

# Balranald Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2016

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*COMMITTED TO BALRANALD SHIRE,  
PROVIDING FOR OUR PEOPLE  
PROTECTING OUR HERITAGE, AND  
PLANNING FOR OUR FUTURE*



# Balranald Shire Council

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

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### Overview

(i) These financial statements are General Purpose Financial Statements and cover the consolidated operations for Balranald Shire Council.

(ii) Balranald Shire Council is a body politic of NSW, Australia – being constituted as a local government area by proclamation and is duly empowered by the *Local Government Act 1993* (LGA).

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

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

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

(iii) All figures presented in these financial statements are presented in Australian currency.

(iv) These financial statements were authorised for issue by the Council on 04 November 2016. Council has the power to amend and reissue these financial statements.

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## Balranald Shire Council

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

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 20 October 2016.

  
\_\_\_\_\_  
Leigh Byron  
Mayor  
\_\_\_\_\_  
Jeff Mannix  
Councillor  
\_\_\_\_\_  
Aaron Drenovski  
General manager  
\_\_\_\_\_  
Elizabeth White  
Responsible accounting officer

## Balranald Shire Council

## Income Statement

for the year ended 30 June 2016

Budget 2016	<sup>1</sup> \$ '000	Notes	Actual 2016	Actual 2015
Income from continuing operations				
Revenue:				
2,106	Rates and annual charges	3a	2,085	2,025
1,926	User charges and fees	3b	1,873	1,685
208	Interest and investment revenue	3c	139	151
281	Other revenues	3d	325	298
7,207	Grants and contributions provided for operating purposes	3e,f	7,344	6,669
2,571	Grants and contributions provided for capital purposes	3e,f	903	656
Other income:				
67	Net gains from the disposal of assets	5	427	577
14,366	Total income from continuing operations		13,096	12,061
Expenses from continuing operations				
4,062	Employee benefits and on-costs	4a	4,089	4,379
440	Borrowing costs	4b	177	252
3,485	Materials and contracts	4c	2,280	2,269
5,482	Depreciation and amortisation	4d	5,929	6,907
1,369	Other expenses	4e	1,185	1,204
14,838	Total expenses from continuing operations		13,660	15,011
(472)	Operating result from continuing operations		(564)	(2,950)
(472)	Net operating result for the year		(564)	(2,950)
(472)	Net operating result attributable to Council		(564)	(2,950)
Net operating result for the year before grants and contributions provided for capital purposes				
(3,043)			(1,467)	(3,606)

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

## Balranald Shire Council

Statement of Comprehensive Income  
for the year ended 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
<b>Net operating result for the year</b> (as per Income Statement)		<b>(564)</b>	<b>(2,950)</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	1,540	(51,483)
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>1,540</b>	<b>(51,483)</b>
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
<b>Total other comprehensive income for the year</b>		<b>1,540</b>	<b>(51,483)</b>
<b>Total comprehensive income for the year</b>		<b>976</b>	<b>(54,433)</b>
<b>Total comprehensive income attributable to Council</b>		<b>976</b>	<b>(54,433)</b>

## Balranald Shire Council

Statement of Financial Position  
as at 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	5,200	4,627
Investments	6b	500	–
Receivables	7	806	710
Inventories	8	70	71
<b>Total current assets</b>		<b>6,576</b>	<b>5,408</b>
<b>Non-current assets</b>			
Infrastructure, property, plant and equipment	9	97,901	97,758
Intangible assets	25	260	260
<b>Total non-current assets</b>		<b>98,161</b>	<b>98,018</b>
<b>TOTAL ASSETS</b>		<b>104,737</b>	<b>103,426</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	1,244	881
Borrowings	10	241	227
Provisions	10	815	775
<b>Total current liabilities</b>		<b>2,300</b>	<b>1,883</b>
<b>Non-current liabilities</b>			
Payables	10	511	341
Borrowings	10	3,063	3,331
Provisions	10	260	244
<b>Total non-current liabilities</b>		<b>3,834</b>	<b>3,916</b>
<b>TOTAL LIABILITIES</b>		<b>6,134</b>	<b>5,799</b>
<b>Net assets</b>		<b>98,603</b>	<b>97,627</b>
<b>EQUITY</b>			
Retained earnings	20	43,921	44,485
Revaluation reserves	20	54,682	53,142
<b>Council equity interest</b>		<b>98,603</b>	<b>97,627</b>
<b>Non-controlling equity interests</b>		<b>–</b>	<b>–</b>
<b>Total equity</b>		<b>98,603</b>	<b>97,627</b>

## Balranald Shire Council

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

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling Interest	Total equity
<b>2016</b>						
<b>Opening balance</b> (as per last year's audited accounts)		44,485	53,511	<b>97,996</b>	—	<b>97,996</b>
a. Correction of prior period errors	20 (c)	—	(369)	<b>(369)</b>	—	<b>(369)</b>
b. Changes in accounting policies (prior year effects)	20 (d)	—	—	—	—	—
<b>Revised opening balance (as at 1/7/15)</b>		<b>44,485</b>	<b>53,142</b>	<b>97,627</b>	—	<b>97,627</b>
<b>c. Net operating result for the year</b>		<b>(564)</b>	—	<b>(564)</b>	—	<b>(564)</b>
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	—	1,540	<b>1,540</b>	—	<b>1,540</b>
<b>Other comprehensive income</b>		—	<b>1,540</b>	<b>1,540</b>	—	<b>1,540</b>
<b>Total comprehensive income (c&amp;d)</b>		<b>(564)</b>	<b>1,540</b>	<b>976</b>	—	<b>976</b>
<b>Equity – balance at end of the reporting period</b>		<b>43,921</b>	<b>54,682</b>	<b>98,603</b>	—	<b>98,603</b>

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council interest	Non-controlling Interest	Total Equity
<b>2015</b>						
<b>Opening balance</b> (as per last year's audited accounts)		47,435	104,994	<b>152,429</b>	—	<b>152,429</b>
a. Correction of prior period errors	20 (c)	—	(369)	<b>(369)</b>	—	<b>(369)</b>
b. Changes in accounting policies (prior year effects)	20 (d)	—	—	—	—	—
<b>Revised opening balance (as at 1/7/14)</b>		<b>47,435</b>	<b>104,625</b>	<b>152,060</b>	—	<b>152,060</b>
<b>c. Net operating result for the year</b>		<b>(2,950)</b>	—	<b>(2,950)</b>	—	<b>(2,950)</b>
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	—	(51,483)	<b>(51,483)</b>	—	<b>(51,483)</b>
<b>Other comprehensive income</b>		—	<b>(51,483)</b>	<b>(51,483)</b>	—	<b>(51,483)</b>
<b>Total comprehensive income (c&amp;d)</b>		<b>(2,950)</b>	<b>(51,483)</b>	<b>(54,433)</b>	—	<b>(54,433)</b>
<b>Equity – balance at end of the reporting period</b>		<b>44,485</b>	<b>53,142</b>	<b>97,627</b>	—	<b>97,627</b>

## Balranald Shire Council

Statement of Cash Flows  
for the year ended 30 June 2016

Budget 2016	\$ '000	Notes	Actual 2016	Actual 2015
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
2,201	Rates and annual charges		2,086	1,990
1,925	User charges and fees		2,052	1,866
209	Investment and interest revenue received		135	159
9,879	Grants and contributions		8,103	7,590
–	Bonds, deposits and retention amounts received		–	16
348	Other		876	774
<b>Payments:</b>				
(3,374)	Employee benefits and on-costs		(4,095)	(4,449)
(3,281)	Materials and contracts		(2,844)	(2,407)
(440)	Borrowing costs		(182)	(240)
–	Bonds, deposits and retention amounts refunded		(8)	–
(1,369)	Other		(1,027)	(2,171)
<b>6,098</b>	<b>Net cash provided (or used in) operating activities</b>	11b	<b>5,096</b>	<b>3,128</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
4,000	Sale of investment securities		2,000	3,000
67	Sale of infrastructure, property, plant and equipment		72	187
<b>Payments:</b>				
(4,300)	Purchase of investment securities		(2,000)	(2,522)
(7,205)	Purchase of infrastructure, property, plant and equipment		(4,341)	(3,931)
<b>(7,438)</b>	<b>Net cash provided (or used in) investing activities</b>		<b>(4,269)</b>	<b>(3,266)</b>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
1,282	Proceeds from borrowings and advances		–	–
<b>Payments:</b>				
(189)	Repayment of borrowings and advances		(254)	(246)
<b>1,093</b>	<b>Net cash flow provided (used in) financing activities</b>		<b>(254)</b>	<b>(246)</b>
<b>(247)</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>573</b>	<b>(384)</b>
5,011	Plus: cash and cash equivalents – beginning of year	11a	4,627	5,011
<b>4,764</b>	<b>Cash and cash equivalents – end of the year</b>	11a	<b>5,200</b>	<b>4,627</b>
Additional Information:				
plus:	Investments on hand – end of year	6b	500	–
<b>Total cash, cash equivalents and investments</b>			<b>5,700</b>	<b>4,627</b>

Please refer to Note 11 for additional cash flow information

## Balranald Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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n/a – not applicable

# Balranald Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

### Note 1. Summary of significant accounting policies

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

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

#### (a) Basis of preparation

##### (i) Background

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

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

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

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

Because AASBs are sector neutral, some standards either:

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

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

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

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

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

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

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

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

##### (v) Basis of accounting

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

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

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

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

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

## Balranald Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

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

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

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

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

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

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

Council makes estimates and assumptions concerning the future.

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

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

- (i) Estimated fair values of infrastructure, property, plant and equipment,
- (ii) Estimated remediation provisions.

Significant judgements in applying Council's accounting policies include the impairment of receivables – Council has made significant judgements about the impairment of a number of its receivables in Note 7.

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

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

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

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

Revenue is measured on major income categories as follows:

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

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

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

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

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

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

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

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

# Balranald Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

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

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

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

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

#### User charges, fees and other income

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

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

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

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

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

#### Interest and rents

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

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

#### Dividend income

Revenue is recognised when the Council's right to receive the payment is established, which is generally when shareholders approve the dividend.

#### Other Income

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

### (c) Principles of consolidation

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

#### (i) The Consolidated Fund

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

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

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

- General Purpose Operations
- Balranald Water Supply
- Euston Water Supply
- Balranald Sewerage Service
- Euston Sewerage Service
- Domestic Waste Management

#### (ii) The trust fund

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

## Balranald Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

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

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

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

#### (iii) Interests in other entities

##### Subsidiaries

Council has no interest in any subsidiaries.

##### Joint arrangements

Council has no interest in any joint arrangements.

##### Associates

Council has no interest in any associates.

##### County councils

Council is not a member of any county councils.

##### Unconsolidated structured entities

Council has no interest in any unconsolidated structured entities.

#### (d) Leases

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

##### Finance leases

Leases of property, plant and equipment where the Council has substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments.

The corresponding rental obligations, net of finance charges, are included in borrowings.

Each lease payment is allocated between the liability outstanding and the recognition of a finance charge.

The interest element of the finance charge is costed to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance leases are depreciated over the shorter of each leased asset's useful life and the lease term.

##### Operating Leases

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

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

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

#### (e) Cash and Cash Equivalents

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

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

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

## Balranald Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

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

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

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

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

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

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

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

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

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

##### (ii) Loans and receivables

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

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

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

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

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

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

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

##### (iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Investments must be designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Accordingly, this classification principally comprises marketable equity securities, but can include all types of financial assets that could otherwise be classified in one of the other investment categories.

They are generally included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date or the term to maturity from the reporting date is less than 12 months.

##### Financial assets – reclassification

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

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

Council may also choose to reclassify financial assets that would meet the definition of loans and

## Balranald Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

receivables out of the held-for-trading or available-for-sale categories if it has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

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

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

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

##### (i) Initial recognition

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

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

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

##### (ii) Subsequent measurement

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

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

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

Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as **'available-for-sale'** are recognised in equity in the available-for-sale investments revaluation reserve.

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

#### Impairment

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

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

If there is evidence of impairment for any of Council's financial assets carried at amortised cost (eg. loans and receivables), the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

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

As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

##### (iii) Types of investments

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

Investments are placed and managed in accordance with the policy and having particular regard to

## Balranald Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

authorised investments prescribed under the Ministerial Local Government Investment Order.

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

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

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

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

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

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

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

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

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

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

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

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

#### **(h) Receivables**

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

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

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

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

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

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

When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account.

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

## Balranald Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

##### (i) Inventories

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

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

Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

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

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

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

###### (ii) Inventory held for distribution

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

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

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

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

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

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

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

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

###### Acquisition of assets

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

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

- **Investment Properties** – refer Note 1(p),
- **Water and Sewerage Networks**  
(External Valuation)
- **Operational Land** (External Valuation)
- **Buildings – Specialised/Non Specialised**  
(External Valuation)
- **Plant and Equipment**  
(as approximated by depreciated historical cost)
- **Roads Assets** (incl. roads, bridges & footpaths)  
(External Valuation)
- **Drainage Assets** (External Valuation)
- **Bulk Earthworks** (External Valuation)
- **Community Land** (External Valuation)
- **Land Improvements** (External Valuation)
- **Other Structures** (External Valuation)
- **Other Assets**  
(as approximated by depreciated historical cost)

###### Initial recognition

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

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

## Balranald Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

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

Where infrastructure, property, plant and equipment assets are acquired for no cost or for an amount other than cost, the assets are recognised in the financial statements at their fair value at acquisition date – being the amount that the asset could have been exchanged between knowledgeable willing parties in an arm's length transaction.

##### Subsequent costs

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

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

##### Asset revaluations (including indexation)

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

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

Water and 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 5-year cycle.

##### Capitalisation thresholds

Items of infrastructure, property, plant and equipment are not capitalised unless their cost of acquisition exceeds the following;

##### Land

- council land	100% Capitalised
- open space	100% Capitalised
- land under roads (purchases after 30/6/08)	100% Capitalised

##### Plant & Equipment

Office Furniture	> \$1,000
Office Equipment	> \$1,000
Other Plant & Equipment	> \$1,000

##### Buildings & Land Improvements

Park Furniture & Equipment	> \$2,000
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##### Building

- construction/extensions	100% Capitalised
- renovations	> \$10,000

##### Other Structures

> \$2,000

##### Water & Sewer Assets

Reticulation extensions	> \$5,000
Other	> \$5,000

##### Stormwater Assets

Drains & Culverts	> \$5,000
Other	> \$5,000

##### Transport Assets

Road construction & reconstruction	> \$10,000
Reseal/Re-sheet & major repairs:	> \$10,000

##### Bridge construction & reconstruction

> \$10,000

##### Other Infrastructure Assets

Swimming Pools	> \$10,000
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# Balranald Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

Other Open Space/Recreational Assets	> \$10,000
Other Infrastructure	> \$10,000

#### Depreciation

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

Land is not depreciated.

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

#### Plant & Equipment

- Office Equipment	5 to 10 years
- Office furniture	10 to 20 years
- Computer Equipment	3 to 4 years
- Vehicles	5 to 8 years
- Heavy Plant/Road Making equip.	5 to 8 years
- Other plant and equipment	5 to 15 years

#### Other Equipment

- Playground equipment	5 to 35 years
- Benches, seats etc	10 to 20 years

#### Buildings

- Buildings : Masonry	50 to 100 years
- Buildings : Other	20 to 40 years

#### Stormwater Drainage

- Drains	70 to 100 years
- Culverts	50 to 100 years

#### Transportation Assets

- Sealed Roads : Surface	10 to 12 years
- Sealed Roads : Structure	35 to 150 years
- Unsealed roads	10 to 35 years
- Bridge : Concrete	80 to 120 years
- Road Pavements	12 to 130 years
- Kerb, Gutter	90 years

#### Water & Sewer Assets

- Dams and reservoirs	25 to 85 years
- Bores	20 to 30 years
- Reticulation pipes : PVC	80 years
- Reticulation pipes : Other	25 to 75 years
- Pumps and telemetry	15 to 20 years

#### Other Infrastructure Assets

- Bulk earthworks	Infinite
- Swimming Pools	25 to 40 years
- Other Open Space/ Recreational Assets	10-80 years
- Other Infrastructure	10-50 years

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

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

#### Disposal and De-recognition

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

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

In 2016 Council derecognised assets in Other Structures To the value of \$80,000 and shown in disposals in note 9a and note 5 as a one off.

#### (k) Land

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

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

#### (l) Land under roads

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

## Balranald Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

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

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

##### (m) Intangible assets

Council has 13 bed licences at the Bidgee Haven Hostel Valued at \$20,000 per licence. Hostel bed licences have an indefinite life and are therefore not subject to amortisation. Bed Licences have been valued as at 30-06-2008 by Wallace Mackinon & associates PTY LTD of 208 Belmore Road Riverwood NSW 2010, and are consistent with current value within the industry

##### (n) Crown reserves

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

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

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

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

##### (o) Rural fire service assets

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

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

Until such time as discussions on this matter have concluded and the legislation changed, Council will continue to account for these assets as it has been doing in previous years, which is to incorporate the assets, their values and depreciation charges within these financial.

##### (p) Investment property

Investment property comprises land and/or buildings that are principally held for long-term rental yields, capital gains or both, that is not occupied by Council.

Council has no investment property.

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

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

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

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

Costs are estimated on the basis of a closure plan.

