

# Balranald Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

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



## General Purpose Financial Statements for the year ended 30 June 2017

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### Overview

- (i) These financial statements are General Purpose Financial Statements and cover the 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 guiding principles are detailed in Chapter 3 of the LGA and includes:

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

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

- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by the Council on dd/mm/yy.  
Council has the power to amend and reissue these financial statements.
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## General Purpose Financial Statements for the year ended 30 June 2017

### Understanding Council's financial statements

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#### Introduction

Each year, individual local governments across New South Wales are required to present a set of audited financial statements to their council and community.

#### What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2017.

The format of the financial statements is standard across all NSW Councils and complies with both the accounting and reporting requirements of Australian Accounting Standards and requirements as set down by the Office of Local Government.

#### About the Councillor/Management Statement

The financial statements must be certified by senior staff as 'presenting fairly' the Council's financial results for the year and are required to be adopted by Council – ensuring both responsibility for and ownership of the financial statements.

#### About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

##### 1. The Income Statement

Summarises Council's financial performance for the year, listing all income and expenses.

This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

##### 2. The Statement of Comprehensive Income

Primarily records changes in the fair value of Council's Infrastructure, Property, Plant and Equipment.

##### 3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its assets, liabilities and "net wealth".

##### 4. The Statement of Changes in Equity

The overall change for the year (in dollars) of Council's "net wealth".

#### 5. The Statement of Cash Flows

Indicates where Council's cash came from and where it was spent. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

#### About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the five primary financial statements.

#### About the Auditor's Reports

Council's annual financial statements are required to be audited by the NSW Audit Office. In NSW the auditor provides 2 audit reports:

1. an opinion on whether the financial statements present fairly the Council's financial performance and position, and
2. their observations on the conduct of the audit, including commentary on the Council's financial performance and financial position.

#### Who uses the financial statements?

The financial statements are publicly available documents and must be presented at a Council meeting between seven days and five weeks after the date of the Audit Report.

The public can make submissions to Council up to seven days subsequent to the public presentation of the financial statements.

Council is required to forward an audited set of financial statements to the Office of Local Government.

**General Purpose Financial Statements**  
for the year ended 30 June 2017

**Statement by Councillors and Management**

made pursuant to Section 413(2)(c) of the *Local Government Act 1993 (NSW)* (as amended)

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

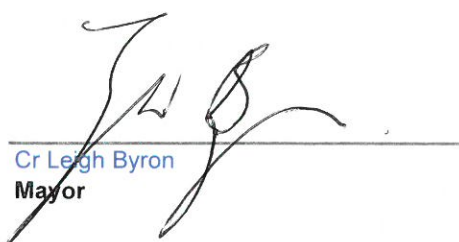
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and professional pronouncements, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

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


**Signed in accordance with a resolution of Council made on 21 September 2017.**



Cr Leigh Byron  
Mayor



Cr Jeff Manix  
Councillor



Aaron Drenovski  
General manager



Charmaine Murfet  
Responsible accounting officer

# Income Statement

for the year ended 30 June 2017

Budget <sup>1</sup> 2017 \$ '000		Notes	Actual 2017	Actual 2016
<b>Income from continuing operations</b>				
<b>Revenue:</b>				
2,185	Rates and annual charges	3a	2,129	2,085
1,470	User charges and fees	3b	1,639	1,873
113	Interest and investment revenue	3c	123	139
1,381	Other revenues	3d	905	325
4,071	Grants and contributions provided for operating purpose	3e,f	9,483	7,344
2,760	Grants and contributions provided for capital purposes	3e,f	762	903
<b>Other income:</b>				
189	Net gains from the disposal of assets	5	-	427
-	Net share of interests in joint ventures and associates using the equity method	19	-	-
<b>12,169</b>	<b>Total income from continuing operations</b>		<b>15,041</b>	<b>13,096</b>
<b>Expenses from continuing operations</b>				
3,959	Employee benefits and on-costs	4a	4,233	4,089
193	Borrowing costs	4b	201	177
1,689	Materials and contracts	4c	1,953	2,280
5,475	Depreciation and amortisation	4d	5,569	5,929
-	Impairment	4d	-	-
1,523	Other expenses	4e	1,346	1,185
	Net losses from the disposal of assets	5	2	-
<b>12,839</b>	<b>Total expenses from continuing operations</b>		<b>13,304</b>	<b>13,660</b>
<b>(670)</b>	<b>Operating result from continuing operations</b>		<b>1,737</b>	<b>(564)</b>
<b>Discontinued operations</b>				
-	Net profit/(loss) from discontinued operations	24	-	-
<b>(670)</b>	<b>Net operating result for the year</b>		<b>1,737</b>	<b>(564)</b>
(670)	Net operating result attributable to Council		1737	(564)
-	Net operating result attributable to non-controlling interests		-	-
<b>(3,430)</b>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>975</b>	<b>(1,467)</b>

<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 2017

\$ '000	Notes	Actual 2017	Actual 2016
<b>Net operating result for the year</b> (as per Income Statement)		<b>1,737</b>	<b>(564)</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)	17,288	1,540
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>17,288</b>	<b>1,540</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>17,288</b>	<b>1,540</b>
<b>Total comprehensive income for the year</b>		<b>19,025</b>	<b>976</b>
<b>Total comprehensive income attributable to Council</b>		<b>19,025</b>	<b>976</b>
<b>Total comprehensive income attributable to non-controlling interests</b>		<b>—</b>	<b>—</b>

# Balranald Shire Council

## Statement of Financial Position

as at 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	7,377	5,200
Investments	6b	–	500
Receivables	7	753	806
Inventories	8	76	70
Other	8	–	–
Non-current assets classified as 'held for sale'	22	500	–
<b>Total current assets</b>		<b>8,706</b>	<b>6,576</b>
<b>Non-current assets</b>			
Investments	6b	–	–
Receivables	7	–	–
Inventories	8	–	–
Infrastructure, property, plant and equipment	9	113,742	97,901
Investments accounted for using the equity method	19	–	–
Investment property	14	–	–
Intangible assets	25	260	260
<b>Total non-current assets</b>		<b>114,002</b>	<b>98,161</b>
<b>TOTAL ASSETS</b>		<b>122,708</b>	<b>104,737</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	862	1,202
Income received in advance	10	81	42
Borrowings	10	257	241
Provisions	10	733	815
<b>Total current liabilities</b>		<b>1,933</b>	<b>2,300</b>
<b>Non-current liabilities</b>			
Payables	10	126	511
Borrowings	10	2,806	3,063
Provisions	10	237	260
<b>Total non-current liabilities</b>		<b>3,169</b>	<b>3,834</b>
<b>TOTAL LIABILITIES</b>		<b>5,102</b>	<b>6,134</b>
<b>Net assets</b>		<b>117,606</b>	<b>98,603</b>
<b>EQUITY</b>			
Retained earnings	20	46,039	43,921
Revaluation reserves	20	71,565	54,682
Other reserves	20	–	–
Council equity interest		117,606	98,603
Non-controlling equity interests		–	–
<b>Total equity</b>		<b>117,606</b>	<b>98,603</b>

This statement should be read in conjunction with the accompanying notes.

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## Balranald Shire Council

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

\$ '000	Notes	2017					2016				
		Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council controlling interest	Non-interest	Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council controlling interest	Non-interest
						Total equity					Total equity
<b>Opening balance</b> (as per last year's audited accounts)		44,302	54,279	–	<b>98,581</b>	<b>–</b>	44,866	53,108	–	<b>97,974</b>	<b>–</b>
<b>a.</b> Correction of prior period errors	20 (c)	–	–	–	–	–	–	(369)	–	<b>(369)</b>	<b>–</b>
<b>b.</b> Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–	–	–	–	–	–
<b>Revised opening balance</b>		<b>44,302</b>	<b>54,279</b>	<b>–</b>	<b>98,581</b>	<b>–</b>	<b>44,866</b>	<b>52,739</b>	<b>–</b>	<b>97,605</b>	<b>–</b>
<b>c. Net operating result for the year</b>		<b>1,737</b>	<b>–</b>	<b>–</b>	<b>1,737</b>	<b>–</b>	(564)	–	–	<b>(564)</b>	<b>–</b>
<b>d.</b> Other comprehensive income											
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	17,288	–	<b>17,288</b>	<b>–</b>	–	1,540	–	<b>1,540</b>	<b>–</b>
<b>Other comprehensive income</b>		<b>–</b>	<b>17,288</b>	<b>–</b>	<b>17,288</b>	<b>–</b>	<b>–</b>	<b>1,540</b>	<b>–</b>	<b>1,540</b>	<b>–</b>
<b>Total comprehensive income (c&amp;d)</b>		<b>1,737</b>	<b>17,288</b>	<b>–</b>	<b>19,025</b>	<b>–</b>	<b>(564)</b>	<b>1,540</b>	<b>–</b>	<b>976</b>	<b>–</b>
<b>e.</b> Distributions to/(contributions from) non-controlling interests		–	–	–	–	–	–	–	–	–	–
<b>f.</b> Transfers between equity		–	–	–	–	–	–	–	–	–	–
<b>Equity – balance at end of the reporting period</b>		<b>46,039</b>	<b>71,567</b>	<b>–</b>	<b>117,606</b>	<b>–</b>	<b>44,302</b>	<b>54,279</b>	<b>–</b>	<b>98,581</b>	<b>–</b>

# Statement of Cash Flows

for the year ended 30 June 2017

Budget 2017	\$ '000	Notes	Actual 2017	Actual 2016
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
2,948	Rates and annual charges		2,251	2,086
1,206	User charges and fees		1,330	2,052
113	Investment and interest revenue received		127	135
6,541	Grants and contributions		10,090	8,103
–	Bonds, deposits and retention amounts received		5	–
1,389	Other		1,649	876
<b>Payments:</b>				
(3,855)	Employee benefits and on-costs		(4,486)	(4,095)
(3,852)	Materials and contracts		(1,850)	(2,844)
(193)	Borrowing costs		(192)	(182)
–	Bonds, deposits and retention amounts refunded		(263)	(8)
(2,319)	Other		(2,375)	(1,027)
<b>1,978</b>	<b>Net cash provided (or used in) operating activities</b>	11b	<b>6,286</b>	<b>5,096</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
–	Sale of investment securities		–	2,000
–	Sale of infrastructure, property, plant and equipment		597	72
<b>Payments:</b>				
–	Purchase of investment securities		–	(2,000)
(4,303)	Purchase of infrastructure, property, plant and equipment		(4,965)	(4,341)
<b>(4,303)</b>	<b>Net cash provided (or used in) investing activities</b>		<b>(4,368)</b>	<b>(4,269)</b>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
Nil				
<b>Payments:</b>				
(241)	Repayment of borrowings and advances		(241)	(254)
<b>(241)</b>	<b>Net cash flow provided (used in) financing activities</b>		<b>(241)</b>	<b>(254)</b>
<b>(2,566)</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,677</b>	<b>573</b>
4,800	Plus: cash and cash equivalents – beginning of year	11a	5,700	4,627
<b>2,234</b>	<b>Cash and cash equivalents – end of the year</b>	11a	<b>7,377</b>	<b>5,200</b>
Additional Information:				
	plus: Investments on hand – end of year	6b	–	500
	<b>Total cash, cash equivalents and investments</b>		<b>7,377</b>	<b>5,700</b>

Please refer to Note 11 for additional cash flow information.

# Notes to the Financial Statements

for the year ended 30 June 2017

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## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 1. Summary of significant accounting policies

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

#### **(a) Basis of preparation**

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

##### **(i) New and amended standards adopted by Council**

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

##### **(ii) Early adoption of standards**

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

##### **(iii) Historical cost convention**

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

##### **(iv) Significant accounting estimates and judgements**

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

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

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

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

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

#### ***Significant judgements in applying the Council's accounting policies***

- (i) Impairment of Receivables

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

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

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

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

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

##### **(i) Rates, annual charges, grants and contributions**

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

## Notes to the Financial Statements

for the year ended 30 June 2017

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

---

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

Control over granted assets/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.

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

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

#### **(ii) User charges and fees**

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

#### **(iii) Sale of infrastructure, property, plant and equipment**

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

#### **(iv) Interest**

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

#### **(v) Rent**

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

#### **(vi) Dividend income**

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

#### **(vii) Other income**

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

### **(c) Principles of consolidation**

#### **(i) The Consolidated Fund**

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

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

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

#### **(iii) County Councils**

Council is not a member of any county councils.

#### **(iv) Interests in other entities**

#### **Subsidiaries**

Council has no interest in any subsidiaries.

## Notes to the Financial Statements

for the year ended 30 June 2017

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

---

#### Joint arrangements

Council has no interest in any joint arrangements.

#### (d) Leases

Leases of property, plant and equipment where Council, as lessee, 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 fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged 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.

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that Council will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

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

#### (e) Cash and cash equivalents

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

subject to an insignificant risk of changes in value; and bank overdrafts.

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

#### (f) Inventories

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

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

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

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.

##### (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.

## Notes to the Financial Statements

for the year ended 30 June 2017

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

---

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

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

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

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

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

#### **(h) Investments and other financial assets**

##### **Classification**

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

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

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

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

##### **(ii) Loans and receivables**

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

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

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

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

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

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

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, that 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. They are included in non-current assets unless management

## Notes to the Financial Statements

for the year ended 30 June 2017

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

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intends to dispose of the investment within 12 months of the reporting date.

Investments are 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.

#### **Recognition and de-recognition**

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

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

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

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

#### **Subsequent measurement**

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

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

#### **Impairment**

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

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss

event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

#### **Investment Policy**

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

Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order. Council maintains an investment policy that complies with the Act and ensures that it, or its representatives, exercise the care, diligence and skill that a prudent person would exercise in investing Council funds.

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2017

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

cash flows, are used to determine fair value for the remaining financial instruments.

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

#### (j) Infrastructure, property, plant and equipment (IPPE)

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

##### Externally valued:

- Operational land
- Community land
- Land improvements
- Buildings – specialised/non-specialised
- Other structures
- Roads assets including roads, bridges, Kerb & Gutter and footpaths
- Stormwater drainage
- Water and sewerage networks
- Swimming pools
- Other open space/recreational assets
- Other infrastructure

##### Internally valued:

There were no Asset Classes internally valued at reporting date.

