,666	-	122,666
Land under roads													
- post 1 July 2008	-	-	-	-	1,696	-	-	-	-	-	1,696	-	1,696
Land Improvements - non-depreciable	2,319	-	-	2,319	2,744	-	-	-	(360)	-	4,703	-	4,703
Land Improvements - depreciable	15,261	-	(5,349)	9,912	-	(11)	(863)	-	435	-	15,903	(6,430)	9,473
Buildings - non-specialised	-	8,170	(3,454)	4,716	-	(143)	(201)	527	887	-	10,604	(4,818)	5,786
Buildings - specialised	-	61,835	(21,725)	40,110	6,164	(145)	(1,341)	3,136	5,234	-	78,493	(25,335)	53,158
Other Structures	-	8,265	(2,465)	5,800	1,796	-	(336)	-	974	-	11,425	(3,191)	8,234
Infrastructure													
- Roads, bridges, footpaths	-	454,960	(137,540)	317,420	9,870	(1,574)	(7,098)	2,079	12,696	-	482,946	(149,553)	333,393
- Bulk earthworks (non-deprec.)	-	-	-	-	-	-	-	-	-	-	-	-	-
- Stormwater drainage	-	104,573	(38,935)	65,638	4,665	(53)	(1,532)	792	-	-	109,940	(40,430)	69,510
- Water Supply Network	-	145,454	(61,800)	83,654	1,725	-	(2,188)	-	2,677	-	151,833	(65,965)	85,868
- Sewerage Network	-	189,700	(97,092)	92,608	2,972	-	(3,494)	534	2,964	-	199,277	(103,693)	95,584
Future Reinstatement Costs													
- Tips	3,442	-	(2,135)	1,307	-	-	(256)	-	-	-	3,442	(2,391)	1,051
- Quarries	819	-	(492)	327	-	-	(82)	-	-	-	819	(574)	245
Totals	110,649	1,028,531	(379,398)	759,782	51,880	(2,262)	(19,180)	(1,611)	76,620	26,021	1,251,272	(412,064)	865,229

Asset acquisitions were apportioned between:

Building & Infrastructure Renewals	1,930
Building & Infrastructure New Assets	23,466
Other Assets	26,484

BALLINA SHIRE COUNCIL

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

Note 9 - RESTRICTED PROPERTY, PLANT & EQUIPMENT (Cont)

	2011 \$'000				2010 \$'000			
	AT COST	AT VALUATION	ACCUM DEPN	CARRYING AMOUNT	AT COST	AT VALUATION	ACCUM DEPN	CARRYING AMOUNT
Water Supply								
Plant & Equipment		395	(188)	207		319	(131)	188
Land								
- Operational		1,168	-	1,168		1,298	-	1,298
- Community		1,310	-	1,310		-	-	-
Buildings		183	(66)	117		88	(43)	45
Water Supply Infrastructure		151,833	(65,965)	85,868		145,707	(61,799)	83,908
Total Water Supply	-	154,889	(66,219)	88,670	-	147,412	(61,973)	85,439
Sewerage Services								
Plant & Equipment		461	(261)	200		457	(226)	231
Land								
- Operational		2,381	-	2,381		2,374	-	2,374
- Community		77	-	77	16	-	-	16
Buildings		2,853	(1,193)	1,660		2,375	(938)	1,437
Sewerage Infrastructure		199,277	(103,693)	95,584		194,915	(97,092)	97,823
Total Sewerage Services	-	205,049	(105,147)	99,902	16	200,121	(98,256)	101,881
Domestic Waste Management								
Plant & Equipment		2,310	(2,111)	199		2,310	(1,884)	426
Total Domestic Waste	-	2,310	(2,111)	199	-	2,310	(1,884)	426
TOTAL RESTRICTIONS	-	362,248	(173,477)	188,771	16	349,843	(162,113)	187,746

BALLINA SHIRE COUNCIL

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

Note 10 - PAYABLES, BORROWINGS AND PROVISIONS

	2011 \$'000		2010 \$'000	
	Current	Non-Current	Current	Non-Current
Payables				
Goods & Services	3,013	-	4,776	-
Payments received in advance	413	-	150	-
Accrued salaries & wages	656	-	580	-
Accrued interest payable	114	-	58	-
Accrued expenses - other	49	-	68	-
Deposits, Retentions & Bonds	519	1,106	950	1,373
Total Payables	<u>4,764</u>	<u>1,106</u>	<u>6,582</u>	<u>1,373</u>

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

Borrowings

Loans				
- Secured	2,825	21,643	7,867	15,858
Total Borrowings	<u>2,825</u>	<u>21,643</u>	<u>7,867</u>	<u>15,858</u>

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

Provisions

Employee benefits - annual leave	1,750	-	1,757	-
- sick leave	2,129	-	2,439	-
- long service leave	3,696	126	3,665	129
Reinstatement, Remediation, etc. (see also Note 25)	-	5,764	-	5,519
Total Provisions	<u>7,575</u>	<u>5,890</u>	<u>7,861</u>	<u>5,648</u>

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

(b) Description of and Movements in Provisions

	Annual Leave	Vesting Sick Leave	Long Service Leave	Reinstatement ments
	2011 \$'000	2011 \$'000	2011 \$'000	2011 \$'000
Opening Balance	1,757	2,439	3,794	5,519
Add Additional amounts recognised	1,066	558	500	-
Unwinding of present value d	-	-	-	245
(Less) Payments	(1,073)	(868)	(472)	-
Closing Balance	<u>1,750</u>	<u>2,129</u>	<u>3,822</u>	<u>5,764</u>

BALLINA SHIRE COUNCIL

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

NOTE 10 - PAYABLES, BORROWINGS AND PROVISIONS (cont)

Provision for Reinstatement, Rehabilitation & Restoration Liabilities

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

	2011 \$'000		2010 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
<i>Liabilities Relating to Restricted Assets</i>				
<i>Domestic Waste Management</i>				
<i>Interest Bearing Liabilities</i>	126	592	118	718
<i>Provisions</i>	148	-	101	-
<i>Subtotal</i>	<u>274</u>	<u>592</u>	<u>219</u>	<u>718</u>
<i>Water Supplies</i>				
<i>Payables</i>	-	-	50	-
<i>Interest Bearing Liabilities</i>	3	4	3	8
<i>Provisions</i>	202	-	260	-
<i>Subtotal</i>	<u>205</u>	<u>4</u>	<u>313</u>	<u>8</u>
<i>Sewerage Services</i>				
<i>Payables</i>	8	-	12	-
<i>Interest Bearing Liabilities</i>	985	5,280	1,185	5,754
<i>Provisions</i>	538	-	411	-
<i>Subtotal</i>	<u>1,531</u>	<u>5,280</u>	<u>1,608</u>	<u>5,754</u>
TOTAL	<u>2,010</u>	<u>5,876</u>	<u>2,140</u>	<u>6,480</u>

BALLINA SHIRE COUNCIL

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

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

(a) Reconciliation of Cash Assets

Cash Assets comprise short-term, highly liquid investments readily convertible to known amounts of cash that are subject to insignificant risk of changes of value. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows:

	2011 \$'000	2010 \$'000
Total Cash and Cash Equivalents (Note 6)	<u>7,182</u>	<u>25,326</u>
Balances per Statement of Cash Flows	<u>7,182</u>	<u>25,326</u>

(b) Reconciliation of Net Operating Result to Cash Provided from Operating Activities

Net Operating Result from Income Statement	19,200	3,730
Add: Depreciation, Amortisation & Impairment	19,024	14,429
Unwinding of present value discounts & premiums	889	359
Increase in provision for doubtful debts	-	27
Increase in employee benefits provisions	-	482
Increase in other provisions	1,089	-
Decrease in receivables	1,933	-
Decrease in inventories	4	-
Decrease in other assets	-	11
Increase in trade creditors & other accruals	-	1,915
Increase in accrued interest payable	56	-
Increase in other payables	-	298
Loss on Sale of Assets	1,751	347
Loss on Discontinued Operation	-	6,010
	<u>43,946</u>	<u>27,608</u>
Less: Decrease in provision for doubtful debts	34	-
Decrease in employee benefits provisions	289	-
Increase in receivables	-	1,262
Increase in inventories	-	119
Increase in other assets	18	-
Decrease in trade creditors & other accruals	1,443	-
Decrease in accrued interest payable	-	8
Decrease in other payables	698	-
Amortisation of discounts and premiums recognised	-	4,142
Investments - impairment & fair value adjustments	747	1,641
Fair value adjustments to Investment Property	2,567	-
Non-cash Capital Grants and Contributions	16,189	4,013
Net Cash provided by operating activities from Cash Flow Statement	<u>21,961</u>	<u>16,423</u>

BALLINA SHIRE COUNCIL

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

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

	2011 \$'000	2010 \$'000
(c) Non-Cash Financing and Investing Activities		
Acquisition of assets by means of:		
- Developer Contributions received in kind	16,189	4,007
- Other	-	6
	<u>16,189</u>	<u>4,013</u>

(d) Financing Arrangements

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

Loan Facilities		
Approved for drawing during the year	43,365	16,790
Actual amount drawn during the year	3,000	12,650
Corporate Credit Cards - available limit	750	750
Corporate Credit Cards - facilities used	13	5

BALLINA SHIRE COUNCIL

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

Note 12 - COMMITMENTS FOR EXPENDITURE

	2011 \$'000	2010 \$'000
(a) Capital Commitments		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Land	2,004	1,271
Buildings	-	5,111
Infrastructure	45,543	6,885
Total	47,547	13,267
These expenditures are payable:		
Not later than one year	41,547	13,267
Later than one year and not later than 5 years	6,000	-
Later than 5 years	-	-
Total	47,547	13,267

(b) Other Expenditure Commitments

Other non-capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities include:

Audit Services	326	55
Camping Ground Management	220	19
Software Licences	510	722
Cleaning Contractors	268	231
Airport Security Screening	1,337	424
Swimming Pool Management	331	888
Sewer Pipe Cleaning & Repairs	685	700
Kerbside waste collection- organics	3,989	-
Other	21	942
Total	7,687	3,981
These expenditures are payable:		
Not later than one year	2,237	2,290
Later than one year and not later than 5 years	4,311	1,691
Later than 5 years	1,139	-
Total	7,687	3,981

(c) Finance Lease Commitments

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

BALLINA SHIRE COUNCIL

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

Note 12 - COMMITMENTS FOR EXPENDITURE (Cont)

	2011 \$'000	2010 \$'000
(d) Operating Lease Commitments		
Commitments under non-cancellable operating leases at the reporting date but not recognised in the financial statements are payable as follows:		
<u>Total Future Minimum Lease Payments</u>		
Not later than one year	404	285
Later than one year and not later than 5 years	706	472
Later than 5 years	-	-
Total	<u>1,110</u>	<u>757</u>

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

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

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

No lease contains any escalation clause.

(e) Remuneration Commitments

Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at reporting date but not recognised as liabilities, payable:

Not later than one year	495	503
Later than one year and not later than 5 years	1,400	152
Later than 5 years	-	-
Total	<u>1,895</u>	<u>655</u>

BALLINA SHIRE COUNCIL

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

Note 13 - STATEMENT OF PERFORMANCE MEASURES

(a) Consolidated Result	<u>Amounts</u>	<u>2011 Indicators</u>	2010	2009
Unrestricted Current Ratio				
<u>Unrestricted Current Assets*</u>	\$19,788	2.75	2.07	4.14
Current Liabilities not relating to Restricted Assets	\$7,188			
Debt Service Ratio				
<u>Net Debt Service Cost*</u>	\$3,759	0.06	0.05	0.06
Operating Revenue*	\$59,468			
Rate Coverage Ratio				
<u>Rates & Annual Charges Revenues</u>	\$29,625	0.34	0.36	0.41
Revenue from continuing operations	\$86,979			
Rates & Annual Charges Outstanding Percentage				
<u>Rates & Annual Charges Outstanding</u>	\$3,265	9.81%	12.17%	9.42%
Rates & Annual Charges Collectible	\$33,278			
Building & Infrastructure Renewals Ratio				
<u>Asset renewals*</u>	\$1,930	0.12	0.18	0.56
Depreciation, Amortisation & Impairment	\$15,854			
(b) Fund Results		<u>Current Year Indicators</u>		
		<u>General (1)</u>	<u>Water</u>	<u>Sewer</u>
Unrestricted Current Ratio				
<u>Unrestricted Current Assets*</u>		2.75	25.50	4.98
Current Liabilities not relating to Restricted Assets				
Debt Service Ratio				
<u>Net Debt Service Cost*</u>		0.07	0.00	0.10
Operating Revenue*				
Rate & Annual Charges Coverage Ratio				
<u>Rates & Annual Charges Revenues</u>		0.31	0.22	0.54
Revenue from continuing operations				
Rates & Annual Charges Outstanding Percentage				
<u>Rates & Annual Charges Outstanding</u>		7.19%	19.04%	12.70%
Rates & Annual Charges Collectible				
Building & Infrastructure Renewals Ratio				
<u>Asset renewals*</u>		0.19	0.00	0.00
Depreciation, Amortisation & Impairment				

Note (1) General Fund refers to all activities except Water and Sewer

BALLINA SHIRE COUNCIL

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

Note 14 - INVESTMENT PROPERTIES

	2011 \$'000	2010 \$'000
At fair value		
Opening balance at 1 July	16,030	16,030
Capitalised subsequent expenditure	1,822	0
Net gain (loss) from fair value adjustment	2,567	0
Transfer (to) from inventories or infrastructure, property, plant & equipment	1,611	0
Closing balance at 30 June	22,030	16,030

(a) Amounts recognised in profit and loss

Rental income	1,704	1,442
Outgoings recouped	54	40
Net gain (loss) from fair value adjustment	3,712	0
Direct operating expenses from property generating rental income	(191)	(135)
	5,279	1,347

(b) Valuation basis

Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction and reflects market conditions at the reporting date.

The 2011 valuations were based on independent assessments made by Mr Scott Fullarton, FAPI, of Scott Fullarton Valuations Pty Ltd. (2010 - based on a 2009 valuation by Mr Scott Fullarton, FAPI, of Scott Fullarton Valuations Pty.Ltd.).

(c) Contractual obligations

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

(d) Leasing arrangements

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

Not later than one year	1,771	1,436
Later than one year and not later than 5 years	3,089	2,841
Later than 5 years	-	-
	4,860	4,277

BALLINA SHIRE COUNCIL

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

Note 15 - FINANCIAL RISK MANAGEMENT

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

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

Council held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Financial Assets				
Cash and Cash Equivalents	7,182	25,326	7,182	25,326
Receivables	8,096	10,109	8,096	10,109
Financial assets at fair value through profit & loss	22,921	28,657	22,921	28,657
Held-to-maturity investments	26,777	19,000	26,777	19,000
	<u>64,976</u>	<u>83,092</u>	<u>64,976</u>	<u>83,092</u>
Financial Liabilities				
Payables	5,870	7,955	5,870	7,955
Borrowings	24,468	23,725	26,174	23,217
	<u>30,338</u>	<u>31,680</u>	<u>32,044</u>	<u>31,172</u>

Fair value is estimated as follows:

* Cash & equivalents, receivables & payables - due to the short-term nature, face value (carrying value) approximates fair value.

* Held-to-maturity investments and borrowings - anticipated future cash flows discounted by current market interest rates applicable to assets and liabilities with similar risk profiles.

* Financial assets at fair value through profit & loss - based on quoted market prices in active markets for identical investments.

The financial instruments recognised at fair value in the balance sheet have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements, The fair value hierarchy consists of the following levels:

Level 1

Quoted prices in active markets for identical assets or liabilities. Included within Level 1 of the hierarchy are Floating Rate Notes. The fair values of these financial assets have been based on the closing quoted bid prices at reporting date, excluding transaction costs.

Level 2

Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). In valuing unlisted investments, included in Level 2 of the hierarchy, valuation techniques such as those using comparisons to similar investments for which market observable prices are available have been adopted to determine the fair values of these investments. These ordinarily include Equity & Interest Rate Linked Notes.

2011	Level 1 \$'000	Level 2 \$'000	Total \$'000
Financial Assets			
Financial assets at fair value through profit & loss	20,764	2,157	22,921
Held-to-maturity investments	26,777	-	26,777
Total	<u>47,541</u>	<u>2,157</u>	<u>49,698</u>

BALLINA SHIRE COUNCIL

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

Note 15 - FINANCIAL RISK MANAGEMENT (cont)

(a) Cash and cash equivalents

Financial assets at fair value through profit & loss

Held-to-maturity investments

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

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

Cash and Investments are also subject to interest rate risk - the risk that movements in interest rates could affect returns.

Another risk associated with cash and investments is credit risk - the risk that a contracting entity will not complete its obligations under a financial instrument resulting in a financial loss to Council.

Council manages these risks by diversifying its portfolio and only purchasing investments in approved Australian Deposit Institutions (Banks, Credit Unions and Building Society's).

Council obtains three quotes before placing an investment and also seeks advice from its independent advisers when considered relevant.

Interest Sensitivity Analysis

	2011	2010
	\$'000	\$'000
Impact of a 10% movement in price of investments (for assets subject to price risk only)		
- Equity	2,292	2,865
- Income Statement	2,292	2,865
 Impact of a 1% change in interest rates on cash & investments		
- Equity	570	730
- Income Statement	570	730

(b) Receivables

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

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

Council receives regular summary reports of receivables due, and detailed reports where appropriate.