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

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

## Balranald Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

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

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

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

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

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

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

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

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

These costs are charged to the Income Statement.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Balranald Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

sale' and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

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

#### (s) Impairment of assets

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

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

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

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

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

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

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

#### (t) Payables

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

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

#### (u) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

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

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

#### (v) Borrowing costs

Borrowing costs are expensed.

#### (w) Provisions

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

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

Provisions are not recognised for future operating losses.

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

# Balranald Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

The increase in the provision due to the passage of time is recognised as interest expense.

#### (x) Employee benefits

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

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

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

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

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

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

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

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

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

period) are recognised in the provision for employee benefits.

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

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

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

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

##### (iii) Retirement benefit obligations

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

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

##### Defined benefit plans

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

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

## Balranald Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

experience of employee departures and periods of service.

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

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

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

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

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

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

The Pooled Employer deficit contribution was \$48.7 million for the year to 30 June 2016 of which Council has a share of this. From 1 July 2016 for 4 years to 30 June 2020 the Total Contributions will be \$40 million p.a.

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2016 was \$ 86,121.

The amount of additional contributions included in the total employer contribution advised above is \$ \$42,446.

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

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

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

#### Defined contribution plans

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

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

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

These amounts include superannuation and workers compensation expenses which will be payable upon the future payment of certain leave liabilities accrued as at 30/06/16.

#### (y) Self-insurance

Council does not self-insure.

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

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

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

#### Exceptions

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

## Balranald Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

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

##### (aa) Taxes

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

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

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

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

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

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

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

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

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

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

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

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

Council has not adopted any of these standards early.

These include the following standards that are anticipated will impact on local government:

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

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

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

##### **AASB16 – Leases**

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

##### **AASB 2014 – 10 Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture**

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

The full impact of the above standards has yet to be ascertained or quantified but will range from additional and/or revised disclosures to changes in how certain transactions and balances are accounted for.

##### (ac) Rounding of amounts

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

##### (ad) Comparative figures

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

##### (ae) Disclaimer

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

## Balranald Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current & non-current)	
	Original budget	Actual	Actual	Original budget	Actual	Actual	Original budget	Actual	Actual	Actual	Actual	Actual	Actual
	2016	2016	2015	2016	2016	2015	2016	2016	2015	2016	2015	2016	2015
Governance	12	8	50	621	587	515	(609)	(579)	(465)	–	–	104,737	945
Administration	144	523	295	2,013	969	2,056	(1,869)	(446)	(1,761)	15	14	–	5,796
Public order and safety	219	233	220	427	326	323	(208)	(93)	(103)	233	219	–	383
Health	39	8	11	129	54	54	(90)	(46)	(43)	25	26	–	148
Environment	331	361	369	268	880	452	63	(519)	(83)	10	27	–	–
Community services and education	3,123	967	1,170	1,215	1,432	1,188	1,908	(465)	(18)	659	796	–	1,834
Housing and community amenities	127	150	245	522	508	559	(395)	(358)	(314)	6	6	–	5,738
Water supplies	1,114	1,113	1,084	834	1,015	857	280	98	227	7	6	–	7,883
Sewerage services	306	325	280	460	229	431	(154)	96	(151)	7	19	–	8,795
Recreation and culture	53	277	119	719	1,026	986	(666)	(749)	(867)	131	–	–	7,692
Mining, manufacturing and construction	–	16	14	53	103	52	(53)	(87)	(38)	–	–	–	–
Transport and communication	3,787	3,484	2,929	6,643	5,352	6,394	(2,856)	(1,868)	(3,465)	2,106	1,317	–	63,427
Economic affairs	502	853	645	934	1,179	1,144	(432)	(326)	(499)	80	–	–	785
<b>Total functions and activities</b>	<b>9,757</b>	<b>8,318</b>	<b>7,431</b>	<b>14,838</b>	<b>13,660</b>	<b>15,011</b>	<b>(5,081)</b>	<b>(5,342)</b>	<b>(7,580)</b>	<b>3,279</b>	<b>2,430</b>	<b>104,737</b>	<b>103,426</b>
General purpose income <sup>1</sup>	4,609	4,778	4,630	–	–	–	4,609	4,778	4,630	3,475	3,320	–	–
<b>Operating result from continuing operations</b>	<b>14,366</b>	<b>13,096</b>	<b>12,061</b>	<b>14,838</b>	<b>13,660</b>	<b>15,011</b>	<b>(472)</b>	<b>(564)</b>	<b>(2,950)</b>	<b>6,754</b>	<b>5,750</b>	<b>104,737</b>	<b>103,426</b>

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

## Balranald Shire Council

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

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

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

##### **GOVERNANCE**

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

##### **ADMINISTRATION**

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

##### **PUBLIC ORDER AND SAFETY**

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

##### **HEALTH**

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

##### **ENVIRONMENT**

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

##### **COMMUNITY SERVICES AND EDUCATION**

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

##### **HOUSING AND COMMUNITY AMENITIES**

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

##### **WATER SUPPLIES**

##### **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 & pits, other.

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

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

##### **ECONOMIC AFFAIRS**

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

## Balranald Shire Council

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

#### Note 3. Income from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Rates and annual charges</b>			
<b>Ordinary rates</b>			
Residential		219	195
Farmland		854	835
Business		139	148
<b>Total ordinary rates</b>		<b>1,212</b>	<b>1,178</b>
<b>Special rates</b>			
Nil			
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		230	199
Water supply services		410	411
Sewerage services		233	237
<b>Total annual charges</b>		<b>873</b>	<b>847</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>2,085</b>	<b>2,025</b>

Council has used 41821 year valuations provided by the NSW Valuer General in calculating its rates.

# Balranald Shire Council

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

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(b) User charges and fees</b>			
<b>Specific user charges</b> (per s.502 – specific 'actual use' charges)			
Water supply services		540	451
Sewerage services contract aboriginal mission		19	9
Sewerage services		9	7
Waste management services (non-domestic)		95	115
Water service contract aboriginal mission		37	18
<b>Total user charges</b>		<b>700</b>	<b>600</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Building services		31	30
Private works – section 67		90	9
Registration fees		–	1
Town planning		21	14
<b>Total fees and charges – statutory/regulatory</b>		<b>142</b>	<b>54</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Aged care		239	294
Caravan park		441	470
Cemeteries		35	19
Rent and hire of non-investment property		134	90
RMS (formerly RTA) charges (state roads not controlled by Council)		173	145
Swimming centres		7	10
Other		2	3
<b>Total fees and charges – other</b>		<b>1,031</b>	<b>1,031</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>1,873</b>	<b>1,685</b>

## Balranald Shire Council

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

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(c) Interest and investment revenue (including losses)</b>			
<b>Interest</b>			
– Interest on overdue rates and annual charges (incl. special purpose rates)		8	6
– Interest earned on investments (interest and coupon payment income)		131	145
<b><u>TOTAL INTEREST AND INVESTMENT REVENUE</u></b>		<b><u>139</u></b>	<b><u>151</u></b>
<b>Interest revenue is attributable to:</b>			
<b>Unrestricted investments/financial assets:</b>			
Overdue rates and annual charges (general fund)		8	6
General Council cash and investments		83	126
<b>Restricted investments/funds – external:</b>			
Water fund operations		5	10
Sewerage fund operations		43	9
<b><u>Total interest and investment revenue recognised</u></b>		<b><u>139</u></b>	<b><u>151</u></b>
<b>(d) Other revenues</b>			
Rental income – other council properties		12	4
Legal fees recovery – rates and charges (extra charges)		7	7
Commissions and agency fees		58	49
Diesel rebate		51	40
Insurance claim recoveries		86	73
Motor vehicle contributions		36	40
Raw water sandpipe sales		–	20
Rebates		–	30
Sales – miscellaneous		5	1
Tourist information centre sales		62	26
Other		8	8
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>325</u></b>	<b><u>298</u></b>

## Balranald Shire Council

# Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
Financial assistance	3,465	3,311	–	–
Pensioners' rates subsidies – general component	10	9	–	–
<b>Total general purpose</b>	<b>3,475</b>	<b>3,320</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Water	7	6	–	–
– Sewerage	7	6	–	–
– Domestic waste management	10	10	–	–
Bushfire and emergency services	207	219	25	–
Community care	657	797	–	–
Community centres	2	–	–	–
Employment and training programs	6	14	–	–
Flood restoration	–	500	–	–
Heritage and cultural	2	–	–	–
Library	4	4	–	–
Library – per capita	15	15	–	–
Noxious weeds	25	27	–	–
Recreation and culture	–	–	100	–
Skate Park and Play Grounds	–	–	105	–
Street lighting	17	17	–	–
Transport (roads to recovery)	1,666	591	–	–
Transport (other roads and bridges funding)	–	–	344	224
Tourism	80	–	–	–
<b>Total specific purpose</b>	<b>2,705</b>	<b>2,206</b>	<b>574</b>	<b>224</b>
<b>Total grants</b>	<b>6,180</b>	<b>5,526</b>	<b>574</b>	<b>224</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	1,666	1,090	–	–
– State funding	4,514	4,436	574	224
	<b>6,180</b>	<b>5,526</b>	<b>574</b>	<b>224</b>

## Balranald Shire Council

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

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

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
<b>(f) Contributions</b>				
<b>Developer contributions:</b>				
<b>(s93 &amp; s94 – EP&amp;A Act, s64 of the LGA):</b>				
Nil				
<b>Other contributions:</b>				
Community services	–	–	–	9
Recreation and culture	–	–	100	194
Roads and bridges	–	–	–	9
RMS contributions (regional roads, block grant)	1,164	1,143	229	220
<b>Total other contributions</b>	<b>1,164</b>	<b>1,143</b>	<b>329</b>	<b>432</b>
<b>Total contributions</b>	<b>1,164</b>	<b>1,143</b>	<b>329</b>	<b>432</b>
<b><u>TOTAL GRANTS AND CONTRIBUTIONS</u></b>	<b><u>7,344</u></b>	<b><u>6,669</u></b>	<b><u>903</u></b>	<b><u>656</u></b>

\$ '000	Actual 2016	Actual 2015
<b>(g) Restrictions relating to grants and contributions</b>		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
Unexpended at the close of the previous reporting period	479	303
<b>Add:</b> grants and contributions recognised in the current period but not yet spent:	246	244
<b>Less:</b> grants and contributions recognised in a previous reporting period now spent:	(245)	(68)
<b>Net increase (decrease) in restricted assets during the period</b>	<b>1</b>	<b>176</b>
<b>Unexpended and held as restricted assets</b>	<b><u>480</u></b>	<b><u>479</u></b>
<b>Comprising:</b>		
– Specific purpose unexpended grants	386	446
– Other contributions	94	33
	<b><u>480</u></b>	<b><u>479</u></b>

## Balranald Shire Council

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

## Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Employee benefits and on-costs</b>			
Salaries and wages		3,229	3,463
Travel expenses		73	57
Employee leave entitlements (ELE)		589	505
Superannuation – defined contribution plans		289	232
Superannuation – defined benefit plans		86	84
Workers' compensation insurance		87	117
Fringe benefit tax (FBT)		7	12
Training costs (other than salaries and wages)		64	52
Protective clothing		13	9
Medicals		–	9
Recruitment		6	34
<b>Total employee costs</b>		<b>4,443</b>	<b>4,574</b>
Less: capitalised costs		(354)	(195)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>4,089</b>	<b>4,379</b>
Number of 'full-time equivalent' employees (FTE) at year end		66	63
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)		66	64
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on overdraft		–	5
Interest on loans		177	247
<b>Total interest bearing liability costs expensed</b>		<b>177</b>	<b>252</b>
<b>(ii) Other borrowing costs</b>			
Nil			
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>177</b>	<b>252</b>

## Balranald Shire Council

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

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(c) Materials and contracts</b>			
Raw materials and consumables		2,444	2,294
Contractor and consultancy costs		738	295
– Caravan park management		353	293
– Contractor and consultancy costs - Transport		1,498	–
– Waste		178	150
– Staff replacements		3	131
Auditors remuneration <sup>(1)</sup>		64	42
Legal expenses:			
– Legal expenses: other		2	39
Operating leases:			
– Operating lease rentals: minimum lease payments <sup>(2)</sup>		226	263
Other		20	16
<b>Total materials and contracts</b>		<b>5,526</b>	<b>3,523</b>
Less: capitalised costs		(3,246)	(1,254)
<b>TOTAL MATERIALS AND CONTRACTS</b>		<b>2,280</b>	<b>2,269</b>
<b>1. Auditor remuneration</b>			
During the year, the following fees were incurred for services provided by the Council's Auditor (and the Auditors of other consolidated entities):			
<b>(i) Audit and other assurance services</b>			
– Audit and review of financial statements: Council's Auditor		58	39
– Audit and review of financial statements: other consolidated entity Auditors		6	3
<b>Remuneration for audit and other assurance services</b>		<b>64</b>	<b>42</b>
<b>Total Auditor remuneration</b>		<b>64</b>	<b>42</b>
<b>2. Operating lease payments are attributable to:</b>			
Sewer Reconstruction		71	74
Computers		4	4
Motor vehicles		151	185
		<b>226</b>	<b>263</b>

## Balranald Shire Council

# Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Impairment costs		Depreciation/amortisation	
		Actual 2016	Actual 2015	Actual 2016	Actual 2015
(d) Depreciation, amortisation and impairment					
Plant and equipment		—	—	378	321
Office equipment		—	—	15	14
Furniture and fittings		—	—	7	11
Infrastructure:					
– Buildings – non-specialised		—	—	685	636
– Buildings – specialised		—	—	6	6
– Other structures		—	—	185	232
– Roads & Bridges		—	—	3,635	4,955
– Kerb and gutter		—	—	53	66
– Footpaths		—	—	33	77
– Stormwater drainage		—	—	31	84
– Water supply network		—	—	421	276
– Sewerage network		—	—	392	201
– Swimming pools		—	—	55	8
Other assets					
– Other		—	—	33	20
<b>TOTAL DEPRECIATION AND</b>		<b>—</b>	<b>—</b>	<b>5,929</b>	<b>6,907</b>
<b>IMPAIRMENT COSTS EXPENSED</b>		<b>—</b>	<b>—</b>	<b>5,929</b>	<b>6,907</b>

## Balranald Shire Council

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

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(e) Other expenses</b>			
Other expenses for the year include the following:			
Advertising		30	24
Bad and doubtful debts		20	–
Bank charges		18	11
Computer software charges		43	51
Contributions/levies to other levels of government			
– Emergency services levy (includes FRNSW, SES, and RFS levies)		148	202
– NSW fire brigade levy		14	25
Councillor expenses – mayoral fee		22	25
Councillor expenses – councillors' fees		89	74
Councillors' expenses (incl. mayor) – other (excluding fees above)		49	90
Donations, contributions and assistance to other organisations (Section 356)		18	31
Electricity and heating		214	162
Insurance		262	257
Postage		14	14
Printing and stationery		31	35
Street lighting		40	47
Subscriptions and publications		54	49
Telephone and communications		31	39
Valuation fees		13	14
Pit Rehabilitation revalued costs		47	–
Other		28	54
<b><u>TOTAL OTHER EXPENSES</u></b>		<b><u>1,185</u></b>	<b><u>1,204</u></b>

## Balranald Shire Council

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

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>Plant and equipment</b>			
Proceeds from disposal – plant and equipment		72	187
Less: carrying amount of plant and equipment assets sold/written off		(50)	(88)
<b>Net gain/(loss) on disposal</b>		<b>22</b>	<b>99</b>
<b>Infrastructure</b>			
Less: carrying amount of infrastructure assets sold/written off		(95)	–
<b>Net gain/(loss) on disposal</b>		<b>(95)</b>	<b>–</b>
<b>Financial assets *</b>			
Proceeds from disposal/redemptions/maturities – financial assets		2,000	3,000
Less: carrying amount of financial assets sold/redeemed/matured		(1,500)	(2,522)
<b>Net gain/(loss) on disposal</b>		<b>500</b>	<b>478</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>427</b>	<b>577</b>
<b>* Financial assets disposals/redemptions include:</b>			
– Net gain/(loss) from financial instruments 'at fair value through profit and loss'		500	478
<b>Net gain/(loss) on disposal of financial instruments</b>		<b>500</b>	<b>478</b>

## Balranald Shire Council

# Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	2016 Actual Current	2016 Actual Non-current	2015 Actual Current	2015 Actual Non-current
<b>Cash and cash equivalents (Note 6a)</b>					
Cash on hand and at bank		702	–	605	–
Cash-equivalent assets <sup>1</sup>					
– Short-term deposits		4,498	–	4,022	–
<b>Total cash and cash equivalents</b>		<b>5,200</b>	<b>–</b>	<b>4,627</b>	<b>–</b>
<b>Investments (Note 6b)</b>					
– Long term deposits		500	–	–	–
<b>Total investments</b>		<b>500</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>		<b>5,700</b>	<b>–</b>	<b>4,627</b>	<b>–</b>

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

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

<b>Cash and cash equivalents</b>					
a. 'At fair value through the profit and loss'		<b>5,200</b>	<b>–</b>	<b>4,627</b>	<b>–</b>

<b>Investments</b>					
a. 'Held to maturity'	6(b-ii)	500	–	–	–
<b>Investments</b>		<b>500</b>	<b>–</b>	<b>–</b>	<b>–</b>

### Note 6(b-i) Reconciliation of investments classified as 'at fair value through the profit and loss'

Additions		1,500	–	2,522	–
Disposals (sales and redemptions)		(1,500)	–	(2,522)	–
<b>Balance at end of year</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

### Note 6(b-ii) Reconciliation of investments classified as 'held to maturity'

Additions		500	–	–	–
<b>Balance at end of year</b>		<b>500</b>	<b>–</b>	<b>–</b>	<b>–</b>

### Comprising:

– Other long term financial assets		500	–	–	–
<b>Total</b>		<b>500</b>	<b>–</b>	<b>–</b>	<b>–</b>

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

## Balranald Shire Council

# Notes to the Financial Statements

for the year ended 30 June 2016

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

	2016 Actual Current	2016 Actual Non-current	2015 Actual Current	2015 Actual Non-current
<b>\$ '000</b>				
<b>Total cash, cash equivalents and investments</b>	<b>5,700</b>	<b>–</b>	<b>4,627</b>	<b>–</b>
<b>attributable to:</b>				
External restrictions (refer below)	2,849	–	2,744	–
Internal restrictions (refer below)	2,642	–	1,698	–
Unrestricted	209	–	185	–
	<b>5,700</b>	<b>–</b>	<b>4,627</b>	<b>–</b>

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

### Details of restrictions

#### External restrictions – included in liabilities

Nil

#### External restrictions – other

RMS (formerly RTA) contributions	(A)	33	–	(33)	–
Specific purpose unexpended grants	(B)	446	–	(60)	386
Water supplies	(C)	428	134	–	562
Sewerage services	(C)	1,777	–	(37)	1,740
Domestic waste management	(C)	60	7	–	67
Other Contributions		–	94	–	94
<b>External restrictions – other</b>		<b>2,744</b>	<b>235</b>	<b>(130)</b>	<b>2,849</b>
<b>Total external restrictions</b>		<b>2,744</b>	<b>235</b>	<b>(130)</b>	<b>2,849</b>

**A** RMS contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.

**B** Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1 (b))

**C** Water, sewerage, domestic waste management (DWM) and other special rates/levies/charges are externally restricted assets and must be applied for the purposes for which they were raised.

