» 2018/19 End of Year Financial Analysis

October 2019

ballina shire council

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Foreword

This report provides information to assist in evaluating the annual financial reports.

The comments help the reader gain a more comprehensive understanding of how Council performed financially in 2018/19 and the financial position as at 30 June 2019.

Income Statement

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

Consolidated Results

Consolidated Operating Result	2018/19 ($'000)	2017/18 ($'000)
Income from continuing operations (excluding capital income, gain from disposal of assets and fair value increment)	90,096	85,668
Net gain (loss) from disposal of assets	(996)	1,897
Fair value increment on investment properties	680	0
Expenses from continuing operations (excluding depreciation and loss from disposal of assets)	(64,458)	(62,381)
Depreciation expense	(18,924)	(19,415)
Operating Result from Continuing Operations	**6,398**	**5,769**
Capital grants and contributions	39,143	40,463
Consolidated Surplus	**45,541**	**46,232**

The Operating Result before capital grants and contributions is a surplus, and an improvement from 2017/18, although both years are impacted by several items.

This is discussed in more detail later in this report as part of the Major Revenue and Expense Movements commentary.

Income from continuing operations was positively impacted by increased rate and annual charges and increased user charges.

Another large impact on the Operating Result from Continuing Operations for 2018/19 was a net loss on disposal of assets of $996,000 compared to a net gain on disposal of assets of $1.897m in 2017/18, a variation of approximately $2.9m.

Expenses from continuing operations (excluding depreciation and loss from disposal of assets) were $64.458m, which represents a 3.3% ($2.077m) increase from 2017/18 to 2018/19.

The depreciation expense decreased by 2.5% ($491,000). This decrease is impacted by a decrease in depreciation for waste management assets, as assessed on a remaining capacity basis.

Council's consolidated surplus from all activities for 2019 was $45.541m. This compares to a surplus in 2018 of $46.232m.

The consolidated surplus is significantly impacted by capital grants and contributions received in any one year. Both years had significant capital grants and contributions.

In the 2018/19 year, capital grants and contributions totals $39.143m.

In the 2017/18 year, capital grants and contributions totals $40.463m.

This is largely due to developer section 7.11 contributions (previously known as section 94 contributions) and developer dedications for the year, which reached historical highs for Council.

Fund Results

Operating Result by Fund (as per Financial Statements)	General		Water		Wastewater	
	2018/19 ($'000)	2017/18 ($'000)	2018/19 ($'000)	2017/18 ($'000)	2018/19 ($'000)	2017/18 ($'000)
Income from continuing operations (excluding capital income, gain from disposal of assets and fair value increment)	56,998	54,892	13,463	12,405	19,635	18,371
Net gain/(loss) from disposal of assets	(465)	1,891	0	6	(531)	0
Fair value increment	680	0	0	0	0	0
Expenses from continuing operations (excluding depreciation and loss from disposal of assets)	(41,012)	(39,171)	(9,879)	(9,595)	(13,567)	(13,615)
Depreciation expense	(13,747)	(14,259)	(1,501)	(1,482)	(3,676)	(3,674)
Operating result from Continuing Operations	**2,454**	**3,353**	**2,083**	**1,334**	**1,861**	**1,082**
Capital grants and contributions	31,480	29,080	2,114	3,118	5,549	8,265
Surplus	**33,934**	**32,433**	**4,197**	**4,452**	**7,410**	**9,347**

For 2018/19, the operating result from continuing operations is again in surplus for all three funds. The General Fund has an operating surplus of $2.454m, which is an excellent result.

For both the Water and Wastewater Funds, the operating results after depreciation and before capital revenue were again in surplus and improved on the prior year.

Capital contributions were lower in the 2018/19 year resulting in an overall decline in the net surpluses realised.

Major Revenue and Expense Movements

Revenue / Expense	Increase/ (Decrease) on Prior Year	Comment
Revenue		
Rates and annual charges	2,672	Total rates and annual charges of $50.714m in the 2018/19 year include ordinary rates of $22.934m (increased by 7.9% due to special rate variation); wastewater annual charges of $16.567m (2.3% price increase plus growth); water annual charges of $3.620m (0% price increase plus growth); domestic waste management charges of $6.212m (2.4% price increase); and waste management charges of $540,000 (2.6% price increase).
User charges and fees	2,717	Total user charges and fees of $24.254m in the 2018/19 year include water and wastewater usage charges, airport, planning and building regulation income, ferry tolls, cemeteries, swimming pools and other smaller income streams. The larger variations were: • Swimming pool income of $1.094m in 2018/19, with no corresponding income in 2017/18. • Increase in water user charges of $612k, representing a 8.4% change. • Increase in other smaller income streams of $850k, impacted by higher s7.11 administration fees and higher developer engineer inspection fees.
Interest and investment revenue	400	Total interest revenue recognised is $400k higher than the previous year, corresponding to a large increase in the balance on cash and investments at year end.
Other revenues	(676)	The large items impacting on the movement in Other Revenues are: • Other revenues in 2017/18 included an amount of $1,084k for the initial recognition/de-recognition of share in joint ventures and associates, being changes in the recognition of the Richmond Tweed Regional Library and NEWLOG. • Other revenues in 2018/19 includes an amount of $484k, being the accounting impact of the reassessment of the remediation provisions for tips and quarries.
Operating grants and contributions	(630)	Total operating grants and contributions of $7.744m were received in 2018/19, compared to $8.374m in 2017/18. A large contributor to this variation was Roads to Recovery funding of $198,000 received in 2018/19 compared to $1,194,000 in 2017/18.
Capital grants and contributions	(1,320)	Total capital grants and contributions of $39.143m were received in 2018/19, compared to $40.463m in 2017/18.

