

# Balranald Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2018

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



## Balranald Shire Council

### General Purpose Financial Statements for the year ended 30 June 2018

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#### Overview

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

70 Market Street  
Balranald NSW 2715

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

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

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

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



## Balranald Shire Council

### General Purpose Financial Statements for the year ended 30 June 2018

## 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 2018.

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.

## Balranald Shire Council

### General Purpose Financial Statements for the year ended 30 June 2018

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

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

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

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

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

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

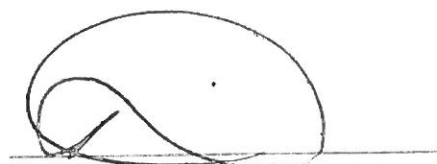
**Signed in accordance with a resolution of Council made on 03 October 2018.**



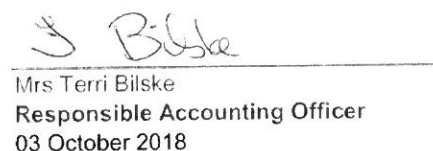
Cr Alan Purtill  
Mayor  
03 October 2018



Cr Leigh Bryon  
Councillor  
03 October 2018



Mr Michael Kitzelmann  
General Manager  
03 October 2018



Mrs Terri Bilske  
Responsible Accounting Officer  
03 October 2018

## Balranald Shire Council

## Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
<b>Income from continuing operations</b>				
<b>Revenue:</b>				
2,482	Rates and annual charges	3a	2,328	2,129
2,243	User charges and fees	3b	2,063	1,639
131	Interest and investment revenue	3c	161	123
1,202	Other revenues	3d	542	905
7,469	Grants and contributions provided for operating purposes	3e,f	7,336	9,483
551	Grants and contributions provided for capital purposes	3e,f	363	762
<b>Other income:</b>				
1,100	Net gains from the disposal of assets	5	1,109	—
<b>15,178</b>	<b>Total income from continuing operations</b>		<b>13,902</b>	<b>15,041</b>
<b>Expenses from continuing operations</b>				
5,663	Employee benefits and on-costs	4a	4,769	4,233
103	Borrowing costs	4b	157	201
1,425	Materials and contracts	4c	3,323	1,953
3,559	Depreciation and amortisation	4d	3,578	5,569
1,694	Other expenses	4e	1,343	1,346
—	Net losses from the disposal of assets	5	—	2
<b>12,444</b>	<b>Total expenses from continuing operations</b>		<b>13,170</b>	<b>13,304</b>
<b>2,734</b>	<b>Operating result from continuing operations</b>		<b>732</b>	<b>1,737</b>
<b>2,734</b>	<b>Net operating result for the year</b>		<b>732</b>	<b>1,737</b>
2,734	Net operating result attributable to Council		732	1,737
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>				
<b>2,183</b>			<b>369</b>	<b>975</b>

## Balranald Shire Council

# Statement of Comprehensive Income

for the year ended 30 June 2018

\$ '000	Notes	2018	2017
<b>Net operating result for the year</b> (as per Income Statement)		<b>732</b>	<b>1,737</b>
<b>Other comprehensive income:</b>			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10a	29,057	17,288
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>29,057</b>	<b>17,288</b>
<b>Total other comprehensive income for the year</b>		<b>29,057</b>	<b>17,288</b>
<b>Total comprehensive income for the year</b>		<b>29,789</b>	<b>19,025</b>
Total comprehensive income attributable to Council		29,789	19,025



## Balranald Shire Council

Statement of Financial Position  
as at 30 June 2018

\$ '000	Notes	2018	2017
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	6,446	7,377
Investments	6b	3,000	–
Receivables	7	571	753
Inventories	8	50	76
Other	8	25	–
Non-current assets classified as 'held for sale'	9	–	500
<b>Total current assets</b>		<b>10,092</b>	<b>8,706</b>
<b>Non-current assets</b>			
Receivables	7	131	–
Infrastructure, property, plant and equipment	10	141,852	113,742
Intangible assets	11	424	260
<b>Total non-current assets</b>		<b>142,407</b>	<b>114,002</b>
<b>TOTAL ASSETS</b>		<b>152,499</b>	<b>122,708</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	12	1,141	862
Income received in advance	12	81	81
Borrowings	12	257	257
Provisions	13	630	733
<b>Total current liabilities</b>		<b>2,109</b>	<b>1,933</b>
<b>Non-current liabilities</b>			
Payables	12	225	126
Borrowings	12	2,549	2,806
Provisions	13	221	237
<b>Total non-current liabilities</b>		<b>2,995</b>	<b>3,169</b>
<b>TOTAL LIABILITIES</b>		<b>5,104</b>	<b>5,102</b>
<b>Net assets</b>		<b>147,395</b>	<b>117,606</b>
<b>EQUITY</b>			
Accumulated surplus	14	46,771	46,039
Revaluation reserves	14	100,624	71,567
<b>Total equity</b>		<b>147,395</b>	<b>117,606</b>



## Balranald Shire Council

Statement of Changes in Equity  
for the year ended 30 June 2018

	Notes	2018			2017		
\$ '000		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		46,039	71,567	117,606	44,302	54,279	98,581
Net operating result for the year		732	-	732	1,737	-	1,737
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	10a	-	29,057	29,057	-	17,288	17,288
Other comprehensive income		-	29,057	29,057	-	17,288	17,288
Total comprehensive income (c&d)		732	29,057	29,789	1,737	17,288	19,025
Equity – balance at end of the reporting period		46,771	100,624	147,395	46,039	71,567	117,606

## Balranald Shire Council

Statement of Cash Flows  
for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
2,869	Rates and annual charges		2,464	2,251
1,801	User charges and fees		2,291	1,330
152	Investment and interest revenue received		135	127
9,046	Grants and contributions		7,783	10,090
–	Bonds, deposits and retention amounts received		–	5
2,962	Other		847	1,649
<b>Payments:</b>				
(4,639)	Employee benefits and on-costs		(4,715)	(4,486)
(4,482)	Materials and contracts		(3,456)	(1,850)
(174)	Borrowing costs		(165)	(192)
–	Bonds, deposits and retention amounts refunded		–	(263)
(2,127)	Other		(1,682)	(2,375)
<b>5,408</b>	<b>Net cash provided (or used in) operating activities</b>	15b	<b>3,502</b>	<b>6,286</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
–	Sale of investment securities		14,700	–
2,225	Sale of infrastructure, property, plant and equipment		1,931	597
<b>Payments:</b>				
(493)	Purchase of investment securities		(17,700)	–
(4,379)	Purchase of infrastructure, property, plant and equipment		(3,107)	(4,965)
<b>(2,647)</b>	<b>Net cash provided (or used in) investing activities</b>		<b>(4,176)</b>	<b>(4,368)</b>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
Nil				
<b>Payments:</b>				
(269)	Repayment of borrowings and advances		(257)	(241)
<b>(269)</b>	<b>Net cash flow provided (used in) financing activities</b>		<b>(257)</b>	<b>(241)</b>
<b>2,492</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(931)</b>	<b>1,677</b>
4,657	Plus: cash and cash equivalents – beginning of year	15a	7,377	5,700
<b>7,149</b>	<b>Cash and cash equivalents – end of the year</b>	15a	<b>6,446</b>	<b>7,377</b>
Additional Information:				
plus:	Investments on hand – end of year	6b	3,000	–
	<b>Total cash, cash equivalents and investments</b>		<b>9,446</b>	<b>7,377</b>

## Balranald Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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## Balranald Shire Council

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

#### Note 1. Basis of preparation

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These financial statements were authorised for issue by Council on 03/10/2018.

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

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

##### Basis of preparation

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

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

Full dollars have been used in Note 21 Related party disclosures in relation to the disclosure of specific related party transactions.

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

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

- Income statement
- Statement of cash flows
- Note 19 – Material budget variations

and are clearly marked.

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

There have been no new (or amended) accounting standards adopted by Council in this year's financial statements which have had any material impact on reported financial position, performance or cash flows.

##### (b) Historical cost convention

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

##### (c) Significant accounting estimates and judgements

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

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

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

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk

## Balranald Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 1. Basis of preparation (continued)

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 – refer Note 10,
- (ii) estimated tip remediation provisions – refer Note 13,
- (iii) employee benefit provisions – refer Note 13.

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

- (iv) Impairment of receivables

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

#### **Monies and other assets received by Council**

##### **(a) The Consolidated Fund**

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

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

- General purpose operations
- Balranald Water Supply
- Euston Water Supply
- Balranald Sewerage Service
- Euston Sewerage Service

##### **(b) The Trust Fund**

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

#### **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.



## Balranald Shire Council

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

#### Note 1. Basis of preparation (continued)

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##### **New accounting standards and interpretations issued not yet effective**

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

As at the date of authorisation of these financial statements, Council does not consider that any of those standards are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

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

## Balranald Shire Council

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

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).									
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Governance	36	11	1,064	701	(1,028)	(690)	–	–	–	–
Administration	657	615	2,502	1,473	(1,845)	(858)	–	22	18,837	8,720
Public order and safety	265	226	248	293	17	(67)	61	95	342	436
Health	8	14	33	40	(25)	(26)	–	–	282	126
Environment	342	357	412	510	(70)	(153)	17	33	3,697	5,655
Community services and education	1,313	764	1,303	1,224	10	(460)	868	61	1,253	1,785
Housing and community amenities	97	157	303	669	(206)	(512)	–	–	8,355	4,185
Water supplies	1,241	1,005	663	852	578	153	6	7	10,979	9,224
Sewerage services	404	334	430	423	(26)	(89)	9	6	9,281	9,003
Recreation and culture	88	125	891	1,012	(803)	(887)	44	222	16,905	9,224
Mining, manufacturing and construction	21	16	59	50	(38)	(34)	–	–	–	–
Transport and communication	3,440	5,174	4,453	5,191	(1,013)	(17)	1,550	2,160	80,968	73,168
Economic affairs	671	714	809	866	(138)	(152)	5	104	1,600	1,182
General Purpose Income	5,319	5,529	–	–	5,319	5,529	3,896	5,498	–	–
<b>Total functions and activities</b>	<b>13,902</b>	<b>15,041</b>	<b>13,170</b>	<b>13,304</b>	<b>732</b>	<b>1,737</b>	<b>6,456</b>	<b>8,208</b>	<b>152,499</b>	<b>122,708</b>

## Balranald Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

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

##### **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.



## Balranald Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

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

##### **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.

##### **General Purpose Income**

This includes financial assistance grant funding which has no specific function allocation and is expended in areas of council.

## Balranald Shire Council

# Notes to the Financial Statements

for the year ended 30 June 2018

## Note 3. Income from continuing operations

\$ '000	2018	2017
<b>(a) Rates and annual charges</b>		
<b>Ordinary rates</b>		
Residential	237	235
Farmland	905	892
Business	140	140
<b>Total ordinary rates</b>	<b>1,282</b>	<b>1,267</b>
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	204	209
Water supply services	507	414
Sewerage services	335	239
<b>Total annual charges</b>	<b>1,046</b>	<b>862</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>	<b>2,328</b>	<b>2,129</b>

Council has used 2017 year valuations provided by the NSW Valuer General in calculating its rates.

### Accounting policy for rates and annual charges

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

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

### (b) User charges and fees

#### Specific user charges (per s.502 – specific ‘actual use’ charges)

Water supply services	504	373
Sewerage services	7	6
Sewerage services contract aboriginal mission	32	20
Waste management services (non-domestic)	94	67
Water service contract aboriginal mission	63	39
<b>Total specific user charges</b>	<b>700</b>	<b>505</b>

#### Other user charges and fees

##### (i) Fees and charges – statutory and regulatory functions (per s.608)

Building services	16	16
Private works – section 67	113	90
Town planning	69	61
<b>Total fees and charges – statutory/regulatory</b>	<b>198</b>	<b>167</b>



## Balranald Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018	2017
<b>(b) User charges and fees (continued)</b>		
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>		
Aged care	336	271
Caravan park	471	466
Cemeteries	30	31
Rent and hire of non-investment property	17	70
RMS (formerly RTA) charges (state roads not controlled by Council)	219	18
Swimming centres	5	4
Tourism	14	10
Waste disposal tipping fees	11	22
Water connection fees	2	6
Other	60	69
<b>Total fees and charges – other</b>	<b>1,165</b>	<b>967</b>
<b>TOTAL USER CHARGES AND FEES</b>	<b>2,063</b>	<b>1,639</b>

**Accounting policy for user charges and fees**

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

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

– Overdue rates and annual charges (incl. special purpose rates)	9	8
– Cash and investments	152	115
<b>TOTAL INTEREST AND INVESTMENT REVENUE</b>	<b>161</b>	<b>123</b>

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

Overdue rates and annual charges (general fund)	9	8
General Council cash and investments	121	56

**Restricted investments/funds – external:**

Water fund operations	10	17
Sewerage fund operations	21	42

<b>Total interest and investment revenue recognised</b>	<b>161</b>	<b>123</b>
---------------------------------------------------------	------------	------------

**Accounting policy for interest and investment revenue**

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

## Balranald Shire Council

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

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

\$ '000	2018	2017
<b>(d) Other revenues</b>		
Rental income – other council properties	53	18
Legal fees recovery – rates and charges (extra charges)	6	7
Commissions and agency fees	57	59
Diesel rebate	54	48
Insurance claim recoveries	8	76
Motor vehicle contributions	6	25
Raw water sandpipe sales	1	–
Rebates	13	–
Sales – miscellaneous	1	9
Tourist information centre sales	48	53
Other	295	610
<b><u>TOTAL OTHER REVENUE</u></b>	<b><u>542</u></b>	<b><u>905</u></b>

**Accounting policy for other revenue**

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

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

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

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

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

## Balranald Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
<b>Current year allocation</b>				
Financial assistance	3,872	5,498	—	—
<b>Other</b>				
Pensioners' rates subsidies – general component	9	10	—	—
<b>Total general purpose</b>	<b>3,881</b>	<b>5,508</b>	<b>—</b>	<b>—</b>
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Water	6	7	—	—
– Sewerage	9	6	—	—
– Domestic waste management	6	10	—	—
Aged care	866	—	—	—
Bushfire and emergency services	41	72	4	—
Community care	2	5	—	40
Employment and training programs	—	12	—	—
Flood restoration	51	—	—	—
Heritage and cultural	—	—	—	8
Library – per capita	25	20	—	—
Noxious weeds	16	23	—	—
Recreation and culture	—	—	27	214
Street lighting	18	18	—	—
Transport (roads to recovery)	1,166	1,660	—	—
Transport (other roads and bridges funding)	—	—	332	—
Youth week	1	1	—	—
Tourism	5	104	—	—
Other	—	—	—	500
<b>Total specific purpose</b>	<b>2,212</b>	<b>1,938</b>	<b>363</b>	<b>762</b>
<b>Total grants</b>	<b>6,093</b>	<b>7,446</b>	<b>363</b>	<b>762</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	5,911	1,660	—	—
– State funding	182	5,786	363	762
	<b>6,093</b>	<b>7,446</b>	<b>363</b>	<b>762</b>



## Balranald Shire Council

# Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
<b>(f) Contributions</b>				
<b>Other contributions:</b>				
<b>Cash contributions</b>				
RMS contributions (regional roads, block grant)	1,243	1,637	—	—
Assets not previously recognised	—	400	—	—
<b>Total other contributions – cash</b>	<b>1,243</b>	<b>2,037</b>	<b>—</b>	<b>—</b>
<b>Total other contributions</b>	<b>1,243</b>	<b>2,037</b>	<b>—</b>	<b>—</b>
<b>Total contributions</b>	<b>1,243</b>	<b>2,037</b>	<b>—</b>	<b>—</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>	<b>7,336</b>	<b>9,483</b>	<b>363</b>	<b>762</b>

### Accounting policy for contributions

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

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

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

### (g) Unspent grants and contributions

2018 2017

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

#### Operating grants

Unexpended at the close of the previous reporting period	603	480
Add: operating grants recognised in the current period but not yet spent	291	367
Less: operating grants recognised in a previous reporting period now spent	(520)	(244)
<b>Unexpended and held as restricted assets (operating grants)</b>	<b>374</b>	<b>603</b>

## Balranald Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 4. Expenses from continuing operations

\$ '000	2018	2017
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	3,876	3,428
Travel expenses	1	93
Employee leave entitlements (ELE)	420	619
Superannuation – defined contribution plans	374	229
Superannuation – defined benefit plans	44	44
Workers' compensation insurance	69	109
Fringe benefit tax (FBT)	27	28
Training costs (other than salaries and wages)	93	45
Protective clothing	14	16
Medicals	17	5
Recruitment	48	15
<b>Total employee costs</b>	<b>4,983</b>	<b>4,631</b>
Less: capitalised costs	(214)	(398)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>4,769</b>	<b>4,233</b>
Number of 'full-time equivalent' employees (FTE) at year end	50	47
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	71	47

**Accounting policy for employee benefits and on-costs**

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

**Retirement benefit obligations**

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

**Superannuation plans**

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

Council participates in a Defined Benefit Plan under the Local Government Superannuation Scheme, however, when sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 17 for more information.