## Balranald Shire Council

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

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

2016 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
<b>Internal restrictions</b>				
Plant and vehicle replacement	61	292	(77)	276
Infrastructure replacement	482	454	(280)	656
Employees leave entitlement	249	51	–	300
Deposits, retentions and bonds	106	–	–	106
Carry over works	158	264	(158)	264
Other Assets Replacement	–	300	–	300
Caravan park reserve	88	70	(50)	108
Euston cemetery	38	–	–	38
Hostel bonds	235	276	(123)	388
Hostel reserve	109	–	(99)	10
Health reserve (Doctors)	3	–	–	3
Heritage trail	3	–	(3)	–
Interpretive centre – loan funding	20	–	(20)	–
Market st improvements	20	–	–	20
Town clock	3	–	–	3
Gravel Pits Rehabilitation	123	47	–	170
<b>Total internal restrictions</b>	<b>1,698</b>	<b>1,754</b>	<b>(810)</b>	<b>2,642</b>
<b>TOTAL RESTRICTIONS</b>	<b>4,442</b>	<b>1,989</b>	<b>(940)</b>	<b>5,491</b>

## Balranald Shire Council

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

#### Note 7. Receivables

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
<b>Purpose</b>					
Rates and annual charges		386	–	367	–
User charges and fees		138	–	193	–
Accrued revenues					
– Interest on investments		20	–	16	–
Government grants and subsidies		245	–	101	–
Net GST receivable		39	–	35	–
<b>Total</b>		<b>828</b>	<b>–</b>	<b>712</b>	<b>–</b>
<b>Less: provision for impairment</b>					
Rates and annual charges		(21)	–	(1)	–
User charges and fees		(1)	–	(1)	–
<b>Total provision for impairment – receivables</b>		<b>(22)</b>	<b>–</b>	<b>(2)</b>	<b>–</b>
<b><u>TOTAL NET RECEIVABLES</u></b>		<b><u>806</u></b>	<b><u>–</u></b>	<b><u>710</u></b>	<b><u>–</u></b>
<b>Externally restricted receivables</b>					
<b>Water supply</b>					
– Rates and availability charges		171	–	189	–
– Other		107	–	21	–
<b>Sewerage services</b>					
– Rates and availability charges		31	–	41	–
– Other		–	–	1	–
<b>Domestic waste management</b>		<b>26</b>	<b>–</b>	<b>30</b>	<b>–</b>
<b>Total external restrictions</b>		<b>335</b>	<b>–</b>	<b>282</b>	<b>–</b>
<b>Internally restricted receivables</b>					
Nil					
<b>Unrestricted receivables</b>		<b>471</b>	<b>–</b>	<b>428</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>		<b>806</b>	<b>–</b>	<b>710</b>	<b>–</b>

#### Notes on debtors above:

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

## Balranald Shire Council

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

#### Note 8. Inventories and other assets

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
(a) Inventories					
(i) Inventories at cost					
Stores and materials		45	–	51	–
Trading stock		25	–	20	–
<b>Total inventories at cost</b>		<b>70</b>	<b>–</b>	<b>71</b>	<b>–</b>
(ii) Inventories at net realisable value (NRV)					
Nil					
<b><u>TOTAL INVENTORIES</u></b>		<b><u>70</u></b>	<b><u>–</u></b>	<b><u>71</u></b>	<b><u>–</u></b>

**(b) Other assets**  
Nil

#### Externally restricted assets

There are no restrictions applicable to the above assets.

#### Other disclosures

	2016	2015
<b>(a) Inventories recognised as an expense for the year included:</b>		
– Stores and materials	120	217
– Trading stock	33	26

#### (b) Inventory write downs

There were no amounts recognised as an expense relating to the write down of inventory balances held during the year.

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

## Balranald Shire Council

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

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

\$ '000	as at 30/6/2015			Asset movements during the reporting period							as at 30/6/2016		
	At fair value	Accumulated depreciation	Carrying value	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	At fair value	Accumulated depreciation	Carrying value
Capital work in progress	199	–	199	387	165	–	–	(192)	(7)	–	552	–	552
Plant and equipment	4,757	2,622	2,135	224	–	(50)	(378)	–	–	–	4,838	2,907	1,931
Office equipment	441	402	39	12	–	–	(15)	–	–	–	453	417	36
Furniture and fittings	218	158	60	–	–	–	(7)	–	–	–	216	163	53
<b>Land:</b>													
– Operational land	890	–	890	–	–	–	–	–	566	–	1,456	–	1,456
– Community land	1,046	–	1,046	–	–	–	–	–	(566)	18	498	–	498
Land improvements – non-depreciable	568	–	568	–	–	–	–	–	–	–	568	–	568
<b>Infrastructure:</b>													
– Buildings – non-specialised	26,448	14,562	11,886	100	63	(15)	(685)	36	113	–	26,752	15,254	11,498
– Buildings – specialised	303	55	248	–	–	–	(6)	–	–	–	304	62	242
– Other structures	8,622	2,384	6,238	401	–	(80)	(185)	33	(113)	1,194	13,169	5,681	7,488
– Roads and bridges	107,709	54,651	53,058	3,244	–	(12)	(3,635)	114	–	–	111,010	58,241	52,769
– Kerb and gutter	4,778	1,894	2,884	–	–	–	(53)	–	–	–	4,778	1,947	2,831
– Footpaths	1,620	693	927	37	–	–	(33)	–	–	–	1,658	727	931
– Stormwater drainage	2,482	407	2,075	–	–	–	(31)	–	–	–	2,482	438	2,044
– Water supply network	15,751	8,507	7,244	38	–	–	(421)	–	–	172	16,184	9,151	7,033
– Sewerage network	13,161	6,193	6,968	17	–	–	(392)	9	–	165	13,516	6,749	6,767
– Swimming pools	1,472	732	740	8	–	–	(55)	–	–	–	1,480	787	693
<b>Other assets:</b>													
– Other	763	210	553	–	–	–	(33)	–	–	(9)	805	294	511
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>191,228</b>	<b>93,470</b>	<b>97,758</b>	<b>4,468</b>	<b>228</b>	<b>(157)</b>	<b>(5,929)</b>	<b>–</b>	<b>(7)</b>	<b>1,540</b>	<b>200,719</b>	<b>102,818</b>	<b>97,901</b>

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

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

## Balranald Shire Council

# Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000 Class of asset	Actual 2016				Actual 2015			
	At cost	At fair value	A/Dep & impairm't	Carrying value	At cost	At fair value	A/Dep & impairm't	Carrying value
<b>Water supply</b>								
WIP	–	18	–	<b>18</b>	–	–	–	–
Plant and equipment	–	–	–	–	–	51	39	<b>12</b>
Land								
– Operational land	–	33	–	<b>33</b>	–	35	–	<b>35</b>
Other structures	–	–	–	–	–	35	28	<b>7</b>
Other assets	–	16,151	9,150	<b>7,001</b>	–	15,630	8,439	<b>7,191</b>
<b>Total water supply</b>	<b>–</b>	<b>16,202</b>	<b>9,150</b>	<b>7,052</b>	<b>–</b>	<b>15,751</b>	<b>8,506</b>	<b>7,245</b>
<b>Sewerage services</b>								
WIP	–	34	–	<b>34</b>	–	–	–	–
Plant and equipment	–	–	–	–	–	122	69	<b>53</b>
Land								
– Operational land	–	88	–	<b>88</b>	–	86	–	<b>86</b>
Other structures	–	–	–	–	–	113	58	<b>55</b>
Other assets	–	13,428	6,749	<b>6,679</b>	–	12,848	6,066	<b>6,782</b>
<b>Total sewerage services</b>	<b>–</b>	<b>13,550</b>	<b>6,749</b>	<b>6,801</b>	<b>–</b>	<b>13,169</b>	<b>6,193</b>	<b>6,976</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	<b>–</b>	<b>29,752</b>	<b>15,899</b>	<b>13,853</b>	<b>–</b>	<b>28,920</b>	<b>14,699</b>	<b>14,221</b>

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

Council has recognised no impairment losses during the reporting period nor reversed any prior period losses.

## Balranald Shire Council

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

## Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
<b>Payables</b>					
Goods and services – operating expenditure		653	–	673	–
Goods and services – capital expenditure		336	–	–	–
Payments received In advance		42	–	28	–
Accrued expenses:					
– Borrowings		7	–	12	–
– Salaries and wages		145	3	152	–
– Other expenditure accruals		58	–	–	–
Advances		–	8	–	–
Security bonds, deposits and retentions		3	5	16	–
Retirement home contributions		–	495	–	341
<b>Total payables</b>		<b>1,244</b>	<b>511</b>	<b>881</b>	<b>341</b>
<b>Borrowings</b>					
Loans – secured <sup>1</sup>		241	3,063	227	3,331
<b>Total borrowings</b>		<b>241</b>	<b>3,063</b>	<b>227</b>	<b>3,331</b>
<b>Provisions</b>					
<b>Employee benefits:</b>					
Annual leave		395	–	359	–
Long service leave		420	90	416	121
Sub-total – aggregate employee benefits		<b>815</b>	<b>90</b>	<b>775</b>	<b>121</b>
Asset remediation/restoration (future works)	26	–	170	–	123
<b>Total provisions</b>		<b>815</b>	<b>260</b>	<b>775</b>	<b>244</b>
<b><u>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</u></b>					
		<b>2,300</b>	<b>3,834</b>	<b>1,883</b>	<b>3,916</b>
<b>(i) Liabilities relating to restricted assets</b>					
		2016		2015	
		Current	Non-current	Current	Non-current
<b>Externally restricted assets</b>					
Water		78	970	72	1,065
Liabilities relating to externally restricted assets		<b>78</b>	<b>970</b>	<b>72</b>	<b>1,065</b>
<b>Internally restricted assets</b>					
Nil					
<b>Total liabilities relating to restricted assets</b>		<b>78</b>	<b>970</b>	<b>72</b>	<b>1,065</b>
<b>Total liabilities relating to unrestricted assets</b>		<b>2,222</b>	<b>2,864</b>	<b>1,811</b>	<b>2,851</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>		<b>2,300</b>	<b>3,834</b>	<b>1,883</b>	<b>3,916</b>

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

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

## Balranald Shire Council

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

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

	Actual 2016	Actual 2015
\$ '000		
<b>(ii) Current liabilities not anticipated to be settled within the next twelve months</b>		
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	673	246
Payables – security bonds, deposits and retentions	389	341
	<b>1,062</b>	<b>587</b>

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

Class of provision	2015	2016				
	Opening balance as at 1/7/15	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	Closing balance as at 30/6/16
Annual leave	359	250	(214)	–	–	395
Long service leave	537	80	(107)	–	–	510
Asset remediation	123	47	–	–	–	170
<b>TOTAL</b>	<b>1,019</b>	<b>377</b>	<b>(321)</b>	<b>–</b>	<b>–</b>	<b>1,075</b>

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

## Balranald Shire Council

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

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	5,200	4,627
Less bank overdraft	10	–	–
<b>Balance as per the Statement of Cash Flows</b>		<b>5,200</b>	<b>4,627</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>(564)</b>	<b>(2,950)</b>
Adjust for non-cash items:			
Depreciation and amortisation		5,929	6,907
Net losses/(gains) on disposal of assets		(427)	(577)
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		(116)	(115)
Increase/(decrease) in provision for doubtful debts		20	–
Decrease/(increase) in inventories		1	39
Increase/(decrease) in payables		(20)	50
Increase/(decrease) in accrued interest payable		(5)	12
Increase/(decrease) in other accrued expenses payable		54	97
Increase/(decrease) in other liabilities		168	(190)
Increase/(decrease) in employee leave entitlements		9	(145)
Increase/(decrease) in other provisions		47	–
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>5,096</b>	<b>3,128</b>
<b>(c) Non-cash investing and financing activities</b>			
Nil			
<b>(d) Financing arrangements</b>			
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>			
Credit cards/purchase cards		20	18
<b>Total financing arrangements</b>		<b>20</b>	<b>18</b>
<b>Amounts utilised as at balance date:</b>			
– Credit cards/purchase cards		6	3
<b>Total financing arrangements utilised</b>		<b>6</b>	<b>3</b>
<b>(ii) Secured loan liabilities</b>			

Loans are secured by a mortgage over future years rate revenue only.

## Balranald Shire Council

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

#### Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2016	Actual 2015
(a) Capital commitments (exclusive of GST)			
Nil			
(b) Finance lease commitments			
Nil			
(c) Operating lease commitments (non-cancellable)			
<b>a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:</b>			
Within the next year		231	179
Later than one year and not later than 5 years		345	408
Later than 5 years		—	—
<b>Total non-cancellable operating lease commitments</b>		<b>576</b>	<b>587</b>

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

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

#### **Conditions relating to operating leases:**

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

#### (d) Investment property commitments

Nil

## Balranald Shire Council

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

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

\$ '000	Amounts 2016	Indicator 2016	Prior periods 20152014	
Local government industry indicators – consolidated				
1. Operating performance ratio				
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	(1,894)	-16.10%	-38.63%	-74.08%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	11,766			
2. Own source operating revenue ratio				
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	4,422	34.90%	36.22%	41.46%
Total continuing operating revenue <sup>(1)</sup>	12,669			
3. Unrestricted current ratio				
Current assets less all external restrictions <sup>(2)</sup>	3,392	2.92x	1.95x	1.86x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	1,160			
4. Debt service cover ratio				
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	4,212	9.77x	5.98x	0.68x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	431			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	365	14.80%	15.45%	13.85%
Rates, annual and extra charges collectible	2,466			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	5,700	8.13 mths	5.84 mths	6.27 mths
Payments from cash flow of operating and financing activities	701			

## Notes

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

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

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

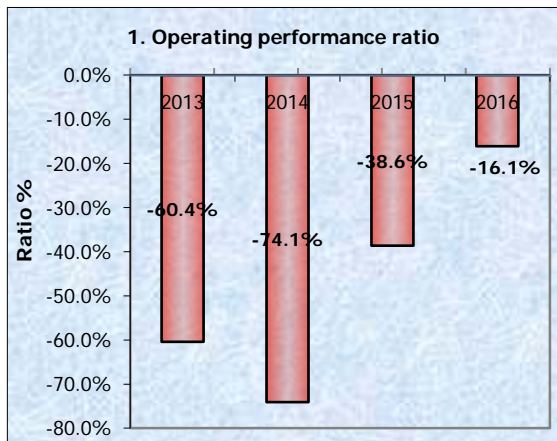
<sup>(3)</sup> Refer to Note 10(a).

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

## Balranald Shire Council

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

## Note 13a(ii). Local government industry indicators – graphs (consolidated)

**Purpose of operating performance ratio**

This ratio measures Council's achievement of containing operating expenditure within operating revenue.