##### As approximated by depreciated historical cost:

- Plant and equipment
- Furniture & Fittings
- Office Equipment
- Other assets

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

Water and 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 asset classes, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date. If any such indication exists, Council determines the asset's fair value and revalue the asset to that amount. Full revaluations are undertaken for all assets on a five-year cycle.

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

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

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

#### Depreciation

Land is not depreciated.

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

##### Plant & 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

# Notes to the Financial Statements

for the year ended 30 June 2017

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

### 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	15 years
- Sealed Roads : Structure	35 to 150 years
- Unsealed roads	90 to 150 years
- Bridge : Concrete	80 to 120 years
- Road Pavements	35 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	50 to 120 years
- Pumps and telemetry	5 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

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

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

### (k) Investment property

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

### (l) Payables

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

### (m) Borrowings

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

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

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

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

### (n) Borrowing costs

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

## Notes to the Financial Statements

for the year ended 30 June 2017

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

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#### **(o) Provisions**

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

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

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

#### **(p) Employee benefits**

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

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

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

##### **(ii) Other long-term employee benefit obligations**

The liability for long service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to

be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

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

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

##### **(iii) Retirement benefit obligations**

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

##### **Defined Benefit Plans**

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2017

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

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#### **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.

#### **(q) Self-insurance**

Council does not self-insure.

#### **(r) Intangible assets**

Hostel Bed Licences

Council has 13 bed licences at the Bidgee Havan 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 Mackinnon & Associated PTY LTD of 208 Belmore Road, Riverwood NSW 2010, and are consistent with current value within the industry.

#### **(s) 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.

#### **(t) Rural fire service assets**

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

Until such time as discussions on this matter have concluded and the legislation changed, Council will recognise rural fire service assets including land, buildings, plant and vehicles.

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

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

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

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

#### **(v) New accounting standards and interpretations issued not yet effective**

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

As at the date of authorisation of the financial statements, the standards and interpretations listed below were in issue but not yet effective.

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

- ASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15
- AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15
- AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]

## Notes to the Financial Statements

for the year ended 30 June 2017

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

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- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107
- AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities
- AASB 2016-7 Amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities

#### **Effective for annual reporting periods beginning on or after 13 February 2017**

AASB 2017-2 Amendments to Australian Accounting Standards - Further Annual Improvements 2014- 16 Cycle

#### **Effective for annual reporting periods beginning on or after 13 December 2017**

AASB 2017-1 Amendments to Australian Accounting Standards - Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments

#### **Effective for annual reporting periods beginning on or after 1 January 2018**

AASB 9 Financial Instruments (December 2009)

- AASB 15 Revenue from Contracts with Customers
- AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)
- AASB 2014-1 Amendments to Australian Accounting Standards (Part E)
- AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) AASB 1057 Application of Australian Accounting Standards
- AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15
- AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions
- AASB 2016-6 Amendments to Australian Accounting Standards - Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts

#### **Effective for annual reporting periods beginning on or after 1 January 2019**

AASB 16 Leases

AASB 16 Leases (Appendix D)

AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities

AASB 1058 Income of Not-for-Profit Entities

AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities

The full impact of these 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.

#### **(w) Rounding of amounts**

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

#### **(x) 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.

#### **(y) 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 2017

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current & non-current)	
	Original budget 2017	Actual 2017	Actual 2016	Original budget 2017	Actual 2017	Actual 2016	Original budget 2017	Actual 2017	Actual 2016	Actual 2017	Actual 2016	Actual 2017	Actual 2016
Governance	13	11	8	599	701	587	(586)	(690)	(579)	–	–	–	104,737
Administration	350	615	523	1,268	1,473	969	(918)	(858)	(446)	22	15	8,720	–
Public order and safety	206	226	233	395	293	326	(190)	(66)	(93)	95	233	436	–
Health	14	14	8	53	40	54	(39)	(26)	(46)	–	25	126	–
Environment	338	357	361	316	510	880	22	(153)	(519)	33	10	5,655	–
Community services and education	1,042	764	967	1,003	1,224	1,432	39	(460)	(465)	21	659	1,785	–
Housing and community amenities	167	157	150	621	669	508	(454)	(512)	(358)	–	6	4,185	–
Water supplies	1,023	1,005	1,113	978	852	1,015	45	153	98	7	7	9,224	–
Sewerage services	290	334	325	621	423	229	(331)	(89)	96	6	7	9,003	–
Recreation and culture	47	125	277	750	1,012	1,026	(703)	(887)	(749)	–	131	9,224	–
Mining, manufacturing and construction	13	16	16	50	50	103	(37)	(34)	(87)	–	–	–	–
Transport and communication	4,522	5,174	3,484	5,326	5,191	5,352	(804)	(17)	(1,868)	1,660	2,106	73,168	–
Economic affairs	599	714	853	858	867	1,179	(259)	(153)	(326)	104	80	1,182	–
<b>Total functions and activities</b>	<b>8,624</b>	<b>9,512</b>	<b>8,318</b>	<b>12,838</b>	<b>13,304</b>	<b>13,660</b>	<b>(4,215)</b>	<b>(3,792)</b>	<b>(5,342)</b>	<b>1,948</b>	<b>3,279</b>	<b>122,708</b>	<b>104,737</b>
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	–	–	–	–	–	–	–	–	–
General purpose income <sup>1</sup>	3,545	5,529	4,778	–	–	–	3,545	5,529	4,778	5,498	3,475	–	–
<b>Operating result from continuing operations</b>	<b>12,169</b>	<b>15,041</b>	<b>13,096</b>	<b>12,838</b>	<b>13,304</b>	<b>13,660</b>	<b>(669)</b>	<b>1,737</b>	<b>(564)</b>	<b>7,446</b>	<b>6,754</b>	<b>122,708</b>	<b>104,737</b>

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

## Notes to the Financial Statements

for the year ended 30 June 2017

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

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

#### **GOVERNANCE**

Includes costs relating to Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of Council and policy-making committees, public disclosure (e.g. GIPA), and legislative compliance.

#### **ADMINISTRATION**

Includes corporate support and other support services, engineering works, and any Council policy compliance.

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

Includes Council's fire and emergency services levy, fire protection, emergency services, beach control, enforcement of regulations and animal control.

#### **HEALTH**

Includes immunisation, food control, health centres etc.

#### **ENVIRONMENT**

Includes noxious plants and insect/vermin control; other environmental protection; solid waste management, including domestic waste; other waste management; other sanitation; and garbage, street cleaning, drainage and stormwater management.

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

Includes administration and education; social protection (welfare); migrant, Aboriginal and other community services and administration (excluding accommodation – as it is covered under 'housing and community amenities'); youth services; aged and disabled persons services; children's services, including family day care; child care; and other family and children services.

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

Includes public cemeteries; public conveniences; street lighting; town planning; other community amenities, including housing development and accommodation for families and children, aged persons, disabled persons, migrants and Indigenous persons.

#### **WATER SUPPLIES**

#### **SEWERAGE SERVICES**

#### **RECREATION AND CULTURE**

Includes public libraries; museums; art galleries; community centres and halls, including public halls and performing arts venues; sporting grounds and venues; swimming pools; parks; gardens; lakes; and other sporting, recreational and cultural services.

#### **MINING, MANUFACTURING AND CONSTRUCTION**

Includes building control, quarries and pits, mineral resources, and abattoirs.

#### **TRANSPORT AND COMMUNICATION**

Urban local, urban regional, includes sealed and unsealed roads, bridges, footpaths, parking areas, and aerodromes.

#### **ECONOMIC AFFAIRS**

Includes camping areas and caravan parks; tourism and area promotion; industrial development promotion; sale yards and markets; real estate development; commercial nurseries; and other business undertakings.

## Balranald Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 3. Income from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
(a) Rates and annual charges			
<b>Ordinary rates</b>			
Residential		235	219
Farmland		892	854
Business		140	139
<b>Total ordinary rates</b>		<b>1,267</b>	<b>1,212</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		209	230
Water supply services		414	410
Sewerage services		239	233
<b>Total annual charges</b>		<b>862</b>	<b>873</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>2,129</b>	<b>2,085</b>

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

# Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(b) User charges and fees</b>			
<b>Specific user charges</b> (per s.502 – specific ‘actual use’ charges)			
Water supply services		373	540
Sewerage services		6	9
Sewerage services contract aboriginal mission		20	19
Waste management services (non-domestic)		67	95
Water service contract aboriginal mission		39	37
<b>Total user charges</b>		<b>505</b>	<b>700</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Building services		16	31
Private works – section 67		90	90
Town planning		61	21
<b>Total fees and charges – statutory/regulatory</b>		<b>167</b>	<b>142</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Aged care		271	239
Caravan park		466	441
Cemeteries		31	35
Rent and hire of non-investment property		70	134
RMS (formerly RTA) charges (state roads not controlled by Council)		18	173
Swimming centres		4	7
Tourism		10	–
Waste disposal tipping fees		22	–
Water connection fees		6	–
Other		69	2
<b>Total fees and charges – other</b>		<b>967</b>	<b>1,031</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>1,639</b>	<b>1,873</b>

# Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(c) Interest and investment revenue (including losses)</b>			
<b>Interest</b>			
– Interest on overdue rates and annual charges (incl. special purpose rates)		8	8
– Interest earned on investments (interest and coupon payment income)		115	131
<b><u>TOTAL INTEREST AND INVESTMENT REVENUE</u></b>		<b><u>123</u></b>	<b><u>139</u></b>
<b>Interest revenue is attributable to:</b>			
<b>Unrestricted investments/financial assets:</b>			
Overdue rates and annual charges (general fund)		8	8
General Council cash and investments		56	83
<b>Restricted investments/funds – external:</b>			
Water fund operations		17	5
Sewerage fund operations		42	43
<b>Total interest and investment revenue recognised</b>		<b><u>123</u></b>	<b><u>139</u></b>
<b>(d) Other revenues</b>			
Rental income – other council properties		18	12
Legal fees recovery – rates and charges (extra charges)		7	7
Commissions and agency fees		59	58
Diesel rebate		48	51
Insurance claim recoveries		76	86
Motor vehicle contributions		25	36
Sales – miscellaneous		9	5
Tourist information centre sales		53	62
Other		610	8
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>905</u></b>	<b><u>325</u></b>

# Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
Financial assistance	5,498	3,465	–	–
Pensioners' rates subsidies – general component	10	10	–	–
<b>Total general purpose</b>	<b>5,508</b>	<b>3,475</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Water	7	7	–	–
– Sewerage	6	7	–	–
– Domestic waste management	10	10	–	–
Bushfire and emergency services	72	207	–	25
Community care	5	657	40	–
Community centres	–	2	–	–
Employment and training programs	12	6	–	–
Heritage and cultural	–	2	8	–
Library	–	4	–	–
Library – per capita	20	15	–	–
Noxious weeds	23	25	–	–
Recreation and culture	–	–	214	100
Skate park and play grounds	–	–	–	105
Street lighting	18	17	–	–
Transport (roads to recovery)	1,660	1,666	–	–
Transport (other roads and bridges funding)	–	–	–	344
Tourism	104	80	–	–
Youth Week	1	–	–	–
Other	–	–	500	–
<b>Total specific purpose</b>	<b>1,938</b>	<b>2,705</b>	<b>762</b>	<b>574</b>
<b>Total grants</b>	<b>7,446</b>	<b>6,180</b>	<b>762</b>	<b>574</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	1,660	1,666	–	–
– State funding	5,786	4,514	762	574
– Other funding	–	–	–	–
	<b>7,446</b>	<b>6,180</b>	<b>762</b>	<b>574</b>

# Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
<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>				
Recreation and culture	–	–	–	100
RMS contributions (regional roads, block grant)	1,637	1,164	–	229
Assets not previously recognised	400	–	–	<b>329</b>
<b>Total other contributions</b>	<b>2,037</b>	<b>1,164</b>	<b>–</b>	
<b>Total contributions</b>	<b>2,037</b>	<b>1,164</b>	<b>–</b>	<b>329</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>	<b>9,483</b>	<b>7,344</b>	<b>762</b>	<b>903</b>

\$ '000	Actual 2017	Actual 2016
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## (g) Unspent grants and contributions

**Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:**

Unexpended at the close of the previous reporting period	480	479
<b>Add:</b> grants and contributions recognised in the current period but not yet spent:	367	246
<b>Less:</b> grants and contributions recognised in a previous reporting period now spent:	(244)	(245)
<b>Net increase (decrease) in restricted assets during the period</b>	<b>123</b>	<b>1</b>
<b>Unexpended and held as restricted assets</b>	<b>603</b>	<b>480</b>
<b>Comprising:</b>		
– Specific purpose unexpended grants	553	386
– Other contributions	50	94
	<b>603</b>	<b>480</b>

# Notes to the Financial Statements

for the year ended 30 June 2017

## Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Employee benefits and on-costs</b>			
Salaries and wages		3,428	3,229
Travel expenses		93	73
Employee leave entitlements (ELE)		619	589
Superannuation – defined contribution plans		229	289
Superannuation – defined benefit plans		44	86
Workers' compensation insurance		109	87
Fringe benefit tax (FBT)		28	7
Training costs (other than salaries and wages)		45	64
Protective clothing		16	13
Medicals		5	–
Recruitment		15	6
<b>Total employee costs</b>		<b>4,631</b>	<b>4,443</b>
Less: capitalised costs		(398)	(354)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>4,233</b>	<b>4,089</b>
Number of 'full-time equivalent' employees (FTE) at year end		47	66
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)		47	66
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on loans		201	177
<b>Total interest bearing liability costs expensed</b>		<b>201</b>	<b>177</b>
<b>(ii) Other borrowing costs</b>			
Nil			
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>201</b>	<b>177</b>

# Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(c) Materials and contracts</b>			
Raw materials and consumables		1,031	2,444
Contractor and consultancy costs		200	738
– Caravan park management		271	353
– Contractor and consultancy costs – transport		2,599	1,498
– Staff replacements		–	3
– Waste		174	178
Auditors remuneration <sup>(1)</sup>		54	64
Legal expenses:			
– Legal expenses: other		56	2
Operating leases:			
– Operating lease rentals: minimum lease payments <sup>(2)</sup>		231	226
Other		1	20
<b>Total materials and contracts</b>		<b>4,617</b>	<b>5,526</b>
Less: capitalised costs		(2,664)	(3,246)
<b>TOTAL MATERIALS AND CONTRACTS</b>		<b>1,953</b>	<b>2,280</b>

### 1. Auditor remuneration

a. During the year, the following fees were incurred for services provided by the Auditor-General:

Nil

b. During the year, the following fees were incurred for services provided by the other Council's Auditors:

#### (i) Audit and other assurance services

– Audit and review of financial statements: Council's Auditor	48	58
– Audit and review of financial statements: other consolidated entity Auditors	6	6

<b>Remuneration for audit and other assurance services</b>	<b>54</b>	<b>64</b>
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<b>Total remuneration of other Council's Auditors</b>	<b>54</b>	<b>64</b>
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<b>Total Auditor remuneration</b>	<b>54</b>	<b>64</b>
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### 2. Operating lease payments are attributable to:

Sewer Reconstruction	76	71
Computers	5	4
Motor vehicles	150	151
	<b>231</b>	<b>226</b>

# Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(d) Depreciation, amortisation and impairment</b>			
Plant and equipment		316	378
Office equipment		18	15
Furniture and fittings		7	7
Infrastructure:			
– Buildings – non-specialised		676	685
– Buildings – specialised		7	6
– Other structures		497	185
– Roads and bridges		3,360	3,635
– Kerb and gutter		53	53
– Footpaths		33	33
– Stormwater drainage		31	31
– Water supply network		291	421
– Sewerage network		201	392
– Swimming pools		57	55
Other assets			
– Other		22	33
<b>Total gross depreciation and amortisation costs</b>		<b>5,569</b>	<b>5,929</b>
Less: capitalised costs		–	–
<b>Total depreciation and amortisation costs</b>		<b>5,569</b>	<b>5,929</b>
<b>Impairment</b>			
Nil			
<b><u>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</u></b>		<b>5,569</b>	<b>5,929</b>

# Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(e) Other expenses</b>			
Advertising		68	30
Bad and doubtful debts		1	20
Bank charges		11	18
Computer software charges		69	43
Contributions/levies to other levels of government			
– Emergency services levy (includes FRNSW, SES, and RFS levies)		185	148
– NSW fire brigade levy		7	14
Councillor expenses – mayoral fee		26	22
Councillor expenses – councillors' fees		90	89
Councillors' expenses (incl. mayor) – other (excluding fees above)		54	49
Donations, contributions and assistance to other organisations (Section 356)		9	18
Election expenses		23	–
Electricity and heating		190	214
Insurance		263	262
Pit rehabilitation revalued costs		–	47
Postage		17	14
Printing and stationery		39	31
Street lighting		79	40
Subscriptions and publications		51	54
Telephone and communications		52	31
Valuation fees		24	13
Other		88	28
<b><u>TOTAL OTHER EXPENSES</u></b>		<b><u>1,346</u></b>	<b><u>1,185</u></b>

# Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>Plant and equipment</b>			
Proceeds from disposal – plant and equipment		197	72
Less: carrying amount of plant and equipment assets sold/written off		(199)	(50)
<b>Net gain/(loss) on disposal</b>		<b>(2)</b>	<b>22</b>
<b>Infrastructure</b>			
Less: carrying amount of infrastructure assets sold/written off		–	(95)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>(95)</b>
<b>Financial assets *</b>			
Proceeds from disposal/redemptions/maturities – financial assets		–	2,000
Less: carrying amount of financial assets sold/redeemed/matured		–	(1,500)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>500</b>
<b>Other</b>			
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(2)</b>	<b>427</b>
<b>* Financial assets disposals/redemptions include:</b>			
– Net gain/(loss) from financial instruments 'at fair value through profit and loss'		–	500
<b>Net gain/(loss) on disposal of financial instruments</b>		<b>–</b>	<b>500</b>

# Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	2017 Actual Current	2017 Actual Non-current	2016 Actual Current	2016 Actual Non-current
<b>Cash and cash equivalents (Note 6a)</b>					
Cash on hand and at bank		13	–	702	–
Cash-equivalent assets <sup>1</sup>					
– Deposits at call		1,764	–	–	–
– Short-term deposits		5,600	–	4,498	–
<b>Total cash and cash equivalents</b>		<b>7,377</b>	<b>–</b>	<b>5,200</b>	<b>–</b>
<b>Investments (Note 6b)</b>					
– Long term deposits		–	–	500	–
<b>Total investments</b>		<b>–</b>	<b>–</b>	<b>500</b>	<b>–</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>		<b>7,377</b>	<b>–</b>	<b>5,700</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:**

### Cash and cash equivalents

a. 'At fair value through the profit and loss'	<b>7,377</b>	<b>–</b>	<b>5,200</b>	<b>–</b>
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### Investments

a. 'Held to maturity'	–	–	500	–
<b>Investments</b>	<b>–</b>	<b>–</b>	<b>500</b>	<b>–</b>

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

# Notes to the Financial Statements

for the year ended 30 June 2017

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

	2017 Actual Current	2017 Actual Non-current	2016 Actual Current	2016 Actual Non-current
<b>\$ '000</b>				
Total cash, cash equivalents and investments	7,377	–	5,700	–
<b>attributable to:</b>				
External restrictions (refer below)	2,654	–	2,849	–
Internal restrictions (refer below)	4,632	–	2,642	–
Unrestricted	91	–	209	–
	7,377	–	5,700	–

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
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### Details of restrictions

#### External restrictions – included in liabilities

Nil

#### External restrictions – other

Specific purpose unexpended grants	(A)	386	367	(200)	553
Water supplies	(B)	562	263	(214)	611
Sewerage services	(B)	1,740		(444)	1,296
Domestic waste management	(B)	67	77	–	144
Other contributions		94	–	(44)	50
<b>External restrictions – other</b>		2,849	707	(902)	2,654
<b>Total external restrictions</b>		2,849	707	(902)	2,654

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

**B** 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.

# Notes to the Financial Statements

for the year ended 30 June 2017

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

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
<b>Internal restrictions</b>				
Plant and vehicle replacement	276	283	–	559
Infrastructure replacement	656	–	(442)	214
Employees leave entitlement	300	–	(31)	269
Deposits, retentions and bonds	106	–	–	106
Caravan park reserve	108	71	(11)	168
Carry over works	264	729	(263)	730
Euston cemetery	38	–	–	38
Gravel pits rehabilitation	170	75	–	245
Health reserve	3	3	–	6
Hostel bonds	388	–	(275)	111
Hostel reserve	10	–	(10)	–
Market St improvements	20	–	–	20
Other assets replacement	300	–	(14)	286
Town clock	3	–	–	3
Lake Benanee Capital Improvements	–	1	–	1
Theatre Royal Improvements	–	5	–	5
Other	–	1,871	–	1,871
<b>Total internal restrictions</b>	<b>2,642</b>	<b>3,038</b>	<b>(1,046)</b>	<b>4,632</b>
<b>TOTAL RESTRICTIONS</b>	<b>5,491</b>	<b>3,745</b>	<b>(1,948)</b>	<b>7,286</b>

# Notes to the Financial Statements

for the year ended 30 June 2017

## Note 7. Receivables

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
<b>Purpose</b>					
Rates and annual charges		264	–	386	–
User charges and fees		477	–	138	–
Accrued revenues					
– Interest on investments		16	–	20	–
Government grants and subsidies		–	–	245	–
Net GST receivable		17	–	39	–
<b>Total</b>		<b>774</b>	<b>–</b>	<b>828</b>	<b>–</b>
<b>Less: provision for impairment</b>					
Rates and annual charges		(21)	–	(21)	–
User charges and fees		–	–	(1)	–
<b>Total provision for impairment – receivables</b>		<b>(21)</b>	<b>–</b>	<b>(22)</b>	<b>–</b>
<b><u>TOTAL NET RECEIVABLES</u></b>		<b><u>753</u></b>	<b><u>–</u></b>	<b><u>806</u></b>	<b><u>–</u></b>
<b>Externally restricted receivables</b>					
<b>Water supply</b>					
– Rates and availability charges		158	–	171	–
– Other		86	–	107	–
<b>Sewerage services</b>					
– Rates and availability charges		–	–	31	–
– Other		31	–	–	–
<b>Domestic waste management</b>		<b>–</b>	<b>–</b>	<b>26</b>	<b>–</b>
<b>Total external restrictions</b>		<b>275</b>	<b>–</b>	<b>335</b>	<b>–</b>
<b>Internally restricted receivables</b>					
Nil					
<b>Unrestricted receivables</b>		<b>478</b>	<b>–</b>	<b>471</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>		<b>753</b>	<b>–</b>	<b>806</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% (2016 8.50%).  
Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

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

Note 8. Inventories and other assets

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
(a) Inventories					
(i) Inventories at cost					
Stores and materials		53	–	45	–
Trading stock		23	–	25	–
<b>Total inventories at cost</b>		<b>76</b>	<b>–</b>	<b>70</b>	<b>–</b>
(ii) Inventories at net realisable value (NRV)					
Nil					
<b>TOTAL INVENTORIES</b>		<b>76</b>	<b>–</b>	<b>70</b>	<b>–</b>

**(b) Other assets**  
Nil

**Externally restricted assets**

There are no restrictions applicable to the above assets.

**Other disclosures**

**(a) Inventories recognised as an expense for the year included:**

– Stores and materials	180	120
– Trading stock	25	33

**(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.

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

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

Asset class	as at 30/6/2016			Asset movements during the reporting period									as at 30/6/2017		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Other movements (adjustment to opening bal for incorrect revals )	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
<b>\$ '000</b>															
Capital work in progress	552	–	552	202	591	–	–	(474)	–	–	–	–	871	–	871
Plant and equipment	4,838	2,907	1,931	–	587	(240)	(316)	27	–	–	–	–	4,824	2,834	1,990
Office equipment	453	417	36	–	45	(3)	(18)	8	–	–	–	–	408	341	67
Furniture and fittings	216	163	53	–	13	–	(7)	–	–	–	–	–	227	167	60
<b>Land:</b>															
– Operational land	1,456	–	1,456	–	–	–	–	–	22	–	–	–	1,478	–	1,478
– Community land	498	–	498	–	–	–	–	–	–	–	–	–	498	–	498
Land improvements – non-depreciable	568	–	568	58	–	–	–	54	–	–	–	–	680	–	680
<b>Infrastructure:</b>															
– Buildings – non-specialised	26,752	15,254	11,498	109	–	–	(676)	12	–	–	–	–	26,872	15,928	10,944
– Buildings – specialised	304	62	242	–	29	–	(7)	25	–	–	–	–	358	68	290
– Other structures	13,169	5,681	7,488	–	248	–	(497)	95	185	–	–	–	13,778	6,258	7,520
– Roads and bridges	111,010	58,241	52,769	1,405	994	–	(3,360)	171	50	–	–	14,970	91,380	24,381	66,999
– Kerb and gutter	4,778	1,947	2,831	–	43	–	(53)	–	–	–	–	525	5,715	2,370	3,345
– Footpaths	1,658	727	931	–	44	–	(33)	57	–	–	(87)	–	1,620	709	911
– Stormwater drainage	2,482	438	2,044	–	–	–	(31)	–	–	–	(90)	–	2,482	559	1,923
– Water supply network	16,184	9,151	7,033	28	–	–	(291)	–	(33)	9	–	1,331	14,109	6,031	8,078
– Sewerage network	13,516	6,749	6,767	39	–	–	(201)	25	(88)	1	–	639	11,831	4,649	7,182
– Swimming pools	1,480	787	693	–	19	–	(57)	–	–	–	–	–	1,500	847	653
<b>Other assets:</b>															
– Other	805	294	511	–	–	–	(22)	–	(236)	–	–	–	498	245	253
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>200,719</b>	<b>102,818</b>	<b>97,901</b>	<b>1,841</b>	<b>2,613</b>	<b>(243)</b>	<b>(5,569)</b>	<b>–</b>	<b>(100)</b>	<b>10</b>	<b>(177)</b>	<b>17,465</b>	<b>179,129</b>	<b>65,387</b>	<b>113,742</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.

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

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

Class of asset	Actual 2017			Actual 2016		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
<b>Water supply</b>						
WIP	–	–	–	18	–	18
Plant and equipment	255	–	255	–	–	–
Land						
– Operational land	33	–	33	33	–	33
Infrastructure	14,109	6,030	8,079	–	–	–
Other assets	–	–	–	16,151	9,150	7,001
<b>Total water supply</b>	<b>14,397</b>	<b>6,030</b>	<b>8,367</b>	<b>16,202</b>	<b>9,150</b>	<b>7,052</b>
<b>Sewerage services</b>						
WIP	283	–	283	34	–	34
Plant and equipment	122	–	122	–	–	–
Land						
– Operational land	88	–	88	88	–	88
Infrastructure	11,830	4,649	7,181	–	–	–
Other assets	–	–	–	13,428	6,749	6,679
<b>Total sewerage services</b>	<b>12,323</b>	<b>4,649</b>	<b>7,674</b>	<b>13,550</b>	<b>6,749</b>	<b>6,801</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	<b>26,720</b>	<b>10,679</b>	<b>16,041</b>	<b>29,752</b>	<b>15,899</b>	<b>13,853</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.

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

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
<b>Payables</b>					
Goods and services – operating expenditure		632	–	653	–
Goods and services – capital expenditure		214	–	336	–
Accrued expenses:					
– Borrowings		16	–	7	–
– Salaries and wages		–	–	145	3
– Other expenditure accruals		–	2	58	–
Advances		–	–	–	8
Security bonds, deposits and retentions		–	13	3	5
Retirement home contributions		–	111	–	495
<b>Total payables</b>		<b>862</b>	<b>126</b>	<b>1,202</b>	<b>511</b>
<b>Income received in advance</b>					
Payments received in advance		81	–	42	–
<b>Total income received in advance</b>		<b>81</b>	<b>–</b>	<b>42</b>	<b>–</b>
<b>Borrowings</b>					
Loans – secured <sup>1</sup>		257	2,806	241	3,063
<b>Total borrowings</b>		<b>257</b>	<b>2,806</b>	<b>241</b>	<b>3,063</b>
<b>Provisions</b>					
<b>Employee benefits:</b>					
Annual leave		303	–	395	–
Long service leave		430	67	420	90
Sub-total – aggregate employee benefits		733	67	815	90
Asset remediation/restoration (future works)	26	–	170	–	170
<b>Total provisions</b>		<b>733</b>	<b>237</b>	<b>815</b>	<b>260</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>					
		<b>1,933</b>	<b>3,169</b>	<b>2,300</b>	<b>3,834</b>
<b>(i) Liabilities relating to restricted assets</b>					
		2017		2016	
		Current	Non-current	Current	Non-current
<b>Externally restricted assets</b>					
Water		86	891	78	970
Liabilities relating to externally restricted assets		86	891	78	970
<b>Internally restricted assets</b>					
Nil					
<b>Total liabilities relating to restricted assets</b>		86	891	78	970
<b>Total liabilities relating to unrestricted assets</b>		1,847	2,278	2,222	2,864
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>		<b>1,933</b>	<b>3,169</b>	<b>2,300</b>	<b>3,834</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.