**(b) Borrowing costs**

	2018	2017
<b>Interest bearing liability costs</b>		
Interest on loans	157	201
<b>Total interest bearing liability costs expensed</b>	<b>157</b>	<b>201</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>	<b>157</b>	<b>201</b>

**Accounting policy for borrowing costs**

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



## Balranald Shire Council

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

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

\$ '000	2018	2017
<b>(c) Materials and contracts</b>		
Raw materials and consumables	1,034	1,031
Contractor and consultancy costs	333	200
– Caravan park management	300	271
– Contractor and consultancy costs – transport	1,116	2,599
– Waste	158	174
Auditors remuneration <sup>(2)</sup>	117	54
Legal expenses:		
– Legal expenses: other	27	56
Operating leases:		
– Operating lease rentals: minimum lease payments <sup>(1)</sup>	231	231
Other	1	1
Other	6	–
<b>Total materials and contracts</b>	<b>3,323</b>	<b>4,617</b>
Less: capitalised costs	–	(2,664)
<b>TOTAL MATERIALS AND CONTRACTS</b>	<b>3,323</b>	<b>1,953</b>

**Operating leases**

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

**1. Operating lease payments are attributable to:**

Computers	5	5
Sewer Reconstruction	78	76
Plant	148	150
	<b>231</b>	<b>231</b>

**2. Auditor remuneration**

During the year the following fees were paid or payable for services provided by the auditor of Council, related practices and non-related audit firms

**Auditors of the Council – NSW Auditor-General:****(i) Audit and other assurance services**

Audit and review of financial statements

117

–

**Remuneration for audit and other assurance services**

117

–

**Total Auditor-General remuneration**

117

–

**Non NSW Auditor-General audit firms:****(i) Audit and other assurance services**

Audit and review of financial statements

–

54

**Remuneration for audit and other assurance services**

–

54

**Total remuneration of non NSW Auditor-General audit firms**

–

54

**Total Auditor remuneration**

117

54

## Balranald Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018	2017
<b>(d) Depreciation, amortisation and impairment</b>		
<b>Depreciation and amortisation</b>		
Plant and equipment	310	316
Office equipment	16	18
Furniture and fittings	8	7
<b>Infrastructure:</b>		
– Buildings – non-specialised	674	676
– Buildings – specialised	8	7
– Other structures	512	497
– Roads and bridges	1,495	3,360
– Kerb and gutter	65	53
– Footpaths	27	33
– Stormwater drainage	31	31
– Water supply network	201	291
– Sewerage network	187	201
– Swimming pools	21	57
<b>Other assets:</b>		
– Other	23	22
<b>Total gross depreciation and amortisation costs</b>	<b>3,578</b>	<b>5,569</b>
<b>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT /</b>		
<b>REVALUATION DECREMENT COSTS EXPENSED</b>	<b>3,578</b>	<b>5,569</b>

**Accounting policy for depreciation, amortisation and impairment expenses****Depreciation and amortisation**

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 10 for IPPE assets and Note 11 for intangible assets.

**Impairment of non-financial assets**

Intangible assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

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

**Impairment of financial assets**

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



## Balranald Shire Council

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

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

\$ '000	2018	2017
<b>(e) Other expenses</b>		
Advertising	77	68
Bad and doubtful debts	–	1
Bank charges	17	11
Cleaning	13	–
Computer software charges	21	69
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	205	185
– NSW fire brigade levy	22	7
– Region Fire Control Contribution	13	–
Councillor expenses – mayoral fee	27	26
Councillor expenses – councillors' fees	92	90
Councillors' expenses (incl. mayor) – other (excluding fees above)	29	54
Donations, contributions and assistance to other organisations (Section 356)	18	9
Election expenses	–	23
Electricity and heating	208	190
Insurance	289	263
Office expenses (including computer expenses)	8	–
Postage	16	17
Printing and stationery	37	39
Street lighting	48	79
Subscriptions and publications	10	51
Telephone and communications	39	52
Tourism expenses (excluding employee costs)	93	–
Valuation fees	22	24
Memberships	36	–
Other	3	88
<b><u>TOTAL OTHER EXPENSES</u></b>	<b><u>1,343</u></b>	<b><u>1,346</u></b>

**Accounting policy for other expenses**

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

## Balranald Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	Notes	2018	2017
<b>Plant and equipment</b>	10		
Proceeds from disposal – plant and equipment		308	197
Less: carrying amount of plant and equipment assets sold/written off		(322)	(199)
<b>Net gain/(loss) on disposal</b>		<b>(14)</b>	<b>(2)</b>
<b>Financial assets</b>	6		
Proceeds from disposal/redemptions/maturities – financial assets		14,700	–
Less: carrying amount of financial assets sold/redeemed/matured		(14,700)	–
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>Non-current assets classified as 'held for sale'</b>	9		
Proceeds from disposal – non-current assets 'held for sale'		1,623	–
Less: carrying amount of 'held for sale' assets sold/written off		(500)	–
<b>Net gain/(loss) on disposal</b>		<b>1,123</b>	<b>–</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>1,109</b>	<b>(2)</b>

**Accounting policy for disposal of assets**

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

## Note 6(a). Cash and cash equivalent assets

<b>Cash and cash equivalents</b>		
Cash on hand and at bank	2,351	13
Cash-equivalent assets		
– Deposits at call	2,095	1,764
– Short-term deposits	2,000	5,600
<b>Total cash and cash equivalents</b>	<b>6,446</b>	<b>7,377</b>

**Accounting policy for cash and cash equivalents**

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



## Balranald Shire Council

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

## Note 6(b). Investments

\$ '000	2018	2018	2017	2017
	Current	Non-current	Current	Non-current
<b>Investments</b>				
'Held to maturity'	3,000	—	—	—
<b>Total investments</b>	<b>3,000</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>	<b>9,446</b>	<b>—</b>	<b>7,377</b>	<b>—</b>
<b>Held to maturity investments</b>				
Long term deposits	3,000	—	—	—
<b>Total</b>	<b>3,000</b>	<b>—</b>	<b>—</b>	<b>—</b>

## Accounting policy for investments

## Classification

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; 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.

## Held to maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. Assets in this category are measured at amortised cost.

## Recognition and de-recognition

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

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

## Balranald Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018 Current	2018 Non-current	2017 Current	2017 Non-current
Total cash, cash equivalents and investments	9,446	–	7,377	–
attributable to:				
External restrictions (refer below)	2,950	–	2,654	–
Internal restrictions (refer below)	5,456	–	4,632	–
Unrestricted	1,040	–	91	–
	9,446	–	7,377	–

\$ '000	2018	2017
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## Details of restrictions

## External restrictions – other

Specific purpose unexpended grants	374	553
Water supplies	943	611
Sewerage services	1,371	1,296
Domestic waste management	212	144
Other contributions	50	50

## External restrictions – other

	2,950	2,654
--	-------	-------

## Total external restrictions

## Internal restrictions

Plant and vehicle replacement	701	559
Infrastructure replacement	214	214
Employees leave entitlement	269	269
Carry over works	427	730
Deposits, retentions and bonds	106	106
Caravan park reserve	202	168
Euston cemetery	38	38
Gravel pits rehabilitation	234	245
Hostel bonds	211	111
Health reserve	6	6
Lake Benanee capital improvements	1	1
Market St improvements	20	20
Other assets replacement	286	286
Theatre royal improvements	5	5
Town clock	3	3
Financial Assistance Funds	1,962	1,871
Future Development Fund	750	–
Heritage Contribution	19	–
Berrett Park Revitalisation	2	–

## Total internal restrictions

## TOTAL RESTRICTIONS

5,456 4,632

8,406 7,286



## Balranald Shire Council

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

## Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Purpose</b>				
Rates and annual charges	72	56	264	—
Interest and extra charges	—	12	—	—
User charges and fees	236	63	477	—
Accrued revenues				
– Interest on investments	30	—	16	—
– Other income accruals	254	—	—	—
Net GST receivable	—	—	17	—
<b>Total</b>	<b>592</b>	<b>131</b>	<b>774</b>	<b>—</b>
<b>Less: provision for impairment</b>				
Rates and annual charges	(21)	—	(21)	—
<b>Total provision for impairment – receivables</b>	<b>(21)</b>	<b>—</b>	<b>(21)</b>	<b>—</b>
<b>TOTAL NET RECEIVABLES</b>	<b>571</b>	<b>131</b>	<b>753</b>	<b>—</b>
<b>Externally restricted receivables</b>				
Water supply				
– Rates and availability charges	14	6	158	—
– Other	213	63	86	—
Sewerage services				
– Rates and availability charges	16	11	—	—
– Other	4	—	31	—
<b>Total external restrictions</b>	<b>247</b>	<b>80</b>	<b>275</b>	<b>—</b>
<b>Unrestricted receivables</b>	<b>324</b>	<b>51</b>	<b>478</b>	<b>—</b>
<b>TOTAL NET RECEIVABLES</b>	<b>571</b>	<b>131</b>	<b>753</b>	<b>—</b>

## Movement in provision for impairment of receivables

	2018	2017
Balance at the beginning of the year	21	22
– amounts already provided for and written off this year	—	(1)
<b>Balance at the end of the year</b>	<b>21</b>	<b>21</b>

## Accounting policy for receivables

## Recognition and measurement

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



## Balranald Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 7. Receivables (continued)

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##### Accounting policy for receivables (continued)

###### Impairment

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

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

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income statement.

## Balranald Shire Council

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

## Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>(a) Inventories</b>				
<b>Inventories at cost</b>				
Stores and materials	27	—	53	—
Trading stock	23	—	23	—
<b>Total inventories at cost</b>	<b>50</b>	<b>—</b>	<b>76</b>	<b>—</b>
<b><u>TOTAL INVENTORIES</u></b>	<b><u>50</u></b>	<b><u>—</u></b>	<b><u>76</u></b>	<b><u>—</u></b>
<b>(b) Other assets</b>				
Prepayments	25	—	—	—
<b><u>TOTAL OTHER ASSETS</u></b>	<b><u>25</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>—</u></b>

**Externally restricted assets**

There are no restrictions applicable to the above assets.

**Accounting policy****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. Costs are assigned to individual items of inventory on basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**Inventory held for distribution**

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

**Land held for resale/capitalisation of borrowing costs**

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

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

## Balranald Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
(i) Non-current assets and disposal group assets				
<b>Non-current assets 'held for sale'</b>				
Land and Buildings (Caltex service station)	—	—	500	—
<b>Total non-current assets 'held for sale'</b>	—	—	<b>500</b>	—
<b>TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'</b>				
	—	—	<b>500</b>	—

## (ii) Details of assets and disposal groups

Caltex service station sold during the 2017/18 year.

\$ '000	Assets 'held for sale'	
	2018	2017
(iii) Reconciliation of non-current assets 'held for sale'		
Opening balance	500	—
Less: carrying value of assets/operations sold	(500)	—
Plus new transfers in:		
– Assets 'held for sale'	—	500
<b>Closing balance of 'held for sale' non-current assets and operations</b>	<b>—</b>	<b>500</b>

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

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets; assets arising from employee benefits; financial assets; and investment property that are carried at fair value.

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

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.



## Balranald Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 10(a). Infrastructure, property, plant and equipment

Asset class	as at 30/6/2017			Asset movements during the reporting period							as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Wip transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
<b>\$ '000</b>													
Capital work in progress	871	—	871	—	—	—	—	(520)	(173)	—	178	—	178
Plant and equipment	4,824	2,834	1,990	652	—	(322)	(310)	—	(43)	—	5,078	3,111	1,967
Office equipment	408	341	67	2	—	—	(16)	—	(1)	—	407	355	52
Furniture and fittings	227	167	60	22	—	—	(8)	—	—	—	249	175	74
<b>Land:</b>													
— Operational land	1,478	—	1,478	—	37	—	—	—	—	1,991	3,506	—	3,506
— Community land	498	—	498	—	—	—	—	—	—	3,453	3,951	—	3,951
Land improvements – non-depreciable	680	—	680	—	—	—	—	—	—	—	680	—	680
Land improvements – depreciable	—	—	—	—	—	—	—	—	128	—	280	152	128
<b>Infrastructure:</b>													
— Buildings – non-specialised	26,872	15,928	10,944	20	—	—	(674)	—	(638)	11,551	33,979	12,776	21,203
— Buildings – specialised	358	68	290	—	114	—	(8)	—	—	197	894	301	593
— Other structures	13,778	6,258	7,520	87	—	—	(512)	(5)	253	—	15,137	7,794	7,343
— Roads and bridges	91,380	24,381	66,999	1,728	—	—	(1,495)	435	—	7,454	118,357	43,236	75,121
— Kerb and gutter	5,715	2,370	3,345	—	—	—	(65)	—	—	540	5,073	1,253	3,820
— Footpaths	1,620	709	911	—	—	—	(27)	—	—	76	1,714	754	960
— Stormwater drainage	2,482	559	1,923	431	—	—	(31)	(12)	—	1,386	4,747	1,050	3,697
— Water supply network	14,109	6,031	8,078	142	—	—	(201)	—	—	1,522	15,839	6,298	9,541
— Sewerage network	11,831	4,649	7,182	6	—	—	(187)	102	—	818	11,893	4,020	7,873
— Swimming pools	1,500	847	653	—	—	—	(21)	—	—	69	1,649	948	701
<b>Other assets:</b>													
— Library books	—	—	—	—	—	—	—	—	—	—	163	163	—
— Other	498	245	253	—	—	—	(23)	—	234	—	652	188	464
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>179,129</b>	<b>65,387</b>	<b>113,742</b>	<b>3,090</b>	<b>151</b>	<b>(322)</b>	<b>(3,578)</b>	<b>—</b>	<b>(240)</b>	<b>29,057</b>	<b>224,426</b>	<b>82,574</b>	<b>141,852</b>

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

## Balranald Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

##### Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

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

<b>Plant and equipment</b>	<b>Years</b>	<b>Other equipment</b>	<b>Years</b>
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	3 to 4		
Vehicles	5 to 8	<b>Buildings</b>	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40
<b>Water and sewer assets</b>		<b>Stormwater assets</b>	
Dams and reservoirs	25 to 85	Drains	70 to 100
Bores	20 to 30	Culverts	50 to 80
Reticulation pipes: PVC	80		
Reticulation pipes: other	50 to 120		
Pumps and telemetry	5 to 20		
<b>Transportation assets</b>		<b>Other infrastructure assets</b>	
Sealed roads: surface	15	Bulk earthworks	Indefinite
Sealed roads: structure	35 to 150	Swimming pools	25 to 140
Unsealed roads	90 to 150	Other open space/recreational assets	20
Bridge: concrete	80 to 120	Other infrastructure	20
Bridge: other	80 to 120		
Road pavements	35 to 130		
Kerb, gutter and footpaths	90		



## Balranald Shire Council

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

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

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

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

##### Land under roads

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

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

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

##### Crown reserves

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

##### Rural Fire Service assets

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

Until such time as discussions on this matter have concluded and the legislation changed, Council will recognise rural fire service assets including land and buildings but will not recognise plant and vehicles.