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

The profile of the Council's credit risk at balance date was:

	2011	2010
Percentage of Rates & Annual Charges		
- Current	91%	91%
- Overdue	9%	9%
Percentage of Other Receivables		
- Current	55%	71%
- Overdue	45%	29%

BALLINA SHIRE COUNCIL

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

Note 15 - FINANCIAL RISK MANAGEMENT (cont)

(c) Payables Borrowings

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

Liquidity Sensitivity Table

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

	2011 \$'000	Due			Total Contractual Cash Flows	Carrying Value
		≤ 1 year	2 - 5 years	> 5 years		
Payables		4,764	1,106	-	5,870	5,870
Borrowings		2,825	17,047	8,094	27,966	24,468
		<u>7,589</u>	<u>18,153</u>	<u>8,094</u>	<u>33,836</u>	<u>30,338</u>
	2010					
	\$'000					
Payables		6,582	1,373	-	7,955	7,955
Borrowings		7,867	9,694	10,306	27,867	23,725
		<u>14,449</u>	<u>11,067</u>	<u>10,306</u>	<u>35,822</u>	<u>31,680</u>

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

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

	2011		2010	
	Weighted average interest rate	Balance \$'000	Weighted average interest rate	Balance \$'000
Loans - fixed interest rate	4.02%	<u>24,468</u>	3.73%	<u>23,725</u>
		<u>24,468</u>		<u>23,725</u>

BALLINA SHIRE COUNCIL

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

Note 16 – MATERIAL BUDGET VARIATIONS

Council's original budget comprised part of the Management Plan adopted by Council on 27 May 2010. The original projections on which the budget was based have been affected by a number of factors. These include State and Federal Government decisions including new grant programs, changing economic activity, the weather, and by decisions made by the Council. Material variations of more than 10% are explained below:

1 REVENUES

1.1 User charges and fees

User charges were down \$3.5m on budget (19% unfavourable). User fees and charges covers a wide range of Council services, the main shortfalls were, Private works \$610,000, Aerodrome \$342,000 and Water charges \$327,000.

1.2 Interest and investment revenue

Investment Revenues exceed budget by \$2.2m (93% favourable). Approximately \$0.7m of this is attributable to a gain on Fair Value (market value) valuations of Floating Rate Notes as at reporting date. None of this gain was budgeted for, as the future market value of such products cannot be known. Also Council delayed some large capital expenditure projects resulting in more funds being available for investment purposes.

1.3 Grants and contributions operating

Operating grants and contributions are applied for and received throughout the year for various projects which are not included in original budgets, during the last financial reporting period Council received \$1.9m more funds than budget (138% favourable).

1.4 Grants and contributions capital

Capital grants and contributions received during the year, exceeded budget by \$17.5m (365% favourable). Included in this amount is \$16.2m of unbudgeted developer provided assets accounted for as capital income. Also contributing to the extra income was developer S64 sewer contributions, which were up \$0.8 on budget due to an increase in developer activity.

1.5 Profit from disposal of assets

Council budgeted for a net profit from sale of assets of \$12.2m from Industrial land sales, however only \$0.7m of real estate land sales were made for the year. Due to the loss on disposal of infrastructure being more than the profit on the sale of these assets there is no net profit showing on the Income Statement, and in fact a loss is shown in expenses (see below and refer to Note 5).

2 EXPENSES

2.1 Materials and Contracts

This expense item is \$2.9m below budget (12% favourable). Due to the large amount and variety of costs in this budget, it cannot be reliably pinpointed as to where the budget variation is located.

2.2 Borrowing costs

Borrowing costs exceeded budget by \$838,000 (75% unfavourable). This is mainly due to the unwinding of present value discounts on remediation assets which were not included in the 2010/11 budget.

2.3 Depreciation and Amortisation

The expense for this item exceeded budget by \$4.7m (33% unfavourable). This was due to the revaluation of Road and Stormwater assets as at 30 June 2010, resulting in an unbudgeted increase in depreciation expense of \$4.4m.

2.4 Loss from Disposal of Assets

Council disposes of various plant and equipment and infrastructure assets during the year resulting in an unbudgeted loss of \$1.7m. (Refer to Note 5).

BALLINA SHIRE COUNCIL

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

Note 17 - SUMMARY OF DEVELOPER CONTRIBUTIONS

SUMMARY OF CONTRIBUTIONS

PURPOSE	OPENING BALANCE	CONTRIBUTIONS RECEIVED DURING YEAR		INTEREST EARNED DURING YEAR	EXPENDED DURING YEAR	INTERNAL BORROW- INGS (to)/from	HELD AS RESTR- ICTED ASSET	EST. FUTURE CONTRIBS	EST. WORKS OUT- STANDING	EST. OVER/ (UNDER) FUNDING	BALANCE INTERNAL BORROW- INGS
		CASH	NON-CASH								
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Roads	1,756	1,092		112	(502)		2,458	99,044	101,502		
Open Space (Old)	330	62		13	(299)		106		106		
Open Space	115	486		15	(393)		223	13,208	11,647	1,784	1,784
Car Parking	1,986			115			2,101	2,880	4,981		
Community facilities (Old)	964	181		36	(908)		273		273		
Community facilities	347	252		24	(491)		132	16,026	12,454	3,704	3,704
Heavy Vehicles	1,855	546		79	(1,558)		922		922		
WUEA		18					18	3,250	3,268		
Planning & Administration	3				(3)						
Subtotal S94 under plans	7,356	2,637		394	(4,154)		6,233	134,408	135,153	5,488	5,488
Sec 64 Contributions	11,374	3,353		673	(3,964)		11,436				
Total Contributions	18,730	5,990		1,067	(8,118)		17,669				5,488

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

CONTRIBUTION PLAN - ROADS

AREA	OPENING BALANCE	CONTRIBUTIONS RECEIVED DURING YEAR		INTEREST EARNED DURING YEAR	EXPENDED DURING YEAR	INTERNAL BORROW- INGS (to)/from	HELD AS RESTR- ICTED ASSET	EST. FUTURE CONTRIBS	EST. WORKS OUT- STANDING	EST. OVER/ (UNDER) FUNDING	BALANCE INTERNAL BORROW- INGS
		CASH	NON-CASH								
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Roads (2002) - Shire Wide	1,755	810		111	-502		2,174	200	2,374		
Roads (2010) - Shire Wide	1	282		1	0		284	98,844	99,128		
Total	1,756	1,092		112	(502)		2,458	99,044	101,502		

CONTRIBUTION PLAN - OPEN SPACE (OLD)

AREA	OPENING BALANCE	CONTRIBUTIONS RECEIVED DURING YEAR		INTEREST EARNED DURING YEAR	EXPENDED DURING YEAR	INTERNAL BORROW- INGS (to)/from	HELD AS RESTR- ICTED ASSET	EST. FUTURE CONTRIBS	EST. WORKS OUT- STANDING	EST. OVER/ (UNDER) FUNDING	BALANCE INTERNAL BORROW- INGS
		CASH	NON-CASH								
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Ballina	160	1		6	-69		98		98		
East Ballina	6			1			7		7		
West Ballina	68	7		3	-78						
Lennox Head	65	52		3	-120						
Wardell	16				-15		1		1		
Alstonville	11	2			-13						
Wollongbar	4				-4						
Total	330	62		13	(299)		106		106		

CONTRIBUTION PLAN - OPEN SPACE

AREA	OPENING BALANCE	CONTRIBUTIONS RECEIVED DURING YEAR		INTEREST EARNED DURING YEAR	EXPENDED DURING YEAR	INTERNAL BORROW- INGS (to)/from	HELD AS RESTR- ICTED ASSET	EST. FUTURE CONTRIBS	EST. WORKS OUT- STANDING	EST. OVER/ (UNDER) FUNDING	BALANCE INTERNAL BORROW- INGS
		CASH	NON-CASH								
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Ballina District	50	66		7			123	2,735	2,858		
Lennox District	19	30		2	-50		1	1,951	1,751	201	201
Plateau District	20	321		2	-247		96	3,578	3,674		
Wardell District	0	2					2	50	52		
Regional	26	67		4	-96		1	4,894	3,312	1,583	1,583
Total	115	486		15	(393)		223	13,208	11,647	1,784	1,784

BALLINA SHIRE COUNCIL

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

Note 17 - SUMMARY OF DEVELOPER CONTRIBUTIONS (cont)

CONTRIBUTION PLAN - CAR PARKING

AREA	OPENING BALANCE \$'000	CONTRIBUTIONS RECEIVED DURING YEAR		INTEREST EARNED DURING YEAR \$'000	EXPENDED DURING YEAR \$'000	INTERNAL BORROW- INGS (to)/from \$'000	HELD AS RESTR- ICTED ASSET \$'000	EST. FUTURE CONTRIBS \$'000	EST. WORKS OUT- STANDING \$'000	EST. OVER/ (UNDER) FUNDING \$'000	BALANCE INTERNAL BORROW- INGS \$'000
		CASH \$'000	NON-CASH \$'000								
Ballina	1,909			111			2,020	1,739	3,759		
Lennox Head	77			4			81	1,141	1,222		
Total	1,986			115			2,101	2,880	4,981		

CONTRIBUTION PLAN - COMMUNITY FACILITIES (OLD)

AREA	OPENING BALANCE \$'000	CONTRIBUTIONS RECEIVED DURING YEAR		INTEREST EARNED DURING YEAR \$'000	EXPENDED DURING YEAR \$'000	INTERNAL BORROW- INGS (to)/from \$'000	HELD AS RESTR- ICTED ASSET \$'000	EST. FUTURE CONTRIBS \$'000	EST. WORKS OUT- STANDING \$'000	EST. OVER/ (UNDER) FUNDING \$'000	BALANCE INTERNAL BORROW- INGS \$'000
		CASH \$'000	NON-CASH \$'000								
Ballina	52	68		2	-122						
Skennars Head	33	43		1	-77						
Lennox Head	636	49		24	-709						
Alstonville/Wollongbar	77	3		3			83		83		
Cumalum	127	18		5			150		150		
Wardell	39	0		1			40		40		
Total	964	181		36	(908)		273		273		

CONTRIBUTION PLAN - COMMUNITY FACILITIES

AREA	OPENING BALANCE \$'000	CONTRIBUTIONS RECEIVED DURING YEAR		INTEREST EARNED DURING YEAR \$'000	EXPENDED DURING YEAR \$'000	INTERNAL BORROW- INGS (to)/from \$'000	HELD AS RESTR- ICTED ASSET \$'000	EST. FUTURE CONTRIBS \$'000	EST. WORKS OUT- STANDING \$'000	EST. OVER/ (UNDER) FUNDING \$'000	BALANCE INTERNAL BORROW- INGS \$'000
		CASH \$'000	NON-CASH \$'000								
Ballina District	28	54		2			84	2,888	2,972		
Lennox District	10	15		1	-25		1	1,852	575	1,278	1,278
Plateau District	6	40					46	1,054	1,100		
Wardell District	0	1					1	30	31		
Regional	303	142		21	-466			10,202	7,776	2,426	2,426
Total	347	252		24	(491)		132	16,026	12,454	3,704	3,704

CONTRIBUTION PLAN - HEAVY VEHICLES

AREA	OPENING BALANCE \$'000	CONTRIBUTIONS RECEIVED DURING YEAR		INTEREST EARNED DURING YEAR \$'000	EXPENDED DURING YEAR \$'000	INTERNAL BORROW- INGS (to)/from \$'000	HELD AS RESTR- ICTED ASSET \$'000	EST. FUTURE CONTRIBS \$'000	EST. WORKS OUT- STANDING \$'000	EST. OVER/ (UNDER) FUNDING \$'000	BALANCE INTERNAL BORROW- INGS \$'000
		CASH \$'000	NON-CASH \$'000								
Shire Wide	1,855	546		79	-1,558		922		922		
Total	1,855	546		79	(1,558)		922		922		

CONTRIBUTION PLAN - WOLLONGBAR URBAN EXPANSION AREA (WUEA)

AREA	OPENING BALANCE \$'000	CONTRIBUTIONS RECEIVED DURING YEAR		INTEREST EARNED DURING YEAR \$'000	EXPENDED DURING YEAR \$'000	INTERNAL BORROW- INGS (to)/from \$'000	HELD AS RESTR- ICTED ASSET \$'000	EST. FUTURE CONTRIBS \$'000	EST. WORKS OUT- STANDING \$'000	EST. OVER/ (UNDER) FUNDING \$'000	BALANCE INTERNAL BORROW- INGS \$'000
		CASH \$'000	NON-CASH \$'000								
Link Road	0	2					2	2816	2818	0	
Transportation Works	0	16					16	434	450		
Total		18					18	3,250	3,268		

CONTRIBUTION PLAN - PLANNING & ADMINISTRATION

AREA	OPENING BALANCE \$'000	CONTRIBUTIONS RECEIVED DURING YEAR		INTEREST EARNED DURING YEAR \$'000	EXPENDED DURING YEAR \$'000	INTERNAL BORROW- INGS (to)/from \$'000	HELD AS RESTR- ICTED ASSET \$'000	EST. FUTURE CONTRIBS \$'000	EST. WORKS OUT- STANDING \$'000	EST. OVER/ (UNDER) FUNDING \$'000	BALANCE INTERNAL BORROW- INGS \$'000
		CASH \$'000	NON-CASH \$'000								
Shire Wide	3				-3						
Total	3				(3)						

BALLINA SHIRE COUNCIL

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

Note 17 - SUMMARY OF DEVELOPER CONTRIBUTIONS (cont)

CONTRIBUTION PLAN - SECTION 64 WATER

AREA	OPENING BALANCE \$'000	CONTRIBUTIONS RECEIVED DURING YEAR		INTEREST EARNED DURING YEAR \$'000	EXPENDED DURING YEAR \$'000	INTERNAL BORROW- INGS (to)/from \$'000	HELD AS RESTR- ICTED ASSET \$'000	BALANCE INTERNAL BORROW- INGS \$'000
		CASH \$'000	NON-CASH \$'000					
Ballina	2,036	23		120	-19		2,160	
East Ballina	577	5		34			616	
West Ballina	778	1		46			825	
North Ballina	59	490		4			553	
Lennox Head	2,249	151		133			2,533	
Wardell	63	1		4			68	
Alstonville	248	8		14			270	
Wollongbar	265	2		16	-190		93	
Skennars Head	65	108		4			177	
Cumalum	79	43		5			127	
WUEA	0	100					100	
Subtotal	6,419	932	0	380	-209	0	7,522	0
Less BSC Internal		214						
Total	6,419	718		380	(209)		7,522	

CONTRIBUTION PLAN - SECTION 64 SEWER

AREA	OPENING BALANCE \$'000	CONTRIBUTIONS RECEIVED DURING YEAR		INTEREST EARNED DURING YEAR \$'000	EXPENDED DURING YEAR \$'000	INTERNAL BORROW- INGS (to)/from \$'000	HELD AS RESTR- ICTED ASSET \$'000	BALANCE INTERNAL BORROW- INGS \$'000
		CASH \$'000	NON-CASH \$'000					
Ballina	2,122	201		125	-2,384		64	
East Ballina	0	11			-11		0	
West Ballina	629	3		37	-669		0	
North Ballina	123	1,165		7	-100		1,195	
Pacific Pines	0	1					1	
Lennox Head	0	332			-332		0	
Wardell	20	2		2			24	
Alstonville	1,163	9		69	-25		1,216	
Wollongbar	893	2		53			948	
Skennars Head	0	234			-234		0	
Cumalum	5	128					133	
WUEA	0	333					333	
Subtotal	4,955	2,421	0	293	-3,755	0	3,914	0
Less BSC Internal		462						
Total	4,955	1,959		293	(3,755)		3,914	

BALLINA SHIRE COUNCIL

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

Note 18 - CONTINGENCIES

Contingent liabilities

Council contributes to the Local Government Superannuation Scheme which has a closed section where a portion of member entitlements are defined as a multiple of salary. Member councils bear the responsibility of ensuring there are sufficient monies available to pay out benefits as these members cease employment. The Scheme has a deficit of liabilities over assets totaling approximately \$286m as at 30 June 2010. The share of this deficit that can be broadly attributed to Ballina Shire Council was estimated to be in the order of \$1,681,798 as at 30 June 2011 (\$1,802,125 in 2010). The Scheme administrators increased Council's contribution from 1st July 2009 to help reverse this deficit. Council's 2010/11 contribution to this scheme for the year ended 30th June 2011 was \$1,027,000 (\$1,023,000 2010). However, they may call upon Council to make an immediate payment sufficient to offset this deficit at any time. As the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils, the amount of such payment is not able to be reliably quantified.

Council is currently involved in a contractual dispute with a Contractor relating to the construction of the Lennox Head Cultural and Community Centre. Current claims total \$300,000 and a remediation process is currently underway.

Contingent assets

In regards to the Lennox Head Cultural and Community Centre, Council has lodged a professional indemnity claim against the original project architect (whose contract was terminated during construction) for damages relating to inadequacies in the design and documentation for the project that resulted in cost variations. The claim is expected to go to expert determination or arbitration and these proceedings had not commenced at balance date.

Richmond - Tweed Regional Library

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

In the event that the Council wishes to withdraw from the arrangement, the assets and liabilities of the regional library attributable to Council will be determined by the Library Board of New South Wales.

BALLINA SHIRE COUNCIL

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

Note 19 - INTERESTS IN JOINT VENTURES

Jointly controlled entity

NEWLOG

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

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

Carrying amount of investment in partnership	Actual 2011 \$'000	Actual 2010 \$'000
Share of partnership's assets and liabilities		
Current assets	42	38
Non-current assets	14	18
Total assets	56	56
Current liabilities	(18)	(18)
Total liabilities	(18)	(18)
Net assets	38	38
Share of partnership's revenue, expenses and results		
Revenues	37	40
Expenses	(59)	(61)
Operating result	(22)	(21)
Council's respective interests are:		
- interest in outputs of the partnership operation	13%	13%
- ownership interest in the partnership operation	13%	13%
- the proportion of voting power in the partnership operation	11%	11%
Movements in investment in partnership operation		
	\$'000	\$'000
Opening balance	38	39
New capital contributions	22	20
Share in operating result	-22	(21)
Share in equity of partnership operation	38	38

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

Expenditure Commitments

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

Contingent Liabilities

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

BALLINA SHIRE COUNCIL

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

Note 20 - RETAINED EARNINGS & REVALUATION RESERVES

(a) Retained Earnings	2011 \$'000	2010 \$'000
Balance at end of previous reporting period	499,755	451,962
Effect of correction of errors in previous years (see below)	39,267	44,063
Restated opening balance	<u>539,022</u>	<u>496,025</u>
Net operating result for the year	19,200	3,730
Balance at end of the reporting period	<u>558,222</u>	<u>499,755</u>

(b) Revaluation Reserves

Infrastructure, Property, Plant & Equipment

Balance at end of previous reporting period	280,653	148,280
Revaluation of infrastructure, property, plant & equipment	76,620	132,373
Balance at end of reporting period	<u>357,273</u>	<u>280,653</u>

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

Land		
- Operational Land	25,697	25,205
- Community Land	49,513	-
Buildings	29,270	23,494
Other Structures	2,884	1,910
Infrastructure		
- Roads, bridges, footpaths	106,606	93,909
- Stormwater drainage	33,475	33,475
- Water Supply Network	63,857	59,956
- Sewerage Network	45,971	42,704
Balance at end of reporting period	<u>357,273</u>	<u>280,653</u>

(c) Nature and Purpose of Reserves

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

(d) Correction of errors in previous years

- | | | |
|--|--------|--------|
| (i) In the course of the revaluations carried out in the current reporting period, it was found that a number of community land parcels had not previously been recognised. | 39,267 | - |
| (ii) In the course of the revaluations carried out in the previous reporting period, it was found that a number of buildings had not previously been recognised.
An estimate has been made of the depreciation that should have been charged in the previous year had they been correctly recognised at the appropriate time, and the comparative amounts have been adjusted accordingly. | - | 44,063 |

BALLINA SHIRE COUNCIL

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

NOTE 21 - RESULTS BY FUND

Amounts are shown on a gross basis (before consolidation eliminations) and do NOT reconcile to the General Purpose Financial Statements, and are shown for the current year only. General Fund refers to all Council activities except Water and Sewer.

