

Byron Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017

"Byron Shire...a thriving and vibrant
community
where residents and visitors can live, work
and play in a sustainable environment"



Byron Shire Council

General Purpose Financial Statements for the year ended 30 June 2017

Contents	Page
1. Understanding Council's Financial Statements	2
2. Statement by Councillors and Management	3
3. Primary Financial Statements:	
– Income Statement	4
– Statement of Comprehensive Income	5
– Statement of Financial Position	6
– Statement of Changes in Equity	7
– Statement of Cash Flows	8
4. Notes to the Financial Statements	9
5. Independent Auditor's Reports:	
– On the Financial Statements (Sect 417 [2])	87
– On the Conduct of the Audit (Sect 417 [3])	90

Overview

- (i) These financial statements are General Purpose Financial Statements and cover the operations for Byron Shire Council.
- (ii) Byron Shire Council is a body politic of NSW, Australia – being constituted as a local government area by proclamation and is duly empowered by the *Local Government Act 1993* (LGA).

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

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

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

- (iii) All figures presented in these financial statements are presented in Australian currency.
 - (iv) These financial statements were authorised for issue by the Council on 26 October 2017. Council has the power to amend and reissue these financial statements.
-

Byron Shire Council

General Purpose Financial Statements for the year ended 30 June 2017

Understanding Council's financial statements

Introduction

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

What you will find in the statements

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

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

About the Councillor/Management Statement

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

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

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

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

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

Who uses the financial statements?

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

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

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

Byron Shire Council

General Purpose Financial Statements for the year ended 30 June 2017

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

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

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

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

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

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

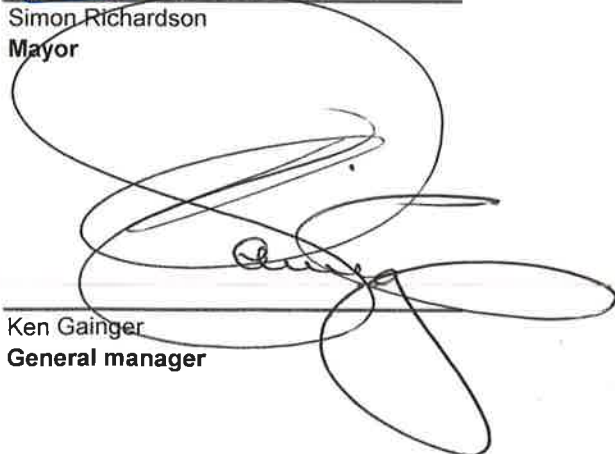
Signed in accordance with a resolution of Council made on 26 October 2017.



Simon Richardson
Mayor



Basil Cameron
Councillor



Ken Gainger
General manager



James Brickley
Responsible accounting officer

Byron Shire Council

Income Statement

for the year ended 30 June 2017

Budget ¹ 2017	\$ '000	Notes	Actual 2017	Actual 2016
Income from continuing operations				
Revenue:				
36,746	Rates and annual charges	3a	36,968	35,688
25,655	User charges and fees	3b	28,460	24,907
1,697	Interest and investment revenue	3c	2,373	2,461
1,532	Other revenues	3d	1,320	1,378
5,503	Grants and contributions provided for operating purposes	3e,f	11,270	12,209
19,043	Grants and contributions provided for capital purposes	3e,f	18,767	12,707
Other income:				
–	Net gains from the disposal of assets	5	–	1,270
90,176	Total income from continuing operations		99,158	90,620
Expenses from continuing operations				
21,622	Employee benefits and on-costs	4a	21,575	20,877
4,572	Borrowing costs	4b	4,598	4,909
27,638	Materials and contracts	4c	29,378	30,246
12,515	Depreciation and amortisation	4d	14,036	13,234
–	Impairment	4d	–	–
4,735	Other expenses	4e	5,979	5,380
–	Net losses from the disposal of assets	5	2,417	–
–	Net share of interests in joint ventures and associates using the equity method	19	–	–
71,082	Total expenses from continuing operations		77,983	74,646
19,094	Operating result from continuing operations		21,174	15,974
Discontinued operations				
–	Net profit/(loss) from discontinued operations	24	–	–
19,094	Net operating result for the year		21,174	15,974
19,094	Net operating result attributable to Council		21,174	15,974
–	Net operating result attributable to non-controlling interests		–	–
51	Net operating result for the year before grants and contributions provided for capital purposes		2,407	3,267