## Balranald Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 10(b). Externally restricted infrastructure, property, plant and equipment

\$ '000 Class of asset	2018			2017		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
<b>Water supply</b>						
Plant and equipment	284	16	268	255	—	255
Land						
– Operational land	34	—	34	33	—	33
Infrastructure	15,839	6,298	9,541	14,109	6,030	8,079
<b>Total water supply</b>	<b>16,157</b>	<b>6,314</b>	<b>9,843</b>	<b>14,397</b>	<b>6,030</b>	<b>8,367</b>
<b>Sewerage services</b>						
WIP	55	—	55	283	—	283
Plant and equipment	246	8	238	122	—	122
Land						
– Operational land	88	—	88	88	—	88
Infrastructure	11,893	4,020	7,873	11,830	4,649	7,181
<b>Total sewerage services</b>	<b>12,282</b>	<b>4,028</b>	<b>8,254</b>	<b>12,323</b>	<b>4,649</b>	<b>7,674</b>
<b>TOTAL RESTRICTED IPP&amp;E</b>	<b>28,439</b>	<b>10,342</b>	<b>18,097</b>	<b>26,720</b>	<b>10,679</b>	<b>16,041</b>

## Balranald Shire Council

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

## Note 11. Intangible assets

\$ '000	2018	2017
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Intangible assets represent identifiable non-monetary assets without physical substance.

## Intangible assets are as follows:

## Opening values:

Gross book value (1/7)	260	260
Net book value – opening balance	<u>260</u>	<u>260</u>

## Movements for the year

– Purchases	124	–
– Other capitalised costs	40	–

## Closing values:

Gross book value (30/6)	424	260
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TOTAL INTANGIBLE ASSETS – NET BOOK VALUE <sup>1</sup>

<u>424</u>	<u>260</u>
------------	------------

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

– Software	124	–
– Bidgee haven hostel (bed licences)	300	260
	<u>424</u>	<u>260</u>

## Accounting policy for intangible assets

## IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service, direct payroll, and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from three to five years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility, and where Council has an intention and ability to use the asset.

## Balranald Shire Council

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

## Note 12. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Payables</b>				
Goods and services – operating expenditure	731	–	632	–
Goods and services – capital expenditure	224	–	214	–
Accrued expenses:				
– Borrowings	8	–	16	–
– Salaries and wages	173	–	–	–
– Other expenditure accruals	–	–	–	2
Security bonds, deposits and retentions	–	13	–	13
ATO – net GST payable	2	–	–	–
Retirement home contributions	–	212	–	111
Other	3	–	–	–
<b>Total payables</b>	<b>1,141</b>	<b>225</b>	<b>862</b>	<b>126</b>
<b>Income received in advance</b>				
Payments received in advance	81	–	81	–
<b>Total income received in advance</b>	<b>81</b>	<b>–</b>	<b>81</b>	<b>–</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	257	2,549	257	2,806
<b>Total borrowings</b>	<b>257</b>	<b>2,549</b>	<b>257</b>	<b>2,806</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>1,479</b>	<b>2,774</b>	<b>1,200</b>	<b>2,932</b>

## (a) Payables and borrowings relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
<b>Externally restricted assets</b>				
Water	14	891	86	891
Payables and borrowings relating to externally restricted assets	14	891	86	891
<b>Total payables and borrowings relating to restricted assets</b>	<b>14</b>	<b>891</b>	<b>86</b>	<b>891</b>
<b>Total payables and borrowings relating to unrestricted assets</b>	<b>1,465</b>	<b>1,883</b>	<b>1,114</b>	<b>2,041</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>1,479</b>	<b>2,774</b>	<b>1,200</b>	<b>2,932</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 18.



## Balranald Shire Council

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

## Note 12. Payables and borrowings (continued)

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

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

Payables – security bonds, deposits and retentions	211	111
	<b>211</b>	<b>111</b>

**(c) Changes in liabilities arising from financing activities**

Class of borrowings	2017	Non-cash changes				2018
	Opening balance as at 1/7/17	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance as at 30/6/18
Loans – secured	3,063	(257)	–	–	–	2,806
<b>TOTAL</b>	<b>3,063</b>	<b>(257)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,806</b>

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

Credit cards/purchase cards	150	20
<b>Total financing arrangements</b>	<b>150</b>	<b>20</b>

**Drawn facilities as at balance date:**

– Credit cards/purchase cards	8	13
<b>Total drawn financing arrangements</b>	<b>8</b>	<b>13</b>

**Undrawn facilities as at balance date:**

– Credit cards/purchase cards	142	7
<b>Total undrawn financing arrangements</b>	<b>142</b>	<b>7</b>

1. The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.

## Balranald Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 12. Payables and borrowings (continued)

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##### Accounting policy for payables and borrowings

###### Payables

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

###### Borrowings

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

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

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

###### Finance 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.

## Balranald Shire Council

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

## Note 13. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Provisions</b>				
Employee benefits:				
Annual leave	289	–	303	–
Long service leave	341	51	430	67
Sub-total – aggregate employee benefits	630	51	733	67
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	170	–	170
Sub-total – asset remediation/restoration	–	170	–	170
<b>TOTAL PROVISIONS</b>	<b>630</b>	<b>221</b>	<b>733</b>	<b>237</b>

**(a) Provisions relating to restricted assets**

There are no restricted assets (external or internal) applicable to the above provisions

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

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

Provisions – employees benefits	398	800
	<b>398</b>	<b>800</b>



## Balranald Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 13. Provisions (continued)

\$ '000

## (c) Description of and movements in provisions

2018	ELE provisions			Total
	Annual leave	Sick leave	Long service leave	
At beginning of year	303	—	497	800
Additional provisions	241	143	113	497
Amounts used (payments)	(256)	(143)	(140)	(539)
Remeasurement effects	6	—	6	12
Unused amounts reversed	—	—	(54)	(54)
Other - Net Superannuation	(5)	—	(30)	(35)
Total ELE provisions at end of year	289	—	392	681

2017	ELE provisions			Total
	Annual leave	Sick leave	Long service leave	
At beginning of year	395	—	510	905
Additional provisions	107	112	21	240
Amounts used (payments)	(199)	(112)	(34)	(345)
Total ELE provisions at end of year	303	—	497	800

2018	Other provisions	
	Asset remediation	Total
At beginning of year	170	170
Total other provisions at end of year	170	170

2017	Other provisions	
	Asset remediation	Total
At beginning of year	170	170
Total other provisions at end of year	170	170

## Balranald Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 13. Provisions (continued)

##### **Nature and purpose of non-employee benefit provisions**

###### **Asset remediation**

Council has a legal/public obligation to make, restore, rehabilitate and reinstate the council tip and quarry.

##### **Accounting policy for provisions**

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

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

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

##### **Employee benefits**

###### **Short-term obligations**

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

###### **Other long-term employee benefit obligations**

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

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

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



## Balranald Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 13. Provisions (continued)

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

###### **Restoration**

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

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

###### **Rehabilitation**

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

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

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

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

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

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



## Balranald Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

#### Nature and purpose of reserves

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

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

### Note 15. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	6,446	7,377
<b>Balance as per the Statement of Cash Flows</b>		<b>6,446</b>	<b>7,377</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>732</b>	<b>1,737</b>
Adjust for non-cash items:			
Depreciation and amortisation		3,578	5,569
Net losses/(gains) on disposal of assets		(1,109)	(346)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		51	53
Increase/(decrease) in provision for doubtful debts		–	(1)
Decrease/(increase) in inventories		26	(6)
Decrease/(increase) in other assets		(25)	–
Increase/(decrease) in payables		99	(28)
Increase/(decrease) in accrued interest payable		(8)	9
Increase/(decrease) in other accrued expenses payable		171	(249)
Increase/(decrease) in other liabilities		106	(347)
Increase/(decrease) in employee leave entitlements		(119)	(105)
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>3,502</b>	<b>6,286</b>

## Balranald Shire Council

# Notes to the Financial Statements

for the year ended 30 June 2018

## Note 16. Commitments for expenditure

\$ '000	2018	2017
<b>Operating lease commitments (non-cancellable)</b>		
<b>a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:</b>		
Within the next year	100	249
Later than one year and not later than 5 years	–	100
<b>Total non-cancellable operating lease commitments</b>	<b>100</b>	<b>349</b>

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

Council currently leases a number of items of heavy equipment.

**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.

## Balranald Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 17. Contingencies and other liabilities/assets 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.



## Balranald Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 17. Contingencies and other liabilities/assets not recognised (continued)

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

##### 1. Guarantees (continued)

##### (iii) StateCover Limited (continued)

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

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

##### (iv) Other guarantees

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

##### 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) Potential land acquisitions due to planning restrictions imposed by Council

Council has classified a number of privately owned land parcels as local open space or bushland.

As a result, where notified in writing by the various owners, Council will be required to purchase these land parcels.

At reporting date, reliable estimates as to the value of any potential liability (and subsequent land asset) from such potential acquisitions has not been possible.

##### 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.

## Balranald Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 17. Contingencies and other liabilities/assets not recognised (continued)

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##### **ASSETS NOT RECOGNISED** (continued):

##### **(ii) Infringement notices/fines**

Fines and penalty income, the result of Council issuing infringement notices is followed up and collected by the Infringement Processing Bureau.

Council's revenue recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at year end, there is a potential asset due to Council representing issued but unpaid infringement notices.

Due to the limited information available on the status, value and duration of outstanding notices, Council is unable to determine the value of outstanding income.

## Balranald Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 18. Financial risk management

\$ '000

## Risk management

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

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

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

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

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

	Carrying value		Fair value	
	2018	2017	2018	2017
<b>Financial assets</b>				
Cash and cash equivalents	6,446	7,377	6,446	7,377
Investments				
– 'Held to maturity'	3,000	–	3,000	–
Receivables	702	753	702	753
<b>Total financial assets</b>	<b>10,148</b>	<b>8,130</b>	<b>10,148</b>	<b>8,130</b>
<b>Financial liabilities</b>				
Payables	1,366	988	1,366	988
Loans/advances	2,806	3,063	2,806	3,063
<b>Total financial liabilities</b>	<b>4,172</b>	<b>4,051</b>	<b>4,172</b>	<b>4,051</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.



## Balranald Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 18. Financial risk management (continued)

\$ '000

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

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

The risks associated with the investments held are:

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2018</b>				
Possible impact of a 1% movement in interest rates	19	19	(19)	(19)
<b>2017</b>				
Possible impact of a 1% movement in interest rates	70	70	(70)	(70)

## Balranald Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 18. 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:

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
<b>(i) Ageing of receivables – %</b>				
Current (not yet overdue)	0%	7%	0%	76%
Overdue	100%	93%	100%	24%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

**(ii) Ageing of receivables – value****Rates and annual charges**

	2018	2017
< 1 year overdue	72	195
1 – 2 years overdue	23	38
2 – 5 years overdue	24	18
> 5 years overdue	9	13
	<b>128</b>	<b>264</b>

**Other receivables**

	2018	2017
Current	63	348
0 – 30 days overdue	313	102
31 – 60 days overdue	8	33
61 – 90 days overdue	67	27
> 91 days overdue	144	–
	<b>595</b>	<b>510</b>

## Balranald Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 18. 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.

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk by borrowing long term and fixing the interest rate on a 4-year renewal basis. The Finance Section regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 – 5 Years	> 5 Years		
<b>2018</b>							
Trade/other payables	0.01%	13	1,353	–	–	1,366	1,366
Loans and advances	6.50%	–	437	1,957	412	2,806	2,806
<b>Total financial liabilities</b>		<b>13</b>	<b>1,790</b>	<b>1,957</b>	<b>412</b>	<b>4,172</b>	<b>4,172</b>
<b>2017</b>							
Trade/other payables	0.01%	13	975	–	–	988	988
Loans and advances	6.50%	–	702	1,716	886	3,304	3,063
<b>Total financial liabilities</b>		<b>13</b>	<b>1,677</b>	<b>1,716</b>	<b>886</b>	<b>4,292</b>	<b>4,051</b>



## Balranald Shire Council

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

## Note 19. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 26 June 2018 and is not required to be audited.

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

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

Note that for variations\* of budget to actual :

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

F = Favourable budget variation, U = Unfavourable budget variation

\$ '000	2018 Budget	2018 Actual	2018 Variance*	
<b>REVENUES</b>				
<b>Rates and annual charges</b>	<b>2,482</b>	<b>2,328</b>	<b>(154)</b>	<b>(6%) U</b>
Original budget calculation over estimated some annual charges on assessment numbers for rating purposes. As a result, budget was higher than it should have been.				
<b>User charges and fees</b>	<b>2,243</b>	<b>2,063</b>	<b>(180)</b>	<b>(8%) U</b>
Some fees were budgeted to generate more revenue than what actually happened during the year.				
<b>Interest and investment revenue</b>	<b>131</b>	<b>161</b>	<b>30</b>	<b>23% F</b>
Better than expected return on surplus funds invested. In part, due to Council not fully spending all of the capital program budget.				
<b>Other revenues</b>	<b>1,202</b>	<b>542</b>	<b>(660)</b>	<b>(55%) U</b>
This is possibility that the difference is due to a mis-coding of the Annual Charges budget when compiling the 17/18 budget. Rates and Annual Charges has a variance of \$1,079k short, which is well offset by the variance of \$1,487 here on Other Revenues.				
<b>Operating grants and contributions</b>	<b>7,469</b>	<b>7,336</b>	<b>(133)</b>	<b>(2%) U</b>
Timing issue of grant funding				
<b>Capital grants and contributions</b>	<b>551</b>	<b>363</b>	<b>(188)</b>	<b>(34%) U</b>
Timing issue of grant funding				
<b>Net gains from disposal of assets</b>	<b>1,100</b>	<b>1,109</b>	<b>9</b>	<b>1% F</b>
Sale of Caltex business and sale occurred during the Financial year.				