INCOME STATEMENT BY FUND	GENERAL FUND	WATER SUPPLY	SEWER
	\$'000	\$'000	\$'000
Revenue			
Rates & Annual Charges	19,058	2,159	8,408
User Charges & Fees	9,219	4,987	781
Investment Revenues	3,104	562	914
Other Revenues	6,159	0	466
Grants & Contributions - Operating	6,760	191	166
Grants & Contributions - Capital	15,978	2,674	5,393
Total Income from Continuing Operations	60,278	10,573	16,128
Expenses			
Employee Costs	13,406	1,546	3,521
Materials & Contracts	10,920	6,014	3,987
Borrowing Costs	1,428	1	518
Depreciation & Amortisation	13,175	2,246	3,603
Other Expenses	5,340	8	315
Loss from Disposal of Assets	1,749	0	2
Total expenses from Continuing Operations	46,018	9,815	11,946
Operating result from Continuing Operations	14,260	758	4,182
NET OPERATING RESULT FOR YEAR	14,260	758	4,182
Attributable to:			
Ballina Shire Council	14,260	758	4,182
	14,260	758	4,182
<i>Net operating result before capital grants and contributions</i>	(1,718)	(1,916)	(1,211)

BALLINA SHIRE COUNCIL

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

Note 21 - RESULTS BY FUND (cont)

BALANCE SHEET	GENERAL FUND	WATER SUPPLY	SEWER
	\$'000	\$'000	\$'000
Current Assets			
Cash & cash equivalents	5,054	509	1,619
Investments	12,225	7,389	8,812
Receivables	4,193	1,820	1,489
Inventories	4,050	-	-
Other	557	-	-
Total Current Assets	<u>26,079</u>	<u>9,718</u>	<u>11,920</u>
Non-current Assets			
Investments	15,516	3,032	2,724
Receivables	149	36	409
Inventories	2,456	-	-
Infrastructure, Property, Plant & Equipment	661,139	89,650	114,440
Investment Property	22,030	-	-
Total Non-current Assets	<u>701,290</u>	<u>92,718</u>	<u>117,573</u>
TOTAL ASSETS	<u>727,369</u>	<u>102,436</u>	<u>129,493</u>
Current Liabilities			
Payables	4,756	-	8
Borrowings	1,837	3	985
Provisions	6,835	202	538
Total Current Liabilities	<u>13,428</u>	<u>205</u>	<u>1,531</u>
Non-current Liabilities			
Payables	1,106	-	-
Borrowings	16,359	4	5,280
Provisions	5,890	-	-
Total Non-current liabilities	<u>23,355</u>	<u>4</u>	<u>5,280</u>
TOTAL LIABILITIES	<u>36,783</u>	<u>209</u>	<u>6,811</u>
NET ASSETS	<u>690,586</u>	<u>102,227</u>	<u>122,682</u>
EQUITY			
Accumulated Surplus	443,142	38,369	76,711
Revaluation Reserves	247,444	63,858	45,971
Council Equity Interest	690,586	102,227	122,682
TOTAL EQUITY	<u>690,586</u>	<u>102,227</u>	<u>122,682</u>

BALLINA SHIRE COUNCIL

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

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

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

Note 23 – EVENTS OCCURRING AFTER BALANCE SHEET DATE

Events that occur after the reporting date of 30 June 2011, up to and including the date when the financial report is "authorised for issue", have been taken into account in preparing this financial report.

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

Accordingly, the "authorised for issue" date is 27/10/2011.

BALLINA SHIRE COUNCIL

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

Note 24 - DISCONTINUED OPERATION

(a) Crown land caravan parks.

On 30 April 2010, the NSW Government resumed control of the three caravan parks located on crown lands within Ballina Shire. The three parks were known as Ballina Central Caravan Park, Shaws Bay Caravan Park and Lake Ainsworth Caravan Park. Control of the parks was transferred to the State Government as a going concern for no consideration. The caravan parks were reported in last years financial report as a discontinued operation. Financial information relating to the discontinued operation for the period to the date of transfer is set out below.

(b) Income statement and cash flow information

The income statement and cash flow information presented are for the ten months ended 30 April 2010.

	2011 \$'000	2010 \$'000
Revenue	-	2,263
Expenses	-	2,135
Operating result of parks before disposal	-	128
Loss on handover of parks	-	(7,506)
Operating result from discontinued operations	-	(7,378)
Net cash inflow (outflow) from ordinary activities	-	295
Net cash inflow (outflow) from investing activities (Includes \$1,189,509 cash reserves handed over)	-	(1,663)
Net increase (decrease) in cash generated by the discontinued operations	-	(1,368)

(c) Carrying amounts of assets and liabilities

The carrying amounts of assets and liabilities handed over as at 30 April 2010 are:

Cash Reserves	-	1,189
Infrastructure, property, plant & equipment	-	6,439
Total assets	-	7,628
Payables	-	122
Total liabilities	-	122
Net assets	-	7,506

(c) Details of the handover

Total disposal consideration received	-	-
Carrying amount of net assets sold	-	7,506
Loss on transfer	-	(7,506)

BALLINA SHIRE COUNCIL

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

Note 25 - REINSTATEMENT, REHABILITATION AND RESTORATION LIABILITIES

Tip and Quarry Site Remediations

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

	2011 \$'000	2010 \$'000
Tuckombil Quarry Remediation		
At beginning of year	782	729
Amounts capitalised to remediation asset:		
Revised discount rate	(2)	-
Amortisation of discount - expensed to borrowing costs	37	53
At end of year	817	782
Stokers Quarry Remediation		
At beginning of year	425	396
Amounts capitalised to remediation asset:		
Revised costs		
Revised life		
Revised discount rate	(1)	-
Amortisation of discount - expensed to borrowing costs	20	29
At end of year	444	425
Canal Tip (Ballina) Remediation		
At beginning of year	1,551	1,459
Amounts capitalised to remediation asset:		
Revised costs		
Revised life		
Revised discount rate	(6)	-
Amortisation of discount - expensed to borrowing costs	70	92
At end of year	1,615	1,551

BALLINA SHIRE COUNCIL

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

Note 25 - REINSTATEMENT, REHABILITATION AND RESTORATION LIABILITIES (Cont)

	2011 \$'000	2010 \$'000
Sth Cross Tip (Ballina) Remediation		
At beginning of year	1,919	1,782
Amounts capitalised to remediation asset:		
New provision	-	-
Revised life		
Revised discount rate	(5)	-
Amortisation of discount - expensed to borrowing costs	95	137
At end of year	<u>2,009</u>	<u>1,919</u>
Wardell Tip Remediation		
At beginning of year	587	549
Amounts capitalised to remediation asset:		
Revised costs		
Revised life		
Revised discount rate	(1)	-
Amortisation of discount - expensed to borrowing costs	27	38
At end of year	<u>613</u>	<u>587</u>
Lennox Head Tip Remediation		
At beginning of year	255	251
Amounts capitalised to remediation asset:		
Revised costs		
Revised life		
Revised discount rate	(1)	-
Amortisation of discount - expensed to borrowing costs	12	4
At end of year	<u>266</u>	<u>255</u>
Total Remediation Provisions at end of year (Note 10)	<u>5,764</u>	<u>5,519</u>



PART C

Audit Report & Special Purpose Financial Reports

BALLINA SHIRE COUNCIL
Special Purpose Financial Reports
for the year ended 30th June 2011

TABLE OF CONTENTS

	<u>Page</u>
SPECIAL PURPOSE FINANCIAL REPORTS	
Council Certificate	P1
Statement of Financial Performance	
Water Supply Business Activity	P2
Sewerage Business Activity	P3
Other Business Activities	P4
Statement of Financial Position	
Water Supply Business Activity	P5
Sewerage Business Activity	P6
Other Business Activities	P7
Notes to, and forming part of, the Special Purpose Financial Statements	
Note 1 - Significant Accounting Policies	P8
Note 2 - Best Practice Management Disclosures - Water Supply	P13
Note 3 - Best Practice Management Disclosures -Sewerage	P14
Auditors Report	

BALLINA SHIRE COUNCIL

SPECIAL PURPOSE FINANCIAL STATEMENTS For the year ended 30 June 2011

Statement by Councillors and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

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

To the best of our knowledge and belief, these Statements

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

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

Signed in accordance with a resolution of Council made on 27 October 2011

.....
MAYOR

.....
COUNCILLOR

.....
GENERAL MANAGER

.....
RESPONSIBLE ACCOUNTING OFFICER

BALLINA SHIRE COUNCIL
INCOME STATEMENT
WATER SUPPLY BUSINESS ACTIVITY
for the year ended 30th June 2011

	Notes	2011 '000	2010 '000	2009 '000
INCOME FROM CONTINUING OPERATIONS				
Access Charges	A4	2,159	1,806	1,675
User Charges	A4	4,551	4,615	3,589
Fees	A4	436	305	306
Interest Received	A4	562	532	670
Grants & Contributions - Operating	A4	191	146	147
TOTAL		<u>7,899</u>	<u>7,404</u>	<u>6,387</u>
EXPENSES FROM CONTINUING OPERATIONS				
Employee Costs	A3	1,546	1,452	1,295
Materials & Contracts	A3	1,750	1,583	1,547
Borrowing Costs	A3	1	1	1
Depreciation & Amortisation	A3	2,246	2,132	2,004
Water Purchase Charges		4,264	3,680	3,285
Loss on Disposal of Assets	A5	-	-	5
NCP Tax Equivalents	1	34	33	31
Other Operating Expenses	A3	8	10	16
TOTAL		<u>9,849</u>	<u>8,891</u>	<u>8,184</u>
CONTINUING OPERATIONS RESULT BEFORE CAPITAL AMOUNTS				
		(1,950)	(1,487)	(1,797)
GRANTS & CONTRIBUTIONS - CAPITAL				
	A4	2,674	862	434
SURPLUS (DEFICIT) BEFORE TAX				
		724	(625)	(1,363)
CORPORATE TAXATION EQUIVALENT				
	1	-	-	-
SURPLUS (DEFICIT) AFTER TAX				
		724	(625)	(1,363)
ADD: ACCUMULATED SURPLUS BROUGHT FORWARD				
		37,645	38,195	39,558
<i>Adjustments for amounts unpaid</i>				
	1	34	33	31
<i>NCP Tax Equivalents retained</i>				
	1	(34)	(33)	(31)
LESS: DIVIDENDS PAID				
ACCUMULATED SURPLUS				
		<u>38,369</u>	<u>37,570</u>	<u>38,195</u>
RATE OF RETURN ON CAPITAL				
	1	-2.17%	-1.74%	-2.13%
NOTIONAL SUBSIDY FROM COUNCIL				
	1	N/A	N/A	N/A
<i>Calculation of Dividend Payable during next financial year</i>				
		724	-625	-1,363
<i>Surplus after tax</i>				
		18	146	434
<i>Less: Capital grants & contribs from LWUs</i>				
		<u>706</u>	<u>0</u>	<u>0</u>
<i>Surplus for dividend calculation purposes</i>				
		353	0	0
<i>Dividend calculated from surplus</i>				

This Statement is to be read in conjunction with the attached Notes.

BALLINA SHIRE COUNCIL

INCOME STATEMENT
SEWERAGE BUSINESS ACTIVITY
for the year ended 30th June 2011

	Notes	2011 '000	2010 '000	2009 '000
INCOME FROM CONTINUING OPERATIONS				
Access Charges	A4	8,408	7,175	6,489
User Charges	A4	652	648	539
Liquid Trade Waste Charges	A4	77	74	69
Fees	A4	52	47	46
Interest Received	A4	914	3,774	1,019
Grants & Contributions - Operating	A4	166	599	285
Gain on Disposal of Assets	A5	-	365	271
Other Operating Revenues	A4	466	-	-
TOTAL		10,735	12,682	8,718
EXPENSES FROM CONTINUING OPERATIONS				
Employee Costs	A3	3,521	3,591	3,113
Materials & Contracts	A3	3,987	3,914	3,719
Borrowing Costs	A3	518	21	21
Depreciation & Amortisation	A3	3,603	3,362	3,937
Loss on Disposal of Assets	A5	2	-	248
NCP Tax Equivalents	1	20	17	17
Debt Guarantee Fee		66	2	2
Other Operating Expenses	A3	315	173	169
TOTAL		12,032	11,080	11,226
CONTINUING OPERATIONS RESULT BEFORE CAPITAL AMOUNTS				
		(1,297)	1,602	(2,508)
Grants & Contributions - Capital	A4	5,393	1,666	902
SURPLUS (DEFICIT) BEFORE TAX		4,096	3,268	(1,606)
Corporate Taxation Equivalent	1	-	481	-
SURPLUS (DEFICIT) FOR YEAR		4,096	2,787	(1,606)
Add: Accumulated Profits brought forward		72,549	69,245	70,851
<i>Adjustments for amounts unpaid</i>				
NCP Tax Equivalents retained	1	20	17	17
Debt Guarantee Fee retained		66	2	2
Corporate Tax Equivalent retained		-	481	-
Less: Dividends Paid	1	(20)	(19)	(19)
ACCUMULATED SURPLUS		76,711	72,513	69,245
RATE OF RETURN ON CAPITAL	1	-0.68%	1.59%	-2.62%
NOTIONAL SUBSIDY FROM COUNCIL	1	N/A	N/A	N/A
<i>Calculation of Dividend Payable during next financial year</i>				
Surplus after tax		4,096	2,787	-1,606
Less: Capital grants & contribs from LWUs		16	149	0
Surplus for dividend calculation purposes		4,080	2,638	0
Dividend calculated from surplus		2,040	1,319	0

This Statement is to be read in conjunction with the attached Notes.

BALLINA SHIRE COUNCIL

INCOME STATEMENT BY BUSINESS ACTIVITIES
for the year ended 30th June 2011

		BUSINESS ACTIVITIES											
		Quarry '000		Airport '000		Wigmore '000		Land Development '000		Landfill & Resource Recovery '000		Private Works '000	
Notes		2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
REVENUE FROM CONTINUING OPERATIONS													
User Charges & Fees	A4	585	302	2,729	2,377	634	637	2,049	98	6,970	5,902	215	3,971
Interest Received	A4	86	64			9	7	37	61	64	11		
Grants & Contributions - Operating	A4												
Fair value adjustment investment properties	A5					300		1,388			10	13	
Other Operating Revenues	A4												
TOTAL		671	366	2,729	2,377	943	644	3,474	159	7,034	5,923	228	3,971
EXPENSES FROM CONTINUING OPERATIONS													
Employee Costs	A3			601	305					691	719		
Materials & Contracts	A3	50	166	1,554	1,562	208	109	1,117	1,068	3,837	2,953	228	3,321
Borrowing Costs	A3	60	82	217	241					244	640		
Depreciation & Amortisation	A3	82	95	708	555					1,015	1,283		
Other Operating Expenses	A3												
Loss on Disposal of Assets	A5		7	109									
NCP Imputation Payments	2	9	10	44	49	62	62	567	349	97	91		
TOTAL		201	360	3,233	2,712	270	171	1,684	1,417	5,884	5,686	228	3,321
CONTINUING OPERATIONS RESULT BEFORE CAPITAL AMOUNTS		470	6	(504)	(335)	673	473	1,790	(1,258)	1,150	237	-	650
Grants & Contributions - Capital	A4							1,611					
SURPLUS (DEFICIT) BEFORE TAX		470	6	(504)	(335)	673	473	3,401	(1,258)	1,150	237	-	650
Corporate Taxation Equivalent	2	141	2	-	-	202	142	537	-	345	71	-	195
SURPLUS (DEFICIT) FOR YEAR		329	4	(504)	(335)	471	331	2,864	(1,258)	805	166	-	455
Add: Accumulated Profits brought forward		949	1,068	7,357	7,643	5,916	5,866	6,857	7,980	(468)	(785)		
NCP Imputation Payments retained	1	150	12	44	49	264	204	1,104	349	442	162		195
Less: Dividends Paid - TER													
- Surplus Dividend	2	336	135			457	485	818	214	64	11		650
ACCUMULATED SURPLUS		1,092	949	6,897	7,357	6,194	5,916	10,007	6,857	715	(468)	-	-
RATE OF RETURN ON CAPITAL	2	53.75%	8.33%	-1.59%	-0.48%	11.12%	8.23%	NIL	NIL	13.79%	8.30%	N/A	N/A
NOTIONAL SUBSIDY FROM COUNCIL	2	N/A	N/A	1,229	1,093	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

This Statement is to be read in conjunction with the attached Notes.