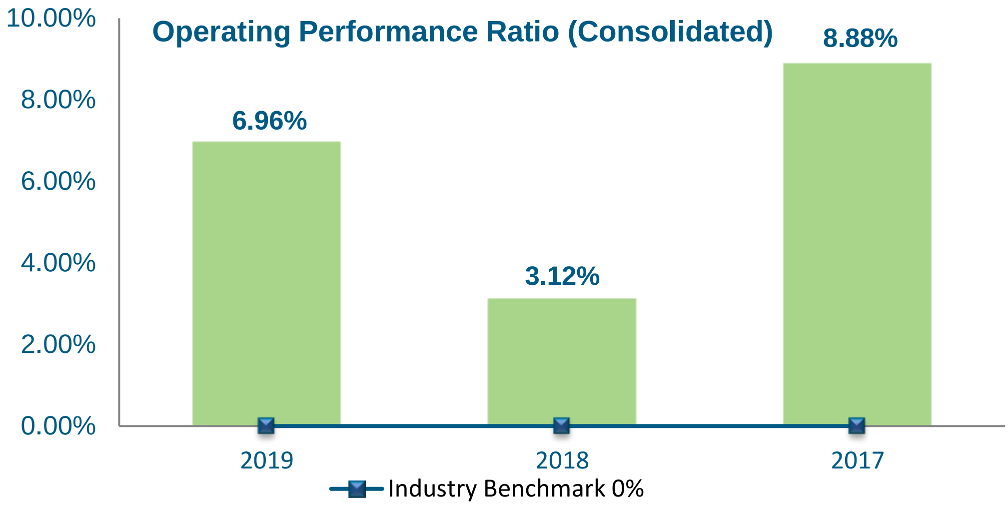
		In both 2017/18 and 2018/19, developer contributions and developer dedications were well in excess of previous years. Cash developer contributions of $11.504m were received in 2018/19 compared to $7.788m received in 2017/18. Non-cash contributions/dedications of $16.209m were recognised in 2018/19 compared to $26.575m in 2017/18. A break-down of the non-cash contributions has been provided later in this report.
Gains from disposal of assets	(1,897)	Gains/losses on disposal include the accounting write-off of infrastructure, property, plant and equipment and real estate assets. There was a net loss on disposal of assets of $996,000 in 2018/19 compared to a net gain on disposal of assets of $1.897m in 2017/18, a variation of approximately $2.9m. It is usual to have a net loss on the disposal of assets as infrastructure assets when renewed, typically have a written down value in Council's financial records. The loss on disposal represents the write-off of that value as the asset is renewed. The 2017/18 result was positively impacted by land sales within Council's land development section in that year. In the 2018/19 year there were no real estate sales. The net loss on disposal of assets in 2018/19, which is shown in expenses, represents infrastructure write-off of $1.282m offset partly by small gains from sale of property plant and equipment.
Expense		
Employee benefits and on costs	2,014	Contributors to the overall increase in employee costs were the increase of 2.5% attributable to the local government state award increase, an increase in the employee leave entitlement expense and an increase in full time equivalent employees. There was also an increase in the workers compensation expense.
Depreciation	(491)	This decrease is quite negligible, with overall depreciation expense as a % of total infrastructure, property, plant and equipment moving from 1.6% to 1.5%. A comparison by asset class is shown later in this report.
Loss on assets	996	As per the comments made for gains from disposal of assets above.

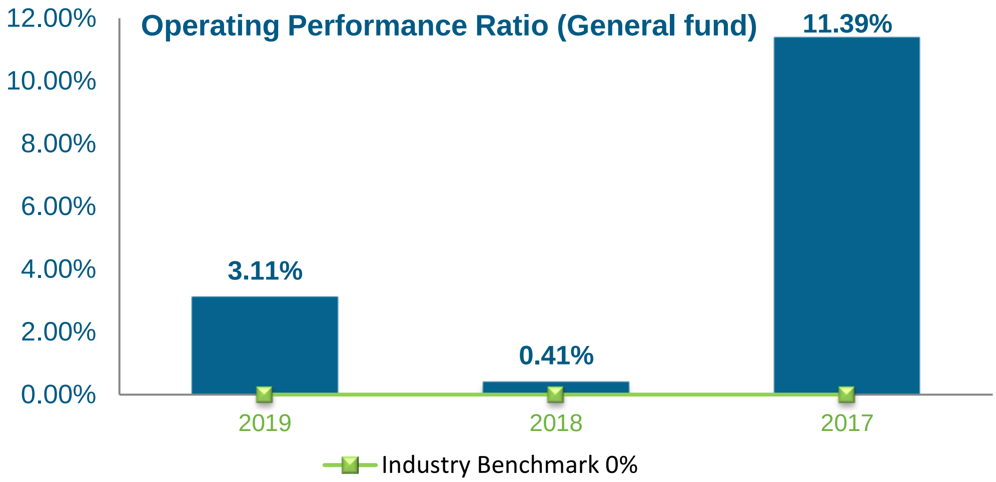
Income Statement Ratios

Operating Performance Ratio

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

This ratio is focusing on operating performance, which means capital grants and contributions and fair value adjustments are excluded.





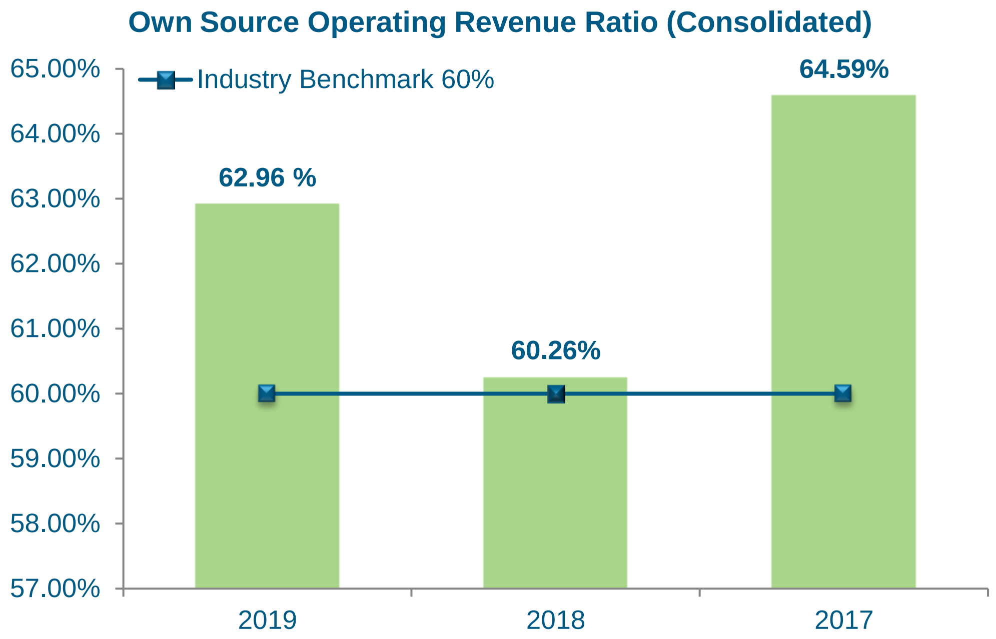
Council's General Fund Operating Performance was positive in 2018/19. This continues a long term trend of steady improvement from traditional negative results.

The 2016/17 result was distorted due to a large one-off RMS operating grant for on-going maintenance of the old Pacific Highway.