## Balranald Shire Council

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

## Note 19. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 Variance*	
<b>EXPENSES</b>				
<b>Employee benefits and on-costs</b>	<b>5,663</b>	<b>4,769</b>	<b>894</b>	<b>16% F</b>
Council had a high turnover of staff during the 2017/18 financial year, including some retirements. This resulted in a savings in some budget line items as positions were not re-filled for various reasons. Also, as a result of staff movements, some other employee related expenditure was also down on expected forecast.				
<b>Borrowing costs</b>	<b>103</b>	<b>157</b>	<b>(54)</b>	<b>(52%) U</b>
<b>Materials and contracts</b>	<b>1,425</b>	<b>3,323</b>	<b>(1,898)</b>	<b>(133%) U</b>
Some projects ended up been classified as R&M and not capitalised works. Capital expenditure was down on budgeted forecast, which in turn lead to more work been done on repairs and maintenance. Also, some projects were originally classified as capital ended up been classified as repairs and not works for capitalisation.				
<b>Depreciation and amortisation</b>	<b>3,559</b>	<b>3,578</b>	<b>(19)</b>	<b>(1%) U</b>
<b>Other expenses</b>	<b>1,694</b>	<b>1,343</b>	<b>351</b>	<b>21% F</b>
Overall, some expenditure in this section has resulted in underspend, and is offset by overspends on some expenditure line items. There is no real single source for the underspend. Budgets were prepared with a conservative approach.				
<b>Budget variations relating to Council's Cash Flow Statement include:</b>				
<b>Cash flows from operating activities</b>	<b>5,408</b>	<b>3,502</b>	<b>(1,906)</b>	<b>(35.2%) U</b>
Other revenue and Grants came in short compared to budget. In terms of the grants, this can be because of a timing issue, for example, Disaster Relief Funding had a budget of \$508k but this wasn't received during the 2017/18 year.				
<b>Cash flows from investing activities</b>	<b>(2,647)</b>	<b>(4,176)</b>	<b>(1,529)</b>	<b>57.8% U</b>
Capital expenditure was down on expected budget for 2017/18 year.				
<b>Cash flows from financing activities</b>	<b>(269)</b>	<b>(257)</b>	<b>12</b>	<b>(4.5%) F</b>



## Balranald Shire Council

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

## Note 20. 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 values.		Fair value measurement hierarchy			
2018		Level 1	Level 2	Level 3	Total
	Date of latest valuation	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
WIP	30/06/18	—	—	178	178
Plant and equipment	30/06/18	—	—	1,967	1,967
Office equipment	30/06/18	—	—	52	52
Furniture and fittings	30/06/18	—	—	74	74
Land – operational	30/06/18	—	3,506	—	3,506
Land community	30/06/18	—	975	2,976	3,951
Land improvements	30/06/18	—	—	808	808
Buildings specialised	30/06/18	—	1,430	19,773	21,203
Buildings non – specialised	30/06/18	—	—	593	593
Other structures	30/06/18	—	—	7,343	7,343
Roads and bridges	30/06/18	—	—	75,122	75,122
Kerb and channels	30/06/18	—	—	3,820	3,820
Footpaths	30/06/18	—	—	960	960
Stormwater drainage	30/06/18	—	—	3,697	3,697
Water supply network	30/06/18	—	—	9,541	9,541
Sewerage network	30/06/18	—	—	7,873	7,873
Swimming pools	30/06/18	—	—	701	701
Other	30/06/18	—	—	464	464
Total infrastructure, property, plant and equipment		—	5,911	135,942	141,853



## Balranald Shire Council

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

## Note 20. Fair value measurement (continued)

\$ '000

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

2017	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
WIP	30/06/17	—	—	871	871
Plant and equipment	30/06/17	—	—	1,990	1,990
Office equipment	30/06/17	—	—	67	67
Furniture and fittings	30/06/17	—	—	60	60
Land – operational	30/06/16	—	—	1,478	1,478
Land community	30/06/16	—	—	498	498
Land improvements	30/06/16	—	—	680	680
Buildings specialised	30/06/16	—	—	290	290
Buildings non – specialised	30/06/16	—	—	10,944	10,944
Other structures	30/06/16	—	—	7,520	7,520
Roads and bridges	30/06/16	—	—	66,999	66,999
Kerb and channels	30/06/16	—	—	3,345	3,345
Footpaths	30/06/16	—	—	911	911
Stormwater drainage	30/06/16	—	—	1,923	1,923
Water supply network	30/06/16	—	—	8,078	8,078
Sewerage network	30/06/16	—	—	7,182	7,182
Swimming pools	30/06/16	—	—	653	653
Other	30/06/16	—	—	253	253
Total infrastructure, property, plant and equipment		—	—	113,742	113,742
Non-recurring fair value measurements					
Non-current assets classified as ‘held for sale’					
Operational Land - Business Use	30/06/17	—	—	500	500
Total NCA’s classified as ‘held for sale’		—	—	500	500

## Balranald Shire Council

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

#### Note 20. Fair value measurement (continued)

##### (3) Valuation techniques used to derive Level 2 and Level 3 Fair Values

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

The Fair Valuation techniques Council has employed while utilising Level 2 and Level 3 inputs are as follows:

##### 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 market value approach (level 2) or the cost approach (level 3). Operational Land is represented by actual market values in the Balranald Shire LGA. Operational land was valued based on observable market values (level 2). Community land includes a component of market values, but the bulk of community land was considered to be non observable market evidence and as such have been classified at a level 3.

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

##### Buildings- Non Specialised & Specialised

Non- Specialised & Specialised Buildings have been valued externally by APV Valuers and Asset Management of Level 18, 344 Queen Street Brisbane QLD 4000 using the market or cost approach, with effective date 30 June 2018. The approaches estimated the replacement cost of each building by componentising the building into significant



## Balranald Shire Council

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

#### Note 20. Fair value measurement (continued)

parts. While all buildings were physically inspected and the unit rates based on square market based evidence (level) 2 was established for some building assets, the majority of building assets were valued at a level 3.

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. have been valued externally by APV Valuers and Asset Management of Level 18, 344 Queen Street Brisbane QLD 4000 using the cost approach, however the revaluation was not applied for Other Structures as the levee banks were accidentally excluded from the revaluation process. Therefore, the asset class could not have the revaluation applied as not all of the asset class was revalued. 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. Levee banks will be revalued during the 2018/19 financial year and the full revaluation will then be applied.

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 externally by APV Valuers and Asset Management of Level 18, 344 Queen Street Brisbane QLD 4000 using the cost approach, with effective date 30 June 2018. 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.

#### 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 externally by APV Valuers and Asset Management of Level 18, 344 Queen Street Brisbane QLD 4000 using the



## Balranald Shire Council

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

#### Note 20. Fair value measurement (continued)

cost approach, with effective date 30 June 2018. This valuation is based on inventory information provided by Council validated by onsite inspections and CCTV data. No market based evidence (level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class.

For the year ending 30 June 2018, 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 asset into significant parts with different useful lives and taking into account a range of factors. All Water Supply Network Assets were valued externally by APV Valuers and Asset Management of Level 18, 344 Queen Street Brisbane QLD 4000 using the cost approach, with effective date 30 June 2018. This valuation is based on inventory information provided by Council validated by onsite inspections and CCTV data. No market based evidence (level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class.

For the year ending 30 June 2018, 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.

#### **Swimming Pools**

Assets within this class comprise Council's outdoor swimming pool, valued externally by APV Valuers and Asset Management of Level 18, 344 Queen Street Brisbane QLD 4000 using the market or cost approach, with effective date 30 June 2018. 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.

## Balranald Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 20. 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	Community Land Improvements	Land Improvements	Buildings Non Specialised	Buildings Specialised	Total
<b>Opening balance – 1/7/16</b>	1,931	36	53	–	498	568	11,498	242	14,826
Purchases (GBV)	587	45	13	–	–	58	109	29	841
Disposals (WDV)	(240)	(3)	–	–	–	–	–	–	(243)
Depreciation and impairment	(316)	(18)	(6)	–	–	–	(676)	(7)	(1,023)
WIP Transfers	28	7	–	–	–	–	–	–	35
Adjustments and Transfers	–	–	–	–	–	54	13	26	93
<b>Closing balance – 30/6/17</b>	<b>1,990</b>	<b>67</b>	<b>60</b>	<b>–</b>	<b>498</b>	<b>680</b>	<b>10,944</b>	<b>290</b>	<b>14,529</b>
Purchases (GBV)	615	1	22	–	–	–	20	113	771
Disposals (WDV)	(322)	–	–	–	–	–	–	–	(322)
Depreciation and impairment	(310)	(16)	(8)	–	–	–	(674)	(8)	(1,016)
Adjustments and Transfers	(6)	–	–	–	1	128	(638)	6	(509)
Revaluations	–	–	–	–	2,477	–	10,121	192	12,790
<b>Closing balance – 30/6/18</b>	<b>1,967</b>	<b>52</b>	<b>74</b>	<b>–</b>	<b>2,976</b>	<b>808</b>	<b>19,773</b>	<b>593</b>	<b>26,243</b>

## Balranald Shire Council

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

## Note 20. 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 Bridges	Kerb and Gutter	Footpaths	Stormwater Drainage	Water Supply Network	Sewer Network	Swimming Pool	Total
<b>Opening balance – 1/7/16</b>	7,488	52,769	2,831	931	2,044	7,033	6,767	693	80,556
Purchases (GBV)	248	2,399	43	44	–	28	39	19	2,820
Depreciation and impairment	(497)	(3,360)	(53)	(33)	(31)	(291)	(201)	(59)	(4,525)
WIP Transfers	95	171	–	56	–	–	26	–	348
Adjustments and Transfers	186	50	–	–	–	(23)	(88)	–	125
Revaluations	–	14,970	524	(87)	(90)	1,331	639	–	17,287
<b>Closing balance – 30/6/17</b>	<b>7,520</b>	<b>66,999</b>	<b>3,345</b>	<b>911</b>	<b>1,923</b>	<b>8,078</b>	<b>7,182</b>	<b>653</b>	<b>96,611</b>
Purchases (GBV)	87	1,728	–	–	431	142	114	–	2,502
Depreciation and impairment	(512)	(1,495)	(65)	(27)	(31)	(201)	(187)	(21)	(2,539)
WIP Transfers	(5)	435	–	–	(12)	–	149	–	567
Adjustments and Transfers	253	–	(43)	20	(132)	–	(155)	(3)	(60)
Revaluations	–	7,455	583	56	1,518	1,522	770	72	11,976
<b>Closing balance – 30/6/18</b>	<b>7,343</b>	<b>75,122</b>	<b>3,820</b>	<b>960</b>	<b>3,697</b>	<b>9,541</b>	<b>7,873</b>	<b>701</b>	<b>109,057</b>



## Balranald Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 20. 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)

	Work in Progress	Other Assets	Total
<b>Closing balance – 30/6/17</b>	<b>871</b>	<b>253</b>	<b>1,124</b>
Depreciation and impairment	–	(23)	(23)
WIP Transfers	(520)	–	(520)
Adjustments and Transfers	(173)	234	61
<b>Closing balance – 30/6/18</b>	<b>178</b>	<b>464</b>	<b>642</b>

## (5). Highest and best use

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

## Balranald Shire Council

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

#### Note 21. Related party transactions

\$ '000

##### a. Key management personnel

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

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

	2018	2017
<b>Compensation:</b>		
Short-term benefits	719	606
<b>Total</b>	<b>719</b>	<b>606</b>

## Balranald Shire Council

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

## Note 22. Financial result and financial position by fund

Income Statement by fund			
\$ '000	2018	2018	2018
<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	574	356	1,398
User charges and fees	655	7	1,401
Interest and investment revenue	10	21	130
Other revenues	64	32	446
Grants and contributions provided for operating purposes	–	9	7,327
Grants and contributions provided for capital purposes	–	–	363
<b>Other income</b>			
Net gains from disposal of assets	–	–	1,109
<b>Total income from continuing operations</b>	<b>1,303</b>	<b>425</b>	<b>12,174</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	197	49	4,523
Borrowing costs	51	–	106
Materials and contracts	223	277	2,823
Depreciation and amortisation	218	195	3,165
Other expenses	206	69	1,068
<b>Total expenses from continuing operations</b>	<b>895</b>	<b>590</b>	<b>11,685</b>
<b>Operating result from continuing operations</b>	<b>408</b>	<b>(165)</b>	<b>489</b>
<b>Net operating result for the year</b>	<b>408</b>	<b>(165)</b>	<b>489</b>
<b>Net operating result attributable to each council fund</b>	<b>408</b>	<b>(165)</b>	<b>489</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>408</b>	<b>(165)</b>	<b>126</b>

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

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



## Balranald Shire Council

## Notes to the Financial Statements

as at 30 June 2018

## Note 22. Financial result and financial position by fund (continued)

Statement of Financial Position by fund			
\$ '000	2018	2018	2018
<b>ASSETS</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Current assets</b>			
Cash and cash equivalents	343	121	5,982
Investments	600	1,250	1,150
Receivables	227	20	324
Inventories	—	—	50
Other	—	—	25
<b>Total current assets</b>	<b>1,170</b>	<b>1,391</b>	<b>7,531</b>
<b>Non-current assets</b>			
Receivables	69	11	51
Infrastructure, property, plant and equipment	9,843	8,254	123,755
Intangible assets	—	—	424
<b>Total non-current assets</b>	<b>9,912</b>	<b>8,265</b>	<b>124,230</b>
<b>TOTAL ASSETS</b>	<b>11,082</b>	<b>9,656</b>	<b>131,761</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	3	—	1,138
Income received in advance	—	—	81
Borrowings	11	—	246
Provisions	—	—	630
<b>Total current liabilities</b>	<b>14</b>	<b>—</b>	<b>2,095</b>
<b>Non-current liabilities</b>			
Payables	—	—	225
Borrowings	891	—	1,658
Provisions	—	—	221
<b>Total non-current liabilities</b>	<b>891</b>	<b>—</b>	<b>2,104</b>
<b>TOTAL LIABILITIES</b>	<b>905</b>	<b>—</b>	<b>4,199</b>
<b>Net assets</b>	<b>10,177</b>	<b>9,656</b>	<b>127,562</b>
<b>EQUITY</b>			
Accumulated surplus	3,380	2,712	40,679
Revaluation reserves	6,797	6,944	86,883
<b>Total equity</b>	<b>10,177</b>	<b>9,656</b>	<b>127,562</b>

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

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

## Balranald Shire Council

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

## Note 23(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	Prior periods 2017	2016	Benchmark
<b>Local government industry indicators – consolidated</b>					
<b>1. Operating performance ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	(740)	-5.95%	6.83%	-16.10%	> 0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	12,430				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	5,094	39.82%	31.89%	34.90%	> 60.00%
Total continuing operating revenue <sup>(1)</sup>	12,793				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions <sup>(2)</sup>	6,895	4.64x	6.21x	2.92x	> 1.5x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	1,486				
<b>4. Debt service cover ratio</b>					
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	2,995	7.23x	15.26x	9.77x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	414				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	119	4.60%	10.52%	15.65%	< 10% regional & rural
Rates, annual and extra charges collectible	2,586				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	9,446	11.03 mths	9.4 mths	8.1 mths	> 3 mths
Monthly payments from cash flow of operating and financing activities	856				

## 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 Notes 12 and 13.

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

## Balranald Shire Council

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

## Note 23(b). Statement of performance measures – by fund

\$ '000	General indicators <sup>5</sup>		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
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							
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions							
	-9.19%	7.82%	31.31%	8.75%	-38.82%	-36.83%	> 0.00%
2. Own source operating revenue ratio							
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions							
Total continuing operating revenue <sup>(1)</sup>							
	30.56%	25.32%	99.54%	99.30%	97.88%	98.20%	> 60.00%
3. Unrestricted current ratio							
Current assets less all external restrictions <sup>(2)</sup>							
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>							
	4.64x	6.17x	83.57x	9.94x	No liabilities	No liabilities	> 1.5x

## Notes

(1) - (4) Refer to Notes at Note 23a 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 2018

## Note 23(b). Statement of performance measures – by fund (continued)

\$ '000	General indicators <sup>5</sup>		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
<b>Local government industry indicators – by fund (continued)</b>							
<b>4. Debt service cover ratio</b>							
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation							
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	7.97x	19.92x	5.33x	3.36x	0.00x	0.00x	> 2x
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>							
Rates, annual and extra charges outstanding	4.57%	4.79%	3.11%	33.19%	7.34%	0.00%	< 10% regional & rural
Rates, annual and extra charges collectible							
<b>6. Cash expense cover ratio</b>							
Current year's cash and cash equivalents plus all term deposits	11.81	9.34	5.47	0.00	3.68	0.00	> 3 months
Monthly payments from cash flow of operating and financing activities	months	months	months	months	months	months	

## Notes

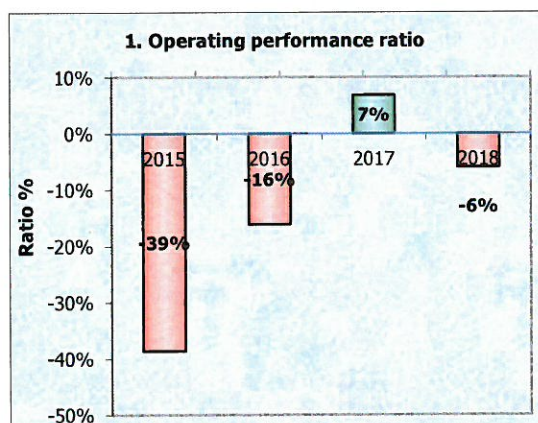
(1) Refer to Notes at Note 23a above.