**Commentary on 2015/16 result**

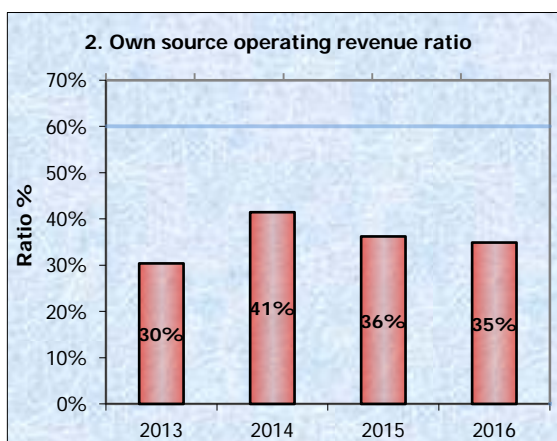
**2015/16 ratio -16.10%**

There has been an improvement in this ratio from last year due to impact of Revaluation for roads on Depreciation reduction of approx \$1.M. This is likely to improve further in the next revaluation.

Benchmark: — Minimum  $\geq 0.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark  
 Ratio is outside benchmark

**Purpose of own source operating revenue ratio**

This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.

**Commentary on 2015/16 result**

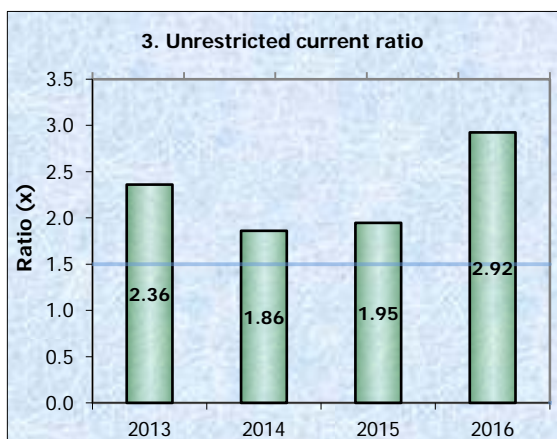
**2015/16 ratio 34.90%**

Council does not have sufficient income streams from other rates to generate sufficient income to reach 60%. Council is looking at applying for a special rate variation in 17/18 to close the gap.

Benchmark: — Minimum  $\geq 60.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark  
 Ratio is outside benchmark

**Purpose of unrestricted current ratio**

To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.

**Commentary on 2015/16 result**

**2015/16 ratio 2.92x**

Council continues to operate above benchmark but due to low levels small variations have a greater impact.

Benchmark: — Minimum  $\geq 1.50$

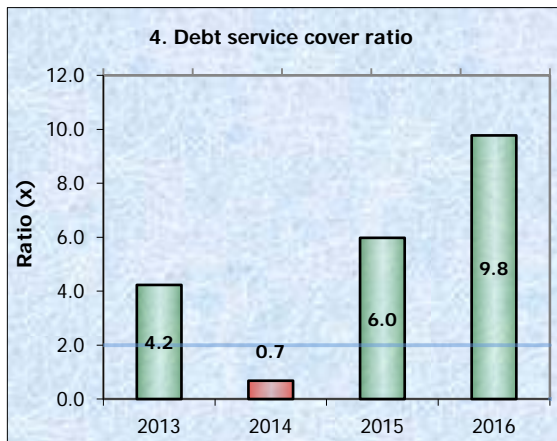
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark  
 Ratio is outside benchmark

## Balranald Shire Council

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

## Note 13a(ii). Local government industry indicators – graphs (consolidated)

Benchmark: — Minimum  $\geq 2.00$ 

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

**Purpose of debt service cover ratio**

This ratio measures the availability of operating cash to service debt including interest, principal and lease payments

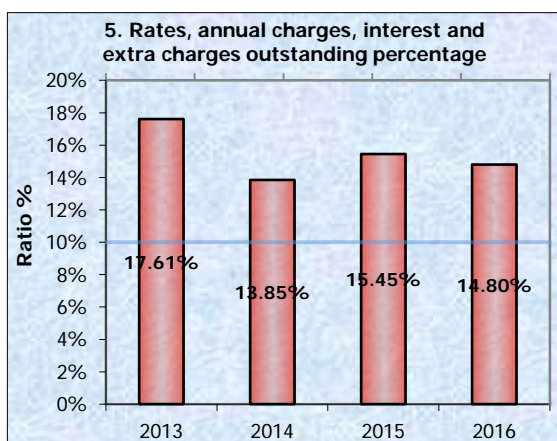
**Commentary on 2015/16 result****2015/16 ratio 9.77x**

One loan was paid back in 2015 and the rest are basically fixed amounts compared to growing revenues therefore showing an improvement. T.Corp have recommended that Council does not use new loan funds to fund asset renewal or new.



Ratio achieves benchmark

Ratio is outside benchmark

Benchmark: — Maximum  $< 10.00\%$ 

Source for Benchmark: Code of Accounting Practice and Financial Reporting #24

**Purpose of rates and annual charges outstanding ratio**

To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.

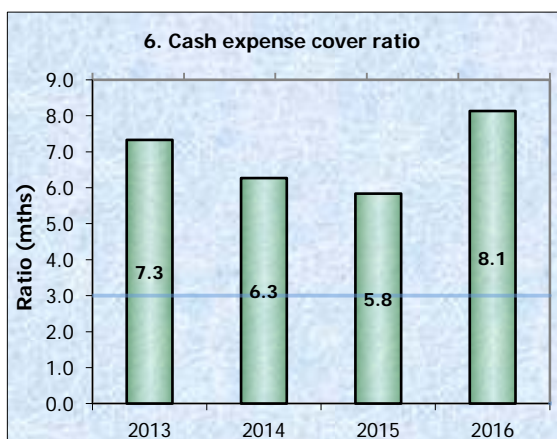
**Commentary on 2015/16 result****2015/16 ratio 14.80%**

Council is above benchmark but has been making improvements especially in 16/17 to reduce this further.



Ratio is within Benchmark

Ratio is outside Benchmark

Benchmark: — Minimum  $\geq 3.00$ 

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

**Purpose of cash expense cover ratio**

This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.

**Commentary on 2015/16 result****2015/16 ratio 8.13 mths**

As council has a regular cash flow throughout the year this ratio is not a critical measure of performance as long this ratio is greater than 2.



Ratio achieves benchmark

Ratio is outside benchmark

## Balranald Shire Council

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

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

\$ '000	Water 2016	Sewer 2016	General <sup>5</sup> 2016
<b>Local government industry indicators – by fund</b>			
<b>1. Operating performance ratio</b>			
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<b>8.81%</b>	<b>-91.08%</b>	<b>-16.42%</b>
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	prior period: 20.98%	-53.93%	-45.03%
<b>2. Own source operating revenue ratio</b>			
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<b>99.37%</b>	<b>97.85%</b>	<b>26.69%</b>
Total continuing operating revenue <sup>(1)</sup>	prior period: 99.36%	97.86%	27.73%
<b>3. Unrestricted current ratio</b>			
Current assets less all external restrictions <sup>(2)</sup>	<b>10.77x</b>	No liabilities	<b>2.92x</b>
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	prior period: 8.86x	No liabilities	1.95x
<b>4. Debt service cover ratio</b>			
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<b>4.13x</b>	<b>0.00</b>	<b>12.07x</b>
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	prior period: 4.32x	0.00x	6.46x
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>			
Rates, annual and extra charges outstanding	<b>37.42%</b>	<b>12.50%</b>	<b>9.26%</b>
Rates, annual and extra charges collectible	prior period: 41.45%	16.47%	8.18%
<b>6. Cash expense cover ratio</b>			
Current year's cash and cash equivalents plus all term deposits	<b>0.00</b>	<b>0.00</b>	<b>7.99 mths</b>
Payments from cash flow of operating and financing activities	prior period: 0.00 mths	0.00 mths	5.07 mths

#### Notes

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

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

## Balranald Shire Council

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

#### Note 14. Investment properties

\$ '000

Council has not classified any land or buildings as 'investment properties'.

#### Note 15. Financial risk management

##### Risk management

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

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

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

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

	Carrying value		Fair value	
	2016	2015	2016	2015
<b>Financial assets</b>				
Cash and cash equivalents	5,200	4,627	5,200	4,627
Investments				
– 'Held to maturity'	500	–	500	–
Receivables	806	710	–	710
<b>Total financial assets</b>	<b>6,506</b>	<b>5,337</b>	<b>5,700</b>	<b>5,337</b>
<b>Financial liabilities</b>				
Payables	1,713	1,194	–	–
Loans/advances	3,304	3,558	–	–
<b>Total financial liabilities</b>	<b>5,017</b>	<b>4,752</b>	<b>–</b>	<b>–</b>

Fair value is determined as follows:

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

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

## Balranald Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000

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

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

The risks associated with the investments held are:

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

Council manages these risks (amongst other measures) by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees.

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2016</b>				
Possible impact of a 1% movement in interest rates	51	51	(51)	(51)
<b>2015</b>				
Possible impact of a 1% movement in interest rates	50	50	(50)	(50)

# Balranald Shire Council

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

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

\$ '000

#### (b) Credit risk

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

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

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

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

Council makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

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

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

	2016 Rates and annual charges	2016 Other receivables	2015 Rates and annual charges	2015 Other receivables
<b>(i) Ageing of receivables – %</b>				
Current (not yet overdue)	0%	69%	0%	23%
Overdue	100%	31%	100%	77%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

		2016 Rates and annual charges	2016 Other receivables	2015 Rates and annual charges	2015 Other receivables
<b>(ii) Ageing of receivables – value</b>					
<b>Rates and annual charges</b>	<b>Other receivables</b>				
Current	Current	62	380	245	79
< 1 year overdue	0 – 30 days overdue	188	–	122	152
1 – 2 years overdue	30 – 60 days overdue	65	6	–	2
2 – 5 years overdue	60 – 90 days overdue	63	56	–	–
> 5 years overdue	> 90 days overdue	8	–	–	112
		<b>386</b>	<b>442</b>	<b>367</b>	<b>345</b>

#### (iii) Movement in provision for impairment of receivables

	2016	2015
Balance at the beginning of the year	2	2
+ new provisions recognised during the year	20	–
<b>Balance at the end of the year</b>	<b>22</b>	<b>2</b>

## Balranald Shire Council

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

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

\$ '000

##### (c) Liquidity risk

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

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

Payment terms can (in extenuating circumstances) also be extended and overdraft facilities utilised as required.

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2016									
Trade/other payables	8	1,282	12	–	–	–	388	1,690	1,713
Loans and advances	–	433	433	409	409	383	2,150	4,217	3,304
Lease liabilities	–	231	231	107	5	2	–	576	–
Total financial liabilities	8	1,946	676	516	414	385	2,538	6,483	5,017
2015									
Trade/other payables	16	1,178	–	–	–	–	–	1,194	1,194
Loans and advances	–	226	239	255	247	264	2,327	3,558	3,558
Total financial liabilities	16	1,404	239	255	247	264	2,327	4,752	4,752

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

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

	2016		2015	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	1,713	0.0%	1,194	0.0%
Loans and advances – fixed interest rate	3,304	6.5%	3,558	6.8%
	<u>5,017</u>		<u>4,752</u>	

## Balranald Shire Council

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

#### Note 16. Material budget variations

\$ '000

Council's original financial budget for 15/16 was adopted by the Council on 24 June 2015.

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

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

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

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

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

\$ '000	2016 Budget	2016 Actual	2016 Variance*		
<b>REVENUES</b>					
Rates and annual charges	2,106	2,085	(21)	(1%)	<b>U</b>
User charges and fees	1,926	1,873	(53)	(3%)	<b>U</b>
Interest and investment revenue	208	139	(69)	(33%)	<b>U</b>
Decrease in interest rates and an over estimation based on prior year income of \$40,000					
Other revenues	281	325	44	16%	<b>F</b>
Tourist centre sales up \$37,000 due to full year operation of Discovery Centre					
Operating grants and contributions	7,207	7,344	137	2%	<b>F</b>
Capital grants and contributions	2,571	903	(1,668)	(65%)	<b>U</b>
Extension of Hostel grant did not go ahead for \$2,000,000 and Roads To Recovery grant was increased by an additional \$500,000					
The Murray Riverina Boating Plan dock works were not completed by June 30 with \$290,000 still to spend.					
Net gains from disposal of assets	67	427	360	537%	<b>F</b>
The investment redeemed for the year was not included in the Budget \$500,000 Partially offset by derecognition of \$80,000 in other structures					

## Balranald Shire Council

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

#### Note 16. Material budget variations (continued)

\$ '000	2016 Budget	2016 Actual	2016 Variance* -----	
<b>EXPENSES</b>				
<b>Employee benefits and on-costs</b>	<b>4,062</b>	<b>4,089</b>	<b>(27)</b>	<b>(1%) U</b>
<b>Borrowing costs</b>	<b>440</b>	<b>177</b>	<b>263</b>	<b>60% F</b>
A loan for \$1,200,000 for Hostel extension was not taken up and therefore a lower level of loan interest was incurred.				
<b>Materials and contracts</b>	<b>3,485</b>	<b>2,280</b>	<b>1,205</b>	<b>35% F</b>
\$354,000 was reallocated to capital works from maintenance, State Roads Work was reduced by \$120,000 \$311,000 in estimates included capital work reseals, \$400,000 of estimated capital works not completed.				
<b>Depreciation and amortisation</b>	<b>5,482</b>	<b>5,929</b>	<b>(447)</b>	<b>(8%) U</b>
Underestimate of depreciation due to indexation of water and sewer assets				
<b>Other expenses</b>	<b>1,369</b>	<b>1,185</b>	<b>184</b>	<b>13% F</b>
Contribution to Emergency serviced done by \$98K Councillors Expenses down \$51K Network costs down \$13K				

#### Budget variations relating to Council's Cash Flow Statement include:

<b>Cash flows from operating activities</b>	<b>6,098</b>	<b>5,096</b>	<b>(1,002)</b>	<b>(16.4%) U</b>
A grant of \$2.0M was not taken up in 15/16, but Roads to Recovery Grant was increased by \$500,000 from Original Budget				
<b>Cash flows from investing activities</b>	<b>(7,438)</b>	<b>(4,269)</b>	<b>3,169</b>	<b>(42.6%) F</b>
Due to Hostel extension not going ahead the reduction in capital expenditure for IPPE was \$3.2M				
<b>Cash flows from financing activities</b>	<b>1,093</b>	<b>(254)</b>	<b>(1,347)</b>	<b>(123.2%) U</b>
A loan of \$1.2M for Hostel extensions was not taken up in 15/16				

#### Note 17. Statement of developer contributions

Council currently has no S94 developer contribution plans or S94 funds on hand from prior years.

## Balranald Shire Council

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

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

\$ '000

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

#### LIABILITIES NOT RECOGNISED:

##### 1. Guarantees

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

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

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

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

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

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

##### (ii) Statewide Limited

Council is a member of Statewide Mutual, a mutual pool scheme providing liability insurance to local government.

Membership includes the potential to share in either the net assets or liabilities of the fund depending on its past performance. Council's share of the net assets or liabilities reflects Council's contributions to the pool and the result of insurance claims within each of the fund years.

The future realisation and finalisation of claims incurred but not reported to 30/6 this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

##### (iii) StateCover Limited

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

StateCover is a company providing workers compensation insurance cover to the NSW local government industry and specifically Council.

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

These future equity contributions would be required to maintain the company's minimum level of net assets in accordance with its licence requirements.

##### (iv) Other guarantees

Council has provided no other guarantees other than those listed above.

## Balranald Shire Council

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

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

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\$ '000

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##### LIABILITIES NOT RECOGNISED (continued):

##### 2. Other liabilities

##### (i) Third party claims

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

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

##### ASSETS NOT RECOGNISED:

##### (i) Land under roads

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30/6/08.

##### (ii) Rural fire fighting assets

Council has title to, and is the registered owner of, 18 rural fire appliances and associated rural fire fighting equipment. These assets are under the control of the Rural Fire Service to enable that Department to provide the bushfire protection defences set out in their Service Level Agreement with Council, and accordingly have not been recognised in these reports

In accordance with normal Rural Fire Service funding arrangements, Council continues to contribute to the costs of maintenance of this equipment.

#### Note 19. Interests in other entities

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Council has no interest in any controlled entities, joint arrangements or associates.

## Balranald Shire Council

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

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Retained earnings</b>			
<b>Movements in retained earnings were as follows:</b>			
Balance at beginning of year (from previous years audited accounts)		44,485	47,435
a. Net operating result for the year		(564)	(2,950)
Balance at end of the reporting period		<u>43,921</u>	<u>44,485</u>
<b>(b) Revaluation reserves</b>			
<b>(i) Reserves are represented by:</b>			
– Infrastructure, property, plant and equipment revaluation reserve		54,682	53,511
<b>Total</b>		<u><b>54,682</b></u>	<u><b>53,511</b></u>
<b>(ii) Reconciliation of movements in reserves:</b>			
<b>Infrastructure, property, plant and equipment revaluation reserve</b>			
– Opening balance		53,511	104,994
– Revaluations for the year	9(a)	1,540	(51,483)
– Correction of prior period errors	20(c)	(369)	–
– <b>Balance at end of year</b>		<u><b>54,682</b></u>	<u><b>53,511</b></u>
<b>TOTAL VALUE OF RESERVES</b>		<u><b>54,682</b></u>	<u><b>53,511</b></u>
<b>(iii) Nature and purpose of reserves</b>			
<b>Infrastructure, property, plant and equipment revaluation reserve</b>			
– The infrastructure, property, plant and equipment revaluation reserve is used to record increments/decrements of non-current asset values due to their revaluation.			
<b>(c) Correction of error/s relating to a previous reporting period</b>			
<b>Correction of errors disclosed in this year's financial statements:</b>			
Assets included in Road revaluations for 2014/15 had assets included from other asset classes and were duplicated		(369)	–
<b>These amounted to the following equity adjustments:</b>			
– Adjustments to closing equity – 30/6/15 (relating to adjustments for the 30/6/15 year end)		(369)	–
<b>Total prior period adjustments – prior period errors</b>		<u><b>(369)</b></u>	<u><b>–</b></u>
<b>(d) Voluntary changes in accounting policies</b>			
Council made no voluntary changes in any accounting policies during the year.			