# Notes to the Financial Statements

for the year ended 30 June 2017

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

	Actual 2017	Actual 2016
\$ '000		

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

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

Provisions – employees benefits	800	673
Payables – security bonds, deposits and retentions	111	389
	<b>911</b>	<b>1,062</b>

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

Class of provision	2016	2017				Closing balance as at 30/6/17
	Opening balance as at 1/7/16	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	
Annual leave	395	107	(199)	–	–	303
Sick leave	–	112	(112)	–	–	–
Long service leave	510	21	(34)	–	–	497
Asset remediation	170	–	–	–	–	170
<b>TOTAL</b>	<b>1,075</b>	<b>240</b>	<b>(345)</b>	<b>–</b>	<b>–</b>	<b>970</b>

- 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.
- 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.

# Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	7,377	5,700
Less bank overdraft	10	–	–
<b>Balance as per the Statement of Cash Flows</b>		<b>7,377</b>	<b>5,700</b>

## (b) Reconciliation of net operating result to cash provided from operating activities

<b>Net operating result from Income Statement</b>		<b>1,789</b>	<b>(564)</b>
Adjust for non-cash items:			
Depreciation and amortisation		5,569	5,929
Net losses/(gains) on disposal of assets		(2)	(427)
Contribution - Recognition of Assets		400	
<b>+/- Movement in operating assets and liabilities and other cash items:</b>		<b>53</b>	<b>(116)</b>
Decrease/(increase) in receivables		(1)	20
Increase/(decrease) in provision for doubtful debts		(6)	1
Decrease/(increase) in inventories		(28)	(20)
Increase/(decrease) in payables		9	(5)
Increase/(decrease) in accrued interest payable		(249)	54
Increase/(decrease) in other accrued expenses payable		(347)	168
Increase/(decrease) in other liabilities		(105)	9
Increase/(decrease) in employee leave entitlements		–	47
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>6,286</b>	<b>5,096</b>

## (c) Non-cash investing and financing activities

Nil

## (d) Financing arrangements

### (i) Unrestricted access was available at balance date to the following lines of credit:

	20	20
Credit cards/purchase cards	20	20
<b>Total financing arrangements</b>		
<b>Amounts utilised as at balance date:</b>	<b>13</b>	<b>6</b>
– Credit cards/purchase cards	13	6
<b>Total financing arrangements utilised</b>		

### (ii) Secured loan liabilities

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

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2017	Actual 2016
(a) Capital commitments (exclusive of GST)			
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		150	231
Later than one year and not later than 5 years		72	345
Later than 5 years		–	–
<b>Total non-cancellable operating lease commitments</b>		<b>222</b>	<b>576</b>

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

Council currently leases a number of items of heavy equipment.

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

**Conditions relating to operating leases:**

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

(d) Investment property commitments

Nil

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

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

\$ '000	Amounts 2017	Indicator 2017	Prior periods		Benchmark
			2016	2015	
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	975	6.83%	-16.10%	-38.63%	>0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	14,279				
2. Own source operating revenue ratio					
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	4,796	31.89%	34.90%	36.22%	>60.00%
Total continuing operating revenue <sup>(1)</sup>	15,041				
3. Unrestricted current ratio					
Current assets less all external restrictions <sup>(2)</sup>	5,777	6.17x	2.92x	1.95x	>1.5x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	931				
4. Debt service cover ratio					
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	6,747	15.26x	9.77x	5.98x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	442				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	264	10.52%	15.65%	15.45%	< 5% Metro
Rates, annual and extra charges collectible	2,509				<10% Rural
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	7,377	9.41 mths	8.1 mths	5.8 mths	> 3 mths
Payments from cash flow of operating and financing activities	784				

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.

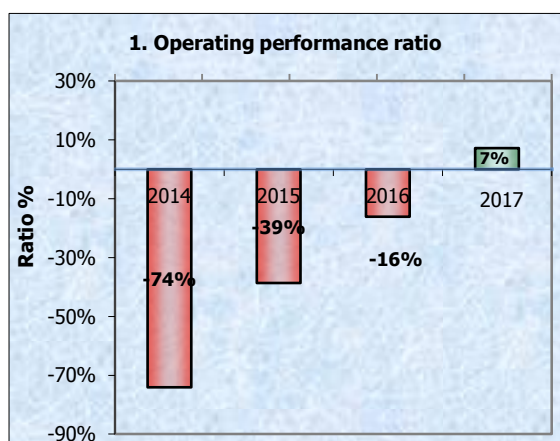
<sup>(3)</sup> Refer to Note 10(a).

<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 2017

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

Benchmark: — Minimum  $\geq 0.00\%$ 

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

**Purpose of operating performance ratio**

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

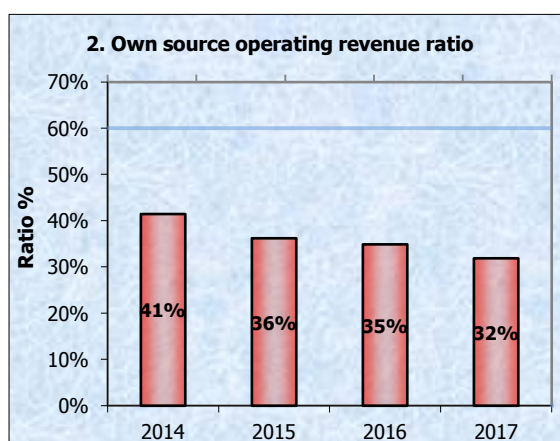
**Commentary on 2016/17 result****2016/17 ratio 6.83%**

There has been some improvement in this ratio from last year due to inclusion of Financial Assistance Grants received in advance of when related expenditure will occur. Council has undertaken a significant revaluation of its road network and associated depreciation which is expected to continue to provide positive results in this ratio from 2017-18.



Ratio achieves benchmark

Ratio is outside benchmark

Benchmark: — Minimum  $\geq 60.00\%$ 

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

**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.

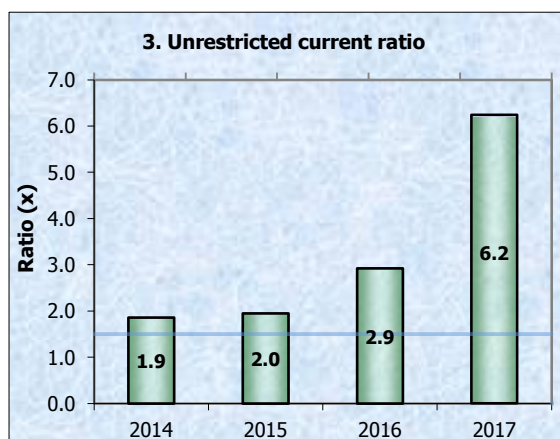
**Commentary on 2016/17 result****2016/17 ratio 31.89%**

Council does not have sufficient income streams excluding grants and contributions to meet this ratio. Council is working on a special rate variation application to address this shortfall.



Ratio achieves benchmark

Ratio is outside benchmark

Benchmark: — Minimum  $\geq 1.50$ 

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

**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 2016/17 result****2016/17 ratio 6.17x**

Council continues to operate above the benchmark for this ratio. The 2016-17 result shows a significant improvement on prior years due to inclusion of Financial Assistance Grants received in advance of when the related expenditure will occur.



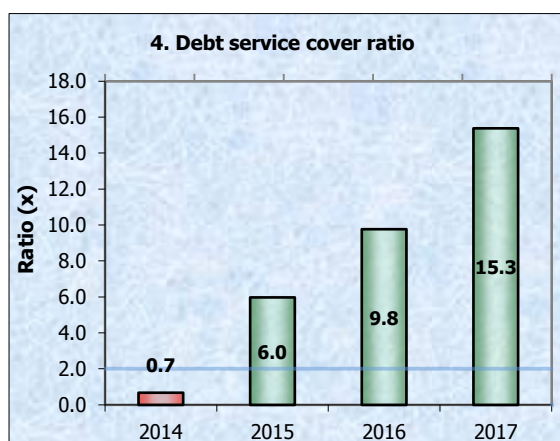
Ratio achieves benchmark

Ratio is outside benchmark

## Balranald Shire Council

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

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

Benchmark: — Minimum  $\geq 2.00$ 

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

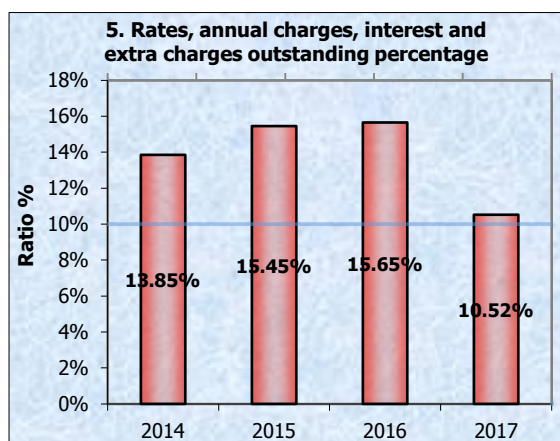
**Purpose of debt service cover ratio**

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

**Commentary on 2016/17 result****2016/17 ratio 15.26x**

The value of outstanding loans has continued to decrease over the 2016/17 year as repayments are made as and when they fall due. Council has not entered into any new loan agreements during this period.

Ratio achieves benchmark  
 Ratio is outside benchmark

Benchmark: — Maximum  $< 10.00\%$ 

Source for Benchmark: Code of Accounting Practice and Financial Reporting #25

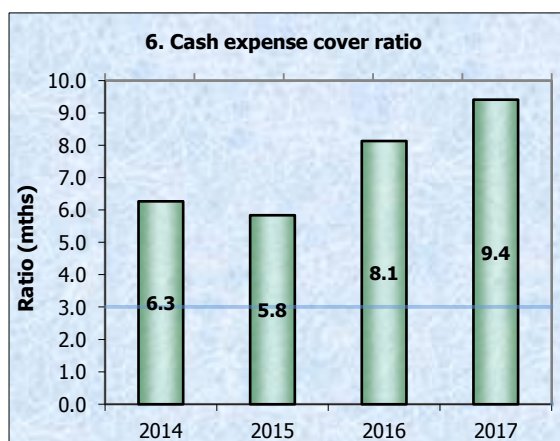
**Purpose of rates and annual charges outstanding ratio**

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

**Commentary on 2016/17 result****2016/17 ratio 10.52%**

Council has approved new policies in relation to collection of outstanding rates and annual charges, which combined with improved collection procedures has resulted in a significant improvement in this ratio.

Ratio is within Benchmark  
 Ratio is outside Benchmark

Benchmark: — Minimum  $\geq 3.00$ 

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

**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 2016/17 result****2016/17 ratio 9.41 mths**

This ratio has improved from previous financial years due to receipt of part of Council's future years Financial Assistance Grant in advance.

Ratio achieves benchmark  
 Ratio is outside benchmark

## Balranald Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	General indicators <sup>5</sup>		Water indicators		Sewer indicators		Benchmark
	2017	2016	2017	2016	2017	2016	
Local government industry indicators – by fund							
1. Operating performance ratio							
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions							
less operating expenses							
<hr/>							
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	7.82%	-16.42%	8.75%	8.81%	-36.83%	-91.08%	>0.00%
2. Own source operating revenue ratio							
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions							
<hr/>							
Total continuing operating revenue <sup>(1)</sup>	25.32%	26.69%	99.30%	99.37%	98.20%	97.85%	>60.00%
3. Unrestricted current ratio							
Current assets less all external restrictions <sup>(2)</sup>							
<hr/>							
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	6.17x	2.92x	9.94x	10.77x	No liabilities	No liabilities	>1.5x

#### 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 2017

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

\$ '000	General indicators <sup>5</sup>		Water indicators		Sewer indicators		Benchmark
	2017	2016	2017	2016	2017	2016	
Local government industry indicators – by fund (continued)							
4. Debt service cover ratio							
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	19.92x	12.07x	3.36x	4.13x	0.00x	0.00x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	4.79%	9.26%	33.19%	37.42%	0.00%	12.50%	< 5% Metro <10% Rural
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	9.34	7.99	0.00	0.00	0.00	0.00	> 3 months
Payments from cash flow of operating and financing activities	months	months	months	months	months	months	

## Notes

<sup>(1)</sup> Refer to Notes at Note 13a(i) above.<sup>(5)</sup> 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 2017

#### 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	
	2017	2016	2017	2016
<b>Financial assets</b>				
Cash and cash equivalents	7,377	5,200	7,377	5,200
Investments				
– 'Held to maturity'	–	500	–	500
Receivables	753	806	753	–
<b>Total financial assets</b>	<b>8,130</b>	<b>6,506</b>	<b>8,130</b>	<b>5,700</b>
<b>Financial liabilities</b>				
Payables	988	1,713	988	–
Loans/advances	3,063	3,304	3,063	–
<b>Total financial liabilities</b>	<b>4,051</b>	<b>5,017</b>	<b>4,051</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 2017

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

\$ '000

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

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

Council has an investment policy which complies with the *Local Government Act 1993* and Minister's investment order. This policy is regularly reviewed by Council and 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 these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

Council also seeks advice from independent advisers before placing any funds in cash equivalents and investments.