(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 2018

## Note 23(c). Statement of performance measures – consolidated results (graphs)

Benchmark: — Minimum  $\geq 0.00\%$ 

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

**Purpose of operating performance ratio**

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

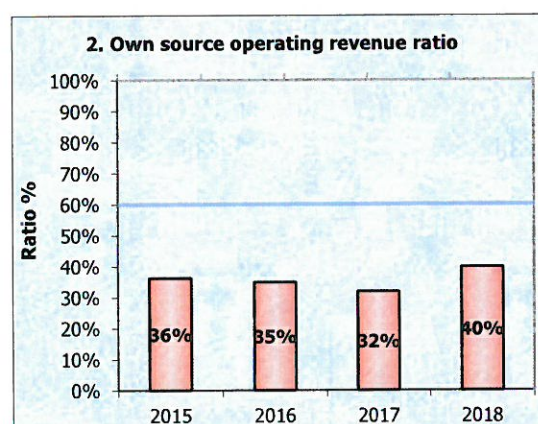
**Commentary on 2017/18 result****2017/18 ratio -5.95%**

Council has been actively improving in rates and user charges revenue and depreciation cost is significantly lower compared to previous years as a result of recent revaluations, but unfortunately this ratio has deteriorated when compared to previous year. Lower grant funding, when compared to previous year, has meant Council has had to cover some expenditure itself.



Ratio achieves benchmark

Ratio is outside benchmark

Benchmark: — Minimum  $\geq 60.00\%$ 

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

**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.

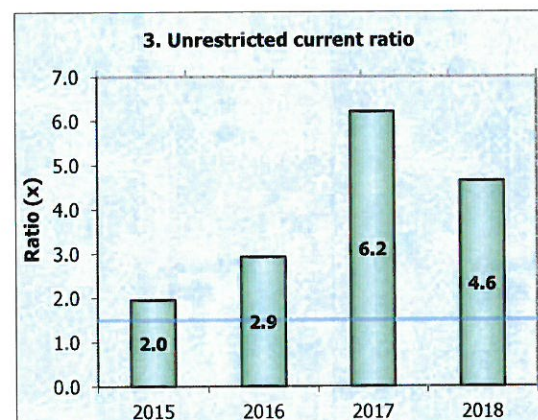
**Commentary on 2017/18 result****2017/18 ratio 39.82%**

Less grants received compared to the 2016/17 year. This has resulted in Rates representing more share of the operating revenue, but it is still below the required benchmark of 60%



Ratio achieves benchmark

Ratio is outside benchmark

Benchmark: — Minimum  $\geq 1.50$ 

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

**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 2017/18 result****2017/18 ratio 4.64x**

Continues to be a strong result for Council. Council received part of the 2018/19 Financial Assistance Grant in advance again.



Ratio achieves benchmark

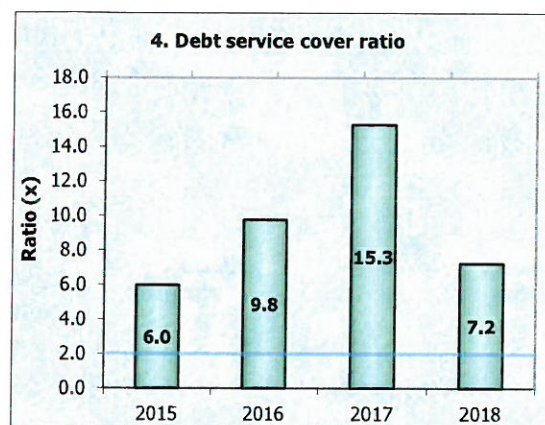
Ratio is outside benchmark



## Balranald Shire Council

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

## Note 23(c). Statement of performance measures – consolidated results (graphs)

Benchmark: — Minimum  $\geq 2.00$ 

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

**Purpose of debt service cover ratio**

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

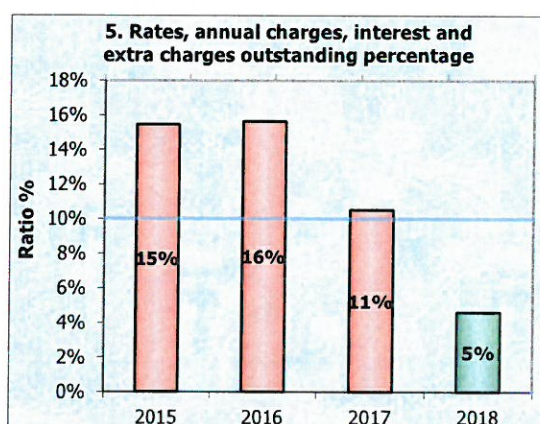
**Commentary on 2017/18 result****2017/18 ratio 7.23x**

Council has not entered into any new loans during the 2017/18 year. The outstanding loan balances continues to decrease.



Ratio achieves benchmark

Ratio is outside benchmark

Benchmark: — Maximum  $< 10.00\%$ 

Source for Benchmark: Code of Accounting Practice and Financial Reporting #26

**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.

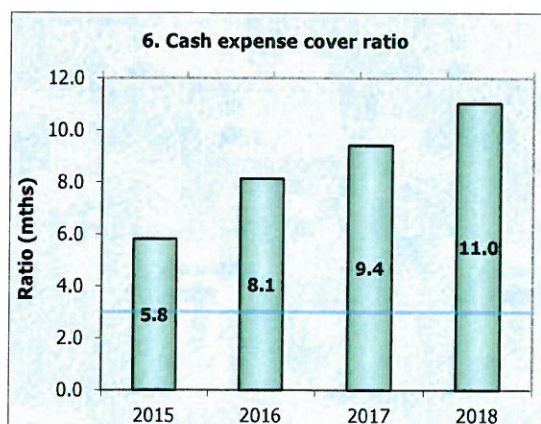
**Commentary on 2017/18 result****2017/18 ratio 4.60%**

A much better result when compared to previous years. Council continues to actively collect outstanding rates and charges.



Ratio is within Benchmark

Ratio is outside Benchmark

Benchmark: — Minimum  $\geq 3.00$ 

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

**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 2017/18 result****2017/18 ratio 11.03 mths**

Council receiving part of the 2018/19 Financial Assistance Grant before 30 June 2018 has help to return a strong cash expense cover ratio result. Council continues to improve its overall cash holdings.



Ratio achieves benchmark

Ratio is outside benchmark



## Balranald Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 24. Segment reporting

\$ '000	2018	2017
<b>Residential Aged Care: Bidgee Haven Hostel</b>		
<b>Income Statement</b>		
<b>Income from Continuing Operations</b>		
Residential Fees	327	259
Respite Care Subsidies	866	439
Entry Contributions (Retention Only)	—	9
Interest on entry Contributions	4	7
Other	3	1
<b>Total Income from Continuing Operations</b>	<b>1,200</b>	<b>715</b>
<b>Expenses from Continuing Operations</b>		
Employee Costs	834	829
Consultancy Costs	7	115
Care and Catering Costs	54	56
Cleaning and Laundry Expenses	11	10
Administration Cost	64	100
Repairs and Maintenance	51	62
Insurance	14	15
Utilities Costs	20	36
General Expenses	11	12
Depreciation	69	68
<b>Total Expenses from Continuing Operations</b>	<b>1,135</b>	<b>1,303</b>
<b>Operating Result from Continuing Operations</b>	<b>65</b>	<b>(588)</b>
<b>Net Operating Result for the Year</b>	<b>65</b>	<b>(588)</b>
<b>Net Operating Result for the year before Grants and Contributions provided for Capital Purposes</b>	<b>61</b>	<b>(595)</b>

## Balranald Shire Council

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

## Note 24. Segment reporting (continued)

\$ '000	2018	2017
<b>Residential Aged Care: Bidgee Haven Hostel</b>		
<b>Balance Sheet</b>		
<b>ASSETS</b>		
<b>Current Assets</b>		
Investments	211	111
<b>Total Current Assets</b>	<b>211</b>	<b>111</b>
<b>Non-Current Assets</b>		
Office Equipment	27	30
Furniture and Fittings	17	13
Buildings	1,159	1,092
Intangible Assets	300	260
<b>Total Non-Current Assets</b>	<b>1,503</b>	<b>1,396</b>
<b>TOTAL ASSETS</b>	<b>1,714</b>	<b>1,508</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Subsidy from Council	569	634
Provisions	70	34
<b>Total Current Liabilities</b>	<b>639</b>	<b>668</b>
<b>Non-Current Liabilities</b>		
Hostel Bonds	211	111
Provisions	5	5
<b>Total Non-Current Liabilities</b>	<b>216</b>	<b>116</b>
<b>TOTAL LIABILITIES</b>	<b>855</b>	<b>784</b>
<b>Net Assets</b>	<b>859</b>	<b>724</b>
<b>EQUITY</b>		
Retained earnings B/FWD	169	757
Revaluation Reserves	625	554
Operating result for year	65	(588)
<b>Total Equity</b>	<b>859</b>	<b>723</b>



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial report

#### Balranald Shire Council

To the Councillors of the Balranald Shire Council

### Opinion

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

In my opinion,

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

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

### Basis for Opinion

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

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

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

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



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

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

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

### **Other Information**

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

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

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

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

I have nothing to report in this regard.

### **The Councillors' Responsibilities for the Financial Report**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Report**

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](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 Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 19 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule 2 - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.

A handwritten signature in cursive script, appearing to read 'D. Ryan'.

Dominika Ryan  
Director

7 December 2018  
SYDNEY

Councillor Alan Purtill  
Mayor  
Balranald Shire Council  
PO Box 120  
BALRANALD NSW 2715

Contact: Dominika Ryan  
Phone no: (02) 9275 7366  
Our ref: D1827121/1687

7 December 2018

Dear Councillor Purtill

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





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

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

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

## **INCOME STATEMENT**

### **Operating result**

	2018	2017	Variance
	\$m	\$m	%
<b>Rates and annual charges revenue</b>	2.3	2.1	 9.5
<b>Grants and contributions revenue</b>	7.7	10.2	 24.5
<b>Operating result for the year</b>	0.7	1.7	 58.8
<b>Net operating result before capital amounts</b>	0.4	1.0	 60.0

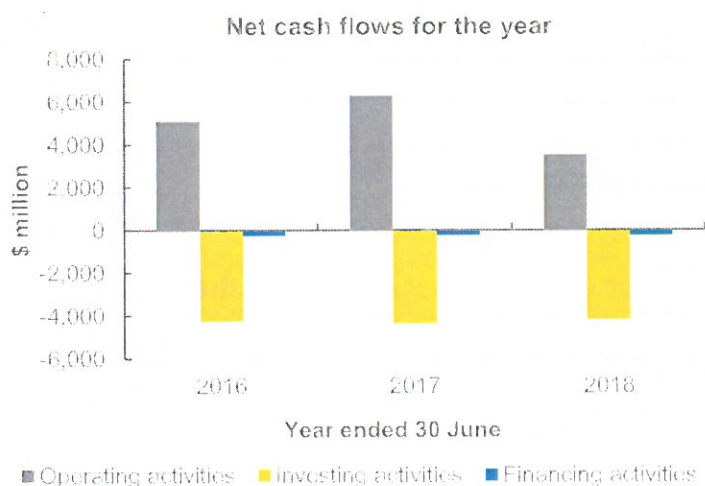


Council's operating result (\$732,000 including the effect of depreciation and amortisation expense of \$3.6 million) was \$1.0 million lower than the 2016–17 result. The movement was caused by decreased revenue from grants and contributions. The decrease in grants revenue was largely due to \$1.9 million of financial assistance grants received in 2016–17 and a decrease RMS contributions received by Council in 2017–18. This was offset partially with increases in rates and annual charges and user charges and fees and a reduction of \$130,000 in total expenses.

The net operating result before capital grants and contributions (\$369,000) was \$606,000 less than the 2016–17 result.

## STATEMENT OF CASH FLOWS

- Operating cash flows were impacted by the decrease in addition to increased payments for material and contracts.
- The net impact of investing and financing activities remained in line with 2016–17. No new borrowings have been entered into during 2017–18.



## FINANCIAL POSITION

### Cash and Investments

Cash and Investments	2018	2017	Commentary
	\$m	\$m	
External restrictions	3.0	2.7	The Council's externally restricted cash and investments increased by 11.1% or \$296,000
Internal restrictions	5.5	4.6	
Unrestricted	1.0	0.1	The Council's internally restricted cash and investments increased by 19.6% or \$824,000, primarily due to the establishment of the 'Future Development Fund'.
<b>Cash and investments</b>	<b>9.5</b>	<b>7.4</b>	
			The Council's unrestricted cash and investments have increased by \$1 million in 2017. This is shown in the increase in cash in 2018 and is used to meet day-to-day obligations.

### Debt

Borrowings have decreased in line with repayments made with no new loans taken out in 2017–18.