## Balranald Shire Council

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

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

Income Statement by fund \$ '000	Actual 2016	Actual 2016	Actual 2016
<b>Continuing operations</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Income from continuing operations</b>			
Rates and annual charges	457	248	1,380
User charges and fees	637	27	1,209
Interest and investment revenue	5	43	91
Other revenues	7	–	318
Grants and contributions provided for operating purposes	7	7	7,330
Grants and contributions provided for capital purposes	–	–	903
<b>Other income</b>			
Net gains from disposal of assets	–	–	427
<b>Total income from continuing operations</b>	<b>1,113</b>	<b>325</b>	<b>11,658</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	150	46	3,893
Borrowing costs	47	–	130
Materials and contracts	280	141	1,859
Depreciation and amortisation	421	392	5,116
Other expenses	117	42	1,026
<b>Total expenses from continuing operations</b>	<b>1,015</b>	<b>621</b>	<b>12,024</b>
<b>Operating result from continuing operations</b>	<b>98</b>	<b>(296)</b>	<b>(366)</b>
<b>Discontinued operations</b>			
Net profit/(loss) from discontinued operations	–	–	–
<b>Net operating result for the year</b>	<b>98</b>	<b>(296)</b>	<b>(366)</b>
<b>Net operating result attributable to each council fund</b>	<b>98</b>	<b>(296)</b>	<b>(366)</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>98</b>	<b>(296)</b>	<b>(1,269)</b>

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

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

## Balranald Shire Council

Notes to the Financial Statements  
as at 30 June 2016

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

Statement of Financial Position by fund \$ '000	Actual 2016	Actual 2016	Actual 2016
<b>ASSETS</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Current assets</b>			
Cash and cash equivalents	62	40	3,398
Investments	500	1,700	–
Receivables	278	31	497
Inventories	–	–	70
<b>Total current assets</b>	<b>840</b>	<b>1,771</b>	<b>3,965</b>
<b>Non-current assets</b>			
Infrastructure, property, plant and equipment	7,052	6,801	84,048
Intangible assets	–	–	260
<b>Total non-current assets</b>	<b>7,052</b>	<b>6,801</b>	<b>84,308</b>
<b>TOTAL ASSETS</b>	<b>7,892</b>	<b>8,572</b>	<b>88,273</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	3	–	1,241
Borrowings	75	–	166
Provisions	–	–	815
<b>Total current liabilities</b>	<b>78</b>	<b>–</b>	<b>2,222</b>
<b>Non-current liabilities</b>			
Payables	–	–	511
Borrowings	970	–	2,093
Provisions	–	–	260
<b>Total non-current liabilities</b>	<b>970</b>	<b>–</b>	<b>2,864</b>
<b>TOTAL LIABILITIES</b>	<b>1,048</b>	<b>–</b>	<b>5,086</b>
<b>Net assets</b>	<b>6,844</b>	<b>8,572</b>	<b>83,187</b>
<b>EQUITY</b>			
Retained earnings	2,521	2,758	38,642
Revaluation reserves	4,323	5,814	44,545
<b>Total equity</b>	<b>6,844</b>	<b>8,572</b>	<b>83,187</b>

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

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

## Balranald Shire Council

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

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

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\$ '000

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

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

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

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

Accordingly, the 'authorised for issue' date is 04/11/16.

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

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

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

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

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

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

#### Note 24. Discontinued operations

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

## Balranald Shire Council

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

#### Note 25. Intangible assets

	Actual 2016	Actual 2015
\$ '000		
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
<b>Opening values:</b>		
Gross book value (1/7)	260	260
Accumulated amortisation (1/7)	–	–
Accumulated impairment (1/7)	–	–
<b>Net book value – opening balance</b>	<b>260</b>	<b>260</b>
<b>Closing values:</b>		
Gross book value (30/6)	260	260
Accumulated amortisation (30/6)	–	–
Accumulated impairment (30/6)	–	–
<b><u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u></b> <sup>1</sup>	<b><u>260</u></b>	<b><u>260</u></b>

<sup>1</sup> The net book value of intangible assets represent:

– Bidgee Haven hostel (bed licences)	260	260
	<b>260</b>	<b>260</b>

## Balranald Shire Council

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

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

\$ '000

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

Asset/operation	Estimated year of restoration	NPV of provision	
		2016	2015
Gravel Pits (x46)	Various	170	123
Balance at end of the reporting period	10(a)	<u>170</u>	<u>123</u>

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

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

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

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

Balance at beginning of year	123	123
Amounts capitalised to new or existing assets:		
Effect of a change in other calculation estimates used	47	–
<b>Total – reinstatement, rehabilitation and restoration provision</b>	<u><b>170</b></u>	<u><b>123</b></u>

#### Rehabilitation

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

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

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

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

## Balranald Shire Council

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

#### Note 27. Fair value measurement

\$ '000

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

Fair value measurements		Fair value measurement hierarchy			Total
2016	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
WIP	30/06/16	—	—	552	552
Plant and equipment	30/06/16	—	—	1,931	1,931
Office equipment	30/06/16	—	—	36	36
Furniture and fittings	30/06/16	—	—	53	53
Land – operational	30/06/14	—	—	1,456	1,456
Land community	30/06/16	—	—	498	498
Land improvements		—	—	568	568
Buildings specialised	30/06/14	—	—	242	242
Buildings non – specialised	30/06/14	—	—	11,498	11,498
Other structures	30/06/16	—	—	7,488	7,488
Roads and bridges	30/06/15	—	—	52,769	52,769
Kerb and channels	30/06/15	—	—	2,831	2,831
Footpaths	30/06/15	—	—	931	931
Stormwater drainage	30/06/15	—	—	2,044	2,044
Water supply network	30/06/16	—	—	7,033	7,033
Sewerage network	30/06/16	—	—	6,767	6,767
Swimming pools	30/06/14	—	—	693	693
Other	30/06/14	—	—	511	511
Total infrastructure, property, plant and equipment		—	—	97,901	97,901

## Balranald Shire Council

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

## Note 27. Fair value measurement (continued)

\$ '000

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

		Fair value measurement hierarchy			
2015		Level 1	Level 2	Level 3	Total
	Date of latest valuation	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
WIP	30/06/15	—	—	199	199
Plant and equipment	30/06/15	—	—	2,135	2,135
Office equipment	30/06/15	—	—	39	39
Furniture and fittings	30/06/15	—	—	60	60
Land – operational	30/06/14	—	—	890	890
Land community	30/06/14	—	—	1,046	1,046
Land improvements	30/06/14	—	—	568	568
Buildings specialised	30/06/14	—	—	248	248
Buildings non – specialised	30/06/14	—	—	11,886	11,886
Other structures	30/06/14	—	—	6,238	6,238
Roads and bridges	30/06/15	—	—	52,689	52,689
Kerb and channels	30/06/15	—	—	2,884	2,884
Footpaths	30/06/15	—	—	927	927
Stormwater drainage	30/06/15	—	—	2,284	2,284
Water supply network	30/06/15	—	—	7,244	7,244
Sewerage network	30/06/15	—	—	6,968	6,968
Swimming pools	30/06/14	—	—	740	740
Other	30/06/14	—	—	713	713
Total infrastructure, property, plant and equipment		—	—	97,758	97,758

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

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

## Balranald Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

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\$ '000

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##### (3) Valuation techniques used to derive level 2 and level 3 fair values

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

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

##### Infrastructure, property, plant and equipment

###### Plant & Equipment, Office Equipment and Furniture & Fittings

Plant & equipment, Office Equipment and Furniture & fittings are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. Examples of assets within these classes area as follows:

Plant & equipment- Graders, Trucks, rollers, tractors and motor vehicles.

Office equipment- Computers, photocopies, calculators etc.

Furniture &Fittings- Chairs, desks and display boards.

There have been no changes to the valuation process during the year.

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##### Operational & Community Land

Operational & Community Land are based on either the Land Value provided by the Valuer General or an average unit rate based on the Land value for similar properties where the Valuer General did not provide a Land Value having regard the highest and best use of the Land. Operational Land is based on the Valuer General's land value as these are represented of the actual market values in the Balranald Shire LGA. As these rates were not considered to be observable market evidence they have been classified at a level 3.

There have been no changes to the valuation process during the year.

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## Balranald Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

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\$ '000

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##### (3) Valuation techniques used to derive level 2 and level 3 fair values (continued)

###### **Buildings- Non Specialised & Specialised**

Non- Specialised & Specialised Buildings have been valued externally using Herron Todd (Murray Riverina) Pty Ltd, 185 Annesley Street, Eucha using the cost approach. The approach estimated the replacement cost of each building by componentising the building into significant parts. While all buildings were physically inspected and the unit rates based on square market based evidence (level) 2 could not be established. As such these assets were classified as having been valued as Level 3 valuation inputs.

While these costs were current and the impact of depreciable negligible, the building has been classified as level 3 as they are immaterial in relation to the overall value of the asset type.

There have been no changes to the valuation process during the year.

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###### **Other structures**

Other structures comprise of aerodrome runway, lighting, irrigation systems and fencing etc. and have been valued externally using Herron Todd white ( Murray Riverina) Pty Ltd, 185 Annesley Street Echua using the cost approach. The approach estimated the replacement cost of the asset by componentising the asset into significant parts. No market evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class.

There have been no changes to the valuation process during the year.

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###### **Roads, Bridges, Footpaths & Drainage Infrastructure.**

Roads comprise roads carriageway, roadside shoulders & Kerb and Gutter and Channels. Bridges comprised of Bridges and Major Culverts. All these asset classes were valued by Malcolm Styles (Engineering Management Styles) Gold Square Victoria for the period ending 30<sup>th</sup> June 2015. The approach estimated the replacement cost for each asset by componentising the assets into significant parts using Balranald Shire Council's internal data base of costs. No market based evidence (level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class.

There have been no changes to the valuation process during the year.

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## Balranald Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

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\$ '000

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##### (3) Valuation techniques used to derive level 2 and level 3 fair values (continued)

###### Water Supply Network

Assets within this class comprise reservoirs, pumping stations and water pipelines.

The cost approach estimated the replacement cost for each asset by componentising the asset into significant parts with different useful lives and taking into account a range of factors. While the unit rate is based on linear metres of certain diameter pipes and prices per pit or similar may be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. These assets are indexed each year in line with the NSW Reference Rates Manual as published by the Office of Water.

There have been no changes to the valuation process during the year.

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###### Sewerage Network

Assets within this class comprise treatment works, pumping stations and, sewerage mains. The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar may be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. These assets are indexed each year in line with the NSW Reference Rates Manual as published by the Office of Water.

There have been no changes to the valuation process during the year.

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## Balranald Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

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\$ '000

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##### (3) Valuation techniques used to derive level 2 and level 3 fair values (continued)

###### Swimming Pools

Assets within this class comprise Council's outdoor swimming pool. The swimming pool was valued in-house by experienced staff in Council's Health & Development Department using the cost approach. The approach estimated the replacement cost for each pool by componentising its significant parts. While some elements of gross replacement values may be supported from market evidence (Level 2 input) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value.

There have been no changes to the valuation process during the year.

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###### Other Open Space/Recreational Assets

Assets within this class comprise synthetic & turf surfaces, lighting, playground equipment etc. All assets in Other Structures were valued in-house by experienced engineering staff. While some elements of gross replacement values may be supported from market evidence (Level 2 input) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value.

There have been no changes to the valuation process during the year.

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## Balranald Shire Council

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

## Note 27. Fair value measurement (continued)

\$ '000

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

## a. The following tables present the changes in level 3 fair value asset classes.

	Plant and Equipment	Office equipment	Furniture and fittings	Operational land	Total
<b>Opening balance – 1/7/14</b>	2,101	39	71	889	3,100
Transfers from/(to) another asset class	–	–	–	1	1
Purchases (GBV)	443	14	–	–	457
Disposals (WDV)	(88)	–	–	–	(88)
Depreciation and impairment	(321)	(14)	(11)	–	(346)
<b>Closing balance – 30/6/15</b>	<b>2,135</b>	<b>39</b>	<b>60</b>	<b>890</b>	<b>3,124</b>
Transfers from/(to) another asset class	–	–	–	566	566
Purchases (GBV)	224	12	–	–	236
Disposals (WDV)	(50)	–	–	–	(50)
Depreciation and impairment	(378)	(15)	(7)	–	(400)
<b>Closing balance – 30/6/16</b>	<b>1,931</b>	<b>36</b>	<b>53</b>	<b>1,456</b>	<b>3,476</b>

	Community land	Land Improvements	Buildings non specialised	Buildings specialised	Total
<b>Opening balance – 1/7/14</b>	1,046	568	11,779	254	13,647
Transfers from/(to) another asset class	–	–	12	–	12
Purchases (GBV)	–	–	1,078	–	1,078
Depreciation and impairment	–	–	(636)	(6)	(642)
Adjustments and transfers	–	–	(347)	–	(347)
<b>Closing balance – 30/6/15</b>	<b>1,046</b>	<b>568</b>	<b>11,886</b>	<b>248</b>	<b>13,748</b>
Transfers from/(to) another asset class	(566)	–	149	–	(417)
Purchases (GBV)	–	–	163	–	163
Disposals (WDV)	–	–	(15)	–	(15)
Depreciation and impairment	–	–	(685)	(6)	(691)
Revaluations	18	–	–	–	18
<b>Closing balance – 30/6/16</b>	<b>498</b>	<b>568</b>	<b>11,498</b>	<b>242</b>	<b>12,806</b>

## Balranald Shire Council

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

## Note 27. Fair value measurement (continued)

\$ '000

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

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

	Other structures	Roads and gutter	Kerb	Footpaths	Total
<b>Opening balance – 1/7/14</b>	6,794	106,286	3,094	1,208	117,382
Transfers from/(to) another asset class	(373)	–	–	5	(368)
Purchases (GBV)	49	1,931	–	27	2,007
Depreciation and impairment	(232)	(4,955)	(66)	(77)	(5,330)
Revaluations	–	(50,204)	(144)	(236)	(50,584)
<b>Closing balance – 30/6/15</b>	<b>6,238</b>	<b>53,058</b>	<b>2,884</b>	<b>927</b>	<b>63,107</b>
Transfers from/(to) another asset class	(113)	114	–	–	1
Purchases (GBV)	434	3,244	–	37	3,715
Disposals (WDV)	(80)	(12)	–	–	(92)
Depreciation and impairment	(185)	(3,635)	(53)	(33)	(3,906)
Revaluations	1,194	–	–	–	1,194
<b>Closing balance – 30/6/16</b>	<b>7,488</b>	<b>52,769</b>	<b>2,831</b>	<b>931</b>	<b>64,019</b>

	Stormwater drainage	Water supply network	Sewer network	Swimming pool and other	Total
<b>Opening balance – 1/7/14</b>	3,611	7,147	6,982	–	17,740
Transfers from/(to) another asset class	–	8	–	748	756
Purchases (GBV)	–	194	14	–	208
Depreciation and impairment	(84)	(276)	(201)	(8)	(569)
Revaluations	(1,452)	171	173	–	(1,108)
<b>Closing balance – 30/6/15</b>	<b>2,075</b>	<b>7,244</b>	<b>6,968</b>	<b>740</b>	<b>17,027</b>
Purchases (GBV)	–	38	17	8	63
Disposals (WDV)	–	(421)	(392)	–	(813)
Depreciation and impairment	(31)	–	–	(55)	(86)
Adjustments and transfers	–	–	9	–	9
Revaluations	–	172	165	–	337
<b>Closing balance – 30/6/16</b>	<b>2,044</b>	<b>7,033</b>	<b>6,767</b>	<b>693</b>	<b>16,537</b>

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

No Transfers were made in or out of the Level 3 Fair Value Hierarchy

## (5). Highest and best use

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

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**BALRANALD SHIRE COUNCIL**  
**Independent Audit Report to the Council**  
**General Purpose Financial Statements for the Year ended 30 June 2016**

**Report on the Financial Report**

We have audited the general purpose financial statements of Balranald Shire Council, which comprises the Statement of Financial Position as at 30 June 2016, the Statement by Councillors and Management, and the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

*Council's Responsibilities for the Financial Statements*

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

*Auditor's Responsibilities*

Our responsibility is to express an opinion on the financial statements based on our audit. Our audit responsibility does not extend to the Original Budget figures disclosed in the Income Statement and Cash Flow Statement, Notes 2(a), and 16 to the financial statements, estimated expenditure in Note 17, additional Council disclosure notes, nor the attached Special Schedules. Accordingly, no opinion is expressed on these matters.

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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

### *Auditor's Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Balranald Shire Council as of 30 June 2016, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards.