#### (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>2017</b>				
Possible impact of a 1% movement in interest rates	70	70	(70)	(70)
<b>2016</b>				
Possible impact of a 1% movement in interest rates	51	51	(51)	(51)

# Balranald Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000

#### (b) Credit risk

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

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

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

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

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

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

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:

		2017	2017	2016	2016
		Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
<b>(i) Ageing of receivables – %</b>					
Current (not yet overdue)		56%	76%	0%	69%
Overdue		44%	24%	100%	31%
		<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>(ii) Ageing of receivables – value</b>					
<b>Rates and annual charges</b>	<b>Other receivables</b>	<b>Rates and annual charges</b>	<b>Other receivables</b>	<b>Rates and annual charges</b>	<b>Other receivables</b>
Current	Current	148	328	62	380
< 1 year overdue	0 – 30 days overdue	47	102	188	–
1 – 2 years overdue	31 – 60 days overdue	38	33	65	6
2 – 5 years overdue	61 – 90 days overdue	18	27	63	56
> 5 years overdue	> 91 days overdue	13	–	8	–
		<b>264</b>	<b>490</b>	<b>386</b>	<b>442</b>
<b>(iii) Movement in provision for impairment of receivables</b>				2017	2016
Balance at the beginning of the year				22	2
+ new provisions recognised during the year				–	20
– amounts already provided for and written off this year				(1)	–
<b>Balance at the end of the year</b>				<b>21</b>	<b>22</b>

# Balranald Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000

#### (c) Liquidity risk

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

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

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		
2017									
Trade/other payables	988	–	–	–	–	–	–	13	988
Loans and advances	–	461	491	474	505	487	886	3,304	3,063
Total financial liabilities	988	461	491	474	505	487	886	3,317	4,051
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

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:

	2017		2016	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	988	0.00%	1,713	0.00%
Loans and advances – fixed interest rate	3,063	6.50%	3,304	6.50%
	<u>4,051</u>		<u>5,017</u>	

#### Loan agreement breaches

Nil

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 16. Material budget variations

\$ '000

Council's original financial budget for 16/17 was adopted by the Council on 23/06/2016.

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

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

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

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

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

\$ '000	2017 Budget	2017 Actual	2017 Variance*		
<b>REVENUES</b>					
Rates and annual charges	2,185	2,129	(56)	(3%)	<b>U</b>
User charges and fees	1,470	1,639	169	11%	<b>F</b>
The increase in user charges and fees is due to receipt of unbudgeted revenue from Council's commercial waste management, and also a higher than anticipated increase in water usage charges; higher than budgeted planning fees and reimbursement of Fire Services expenditure, offset by lower than budgeted variations in other user fees and charges.					
Interest and investment revenue	113	123	10	9%	<b>F</b>
Other revenues	1,381	905	(476)	(34%)	<b>U</b>
The reduction in other revenue reflects lower than anticipated income associated with Council's aged care facility and also lower than anticipated reimbursements, offset by a reduction in budgeted materials and contracts.					
Operating grants and contributions	4,071	6,194	2,123	52%	<b>F</b>
Council received Financial Assistance Grant funding in advance, in addition to higher than budgeted Financial Assistance Grants related to the 2016-17 financial year.					
Capital grants and contributions	2,760	3,651	891	32%	<b>F</b>
Council received unbudgeted grant funding from NSW Government to assist with infrastructure work following recent flood damage (\$500K), in addition to higher than anticipated Roads to Recovery funding (\$300k).					
Net gains from disposal of assets	189	-	(189)	(100)%	<b>U</b>
This unfavourable variance reflects the difference between budgeted figures prepared on a guess basis and actual net figures.					

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

Note 16. Material budget variations (continued)

\$ '000	2017 Budget	2017 Actual	2017 ----- Variance* -----		
<b>EXPENSES</b>					
Employee benefits and on-costs	3,959	4,233	(274)	(7%)	U
Borrowing costs	193	201	(8)	(4%)	U
Materials and contracts	1,689	1,953	(264)	(16%)	U
This unfavourable variance reflects lower than anticipated expenditures on hazard reduction projects, offset by a reduction in revenues for this purpose; and lower than anticipated, expenditure on road maintenance projects.					
Depreciation and amortisation	5,475	5,569	(94)	(2%)	U
Other expenses	1,523	1,346	177	12%	F
The favourable variance for this category reflects an underspend in some expenditure line items which has been offset by overspends in others. There is no significant expenditure item that has given rise to this variance.					

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

Cash flows from operating activities	1,978	6,286	4,308	217.8%	F
Cash flows from investing activities	(4,303)	(4,368)	(65)	1.5%	U
Cash flows from financing activities	(241)	(241)	–	0.0%	F

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 17. Statement of Developer Contributions

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\$ '000

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Council currently has no S94 Developer Contribution Plans or S94 Funds on hand from prior years.

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

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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 its 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.

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

## Notes to the Financial Statements

for the year ended 30 June 2017

### 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.

###### (ii) Sale of Caltex Service Station Land and Buildings

Council has a contingent liability in relation to the sale of the above. Council has agreed that, as part of the sales finalisation process, it will contribute towards the cost of the purchaser's legal fees and Caltex's costs for non-fixed assets. This contingent liability is expected to be in the order of \$150,000.

#### 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.

# Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Retained earnings</b>			
<b>Movements in retained earnings were as follows:</b>			
Balance at beginning of year (from previous years audited accounts)		44,302	44,866
a. Correction of prior period errors	20 (c)	—	—
b. Net operating result for the year		1,737	(564)
<b>Balance at end of the reporting period</b>		<b>46,039</b>	<b>44,302</b>

## (b) Revaluation reserves

### (i) Reserves are represented by:

– Infrastructure, property, plant and equipment revaluation reserve	71,567	54,279
<b>Total</b>	<b>71,567</b>	<b>54,279</b>

### (ii) Reconciliation of movements in reserves:

<b>Infrastructure, property, plant and equipment revaluation reserve</b>			
– Opening balance		54,279	53,108
– Revaluations for the year	9(a)	17,288	1,540
– Correction of prior period errors	20(c)	—	(369)
<b>– Balance at end of year</b>		<b>71,567</b>	<b>54,279</b>
<b>TOTAL VALUE OF RESERVES</b>		<b>71,567</b>	<b>54,279</b>

### (iii) Nature and purpose of reserves

#### Infrastructure, property, plant and equipment revaluation reserve

- The infrastructure, property, plant and equipment revaluation reserve is used to record increments/decrements of non-current asset values due to their revaluation.

# Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(c) Correction of error/s relating to a previous reporting period</b>			
<b>Correction of errors as disclosed in last 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>In accordance with AASB 108 – Accounting Policies, Changes in Accounting Estimates and Errors, the above prior period errors have been recognised retrospectively.</b>			
<b>These amounted to the following equity adjustments:</b>			
– Adjustments to opening equity – 1/7/15 (relating to adjustments for the 30/6/15 reporting year end and prior periods)		–	–
– Adjustments to closing equity – 30/6/16 (relating to adjustments for the 30/6/16 year end. Adjustment for estimated change to asset values not released)			(369)
			<b>(369)</b>
<b>Total prior period adjustments – prior period errors</b>			

## (d) Voluntary changes in accounting policies

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 2017

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

Income Statement by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
<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	476	259	1,394
User charges and fees	462	7	1,170
Interest and investment revenue	17	42	64
Other revenues	44	20	841
Grants and contributions provided for operating purposes	7	6	9,470
Grants and contributions provided for capital purposes	—	—	762
<b>Other income</b>			
Net gains from disposal of assets	—	—	(2)
Share of interests in joint ventures and associates using the equity method	—	—	—
<b>Total income from continuing operations</b>	<b>1,006</b>	<b>334</b>	<b>13,699</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	156	47	4,030
Borrowing costs	63	—	138
Materials and contracts	291	94	1,568
Depreciation and amortisation	291	201	5,077
Impairment	—	—	—
Other expenses	117	115	1,114
<b>Total expenses from continuing operations</b>	<b>918</b>	<b>457</b>	<b>11,927</b>
<b>Operating result from continuing operations</b>	<b>88</b>	<b>(123)</b>	<b>1,772</b>
<b>Discontinued operations</b>			
Net profit/(loss) from discontinued operations	—	—	—
<b>Net operating result for the year</b>	<b>88</b>	<b>(123)</b>	<b>1,772</b>
<b>Net operating result attributable to each council fund</b>	<b>88</b>	<b>(123)</b>	<b>1,772</b>
<b>Net operating result attributable to non-controlling interests</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>88</b>	<b>(123)</b>	<b>(1,010)</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.

# Notes to the Financial Statements

as at 30 June 2017

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

Statement of Financial Position by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
<b>ASSETS</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Current assets</b>			
Cash and cash equivalents	611	1,296	5,470
Investments			
Receivables	244	31	478
Inventories	–	–	76
Other			500
<b>Total current assets</b>	<b>855</b>	<b>1,327</b>	<b>6,524</b>
<b>Non-current assets</b>			
Investments	–	–	–
Receivables	–	–	–
Inventories	–	–	–
Infrastructure, property, plant and equipment	8,368	7,676	97,698
Investments accounted for using the equity method	–	–	–
Intangible assets	–	–	260
<b>Total non-current assets</b>	<b>8,368</b>	<b>7,676</b>	<b>97,958</b>
<b>TOTAL ASSETS</b>	<b>9,223</b>	<b>9,003</b>	<b>104,482</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	6	–	856
Income received in advance	–	–	81
Borrowings	80	–	177
Provisions	–	–	733
<b>Total current liabilities</b>	<b>86</b>	<b>–</b>	<b>1,847</b>
<b>Non-current liabilities</b>			
Payables	–	–	126
Borrowings	891	–	1,915
Provisions	–	–	237
<b>Total non-current liabilities</b>	<b>891</b>	<b>–</b>	<b>2,278</b>
<b>TOTAL LIABILITIES</b>	<b>977</b>	<b>–</b>	<b>4,125</b>
<b>Net assets</b>	<b>8,246</b>	<b>9,003</b>	<b>100,357</b>
<b>EQUITY</b>			
Retained earnings	2,972	2,878	40,190
Revaluation reserves	5,274	6,125	60,167
<b>Total equity</b>	<b>8,246</b>	<b>9,003</b>	<b>100,357</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.

## Notes to the Financial Statements

for the year ended 30 June 2017

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

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\$ '000

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\$'000	2017 Current	2017 Non-current	2016 Current	2016 Non-Current
Land and buildings (Caltex Service Station)	500	-	-	-

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

Events that occur between the end of the reporting period (30 June 2017) and the date when the financial statements are 'authorised for issue' have been taken into account in preparing these statements.

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

Accordingly, the 'authorised for issue' date is 31/10/17.

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

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

These financial statements (and the figures therein) incorporate all 'adjusting events' that provided evidence of conditions that existed at 30 June 2017.

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

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 30 June 2017 and which are only indicative of conditions that arose after 30 June 2017.

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

### Note 24. Discontinued operations

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

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

Note 25. Intangible assets

	Actual 2017	Actual 2016
<b>\$ '000</b>		
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>

# Notes to the Financial Statements

for the year ended 30 June 2017

## Note 26. Reinstatement, rehabilitation and restoration liabilities

\$ '000

Asset/operation	Estimated year of restoration	NPV of provision	
		2017	2016
Gravel Pits (x46)		170	170
Balance at end of the reporting period	10(a)	<u>170</u>	<u>170</u>

Council has a legal obligation to rehabilitate a number of gravel pits within its Shire. The exact number of gravel pits requiring rehabilitation and extent of work required is still being assessed and the costs of this cannot reliably be estimated at this time. Council has initially recognised a liability of \$170,000 to meet this obligation and has continued to include funds in its annual budget to undertake ongoing work. Unexpended funds at year end provided for this purpose are internally restricted. Council believes this is a prudent approach to meet what is an emerging cost pressure.

### Reconciliation of movement in provision for year:

Balance at beginning of year	170	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>	<b><u>170</u></b>	<b><u>170</u></b>

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

#### 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.

# Notes to the Financial Statements

for the year ended 30 June 2017

## Note 27. Fair value measurement

\$ '000

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

– Infrastructure, property, plant and equipment

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 measurement hierarchy				
	Level 1	Level 2	Level 3	Total
	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
Recurring fair value measurements				
Infrastructure, property, plant and equipment				
WIP	—	—	871	—
Plant and equipment	—	—	1,990	—
Office equipment	—	—	67	—
Furniture and fittings	—	—	60	—
Land – operational	—	—	1,478	—
Land community	—	—	498	—
Land improvements	—	—	680	—
Buildings specialised	—	—	290	—
Buildings non – specialised	—	—	10,944	—
Other structures	—	—	7,520	—
Roads and bridges	—	—	66,999	—
Kerb and channels	—	—	3,345	—
Footpaths	—	—	911	—
Stormwater drainage	—	—	1,923	—
Water supply network	—	—	8,078	—
Sewerage network	—	—	7,182	—
Swimming pools	—	—	653	—
Other	—	—	253	—
Total infrastructure, property, plant and equipment	—	—	113,742	—

# Notes to the Financial Statements

for the year ended 30 June 2017

## Note 27. Fair value measurement (continued)

\$ '000

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

		Fair value measurement hierarchy			
2016		Level 1	Level 2	Level 3	Total
	Date of latest valuation	Quoted prices in active mkt	Significant observable inputs	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	—	—	1,356	1,356
Land community	30/06/16	—	—	498	498
Land improvements	dd/mm/yy	—	—	568	568
Buildings specialised	30/06/14	—	—	242	242
Buildings non – specialised	30/06/14	—	—	11,098	11,098
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		—	—	97,401	97,901

## (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.

### Notes to the Financial Statements

for the year ended 30 June 2017

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

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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:

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##### **Infrastructure, Property, Plant & 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 has been no change to the valuation process during the reporting period.

###### **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.

###### **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

## Notes to the Financial Statements

for the year ended 30 June 2017

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

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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 had been no change to the valuation process during the reporting period.

#### **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 had been no change to the valuation process during the reporting period.

#### **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 2017. 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. From field observations taken during this revaluation most of the unsealed road network has been reclassified from a formed and paved road asset to a formed only road asset. Further, the useful life of formations was changed to better align with the useful lives of formations by neighbouring Councils. No market based evidence (level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class.

Apart from reclassifying certain components of the road network, there had been no change to the valuation process during the reporting period.

## Notes to the Financial Statements

for the year ended 30 June 2017

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

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#### **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. All Water Supply Network Assets were valued by Brian Ebery, Consulting Engineer, Mitchell St Swan Hill with effective date 30 June 2017. This valuation is based on inventory information provided by Council validated by onsite inspections and CCTV data. These assets have been valued with an updated unit rate from the 2017 NSW reference rates manual for the valuation of water supply, sewerage and stormwater assets, The Institute of Public Works Engineering Australia, The Australian Infrastructure Financial Management, guidelines and practice notes, and estimates and rates obtained in a competitive market. 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.

For the year ending 30 June 2017, the only change to the valuation process has been to utilise CCTV internal inspection to ascertain a more accurate measure of asset deterioration and remaining useful life. There has been no other change to the valuation process during the reporting period.