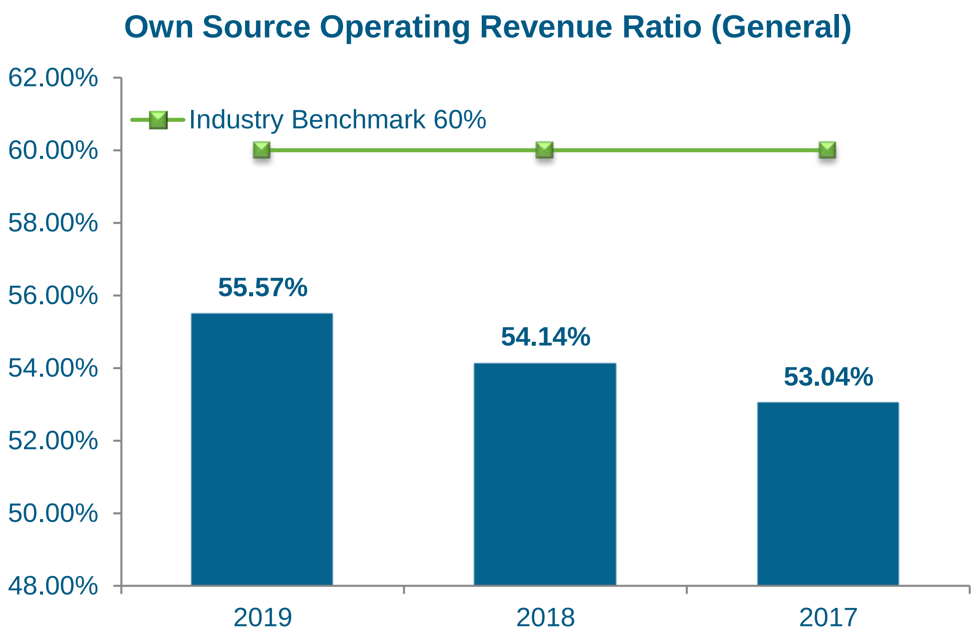
The challenge for the General Fund is to achieve a positive operating performance ratio on an ongoing basis, and this is a fundamental benchmark requirement in order to meet the "Fit for the Future" requirements.

Own Source Operating Revenue Ratio

This ratio analyses the ability of Council to generate its own revenue sources rather than having an over-reliance on grants and contributions (capital and operating).



Council, as a consolidated entity, sourced 62.96% of its consolidated revenue from rates, annual charges, user charges, interest etc. comparable with an industry benchmark of 60%. The denominator used for the calculation of this ratio includes capital grants and contributions, which as noted previously in this report, have been very high in recent years due to large non-cash contributions.



The General Fund did not meet the 60% benchmark, again due to the very high levels of capital grants and contributions in recent years.

Capital Grants and Contributions

Total capital grants received during the year amounted to $8,730,000 and included $3,500,000 for the Ballina Indoor Sports Centre, $3,232,000 for the Ballina Byron Gateway Airport, $700,000 for the Lennox Head Cultural and Community Centre and $327,000 for the Skennars Heads sportsfields expansion.

Capital contributions received during 2018/19 totalled $30.413m compared to $38.814m in 2017/18.The next table summarises the contributions by type.

Capital Contribution Type	2018/19 ($'000)	2017/18 ($'000)
Section 7.11 - Contributions towards amenities/services	7,873	4,680
Section 64 - Water supply contributions	1,175	1,031
Section 64 - Wastewater service contributions	2,456	2,077
Total Developer Contributions (Cash)	**11,504**	**7,788**
Non-cash developer dedications	16,209	26,575
Other contributions	2,700	4,451
Total	**30,413**	**38,814**

Developer contributions can vary significantly and have been particularly high in both 2017/18 and 2018/19 due to the increased level of land development taking place.

The use of the cash developer contributions is restricted and they are not available for Council's general operations.

Non-cash developer dedications (i.e. dedications received on finalisation of a development) can also vary significantly and a dissection by subdivision is shown in the following table.

Non-cash Developer Dedications	2018/19 ($'000)	2017/18 ($'000)
EPIQ, Lennox Head	6,899	15,330
Henderson Drive, Lennox Head	2,116	0
56 Greenfield Road, Lennox Head	1,669	0
Avalon, Wollongbar	1,483	1,537
Ballina Heights, Cumbalum	1,404	2,795
67 Swift Street, Ballina	1,181	0
Ferngrove, Ballina	659	3,893
Elevations, Lennox Head	401	1,529
77 Teven Road, Alstonville	382	0
Plateau Drive, Wollongbar	0	1,241
Wavehill Estate, Lennox Head	0	1,024
Other	15	477
Adjustment to 2017/18 Land Under Roads	0	(1,251)
Total	**16,209**	**26,575**

Statement of Financial Position

The consolidated statement of financial position for 2018/19 and 2017/18 is as follows.

Item	2018/19 ($'000)	2017/18 ($'000)
Current assets	82,342	79,166
Non-current assets	1,325,654	1,260,474
Total Assets	**1,407,996**	**1,339,640**
Current liabilities	26,430	22,843
Non-current liabilities	74,531	81,403
Total Liabilities	**100,961**	**104,246**
Equity	**1,307,035**	**1,235,394**

Commentary on some of the major assets and liabilities appearing in Council's statement of financial position, as at 30 June 2019, together with related Office of Local Government benchmark data is as follows.

Unrestricted Net Current Assets

Item	2018/19 ($'000)	2017/18 ($'000)
Current Assets	**82,342**	**79,166**
Externally restricted cash and investments	(31,625)	(29,199)
Externally restricted receivables and other assets	(3,705)	(3,800)
Current Assets less all External Restrictions	**47,012**	**46,167**
Current Liabilities	**26,430**	**22,843**
Externally restricted liabilities	(4,691)	(7,353)
Current Liabilities less Specific Purpose Liabilities	**21,739**	**15,490**
Unrestricted Current Net Assets before Internal Reserves	**25,273**	**30,677**

Council's unrestricted current asset position provides a measure of Council's capacity / liquidity to meet its commitments from current assets net of externally restricted cash, investments and receivables.

At 30 June 2019 Council held $25.273m in unrestricted current net assets. This is a financially sound result and trends in the General Fund's unrestricted current ratio are shown later in this report.

Cash and Investments

The next table illustrates that the majority of the cash and investments is restricted in its use.

Cash and Investments	2018/19 ($'000)	2017/18 ($'000)
Externally Restricted *Monies can only be spent in accordance with legislation, grant agreements or developer contribution plan specifications*	52,532	41,863
Internally Restricted *Money set aside for special projects by Council resolution*	31,637	34,389
Unrestricted *Funds forming part of working capital used for day-to-day Council operations*	5,492	4,544
Total Cash and Investments	**89,661**	**80,796**

A breakdown of the internally restricted reserves is shown in the following table.