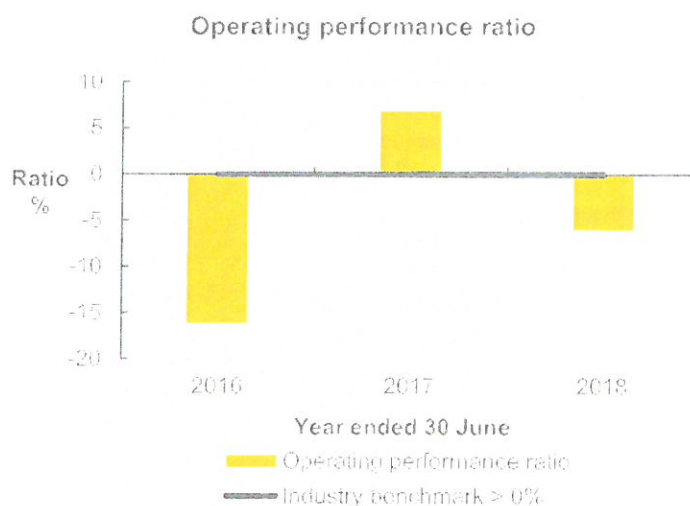
At the end of the financial year, the Council has unrestricted access to a \$200,000 line of credit (2017: \$200,000), consisting of credit or purchase cards. No other facilities are available.

## PERFORMANCE RATIOS

### Operating performance ratio

The Council's operating performance ratio of 6.0 per cent in 2017–18 which is below the industry benchmark. The ratio has weakened this year due to a decrease in operating grants and contributions revenue as a result of the financial assistance grant receipt timing.

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

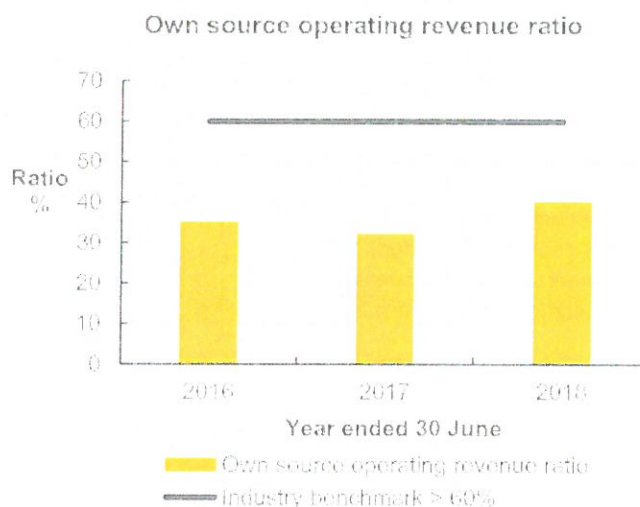


### Own source operating revenue ratio

The Council's own source operating ratio of 40 per cent reflects the Council's reliance on externally sourced grant revenue.

The improvement in the ratio in 2017–18 is due to the reduction in the Financial Assistance Grant revenue after the amount received in June 2017.

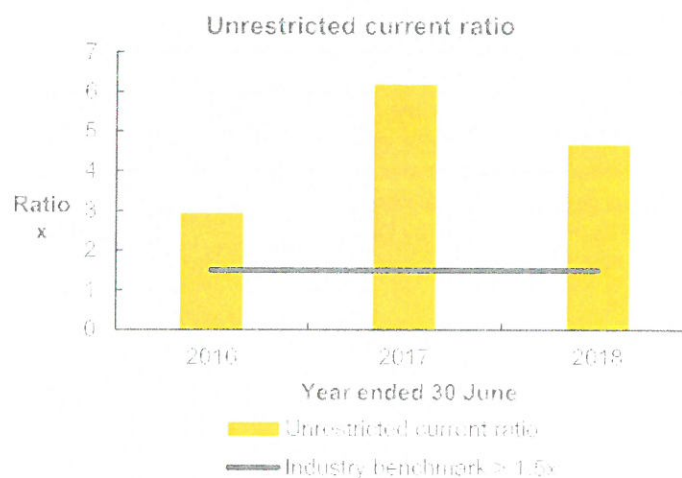
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 percent.



### Unrestricted current ratio

The ratio indicates the Council, has \$4.6 (excluding restricted funds) available to service every \$1 of unrestricted current liabilities. This exceeds the industry benchmark.

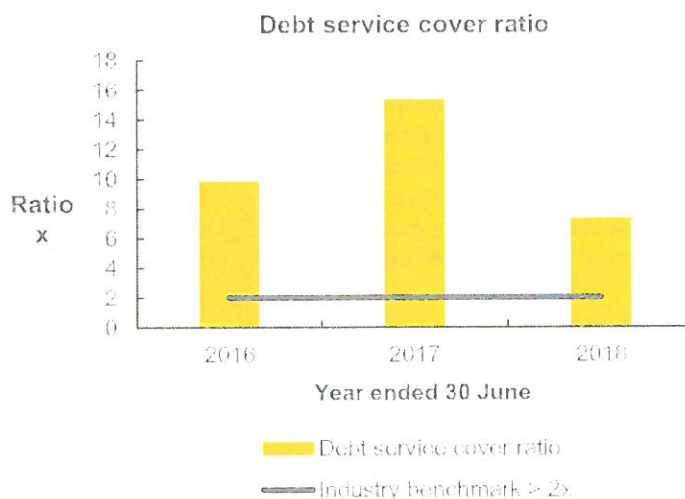
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



## Debt service cover ratio

The Council's debt service cover ratio of 7.2 times continues to exceed the industry benchmark. The ratio is continuing to decrease as the outstanding loan balance continues to decrease as repayments are made and new loans have not been taken out.

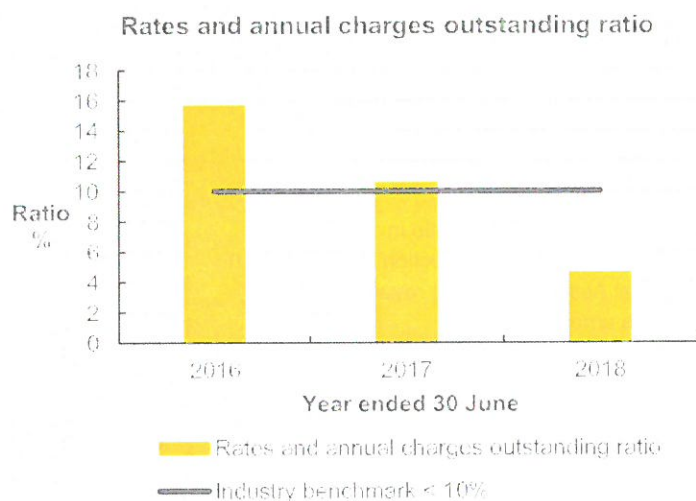
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



## Rates and annual charges outstanding ratio

The Council's outstanding rates and charges ratio of 4.6 per cent maintains the 2017 level achieved which is below the benchmark. The council continues to actively collect outstanding rates and charges.

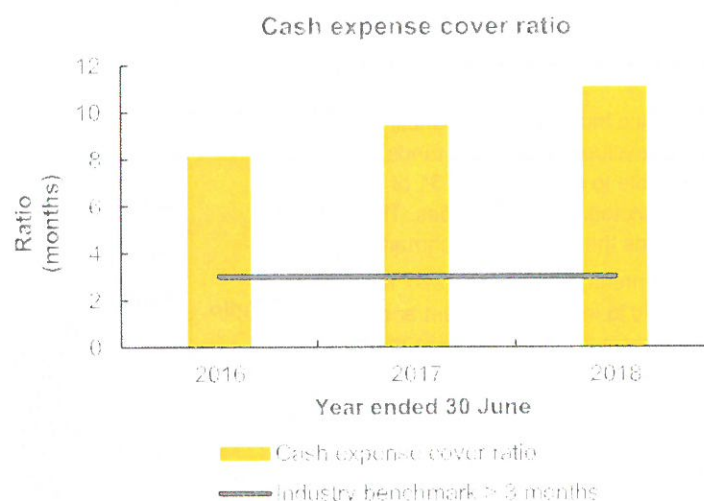
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for metro councils.



## Cash expense cover ratio

The Council's cash expense cover ratio of 11.0 months continued to exceed the industry benchmark. This reflects the substantial amount of cash and term deposits in relation to the operational costs of council.

This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.





## OTHER MATTERS

### New accounting standards implemented

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

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

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

Council's disclosure of the changes in their liabilities arising from financing activities is disclosed in Note 1.

#### AASB 2016-4 'Recoverable Amount of Non-Cash Generating Specialised Assets of Not-for-Profit Entities' – Amendment to AASB 136

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

This Standard no longer requires not-for-profit entities to consider AASB 136 Impairment of Assets for non-cash-generating specialised assets at fair value.

It is expected for not-for-profit entities holding non-cash-generating specialised assets, the recoverable amount of these assets is expected to be materially the same as fair value, determined under AASB 113 Fair Value Measurement.

### Legislative compliance

My audit procedures did not identify any instances of non-compliance with legislative requirements or a material deficiency in the Council's accounting records or financial reports. The Council's:

- accounting records were maintained in a manner and form to allow the general purpose financial statements to be prepared and effectively audited
- staff provided all accounting records and information relevant to the audit.



Dominika Ryan  
Director, Financial Audit Services

cc: Michael Kitzelmann, General Manager  
Rosanne Kava, Chair of Audit Committee  
Tim Hurst, Chief Executive of the Office of Local Government

# Balranald Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2018

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



## Balranald Shire Council

### Special Purpose Financial Statements for the year ended 30 June 2018

Contents	Page
<b>1. Statement by Councillors and Management</b>	<b>2</b>
<b>2. Special Purpose Financial Statements:</b>	
Income Statement – Water Supply Business Activity	3
Income Statement – Sewerage Business Activity	4
Statement of Financial Position – Water Supply Business Activity	5
Statement of Financial Position – Sewerage Business Activity	6
<b>3. Notes to the Special Purpose Financial Statements</b>	<b>7</b>
<b>4. Auditor's Report</b>	<b>17</b>

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#### Background

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



# Balranald Shire Council

## Special Purpose Financial Statements for the year ended 30 June 2018

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

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

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

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


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

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

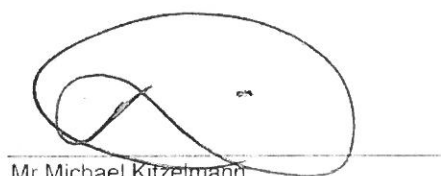
**Signed in accordance with a resolution of Council made on 03 October 2018.**



Cr Alan Purtill  
Mayor



Cr Leigh Bryon  
Councillor



Mr Michael Kitzelmann  
General manager



Mrs Terri Bilske  
Responsible accounting officer

## Balranald Shire Council

# Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2018

\$ '000	2018	2017
<b>Income from continuing operations</b>		
Access charges	574	476
User charges	654	462
Fees	1	–
Interest	10	17
Grants and contributions provided for non-capital purposes	–	7
Other income	64	44
<b>Total income from continuing operations</b>	<b>1,303</b>	<b>1,006</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	197	156
Borrowing costs	51	63
Materials and contracts	223	291
Depreciation, amortisation and impairment	218	291
Water purchase charges	29	11
Other expenses	177	106
<b>Total expenses from continuing operations</b>	<b>895</b>	<b>918</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>408</b>	<b>88</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>408</b>	<b>88</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>408</b>	<b>88</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(122)	(26)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>286</b>	<b>62</b>
Plus opening retained profits	2,972	2,521
Plus/less: prior period adjustments	–	363
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	122	26
<b>Closing retained profits</b>	<b>3,380</b>	<b>2,972</b>
Return on capital %	4.7%	1.8%
Subsidy from Council	–	48
Calculation of dividend payable:		
Surplus (deficit) after tax	286	62
<b>Surplus for dividend calculation purposes</b>	<b>286</b>	<b>62</b>
<b>Potential dividend calculated from surplus</b>	<b>143</b>	<b>31</b>

## Balranald Shire Council

# Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2018

\$ '000	2018	2017
<b>Income from continuing operations</b>		
Access charges	356	259
User charges	6	6
Fees	1	1
Interest	21	42
Grants and contributions provided for non-capital purposes	9	6
Other income	32	20
<b>Total income from continuing operations</b>	<b>425</b>	<b>334</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	49	47
Materials and contracts	277	94
Depreciation, amortisation and impairment	195	201
Other expenses	69	115
<b>Total expenses from continuing operations</b>	<b>590</b>	<b>457</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(165)</b>	<b>(123)</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(165)</b>	<b>(123)</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>(165)</b>	<b>(123)</b>
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(165)</b>	<b>(123)</b>
Plus opening retained profits	2,877	2,758
Plus/less: prior period adjustments	—	242
<b>Closing retained profits</b>	<b>2,712</b>	<b>2,877</b>
Return on capital %	-2.0%	-1.6%
Subsidy from Council	382	306
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	(165)	(123)



## Balranald Shire Council

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

\$ '000	2018	2017
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	343	11
Investments	600	600
Receivables	227	242
Other	–	2
<b>Total current assets</b>	<b>1,170</b>	<b>855</b>
<b>Non-current assets</b>		
Receivables	69	–
Infrastructure, property, plant and equipment	9,843	8,368
<b>Total non-current assets</b>	<b>9,912</b>	<b>8,368</b>
<b>TOTAL ASSETS</b>	<b>11,082</b>	<b>9,223</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	3	6
Borrowings	11	80
<b>Total current liabilities</b>	<b>14</b>	<b>86</b>
<b>Non-current liabilities</b>		
Borrowings	891	891
<b>Total non-current liabilities</b>	<b>891</b>	<b>891</b>
<b>TOTAL LIABILITIES</b>	<b>905</b>	<b>977</b>
<b>NET ASSETS</b>	<b>10,177</b>	<b>8,246</b>
<b>EQUITY</b>		
Accumulated surplus	3,380	2,972
Revaluation reserves	6,797	5,274
<b>TOTAL EQUITY</b>	<b>10,177</b>	<b>8,246</b>

## Balranald Shire Council

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

\$ '000	2018	2017
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	121	46
Investments	1,250	1,250
Receivables	20	27
Other	–	4
<b>Total current Assets</b>	<b>1,391</b>	<b>1,327</b>
<b>Non-current assets</b>		
Receivables	11	–
Infrastructure, property, plant and equipment	8,254	7,676
<b>Total non-current assets</b>	<b>8,265</b>	<b>7,676</b>
<b>TOTAL ASSETS</b>	<b>9,656</b>	<b>9,003</b>
<b>LIABILITIES</b>		
Nil		
<b>NET ASSETS</b>	<b>9,656</b>	<b>9,003</b>
<b>EQUITY</b>		
Accumulated surplus	2,712	2,877
Revaluation reserves	6,944	6,126
<b>TOTAL EQUITY</b>	<b>9,656</b>	<b>9,003</b>

## Balranald Shire Council

### Special Purpose Financial Statements

for the year ended 30 June 2018

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

Note	Details	Page
1	Summary of significant accounting policies	8
2	Water Supply Business Best-Practice Management disclosure requirements	12
3	Sewerage Business Best-Practice Management disclosure requirements	14



## Balranald Shire Council

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

#### Note 1. Significant accounting policies

---

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

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

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

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

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

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

#### National Competition Policy

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

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

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

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

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

#### Declared business activities

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

#### Category 1

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

Nil

## Balranald Shire Council

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

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

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

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

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

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

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

##### Notional rate applied (%)

##### Corporate income tax rate – 30%

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

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

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

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

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



## Balranald Shire Council

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

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

---

##### 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 return' pricing and revenue generated from prices set by Council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of each reported business activity.

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

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



## Balranald Shire Council

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

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.63% at 30/6/18.

#### *(iv) Dividends*

Council is not required to pay dividends to either itself (as owner of a range of businesses) or to any external entities.