BALLINA SHIRE COUNCIL
BALANCE SHEET
WATER SUPPLY BUSINESS ACTIVITY
for the year ended 30th June 2011

	Notes	2011 '000	2010 '000
CURRENT ASSETS			
Cash & cash equivalents	A6	509	177
Investments	A6	7,389	6,857
Receivables	A7	1,820	2,113
TOTAL CURRENT ASSETS		<u>9,718</u>	<u>9,147</u>
NON-CURRENT ASSETS			
Investments	A6	3,032	3,222
Receivables	A7	36	39
Infrastructure, Property, Plant & Equipment	A9	89,650	85,439
TOTAL NON-CURRENT ASSETS		<u>92,718</u>	<u>88,700</u>
TOTAL ASSETS		<u>102,436</u>	<u>97,847</u>
CURRENT LIABILITIES			
Payables	A10		50
Interest bearing liabilities	A10	3	3
Provisions	A10	202	260
TOTAL CURRENT LIABILITIES		<u>205</u>	<u>313</u>
NON-CURRENT LIABILITIES			
Interest bearing liabilities	A10	4	8
TOTAL NON CURRENT LIABILITIES		<u>4</u>	<u>8</u>
TOTAL LIABILITIES		<u>209</u>	<u>321</u>
NET ASSETS		<u>\$ 102,227</u>	<u>97,526</u>
EQUITY			
Accumulated Surplus		38,369	37,570
Asset Revaluation Reserve		63,858	59,956
TOTAL EQUITY		<u>\$ 102,227</u>	<u>97,526</u>

This Statement is to be read in conjunction with the attached Notes

BALLINA SHIRE COUNCIL
BALANCE SHEET
SEWERAGE BUSINESS ACTIVITY
for the year ended 30th June 2011

	Notes	2011 '000	2010 '000
CURRENT ASSETS			
Cash & cash equivalents	A6	1,619	166
Investments	A6	8,812	13,984
Receivables	A7	1,489	2,803
TOTAL CURRENT ASSETS		<u>11,920</u>	<u>16,953</u>
NON-CURRENT ASSETS			
Investments	A6	2,724	3,282
Receivables	A7	409	463
Infrastructure, Property, Plant & Equipment	A9	114,440	101,881
TOTAL NON-CURRENT ASSETS		<u>117,573</u>	<u>105,626</u>
TOTAL ASSETS		<u>129,493</u>	<u>122,579</u>
CURRENT LIABILITIES			
Payables	A10	8	12
Interest bearing liabilities	A10	985	1,185
Provisions	A10	538	411
TOTAL CURRENT LIABILITIES		<u>1,531</u>	<u>1,608</u>
NON-CURRENT LIABILITIES			
Interest bearing liabilities	A10	5,280	5,754
TOTAL NON CURRENT LIABILITIES		<u>5,280</u>	<u>5,754</u>
TOTAL LIABILITIES		<u>6,811</u>	<u>7,362</u>
NET ASSETS		<u>\$ 122,682</u>	<u>115,217</u>
EQUITY			
Accumulated Surplus		76,711	72,513
Asset Revaluation Reserve		45,971	42,704
TOTAL EQUITY		<u>\$ 122,682</u>	<u>115,217</u>

This Statement is to be read in conjunction with the attached Notes

BALLINA SHIRE COUNCIL

BALANCE SHEET by BUSINESS ACTIVITIES
for the year ended 30th June 2011

		BUSINESS ACTIVITIES											
		Quarry '000		Airport '000		Wigmore '000		Land Development '000		Landfill & Resource Recovery '000		Private Works '000	
Notes		2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
CURRENT ASSETS													
	Investments	A6	1,626	1,342			144	166	304		1,728	468	
	Receivables	A7							269	252			
	Inventories	A8							6,048	3,798	31	60	
	Other	A8	246	328							922	1,076	
	TOTAL CURRENT ASSETS		1,872	1,670			144	166	6,621	4,050	2,681	1,604	
NON-CURRENT ASSETS													
	Receivables	A7								270			
	Inventories	A8							3,271	3,126			
	Property, Plant & Equipment	A9	986	1,057	18,076	19,582					10,106	10,565	
	Investment Property						6,050	5,750	6,115	1,345			
	TOTAL NON-CURRENT ASSETS		986	1,057	18,076	19,582	6,050	5,750	9,386	4,741	10,106	10,565	
	TOTAL ASSETS		2,858	2,727	18,076	19,582	6,194	5,916	16,007	8,791	12,787	12,169	
CURRENT LIABILITIES													
	Payables	A10								1,934			
	Interest bearing liabilities	A10			379	507			6,000		1,210	1,150	
	Provisions	A10	1,261	1,207	158	140							
	TOTAL CURRENT LIABILITIES		1,261	1,207	537	647			6,000	1,934	1,210	1,150	
NON-CURRENT LIABILITIES													
	Interest bearing liabilities	A10			3,402	3,154					5,673	6,884	
	Provisions	A10									2,009	1,919	
	TOTAL NON CURRENT LIABILITIES				3,402	3,154					7,682	8,803	
	TOTAL LIABILITIES		1,261	1,207	3,939	3,801			6,000	1,934	8,892	9,953	
NET ASSETS		\$	1,597	1,520	14,137	15,781	6,194	5,916	10,007	6,857	3,895	2,216	
EQUITY													
	Accumulated Surplus		1,092	949	6,897	7,357	6,194	5,916	10,007	6,857	715	(468)	
	Asset Revaluation Reserve		505	571	7,240	8,424					3,180	2,684	
	TOTAL EQUITY	\$	1,597	1,520	14,137	15,781	6,194	5,916	10,007	6,857	3,895	2,216	

This Statement is to be read in conjunction with the attached Notes

BALLINA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE FINANCIAL REPORTS for the year ended 30 June 2011

Note 1 - SIGNIFICANT ACCOUNTING POLICIES

1. The Special Purpose Financial Statements

These financial statements are a Special Purpose Financial Statements (SPFS) prepared for use by the Council, the Department of Local Government, and the Department of Energy, Utilities and Sustainability. They have been prepared to report the results of business units determined by Council in accordance with the requirements of National Competition Policy guidelines, and the specific requirements relating to Best Practice Management of water and sewer business units.

In preparing these reports, each business unit has been viewed as a separate unit, and accordingly transactions between different business units, and between business units and other Council operations, have not been eliminated.

2. Basis of Accounting

2.1 Compliance

The financial reports comply with the Local Government Code of Accounting Practice and Financial Reporting and the Local Government Asset Accounting Manual, and with the principles of the June 1996 NSW Government Policy Statement "Application of National Competition Policy to Local Government", the Department of Local Government's July 1997 guidelines "Pricing & Costing for Council Businesses: A Guide to Competitive Neutrality" and the Department of Energy, Utilities and Sustainability's May 2004 guidelines "Best-Practice Management of Water Supply and Sewerage".

Except where directed to the contrary by the above documents, the financial report also complies with all applicable Australian Accounting Standards and professional pronouncements, and is based on information consistent with that forming the basis of Council's general purpose Annual Financial Statements for the year.

2.2 Basis

The financial report has been prepared on the accrual basis of accounting and, except where specifically indicated in these Notes or in the Notes to the general purpose Annual Financial Statements, in accordance with the historical cost convention.

3. National Competition Policy

In accordance with the framework set out in the June 1996 NSW Government Policy Statement "Application of National Competition Policy to Local Government" and other guidelines and documentation in relation to this matter, Council has declared that the following are to be considered as Business Units:

Category 1

Water Supplies

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

Sewerage Service

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

Landfill & Resource Recovery

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

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

Note 1 - Significant Accounting Policies (cont)

Category Two

Quarries

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

Airport

Provide for commercial and private air traffic. The airport is situated at Southern cross drive Ballina.

Wigmore arcade

Attractive and competitive shopping centre in central Ballina.

Land Development

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

Private works

Various works conducted on private land.

The Department of Local Government's July 1997 guidelines "*Pricing & Costing for Council Businesses: A Guide to Competitive Neutrality*" outline the process for identifying and allocating costs to activities and provide a standard of disclosure requirements. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, council subsidies, rate of return on investments in business units and dividends paid. The Department of Energy, Utilities and Sustainability's May 2004 guidelines "*Best-Practice Management of Water Supply and Sewerage*" include specific requirements relating to the calculation and payment of "dividends" by water supply and sewerage business units.

3.1 Taxation Equivalent Payments

Council does not pay certain taxes and duties that are paid by equivalent private sector operations, but is liable for others. The Special Purpose Financial Statements disclose the effect of imputing these taxes to the declared business units at the several rates that would have applied to equivalent private sector operations. From 30 June 2004 the Department of Energy, Utilities and Sustainability's May 2004 guidelines "*Best-Practice Management of Water Supply and Sewerage*" require that imputed amounts be paid into the general funds of the Council where it may be applied for any permitted purpose of the Local Government Act 1993 (as amended).

Details of the rates of each tax or duty applicable to each different business unit are set out in the table forming item 7 of this Note. The narration "applies" indicates that the tax or duty has in fact been paid to the taxing authority by the Business Unit, and that these costs have been included in actual Operating Expenses, and the narration "various" indicates that Council has based the calculation of imputed tax on the differing rates of tax or duty applicable to different purchases.

3.2 Council Rates, Charges & Fees

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

3.3 Loan & Debt Guarantee Fees

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

3.4 Corporate Taxation Equivalent

In accordance with the Code of Local Government Accounting Practice and Financial Reporting, income taxation has been calculated on the Operating Result before Capital Amounts disclosed in the Statements of

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

Note 1 - Significant Accounting Policies (cont)

Financial Performance of the Special Purpose Financial Reports. No allowance has been made for non-deductible items, timing differences or carried forward losses. Australian Accounting Standard AASB 112 "Income Taxes" has not been applied.

3.5 Dividends Paid

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

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

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

3.6 Return on Investment (Rate of Return)

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

In accordance with the Code of Accounting Practice, the rate of return has been calculated as the Operating Result before Capital Amounts plus Interest Expense expressed as a percentage of the carrying value of Property, Plant & Equipment at the reporting date.

3.7 Notional Subsidy from Council

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

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

4. Special Rate Funds

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

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

5. Other Accounting Policies and Notes

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

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

Note 1 - Significant Accounting Policies (cont)

6. Rounding

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

BALLINA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE FINANCIAL REPORTS

NOTE 1 Table - NATIONAL COMPETITION POLICY NOTIONAL PAYMENTS
for the year ended 30th June 2011

	BUSINESS ACTIVITIES															
	WATER		SEWER		Quarry		Airport		Wigmore		Land Development		Landfill & Resource Recovery		Private Works	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Category	1	1	1	1	2	2	1	1	2	2	2	2	1	1	2	2
TAXATION EQUIVALENT PAYMENTS	<i>Rate</i>	<i>Rate</i>	<i>Rate</i>	<i>Rate</i>	<i>Rate</i>	<i>Rate</i>	<i>Rate</i>	<i>Rate</i>	<i>Rate</i>	<i>Rate</i>	<i>Rate</i>	<i>Rate</i>	<i>Rate</i>	<i>Rate</i>	<i>Rate</i>	<i>Rate</i>
Land Tax	Calculated	Calculated	Calculated	Calculated	Calculated	Calculated	Calculated	Calculated	Calculated	Calculated	Calculated	Calculated	Calculated	Calculated	Calculated	Calculated
Stamp Duty	Calculated	Calculated	Calculated	Calculated	Calculated	Calculated	Calculated	Calculated	Calculated	Calculated	Calculated	Calculated	Calculated	Calculated	Calculated	Calculated
Payroll Tax	Applies	Applies	Applies	Applies	Calculated	Calculated	Calculated	Calculated	Calculated	Calculated	Calculated	Calculated	Calculated	Calculated	Calculated	Calculated
Fringe Benefits Tax	Applies	Applies	Applies	Applies	Applies	Applies	Applies	Applies	Applies	Applies	Applies	Applies	Applies	Applies	Applies	Applies
COUNCIL RATES, CHARGES & FEES	See Note 1, Item 3.2															
LOAN & DEBT GUARANTEE FEES	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
CORPORATE TAXATION EQUIVALENT	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%
DIVIDENDS PAID	4.70%	N/A	0.49%	0.58%	102.13%	3375.00%	N/A	N/A	97.03%	146.53%	28.56%	N/A	7.95%	6.63%	N/A	142.86%
RATE OF RETURN ON CAPITAL																
Required Rate of Return	0.00%	0.00%	0.00%	0.00%	4.75%	5.10%	4.75%	5.10%	4.75%	5.10%	4.75%	5.10%	4.75%	5.10%	4.75%	5.10%
Actual Rate of Return	-2.17%	-1.74%	-0.68%	1.59%	53.75%	0.57%	-1.59%	-0.48%	11.12%	8.23%	NIL	NIL	13.79%	8.30%	N/A	N/A

BALLINA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE STATEMENTS for the year ended 30th June 2011

Note 2 - BEST PRACTICE MANAGEMENT DISCLOSURES - WATER SUPPLY

		2011
<i>Values shown in this Note are expressed in WHOLE DOLLARS</i>		\$
Calculation and Payment of Tax-Equivalents		
(i) Calculated Tax Equivalents		34,000
(ii) No of assessments multiplied by \$3/assessment		44,334
(iii) Amounts payable for Tax Equivalents		34,000
(iv) Tax Equivalents paid		34,000
Dividend from Surplus		
(i) 50% of Surplus before Dividends		353,000
<i>(Calculated in accordance with Best Practice Management for Water Supply and Sewerage guidelines.)</i>		
(ii) No of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment		409,340
(iii) Cumulative Surplus before Dividends for 3 years to 30 June 2011, less cumulative dividends paid for 2 years to 30 June 2010		0
(iv) Maximum Dividend from Surplus		0
<i>(least of (i), (ii) and (iii))</i>		
(v) Dividend paid from Surplus		0
Required Outcomes for 6 Criteria		
(i) Completion of Strategic Business Plan (including Financial Plan)		yes
(ii) Pricing with full cost-recovery, without significant cross subsidies		yes
<i>(Item 2(a) in Table 1 on page 22 of Best Practice guidelines)</i>		
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 & Demand Management Implemented		yes
(iv) Sound Drought Management implemented		yes
(v) Complete Performance Reporting Form (by 15 September each year)		yes
(vi) Complete Integrated Water Cycle Management Evaluation		yes
(vii) Complete and implement Integrated Water Cycle Management Strategy		yes
National Water Initiative (NWI) Financial Performance Indicators		
NWI F1 Total Revenue (Water)	\$'000	9,993
NWI F4 Residential Revenue from Usage Charges (Water)	%	66.06
NWI F9 Written Down Replacement Cost of Fixed Assets (Water)	\$'000	86,848
NWI F11 Operating Cost (OMA) (Water)	\$'000	7,560
NWI F14 Capital Expenditure (Water)	\$'000	2,527
NWI F17 Economic Real Rate of Return (Water)	%	0.21
NWI F20 Capital Works Grants (Water)	\$'000	18

BALLINA SHIRE COUNCIL

NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE STATEMENTS for the year ended 30th June 2011

Note 3 - BEST PRACTICE MANAGEMENT DISCLOSURES - SEWERAGE

		2011 \$
<i>Values shown in this Note are expressed in WHOLE DOLLARS</i>		
Calculation and Payment of Tax-Equivalents		
(i) Calculated Tax Equivalents		86,000
(ii) No of assessments multiplied by \$3/assessment		43,629
(iii) Amounts payable for Tax Equivalents (lesser of (i) and (ii))		43,629
(iv) Tax Equivalents paid		20,000
Dividend from Surplus		
(i) 50% of Surplus before Dividends <i>(Calculated in accordance with Best Practice Management for Water, Supply and Sewerage guidelines.)</i>		2,040,000
(ii) No of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment		392,661
(iii) Cumulative Surplus before Dividends for 3 years to 30 June 2011, less cumulative dividends paid for 2 years to 30 June 2010		1,753,000
(iv) Maximum Dividend from Surplus (least of (i), (ii) and (iii))		392,661
(v) Dividend paid from Surplus		0
Required Outcomes for 4 Criteria		
(i) Complete current Strategic Business Plan (including Financial Plan)		yes
(ii) Pricing with full cost-recovery, without significant cross subsidies (Item 2(a) in Table 1 on page 18 of 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 & Policy (Item 2(f) in Table 1)		yes
(iii) Complete Performance Reporting Form (by 15 September each year)		yes
(iv) a. Complete Integrated Water Cycle Management Evaluation		yes
(iv) b. Complete and implement Integrated Water Cycle Management Strategy		yes
National Water Initiative (NWI) Financial Performance Indicators		
NWI F2 Total Revenue (Sewerage)	\$'000	15,214
NWI F10 Written Down Replacement Cost of Fixed Assets (Sewerage)	\$'000	110,122
NWI F12 Operating Cost (Sewerage)	\$'000	7,508
NWI F15 Capital Expenditure (Sewerage)	\$'000	12,872
NWI F18 Economic Real Rate of Return (Sewerage)	%	4
NWI F27 Capital Works Grants (Sewer)	\$'000	0
NWI F3 Total Income (Water & Sewerage)	\$'000	25,205
NWI F5 Revenue from Community Service Obligations (Water & Sewerage)	%	1
NWI F16 Capital Expenditure (Water & Sewerage)	\$'000	15,399
NWI F19 Economic Real Rate of Return (Water & Sewerage)	%	2
NWI F20 Dividend (Water & Sewerage)	\$'000	0
NWI F21 Dividend Payout Ratio (Water & Sewerage)	%	0
NWI F22 Net Debt to Equity (Water & Sewerage)	%	-8
NWI F23 Interest Cover (Water & Sewerage)	times	>100
NWI F24 Net Profit after Tax (Water & Sewerage)	\$'000	4,814
NWI F25 Community Service Obligations (Water & Sewerage)	\$'000	290



Thomas Noble & Russell

Accountants | Auditors | Business Advisers

**BALLINA SHIRE COUNCIL
SPECIAL PURPOSE FINANCIAL STATEMENTS
INDEPENDENT AUDIT REPORT**

Report on the Financial Statements

We have audited the accompanying financial statements, being special purpose financial statements, of Ballina Shire Council (the Council), which comprises the balance sheet as at 30 June 2011, the income statement for the year then ended, notes comprising a summary of **significant accounting policies and other explanatory information and the statement by Councillors' and Management.**

Councils' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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Matters Relating to the Electronic Presentation of the Audited Financial Statements

This auditor's report relates to the special purpose financial statements of Ballina Shire Council for the year ended 30 June 2011 included on Council's website. The Council is responsible for the integrity of the website. We have not been engaged to report on the integrity of this website. The auditor's report refers only to the financial statements identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial statements. If users of the financial statements are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements to confirm the information contained in this website version of the financial statements.

Independence

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

Audit Opinion

In our opinion, the special purpose financial statements of Ballina Shire Council are presented fairly in accordance with the requirements of those applicable Australian Accounting Standards detailed in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting.