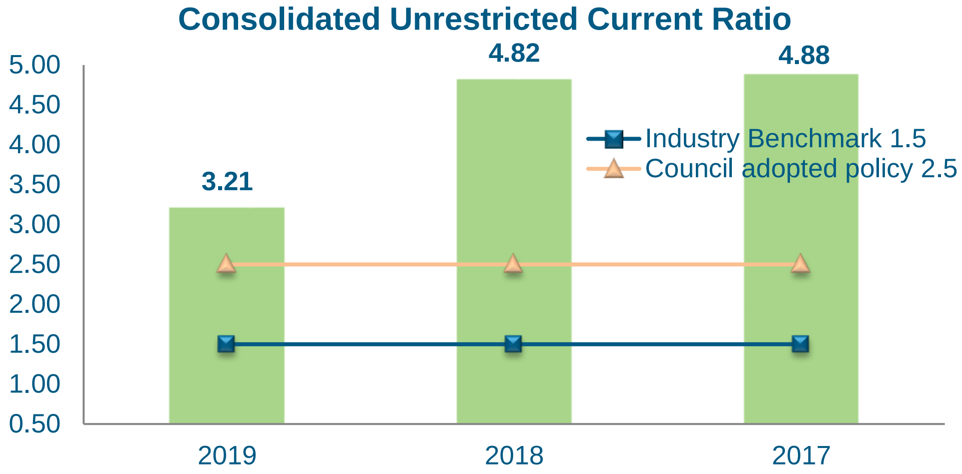
Internally Restricted Cash	2018/19 ($'000)	2017/18 ($'000)
Plant and Vehicle Replacement	1,302	1,155
Employees Leave Entitlements	3,133	3,013
Works Carried Forward	2,579	2,794
Highway Bypass	3,632	3,747
Cemeteries	338	266
Crown Land	115	172
Financial Assistance Grant	2,339	2,221
Property Development Reserves	5,692	3,521
Landfill and Resource Management	71	1,712
Management Plans and Studies	842	491
Quarries	857	833
Commercial Properties	787	899
Roads and Bridges	4,008	5,521
Ballina Indoor Sports centre	767	2,963
Strategic Planning	550	452
Swimming Pools	0	119
Skennars Head Sportsfields	1,009	1,250
Healthy Waterways	260	363
Other Sportsfields	737	382
Other	2,619	2,515
Total Internal Restrictions	**31,637**	**34,389**

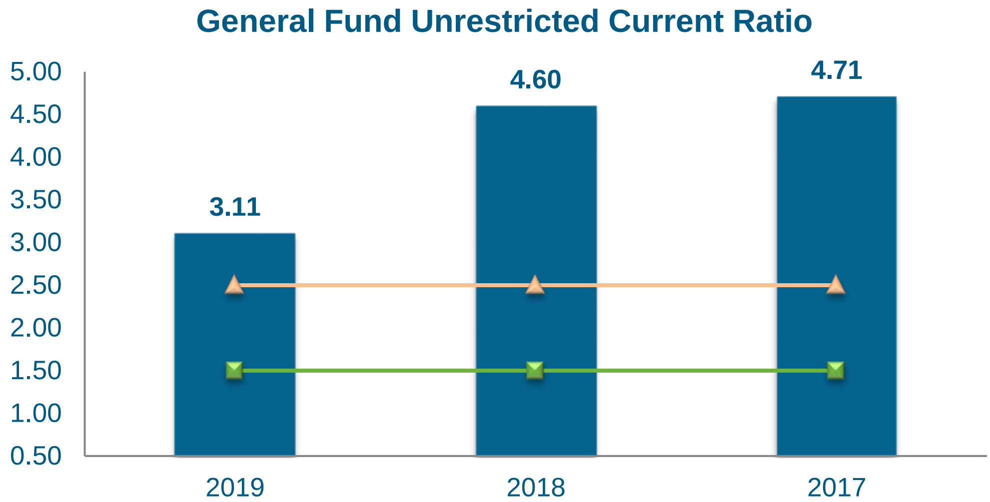
Statement of Financial Position Ratios

Unrestricted Current Ratio

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

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



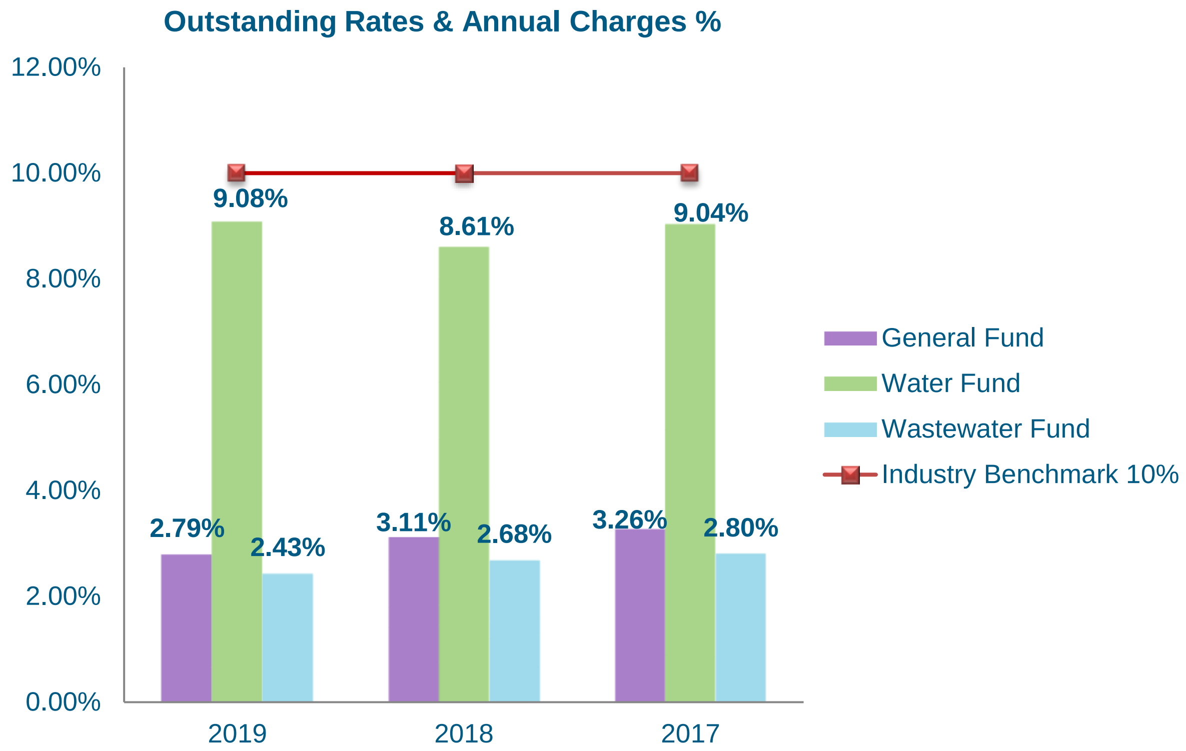


At 30 June 2019 Council's General Fund has $3.11 in liquid current assets for every $1 of current liabilities.

This is a sound financial result.

Rates and Charges Outstanding Ratio

This is a financial performance indicator that assesses the effectiveness of Council's revenue collection processes, with a low ratio being favourable.



Council's General Fund and Wastewater Fund rates and annual charges outstanding ratios are consistent with the previous year and satisfy the industry benchmark.

The ratio for Water Fund, whilst still satisfying the benchmark, is high as a result of Council levying annual charges for non-residential fixed charges in arrears.

The NSW Office of Local Government benchmark is less than 10%.

Infrastructure, Property, Plant and Equipment

Council Constructed / Purchased Additions

Property, Plant and Equipment capitalised over the past two years is as follows.

Asset Type	2018/19 ($'000)	2017/18 ($'000)
Infrastructure under construction – Work in Progress	28,715	36,377
Plant and equipment	1,611	1,221
Land, buildings and other structures	1,224	665
Roads and drainage network	13,919	19,706
Water supply network	1,309	1,407
Wastewater network	4,606	5,534
Other assets	0	65
Total Additions	**51,384**	**64,975**
Assets - Renewals	**18,211**	**24,379**
Assets - New	**33,173**	**40,596**

There were total asset additions of $51.384m in 2018/19, compared to $64.975m in 2017/18.