Local government water supply and sewerage businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

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

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

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

**END OF DRAFT SPECIAL PURPOSE FINANCIAL STATEMENTS**

## Balranald Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2018Note 2. Water supply business  
best-practice management disclosure requirements

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

2018

## 1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	5,697
(ii)	Number of assessments multiplied by \$3/assessment	5,697
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	5,697
(iv)	Amounts actually paid for tax equivalents	5,697

## 2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	142,800
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	51,273
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	415,800

2018 Surplus	285,600	2017 Surplus	61,600	2016 Surplus	68,600
		2017 Dividend	—	2016 Dividend	—

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	51,273
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	—
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? <sup>a</sup>	YES

## 3. Required outcomes for 6 criteria

[to be eligible for the payment of a 'dividend from surplus', all the criteria below need a 'YES']

(i)	Completion of strategic business plan (including financial plan)	NO
(ii)	Full cost recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	– Complying charges [item 2 (b) in table 1]	NO
	– DSP with commercial developer charges [item 2 (e) in table 1]	NO
	– If dual water supplies, complying charges [item 2 (g) in table 1]	NO
(iii)	Sound water conservation and demand management implemented	YES
(iv)	Sound drought management implemented	YES
(v)	Complete performance reporting form (by 15 September each year)	NO
(vi)	a. Integrated water cycle management evaluation	NO
	b. Complete and implement integrated water cycle management strategy	NO

## Balranald Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2018Note 2. Water supply business  
best-practice management disclosure requirements (continued)

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

2018

## National Water Initiative (NWI) financial performance indicators

<b>NWI F1</b>	<b>Total revenue (water)</b> Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	1,230
<b>NWI F4</b>	<b>Revenue from residential usage charges (water)</b> 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)]	%	53.48%
<b>NWI F9</b>	<b>Written down replacement cost of fixed assets (water)</b> Written down current cost of system assets (w47)	\$'000	9,576
<b>NWI F11</b>	<b>Operating cost (OMA) (water)</b> Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	594
<b>NWI F14</b>	<b>Capital expenditure (water)</b> Acquisition of fixed assets (w16)	\$'000	171
<b>NWI F17</b>	<b>Economic real rate of return (water)</b> [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	4.89%
<b>NWI F26</b>	<b>Capital works grants (water)</b> Grants for the acquisition of assets (w11a)	\$'000	–

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



## Balranald Shire Council

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

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

2018

## 1. Calculation and payment of tax-equivalents

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

(i) Calculated tax equivalents	—
(ii) Number of assessments multiplied by \$3/assessment	2,721
(iii) Amounts payable for tax equivalents [lesser of (i) and (ii)]	—
(iv) Amounts actually paid for tax equivalents	2,721

## 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)	27,210
(iii) Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	(584,000)

2018 Surplus	(165,000)	2017 Surplus	(123,000)	2016 Surplus	(296,000)
		2017 Dividend	—	2016 Dividend	—

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

## 3. Required outcomes for 4 criteria

[to be eligible for the payment of a 'dividend from surplus', all the criteria below need a 'YES']

(i) Completion of strategic business plan (including financial plan)	NO
(ii) Pricing with full cost-recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
Complying charges (a) Residential [item 2 (c) in table 1]	YES
(b) Non-residential [item 2 (c) in table 1]	YES
(c) Trade waste [item 2 (d) in table 1]	NO
DSP with commercial developer charges [item 2 (e) in table 1]	NO
Liquid trade waste approvals and policy [item 2 (f) in table 1]	YES
(iii) Complete performance reporting form (by 15 September each year)	NO
(iv) a. Integrated water cycle management evaluation	NO
b. Complete and implement integrated water cycle management strategy	NO

## Balranald Shire Council

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

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

2018

## National Water Initiative (NWI) financial performance indicators

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	372
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	8,016
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	395
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	639
NWI F18	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	-2.25%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

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

NWI F3	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	1,697
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	0.88%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	810
NWI F19	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	1.63%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
NWI F21	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

## Balranald Shire Council

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

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

2018

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

<b>NWI F22</b>	<b>Net debt to equity (water and sewerage)</b>	%	<b>-7.12%</b>
	Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]		
<b>NWI F23</b>	<b>Interest cover (water and sewerage)</b>		<b>15</b>
	Earnings before interest and tax (EBIT) divided by net interest		
	Earnings before interest and tax (EBIT):		<b>295</b>
	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:		<b>20</b>
	Interest expense (w4a + s4a) – interest income (w9 + s10)		
<b>NWI F24</b>	<b>Net profit after tax (water and sewerage)</b>	\$'000	<b>235</b>
	Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))		
<b>NWI F25</b>	<b>Community service obligations (water and sewerage)</b>	\$'000	<b>15</b>
	Grants for pensioner rebates (w11b + s12b)		

- 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 report**

#### **Balranald Shire Council**

To the Councillors of the Balranald Shire Council

### **Opinion**

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

The Declared Business Activities of the Council are:

- Water Supply
- Sewerage.

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

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

### **Basis for Opinion**

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

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

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

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

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

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

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

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

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

## **Other Information**

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

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

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

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

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Financial Report**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Report**

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](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
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.

A handwritten signature in cursive script, appearing to read 'D Ryan'.

Dominika Ryan  
Director, Financial Services

7 December 2018  
SYDNEY



# Balranald Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2018

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



## Balranald Shire Council

### Special Schedules for the year ended 30 June 2018

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<sup>1</sup> Special Schedules are not audited (with the exception of Special Schedule 2).

#### Background

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

## Balranald Shire Council

# Special Schedule 1 – Net Cost of Services

for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Governance</b>	<b>1,064</b>	<b>36</b>	<b>–</b>	<b>(1,028)</b>
<b>Administration</b>	<b>2,502</b>	<b>725</b>	<b>–</b>	<b>(1,777)</b>
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	243	259	4	20
Beach control	–	–	–	–
Enforcement of local government regulations	–	–	–	–
Animal control	5	2	–	(3)
Other	–	–	–	–
<b>Total public order and safety</b>	<b>248</b>	<b>261</b>	<b>4</b>	<b>17</b>
<b>Health</b>	<b>33</b>	<b>8</b>	<b>–</b>	<b>(25)</b>
<b>Environment</b>				
Noxious plants and insect/vermin control	1	16	–	15
Other environmental protection	–	–	–	–
Solid waste management	173	326	–	153
Street cleaning	32	–	–	(32)
Drainage	25	–	–	(25)
Stormwater management	181	–	–	(181)
<b>Total environment</b>	<b>412</b>	<b>342</b>	<b>–</b>	<b>(70)</b>
<b>Community services and education</b>				
Administration and education	96	–	–	(96)
Social protection (welfare)	18	–	–	(18)
Aged persons and disabled	1,106	1,305	–	199
Children's services	83	8	–	(75)
<b>Total community services and education</b>	<b>1,303</b>	<b>1,313</b>	<b>–</b>	<b>10</b>
<b>Housing and community amenities</b>				
Public cemeteries	54	29	–	(25)
Public conveniences	68	–	–	(68)
Street lighting	127	–	–	(127)
Town planning	51	68	–	17
Other community amenities	3	–	–	(3)
<b>Total housing and community amenities</b>	<b>303</b>	<b>97</b>	<b>–</b>	<b>(206)</b>
<b>Water supplies</b>	<b>663</b>	<b>1,241</b>	<b>–</b>	<b>578</b>
<b>Sewerage services</b>	<b>430</b>	<b>404</b>	<b>–</b>	<b>(26)</b>



## Balranald Shire Council

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

for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Recreation and culture</b>				
Public libraries	69	25	–	(44)
Museums	28	–	–	(28)
Art galleries	–	–	–	–
Community centres and halls	24	1	–	(23)
Performing arts venues	82	18	–	(64)
Other performing arts	3	–	–	(3)
Other cultural services	–	–	–	–
Sporting grounds and venues	337	11	–	(326)
Swimming pools	133	4	–	(129)
Parks and gardens (lakes)	117	–	–	(117)
Other sport and recreation	98	2	27	(69)
<b>Total recreation and culture</b>	<b>891</b>	<b>61</b>	<b>27</b>	<b>(803)</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	59	21	–	(38)
Other mining, manufacturing and construction	–	–	–	–
<b>Total mining, manufacturing and const.</b>	<b>59</b>	<b>21</b>	<b>–</b>	<b>(38)</b>
<b>Transport and communication</b>				
Urban roads (UR) – local	346	305	–	(41)
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	143	2,715	–	2,572
Sealed rural roads (SRR) – regional	1,144	–	–	(1,144)
Unsealed rural roads (URR) – local	2,241	–	332	(1,909)
Unsealed rural roads (URR) – regional	258	–	–	(258)
Bridges on UR – local	–	–	–	–
Bridges on SRR – local	–	–	–	–
Bridges on URR – local	–	–	–	–
Bridges on regional roads	15	–	–	(15)
Parking areas	–	–	–	–
Footpaths	32	–	–	(32)
Aerodromes	83	3	–	(80)
Other transport and communication	191	43	–	(148)
<b>Total transport and communication</b>	<b>4,453</b>	<b>3,066</b>	<b>332</b>	<b>(1,055)</b>
<b>Economic affairs</b>				
Camping areas and caravan parks	419	483	–	64
Other economic affairs	390	188	–	(202)
<b>Total economic affairs</b>	<b>809</b>	<b>671</b>	<b>–</b>	<b>(138)</b>
<b>Totals – functions</b>	<b>13,170</b>	<b>8,246</b>	<b>363</b>	<b>(4,561)</b>
<b>General purpose revenues <sup>(1)</sup></b>	<b>–</b>	<b>5,293</b>	<b>–</b>	<b>5,293</b>
<b>Share of interests – joint ventures and associates using the equity method</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>NET OPERATING RESULT <sup>(2)</sup></b>	<b>13,170</b>	<b>13,539</b>	<b>363</b>	<b>732</b>

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

(2) As reported in the Income Statement

## Balranald Shire Council

## Special Schedule 2 – Permissible income for general rates

for the year ended 30 June 2019

\$'000		Calculation 2018/19	Calculation 2017/18
<b>Notional general income calculation <sup>(1)</sup></b>			
Last year notional general income yield	a	1,334	1,330
Plus or minus adjustments <sup>(2)</sup>	b	14	2
<b>Notional general income</b>	$c = (a + b)$	<b>1,348</b>	<b>1,332</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>(3)</sup>	d	10.00%	0.00%
Or rate peg percentage	e	0.00%	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	$h = d \times (c - g)$	135	—
Or plus rate peg amount	$i = c \times e$	—	20
Or plus Crown land adjustment and rate peg amount	$j = c \times f$	—	—
<b>Sub-total</b>	$k = (c + g + h + i + j)$	<b>1,483</b>	<b>1,352</b>
Plus (or minus) last year's carry forward total	l	(0)	(18)
Less valuation objections claimed in the previous year	m	—	—
<b>Sub-total</b>	$n = (l + m)$	<b>(0)</b>	<b>(18)</b>
<b>Total permissible income</b>	$o = k + n$	<b>1,483</b>	<b>1,334</b>
Less notional general income yield	p	1,970	1,334
<b>Catch-up or (excess) result</b>	$q = o - p$	<b>(487)</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>	$t = q + r - s$	<b>(487)</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 2 in the financial data return (FDR) to administer this process.





## **INDEPENDENT AUDITOR'S REPORT**

### **Special Schedule 2 - Permissible income for general rates**

#### **Balranald Shire Council**

To the Councillors of the Balranald Shire Council

### **Opinion**

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

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

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

### **Basis for Opinion**

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

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

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

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

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

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

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

### **Emphasis of Matter – Basis of Accounting**

Without modifying my opinion, I draw attention to the special purpose framework used to prepare the Schedule. The Schedule had been prepared for the purpose of fulfilling the Council's reporting obligations under the LG Code. As a result, the Schedule may not be suitable for another purpose.



## **Other Information**

Other information comprises the information included in the Council's annual report for the year ended 30 June 2019, other than the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and the Special Schedules excluding Special Schedule 2 (the other Schedules).

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

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

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

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Schedule**

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

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

## **Auditor's Responsibilities for the Audit of the Schedule**

My objectives are to:

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

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

A description of my responsibilities for the audit of the Schedule is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/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
- about the security and controls over the electronic publication of the audited Schedule on any website where it may be presented
- about any other information which may have been hyperlinked to/from the Schedule.

A handwritten signature in cursive script, appearing to read 'D Ryan'.

Dominika Ryan  
Director, Financial Audit

7 December 2018  
SYDNEY

## Balranald Shire Council

## Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2018

\$'000	2018	2017
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	90	107
b. Engineering and supervision	–	–
<b>2. Operation and maintenance expenses</b>		
– dams and weirs		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
– Mains		
c. Operation expenses	–	–
d. Maintenance expenses	144	63
– Reservoirs		
e. Operation expenses	–	–
f. Maintenance expenses	4	3
– Pumping stations		
g. Operation expenses (excluding energy costs)	–	–
h. Energy costs	85	61
i. Maintenance expenses	179	196
– Treatment		
j. Operation expenses (excluding chemical costs)	–	–
k. Chemical costs	63	62
l. Maintenance expenses	–	–
– Other		
m. Operation expenses	–	12
n. Maintenance expenses	–	58
o. Purchase of water	29	11
<b>3. Depreciation expenses</b>		
a. System assets	218	291
b. Plant and equipment	–	–
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	51	54
b. Revaluation decrements	–	–
c. Other expenses	32	–
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>895</b>	<b>918</b>



## Balranald Shire Council

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

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2018

\$'000	2018	2017
<b>Income</b>		
<b>6. Residential charges</b>		
a. Access (including rates)	568	476
b. Usage charges	653	462
<b>7. Non-residential charges</b>		
a. Access (including rates)	—	—
b. Usage charges	—	—
<b>8. Extra charges</b>	—	—
<b>9. Interest income</b>	10	17
<b>10. Other income</b>	3	5
<b>10a. Aboriginal Communities Water and Sewerage Program</b>	63	39
<b>11. Grants</b>		
a. Grants for acquisition of assets	—	—
b. Grants for pensioner rebates	6	7
c. Other grants	—	—
<b>12. Contributions</b>		
a. Developer charges	—	—
b. Developer provided assets	—	—
c. Other contributions	—	—
<b>13. Total income</b>	<b>1,303</b>	<b>1,006</b>
<b>14. Gain (or loss) on disposal of assets</b>	—	—
<b>15. Operating result</b>	<b>408</b>	<b>88</b>
<b>15a. Operating result (less grants for acquisition of assets)</b>	<b>408</b>	<b>88</b>

## Balranald Shire Council

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

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2018

\$'000	2018	2017
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>16. Acquisition of fixed assets</b>		
a. New assets for improved standards	—	—
b. New assets for growth	—	—
c. Renewals	142	28
d. Plant and equipment	29	256
<b>17. Repayment of debt</b>	76	75
<b>18. Totals</b>	<b>247</b>	<b>359</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)	1,804	—
b. Residential (unoccupied, ie. vacant lot)	—	—
c. Non-residential (occupied)	95	—
d. Non-residential (unoccupied, ie. vacant lot)	—	—
<b>23. Number of ETs for which developer charges were received</b>	— ET	— ET
<b>24. Total amount of pensioner rebates (actual dollars)</b>	\$ 11,331	\$ 11,845