### **Report on Other Legal and Regulatory Requirements**

#### *Council's Responsibilities for compliance with other legal and regulatory requirements*

Council is responsible for ensuring compliance with the accounting and reporting requirements of Division 2 of Part 3, Chapter 12 of the Local Government Act, 1993. This responsibility includes maintaining such accounting records as are necessary to correctly record and explain its financial transactions and its financial position, and to facilitate convenient and proper auditing of its financial statements.

#### *Auditor's Responsibilities under Section 417(2) of the Local Government Act, 1993*

Our responsibility is to report on Council's compliance with the accounting and reporting requirements of the Local Government Act, 1993 and Local Government (General) Regulation 2005.

#### *Auditors' Opinion on other legal and regulatory requirements*

In our opinion:

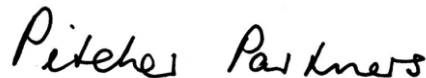
- (a) The Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993, Chapter 13, Part 3, Division 2 and the Local Government (General) Regulation 2005; and
- (b) the Council's general purpose financial statements
  - i) have been prepared in accordance with the requirements of this Division and Regulation;
  - ii) are consistent with the Council's accounting records;
  - iii) present fairly the Council's financial position and the results of its operations;
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial statements that we have become aware of in the course of the audit.

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

This auditor's report relates to the financial statements of Balranald Shire Council for the year ended 30 June 2016 included on Balranald Shire Council's web site. The Council is responsible for the integrity of the Balranald Shire Council's web site. We have not been engaged to report on the integrity of the Council's web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.



CARL MILLINGTON  
Partner



PITCHER PARTNERS  
Sydney, 4 November 2016

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**BALRANALD SHIRE COUNCIL**  
**INDEPENDENT AUDITORS' REPORT ON THE CONDUCT OF THE AUDIT**  
**(Local Government Act, 1993 – Sections 417 (1) and 417(3))**  
**YEAR ENDED 30 JUNE 2016**

Balranald Shire Council has prepared general and special purpose financial reports for the year ended 30 June 2016 on which we issued separate audit reports to the Council dated 4 November 2016. This report has been prepared in accordance with the requirements of the Office of Local Government, and the provisions of Sections 417(1) and 417(3) of the Local Government Act, 1993.

We disclaim any assumption of responsibility for any reliance on this report or on the financial statements to which it relates to any person other than the Council or the New South Wales Office of Local Government, or for any purpose other than that for which it was prepared.

**Audit Conclusion**

Our audit of the financial reports for the year ended 30 June 2016 resulted in unqualified independent audit reports for Council's General Purpose and Special Purpose Financial Statements.

**Additional Audit Considerations and Comment**

**Income Statement**

*Summarised Income Statement*

	2016 Actual	2016 Budget	* Budget	2015 Actual
	\$'000	\$'000	Variance %	\$'000
Operating result	(564)	(472)	19.49%U	(2,950)
Operating result before capital revenue	(1,467)	(3,043)	51.79%F	(3,606)
Rates & annual charges	2,085	2,106	0.99%U	2,025
Operating grants & contributions	7,344	7,207	1.90%F	6,669
Capital grants & contributions	903	2,571	64.88%U	656
Depreciation & amortisation	5,929	5,482	8.15%U	6,907

\* Detailed explanations for material favourable (F) and unfavourable (U) budget variations are provided in Note 16 to the financial statements

**Operating Result.** Council's operating result was a deficit of \$0.564M representing continued improvement from the 2015 deficit of \$2.950M and the 2014 deficit of \$7.361M and in accordance with the budgeted deficit of \$0.472M. The most significant items impacting the operating result were:

- an increase in grants and contributions for operating purposes as a result of the increase in 'roads to recovery' revenue received;
- a decrease in employee related costs; and
- a decrease in the depreciation expense with 2015/2016 being the initial year after the 30 June 2015 fair valuation of roads and roads related assets. This revaluation resulted in re-assessment of the asset parameters on which the future depreciation expense is based. Lower replacement costs and longer useful lives generally resulted from this review.

**Operating Result before Capital.** The operating result before Capital grants and contributions was a deficit of \$1.467M compared with the prior year deficit of \$3.606M. The result was more favourable than budgeted as capital grants and contributions remained stable.

**Rates and Annual Charges.** Revenue from rates and annual charges increased to \$2.085M from \$2.025M in the prior year, and was marginally below the budget for the 2016 year.

**Grants and Contributions.** Operating grants and contributions for the year totalled \$7.344M and represented 56.08% of total income from continuing operations in line with 2015 and compares to the budget of \$7.207M.

Capital grants and contributions amounted to \$903K for the 2016 year and represented 6.89% of total income from continuing operations (2015: 5.44%). This is below the budgeted amount of \$2.571M which included an unsuccessful grant application.

**Depreciation.** Included in the operating result was \$5.929M for the depreciation of infrastructure, property, plant and equipment which decreased from \$6.907M in 2015 and \$7.832M in 2014 however was above the budgeted amount of \$5.482M. Depreciation represents 43.40% (2015: 46.01%; 2014: 42.96%) of total expenses and 45.27% (2015: 56.26%; 2014: 72.48%) of total income for the year. The reduction has primarily occurred within Roads and Bridges which has decreased by \$1.320M after the 30 June 2015 revaluation where more accurate estimates were made resulting in reduced replacement costs for assets and longer useful lives than assessed by the valuer in the first round of fair valuations for this category.

## Statement of Financial Position

Council's equity at 30 June 2016 amounted to \$98.603M comprised of retained earnings, and reserves arising from revaluation of infrastructure assets in prior years.

The Infrastructure, property, plant and equipment reserve increased marginally as a result of the fair valuation of Other Structures at 30 June 2016.

At balance date Council had not utilised any of its bank overdraft facility of \$200K.

## Movements in Cash and Cash Equivalents

### Summarised Statement of Cash Flows

Activities	2016 Actual \$'000	2016 Budget \$'000	* Budget Variance %	2015 Actual \$'000
Net cash flows from operations	5,096	6,098	24.18%U	3,128
Net cash flows from investing	(4,269)	(7,438)	38.47%F	(3,266)
Net cash flows from financing	(254)	1,093	116.25%U	(226)
<b>Net movement in cash</b>	<b>573</b>	<b>(247)</b>	<b>134.38%F</b>	<b>(384)</b>

\* Detailed explanations for material budget variations are provided in Note 16 to the financial statements

Council's cash and cash equivalent balances increased to a total of \$5.200M during the year, with \$5.096M being provided from operations, \$4.269M utilised in net investing activities for Infrastructure, Property, Plant & Equipment purchases, and \$254K being utilised in net movements of borrowings and advances.

### Total Investments and Cash Balances

Council's total cash balance at 30 June 2016 was comprised of the following:

	2016 \$'000	2015 \$'000
Externally restricted cash	2,849	2,744
Internally restricted cash	2,199	1,699
Unrestricted cash	652	184
<b>Total Cash, Cash Equivalents and Investments</b>	<b>5,700</b>	<b>4,627</b>

Externally restricted cash balances remained stable with increases related to water supplies offset by various other restrictions.

Internally restricted cash balances have increased as funds have been restricted for plant and infrastructure replacement and for a significant hostel bond received in June 2016.

### Performance Indicators and Trends

Prescribed performance indicators are included in Note 13 to the financial report and provide a comparison of the 2016 year results with prior years.

*Operating performance ratio.* At (16.10)% this ratio has improved significantly from the 2015 ratio of (38.64)%. It remains below the benchmark set by NSW TCorp and expectations of the NSW Office of Local Government.

*Own source operating revenue ratio.* The ratio of 34.90% is less than 2015 (36.22%) as a result of increase funding received. The ratio is below industry benchmarks however in accordance with the historical ratio indicating that Council is dependent on outside grant funding to meet service levels.

*Unrestricted Current Ratio.* This ratio of 2.92:1 continues the improvement in 2015 (1.95:1) and 2014 (1.86:1) surpassing the industry benchmark of 2:1. The improvement is the result of the cash/investment balance increasing from \$4.627M in 2015 to \$5.700M in 2016.

*Debt Service Ratio.* The ratio continues to improve as a result of the improved operating result and no new borrowings taken out in 2015/2016.

*Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage.* The amount of rates uncollected at year end expressed as a percentage of the total rates and annual charges collectible was 14.80% which is in line with previous years and is above the industry benchmark of 10%.

*Cash expense cover ratio.* This liquidity ratio indicates the number of months Council can continue paying for its immediate expenses without additional cash inflow. Council's ratio of 8.02 months exceeds the industry benchmark of 3 and indicates that Council has sufficient liquidity to adequately fund its short term obligations.

## Legislative Compliance

In accordance with Section 415(3) of the Local Government Act, 1993 and the requirements of the Code of Accounting Practice and Financial Reporting (Update 24) we provide the following comments in relation to Council's compliance with the statutory reporting requirements of Division 2 Chapter 13 of the Act:

1. Council has kept accounting records as are necessary to correctly record and explain its financial transactions and its financial position;
2. The accounting records maintained by Council were sufficient to facilitate:
  - a. the preparation of financial reports that presented fairly Council's financial position and its operating results for the year; and
  - b. the audit of those financial reports.
3. Council's draft financial report was prepared and referred to audit in accordance with Section 413(1);
4. Council's financial reports as lodged with the Office of Local Government were prepared in accordance with the form and content prescribed by Section 413;
5. The financial reports for both 2015 and 2016 were not completed and lodged with the Office of Local Government in accordance with the timing requirements of Section 416(1).

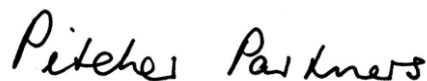
## Conduct of the audit

During the conduct of our audit, a number of accounting and financial reporting issues arose that required additional explanation and investigation, some of which delayed the completion of the audit process and subsequent lodgement of Council's financial reports. However we are able to report that all such issues have been appropriately attended to and there are no matters of audit significance, other than those already referred to in this report, that require mention in this or our statutory audit report.

We would like to commend the courteous and professional manner in which Council's staff has acted throughout the conduct of our audit, and their willingness to consider issues that we raised and assist us with our audit.



CARL MILLINGTON  
Partner



PITCHER PARTNERS  
Sydney, 4 November 2016

# Balranald Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2016

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*COMMITTED TO BALRANALD SHIRE,  
PROVIDING FOR OUR PEOPLE  
PROTECTING OUR HERITAGE, AND  
PLANNING FOR OUR FUTURE*



# Balranald Shire Council

## Special Purpose Financial Statements

for the year ended 30 June 2016

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<b>1. Statement by Councillors and Management</b>	<b>2</b>
<b>2. Special Purpose Financial Statements:</b>	
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Income Statement – Sewerage Business Activity	4
Income Statement – Other Business Activities	n/a
Statement of Financial Position – Water Supply Business Activity	5
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Statement of Financial Position – Other Business Activities	n/a
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### Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
  - (ii) The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.  
  
Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.
  - (iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.  
  
These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).
  - (iv) In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).
-

## Balranald Shire Council

### Special Purpose Financial Statements

for the year ended 30 June 2016

### Statement by Councillors and Management

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

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


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

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

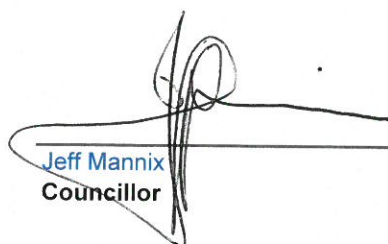
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.

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

**Signed in accordance with a resolution of Council made on 20 October 2016.**




Leigh Byron  
Mayor



Jeff Mannix  
Councillor



Aaron Drenovski  
General manager



Elizabeth White  
Responsible accounting officer

## Balranald Shire Council

## Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2016

\$ '000	Actual 2016	Actual 2015
<b>Income from continuing operations</b>		
Access charges	457	456
User charges	637	607
Interest	5	10
Grants and contributions provided for non-capital purposes	7	6
Other income	7	8
<b>Total income from continuing operations</b>	<b>1,113</b>	<b>1,087</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	150	135
Borrowing costs	47	84
Materials and contracts	280	223
Depreciation and impairment	421	276
Water purchase charges	15	16
Other expenses	102	125
<b>Total expenses from continuing operations</b>	<b>1,015</b>	<b>859</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>98</b>	<b>228</b>
Grants and contributions provided for capital purposes	—	—
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>98</b>	<b>228</b>
Surplus (deficit) from discontinued operations	—	—
<b>Surplus (deficit) from all operations before tax</b>	<b>98</b>	<b>228</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(29)	(68)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>69</b>	<b>160</b>
<b>Plus opening retained profits</b>	2,423	2,195
<b>Plus/less: prior period adjustments</b>	—	—
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	—	—
– Debt guarantee fees	—	—
– Corporate taxation equivalent	29	68
<b>Less:</b>		
– Tax equivalent dividend paid	—	—
– Surplus dividend paid	—	—
<b>Closing retained profits</b>	<b>2,521</b>	<b>2,423</b>
<b>Return on capital %</b>	<b>2.1%</b>	<b>4.3%</b>
<b>Subsidy from Council</b>	<b>8</b>	<b>—</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	69	160
Less: capital grants and contributions (excluding developer contributions)	—	—
<b>Surplus for dividend calculation purposes</b>	<b>69</b>	<b>160</b>
<b>Potential dividend calculated from surplus</b>	<b>34</b>	<b>80</b>

## Balranald Shire Council

# Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2016

\$ '000	Actual 2016	Actual 2015
<b>Income from continuing operations</b>		
Access charges	248	249
User charges	27	15
Fees	—	1
Interest	43	9
Grants and contributions provided for non-capital purposes	7	6
<b>Total income from continuing operations</b>	<b>325</b>	<b>280</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	46	39
Materials and contracts	141	179
Depreciation and impairment	392	201
Other expenses	42	12
<b>Total expenses from continuing operations</b>	<b>621</b>	<b>431</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(296)</b>	<b>(151)</b>
Grants and contributions provided for capital purposes	—	—
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(296)</b>	<b>(151)</b>
Surplus (deficit) from discontinued operations	—	—
<b>Surplus (deficit) from all operations before tax</b>	<b>(296)</b>	<b>(151)</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	—	—
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(296)</b>	<b>(151)</b>
<b>Plus opening retained profits</b>	<b>3,054</b>	<b>3,205</b>
<b>Plus/less: prior period adjustments</b>	<b>—</b>	<b>—</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	—	—
– Debt guarantee fees	—	—
– Corporate taxation equivalent	—	—
<b>Less:</b>		
– Tax equivalent dividend paid	—	—
– Surplus dividend paid	—	—
<b>Closing retained profits</b>	<b>2,758</b>	<b>3,054</b>
<b>Return on capital %</b>	<b>-4.4%</b>	<b>-2.2%</b>
<b>Subsidy from Council</b>	<b>444</b>	<b>362</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	(296)	(151)
Less: capital grants and contributions (excluding developer contributions)	—	—
<b>Surplus for dividend calculation purposes</b>	<b>—</b>	<b>—</b>
<b>Potential dividend calculated from surplus</b>	<b>—</b>	<b>—</b>

## Balranald Shire Council

Statement of Financial Position – Council's Water Supply Business Activity  
as at 30 June 2016

\$ '000	Actual 2016	Actual 2015
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	62	328
Investments	500	100
Receivables	278	210
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
<b>Total current assets</b>	<b>840</b>	<b>638</b>
<b>Non-current assets</b>		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	7,052	7,245
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
<b>Total non-current assets</b>	<b>7,052</b>	<b>7,245</b>
<b>TOTAL ASSETS</b>	<b>7,892</b>	<b>7,883</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank overdraft	–	–
Payables	3	2
Borrowings	75	70
Provisions	–	–
<b>Total current liabilities</b>	<b>78</b>	<b>72</b>
<b>Non-current liabilities</b>		
Payables	–	–
Borrowings	970	1,065
Provisions	–	–
<b>Total non-current liabilities</b>	<b>970</b>	<b>1,065</b>
<b>TOTAL LIABILITIES</b>	<b>1,048</b>	<b>1,137</b>
<b>NET ASSETS</b>	<b>6,844</b>	<b>6,746</b>
<b>EQUITY</b>		
Retained earnings	2,521	2,423
Revaluation reserves	4,323	4,323
Council equity interest	6,844	6,746
Non-controlling equity interest	–	–
<b>TOTAL EQUITY</b>	<b>6,844</b>	<b>6,746</b>

## Balranald Shire Council

Statement of Financial Position – Council's Sewerage Business Activity  
as at 30 June 2016

\$ '000	Actual 2016	Actual 2015
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	40	277
Investments	1,700	1,500
Receivables	31	42
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
<b>Total Current Assets</b>	<b>1,771</b>	<b>1,819</b>
<b>Non-current assets</b>		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	6,801	6,976
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
<b>Total non-current assets</b>	<b>6,801</b>	<b>6,976</b>
<b>TOTAL ASSETS</b>	<b>8,572</b>	<b>8,795</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank overdraft	–	–
Payables	–	–
Borrowings	–	–
Provisions	–	–
<b>Total current liabilities</b>	<b>–</b>	<b>–</b>
<b>Non-current liabilities</b>		
Payables	–	–
Borrowings	–	–
Provisions	–	–
<b>Total non-current liabilities</b>	<b>–</b>	<b>–</b>
<b>TOTAL LIABILITIES</b>	<b>–</b>	<b>–</b>
<b>NET ASSETS</b>	<b>8,572</b>	<b>8,795</b>
<b>EQUITY</b>		
Retained earnings	2,758	3,054
Revaluation reserves	5,814	5,741
Council equity interest	8,572	8,795
Non-controlling equity interest	–	–
<b>TOTAL EQUITY</b>	<b>8,572</b>	<b>8,795</b>

## Balranald Shire Council

### Special Purpose Financial Statements

for the year ended 30 June 2016

#### Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	8
2	Water Supply Business Best-Practice Management disclosure requirements	11
3	Sewerage Business Best-Practice Management disclosure requirements	13

## Balranald Shire Council

### Notes to the Special Purpose Financial Statements

for the year ended 30 June 2016

#### Note 1. Significant accounting policies

These financial statements are a Special Purpose Financial Statements (SPFS) prepared for use by Council and the Office of Local Government.