Basis of Accounting

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

THOMAS NOBLE & RUSSELL CHARTERED ACCOUNTANTS

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

Dated at Ballina this 27th day of October 2011



PART D

Special Schedules Financial Reports

BALLINA SHIRE COUNCIL

Special Schedules

for the year ended 30th June 2011

TABLE OF CONTENTS

	<u>Page</u>
SPECIAL SCHEDULES (not Audited)	
Special Schedule 1 - Net Cost of Services	S1
Special Schedule 2(1) - Statement of Long Tern Debt (All Purpose)	S3
Special Schedule 2(2) - Statement of Internal Loans	S3
Special Schedule 3 - Water Supply Operations	S4
Special Schedule 4 - Water Supply - Net Assets Committed	S6
Special Schedule 5 - Sewerage Services Operations	S7
Special Schedule 6 - Sewerage Services - Net Assets Committed	S9
Special Schedule 7 - Condition of Public Works	S10
Special Schedule 8 - Financial Projections	S13

BALLINA SHIRE COUNCIL
SPECIAL SCHEDULE NO 1
NET COST OF SERVICES
for the year ended 30th June 2011

\$'000

Function or Activity	Expenses from continuing operations	Income from continuing operations (non-capital)	Income from continuing operations (capital)	NET COST OF SERVICES
GOVERNANCE	760	-	-	760
ADMINISTRATION	4,597	726	2,683	1,188
PUBLIC ORDER & SAFETY				
Fire Service Levy, Fire Protection, Emergency Services	449	213	-	236
Beach Control	216	-	-	216
Animal Control	145	30	-	115
Other	747	60	-	687
Total Public Order & Safety	1,557	303	-	1,254
HEALTH	703	273	-	430
ENVIRONMENT				
Noxious Plants and Insect / Vermin Control	62	-	-	62
Other Environmental Protection	604	137	-	467
Solid Waste Management	7,325	8,285	-	(960)
Street Cleaning	168	-	-	168
Drainage	517	220	2,972	(2,675)
Total Environment	8,676	8,642	2,972	(2,938)
COMMUNITY SERVICES & EDUCATION				
Administration & Education	560	1	-	559
Childrens Services	131	131	-	-
Total Community Services & Education	691	132	-	559
HOUSING & COMMUNITY AMENITIES				
Public Cemeteries	274	374	-	(100)
Public Conveniences	361	-	-	361
Street Lighting	467	94	-	373
Town Planning	2,553	428	-	2,125
Other Community Amenities	186	-	-	186
Total Housing & Community Amenities	3,841	896	-	2,945
WATER SUPPLIES	9,544	7,579	2,394	(429)
SEWERAGE SERVICES	11,609	10,412	4,919	(3,722)

BALLINA SHIRE COUNCIL

SPECIAL SCHEDULE NO 1 - NET COST OF SERVICES (cont) for the year ended 30th June 2011

\$'000

Function or Activity	Expenses from continuing operations	Income from continuing operations (non-capital)	Income from continuing operations (capital)	NET COST OF SERVICES
RECREATION & CULTURE				
Public Libraries	1,346	113	-	1,233
Museums	19	-	-	19
Art Galleries	176	56	-	120
Community Centres and Halls	836	120	40	676
Sporting Grounds	737	3	1,002	(268)
Swimming Pools	740	265	-	475
Parks & Gardens, Lakes	2,454	543	170	1,741
Other Sport & Recreation	26	-	-	26
Total Recreation & Culture	6,334	1,100	1,212	4,022
MINING, MANUFACTURING & CONSTRUCTION				
Building Control	724	763	-	(39)
Other Mining Manufacturing & Construction	193	585	-	(392)
Total Mining Manufacturing & Construction	917	1,348	-	(431)
TRANSPORT & COMMUNICATION				
Urban Roads: Local	7,810	713	9,377	(2,280)
Urban Roads: Regional	241	-	-	241
Sealed Rural Roads: Local	1,436	-	-	1,436
Sealed Rural Roads: Regional	373	-	-	373
Unsealed Rural Roads: Local	554	-	-	554
Bridges - Urban Roads: Local	506	-	-	506
Parking Areas	18	-	-	18
Footpaths	1,241	-	382	859
Aerodromes	3,059	2,729	-	330
Other Transport & Communication	1,369	1,823	106	(560)
Total Transport & Communication	16,607	5,265	9,865	1,477
ECONOMIC AFFAIRS				
Camping Areas & Caravan Parks	295	310	-	(15)
Other Economic Affairs	1,648	5,660	-	(4,012)
Total Economic Affairs	1,943	5,970	-	(4,027)
TOTALS - FUNCTIONS				
	67,779	42,646	24,045	1,088
General Purpose Revenues				20,288
Equity accounted income (loss)				20,288
NET OPERATING RESULT FOR YEAR				19,200

BALLINA SHIRE COUNCIL
SPECIAL SCHEDULE NO 2 (A)
STATEMENT OF LONG TERM DEBT (ALL PURPOSE)
for the year ended 30th June 2011
\$'000

This Schedule excludes Internal Loans and refinancing of existing borrowings.

Classification of Debt	Principal Outstanding at beginning of year			New Loans Raised	Debt Redemption		Tfrs to Sinking Funds	Interest applicable for year	Principal outstanding at end of year		
	Current	Non-Current	Total		From Revenue	Sinking Funds			Current	Non-Current	Total
LOANS (by source)											
Treasury Corporation	1,035	11,615	12,650		1,035			-	1,035	10,580	11,615
Financial Institutions	1,898	13,319	15,217	3,000	1,666	200		1,058	1,790	14,561	16,351
TOTAL LONG TERM DEBT	2,933	24,934	27,867	3,000	2,701	200	-	1,058	2,825	25,141	27,966

SPECIAL SCHEDULE NO 2 (B)
STATEMENT OF INTERNAL LOANS
for the year ended 30th June 2011

Borrower (by purpose)	Amount Originally Raised	Total Repaid During Year Principal & Interest	Principal Outstanding at End of Year
General	3,372	484	711
Totals	3,372	484	711

The above summary of internal loans represents the total of Council's internal loans categorised according to the purpose of the borrower. Details of individual internal loans are set out below.

Borrower (by purpose)	Lender (by purpose)	Date of Minister's Approval	Date Raised	Term (years)	Maturity Date	Rate of Interest	Amount Originally Raised	Paid During Year - Princ and Interest	Principal Outstanding End of Year
Waste Other	Land Development		30/6/98	14	30/12/12	7%	2,626	288	270
Plant Fund	Land Development		30/6/05	8	30/6/13	6%	210	34	62
Airport	Land Development		30/6/10	3	30/6/13	0%	444	142	302
Flat Rock Tent Park	Land Development		30/6/10	3	30/6/13	5%	92	20	77
Totals							3,372	484	711

BALLINA SHIRE COUNCIL

SPECIAL SCHEDULE NO 3 WATER SUPPLY OPERATIONS (Gross including Internal Transactions) for the year ended 30th June 2011

<u>A. EXPENSES & REVENUES</u>	2011	2010
<u>EXPENSES</u>	\$'000	\$'000
1.a. Management - Administration	1,625	1,341
b. - Engineering & Supervision	214	184
2 Operations		
a. - Dams & Weirs - Operation Expenses	-	-
b. - Maintenance Expenses	-	-
c. - Mains - Operation Expenses	299	331
d. - Maintenance Expenses	364	313
e. - Reservoirs - Operation Expenses	-	-
f. - Maintenance Expenses	59	64
g. - Pumping Stations - Operation Expenses	35	68
h. - Energy Costs	36	31
i. - Maintenance Expenses	-	-
j. - Treatment - Operation Expenses	71	69
k. - Chemical Costs	-	-
l. - Maintenance Expenses	-	-
m. - Other - Operation Expenses	204	284
n. - Maintenance Expenses	389	350
o. - Purchase of Water	4,264	3,680
3.a. Depreciation - System Assets	2,188	2,105
b. - Plant & Equipment	58	27
4.a. Miscellaneous - Interest	1	1
b. - Revaluation decrements	-	-
c. - Other	8	9
c. - NCP Tax & Other Equivalentents	34	34
5 Total Expenses	9,849	8,891
 REVENUE		
6 Residential Charges		
a. - Access (including rates)	1,685	1,408
b. - User Charges	3,279	3,321
7 Non-Residential Charges		
a. - Access (including rates)	474	398
b. - User Charges	1,272	1,294
8 Extra Charges	-	-
9 Interest	562	532
10 Other Income	436	305
11.a. Grants - Acquisition of Assets	18	-
b. - Pensioner Rebates	140	146
c. - Other	51	-
12.a. Contributions - Developer Charges	931	264
b. - Developer Provided Assets	1,725	598
c. - Other Contributions	-	-
13 Total Revenues	10,573	8,266
14 Gain (Loss) on Disposal of Assets	-	-
15 OPERATING RESULT	724	(625)
15a. Operating Result before Grants for Acquisition of Assets	706	(625)

BALLINA SHIRE COUNCIL

SPECIAL SCHEDULE NO 3 - WATER SUPPLY OPERATIONS (cont)

	2011 \$'000	2010 \$'000
<u>B. CAPITAL TRANSACTIONS</u>		
<u>Non - Operating Expenditure</u>		
16 Acquisition of Fixed Assets		
a. - New assets for improved standards	-	-
b. - New assets for growth	2,452	254
c. - Renewals	-	90
d. - Plant & Equipment	75	48
17 Repayment of Debt		
a. - Loans	3	3
b. - Advances	-	-
c. - Finance Leases	-	-
18 Transfers to Sinking Funds	-	-
19 Total Non-Operating Expenditure	2,530	395
<u>Non-Operating Funds Employed</u>		
20 Proceeds from Disposal of Assets	-	-
21 Borrowings Utilised		
a. - Loans	-	-
b. - Advances	-	-
c. - Finance Leases	-	-
22 Transfers from Sinking Funds	-	-
23 Total Non-Operating Funds Employed	-	-
<u>C. RATES & CHARGES</u>		
24 Number of Assessments		
a. - Residential (occupied)	13,082	
b. - Residential (unoccupied - vacant land)	244	
c. - Non-Residential (occupied)	1,415	
d. - Non -Residential (unoccupied - vacant land)	37	
25 Number of ETs for which Developer Charges were	293 ET	
26 Total Amount of Pensioner Rebates	264 \$'000	
<u>D. BEST PRACTICE ANNUAL CHARGES & DEVELOPER CHARGES</u>		
27 Annual Charges		
a	Does Council have best-practice water supply annual charges and usage charges? <input checked="" type="checkbox"/> YES	
	If Yes, go to 28a.	
	If No, has Council removed land value from access charges (i.e. rates) <input type="checkbox"/>	
b	Cross subsidy from residential customers using less than allowance	0
c	Cross subsidy to non-residential customers	0
d	Cross subsidy to large connections in unmetered supplies	0
28 Developer Charges		
a	Has Council completed a water supply Development Servicing Plan? <input checked="" type="checkbox"/> YES	
b	Total cross-subsidy in water supply developer charges	0
29 TOTAL OF CROSS SUBSIDIES		-

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

BALLINA SHIRE COUNCIL

**SPECIAL SCHEDULE NO 4
WATER SUPPLY - NET ASSETS COMMITTED
(Gross including Internal Transactions)
for the year ended 30th June 2011**

	<u>Current</u> \$'000	<u>Non-Current</u> \$'000	<u>Total</u> \$'000
<u>ASSETS</u>			
30 Cash and Investments			
a. - Developer Charges	4,490	3,032	7,522
b. - Specific Purpose Grants	-	-	-
c. - Accrued Leave	162	-	162
d. - Unexpended Loans	-	-	-
e. - Sinking Funds	-	-	-
f. - Other	3,246	-	3,246
31 Receivables			
a. - Specific Purpose Grants	19	-	19
b. - Rates & Availability Charges	418	36	454
c. - Other	1,383	-	1,383
32 Inventories	-	-	-
33 Property, Plant & Equipment			
a. - System Assets		86,848	86,848
b. - Plant & Equipment		2,802	2,802
34 Other	-	-	-
35 Total Assets	<u>9,718</u>	<u>92,718</u>	<u>102,436</u>
<u>LIABILITIES</u>			
36 Bank Overdraft	-	-	-
37 Creditors	-	-	-
38 Borrowings			
a. - Loans	3	4	7
b. - Advances	-	-	-
c. - Finance Leases	-	-	-
39 Provisions			
- Tax Equivalent	-	-	-
a. - Dividend	-	-	-
b. - Other	202	-	202
40 Total Liabilities	<u>205</u>	<u>4</u>	<u>209</u>
41 NET ASSETS COMMITTED	<u>9,513</u>	<u>92,714</u>	<u>102,227</u>
<u>EQUITY</u>			
42 Accumulated Surplus			38,369
43 Asset Revaluation Reserve			63,858
44 Total Equity			<u>102,227</u>
45 Current Replacement Cost of System Assets			152,813
46 Accumulated Current Cost Depreciation of System Assets			65,965
47 Written Down Current Cost of System Assets			<u>86,848</u>

BALLINA SHIRE COUNCIL

SPECIAL SCHEDULE NO 5 SEWERAGE SERVICE OPERATIONS (Gross including Internal Transactions) for the year ended 30th June 2011

<u>A. EXPENSES & REVENUES</u>	2011	2010
<u>EXPENSES</u>	\$'000	\$'000
1.a. Management - Administration	1,888	1,681
b. - Engineering & Supervision	863	855
2 Operations & Maintenance Expenses		
a. -Mains - Operation Expenses	-	-
b. -Maintenance Expenses	575	822
c. - Pumping Stations - Operation Expenses	281	685
d. - Energy Costs	382	296
e. - Maintenance Expenses	1,120	1,231
f. - Treatment - Operation Expenses	1,307	1,085
g. - Chemical Costs	-	-
h. - Energy Costs	460	347
i. - Effluent Management	-	-
j. - Biosolids Management	103	92
k. - Maintenance Expenses	295	189
l. - Other - Operation Expenses	72	94
m. - Maintenance Expenses	162	128
3.a. Depreciation - System Assets	3,542	3,312
b. - Plant & Equipment	61	50
4.a. Miscellaneous - Interest	518	21
b. - Revaluation decrements	-	-
c. - Other	315	172
c. - NCP Tax & Other Equivalentts	20	20
5 Total Expenses	11,964	11,080
 REVENUE		
6 Residential Charges (including rates)	7,372	6,450
7 Non-Residential Charges		
a. Access (including rates)	1,006	686
b. User Charges	652	648
8 Trade Waste Charges		
a. Annual Fees	30	39
b. User Charges	77	74
c. Excess Mass Charges	52	47
Re-inspection charges	-	-
9 Extra Charges	-	-
10 Interest	914	3,774
11 Other Income	466	365
12.a. Grants - Acquisition of Assets	-	-
b. - Pensioner Rebates	150	149
c. - Other	-	-
13.a. Contributions - Developer Charges	2,421	618
b. - Developer Provided Assets	2,972	1,048
c. - Other Contributions	16	450
14 Total Revenues	16,128	14,348
15 Gain (Loss) on Disposal of Assets	(2)	-
16 OPERATING RESULT	4,162	3,268
16.a. Operating Result before Grants for Acquisition of Assets	4,162	3,268

BALLINA SHIRE COUNCIL

SPECIAL SCHEDULE NO 5 - SEWERAGE SERVICE OPERATIONS (cont)

	2011 \$'000	2010 \$'000
<u>B. CAPITAL TRANSACTIONS</u>		
<u>Non - Operating Expenditure</u>		
17 Acquisition of Fixed Assets		
a. - New assets for improved standards	8,734	2,438
b. - New assets for growth	4,095	5,231
c. - Renewals	-	-
d. - Plant & Equipment	43	-
18 Repayment of Debt		
a. - Loans	1,185	-
b. - Advances	-	-
c. - Finance Leases	-	-
19 Transfers to Sinking Funds	-	-
20 Total Non-Operating Expenditure	14,057	7,669
<u>Non-Operating Funds Employed</u>		
21 Proceeds of Disposal of Assets	11	-
22 Borrowings Utilised		
a. - Loans	-	9,850
b. - Advances	-	-
c. - Finance Leases	-	-
23 Transfers from Sinking Funds	200	-
24 Total Non-Operating Funds Employed	211	9,850

<u>C. RATES AND CHARGES</u>		
25 Number of Assessments		
a. - Residential (occupied)	12,701	
b. - Residential (unoccupied - vacant land)	431	
c. - Non-Residential (occupied)	1,374	
d. - Non-Residential (unoccupied - vacant land)	37	
26 Number of ETs for which Developer Charges were	352 ET	
27 Total Amount of Pensioner Rebates	272 \$'000	

<u>D. BEST PRACTICE ANNUAL CHARGES & DEVELOPER CHARGES</u>		
28 Annual Charges		
a. Does Council have best-practice sewerage annual charges, usage charges and trade waste fees and charges?	<input checked="" type="checkbox"/>	YES
If Yes, go to 29a.		
If No, has Council removed land value from access charges (i.e. rates)	<input type="checkbox"/>	
b. Cross subsidy to non-residential customers		
c. Cross subsidy to trade waste dischargers		
29 Developer Charges		
a. Has Council completed a sewerage Development Servicing Plan?	<input checked="" type="checkbox"/>	YES
b. Total cross-subsidy in sewerage developer charges		
30 TOTAL OF CROSS SUBSIDIES		-

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

BALLINA SHIRE COUNCIL

**SPECIAL SCHEDULE NO 6
SEWERAGE SERVICES - NET ASSETS COMMITTED
(Gross including Internal Transactions)
for the year ended 30th June 2011**

	<u>Current</u> \$'000	<u>Non-Current</u> \$'000	<u>Total</u> \$'000
<u>ASSETS</u>			
31 Cash and Investments			
a. - Developer Charges	1,190	2,724	3,914
b. - Specific Purpose Grants	-	-	-
c. - Accrued Leave	449	-	449
d. - Unexpended Loans	3,111	-	3,111
e. - Sinking Funds	-	-	-
f. - Other	5,681	-	5,681
32 Receivables			
a. - Specific Purpose Grants	2	-	2
b. - Rates & Availability Charges	1,251	107	1,358
c. - Other	236	302	538
33 Inventories	-	-	-
34 Property, Plant & Equipment			
a. - System Assets		110,122	110,122
b. - Plant & Equipment		4,318	4,318
35 Other	-	-	-
36 Total Assets	<u>11,920</u>	<u>117,573</u>	<u>129,493</u>
<u>LIABILITIES</u>			
37 Bank Overdraft	-	-	-
38 Creditors	8	-	8
39 Borrowings			
a. - Loans	985	5,280	6,265
b. - Advances	-	-	-
c. - Finance Leases	-	-	-
40 Provisions			
- Tax Equivalents	-	-	-
a. - Dividend	-	-	-
b. - Other	538	-	538
41 Total Liabilities	<u>1,531</u>	<u>5,280</u>	<u>6,811</u>
42 NET ASSETS COMMITTED	<u>10,389</u>	<u>112,293</u>	<u>122,682</u>
<u>EQUITY</u>			
43 Accumulated Surplus			76,711
44 Asset Revaluation Reserve			45,971
45 Total Equity			<u>122,682</u>
46 Current Replacement Cost of System Assets			213,815
47 Accumulated Current Cost Depreciation of System Assets			103,693
48 Written Down Current Cost of System Assets			<u>110,122</u>