#### **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. All Sewerage Network Assets were valued by Brian Ebery, Consulting Engineer, Mitchell St Swan Hill with effective date 30 June 2017. This valuation is based on inventory information provided by Council validated by onsite inspections and CCTV data. These assets have been valued with an updated unit rate from the 2017 NSW reference rates manual for the valuation of water supply, sewerage and stormwater assets, The Institute of Public Works Engineering Australia, The Australian Infrastructure Financial Management, guidelines and practice notes, and estimates and rates obtained in a competitive market. 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.

For the year ending 30 June 2017, the only change to the valuation process has been to utilise CCTV internal inspection to ascertain a more accurate measure of asset deterioration and remaining useful life. There has been no other change to the valuation process during the reporting period.

## Notes to the Financial Statements

for the year ended 30 June 2017

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

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

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

# Notes to the Financial Statements

for the year ended 30 June 2017

## Note 27. Fair value measurement (continued)

\$ '000

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

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

	Plant and Equipment	Office equipment	Furniture and fittings	Operational land	Total
<b>Opening balance – 1/7/15</b>	2,135	39	60	890	3,124
Transfers from/(to) another asset class	–	–	–	566	566
Purchases (GBV)	224	12	–	–	236
Disposals (WDV)	(50)	–	–	–	(50)
Depreciation and impairment	(378)	(15)	(7)	–	(400)
Transfer to assets held for sale	–	–	–	(100)	(100)
<b>Closing balance – 30/6/16</b>	<b>1,931</b>	<b>36</b>	<b>53</b>	<b>1,356</b>	<b>3,376</b>
Transfers from/(to) another asset class	–	–	–	–	–
Purchases (GBV)	–	–	–	–	–
Disposals (WDV)	–	–	–	–	–
Depreciation and impairment	–	–	–	–	–
<b>Closing balance – 30/6/17</b>	<b>1,931</b>	<b>36</b>	<b>53</b>	<b>1,356</b>	<b>3,376</b>

	Community land	Land Improvements	Buildings non specialised	Buildings specialised	Total
<b>Opening balance – 1/7/15</b>	1,046	568	11,886	248	13,748
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>
Transfers from/(to) another asset class	–	–	–	–	–
Purchases (GBV)	–	–	–	–	–
Disposals (WDV)	–	–	–	–	–
Depreciation and impairment	–	–	–	–	–
Revaluations	–	–	–	–	–
<b>Closing balance – 30/6/17</b>	<b>498</b>	<b>568</b>	<b>11,498</b>	<b>242</b>	<b>12,806</b>

# Notes to the Financial Statements

for the year ended 30 June 2017

## Note 27. Fair value measurement (continued)

\$ '000

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

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

	Other structures	Roads and gutter	Kerb	Footpaths	Total
<b>Opening balance – 1/7/15</b>	6,238	53,058	2,884	927	63,107
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>
Purchases (GBV)	–	–	–	–	–
Disposals (WDV)	–	–	–	–	–
Depreciation and impairment	–	–	–	–	–
Revaluations	–	–	–	–	–
<b>Closing balance – 30/6/17</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 – 1/7/15</b>	2,075	7,244	6,968	740	17,027
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>
Purchases (GBV)	–	–	–	–	–
Disposals (WDV)	–	–	–	–	–
Depreciation and impairment	–	–	–	–	–
Adjustments and transfers	–	–	–	–	–
Revaluations	–	–	–	–	–
<b>Closing balance – 30/6/17</b>	<b>2,044</b>	<b>7,033</b>	<b>6,767</b>	<b>693</b>	<b>16,537</b>

### (5). Highest and best use

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

## Balranald Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 28. Related party disclosures

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\$ '000

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##### a. Key management personnel

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

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

	Actual
Compensation:	2017
Short-term benefits	606
Post-employment benefits	—
Other long-term benefits	—
Termination benefits	—
Total	<u>606</u>

##### b. Other transactions with KMP and their related parties

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

##### c. Other related party transactions

Nil

Notes to the Financial Statements  
as at 30 June 2017

Note 29. Segment reporting

\$ '000	Notes	Actual 2017	Actual 2016
<b>Residential Aged Care: Bidgee Haven Hostel</b>			
<b>INCOME STATEMENT</b>			
<b>Income from Continuing Operations</b>			
Residential Fees		259	239
Respite Care Subsidies		439	657
Entry Contributions (Retention Only)		9	
Interest on entry Contributions		7	
Inventories			
Other		1	26
<b>Total Income from Continuing Operations</b>		<b>716</b>	<b>922</b>
<b>Expenses from Continuing Operations</b>			
Employee Costs		829	955
Consultancy Costs		115	2
Care and Catering Costs		56	47
Cleaning and Laundry Expenses		10	14
Administration Cost		100	100
Repairs and Maintenance		62	30
Insurance		15	14
Utilities Costs		36	27
General Expenses		12	16
Depreciation		68	60
Other		-	-
<b>Total Expenses from Continuing Operations</b>		<b>1,304</b>	<b>1,366</b>
<b>OPERATING RESULT FROM CONTINUING OPERATIONS</b>		<b>(588)</b>	<b>(444)</b>
<b>NET OPERATING RESULT FOR THE YEAR</b>		<b>(588)</b>	<b>(444)</b>

Note 29. Segment reporting  
Residential Aged Care: Bidgee Haven Hostel  
Statement of Financial Position 30 June 2017

\$ '000	Actual 2017	Actual 2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	—	
Investments	111	389
Non-current assets classified as 'held for sale'	—	—
<b>Total current assets</b>	<b>111</b>	<b>389</b>
<b>Non-current assets</b>		
Office Equipment	30	7
Plant and Equipment		
Furniture and Fittings	13	11
Buildings	1,090	1,143
Intangible assets	260	260
<b>Total non-current assets</b>	<b>1,396</b>	<b>1,421</b>
<b>TOTAL ASSETS</b>	<b>1,507</b>	<b>1,810</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Provisions	34	74
Subsidy from Council	634	29
<b>Total current liabilities</b>	<b>668</b>	<b>103</b>
<b>Non-current liabilities</b>		
Provisions	5	7
Hostel Bonds	111	389
<b>Total non-current liabilities</b>	<b>116</b>	<b>396</b>
<b>TOTAL LIABILITIES</b>	<b>784</b>	<b>499</b>
<b>Net assets</b>	<b>723</b>	<b>1,311</b>
<b>EQUITY</b>		
Retained earnings B/FWD	757	1,323
Adjustment to Retained earnings B/FWD due to accounting error		(122)
Revaluation reserves	554	554
Operating result for year	(588)	(444)
Non-controlling equity interests	—	—
<b>Total equity</b>	<b>723</b>	<b>1,311</b>



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### Balranald Shire Council

To the Councillors of the Balranald Shire Council

### Opinion

I have audited the accompanying financial statements of Balranald Shire Council (the Council), which comprise the statement of financial position as at 30 June 2017, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

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

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

### Basis for Opinion

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

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

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

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

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

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

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

### **Other Matter**

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on those financial statements on 4 November 2016.

### **The Councillors' Responsibility for the Financial Statements**

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

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

### **Auditor's Responsibility for the Audit of the Financial Statements**

My objectives are to:

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

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

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

My opinion does *not* provide assurance:

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

A handwritten signature in blue ink, reading "Karen Taylor". The signature is fluid and cursive, with the first name "Karen" and last name "Taylor" clearly distinguishable.

Karen Taylor  
Director, Financial Audit Services

31 October 2017  
SYDNEY

# Balranald Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

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



## Special Purpose Financial Statements

for the year ended 30 June 2017

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Income Statement – Sewerage Business Activity	4
Income Statement – 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).
-

**Special Purpose Financial Statements**  
for the year ended 30 June 2017

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

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

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

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

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

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

**Signed in accordance with a resolution of Council made on 21 September 2017.**



Cr Leigh Byron  
Mayor



Cr Jeff Mannix  
Councillor



Aaron Drenovski  
General Manager



Charmaine Murfet  
Responsible accounting officer

# Balranald Shire Council

## Income Statement of Council's Water Supply Business Activity for the year ended 30 June 2017

\$ '000	Actual 2017	Actual 2016
<b>Income from continuing operations</b>		
Access charges	476	457
User charges	462	637
Fees	—	—
Interest	17	5
Grants and contributions provided for non-capital purposes	7	7
Profit from the sale of assets	—	—
Share of profit from equity accounted investment	—	—
Other income	44	7
<b>Total income from continuing operations</b>	<b>1,006</b>	<b>1,113</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	156	150
Borrowing costs	63	47
Materials and contracts	291	280
Depreciation, amortisation and impairment	291	421
Water purchase charges	11	15
Calculated taxation equivalents	—	—
Other expenses	106	102
<b>Total expenses from continuing operations</b>	<b>918</b>	<b>1,015</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>88</b>	<b>98</b>
Grants and contributions provided for capital purposes	—	—
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>88</b>	<b>98</b>
Surplus (deficit) from discontinued operations	—	—
<b>Surplus (deficit) from all operations before tax</b>	<b>88</b>	<b>98</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(26)	(29)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>62</b>	<b>69</b>
Plus opening retained profits	2,521	2,423
Plus/less: prior period adjustments	—	—
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	—	—
– Debt guarantee fees	—	—
– Corporate taxation equivalent	26	29
Less:		
– Tax equivalent dividend paid	—	—
– Surplus dividend paid	—	—
<b>Closing retained profits</b>	<b>2,609</b>	<b>2,521</b>
<b>Return on capital %</b>	<b>1.8%</b>	<b>2.1%</b>
<b>Subsidy from Council</b>	<b>48</b>	<b>8</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	62	69
Less: capital grants and contributions (excluding developer contributions)	—	—
<b>Surplus for dividend calculation purposes</b>	<b>62</b>	<b>69</b>
<b>Potential dividend calculated from surplus</b>	<b>31</b>	<b>34</b>

# Balranald Shire Council

## Income Statement of Council's Sewerage Business Activity for the year ended 30 June 2017

\$ '000	Actual 2017	Actual 2016
<b>Income from continuing operations</b>		
Access charges	259	248
User charges	6	27
Liquid trade waste charges	—	—
Fees	1	—
Interest	42	43
Grants and contributions provided for non-capital purposes	6	7
Profit from the sale of assets	—	—
Share of profit from equity accounted investment	—	—
Other income	20	—
<b>Total income from continuing operations</b>	<b>334</b>	<b>325</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	47	46
Borrowing costs	—	—
Materials and contracts	94	141
Depreciation, amortisation and impairment	201	392
Calculated taxation equivalents	—	—
Other expenses	115	42
<b>Total expenses from continuing operations</b>	<b>457</b>	<b>621</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(123)</b>	<b>(296)</b>
Grants and contributions provided for capital purposes	—	—
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(123)</b>	<b>(296)</b>
Surplus (deficit) from discontinued operations	—	—
<b>Surplus (deficit) from all operations before tax</b>	<b>(123)</b>	<b>(296)</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	—	—
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(123)</b>	<b>(296)</b>
Plus opening retained profits	2,758	3,054
Plus/less: prior period adjustments	—	—
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	—	—
– Debt guarantee fees	—	—
– Corporate taxation equivalent	—	—
Less:		
– Tax equivalent dividend paid	—	—
– Surplus dividend paid	—	—
<b>Closing retained profits</b>	<b>2,635</b>	<b>2,758</b>
<b>Return on capital %</b>	<b>-1.6%</b>	<b>-4.4%</b>
<b>Subsidy from Council</b>	<b>306</b>	<b>444</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	(123)	(296)
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>

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

\$ '000	Actual 2017	Actual 2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	11	62
Investments	600	500
Receivables	242	278
Inventories	–	–
Other	2	–
Non-current assets classified as held for sale	–	–
<b>Total current assets</b>	<b>855</b>	<b>840</b>
<b>Non-current assets</b>		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	8,368	7,052
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
<b>Total non-current assets</b>	<b>8,368</b>	<b>7,052</b>
<b>TOTAL ASSETS</b>	<b>9,223</b>	<b>7,892</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank overdraft	–	–
Payables	6	3
Income received in advance	–	–
Borrowings	80	75
Provisions	–	–
<b>Total current liabilities</b>	<b>86</b>	<b>78</b>
<b>Non-current liabilities</b>		
Payables	–	–
Borrowings	891	970
Provisions	–	–
<b>Total non-current liabilities</b>	<b>891</b>	<b>970</b>
<b>TOTAL LIABILITIES</b>	<b>977</b>	<b>1,048</b>
<b>NET ASSETS</b>	<b>8,246</b>	<b>6,844</b>
<b>EQUITY</b>		
Retained earnings	2,972	2,521
Revaluation reserves	5,274	4,323
Other reserves	–	–
Council equity interest	8,246	6,844
Non-controlling equity interest	–	–
<b>TOTAL EQUITY</b>	<b>8,246</b>	<b>6,844</b>

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

\$ '000	Actual 2017	Actual 2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	46	40
Investments	1,250	1,700
Receivables	27	31
Inventories	–	–
Other	4	–
Non-current assets classified as held for sale	–	–
<b>Total current Assets</b>	<b>1,327</b>	<b>1,771</b>
<b>Non-current assets</b>		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	7,676	6,801
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
<b>Total non-current assets</b>	<b>7,676</b>	<b>6,801</b>
<b>TOTAL ASSETS</b>	<b>9,003</b>	<b>8,572</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank overdraft	–	–
Payables	–	–
Income received in advance	–	–
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>9,003</b>	<b>8,572</b>
<b>EQUITY</b>		
Retained earnings	2,877	2,758
Revaluation reserves	6,126	5,814
Other reserves	–	–
Council equity interest	9,003	8,572
Non-controlling equity interest	–	–
<b>TOTAL EQUITY</b>	<b>9,003</b>	<b>8,572</b>

## Special Purpose Financial Statements

for the year ended 30 June 2017

### Contents of the notes accompanying the financial statements

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

### Note 1. Summary of significant accounting policies

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

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

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

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

#### National Competition Policy

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

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

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

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

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

#### Declared business activities

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

##### Category 1

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

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, except for 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.

#### (i) Taxation-equivalent charges

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

However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-

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

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

---

nominated business activities and are reflected in Special Purpose Financial Statements.

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

#### Notional rate applied (%)

##### Corporate income tax rate – 30%

Land tax – the first **\$549,000** of combined land values attracts **0%**. For the combined land values in excess of \$549,001 up to \$3,357,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$3,357,000 a premium marginal rate of **2.0%** applies.