A large contributor to this was the non-cash developer dedications, which totalled $16.209m in 2018/19 compared to $27.8m in 2017/18.

Large capital projects still in progress as at 30 June 2019 included:

- Ballina Indoor Sports Centre ($7.8m)
- Ballina Byron Airport Terminal Building Extensions ($4.9m)

Depreciation

Note 9 to the general purpose financial statements outlines Council's infrastructure, property, plant and equipment (IPP&E).

This note highlights that Council is responsible for maintaining assets with a written down value of approximately $1.3 billion as per the next table.

The table also highlights that Council needs to generate approximately $19m in surplus funds to finance the rate at which IPP&E is being consumed (i.e. the depreciation expense).

Asset Class	2018/19			2017/18	
	WDV $'000	Depreciation Expense $'000		WDV $'000	Depreciation Expense $'000
Plant and equipment	8,010	1,733		8,063	1,815
Operational land	65,885	0		46,513	0
Community land	82,670	0		112,492	0
Land under roads	2,003	0		1,646	0
Land improvements	18,431	95		16,474	357
Buildings	99,944	2,612		76,365	2,943
Other structures	33,727	503		12,223	624
Roads, bridges & footpaths	406,886	7,239		401,058	6,959
Bulk earthworks	139,457	138		137,975	132
Stormwater drainage	84,554	1,627		81,568	1,532
Water supply infrastructure	75,486	1,399		73,277	1,413
Wastewater supply infrastructure	217,857	3,494		206,747	3,495
Other assets	275	84		359	145
Work in progress	42,875	0		47,084	0
	1,278,060	**18,924**		**1,221,854**	**19,415**

By far the largest asset or liability appearing on Council's statement of financial position is IPP&E.

Asset Revaluations

In accordance with the requirement to maintain assets at fair value, infrastructure assets are comprehensively revalued on a five year rotational basis in line with the Office of Local Government stipulation, and are assessed for fair value (and indexed) on the years between full revaluations.

All Land, Land Improvements Buildings and Other Structures were subject to comprehensive revaluation in 2018/19. The revaluation process identified a number of prior period errors. These are discussed further as follows.

The net impact of the revaluation was an increase in fair value of $21.645m recorded in 2018/19 with generally an increase to the fair value of asset classes, with the exception of community land which was decreased.

Indexation of water and sewerage networks has increased their value by $4.411m.

Prior Period Errors

During 2018/19, a number of prior period errors were identified. The impact of these errors, which have been adjusted retrospectively, are shown in Note 13(b) of the General Purpose Financial Statements and are discussed in turn below.

Incorrect Valuation of Land Under Roads (LUR)

The previous revaluation of LUR was completed during the 2014 financial year.

For the purposes of that revaluation, Council had valued this land using an average unit rate based on Ballina Shire's community land (per values provided by the Valuer-General). That valuation was accepted and agreed by the external auditors, at that time.

In subsequent years, LUR continued to be valued on this basis.

During the 2017 year, the Code of Accounting Practice was amended to provide clarification on the valuation basis for LUR.

Whilst the Code does allow alternate methods, the view held by the NSW Audit Office is that an englobo valuation method most accurately reflects the valuation of this land, in that it is the most supportable method.

The englobo valuation method uses the valuer general valuations discounted by 90%. The rationale behind the large discounting factor is to reflect the restrictions on LUR.

On raising this issue with management (during the interim audit visit in June 2019), management agreed with this view and subsequently amended the valuation on this basis.

Consequently, the opening fair value of LUR at 1 July 2017 was restated as well as LUR additions in 2017/18. The combined impact was a decrease to the fair value of LUR of $15.1m.

New Found Assets not previously recorded

During the revaluation of land, buildings and land improvements in the 2019 financial year, a number of errors were identified by Council asset staff.

They have been separated out below by their causal factors.

a) Developer provided assets and improvements by tenants

During the revaluation process, Council identified assets that had previously been dedicated by developers and also improvements to those buildings that had not previously been recorded.

The combined impact was an increase to the fair value of these asset classes of $10.593m.

A review of the process of recording of developer contributed assets is currently being undertaken to ensure that in future years these assets are appropriately identified and recorded in the year of handover.

Processes have also been put into place to ensure that works and/or improvements undertaken by tenants on council controlled assets are now identified and communicated to the assets team on a timely basis.

c) Other new found assets

The previous revaluation of land, buildings and land improvements was completed during the 2014 year. At that time, the revaluation start point was the asset register.

During the revaluation completed in the 2019 financial year, a comprehensive check was undertaken by the asset staff, by comparison of Council's GIS systems to the asset register. This is the first time that such a check was completed as part of the revaluation process. This process identified a number of parcels of land not recorded in the asset register.

The combined impact of other found assets identified was an increase to the fair value of these asset classes of $6.129m.

A review of the process of communication of changes in land holdings is being undertaken by management, with discussions underway between the finance team, GIS team and persons involved with the Crown Lands Register. Processes will be put in place to ensure that future changes are identified and communicated to the assets team on a timely basis.

Incorrect componentisation of water and wastewater treatment plants

Significant capital expenditure on the Ballina wastewater treatment plant occurred in 2011 and subsequent years and was capitalised during the 2014 year.

When that expenditure was capitalised, the costs were incorrectly componentised and all costs were included as wastewater infrastructure assets. That is, the building itself was not separately identified, due to the fact that it is a highly specialised building and is integrated with the wastewater systems and infrastructure.

A revaluation of water and wastewater infrastructure assets was then completed in the 2017 financial year and it was not identified that those infrastructure assets had initially included the value of the building works.

At that time, in error, the value of the "building" component, was adjusted against the revaluation reserve. (In theory, the value of the building should have been transferred from infrastructure to buildings).

During the revaluation of buildings completed in the 2019 financial year, the asset staff identified that the wastewater building was not in the buildings asset register. The fair value of these buildings was reinstated as part of the 2019 revaluation process.

The impact was an increase to the fair value of building assets of $5.108m.

Fire equipment that council controls and not previously recorded

Previously, Council had only recognised the Rural Fire Service buildings as Council controlled assets, however had not recognised the fire equipment (i.e. fire trucks).

The NSW Audit Office are of the view that the fire equipment does meet the definition of control and should be recognised. Management agree with this assessment.

Due to the timing of discussions held, these assets were recognised as an unadjusted audit difference for the 2017/18 financial statements. Adjustment was subsequently made to the asset register and financial statements for the 2019 financial year.