BALLINA SHIRE COUNCIL
SPECIAL SCHEDULE NO 7
CONDITION OF PUBLIC WORKS
as at 30th June 2011

Asset Class	Asset Category	Depreciation Rate (%)	Depreciation Expense	Cost	Valuation	Accumulated Depreciation	Carrying Value	Asset Condition (see Notes attached)	Estimated Cost to bring to a Satisfactory Standard	Estimated Annual Maintenance Expense	Program Maintenance Works for current year
			'000	'000	'000	'000	'000		'000	'000	'000
	<i>References</i>	<i>Note 1</i>	<i>Note 4</i>		<i>Note 9</i>				<i>Local Govt. Act 1993, Section 428 (2d)</i>		
Public Buildings	Council Offices	1 - 5%	243		11,753	4,387	7,366	4	-	95	93
	Works Depot	1 - 5%	86		4,293	1,421	2,872	4	150	62	81
	Halls	1 - 5%	161		9,244	4,481	4,763	3 - 5	100	104	93
	Dwellings	1 - 5%	45		2,952	1,721	1,231	3 - 5	-	44	37
	Airport	1 - 5%	185		6,318	1,459	4,859	3 - 5	-	87	96
	Shops/Offices	1 - 5%	164		8,848	3,791	5,057	3	60	23	30
	Library	1 - 5%	101		4,549	1,040	3,509	3	-	28	30
	Community Centre	1 - 5%	61		12,486	122	12,364	1	-	60	42
	Childcare Centres	1 - 5%	101		5,233	2,734	2,499	5	-	-	-
	Waste Centre	1 - 5%	62		3,563	1,102	2,461	5	-	115	103
	Amenities/Toilets	1 - 5%	333		19,858	7,895	11,963	3 - 7	100	289	251
	Subtotal		1,542	-	89,097	30,153	58,944		410	907	856
Other Structures	Not included in Buildings	1 - 9%	336		11,425	3,191	8,234	3 - 7	300	261	285
Public Roads	Sealed Roads	1 - 2%	5,572		360,769	105,766	255,003	3 - 6	17,354	2,494	3,136
	Unsealed Roads	1 - 2%	255		23,566	11,200	12,366	4 - 6	270	736	722
	Bridges	1 - 2%	407		31,884	12,345	19,539	3 - 5	71	37	34
	Footpaths/Cycleways	1 - 2%	285		19,597	4,272	15,325	3 - 5	87	166	218
	Kerb & Gutter	1 - 2%	474		32,798	14,377	18,421	3 - 5	-	-	-
	Road Furniture	1%	105		14,332	1,593	12,739	3 - 5	-	190	187
	Subtotal		7,098	-	482,946	149,553	333,393		17,782	3,623	4,297

This Schedule is to be read in conjunction with the explanatory notes following.

BALLINA SHIRE COUNCIL

SPECIAL SCHEDULE NO 7 - CONDITION OF PUBLIC WORKS (cont) as at 30th June 2011

Asset Class	Asset Category	Depreciation Rate (%)	Depreciation Expense '000	Cost '000	Valuation '000	Accumulated Depreciation '000	Carrying Value '000	Asset Condition (see Notes attached)	Estimated Cost to bring to a Satisfactory Standard '000	Estimated Annual Maintenance Expense '000	Program Maintenance Works for current year '000
	<i>References</i>	<i>Note 9</i>	<i>Note 4</i>		<i>Note 9</i>			<i>Local Govt. Act 1993, Section 428 (2d)</i>			
Water	Treatment Plants	1%	40		4,115	2,374	1,741	4	-	72	71
	Connections	4 - 5%	76		1,761	1,240	521	3 - 5	-	289	325
	Reservoirs	1 - 2%	153		12,436	4,822	7,614	3 - 4	-	62	59
	Pipelines	1 - 2%	1,907		132,899	57,136	75,763	3 - 5	-	403	378
	Pump Stations	1 - 2%	12		622	393	229	3 - 5	-	66	35
	Subtotal		2,188	-	151,833	65,965	85,868		-	892	868
Sewerage	Pump Stations	1 - 2%	561		39,021	18,466	20,555	3 - 5	-	1,287	1,120
	Pipes Reticulation	2 - 3%	1,273		66,588	26,324	40,264	3 - 5	1,200	671	622
	Pipes Rising Mair	2 - 3%	776		35,588	21,183	14,405	3 - 6	-	-	-
	Treatment Works	1 - 2%	884		58,080	37,720	20,360	3 - 6	-	350	295
	Subtotal		3,494	-	199,277	103,693	95,584		1,200	2,308	2,037
Drainage Works	Culverts	1 - 2%	143		10,023	5,625	4,398	2 - 5	35	-	-
	Reticulation	1 - 2%	1,378		98,029	34,671	63,358	2 - 5	430	134	186
	Pollution Control	2 - 3%	7		1,637	37	1,600	1 - 3	-	45	22
	Outfall Structures	1 - 2%	4		251	97	154	3 - 5	28	-	-
	Subtotal		1,532	-	109,940	40,430	69,510		493	179	208
Total Classes - All Assets			16,190	-	1,044,518	392,985	651,533		20,185	8,170	8,551

This Schedule is to be read in conjunction with the explanatory notes following.

BALLINA SHIRE COUNCIL

SPECIAL SCHEDULE NO 7 - CONDITION OF PUBLIC WORKS (cont) as at 30th June 2011

"SATISFACTORY" CONDITION OF PUBLIC ASSETS

In assessing the condition of Public Assets Council has had regard to the condition, function and location of each asset, based on the original design standard. Changes in standards or proposed or potential enhancements to the existing asset design standard have been ignored. Assets within each Asset Category have been assessed on an overall basis, recognising that an average standard of "satisfactory" may be achieved even though certain assets may be above or below that standard on an individual basis.

Council recognises that the standard that it considers to be "satisfactory" may be different from that adopted by other Councils.

The information contained in this Schedule comprises accounting estimates formulated in accordance with the NSW Local Government Code of Accounting Practice and Financial Reporting. Nothing contained within this Schedule may be taken to be an admission of any liability to any person under any circumstance.

ASSET CONDITION

The following condition codes have been used in this Schedule.

- 1 Newly constructed
- 2 Over 5 years old but fully maintained in "as new" condition
- 3 Good condition
- 4 Average condition
- 5 Partly worn - beyond 50% of economic life.
- 6 Worn but serviceable
- 7 Poor - replacement required

BALLINA SHIRE COUNCIL

**SPECIAL SCHEDULE NO 8 - FINANCIAL PROJECTIONS
as at 30th June 2011**

	2011 \$'000	2012 \$'000	2013 \$'000	2014 \$'000	2015 \$'000	2016 \$'000	2017 \$'000	2018 \$'000	2019 \$'000	2020 \$'000	2021 \$'000
Recurrent Budget											
Income from continuing operations	88,124	84,787	83,305	83,959	88,967	93,882	96,145	103,687	102,873	106,779	110,077
Expenses from continuing operations	67,779	78,222	86,172	89,544	92,107	94,629	97,200	99,344	101,848	104,515	107,188
Operating result from continuing operations	20,345	6,565	(2,867)	(5,585)	(3,140)	(747)	(1,055)	4,343	1,025	2,264	2,889
Capital Budget											
New Works	16,783	22,501	30,326	5,375	5,504	6,614	6,201	5,229	346	2,881	4,368
Replacement of existing assets	20,265	59,467	13,314	7,097	6,339	6,131	5,827	9,576	7,498	8,284	7,940
	37,048	81,968	43,640	12,472	11,843	12,745	12,028	14,805	7,844	11,165	12,308
<i>Funded by</i>											
- Loans	3,000	52,385	14,391	-	-	-	-	-	-	-	-
- Asset Sales	-	-	-	-	-	-	-	-	-	-	-
- Reserves	28,443	22,625	24,895	8,348	7,604	8,576	7,707	10,327	3,205	6,359	7,329
- Grants/Contributions	2,537	3,624	1,303	337	311	93	95	67	69	71	73
- Recurrent revenue	3,068	3,334	3,051	3,787	3,928	4,076	4,226	4,411	4,570	4,735	4,906
- Developer Provided Assets	-	-	-	-	-	-	-	-	-	-	-
	37,048	81,968	43,640	12,472	11,843	12,745	12,028	14,805	7,844	11,165	12,308



PART E

Financial Analysis

Foreword

This section of the document has been prepared to provide additional information to assist in evaluating and interpreting the annual financial reports.

It is intended that the comments and break down of information will assist the reader to gain an understanding of how the organisation performed in 2010/11 and the financial position as at June 30 2011.

A handwritten signature in black ink, appearing to read "Peter Morgan". The signature is written in a cursive style with a large initial 'P'.

Peter Morgan
Manager, Finance and Governance

Part 1: General Purpose Reports and Special Schedules

1, Income Statement

The Income Statement is designed to show the financial performance of the Council over the financial year. The Income statement presents the consolidated performance which means that all operations (general purpose, water, sewer and waste) are included in the outcome.

The Income Statement provides three results for the year which may be summarised as shown in the table below. Also included for purposes of analysis is the result of the Statement of Comprehensive Income.

Table 1: Income Statement

Item	2009/10 (\$'000)	% Change	2010/11 (\$'000)
Operating Result from Continuing Operations	11,108	73	19,200
Operating Result for the Year (includes discontinued operations)	3,730	415	19,200
Net Operating Result before Capital Grants and Contributions	733	760	(4,845)
Total Comprehensive Income	136,103	(29)	95,820

Analysis of these results follows however at the outset it is important to identify the major components and differences of each of the results.

Operating Result from Continuing Operations includes all of council's incomes and expenses for the year. Notably income includes capital grants.

Operating Result for the Year includes all of the figures from the result above plus discontinued operations. Typically Council does not have any discontinued operations and this is why they are differentiated as being an abnormal occurrence. Hence in most years the two results would be the same and in 2010/11 this is the case. However in 2009/10 Council handed over the crown caravan parks so there was a substantial loss in that year.

Net Operating Result for the year before Capital Grants and Contributions as the name suggests excludes capital grants and contributions. This is done because the capital expense that relates to the income is not included in the statement, so this result enables an arguably fairer outcome with all capital transactions excluded.

Statement of Comprehensive Income commences from the position of 'Operating Result for the year' and includes the gain or loss on asset revaluations. Council must now revalue all assets on a regular basis and this statement shows the impact of the revaluation/s for that particular year.

The first 'result' in the Income Statement is for continuing operations and the outcome for the 2010/11 and previous financial year is shown in the table below. It can be seen that 2010/11 generated a much improved result in comparison to the previous period.

Table 2: Consolidated Results from Continuing Operations of Council

Item	2009/10 (\$'000)	% Change	2010/11 (\$'000)
Income from Continuing Operations	74,016	18	86,979
Expenses from continuing Operations	62,908	8	67,779
Surplus/(Deficit)	11,108	83	20,345

In comparison to 2009/10 income increased by \$13 million and expense increased by \$4.9 million. In regard to income, by far the most significant difference is capital grants and contributions which have increased by \$13.7 million in comparison to the previous year. The increase to expenses in comparison to the previous period relates primarily to depreciation and amortisation which has increased by \$4.6 million.

These variances are discussed in detail later in this report.

Net operating result before capital grants and contributions shows that there is a \$4.8 million dollar loss in 2010/11.

Table 3: Net Operating result before capital grants and contributions

Item	2009/10 (\$'000)	% Change	2010/11 (\$'000)
Operating Result from Continuing Operations	11,108	73	19,200
Less Capital grants and contributions	10,375	132	24,045
Net operating result before capital grants and contributions.	733	(760)	(4,845)

Table three shows a deterioration from 2009/10 to 2010/11 and this is primarily due to two reasons. Firstly 2009/10 has income inflated by \$4.1 million due to a net present value adjustment due to interest free loans. This is an accounting exercise that recognises the value of the interest that will not be paid on loans obtained from the Government as part of the stimulus package. Over the next ten years (life of the loans) expense will be increased by the winding back of this adjustment (see table four regarding the value of the unwinding in expense)

Secondly depreciation and amortisation expense has increased by \$4.6 million in 2010/11. This is due to the revaluation of roads and drainage which has resulted in both the value of the asset and depreciation increasing.

The next analysis in table four of Net Operating Result before Capital Grants and Contributions has been modified to also exclude depreciation, discontinued operations and the NPV adjustment for interest free loans. As noted above capital grants are excluded because the capital expense relating to the grant has also been excluded. Depreciation and the NPV adjustment for interest free loans are non cash transactions (i.e. does not represent actual payment of cash funds). Discontinued operations are a one off event that distorts comparison with previous years.

Table 4: Adjusted net Operating Result before Capital Movements and Depreciation

Item	2009/10 (\$'000)	% Change	2010/11 (\$'000)
Income from Ordinary Activities	74,016	18	86,979
Expense from Ordinary Activities	62,908	8	67,779
Operating Surplus	11,108	73	19,200
Exclude capital grants	10,375		24,045
Exclude NPV calculation interest free loans	4,142		644
Add back depreciation	14,429		19,024
Revised Result - Surplus on Operations	11,020	35	14,823

Generally the aim of any Council should be to try and maximise the surplus generated on operations, with those surplus funds then being used to finance capital works or to retire debt. The surplus in 2010/11 must be considered in the context of this being a consolidated result that includes water, waste and sewer funds.

The surplus in table four of \$14.8 million continues a trend over recent years where the surplus has been improving. This is largely to do with a strategy to increase the surplus in waste and sewer by raising fees and charges. The increased surplus' are primarily to repay debt that has will be taken up in these operational areas. Also there have been increases beyond the rate pegged maximum to the ordinary rate for four of the last five years that has played an important role in improving the operating surplus.

Whilst the 2010/11 surplus in table four represents a marked improvement on the previous year the primary concern is that the surplus is still not sufficient to finance the depreciation expense (\$19 million). This suggests that the organisation is struggling to maintain the existing asset base in its current state prior to providing for loan principal repayments and endeavouring to satisfy community expectations for new and improved services.

In fairness the bar has been lifted significantly due to the implementation of fair value for assets. Each year as assets are revalued depreciation increases which makes it difficult to achieve an operating surplus, inclusive of depreciation. However the increasing depreciation expense reflects a more realistic estimate of the cost of doing business than Local Governemnt has ever had in the past.

The Statement of Comprehensive Income starts with the Net Operating Result and includes gains or loss due to asset revaluations as shown below.

Table 5: Total comprehensive Income for the Year

Item	2009/10 (\$'000)	% Change	2010/11 (\$'000)
Net Operating Result for the Year	3,730	415	19,200
Gain on revaluation of assets and de recognition of land under roads	132,373	(42)	76,620
Net operating result for the Year	136,103	(29)	95,820

Transport and communications were revalued in 2009/10 however the valuation date was June 30 2010. This means that the 2009/10 reports reflected the increased value of roads however the increased depreciation expense was not recognised until 2010/11. Hence table four reflects the fact that the revaluation of roads in 2009/10 resulted in a greater increase than has occurred with asset revaluations in 2010/11.

During 2010/11 asset classes to be revalued that account for the \$76.6 million shown in table four included land, non depreciable land improvements, depreciable land improvements, buildings, other structures, and investment properties. Also the value of Water and Sewer and Roads infrastructure was incremented.

Basically it is saying that the value of our assets was understated and that the new value reflects a better understanding of the true worth of the assets under council's control.

2. Statement of Financial Position

This statement is used to outline the total net assets under the control of Council. The major component of Council's assets relates to infrastructure assets. Infrastructure assets include the following categories:

Table 6: Value of Infrastructure Assets

Infrastructure assets	30 June 2010 (\$000)	30 June 2011 (\$000)
Plant and equipment	8,921	8,053
Land	136,386	178,326
Buildings/ Structures		67,178
Roads, Bridges and Footpaths	317,420	333,393
Stormwater Drainage	65,638	69,510
Bulk Earthworks	0	0
Water Supply Network	83,654	85,868
Sewerage Network	92,608	95,584
Future reinstatements	1,634	1,296
Capital works in progress	14,254	26,021
Total Infrastructure Assets	720,515	865,229

The table shows that the asset base has increased by some \$144 million. This growth is the net of new assets purchased or constructed less depreciation plus the increase due to revaluations.

A summary of the movement from one year to another is shown for information.

Table 7: Asset movement Summary 2008/09 to 2009/10

Asset Purchases \$000	Disposals and transfers \$000	Depreciation \$000	Revaluation \$000	Total Movement \$000
91,147	(3,873)	(19,180)	76,620	144,714

Purchases represent items such as new buildings, plant and vehicles acquired, land purchased, expense on acquiring new and refurbishing existing infrastructure assets (road/stormwater/water/sewer) and assets handed over by developers once new subdivisions are complete.

The 2010/11 figure includes community land valued at \$36 million that previously was not valued and was included as part of the 2010/11 revaluations. There is \$20 million of works in progress relating primarily to sewer infrastructure and roads/bridges. Also Council was dedicated some \$16.2 million in developer contributed assets.

Asset disposals relate to replaced road segments whilst depreciation places a dollar value on the estimated annual fall in the service potential of our assets.

Revaluation primarily relates to land (increased by \$51 million) and roads (increased by \$13 million).

It is important to note that as the value of assets rise so does the depreciation expense. This recognises that Council should be putting more funds aside to meet the cost of maintaining existing assets. The amount of funds applied to asset renewal in comparison to depreciation is an important test as the asset base under Council's control represents an inherent liability.

This is because all assets must be maintained at a satisfactory standard and recurrent expenditure is required to achieve this outcome. Council faces an annual depreciation expense of \$19. million. This represents funds that should be expended or placed in to reserve to maintain existing assets.