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

In accordance with the Department of Primary Industries Water (DPIW), a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

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

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

#### Income tax

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

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

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

provision equivalent to the corporate income tax rate, currently 30%..

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

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

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

#### Local government rates and charges

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

#### Loan and debt guarantee fees

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

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

#### (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

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

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

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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.

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 DPIW.

#### (iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

**Operating result before capital income + interest expense**

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**Written down value of I,PP&E as at 30 June**

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.38% at 30/6/17.

#### (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 2017 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

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

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

2017

**1. Calculation and payment of tax-equivalents**

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

(i)	Calculated tax equivalents	<input type="text" value="–"/>
(ii)	Number of assessments multiplied by \$3/assessment	<input type="text" value="2,805"/>
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	<input type="text" value="–"/>
(iv)	Amounts actually paid for tax equivalents	<input type="text" value="–"/>

**2. Dividend from surplus**

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	<input type="text" value="30,800"/>
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	<input type="text" value="–"/>
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	<input type="text" value="289,800"/>

2017 Surplus	<input type="text" value="61,600"/>	2016 Surplus	<input type="text" value="68,600"/>	2015 Surplus	<input type="text" value="159,600"/>
		2016 Dividend	<input type="text" value="–"/>	2015 Dividend	<input type="text" value="–"/>

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	<input type="text" value="–"/>
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	<input type="text" value="–"/>
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? <sup>a</sup>	<input type="text" value="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)	<input type="text" value="NO"/>
(ii)	Full cost recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	<input type="text" value="YES"/>
	– Complying charges [item 2 (b) in table 1]	<input type="text" value="NO"/>
	– DSP with commercial developer charges [item 2 (e) in table 1]	<input type="text" value="NO"/>
	– If dual water supplies, complying charges [item 2 (g) in table 1]	<input type="text" value="NO"/>
(iii)	Sound water conservation and demand management implemented	<input type="text" value="YES"/>
(iv)	Sound drought management implemented	<input type="text" value="YES"/>
(v)	Complete performance reporting form (by 15 September each year)	<input type="text" value="NO"/>
(vi)	a. Integrated water cycle management evaluation	<input type="text" value="NO"/>
	b. Complete and implement integrated water cycle management strategy	<input type="text" value="NO"/>

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

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

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

2017

National Water Initiative (NWI) financial performance indicators

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	949
NWI F4	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	48.62%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	8,368
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	499
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	284
NWI F17	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	2.40%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

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

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

Note 3. Sewerage business  
best-practice management disclosure requirements

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

2017

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	–
(ii)	Number of assessments multiplied by \$3/assessment	2,730
(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)	27,300
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	(570,000)

2017 Surplus	(123,000)	2016 Surplus	(296,000)	2015 Surplus	(151,000)
		2016 Dividend	–	2015 Dividend	–

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

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

Note 3. Sewerage business  
best-practice management disclosure requirements (continued)

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

2017

**National Water Initiative (NWI) financial performance indicators**

<b>NWI F2</b>	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	272
<b>NWI F10</b>	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	7,182
<b>NWI F12</b>	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	256
<b>NWI F15</b>	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	187
<b>NWI F18</b>	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)]	%	-2.26%
<b>NWI F27</b>	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

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

<b>NWI F3</b>	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	1,281
<b>NWI F8</b>	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.01%
<b>NWI F16</b>	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	471
<b>NWI F19</b>	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)]	%	0.21%
<b>NWI F20</b>	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
<b>NWI F21</b>	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

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

Note 3. Sewerage business  
best-practice management disclosure requirements (continued)

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

2017

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

<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)]	%	-5.43%
<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)		-
<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	(35)
<b>NWI F25</b>	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	13

- 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



## **INDEPENDENT AUDITOR'S REPORT**

### **Report on the special purpose financial statement**

#### **Balranald Shire Council**

To the Councillors of the Balranald Shire Council

### **Opinion**

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

The Declared Business Activities of the Council are:

- Water Supply
- Sewerage.

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

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

### **Basis for Opinion**

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

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

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

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

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

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

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

## **Emphasis of Matter - Basis of Accounting**

Without modifying my opinion, I draw attention to Note (1) to the financial statements which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.

## **Other Matter**

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on the 4 November 2016.

## **The Councillors' Responsibility for the Financial Statements**

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

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

## **Auditor's Responsibility for the Audit of the Financial Statements**

My objectives are to:

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

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

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

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

The description forms part of my auditor's report.

My opinion does not provide assurance:

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



Karen Taylor  
Director, Financial Audit Services

31 October 2017  
SYDNEY

# Balranald Shire Council

SPECIAL SCHEDULES

for the year ended 30 June 2017

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



## Special Schedules

for the year ended 30 June 2017

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<sup>1</sup> Special Schedules are not audited (with the exception of Special Schedule 8).

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### 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.

## Special Schedule 1 – Net Cost of Services

for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Governance</b>	<b>701</b>	<b>11</b>	<b>–</b>	<b>(690)</b>
<b>Administration</b>	<b>1,473</b>	<b>615</b>	<b>–</b>	<b>(858)</b>
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	286	225	–	(61)
Beach control	–	–	–	–
Enforcement of local government regulations	–	–	–	–
Animal control	6	1	–	(5)
Other	–	–	–	–
<b>Total public order and safety</b>	<b>292</b>	<b>226</b>	<b>–</b>	<b>(66)</b>
<b>Health</b>	<b>40</b>	<b>14</b>	<b>–</b>	<b>(26)</b>
<b>Environment</b>				
Noxious plants and insect/vermin control	36	23	–	(13)
Other environmental protection	200	334	–	134
Solid waste management	–	–	–	–
Street cleaning	27	–	–	(27)
Drainage	–	–	–	–
Stormwater management	247	–	–	(247)
<b>Total environment</b>	<b>510</b>	<b>357</b>	<b>–</b>	<b>(153)</b>
<b>Community services and education</b>				
Administration and education	4	5	–	1
Social protection (welfare)	–	–	–	–
Aged persons and disabled	1,218	718	40	(460)
Children's services	2	1	–	(1)
<b>Total community services and education</b>	<b>1,224</b>	<b>724</b>	<b>40</b>	<b>(460)</b>
<b>Housing and community amenities</b>				
Public cemeteries	56	31	–	(25)
Public conveniences	73	–	–	(73)
Street lighting	103	18	–	(85)
Town planning	51	61	–	10
Other community amenities	385	47	–	(338)
<b>Total housing and community amenities</b>	<b>668</b>	<b>157</b>	<b>–</b>	<b>(511)</b>
<b>Water supplies</b>	<b>852</b>	<b>1,005</b>	<b>–</b>	<b>153</b>
<b>Sewerage services</b>	<b>423</b>	<b>334</b>	<b>–</b>	<b>(89)</b>

# Special Schedule 1 – Net Cost of Services (continued)

for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Recreation and culture</b>				
Public libraries	70	20	–	(50)
Museums	31	8	–	(23)
Art galleries	–	–	–	–
Community centres and halls	43	2	–	(41)
Performing arts venues	95	18	–	(77)
Other performing arts	–	–	–	–
Other cultural services	–	–	–	–
Sporting grounds and venues	372	16	4	(352)
Swimming pools	157	4	10	(143)
Parks and gardens (lakes)	227	–	44	(183)
Other sport and recreation	17	–	–	(17)
<b>Total recreation and culture</b>	<b>1,012</b>	<b>68</b>	<b>58</b>	<b>(886)</b>
<b>Fuel and energy</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Agriculture</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Mining, manufacturing and construction</b>				
Building control	50	16	–	(34)
Other mining, manufacturing and construction	–	–	–	–
<b>Total mining, manufacturing and construction</b>	<b>50</b>	<b>16</b>	<b>–</b>	<b>(34)</b>
<b>Transport and communication</b>				
Urban roads (UR) – local	379	–	–	(379)
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	177	1,394	–	1,217
Sealed rural roads (SRR) – regional	261	1,455	500	1,694
Unsealed rural roads (URR) – local	3,616	431	1,229	(1,956)
Unsealed rural roads (URR) – regional	234	–	–	(234)
Bridges on UR – local	15	–	–	(15)
Bridges on SRR – local	–	–	–	–
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	112	–	–	(112)
Footpaths	61	1	–	(60)
Aerodromes	–	–	–	–
Other transport and communication	336	164	–	(172)
<b>Total transport and communication</b>	<b>5,191</b>	<b>3,445</b>	<b>1,729</b>	<b>(17)</b>
<b>Economic affairs</b>				
Camping areas and caravan parks	379	441	–	62
Other economic affairs	488	271	–	(217)
<b>Total economic affairs</b>	<b>867</b>	<b>712</b>	<b>–</b>	<b>(155)</b>
<b>Totals – functions</b>	<b>13,249</b>	<b>7,682</b>	<b>1,827</b>	<b>(3,740)</b>
<b>General purpose revenues <sup>(1)</sup></b>		<b>5,529</b>		<b>5,529</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>13,249</b>	<b>13,211</b>	<b>1,827</b>	<b>1,737</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

Special Schedule 2(a) – Statement of Long Term Debt (all purpose)

for the year ended 30 June 2017

\$'000

Classification of debt	Principal outstanding at beginning of the year			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
<b>Loans (by source)</b>											
Financial institutions	241	3,063	<b>3,304</b>	–	241	–	–	–	257	2,806	<b>3,063</b>
<b>Total loans</b>	<b>241</b>	<b>3,063</b>	<b>3,304</b>	<b>–</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>257</b>	<b>2,806</b>	<b>3,063</b>
<b>Total debt</b>	<b>241</b>	<b>3,063</b>	<b>3,304</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>257</b>	<b>2,806</b>	<b>3,063</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).

## Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	107	82
b. Engineering and supervision	–	–
<b>2. Operation and maintenance expenses</b>		
– dams and weirs		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
– Mains		
c. Operation expenses	–	14
d. Maintenance expenses	63	60
– Reservoirs		
e. Operation expenses	–	–
f. Maintenance expenses	3	–
– Pumping stations		
g. Operation expenses (excluding energy costs)	–	–
h. Energy costs	61	70
i. Maintenance expenses	196	171
– Treatment		
j. Operation expenses (excluding chemical costs)	–	–
k. Chemical costs	62	43
l. Maintenance expenses	–	–
– Other		
m. Operation expenses	12	7
n. Maintenance expenses	58	85
o. Purchase of water	11	15
<b>3. Depreciation expenses</b>		
a. System assets	291	421
b. Plant and equipment	–	–
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	54	47
b. Revaluation decrements	–	–
c. Other expenses	–	–
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
<b>5. Total expenses</b>	<b>918</b>	<b>1,015</b>

# Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
<b>Income</b>		
<b>6. Residential charges</b>		
a. Access (including rates)	476	457
b. Usage charges	462	420
<b>7. Non-residential charges</b>		
a. Access (including rates)	—	—
b. Usage charges	—	180
<b>8. Extra charges</b>	—	—
<b>9. Interest income</b>	17	5
<b>10. Other income</b>	5	7
<b>10a. Aboriginal Communities Water and Sewerage Program</b>	39	37
<b>11. Grants</b>		
a. Grants for acquisition of assets	—	—
b. Grants for pensioner rebates	7	7
c. Other grants	—	—
<b>12. Contributions</b>		
a. Developer charges	—	—
b. Developer provided assets	—	—
c. Other contributions	—	—
<b>13. Total income</b>	<b>1,006</b>	<b>1,113</b>
<b>14. Gain (or loss) on disposal of assets</b>	—	—
<b>15. Operating result</b>	<b>88</b>	<b>98</b>
<b>15a. Operating result (less grants for acquisition of assets)</b>	<b>88</b>	<b>98</b>

# Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>16. Acquisition of fixed assets</b>		
c. Renewals	28	38
d. Plant and equipment	256	–
<b>17. Repayment of debt</b>	75	90
<b>18. Totals</b>	<b>359</b>	<b>128</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
b. Residential (unoccupied, ie. vacant lot)	–	–
c. Non-residential (occupied)	–	–
d. Non-residential (unoccupied, ie. vacant lot)	–	142
<b>23. Number of ETs for which developer charges were received</b>	– ET	– ET
<b>24. Total amount of pensioner rebates (actual dollars)</b>	\$ 11,845	\$ 12,269

# Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis  
as at 30 June 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
<b>ASSETS</b>			
<b>25. Cash and investments</b>			
f. Other	611	–	611
<b>26. Receivables</b>			
b. Rates and availability charges	158	–	158
c. User charges	84	–	84
d. Other	2	–	2
<b>27. Inventories</b>	–	–	–
<b>28. Property, plant and equipment</b>			
a. System assets	–	8,079	8,079
b. Plant and equipment	–	256	256
<b>29. Other assets</b>	–	34	34
<b>30. Total assets</b>	<b>855</b>	<b>8,369</b>	<b>9,224</b>
<b>LIABILITIES</b>			
<b>31. Bank overdraft</b>	–	–	–
<b>32. Creditors</b>	–	–	–
<b>33. Borrowings</b>	80	891	971
<b>34. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	6	–	6
<b>35. Total liabilities</b>	<b>86</b>	<b>891</b>	<b>977</b>
<b>36. NET ASSETS COMMITTED</b>	<b>769</b>	<b>7,478</b>	<b>8,247</b>
<b>EQUITY</b>			
<b>37. Accumulated surplus</b>			2,972
<b>38. Asset revaluation reserve</b>			5,275
<b>39. Other reserves</b>			–
<b>40. TOTAL EQUITY</b>			<b>8,247</b>
<b>Note to system assets:</b>			
<b>41. Current replacement cost</b> of system assets			14,109
<b>42. Accumulated current cost</b> depreciation of system assets			(6,030)
<b>43. Written down current cost</b> of system assets			8,079

## Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	39	47
b. Engineering and supervision	–	–
<b>2. Operation and maintenance expenses</b>		
<b>– mains</b>		
a. Operation expenses	43	44
b. Maintenance expenses	–	–
<b>– Pumping stations</b>		
c. Operation expenses (excluding energy costs)	–	–
d. Energy costs	27	23
e. Maintenance expenses	60	40
<b>– Treatment</b>		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	–	–
g. Chemical costs	11	2
h. Energy costs	–	–
i. Effluent management	–	–
j. Biosolids management	–	–
k. Maintenance expenses	–	–
<b>– Other</b>		
l. Operation expenses	76	73
m. Maintenance expenses	–	–
<b>3. Depreciation expenses</b>		
a. System assets	201	392
b. Plant and equipment	–	–
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	–	–
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
<b>5. Total expenses</b>	<b>457</b>	<b>621</b>