## Balranald Shire Council

## Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis  
as at 30 June 2018

\$'000	Current	Non-current	Total
<b>ASSETS</b>			
<b>25. Cash and investments</b>			
a. Developer charges	—	—	—
b. Special purpose grants	—	—	—
c. Accrued leave	—	—	—
d. Unexpended loans	—	—	—
e. Sinking fund	—	—	—
f. Other	943	—	943
<b>26. Receivables</b>			
a. Specific purpose grants	—	—	—
b. Rates and availability charges	14	6	20
c. User charges	83	63	146
d. Other	130	—	130
<b>27. Inventories</b>	—	—	—
<b>28. Property, plant and equipment</b>			
a. System assets	—	9,576	9,576
b. Plant and equipment	—	267	267
<b>29. Other assets</b>	—	—	—
<b>30. Total assets</b>	<b>1,170</b>	<b>9,912</b>	<b>11,082</b>
<b>LIABILITIES</b>			
<b>31. Bank overdraft</b>	—	—	—
<b>32. Creditors</b>	3	—	3
<b>33. Borrowings</b>	11	891	902
<b>34. Provisions</b>			
a. Tax equivalents	—	—	—
b. Dividend	—	—	—
c. Other	—	—	—
<b>35. Total liabilities</b>	<b>14</b>	<b>891</b>	<b>905</b>
<b>36. NET ASSETS COMMITTED</b>	<b>1,156</b>	<b>9,021</b>	<b>10,177</b>
<b>EQUITY</b>			
<b>37. Accumulated surplus</b>			3,380
<b>38. Asset revaluation reserve</b>			6,797
<b>39. Other reserves</b>			—
<b>40. TOTAL EQUITY</b>			<b>10,177</b>
<b>Note to system assets:</b>			
<b>41. Current replacement cost of system assets</b>			15,873
<b>42. Accumulated current cost depreciation of system assets</b>			(6,297)
<b>43. Written down current cost of system assets</b>			9,576



## Balranald Shire Council

## Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2018

\$'000	2018	2017
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	37	39
b. Engineering and supervision	—	—
<b>2. Operation and maintenance expenses</b>		
— mains		
a. Operation expenses	194	43
b. Maintenance expenses	—	—
— Pumping stations		
c. Operation expenses (excluding energy costs)	—	—
d. Energy costs	24	27
e. Maintenance expenses	48	60
— Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	—	—
g. Chemical costs	5	11
h. Energy costs	—	—
i. Effluent management	—	—
j. Biosolids management	—	—
k. Maintenance expenses	—	—
— Other		
l. Operation expenses	87	76
m. Maintenance expenses	—	—
<b>3. Depreciation expenses</b>		
a. System assets	195	201
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>590</b>	<b>457</b>

## Balranald Shire Council

## Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2018

\$'000	2018	2017
<b>Income</b>		
<b>6. Residential charges</b> (including rates)	356	259
<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	–	–
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
<b>9. Extra charges</b>	–	–
<b>10. Interest income</b>	21	42
<b>11. Other income</b>	1	1
<b>11a. Aboriginal Communities Water and Sewerage Program</b>	32	20
<b>12. Grants</b>		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	9	6
c. Other grants	–	–
<b>13. Contributions</b>		
a. Developer charges	–	–
b. Developer provided assets	–	–
c. Other contributions	–	–
<b>14. Total income</b>	<b>425</b>	<b>334</b>
<b>15. Gain (or loss) on disposal of assets</b>	–	–
<b>16. Operating result</b>	<b>(165)</b>	<b>(123)</b>
<b>16a. Operating result (less grants for acquisition of assets)</b>	(165)	(123)

## Balranald Shire Council

## Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2018

\$'000	2018	2017
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>17. Acquisition of fixed assets</b>		
a. New assets for improved standards	—	—
b. New assets for growth	—	—
c. Renewals	392	65
d. Plant and equipment	247	—
<b>18. Repayment of debt</b>	—	—
<b>19. Totals</b>	<b>639</b>	<b>65</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)	878	—
b. Residential (unoccupied, ie. vacant lot)	—	—
c. Non-residential (occupied)	29	—
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>	\$ 10,981	\$ 11,495



## Balranald Shire Council

## Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis  
as at 30 June 2018

\$'000	Current	Non-current	Total
<b>ASSETS</b>			
<b>26. Cash and investments</b>			
a. Developer charges	—	—	—
b. Special purpose grants	—	—	—
c. Accrued leave	—	—	—
d. Unexpended loans	—	—	—
e. Sinking fund	—	—	—
f. Other	1,371	—	1,371
<b>27. Receivables</b>			
a. Specific purpose grants	—	—	—
b. Rates and availability charges	16	11	27
c. User charges	—	—	—
d. Other	4	—	4
<b>28. Inventories</b>	—	—	—
<b>29. Property, plant and equipment</b>			
a. System assets	—	8,016	8,016
b. Plant and equipment	—	238	238
<b>30. Other assets</b>	—	—	—
<b>31. Total assets</b>	<b>1,391</b>	<b>8,265</b>	<b>9,656</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>1,391</b>	<b>8,265</b>	<b>9,656</b>
<b>EQUITY</b>			
<b>38. Accumulated surplus</b>			2,712
<b>39. Asset revaluation reserve</b>			6,944
<b>40. Other reserves</b>			—
<b>41. TOTAL EQUITY</b>			<b>9,656</b>
<b>Note to system assets:</b>			
<b>42. Current replacement cost of system assets</b>			12,036
<b>43. Accumulated current cost depreciation of system assets</b>			(4,020)
<b>44. Written down current cost of system assets</b>			<b>8,016</b>

## Balranald Shire Council

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

#### Administration <sup>(1)</sup>

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

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

#### Engineering and supervision <sup>(1)</sup>

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

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

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

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

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

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

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

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

**Residential charges** <sup>(2)</sup> (items 6a, 6b and item 6 of Special Schedules 3 and 5 respectively) include all income from residential charges. Item 6 of Schedule 3 should be separated into 6a access charges (including rates if applicable) and 6b usage charges.

**Non-residential charges** <sup>(2)</sup> (items 7a, 7b of Special Schedules 3 and 5) include all income from non-residential charges separated into 7a access charges (including rates if applicable) and 7b usage charges.

**Trade waste charges** (item 8 of Special Schedule 5) include all income from trade waste charges separated into 8a annual fees, 8b usage charges and 8c excess mass charges and 8d re-inspection fees.

**Other income** (items 10 and 11 of Special Schedules 3 and 5 respectively) include all income not recorded elsewhere.

**Other contributions** (items 12c and 13c of Special Schedules 3 and 5 respectively) including capital contributions for water supply or sewerage services received by Council under Section 565 of the *Local Government Act*.

#### Notes:

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

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



## Balranald Shire Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance <sup>a</sup>	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings – non-specialised	691	691	458	176	21,203	33,979	0%	30%	62%	6%	2%
	Buildings – specialised	–	–	–	6	593	894	95%	0%	0%	0%	5%
	<b>Sub-total</b>	<b>691</b>	<b>691</b>	<b>458</b>	<b>182</b>	<b>21,796</b>	<b>34,873</b>	<b>2.4%</b>	<b>29.2%</b>	<b>60.4%</b>	<b>5.8%</b>	<b>2.1%</b>
Other structures	Other structures	185	185	95	99	7,343	14,577	5%	42%	43%	10%	0%
	<b>Sub-total</b>	<b>185</b>	<b>185</b>	<b>95</b>	<b>99</b>	<b>7,343</b>	<b>14,577</b>	<b>5.0%</b>	<b>42.0%</b>	<b>43.0%</b>	<b>10.0%</b>	<b>0.0%</b>
Roads	Sealed roads	165	165	165	881	41,614	60,099	89%	10%	0%	1%	0%
	Unsealed roads	1,200	1,200	1,477	1,012	31,265	55,416	10%	15%	46%	25%	4%
	Bridges	–	–	–	–	2,243	2,843	7%	0%	93%	0%	0%
	Footpaths	–	–	20	23	960	1,714	21%	74%	5%	0%	0%
	Kerb and channels	200	200	18	14	3,820	5,073	30%	43%	24%	3%	0%
	<b>Sub-total</b>	<b>1,565</b>	<b>1,565</b>	<b>1,680</b>	<b>1,930</b>	<b>79,901</b>	<b>125,145</b>	<b>48.8%</b>	<b>14.2%</b>	<b>23.5%</b>	<b>11.7%</b>	<b>1.8%</b>



## Balranald Shire Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance <sup>a</sup>	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Water supply network	Water supply network	213	213	136	391	9,541	15,848	20%	9%	50%	16%	5%
	Sub-total	213	213	136	391	9,541	15,848	20.0%	9.0%	50.0%	16.0%	5.0%
Sewerage network	Sewerage network	152	152	209	247	7,873	11,893	7%	51%	30%	7%	5%
	Sub-total	152	152	209	247	7,873	11,893	7.0%	51.0%	30.0%	7.0%	5.0%
Stormwater drainage	Stormwater drainage	34	34	53	21	3,697	4,747	16%	83%	1%	0%	0%
	Sub-total	34	34	53	21	3,697	4,747	16.0%	83.0%	1.0%	0.0%	0.0%
Open space/recreational assets	Swimming pools	1	1	15	7	701	1,649	10%	40%	46%	0%	4%
	Sub-total	1	1	15	7	701	1,649	10.0%	40.0%	46.0%	0.0%	4.0%
TOTAL – ALL ASSETS		2,841	2,841	2,646	2,877	130,852	208,732	32.4%	22.1%	33.1%	10.3%	2.1%

## Notes:

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

## Infrastructure asset condition assessment 'key'

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

## Balranald Shire Council

# Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2018

	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
<b>Infrastructure asset performance indicators *</b>					
<b>consolidated</b>					
<b>1. Buildings and infrastructure renewals ratio <sup>(1)</sup></b>					
Asset renewals <sup>(2)</sup>	<b>3,090</b>	<b>97.91%</b>	35.37%	77.75%	>= 100%
Depreciation, amortisation and impairment	<b>3,156</b>				
<b>2. Infrastructure backlog ratio <sup>(1)</sup></b>					
Estimated cost to bring assets to a satisfactory standard	<b>2,841</b>	<b>2.18%</b>	2.63%	10.87%	< 2.00%
Net carrying amount of infrastructure assets	<b>130,503</b>				
<b>3. Asset maintenance ratio</b>					
Actual asset maintenance	<b>2,877</b>	<b>108.73%</b>	84.69%	54.77%	> 100%
Required asset maintenance	<b>2,646</b>				
<b>4. Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	<b>2,841</b>	<b>1.36%</b>	1.67%	0.00%	
Gross replacement cost	<b>208,732</b>				

## Notes

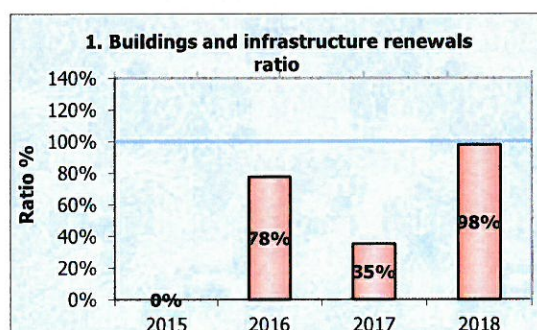
\* All asset performance indicators are calculated using the asset classes identified in the previous table.

<sup>(1)</sup> Excludes Work In Progress (WIP)

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



## Balranald Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)  
for the year ended 30 June 2018Benchmark: — Minimum  $\geq 100.00\%$ 

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

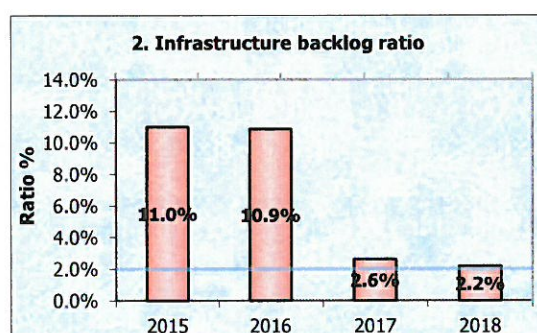
**Purpose of asset renewals ratio**

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

**Commentary on 2017/18 result****2017/18 Ratio 97.91%**

Whilst capital works expenditure was down on budgeted forecast, the work done was renewal works, which resulted in an improved ratio for 2017/18 year.

Ratio achieves benchmark  
Ratio is outside benchmark

Benchmark: — Maximum  $< 2.00\%$ 

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

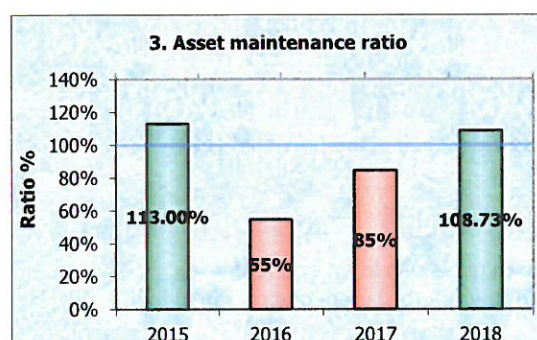
**Purpose of infrastructure backlog ratio**

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

**Commentary on 2017/18 result****2017/18 Ratio 2.18%**

Backlog has continued to remain low when compared to previous years. Better analysis of data, project assessment and improved record keeping has been behind the dramatic drop down to 2-3% for the past two years.

Ratio achieves benchmark  
Ratio is outside benchmark

Benchmark: — Minimum  $> 100.00\%$ 

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

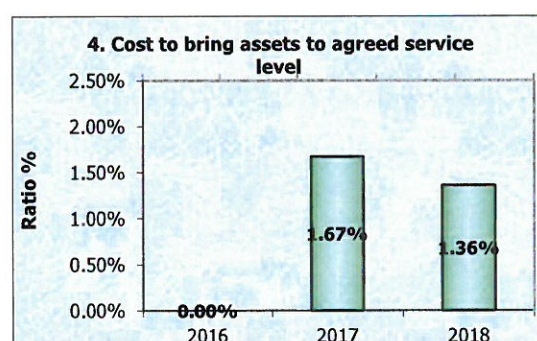
**Purpose of asset maintenance ratio**

Compares actual vs. required annual asset maintenance. A ratio above 100% indicates Council is investing enough funds to stop the infrastructure backlog growing.

**Commentary on 2017/18 result****2017/18 Ratio 108.73%**

With less expended on capital works when compared to budget, this reduction in capital works led to an increase in asset maintenance costs for 2017/18 year.

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 2017/18 result****2017/18 Ratio 1.36%**

Improvement on previous year, with a focus on renewal works for the 2017/18 year over new works.



## Balranald Shire Council

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

	General indicators <sup>(1)</sup>		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Infrastructure asset performance indicators by fund							
1. Buildings and infrastructure renewals ratio <sup>(2)</sup>							
Asset renewals <sup>(3)</sup>							
Depreciation, amortisation and impairment	106.29%	60.95%	70.65%	0.00%	3.21%	0.00%	>= 100%
2. Infrastructure backlog ratio <sup>(2)</sup>							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	2.26%	2.76%	2.23%	2.64%	1.93%	2.12%	< 2.00%
3. Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	97.31%	75.84%	287.50%	280.88%	118.18%	54.55%	> 100%
4. Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	1.37%	1.72%	1.34%	1.51%	1.28%	1.28%	

## Notes

<sup>(1)</sup> General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

<sup>(2)</sup> Excludes Work In Progress (WIP)

<sup>(3)</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.