Referencing special schedule 7 it is estimated that a capital injection of some \$19.4 million is required to bring infrastructure assets to a satisfactory standard. This is a condition based internal assessment that references the original design standard of the asset. The majority of this estimate relates to roads infrastructure (\$17.8 million) which means that most other asset class' have been assessed as satisfactory or very close to satisfactory.

What one Council or individual considers as satisfactory may be vastly different from another. Council has recently completed a number of asset management plans in respect of various asset classes. Therefore the estimate of expense to bring assets to a satisfactory standard is founded on current and accurate information and interpretation.

The backlog of works to achieve a satisfactory standard for roads is substantial and this is a common problem facing most local government instrumentalities. The focus on asset management and revaluation has raised corporate recognition of this shortfall as well as bringing attention to service standards and what is deemed to be satisfactory.

Asset Valuations

Council assets have traditionally been valued at cost however this approach has changed and assets are now valued at Fair Value. Fair value is defined as the market value or 'the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms length transaction'. Alternatively where there is no market available it is the written down replacement cost of the asset using modern day equivalent materials and design.

Shown below is a schedule of revaluations to highlight the current position of each asset class as presented in the financial reports. It is necessary that an asset class is revalued with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value at the balance sheet date.

The recommendation in the Local Government Code of Accounting Practice is to revalue an asset class every 3 to 5 years. However assets must be revalued more frequently if it considered that there has been a material change in value since the date of the last valuation. In regard to water and sewer assets it is required that they are indexed annually in between comprehensive revaluations.

Table 8: Schedule of Asset Valuations

Infrastructure assets	Current valuation method	Date of last revaluation	Comment
Plant and equipment	Depreciated historical cost	Progressive	Equipment depreciated from purchase price
Buildings, Other Structures	Fair Value	30/6/2011	Revaluation conducted by external valuer.
Roads, Bridges and Footpaths	Fair Value	30/6/2010	Values indexed annually.
Stormwater Drainage	Fair Value	30/6/2010	Values were assessed and no adjustment deemed necessary.
Water Supply Network	Fair Value	30/6/2007	Values indexed annually.
Sewerage Network	Fair Value	30/6/2007	Values indexed annually.
Future reinstatements	Internal valuation	Progressively monitored	Valuation depends on nature of reinstatement
Land Community	External Valuer (VG values)	30/6/2011	Valuer Generals latest valuation used.
Land Operational	Fair value	30/6/2011	Revalutaion conducted by external valuer.
Land Improvements	Historical cost	30/6/2011	Valuation conducted internally.
Investment Property	Internal Valuer	30/10/2011	Investment property revalued externally.

The revaluation of assets does present an additional impost on the organisation although it is essential to have current and accurate information on which to base decisions.

Liabilities

The next table summarises current and non current liabilities for the Council as at the 30/6/2011.

Table 9: Outstanding Liabilities as at June 30 2011

Liability	2009/10	2010/11
Current	22,310	15,164
Non current	22,879	28,639
Total	45,189	43,803

Total liabilities have reduced by \$1.3 million which is mainly due to a reduction in payables outstanding at years end. i.e. this is the amount of creditors due for payment as at June 30.

In a real sense borrowings have remained quite similar to the previous year with new loans being raised to \$3 million and loan capital paid of \$2.9 million.

However it should be noted that non current liabilities were reduced by \$4.1 million in 2009/10 due to the net present value adjustment for the interest free loans. i.e. effectively the accounting adjustment has reduced the value of loans as at 30/6/2010 and over the next ten years the liability will be increased by the \$4.1 million. Hence in 2010/11 loans were adjusted up by \$644,000 to commence the process to unwind the 2009/10 adjustment.

At the beginning of the 2011/12 financial year Council committed to loans of \$63 million in sewer fund and this will alter the complexion of this table in future years.

The provision for leave liability has reduced in comparison to the previous year. This is because staff are being encouraged to take leave in accordance with the award which means that large amounts of long service leave was taken during the year. This trend will continue over the next several years. See the reserves section of this report for issues in respect to the amount of available cash reserve in comparison to the leave liability.

Total Equity

The total equity of Council has increased by \$135 million during the year to \$916 million. This represents a 17% increase in equity and is attributable to the operating result \$19 million, increase to value of property plant and equipment \$77 million and valuation of community land not previously valued \$39 million.

3. Expenses from Ordinary Activities (Note 4)

As outlined below, operating expenses increased by approximately 5 percent from the previous year.

Table 10: Expenses from Ordinary Activities

Type	2009/10 (\$'000)	% Change	2010/11 (\$'000)
Employee Costs	18,482	0	18,473
Materials and Contracts	23,360	(10)	20,921
Interest	1,494	30	1,947
Depreciation	14,429	32	19,024
Other	4,796	18	5,663
Loss on Disposal of Assets	347	405	1,751
Total	62,908		67,779

Table 10 indicates that employee costs have remained very similar to the previous year however salaries and wages have actually risen by \$645,000. This is due to the award increase and additional staff. Full time equivalent staff have increased by 13 to 268. Additional staff relate to water/sewer (4), engineers to manage the sewer infrastructure program (2), risk management (2), one ranger, education officer, waste customer service officer and construction staff (2).

The net labour cost, in the context of Note 4 of the financial reports is reduced by the cost of labour working on capital works and this accounts for why the labour cost comparison between the two years is quite similar. It is also important to note that labour cost as per note 4 excludes staff hired through a company and in 2010/11 Council paid approximately \$2.71 million to recruitment agencies

Materials and contracts reduced by 2.4 million. This is a very large expense and varies depending on the level of activity going on throughout the year. One of the differences between the years is the amount of private works that was conducted in 2009/10 was substantially more than in 2010/11.

As discussed previously depreciation expense has increased substantially. This is mainly attributable to the revaluation of roads and drainage assets. The higher depreciation reflects increasing cost to replace those existing assets as they wear out.

Loss on disposal of assets (\$1,751,000) relates to plant and building replacements, roads, drainage, buildings and water infrastructure renewals.

4. Revenues from Ordinary Activities (Note 3)

As outlined in the next table, revenues from ordinary activities have increased by 19% percent from the previous year.

Table 11: Revenues from Ordinary Activities

Type	2009/10 (\$'000)	% Change	2010/11 (\$'000)
Rates and Annual Charges	26,558	12	29,625
User Charges and Fees	18,292	(18)	14,987
Interest	9,032	(49)	4,580
Other	2,762	140	6,625
Grants and Contributions - operating	6,997	2	7,117
Grants and Contributions - capital	10,375	132	24,045
Profit on Disposal of Assets	0		0
Total	74,016	18	86,979

Council received \$29.6 million from rates and annual charges, which is an increase of some 12%. Ordinary rates increased by 6.2%, charges for water 15%, sewer 14.5% and domestic waste annual charges by 10%. There was also growth in the number of rateable assessments.

Income from user charges decreased by 18% in comparison to the previous year. This is mainly due to private works being \$3.7 million less than was expended in 2009/10.

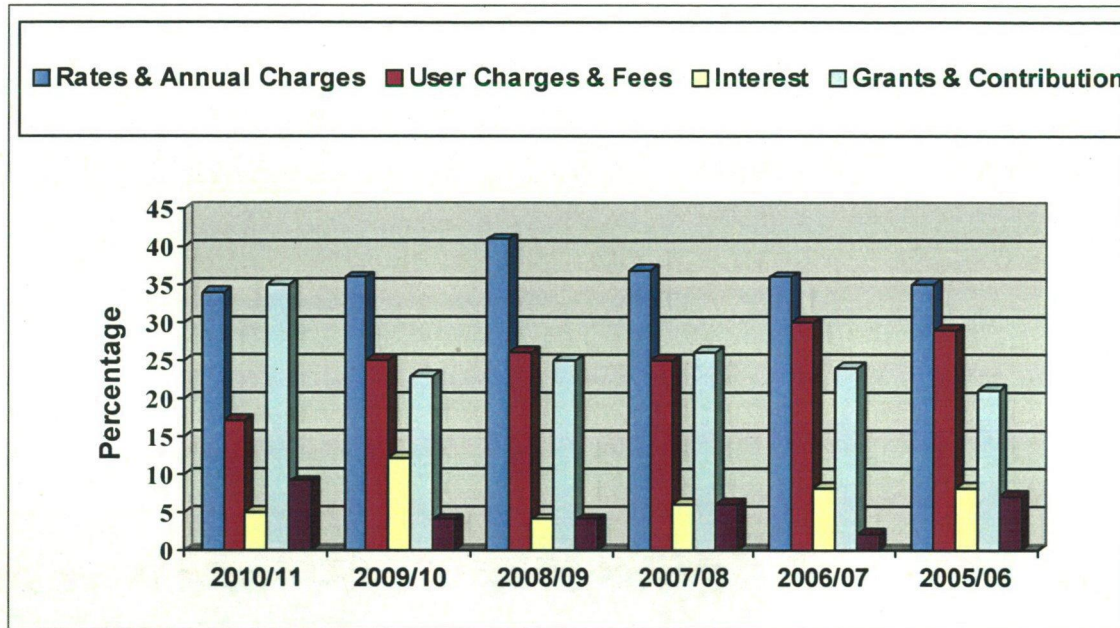
Income from investments fell by 49% which is mainly explained by the fact that the 2009/10 figure was inflated by a \$4.1 million fair value adjustment on interest free loans. Also the income received in both years, as shown in table eleven, is distorted by adjustments to the fair value of investments. In 2009/10 income was increased by \$1.6 million and in 2010/11 by 747,000. This adjustment represents the fact that the fair value of various investments has increased in comparison to their value as at 30/6/2009. The improved value is due to a steadying of the global financial crisis and as the notes get closer to maturity their value rises towards the face value of the note.

The value of the investment portfolio fell during the year from approximately \$73 million to \$57 million as council applied reserves to, amongst other things, land development at southern cross estate, land purchase, Lennox Head community centre and sewer infrastructure.

Income from capital grants and contributions is dominated by section 94 and section 64 developer contributions. Approximately \$2.6 million was received in cash and a mammoth \$16.1 million in infrastructure dedications.

In regard to the income chart that follows it can be seen that there has been a large increase in grant income due to the \$16 million in developer non cash contributions. This has tended to distort the 2010/11 figures however it remains the case that rates and annual charges are our most important income source.

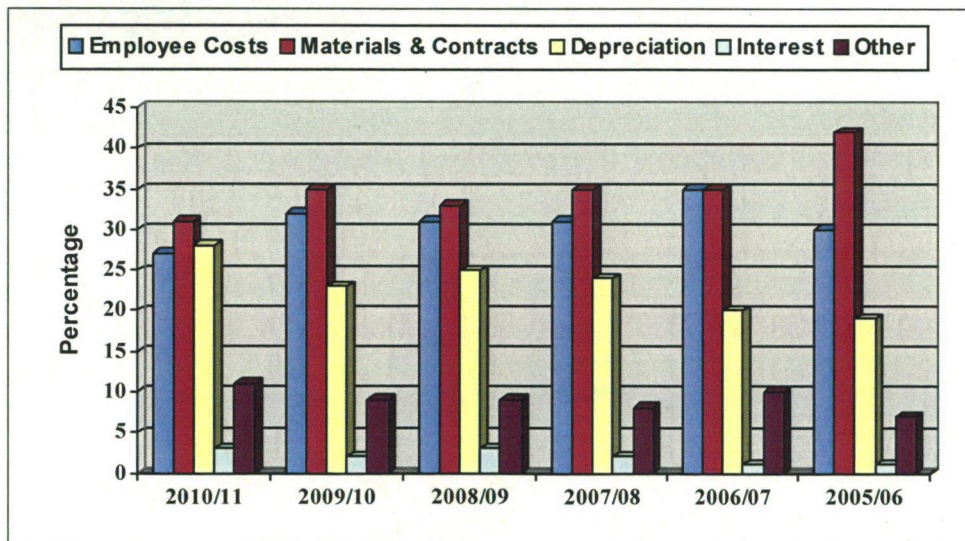
Revenues and Expenses from Ordinary Activities



* Categories expressed as a percentage of total revenues and expenses

Expenses remain relatively consistent although there can be annual fluctuations in respect of materials and contracts. It is also evident that depreciation has assumed a prominent position in the chart.

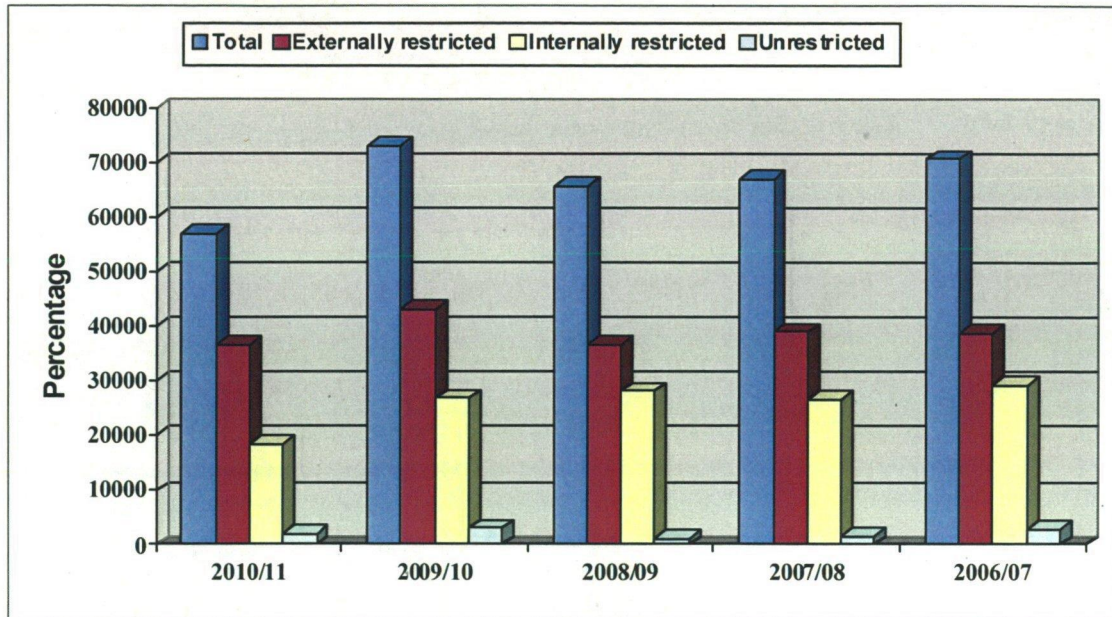
Table 13: Expenses from Ordinary Activities



5. Cash and Investments (Note 6)

This note highlights that Council has total cash and investments of approximately \$57 million which is substantially down in comparison to previous years.

Restricted and Unrestricted Cash



The future capital works program approved by council will see reserves continue to shrink over the next few years with most internal reserves anticipated to be expended as Council has embarked on an ambitious program of constructing new assets.

Investment Position

Given the global financial perspective investments held by Ballina Council have proven to be conservative and robust. No capital loss' has been realised and none are anticipated. However given the fragile financial position of several countries in Europe and America at the present time the outlook remains uncertain.

A brief summary of the portfolio is as follows:

- Approximately 55% of the portfolio is held in term deposits and committed rolling investments. This percentage is growing as floating rate notes mature and the funds are reinvested into term deposits.
- Approximately 4% of the portfolio is externally managed with these funds being held in cash and cash enhanced products
- In the order of 37% of the portfolio is in the form of floating rate notes and the majority of these funds are held by Australian deposit-taking institutions. Those that are not Australian based represent what have been some of the world's strongest financial institutions.
- Two investments of \$1 million each (4%) are notes linked to interest rates and equities respectively. Both notes are capital protected by the issuing institution.

As stated earlier an adjustment to the value of notes in the portfolio has been processed which increases the book value of those investments by \$747,000. As at the end of the year the book value of the notes is approximately \$864,000 below face value. As the notes near maturity their value will rise to meet their face value.

6. Statement of Performance Measures (Note 13)

Generally, the performance indicators used in this note appear sound. They do reflect the changing nature of Councils financial position as cash reserves are reduced and borrowings increase.

Unrestricted Current Ratio: Unrestricted Current assets/Current Liabilities (excludes those liabilities related to restricted assets)

2011	2010	2009	2008	2007	2006
2.75	2.07	4.14	3.95	3.39	3.91

The current ratio fell in 2009/10 primarily due to the borrowings of \$12.6 million for sewer and roads capital. The position in 2010/11 improved however this is mainly due to the intricacies of how the ratio defines current assets and liabilities. In 2009/10 current liabilities included a number of loans that were up for renewal which meant that the entire balance outstanding was classed as current. They have now been renewed and so only the capital amount due for repayment is classed as current.

A position of 1 or better is considered acceptable with current assets equalling liabilities' indicating an ability to meet short term commitments. Less than 1 suggests that the organisation will struggle to meet short term commitments.

No doubt this ratio will continue to fall over the next few years as cash is converted into infrastructure and borrowings increase. This is particularly relevant with the major borrowings taken up for the sewer program.

It may also make it more difficult (expensive) to obtain the borrowings as financial institutions will view our ratios as risky.

Debt Service Ratio: Debt service cost/Operating revenue less specific purpose grants and contributions

2011	2010	2009	2008	2007	2006
0.062	0.049	0.055	0.053	0.034	0.026

The ratio has increased to its highest point in recent years due to the first repayments on \$12.6 million borrowed last financial for sewer infrastructure and roads.

Rates and annual charges outstanding percentage

2011	2010	2009	2008	2007	2006
9.81%	12.17%	9.42	8.83%	8.79%	11%

The percentage is artificially high as it includes the fourth quarter water and sewer consumption charges plus fourth quarter non residential access charges. These charges are included in the ratio as a debt outstanding even though they are not due for payment until August.

The decrease in the debt outstanding is primarily because, to align with the Civica software system, water and sewer residential access charges were changed to be levied in advance as opposed to arrears. This means that in the previous year the fourth quarter residential fixed charges were showing as outstanding (even though not due) whereas in 2010/11 they were collected in May as part of the fourth quarter levy.

However it is also the case that during the last financial year minimal debt recovery was pursued due to the issues associated with introducing the new Civica system. This situation will be addressed going forward. If the ratio were to be calculated excluding charges that were not actually as at June 30, the percentage outstanding would be in the order of 7.4%.

Part 2: Management Information

Information in respect to the consolidated position is useful in gaining a global picture, however Council still needs to be aware of what is happening with respect to the individual funds; ie General, Sewer and Water. This section of the document provides information with a "fund" emphasis.