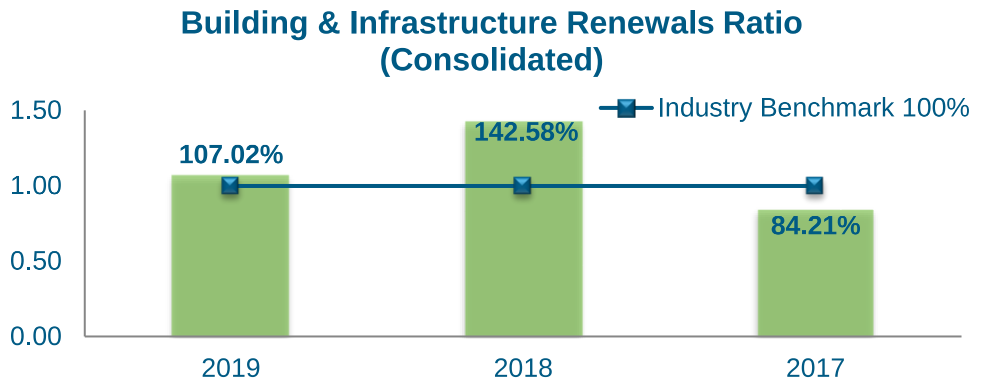
The impact was an increase to the fair value of plant and equipment of $900k.

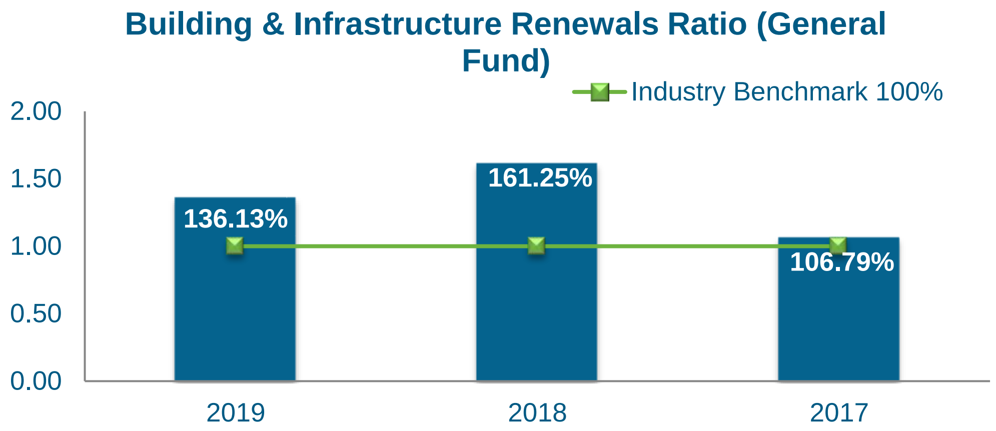
Infrastructure Ratios

Infrastructure Renewals Ratio

This ratio assesses the rate at which buildings and infrastructure assets are renewed against the rate at which they are depreciating.

The building and infrastructure renewals ratio is calculated based on replacement of existing assets with assets of equivalent capacity or performance as opposed to the acquisition of new assets. Expenditure incurred to add capacity to existing assets is excluded from this ratio. Industry benchmarking recommends that asset renewals equate to 100% of the related depreciation expense.

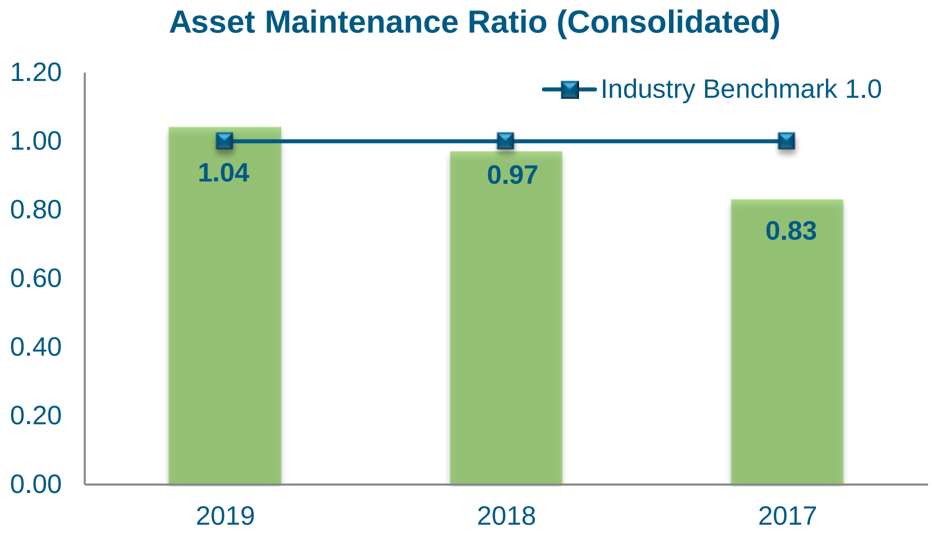


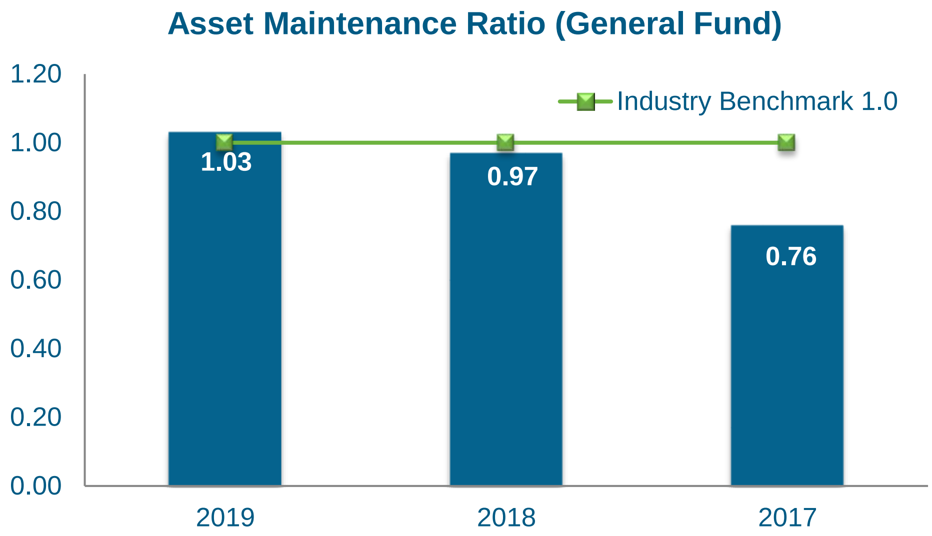


The challenge facing all local government authorities is to maintain this ratio and consistently satisfy this industry benchmark, particularly for the General Fund.

Asset Maintenance Ratio

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





It is important that Council spend sufficient funds on asset maintenance to ensure their condition does not deteriorate below a satisfactory standard.

Debt Levels

Loan Liability

Item	2018/19 ($'000)	2017/18 ($'000)
Current Loan Liability	6,636	6,624
Non-current Loan Liability	70,418	76,870
Total Loan Liability	**77,054**	**83,494**
By Fund		
General Fund (including Domestic Waste)	24,035	27,222
Water Fund	0	0
Wastewater Fund	53,019	56,272
Total	**77,054**	**83,494**

No new loans were taken in the 2018/19 year, however new borrowings for the General Fund will impact on the 2019/20 year.