For the purposes of these statements, the Council is not a reporting not-for-profit entity.

The figures presented in the SPFS, unless otherwise stated, have been prepared in accordance with:

- the recognition and measurement criteria of relevant Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB), and
- Australian Accounting Interpretations.

The disclosures in the SPFS have been prepared in accordance with:

- the Local Government Act (1993) NSW,
- the Local Government (General) Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

The statements are also prepared on an accruals basis, based on historic costs and do not take into account changing money values nor current values of non-current assets (except where specifically stated).

Certain taxes and other costs (appropriately described) have been imputed for the purposes of the National Competition Policy.

#### National Competition Policy

Council has adopted the principle of 'competitive neutrality' to its business activities as part of the national competition policy which is being applied throughout Australia at all levels of government.

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

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

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide standards for disclosure. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, return on investments (rate of return), and dividends paid.

#### Declared business activities

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

##### Category 1

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

Nil

##### Category 2

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

#### a. Balranald Shire Council combined water supplies

Comprising the whole of the operations and assets of the raw and filtered water supply systems, that services the towns of Balranald and Euston.

#### b. Balranald Shire Council sewerage service

Comprising the whole of the operations and assets of the sewerage reticulation and treatment systems, that services the towns of Balranald and Euston.

#### Monetary amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest thousand dollars, with the exception of some figures disclosed in Note 2 (Water Supply Best-Practice Management Disclosures) and Note 3 (Sewerage Best-Practice Management Disclosures).

As required by the NSW Office of Water (Department of Primary Industries) the amounts shown in Note 2 and Note 3 are disclosed in whole dollars.

## Balranald Shire Council

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

#### Note 1. Significant accounting policies (continued)

##### (i) Taxation-equivalent charges

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

However, where Council is exempt from paying taxes which are generally paid by private sector businesses (such as income tax), equivalent tax payments have been applied to all Council-nominated business activities and are reflected in these financial statements.

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

##### Notional rate applied (%)

Corporate income tax rate – 30%

Land tax – the first **\$482,000** of combined land values attracts **0%**. For that valued from \$482,001 to \$2,947,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,947,000, a premium marginal rate of **2.0%** applies.

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

In accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

The payment of taxation equivalent charges, referred in the Best-Practice Management of Water Supply and Sewerage Guidelines to as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

Achievement of substantial compliance against the Best-Practice Management of Water Supply and Sewerage Guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

##### Income tax

An income tax equivalent has been applied on the profits of each reported business activity.

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

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

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

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

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

##### Local government rates and charges

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

##### Loan and debt guarantee fees

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

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

## Balranald Shire Council

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

#### Note 1. Significant accounting policies (continued)

##### (ii) Subsidies

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

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

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

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

##### (iii) Return on investments (rate of return)

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

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

The rate of return on capital is calculated as follows:

##### Operating result before capital income + interest expense

##### Written down value of I,PP&E as at 30 June

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.17% at 30/6/16.

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

##### (iv) Dividends

Council is not required to pay dividends to either itself (as owner of a range of businesses) or to any external entities.

Local government water supply and sewerage businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

The dividend, calculated and approved in accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, must not exceed either:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2016 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, a Dividend Payment Form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the NSW Office of Water prior to making the dividend and only after it has approved the payment.

## Balranald Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2016Note 2. Water supply business  
best-practice management disclosure requirements

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

2016

## 1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	–
(ii)	Number of assessments multiplied by \$3/assessment	2,793
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	–
(iv)	Amounts actually paid for tax equivalents	–

## 2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	34,300
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	27,930
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	273,700

2016 Surplus	68,600	2015 Surplus	159,600	2014 Surplus	45,500
		2015 Dividend	–	2014 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	27,930
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	–
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? <sup>a</sup>	YES

## 3. Required outcomes for 6 criteria

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

(i)	Completion of strategic business plan (including financial plan)	NO
(ii)	Full cost recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	– Complying charges [item 2 (b) in table 1]	NO
	– DSP with commercial developer charges [item 2 (e) in table 1]	NO
	– If dual water supplies, complying charges [item 2 (g) in table 1]	NO
(iii)	Sound water conservation and demand management implemented	YES
(iv)	Sound drought management implemented	YES
(v)	Complete performance reporting form (by 15 September each year)	NO
(vi)	a. Integrated water cycle management evaluation	NO
	b. Complete and implement integrated water cycle management strategy	NO

## Balranald Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2016Note 2. Water supply business  
best-practice management disclosure requirements (continued)

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

2016

## National Water Initiative (NWI) financial performance indicators

<b>NWI F1</b>	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	1,071
<b>NWI F4</b>	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	47.89%
<b>NWI F9</b>	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	7,052
<b>NWI F11</b>	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	547
<b>NWI F14</b>	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	38
<b>NWI F17</b>	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	1.99%
<b>NWI F26</b>	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

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

## Balranald Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2016Note 3. Sewerage business  
best-practice management disclosure requirements

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

2016

## 1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	–
(ii)	Number of assessments multiplied by \$3/assessment	2,724
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	–
(iv)	Amounts actually paid for tax equivalents	–

## 2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	–
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	27,240
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	(518,000)

2016 Surplus	(296,000)	2015 Surplus	(151,000)	2014 Surplus	(71,000)
		2015 Dividend	–	2014 Dividend	–

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

## 3. Required outcomes for 4 criteria

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

(i)	Completion of strategic business plan (including financial plan)	NO
(ii)	Pricing with full cost-recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	Complying charges	
	(a) Residential [item 2 (c) in table 1]	YES
	(b) Non-residential [item 2 (c) in table 1]	YES
	(c) Trade waste [item 2 (d) in table 1]	NO
	DSP with commercial developer charges [item 2 (e) in table 1]	NO
	Liquid trade waste approvals and policy [item 2 (f) in table 1]	YES
(iii)	Complete performance reporting form (by 15 September each year)	NO
(iv)	a. Integrated water cycle management evaluation	NO
	b. Complete and implement integrated water cycle management strategy	NO

## Balranald Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2016Note 3. Sewerage business  
best-practice management disclosure requirements (continued)

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

2016

## National Water Initiative (NWI) financial performance indicators

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	264
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	6,801
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	229
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	26
NWI F18	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	-4.98%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

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

NWI F3	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	1,390
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.01%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	64
NWI F19	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	-1.44%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
NWI F21	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

## Balranald Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2016Note 3. Sewerage business  
best-practice management disclosure requirements (continued)

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

2016

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

<b>NWI F22</b>	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	-8.15%
<b>NWI F23</b>	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest  Earnings before interest and tax (EBIT): Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c)  Net interest: Interest expense (w4a + s4a) – interest income (w9 + s10)		> 100
<b>NWI F24</b>	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	(198)
<b>NWI F25</b>	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	14

- Notes:
- References to w (eg. s12) refer to item numbers within Special Schedules 5 and 6 of Council's Annual Financial Statements.
  - The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
- a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007

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**BALRANALD SHIRE COUNCIL**  
**Special Purpose Financial Report**  
**Independent Auditors' Report to the Council for the Year ended 30 June 2016**

**Report on the Financial Statements of Council's Declared Business Activities**

We have audited the accompanying financial statements, being special purpose financial statements, of Balranald Shire Council's declared business activities, which comprises the statement of financial position as at 30 June 2016 and the income statement for the year then ended, a summary of significant accounting policies, and other explanatory notes and the Statement by Councillors and Management.

*Council's Responsibilities for the Financial Statements*

Council is responsible for the preparation and fair presentation of the financial statements and has determined that the accounting policies described in Note 1 to the financial statements which form part of the financial statements are appropriate to their needs. Council's responsibility also includes such internal controls as the Council determines are necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

*Auditor's Responsibilities*

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. These Auditing 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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.

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

**Auditor's Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Balranald Shire Council as of 30 June 2016 and of its financial performance for the year then ended in accordance with the accounting policies described in Note 1 to the special purpose financial statements.

**Basis of Accounting**

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The special purpose financial statements have been prepared for distribution to the Council and the New South Wales Division of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting. We disclaim any assumption of responsibility for any reliance on this audit report or on the financial statements to which it relates to any person other than the Council or the New South Wales Division of Local Government, or for any purpose other than that for which it was prepared.

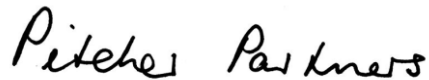
**Other Matter**

Balranald Shire Council has prepared a separate financial report for the year ended 30 June 2016 in accordance with Australian Accounting Standards and the Code of Accounting Practice and Financial Reporting on which we issued a separate auditor's report to the Council dated 4 November 2016.



CARL MILLINGTON

Partner



PITCHER PARTNERS

Sydney, 4 November 2016

# Balranald Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2016

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*COMMITTED TO BALRANALD SHIRE,  
PROVIDING FOR OUR PEOPLE  
PROTECTING OUR HERITAGE, AND  
PLANNING FOR OUR FUTURE*



# Balranald Shire Council

## Special Schedules for the year ended 30 June 2016

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<b>Special Schedule 2(b)</b>	Statement of Internal Loans (Sect. 410(3) LGA 1993)	n/a
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<sup>1</sup> Special Schedules are not audited (with the exception of Special Schedule 8).

### Background

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

## Balranald Shire Council

# Special Schedule 1 – Net Cost of Services

for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Governance</b>	<b>587</b>	<b>8</b>	<b>–</b>	<b>(579)</b>
<b>Administration</b>	<b>969</b>	<b>523</b>	<b>–</b>	<b>(446)</b>
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	320	207	25	(88)
Animal control	6	1	–	(5)
<b>Total public order and safety</b>	<b>326</b>	<b>208</b>	<b>25</b>	<b>(93)</b>
<b>Health</b>	<b>54</b>	<b>8</b>	<b>–</b>	<b>(46)</b>
<b>Environment</b>				
Noxious plants and insect/vermin control	36	25	–	(11)
Solid waste management	246	336	–	90
Street cleaning	31	–	–	(31)
Stormwater management	567	–	–	(567)
<b>Total environment</b>	<b>880</b>	<b>361</b>	<b>–</b>	<b>(519)</b>
<b>Community services and education</b>				
Administration and education	50	–	–	(50)
Aged persons and disabled	1,380	961	–	(419)
Children's services	2	6	–	4
<b>Total community services and education</b>	<b>1,432</b>	<b>967</b>	<b>–</b>	<b>(465)</b>
<b>Housing and community amenities</b>				
Public cemeteries	68	35	–	(33)
Public conveniences	95	–	–	(95)
Street lighting	97	17	–	(80)
Town planning	45	41	–	(4)
Other community amenities	203	57	–	(146)
<b>Total housing and community amenities</b>	<b>508</b>	<b>150</b>	<b>–</b>	<b>(358)</b>
<b>Water supplies</b>	<b>1,015</b>	<b>1,113</b>	<b>–</b>	<b>98</b>
<b>Sewerage services</b>	<b>229</b>	<b>325</b>	<b>–</b>	<b>96</b>

## Balranald Shire Council

# Special Schedule 1 – Net Cost of Services (continued)

for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Recreation and culture</b>				
Public libraries	67	19	—	(48)
Museums	44	—	—	(44)
Art galleries	5	—	—	(5)
Community centres and halls	29	8	—	(21)
Performing arts venues	106	10	—	(96)
Sporting grounds and venues	288	7	20	(261)
Swimming pools	155	7	—	(148)
Parks and gardens (lakes)	321	1	205	(115)
Other sport and recreation	11	—	—	(11)
<b>Total recreation and culture</b>	<b>1,026</b>	<b>52</b>	<b>225</b>	<b>(749)</b>
<b>Mining, manufacturing and construction</b>				
Building control	56	16	—	(40)
Other mining, manufacturing and construction	47	—	—	(47)
<b>Total mining, manufacturing and const.</b>	<b>103</b>	<b>16</b>	<b>—</b>	<b>(87)</b>
<b>Transport and communication</b>				
Urban roads (UR) – local	339	—	—	(339)
Sealed rural roads (SRR) – local	144	1,666	—	1,522
Sealed rural roads (SRR) – regional	307	1,164	573	1,430
Unsealed rural roads (URR) – local	4,184	—	—	(4,184)
Unsealed rural roads (URR) – regional	86	—	—	(86)
Bridges on regional roads	16	—	—	(16)
Footpaths	53	—	—	(53)
Aerodromes	61	1	—	(60)
Other transport and communication	162	—	80	(82)
<b>Total transport and communication</b>	<b>5,352</b>	<b>2,831</b>	<b>653</b>	<b>(1,868)</b>
<b>Economic affairs</b>				
Camping areas and caravan parks	409	441	—	32
Other economic affairs	770	412	—	(358)
<b>Total economic affairs</b>	<b>1,179</b>	<b>853</b>	<b>—</b>	<b>(326)</b>
<b>Totals – functions</b>	<b>13,660</b>	<b>7,415</b>	<b>903</b>	<b>(5,342)</b>
<b>General purpose revenues <sup>(1)</sup></b>		<b>4,778</b>		<b>4,778</b>
<b>Share of interests – joint ventures and associates using the equity method</b>	<b>—</b>	<b>—</b>		<b>—</b>
<b>NET OPERATING RESULT <sup>(2)</sup></b>	<b>13,660</b>	<b>12,193</b>	<b>903</b>	<b>(564)</b>

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

(2) As reported in the Income Statement

## Balranald Shire Council

## Special Schedule 2(a) – Statement of Long Term Debt (all purpose)

for the year ended 30 June 2016

\$'000

Classification of debt	Principal outstanding at beginning of the year			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
<b>Loans (by source)</b>											
Financial institutions	227	3,331	<b>3,558</b>	–	254	–	–	177	241	3,063	<b>3,304</b>
<b>Total loans</b>	<b>227</b>	<b>3,331</b>	<b>3,558</b>	–	<b>254</b>	–	–	<b>177</b>	<b>241</b>	<b>3,063</b>	<b>3,304</b>
<b>Total debt</b>	<b>227</b>	<b>3,331</b>	<b>3,558</b>	–	<b>254</b>	–	–	<b>177</b>	<b>241</b>	<b>3,063</b>	<b>3,304</b>

Notes: excludes (i) internal loans and (ii) principal inflows/outflows relating to loan re-financing.

This schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which are reported in the GPFS).