# 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 2017

\$'000	Actuals 2017	Actuals 2016
<b>Income</b>		
<b>6. Residential charges</b> (including rates)	259	248
<b>7. Non-residential charges</b>		
a. Access (including rates)	—	—
b. Usage charges	6	6
<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>	42	43
<b>11. Other income</b>	1	—
<b>11a. Aboriginal Communities Water and Sewerage Program</b>	20	18
<b>12. Grants</b>		
a. Grants for acquisition of assets	—	—
b. Grants for pensioner rebates	6	7
c. Other grants	—	—
<b>13. Contributions</b>		
a. Developer charges	—	—
b. Developer provided assets	—	—
c. Other contributions	—	—
<b>14. Total income</b>	<b>334</b>	<b>325</b>
<b>15. Gain (or loss) on disposal of assets</b>	—	—
<b>16. Operating result</b>	<b>(123)</b>	<b>(296)</b>
<b>16a. Operating result (less grants for acquisition of assets)</b>	(123)	(296)

## 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 2017

\$'000	Actuals 2017	Actuals 2016
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>17. Acquisition of fixed assets</b>		
c. Renewals	65	26
<b>18. Repayment of debt</b>	–	–
<b>19. Totals</b>	<b>187</b>	<b>26</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
b. Residential (unoccupied, ie. vacant lot)	–	–
c. Non-residential (occupied)	–	101
d. Non-residential (unoccupied, ie. vacant lot)	–	–
<b>24. Number of ETs for which developer charges were received</b>	– ET	– ET
<b>25. Total amount of pensioner rebates (actual dollars)</b>	\$ 11,495	\$ 11,925

# Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis  
as at 30 June 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
<b>ASSETS</b>			
<b>26. Cash and investments</b>			
f. Other	1,296	–	1,296
<b>27. Receivables</b>			
b. Rates and availability charges	–	–	–
c. User charges	27	–	27
d. Other	4	–	4
<b>28. Inventories</b>	–	–	–
<b>29. Property, plant and equipment</b>			
a. System assets	–	7,182	7,182
b. Plant and equipment	–	122	122
<b>30. Other assets</b>	–	372	372
<b>31. Total assets</b>	<b>1,327</b>	<b>7,676</b>	<b>9,003</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>1,327</b>	<b>7,676</b>	<b>9,003</b>
<b>EQUITY</b>			
<b>38. Accumulated surplus</b>			2,878
<b>39. Asset revaluation reserve</b>			6,125
<b>40. Other reserves</b>			–
<b>41. TOTAL EQUITY</b>			<b>9,003</b>
<b>Note to system assets:</b>			
<b>42. Current replacement cost</b> of system assets			11,831
<b>43. Accumulated current cost</b> depreciation of system assets			(4,649)
<b>44. Written down current cost</b> of system assets			7,182

## Notes to Special Schedules 3 and 5

for the year ended 30 June 2017

### 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 contribution 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.

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance <sup>a</sup>	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
<b>Buildings</b>	Buildings – non-specialised	691	691	458	238	10,944	27,272	0%	30%	62%	6%	2%
	Buildings – specialised	–	–	–	9	291	358	95%	0%	0%	0%	5%
	<b>Sub-total</b>	<b>691</b>	<b>691</b>	<b>458</b>	<b>247</b>	<b>11,234</b>	<b>27,630</b>	<b>1.2%</b>	<b>29.6%</b>	<b>61.2%</b>	<b>5.9%</b>	<b>2.0%</b>
<b>Other structures</b>	Other structures	185	185	95	63	7,519	13,777	5%	42%	43%	10%	0%
	<b>Sub-total</b>	<b>185</b>	<b>185</b>	<b>95</b>	<b>63</b>	<b>7,519</b>	<b>13,777</b>	<b>5.0%</b>	<b>42.0%</b>	<b>43.0%</b>	<b>10.0%</b>	<b>0.0%</b>
<b>Roads</b>	Sealed roads	165	165	165	396	36,216	35,684	89%	10%	0%	1%	0%
	Unsealed roads	1,200	1,200	1,477	964	29,588	53,304	10%	15%	46%	25%	4%
	Bridges	–	–	–	–	1,196	2,392	7%	0%	93%	0%	0%
	Footpaths	–	–	20	25	911	1,620	21%	74%	5%	0%	0%
	Kerb and channels	200	200	18	2	3,345	5,715	30%	43%	24%	3%	0%
	<b>Sub-total</b>	<b>1,565</b>	<b>1,565</b>	<b>1,680</b>	<b>1,387</b>	<b>71,256</b>	<b>98,715</b>	<b>39.8%</b>	<b>15.4%</b>	<b>28.6%</b>	<b>14.0%</b>	<b>2.2%</b>

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance <sup>a</sup>	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Water supply network	Water supply network	213	213	136	382	8,078	14,109	20%	9%	50%	16%	5%
	Sub-total	213	213	136	382	8,078	14,109	20.0%	9.0%	50.0%	16.0%	5.0%
Sewerage network	Sewerage network	152	152	209	114	7,182	11,831	7%	51%	30%	7%	5%
	Sub-total	152	152	209	114	7,182	11,831	7.0%	51.0%	30.0%	7.0%	5.0%
Stormwater drainage	Stormwater drainage	34	34	53	29	1,923	2,482	16%	83%	1%	0%	0%
	Sub-total	34	34	53	29	1,923	2,482	16.0%	83.0%	1.0%	0.0%	0.0%
Open space/recreational assets	Swimming pools	1	1	15	19	653	1,499	10%	40%	46%	0%	4%
	Sub-total	1	1	15	19	653	1,499	10.0%	40.0%	46.0%	0.0%	4.0%
	TOTAL – ALL ASSETS	2,841	2,841	2,646	2,241	107,845	170,043	26.2%	23.0%	36.7%	11.7%	2.4%

## Notes:

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

## Infrastructure asset condition assessment 'key'

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

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

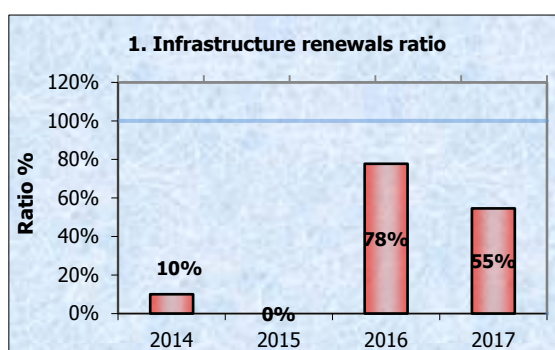
\$ '000	Amounts 2017	Indicator 2017	Benchmark	Prior periods 2016	2015
Infrastructure asset performance indicators * consolidated					
1. Infrastructure renewals ratio					
Asset renewals <sup>(1)</sup>	1,841	35.37%	>= 100%	77.75%	0.00%
Depreciation, amortisation and impairment	5,205				
2. Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	2,841	2.63%	< 2%	10.87%	11.01%
Net carrying amount of infrastructure assets	107,843				
3. Asset maintenance ratio					
Actual asset maintenance	2,241	0.85	> 1.00	0.55	1.13
Required asset maintenance	2,646				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	2,841	1.67%		0.00%	
Gross replacement cost	170,043				

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.

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



Benchmark: — Minimum  $\geq 100.00\%$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

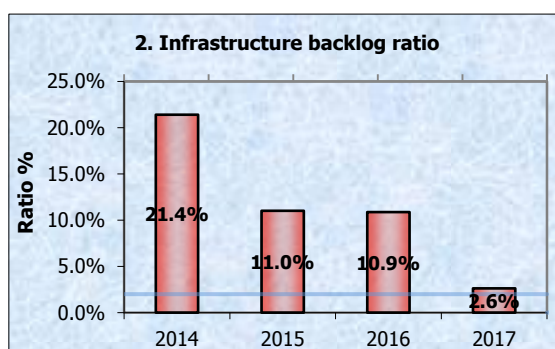
**Purpose of asset renewals ratio**

To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

**Commentary on 2016/17 result**

2016/17 Ratio 54.58%

Ratio achieves benchmark  
Ratio is outside benchmark



Benchmark: — Maximum  $< 2.00\%$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

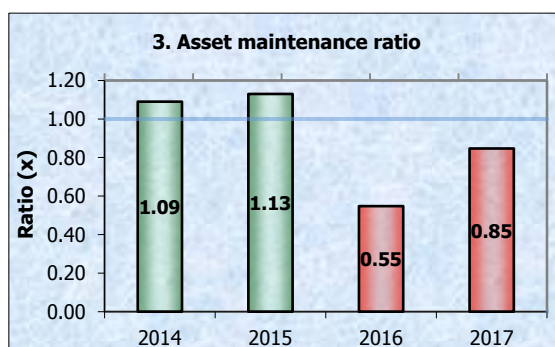
**Purpose of infrastructure backlog ratio**

This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

**Commentary on 2016/17 result**

2016/17 Ratio 2.63%

Ratio achieves benchmark  
Ratio is outside benchmark



Benchmark: — Minimum  $> 1.00$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

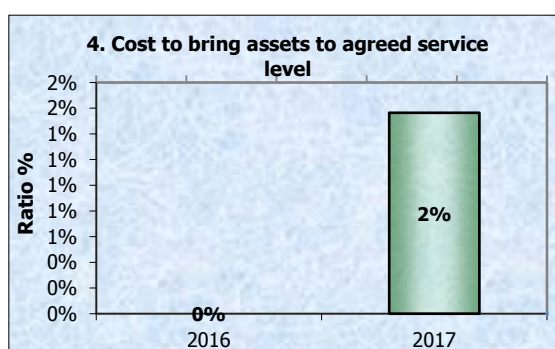
**Purpose of asset maintenance ratio**

Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

**Commentary on 2016/17 result**

2016/17 Ratio 0.85 x

Ratio achieves benchmark  
Ratio is outside benchmark



**Purpose of agreed service level ratio**

This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.

**Commentary on 2016/17 result**

2016/17 Ratio 1.67%

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

\$ '000	Benchmark	Water 2017	Sewer 2017	General <sup>(1)</sup> 2017
<b>Infrastructure asset performance indicators by fund</b>				
<b>1. Infrastructure renewals ratio</b>				
Asset renewals <sup>(2)</sup>				
Depreciation, amortisation and impairment	>= 100%	<b>0.00%</b>	<b>0.00%</b>	<b>60.95%</b>
	prior period:	9.03%	4.34%	90.22%
<b>2. Infrastructure backlog ratio</b>				
Estimated cost to bring assets to a satisfactory standard				
Net carrying amount of infrastructure assets	< 2%	<b>2.64%</b>	<b>2.12%</b>	<b>2.76%</b>
	prior period:	0.00%	0.00%	12.85%
<b>3. Asset maintenance ratio</b>				
Actual asset maintenance				
Required asset maintenance	> 1.00	<b>2.81</b>	<b>0.55</b>	<b>0.76</b>
	prior period:	1.31	0.88	0.42
<b>4. Cost to bring assets to agreed service level</b>				
Estimated cost to bring assets to an agreed service level set by Council				
Gross replacement cost		<b>1.51%</b>	<b>1.28%</b>	<b>1.72%</b>

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.

# Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2018

\$'000		Calculation 2016/17	Calculation 2017/18
<b>Notional general income calculation <sup>(1)</sup></b>			
Last year notional general income yield	a	1,257	1,330
Plus or minus adjustments <sup>(2)</sup>	b	9	2
<b>Notional general income</b>	<b>c = (a + b)</b>	<b>1,266</b>	<b>1,332</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>(3)</sup>	d	0.00%	0.00%
Or rate peg percentage	e	1.80%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	—	—
Plus special variation amount	h = d x (c - g)	—	—
Or plus rate peg amount	i = c x e	23	20
Or plus Crown land adjustment and rate peg amount	j = c x f	—	—
<b>Sub-total</b>	<b>k = (c + g + h + i + j)</b>	<b>1,289</b>	<b>1,352</b>
Plus (or minus) last year's carry forward total	l	23	(18)
Less valuation objections claimed in the previous year	m	—	—
<b>Sub-total</b>	<b>n = (l + m)</b>	<b>23</b>	<b>(18)</b>
<b>Total permissible income</b>	<b>o = k + n</b>	<b>1,312</b>	<b>1,334</b>
Less notional general income yield	p	1,330	1,334
<b>Catch-up or (excess) result</b>	<b>q = o - p</b>	<b>(18)</b>	<b>(0)</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>t = q + r - s</b>	<b>(18)</b>	<b>(0)</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.



## **INDEPENDENT AUDITOR'S REPORT**

### **Special Schedule No. 8**

### **Balranald Shire Council**

To the Councillors of Balranald Shire Council

### **Opinion**

I have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Balranald Shire Council (the Council) for the year ending 30 June 2018.

In my opinion, Special Schedule No. 8 of Balranald Shire Council for 30 June 2018 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

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

### **Basis for Opinion**

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of Special Schedule No.8' section of my report.

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

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

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

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

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

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

## **Emphasis of Matter - Basis of Accounting**

Without modifying my opinion, I draw attention to the notes and explanations in Special Schedule No. 8 that instruct councils in its preparation so it complies with OLG's requirements as described in the LG Code. As a result, Special Schedule No. 8 may not be suitable for another purpose.

## **Other Matter**

Special Schedule No.8 of the Council for the year ended 30 June 2017 was audited by another auditor who expressed an unmodified opinion on Special Schedule No. 8 on the 4 November 2016.

## **Councillors' Responsibility for Special Schedule No. 8**

The Councillors of the Council are responsible for the preparation of Special Schedule No. 8 in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error.

In preparing Special Schedule No.8, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

## **Auditor's Responsibility for the Audit of Special Schedule No. 8**

My objectives are to:

- obtain reasonable assurance whether Special Schedule No. 8 as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on Special Schedule No.8.

A description of my responsibilities for the audit of Special Schedule No.8 is located at the Auditing and Assurance Standards Board website at [http://www.auasb.gov.au/auditors\\_responsibilities/ar8.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar8.pdf). The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Special Schedule No.8 on any website where they may be presented
- about any other information which may have been hyperlinked to/from Special Schedule No 8.



Karen Taylor  
Director, Financial Audit Services

31 October 2017  
SYDNEY