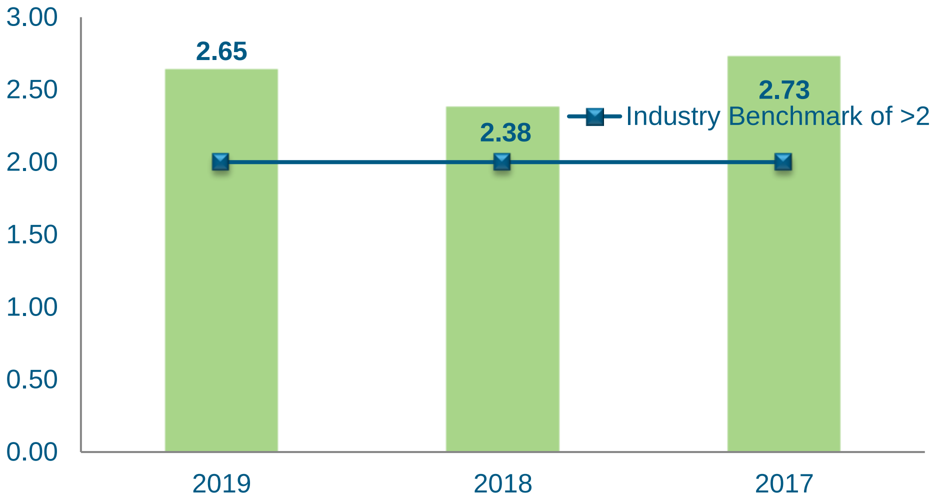
The Wastewater Fund's debt levels continue to fall as a result of the repayment of debt in accordance with the loan repayment programs.

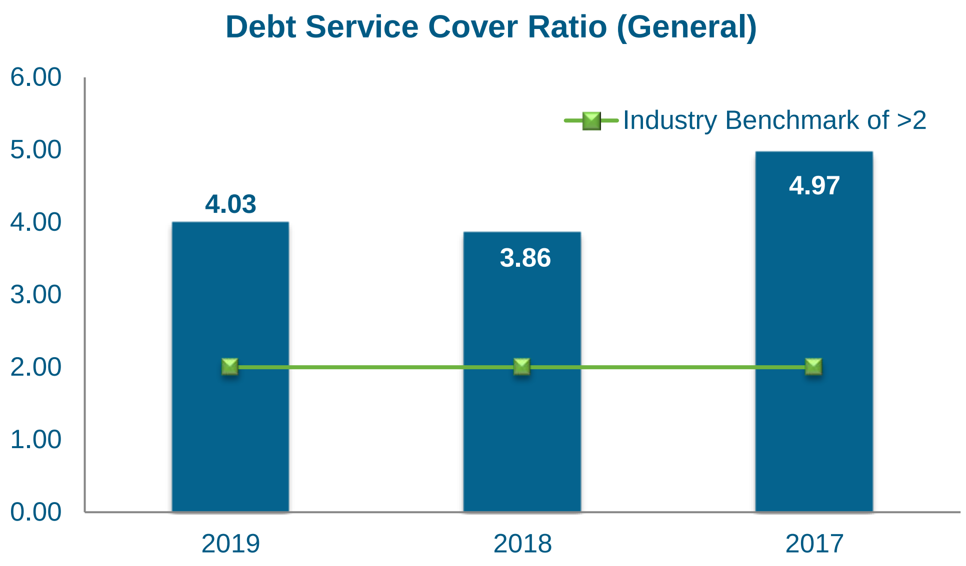
Debt Ratios

Debt Service Cover Ratio

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

Debt Service Cover Ratio (Consolidated)





Council is satisfying the industry benchmark.

This means that Council is generating sufficient cash to satisfy its debt repayment obligations.

Special Purpose Financial Statements

Under the Federal Government's National Competition Policy (NCP), councils are required to declare business activities, and prepare special purpose financial statements, for individual reporting/business units that meet certain criteria.

The principle of competitive neutrality is that government businesses should operate without net competitive advantages over other businesses as a result of their public ownership.

Ballina Shire Council has the following declared business activities:

- Water Supplies
- Wastewater Service
- Landfill and Resource Recovery
- Airport
- Land Development
- Quarries
- Wigmore Arcade
- Private Works

The water and wastewater business units have already been considered earlier in this report, as they are also separated out within the general purpose financial statements.

The only point of difference being that the special purpose financial statements include a calculated tax equivalent, debt guarantee fee and a corporate tax (27.5% of surplus).

Special purpose financial statements also show dividends paid to or received from the general fund.

In the case of water and wastewater, there were nil dividends.

This section provides a brief overview of the financial results and key elements of the financial statements for the additional business units.

Landfill and Resource Recovery

Operating Result	2018/19 ($'000)	2017/18 ($'000)
Income from continuing operations (excluding capital income)	5,533	5,436
Expenses from continuing operations (excluding tax equivalent/debt guarantee)	(4,624)	(4,793)
Calculated tax equivalent and debt guarantee fee	(16)	(25)
Operating Result from Continuing Operations	**893**	**618**
Corporate tax equivalent (27.5%)	(246)	(170)
Surplus after tax	**647**	**448**
Dividend (paid) to General Fund	**(2,240)**	**(2,082)**

The Operating Result from Continuing Operations in 2018/19 is impacted by a remediation adjustment.

This business, as can be seen in the Statement of Financial Position below, carries a provision for remediation of the tip sites.

During 2018/19, a review of the provision was completed, including reassessment of the assumptions including the estimated costs of remediation and time periods.

A restatement of the provision resulted in income of $340k recognised in 2018/19.

Excluding the impact of the remediation adjustment, income decreased by $243k, being a decrease in user charges of $216k and a decrease in interest income of $27k.

Expenses are lower in 2018/19, decreased by $169k. The decrease in expenses is due to a decrease in the depreciation expense of $300k offset in part by an increase in other operating expenses of $131k.

For the 2018/19 year, the dividend of $2,240k paid to General Fund includes contributions of $2,220k for the Ballina Indoor Sports Centre and $19.8k for mobile garbage stickers for the Domestic Waste Management business unit.

For the 2017/18 year, the dividend of $2,082k paid to General Fund included contributions of $2.0m for the Ballina Indoor Sports Centre and $78.8k for Duck Creek Mountain driveway.

Statement of Financial Position	2018/19 ($'000)	2017/18 ($'000)
Current Assets (cash, cash equivalents and other)	924	2,595
Non-current assets (infrastructure, property, plant and equipment)	11,993	7,148

Current Liabilities	0	0
Non-current liabilities (provisions for tip remediation)	(2,355)	(2,714)
Net Equity	**10,562**	**7,029**

During 2018/19 land improvements, buildings and other structures were revalued.

The movement in non-current assets represents a revaluation increment of $4,864k, capital expenditure of $101k and depreciation expense of $120k.