1. Income Statement and Balance Sheets

This next section looks at general, water and sewer funds as single entities, albeit in a very brief and summary fashion.

Income Statements

Council finances comprise a number of independent entities. It is important to assess the performance of each entity and the table below looks at the General, Water and Sewer funds. In respect to General fund the figures include Domestic waste, section 94 contributions and the annual stormwater levy.

Table 12: Income Statement per Fund

Description	General fund \$000	Water fund \$000	Sewer Fund \$000
Income	60,296	10,555	16,128
Expense	46,018	9,815	11,946
Net Operating result	14,278	740	4,182
Less capital grants	15,996	2,656	5,393
Add back depreciation	13,175	2,246	3,603
Revised result	11,457	330	2,392

General Fund has produced a satisfactory result with the surplus reasonably close to depreciation expense. This indicates that there is sufficient surplus to maintain/replace existing assets. The issue then becomes if the entire surplus is applied to existing assets, there are no funds available to provide for expanded or improved services.

Nevertheless the 2010/11 result does reflect a much improved outcome in comparison to previous years. This improvement has been influenced by entrepreneurial activities returning strong rental income and cash sales of industrial land. Also the rate increases above the rate peg limit have had a profound impact on General Funds operating position.

Increases were approved in the three years 2006/07 to 2008/09 and 2010/11 which has increased recurrent revenue by over \$2.2 million in 2010/11 in comparison to what would otherwise have been the case. Clearly this strategy has placed Council in a far better position to meet community demands and expectations.

Council will also receive special variations in 2011/12, 2012/13 and 2013/14 however there remains concern as to how the budget will manage going forward. See comment at the end of this report which focuses on the number of assets created in a short space of time.

Water Fund has recorded a modest surplus, exclusive of depreciation and capital grants, of \$330,000. This is well short of depreciation expense and leaves substantial room for improvement. Despite charges being increased by 15% in 2010/11 the surplus calculated in table twelve is less than 2009/10. This is because expenses increased beyond cost of living and water consumption fell resulting in less income than the 15% tariff increase would otherwise have achieved.

The operating position of the fund has been under pressure for some years as the price of bulk water supply has increased in excess of 10% annually. Ballina's tariff has been increased to match the cost increase to bulk water plus allow for inflation on other costs. One outcome of the continual price increases has been that demand for water has fallen and income has not increased in proportion to the tariff increase. The table below shows the gross billable kilolitres consumed in recent years.

Table 14: Gross Kilolitres levied as accounts

	2005/06 000s	2006/07 000s	2007/08 000s	2008/09 000s	2009/10 000s	2010/11 000s
Kilolitres	3,128	3,076	2,865	2,833	3,166	2,744

Gross billable water consumption in 2010/11 was less than in any of the previous five years. Whilst this reflects excellent demand management it is difficult from a financial perspective, especially when the proportion of income from consumption is over 60% of total operating revenue.

Hence the operating performance of the fund continues to be a struggle. However the fund does have minimal debt and sufficient reserves to enable capital expenditure requirements in the near future.

Future strategies must look at improving the operating position including managing expenditure as well as a continuation of tariff increases. Rous County Council has a strategy of increasing the cost of bulk water by 10% for 5 years. The 2011/12 year is the last year for this impost which will provide some relief in 2012/13.

Sewer Fund has recorded a surplus of \$2.4 million excluding depreciation and capital grants.

The surplus calculated in table twelve is a marked improvement on the previous financial years result and in part is due to the 14.5% increase to annual charges. It is also the case that operating expenses, excluding depreciation, were kept to an increase of less than 2%. Although given that expenses increased by over 10% from 2008/09 to 2009/10 a moderate increase or even a fall was anticipated.

New loans were taken up for \$63 million at the commencement of the 2011/12 financial year to pay for planned upgrades to the sewer network. Loan repayments associated with this debt will be in excess of \$6 million and the operating position of sewer fund must improve to accommodate this repayment.

The first two years of the financed arrangement allows for interest only payments. This means that loan repayments will be considerably less over the next two years than once capital and interest repayments commence. This provides another two years to increase charges to provide sufficient surplus to meet loan repayments.

Balance Sheets

A sound test of a "funds" liquid position is to measure the current assets net of current liabilities.

Table 15: Net current Assets per fund

Description	General fund \$000	Water fund \$000	Sewer Fund \$000
Current Assets	26,079	9,718	11,920
Current Liabilities	13,428	205	1,531
Net current assets	12,651	9,513	10,389

The **general fund** position shows net current assets of \$12.6 million which suggests that the fund is able to meet short term obligations. This is a sound position although it is anticipated that the trend will be towards a lower liquidity as cash assets are converted to non current assets.

Both **water and sewer funds** have a very strong level of liquidity and this has been the case over recent years. Again with sewer fund it is anticipated that this position will change once the borrowing program takes effect.

2. Internal Reserves

Within the General Fund operations of Council a number of specific reserves have been set aside to finance future activities and enable business' to function.

The major reserves held by Council within General Fund as at 30 June 2010 are:

a) Employee Leave Entitlements - \$1,611,000

This reserve is used to finance long service leave, annual leave and gratuities. It may also be required to offset annualised budgetary issues with wages and associated overheads such as superannuation and workers compensation.

During the year the reserve reduced by \$345,000. The strategy is to keep this reserve at a level that is approximately 20% - 30% of the total leave liability. The total general fund liability as at June 30 2010 is \$7.1 million. Hence the cash reserve represents approximately 23% of the liability.

This reserve will be pressured over the next few years as staff are encouraged to take accumulated leaves and baby boomers start to retire.

b) Plant Operations - \$825,000

Represents funds set aside to replace existing items of plant and equipment. These funds are derived by internally charging for the hire of the existing plant fleet. It is expected that the balance of this reserve will rise and fall depending on the plant replacement program.

The fund achieved an operating surplus of \$750,000 during the year with the majority of these funds expended on plant replacements.

c) Waste Management – \$1,729,000

Funds held for the management, development and post closure remediation of waste disposal cells.

At the commencement of the year the reserve balance was \$469,000 and an operating surplus of \$2,471,000 was recorded. Loan capital repayments of \$1,151,000 were made as well as \$60,000 expended on capital works.

This leaves a transfer of \$1,260,000 to reserve which is a very satisfactory result that is attributable to the substantial escalation of fees over the last few years. The business is now well positioned to meet loan repayments and prepare for post closure remediation costs that will exceed \$2 million dollars.

Unfortunately it is likely that fees will have to keep rising due to the State imposed waste levy that was \$20 per tonne in 2010/11 and will escalate by \$10 each year for the next five, plus cost of living adjustment. However waste minimisation strategies including the new green waste collection service will help to reduce the amount of waste going into the landfill which will lessen the impact of the levy.

Current estimates indicate that the life of existing cells will last until loans taken out to create the cells expire. This is the good news however there are obligations on council, not necessarily the waste management business per say, to pay for remediation of former tip sites at canal road Ballina, Wardell and Lennox Head.

d) Quarry Management - \$1,626,000

Funds required for ongoing operations and environmental impact statements and future rehabilitation of three quarries. The reserve increased by \$284,000 during the course of the year which is a satisfactory outcome.

The management of Tuckombil and Stokers quarries has been leased out to a private contractor. The arrangement sees Council receiving royalties from the contract manager based on the quantity of material extracted.

The airport sandpit, which is included in the quarries reserve, has an individual reserve balance of \$22,000. This quarry is not operational and is gradually expending accumulated reserves on studies and applications to once again become operational or alternatively finalise remediation strategies.

e) Entrepreneurial Property Activities and Financial Reserve - \$3,591,000

The reserve balance has decreased by \$11,217,000 to pay for community and commercial projects.

In 2010/11 Council passed a policy that requires the reserve to maintain a minimum balance of \$1,000,000 to be available to meet budget shocks that occur from time to time. This reserve has been the corner stone of council's financial security for decades and it is prudent to have \$1 million buffer in place.

Future cash forecasts for this reserve indicate that there will continue to be some major incoming and outgoing movements with the majority of funds committed for years into the future. Future rental incomes are also committed to finance proposed borrowings for proposed projects. These forecasts indicate that depending on the timing of inflows and outflows the reserve may have difficulty responding.

Community Infrastructure - \$917,000

Funds used to provide community infrastructure. During the year the reserve decreased by \$5,431,000,000.

The majority of this decline is due to the construction of the Lennox head Community Centre however funds were also applied to repayment of loans for Ballina town centre upgrade, assist with legal expenses, construction of new hockey fields at Kingsford Smith park, upgrade of Alstonville and Ballina town centre, design of regional sports centre/Lennox surf club/Ballina surf club, provision of solar power at the Library and Ballina community centre and construction of coastal cycle path.

Funds came into the reserve via rental of 89 Tamar Street, rental of Fawcett Street café, part rental of Arc building, sales of land at Southern Cross estate, interest from monies invested and recoupment's from section 94 plans. The recoupment's relate to payments made by the reserve in respect to projects nominated in the section 94 plan.

Commercial Opportunities \$2,370,000

The reserve is used to enable participation in commercial opportunities as and when they become available. The reserve decreased by \$6.8 million during the year. This outcome is misleading however because the balance includes the fair value adjustment for the entire investment portfolio.

The adjustment has been shown in the one reserve for simplicity and clarity. If a real loss did occur the amount of the loss would be adjusted across all reserves held by Council both internally and externally restricted. This is because the portfolio is managed as one entity and all reserves must share equitably in any loss or indeed surplus.

The table below summarises the reserve balance with the fair value adjustment excluded.

Table 16: Commercial Opportunities reserve balance

Commercial Opportunities reserve	2010/11 000s
Reserve balance at years end	2,370
Reverse Fair Value adjustment	864
Adjusted year end balance	3,234

Given that it is very unlikely that the fair value adjustment will ever be realised, the adjusted reserve balance is arguably a fairer reflection of the reserve. Therefore based on this revised calculation the reserve decrease was approximately \$6 million. It will be noted that this reserve is also carrying the Airport reserves negative position of \$302, 000. However this is an actual position and is duly attributable.

Outgoings included, purchase of land at Skennars Head, purchase of land at Wollongbar, provision of a commercial services dividend to general revenue, contribution to street lighting replacements for energy conservation and a capital contribution of \$6,000,000 to the industrial land reserve.

The contribution to industrial land was an end year adjustment that enabled the industrial land reserve to end the year in a positive position.

Incoming funds were received from plant and Flat rock for repayment of loans, interest on investments and section 94 recoupment's.

Industrial land Reserve 304,000

The reserve is used to finance Council's industrial land subdivisions at Russellton and Southern Cross industrial estates. At the end of 2009/10 the reserve was negative (1,934,000) and the position ending 2010/11 is \$304,000.

The positive position is due to a contribution from the Commercial Opportunities reserve of \$6,000,000.

Funds were applied to development and overhead expenses at Russellton and Southern Cross estates. The major outgoing during the year related to development expenses for Southern Cross estate of some \$4.2 million.

Incoming revenue related to part rent from a commercial property and repayment of loans from Waste Services.

f) Airport Improvements Reserve – (302,000)

Funds accumulated for refurbishment of existing assets and future improvements to the Airport business. The reserve balance was negative \$302,000 which is being covered by the Entrepreneurial Property Activities and Financial Reserve.

There was an operating surplus, excluding depreciation, of \$376,000 which was applied to an external loan repayment of \$237,000 and an internal loan repayment of \$139,000.

Capital works of approximately \$500,000 were carried out, funded via external borrowings.

It was a positive improvement in comparison to the previous year to see the business make a cash surplus however the business is struggling with increased recurrent expense and loan principal. Strategies are in place to improve income and time will tell as to their success.

3. Loan Indebtedness

Movements in total loan indebtedness by fund, for 2010/11, are shown below. Figures relate to external loans only.

Table 17: Loan Movements for 2009/10 (\$'000)

Fund	Balance 1 July 2010	New Loans Raised	Principal Repaid	Balance 30 June 2011	Movement - Increase / (Decrease)
General	17,806	3,000	1,713	19,093	1,287
Sewerage	10,050		1,185	8,865	(1,185)
Water	11		3	8	(3)
Total	27,876	3,000	2,901	27,966	99

Council's overall loan debt has increased by \$99,000 over the course of the year with new loans being taken up for Teven bridges \$2,500,000 and airport \$500,000.

The General Fund trend has been for an increase of external borrowings. In June 2006 the general fund borrowings were \$8.5 million and the debt level has increased on an annual basis.

Where the borrowings have a ready funding source to finance payments there is no direct impact on general fund. However, where General Fund must meet the loan repayment the amount of available discretionary funds in future years is reduced. In the context of 2010/11 the borrowing of \$2.5 million for new roads will affect general fund however it is expected that the airport business will be able to repay their loan.

Water has minimal debt, which reflects the current position in the life cycle of infrastructure. Sewer fund has commenced what will be a major borrowing campaign to upgrade and improve existing infrastructure and the level of debt will escalate rapidly over the next two years.

4. Non-cash contributions from developers

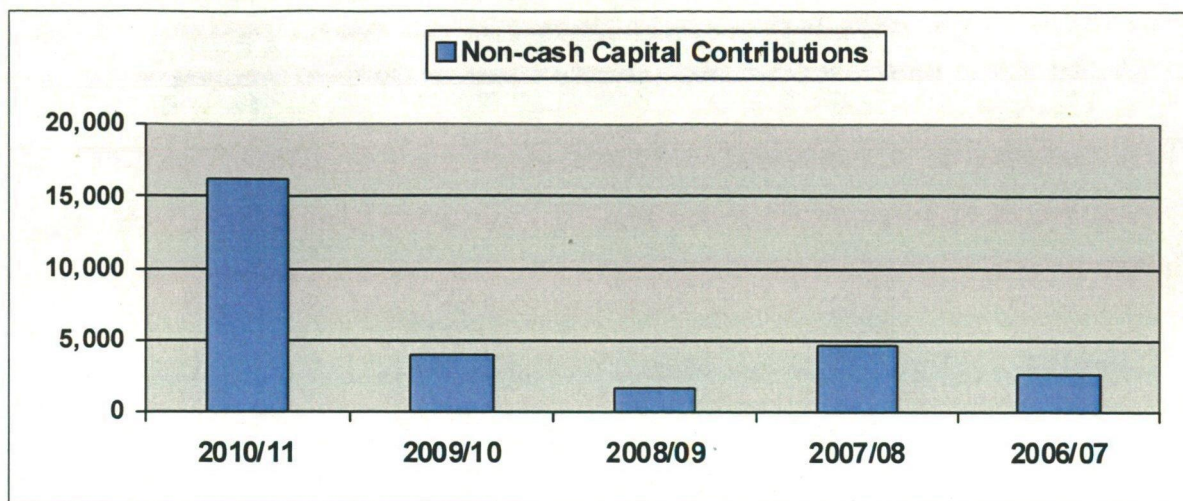
Council's are required to bring to account as revenue, the value of infrastructure constructed by developers, that eventually transfers to a council's control; e.g. roads, kerb and gutter etc.

The 2010/11 financial year resulted in infrastructure to \$16,189,000 being brought to account. It will be noted that this non-cash contribution shows as income. The reality is that Council has not received revenue but an asset that must be maintained and therefore in terms of demands on available cash, a liability.

The graph below shows that developer non-cash contributions tend to be erratic and in one year Council may receive assets valued in the millions and in the next year receive next to nothing. The contribution is dependent on development occurring in the shire.

Table 18 :Non – Cash Capital Contributions (\$'000)

Item	2010/11	2009/10	2008/09	2007/08	2006/07
Non-cash Capital Contributions	16,189	4,007	1,698	4,573	2,597



5. Summary

Major influences that are reflected in the 2011 financial reports include:

- A continuation of the strategy to convert unrestricted cash reserves into commercial property and community infrastructure.
- An improvement in the operating position of general fund partially attributable to the compounding affect of ordinary rate increases above the rate of inflation.
- Construction of major public buildings and facilities including the Lennox Head community centre, Alstonville and Wardell town centre upgrades.
- Major expenditure on the Southern Cross industrial estate to develop saleable industrial land.
- A noted improvement in the fortunes of Commercial waste where a healthy surplus was recorded.
- Airport financial operations struggling to repay loans and make cash surplus.
- Gross water consumption lowest in several years continuing an approximate cash break even position for the business.
- Sewer capital works starting to escalate in accord with the urban water sewer strategy and annual fees rising to meet the expense.
- Asset revaluations increasing equity and depreciation expense.
- Increase to the fair value of our investment portfolio as notes near maturity.

General Fund Comment

The last five years has been a period where General Fund expenditure has reached levels unprecedented in the history of this Council. Debt levels have doubled and virtually all available funds from the Entrepreneurial Property Activities and Financial Reserve have been expended or committed.

In addition to 'normal' expenditures Council has constructed or is in the process of constructing the Lennox Head Community Centre (including new library and child centre), Ballina Community Centre, coastal cycleway, , upgraded Alstonville/Wardell town centres, commenced construction of a major new road at Wollongbar and developed the Ballina Art Gallery. We have committed to constructing a new surf club at Ballina, a coastguard tower, designing a surf club at Lennox Head, designing a regional sports centre, upgrading Ballina town centre, constructing a coastal walkway and purchasing sports fields at Lennox Head and Wollongbar.

Each of these are excellent community based projects in their own right and to some extent may be inevitable given the growing pains being experienced in the Shire. However in almost every case, ratepayers will be left with an impost to operate and maintain these assets, albeit it may be some years before the cash cost takes affect. Conservatively annual operations and maintenance costs will rise by several hundred thousand dollars and there is no new funding source to finance these annual costs. It is also the case that the creation of these assets has reduced a traditional income source in the form of income on reserves invested.

Council will receive rate rises on ordinary rates above the rate pegged limit however these funds are earmarked, with new roads construction and roads/cycleway maintenance being the main beneficiaries.

It is typical that Council's budget will have to assimilate extra costs and basically just manage. However the difference currently is the sheer magnitude of assets created in such a short space of time. It is difficult to gauge the real impact of these decisions and it is a matter of concern as to how council's operational budget will cope with these additional imposts going forward.

By the end of 2013/14 ratepayers will have endured special rate variations (above cost of living increases) in seven of the last eight years. Depending on the timing and magnitude of operating expenses relating to new assets, new assets also includes developer provided assets as well as Council created, it may be that further rate rises or changes to service levels are necessary.