## Balranald Shire Council

## Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
<b>A Expenses and income</b> <b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	82	96
<b>2. Operation and maintenance expenses</b>		
– dams and weirs		
a. Operation expenses	–	–
– Mains		
d. Maintenance expenses	59	77
– Reservoirs		
e. Operation expenses	14	16
f. Maintenance expenses	1	5
– Pumping stations		
h. Energy costs	70	87
i. Maintenance expenses	171	127
– Treatment		
k. Chemical costs	43	35
– Other		
m. Operation expenses	7	1
n. Maintenance expenses	85	39
o. Purchase of water	15	16
<b>3. Depreciation expenses</b>		
a. System assets	421	276
b. Plant and equipment	–	–
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	47	84
<b>5. Total expenses</b>	<b>1,015</b>	<b>859</b>

## Balranald Shire Council

## Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
<b>Income</b>		
<b>6. Residential charges</b>		
a. Access (including rates)	457	456
b. Usage charges	420	412
<b>7. Non-residential charges</b>		
a. Access (including rates)	—	—
b. Usage charges	180	176
<b>8. Extra charges</b>	—	—
<b>9. Interest income</b>	5	10
<b>10. Other income</b>	7	8
<b>10a. Aboriginal Communities Water and Sewerage Program</b>	37	18
<b>11. Grants</b>		
b. Grants for pensioner rebates	7	7
<b>12. Contributions</b>		
a. Developer charges	—	—
b. Developer provided assets	—	—
c. Other contributions	—	—
<b>13. Total income</b>	<b>1,113</b>	<b>1,087</b>
<b>14. Gain (or loss) on disposal of assets</b>	—	—
<b>15. Operating result</b>	<b>98</b>	<b>228</b>
<b>15a. Operating result (less grants for acquisition of assets)</b>	98	228

## Balranald Shire Council

## Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>16. Acquisition of fixed assets</b>		
c. Renewals	38	–
<b>17. Repayment of debt</b>	90	52
<b>18. Totals</b>	<b>128</b>	<b>52</b>
<b>Non-operating funds employed</b>		
<b>19. Proceeds from disposal of assets</b>	–	–
<b>20. Borrowing utilised</b>	–	–
<b>21. Totals</b>	<b>–</b>	<b>–</b>
<b>C Rates and charges</b>		
<b>22. Number of assessments</b>		
a. Residential (occupied)	789	801
d. Non-residential (unoccupied, ie. vacant lot)	142	157
<b>23. Number of ETs for which developer charges were received</b>	– ET	– ET
<b>24. Total amount of pensioner rebates (actual dollars)</b>	\$ 12,269	\$ 11,813

## Balranald Shire Council

## Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis  
as at 30 June 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
<b>ASSETS</b>			
<b>25. Cash and investments</b>			
f. Other	562	–	562
<b>26. Receivables</b>			
b. Rates and availability charges	171	–	171
c. User charges	107	–	107
<b>27. Inventories</b>	–	–	–
<b>28. Property, plant and equipment</b>			
a. System assets	–	7,052	7,052
b. Plant and equipment	–	–	–
<b>29. Other assets</b>	–	–	–
<b>30. Total assets</b>	<b>840</b>	<b>7,052</b>	<b>7,892</b>
<b>LIABILITIES</b>			
<b>31. Bank overdraft</b>	–	–	–
<b>32. Creditors</b>	3	–	3
<b>33. Borrowings</b>	75	970	1,045
<b>34. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
<b>35. Total liabilities</b>	<b>78</b>	<b>970</b>	<b>1,048</b>
<b>36. NET ASSETS COMMITTED</b>	<b>762</b>	<b>6,082</b>	<b>6,844</b>
<b>EQUITY</b>			
<b>37. Accumulated surplus</b>			2,521
<b>38. Asset revaluation reserve</b>			4,323
<b>39. TOTAL EQUITY</b>			<b>6,844</b>
<b>Note to system assets:</b>			
<b>40. Current replacement cost</b> of system assets			16,202
<b>41. Accumulated current cost</b> depreciation of system assets			(9,150)
<b>42. Written down current cost</b> of system assets			7,052

## Balranald Shire Council

## Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
<b>A Expenses and income</b> <b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	47	45
<b>2. Operation and maintenance expenses</b>		
– mains		
a. Operation expenses	44	50
– Pumping stations		
d. Energy costs	23	10
e. Maintenance expenses	40	49
– Treatment		
g. Chemical costs	2	2
– Other		
l. Operation expenses	73	74
m. Maintenance expenses	–	–
<b>3. Depreciation expenses</b>		
a. System assets	392	201
b. Plant and equipment	–	–
<b>5. Total expenses</b>	<b>621</b>	<b>431</b>

## Balranald Shire Council

## Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
<b>Income</b>		
<b>6. Residential charges</b> (including rates)	248	249
<b>7. Non-residential charges</b>		
a. Access (including rates)	—	—
b. Usage charges	6	7
<b>8. Trade waste charges</b>		
a. Annual fees	—	—
b. Usage charges	3	—
c. Excess mass charges	—	—
d. Re-inspection fees	—	—
<b>9. Extra charges</b>	—	—
<b>10. Interest income</b>	43	9
<b>11. Other income</b>	—	—
<b>11a. Aboriginal Communities Water and Sewerage Program</b>	18	9
<b>12. Grants</b>		
a. Grants for acquisition of assets	—	—
b. Grants for pensioner rebates	7	6
c. Other grants	—	—
<b>13. Contributions</b>		
a. Developer charges	—	—
b. Developer provided assets	—	—
c. Other contributions	—	—
<b>14. Total income</b>	<b>325</b>	<b>280</b>
<b>15. Gain (or loss) on disposal of assets</b>	—	—
<b>16. Operating result</b>	<b>(296)</b>	<b>(151)</b>
<b>16a. Operating result (less grants for acquisition of assets)</b>	(296)	(151)

## Balranald Shire Council

## Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>17. Acquisition of fixed assets</b>		
c. Renewals	26	–
<b>18. Repayment of debt</b>	–	–
<b>19. Totals</b>	<b>26</b>	<b>–</b>
<b>Non-operating funds employed</b>		
<b>20. Proceeds from disposal of assets</b>	–	–
<b>21. Borrowing utilised</b>	–	–
<b>22. Totals</b>	<b>–</b>	<b>–</b>
<b>C Rates and charges</b>		
<b>23. Number of assessments</b>		
a. Residential (occupied)	807	774
c. Non-residential (occupied)	101	124
<b>24. Number of ETs for which developer charges were received</b>	– ET	– ET
<b>25. Total amount of pensioner rebates (actual dollars)</b>	\$ 11,925	\$ 11,463

## Balranald Shire Council

## Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis  
as at 30 June 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
<b>ASSETS</b>			
<b>26. Cash and investments</b>			
f. Other	1,740	–	1,740
<b>27. Receivables</b>			
b. Rates and availability charges	31	–	31
c. User charges	–	–	–
<b>28. Inventories</b>	–	–	–
<b>29. Property, plant and equipment</b>			
a. System assets	–	6,801	6,801
b. Plant and equipment	–	–	–
<b>30. Other assets</b>	–	–	–
<b>31. Total assets</b>	<b>1,771</b>	<b>6,801</b>	<b>8,572</b>
<b>LIABILITIES</b>			
<b>32. Bank overdraft</b>	–	–	–
<b>33. Creditors</b>	–	–	–
<b>34. Borrowings</b>	–	–	–
<b>35. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
<b>36. Total liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>37. NET ASSETS COMMITTED</b>	<b>1,771</b>	<b>6,801</b>	<b>8,572</b>
<b>EQUITY</b>			
<b>38. Accumulated surplus</b>			2,758
<b>39. Asset revaluation reserve</b>			5,814
<b>40. TOTAL EQUITY</b>			<b>8,572</b>
<b>Note to system assets:</b>			
<b>41. Current replacement cost</b> of system assets			13,550
<b>42. Accumulated current cost</b> depreciation of system assets			(6,749)
<b>43. Written down current cost</b> of system assets			6,801

## Balranald Shire Council

### Notes to Special Schedules 3 and 5

for the year ended 30 June 2016

#### Administration <sup>(1)</sup>

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

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

#### Engineering and supervision <sup>(1)</sup>

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

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

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

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

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

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

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

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

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

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

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

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

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

#### Notes:

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

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

## Balranald Shire Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance <sup>a</sup>	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings												
	Buildings – non-specialised	400	400	106	134	11,388	26,612	24%	36%	37%	2%	1%
	Buildings – specialised	–	–	–	–	242	304	94%	0%	0%	0%	6%
	<b>Sub-total</b>	<b>400</b>	<b>400</b>	<b>106</b>	<b>134</b>	<b>11,740</b>	<b>26,916</b>	<b>24.8%</b>	<b>35.6%</b>	<b>36.6%</b>	<b>1.5%</b>	<b>1.5%</b>
Other												
	Other structures	614	614	162	172	7,488	9,056	5%	42%	43%	10%	0%
	<b>Sub-total</b>	<b>614</b>	<b>614</b>	<b>162</b>	<b>172</b>	<b>7,488</b>	<b>9,056</b>	<b>5.0%</b>	<b>42.0%</b>	<b>43.0%</b>	<b>10.5%</b>	<b>-0.5%</b>
Roads												
	Sealed roads	6,903	6,903	846	392	33,034	47,720	32%	33%	15%	19%	1%
	Unsealed roads	1,590	1,590	607	29	18,812	57,597	39%	48%	9%	2%	1%
	Bridges	–	–	–	–	1,212	2,392	7%	0%	93%	0%	0%
	Footpaths	–	–	20	5	927	1,658	21%	72%	6%	0%	0%
	Kerb & Channels	217	217	18	6	2,883	4,778	35%	38%	22%	5%	0%
	Other	–	–	–	–	(3,168)	–					
	<b>Sub-total</b>	<b>8,710</b>	<b>8,710</b>	<b>1,491</b>	<b>432</b>	<b>53,700</b>	<b>114,145</b>	<b>35.2%</b>	<b>40.6%</b>	<b>14.0%</b>	<b>9.3%</b>	<b>0.9%</b>

## Balranald Shire Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance <sup>a</sup>	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Water supply network	Water supply network	–	–	242	318	7,033	16,184	5%	47%	43%	5%	0%
	Sub-total	–	–	242	318	7,033	16,184	5.0%	47.0%	43.0%	5.0%	0.0%
Sewerage network	Sewerage network	–	–	126	111	6,767	13,516	7%	30%	60%	3%	0%
	Sub-total	–	–	126	111	6,767	13,516	7.0%	30.0%	60.0%	3.0%	0.0%
Stormwater drainage	Stormwater drainage	–	–	9	1	2,044	2,482	16%	83%	1%	0%	0%
	Sub-total	–	–	9	1	2,044	2,482	16.0%	82.8%	1.2%	0.5%	-0.5%
Open space/recreational assets	Swimming pools	1	1	15	10	693	1,480	10%	40%	46%	0%	4%
	Sub-total	1	1	15	10	693	1,480	10.3%	40.1%	45.8%	0.0%	3.8%
	<b>TOTAL – ALL ASSETS</b>	<b>9,725</b>	<b>9,725</b>	<b>2,151</b>	<b>1,178</b>	<b>89,465</b>	<b>183,779</b>	<b>27.0%</b>	<b>40.3%</b>	<b>24.8%</b>	<b>7.2%</b>	<b>0.8%</b>

## Notes:

<sup>a</sup> Required maintenance is the amount identified in Council's asset management plans.

## Infrastructure asset condition assessment 'key'

1	<b>Excellent</b>	No work required (normal maintenance)
2	<b>Good</b>	Only minor maintenance work required
3	<b>Average</b>	Maintenance work required
4	<b>Poor</b>	Renewal required
5	<b>Very poor</b>	Urgent renewal/upgrading required

## Balranald Shire Council

## Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2016

\$ '000	Amounts 2016	Indicator 2016	Prior periods	
			2015	2014
Infrastructure asset performance indicators * consolidated				
1. Infrastructure renewals ratio				
Asset renewals <sup>(1)</sup>	4,232	77.75%	0.00%	10.02%
Depreciation, amortisation and impairment	5,443			
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	9,725	10.87%	11.01%	21.40%
Carrying value of infrastructure assets	89,465			
3. Asset maintenance ratio				
Actual asset maintenance	1,178	0.55	1.13	1.08
Required asset maintenance	2,151			
4. Capital expenditure ratio				
Annual capital expenditure	4,539	0.77	0.56	0.39
Annual depreciation	5,929			

## Notes

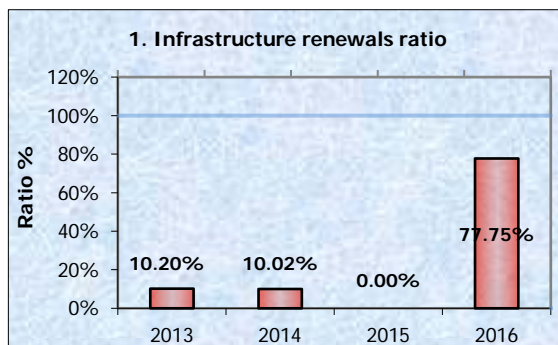
\* All asset performance indicators are calculated using the asset classes identified in the previous table.

<sup>(1)</sup> Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

## Balranald Shire Council

# Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2016



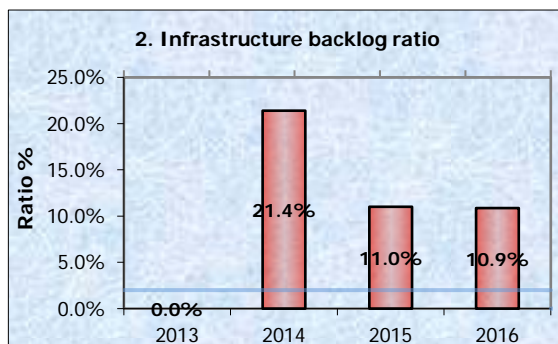
## Purpose of asset renewals ratio

To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

**2015/16 Ratio 77.75%**

Benchmark: — Minimum  $\geq 100.00\%$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark  
Ratio is outside benchmark



## Purpose of infrastructure backlog ratio

This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

**2015/16 Ratio 10.87%**

Benchmark: — Maximum  $< 2.00\%$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark  
Ratio is outside benchmark



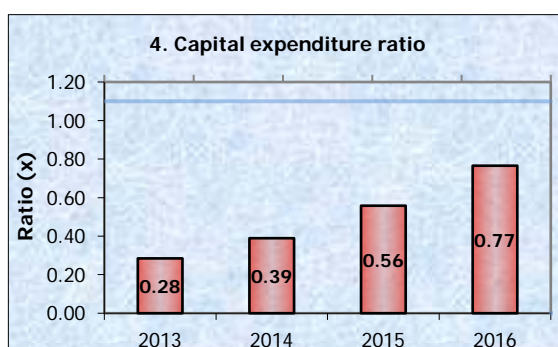
## Purpose of asset maintenance ratio

Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

**2015/16 Ratio 0.55 x**

Benchmark: — Minimum  $> 1.00$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark  
Ratio is outside benchmark



## Purpose of capital expenditure ratio

To assess the extent to which a Council is expanding its asset base thru capital expenditure on both new assets and the replacement and renewal of existing assets.

**2015/16 Ratio 0.77 x**

Benchmark: — Minimum  $> 1.10$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark  
Ratio is outside benchmark

## Balranald Shire Council

# Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2016

\$ '000	Water 2016	Sewer 2016	General <sup>(1)</sup> 2016
<b>Infrastructure asset performance indicators by fund</b>			
<b>1. Infrastructure renewals ratio</b>			
Asset renewals <sup>(2)</sup>	<b>9.03%</b>	<b>4.34%</b>	<b>90.22%</b>
Depreciation, amortisation and impairment			
prior period:	0.00%	0.00%	0.00%
<b>2. Infrastructure backlog ratio</b>			
Estimated cost to bring assets to a satisfactory standard	<b>0.00%</b>	<b>0.00%</b>	<b>12.85%</b>
Carrying value of infrastructure assets			
prior period:	0.00%	0.00%	13.09%
<b>3. Asset maintenance ratio</b>			
Actual asset maintenance	<b>1.31</b>	<b>0.88</b>	<b>0.42</b>
Required asset maintenance			
prior period:	1.33	1.49	1.08
<b>4. Capital expenditure ratio</b>			
Annual capital expenditure	<b>0.09</b>	<b>0.07</b>	<b>0.87</b>
Annual depreciation			
prior period:	0.00	0.00	0.60

**Notes**

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

## Balranald Shire Council

## Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2017

\$'000		Calculation 2015/16	Calculation 2016/17
<b>Notional general income calculation <sup>(1)</sup></b>			
Last year notional general income yield	a	1,246	1,257
Plus or minus adjustments <sup>(2)</sup>	b	—	9
<b>Notional general income</b>	<b>c = (a + b)</b>	<b>1,246</b>	<b>1,266</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>(3)</sup>	d	0.00%	0.00%
Or rate peg percentage	e	2.40%	1.80%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	—	—
Plus special variation amount	$h = d \times (c - g)$	—	—
Or plus rate peg amount	$i = c \times e$	30	23
Or plus Crown land adjustment and rate peg amount	$j = c \times f$	—	—
<b>Sub-total</b>	<b><math>k = (c + g + h + i + j)</math></b>	<b>1,276</b>	<b>1,289</b>
Plus (or minus) last year's carry forward total	l	4	23
Less valuation objections claimed in the previous year	m	—	—
<b>Sub-total</b>	<b><math>n = (l + m)</math></b>	<b>4</b>	<b>23</b>
<b>Total permissible income</b>	<b><math>o = k + n</math></b>	<b>1,280</b>	<b>1,312</b>
Less notional general income yield	p	1,257	1,330
<b>Catch-up or (excess) result</b>	<b><math>q = o - p</math></b>	<b>23</b>	<b>(18)</b>
Plus income lost due to valuation objections claimed <sup>(4)</sup>	r	—	—
Less unused catch-up <sup>(5)</sup>	s	—	—
<b>Carry forward to next year</b>	<b><math>t = q + r - s</math></b>	<b>23</b>	<b>(18)</b>

### Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 8 in the financial data return (FDR) to administer this process.

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## **BALRANALD SHIRE COUNCIL**

### **Special Schedule No. 8**

### **Independent Auditors' Report to the Council for the Year ended 30 June 2017**

#### **Report on Special Schedule No. 8**

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Balranald Shire Council for the year ending 30 June 2016.

#### **Responsibility of Council for Special Schedule No. 8**

The Council is responsible for the preparation and fair presentation of Special Schedule No. 8 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 24. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### **Auditor's Responsibilities**

Our responsibility is to express an opinion on Special Schedule No. 8 based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether Special Schedule No. 8 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in Special Schedule No. 8. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of Special Schedule No. 8, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of Special Schedule No. 8.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.

In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule No. 8 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 entity's internal control.

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

#### **Auditor's Opinion**

In our opinion, Special Schedule No. 8 of Balranald Shire Council for the year ending 30 June 2017 is properly drawn up in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

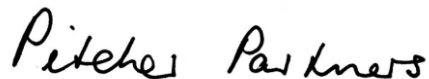
#### **Basis of Accounting**

Without modifying our opinion, we advise that this schedule has been prepared for distribution to the Office of Local Government for the purposes of confirming that Council's reconciliation of Council's total permissible general income for the year ending 30 June 2017 is presented fairly. As a result, the schedule may not be suitable for another purpose.



CARL MILLINGTON

Partner



PITCHER PARTNERS

Sydney, 4 November 2016