Airport

Operating Result	**2018/19 ($'000)**	**2017/18 ($'000)**
Income from continuing operations (excluding capital income)	6,927	6,750
Expenses from continuing operations (excluding tax equivalent/debt guarantee)	(5,140)	(4,909)
Calculated tax equivalent and debt guarantee fee	(78)	(81)
Operating Result from Continuing Operations	**1,709**	**1,760**
Capital grants and contributions	3,232	449
Corporate tax equivalent (27.5%)	(470)	(484)
Surplus after tax	**4,471**	**1,725**
Dividend (paid) / Subsidy received to General Fund	**(100)**	**24**

The Operating Result from Continuing Operations is reasonably consistent with the previous year, with income increased by $177k, depreciation expense decreased by $82k and all other expenses increased by $313k.

Statement of Financial Position	**2018/19 ($'000)**	**2017/18 ($'000)**
Current Assets (cash, cash equivalents)	424	1,150
Non-current assets (infrastructure, property, plant and equipment)	46,250	40,707
Current liabilities (provisions)	(130)	(116)
Current liabilities (borrowings)	(1,251)	(1,189)
Non-current liabilities (borrowings)	(3,930)	(5,181)
Net Equity	**41,363**	**35,371**

Borrowings have reduced by $1.189m as at 30 June 2018, however new borrowings of $2.4m have since been taken out in the 2019/20 year to partially fund the terminal expansion project.

During 2018/19 land improvements, buildings and other structures were revalued.

The movement in non-current assets represents a revaluation increment of $1,073k, capital expenditure of $5,367k, asset writedowns of $114k and depreciation expense of $782k.

Land Development

Operating Result	2018/19 ($'000)	2017/18 ($'000)
Income from continuing operations (excluding capital income)	724	5,415
Expenses from continuing operations (excluding tax equivalent/debt guarantee)	(551)	(3,920)
Calculated tax equivalent and debt guarantee fee	(136)	(145)
Operating Result from Continuing Operations	**37**	**1,350**
Corporate tax equivalent (27.5%)	(10)	(371)
Surplus after tax	**27**	**979**
Dividend paid to General Fund	**(640)**	**(3,096)**

The 2018/19 income includes rental income of $411k from the Southern Cross Norfolk Homes and ARC buildings and interest income of $43k.

There is also income of $270k recognised in 2018/19 for the (internal) sale of residual land from the 54 North Creek Rd subdivision to the wastewater fund.

There were no land sales in 2018/19. The 2017/18 land sales consisted primarily of Wollongbar residential land sales and the Alstonville Tennis Courts (Russellton).

Forecast land sales for 2019/20 include $2.6m for 54 North Creek Rd and $72k residual sales from Wollongbar Estate Stage 2.

During 2018/19 investment properties were revalued. The expenses for 2018/19 include a revaluation decrement of $250k.

The 2017/18 expenses consisted primarily of cost of sales for the land sales in that year.

For 2018/19, the dividend of $640k paid to General Fund included contributions for

- Airport Boulevard $400,000
- General fund operations $391,600
- Biodiversity pilot project $40,000
- Investigation of Southern Cross industrial precint $10,000
- Less transfer of land (old "prawn farm") $202,060 from land inventory to general fund operational land.

The dividend of $3.096m paid to the General Fund for 2017/18 included contributions for:

- Ballina Surf Club $100,000
- Airport Boulevard Road $100,000
- General Fund Operations $416,300
- Skennars Head Sports Fields $66,000
- 9 Byron Bay Road – Property Acquisition $2,410,000

Statement of Financial Position	2018/19 ($'000)	2017/18 ($'000)
Current Assets (cash, cash equivalents)	(137)	1,911
Non-current assets (land inventory)	5,943	4,112
Non-current assets (investment properties)	5,830	6,080
Net Equity	**11,636**	**12,103**

Land inventory has increased as a result of continued development expenditure in 2018/19 and no sales in 2018/19.

Investment properties were revalued during the year. This resulted in a net decrease to the valuation of $250k (with a large decrease in the value of the ARC building offset in part by an increase in the value of the Norfolk home site).

Quarries

Operating Result	2018/19 ($'000)	2017/18 ($'000)
Income from continuing operations (excluding capital income)	135	89
Expenses from continuing operations (excluding tax equivalent/debt guarantee)	(148)	(101)
Calculated tax equivalent and debt guarantee fee	(22)	(23)
Operating Result from Continuing Operations	**(35)**	**(35)**
Corporate tax equivalent (27.5%)	0	0
Surplus after tax	**(35)**	**(35)**
Dividend paid to General Fund	**0**	**(238)**

The quarries business is responsible for remediation of the quarries at the end of their life. Each year, the required provision, based on a discounted cash flow model, is recalculated with reviewed assumptions including interest rates. The income in 2018/19 includes $70k resulting from a decrease in the provision due to fallen interest rates.

There were no dividends to the General Fund in 2018/19.

For the 2017/18 year, the dividend of $238k paid to General Fund includes contributions for North Creek Dredging plan $109,000 and Shaws Bay Coastal Management Plan $104,000.

Statement of Financial Position	2018/19 ($'000)	2017/18 ($'000)
Current Assets (cash, cash equivalents and other)	967	1,018
Non-current assets (infrastructure, property, plant and equipment)	1,456	1,421
Non-current liabilities (provisions for quarry remediation)	(1,396)	(1,436)
Net Equity	**1,027**	**1,003**

Wigmore Arcade

Operating Result	2018/19 ($'000)	2017/18 ($'000)
Income from continuing operations (excluding capital income)	635	608
Expenses from continuing operations (excluding tax equivalent/debt guarantee)	(484)	(255)
Calculated tax equivalent and debt guarantee fee	(102)	(109)
Operating Result from Continuing Operations	**49**	**244**
Capital grants and contributions	0	0
Corporate tax equivalent (27.5%)	(13)	(67)
Surplus after tax	**36**	**177**
Dividend paid to General Fund	**(321)**	**(303)**

The Operating Result from Continuing Operations for 2018/19 includes $240k for a revaluation decrement.

The dividend paid to the General Fund in both years represents the cash surplus less an amount of $70k ($50k in 2017/18) transferred into the Wigmore reserve.

Statement of Financial Position	2018/19 ($'000)	2017/18 ($'000)
Current Assets (cash, cash equivalents)	296	226
Non-current assets (infrastructure, property, plant & equipment)	6,500	6,740

Net Equity	**6,796**	**6,966**

Private Works

Operating Result	2018/19 ($'000)	2017/18 ($'000)
Income from continuing operations (excluding capital income)	67	182
Expenses from continuing operations (excluding tax equivalent/debt guarantee)	(70)	(162)
Calculated tax equivalent and debt guarantee fee	0	0
Operating Result from Continuing Operations	**(3)**	**20**
Capital grants and contributions	0	0
Corporate tax equivalent (27.5%)	0	(6)
Surplus/(Deficit) after tax	**(3)**	**14**
Dividend paid (to)/from General Fund	**0**	**(20)**

The net Operating Result from Continuing Operation is paid to/from the General Fund in full each year.

Income from private works, and associated expenditure, is variable year on year.

The majority of private works undertaken provide a profit margin of 15%.

A provision for doubtful debts of $6k impacted on the result for 2018/19.

The Private Works business activity does not hold any assets or liabilities.