¹ Original budget as approved by Council – refer Note 16

Byron Shire Council

Statement of Comprehensive Income
for the year ended 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
Net operating result for the year (as per Income Statement)		21,174	15,974
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	(4,162)	38,333
Total items which will not be reclassified subsequently to the operating result		(4,162)	38,333
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Other movements in reserves	20b (ii)	560	(4,637)
Total items which will be reclassified subsequently to the operating result when specific conditions are met		560	(4,637)
Total other comprehensive income for the year		(3,602)	33,696
Total comprehensive income for the year		17,572	49,670
Total comprehensive income attributable to Council		17,572	49,670
Total comprehensive income attributable to non-controlling interests		—	—

Byron Shire Council

Statement of Financial Position

as at 30 June 2017

\$ '000	Notes	Actual 2017	Restated 2016	Restated * 2015
ASSETS				
Current assets				
Cash and cash equivalents	6a	13,036	43,950	36,119
Investments	6b	63,139	34,539	36,320
Receivables	7	9,947	8,556	8,752
Inventories	8	407	1,357	2,251
Other	8	17	86	30
Non-current assets classified as 'held for sale'	22	2,432	—	—
Total current assets		88,977	88,488	83,472
Non-current assets				
Investments	6b	2,665	1,000	536
Receivables	7	361	630	513
Inventories	8	—	—	—
Infrastructure, property, plant and equipment	9	761,915	748,290	702,307
Other	8	—	—	—
Total non-current assets		764,940	749,920	703,356
TOTAL ASSETS		853,918	838,408	786,828
LIABILITIES				
Current liabilities				
Payables	10	11,149	10,456	9,552
Income received in advance	10	254	248	—
Borrowings	10	2,555	2,592	2,646
Provisions	10	5,379	5,125	5,197
Total current liabilities		19,337	18,421	17,395
Non-current liabilities				
Borrowings	10	57,573	60,129	63,640
Provisions	10	5,058	5,481	1,087
Total non-current liabilities		62,631	65,610	64,727
TOTAL LIABILITIES		81,968	84,031	82,122
Net assets		771,949	754,377	704,706
EQUITY				
Retained earnings	20	523,242	502,067	486,093
Revaluation reserves	20	248,708	252,309	218,613
Other reserves	20	—	—	—
Council equity interest		771,949	754,377	704,706
Non-controlling equity interests		—	—	—
Total equity		771,949	754,377	704,706

*Refer to Note 20 for details supporting the restatement as a result of an error.

Byron Shire Council

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

\$ '000	Notes	2017					2016						
		Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity	Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity
Opening balance (as per last year's audited accounts)		474,474	252,309	—	726,783	—	726,783	458,500	218,613	—	677,113	—	677,113
a. Correction of prior period errors	20 (c)	27,593	—	—	27,593	—	27,593	27,593	—	—	27,593	—	27,593
b. Changes in accounting policies (prior year effects)	20 (d)	—	—	—	—	—	—	—	—	—	—	—	—
Revised opening balance		502,067	252,309	—	754,377	—	754,377	486,093	218,613	—	704,706	—	704,706
c. Net operating result for the year		21,174	—	—	21,174	—	21,174	15,974	—	—	15,974	—	15,974
d. Other comprehensive income													
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	—	(4,162)	—	(4,162)	—	(4,162)	—	38,333	—	38,333	—	38,333
– Revaluations: other reserves	20b (ii)	—	—	—	—	—	—	—	—	—	—	—	—
– Transfers to Income Statement	20b (ii)	—	—	—	—	—	—	—	—	—	—	—	—
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	—	—	—	—	—	—	—	—	—	—	—	—
– Joint ventures and associates	19b	—	—	—	—	—	—	—	—	—	—	—	—
– Other reserves movements	20b (ii)	—	560	—	560	—	560	—	(4,637)	—	(4,637)	—	(4,637)
Other comprehensive income		—	(3,602)	—	(3,602)	—	(3,602)	—	33,696	—	33,696	—	33,696
Total comprehensive income (c&d)		21,174	(3,602)	—	17,572	—	17,572	15,974	33,696	—	49,670	—	49,670
e. Distributions to/(contributions from) non-controlling interests		—	—	—	—	—	—	—	—	—	—	—	—
f. Transfers between equity		—	—	—	—	—	—	—	—	—	—	—	—
Equity – balance at end of the reporting period		523,242	248,708	—	771,949	—	771,949	502,067	252,309	—	754,376	—	754,376

Byron Shire Council

Statement of Cash Flows

for the year ended 30 June 2017

Budget 2017	\$ '000	Notes	Actual 2017	Actual 2016
Cash flows from operating activities				
Receipts:				
36,746	Rates and annual charges		37,201	35,513
25,655	User charges and fees		28,284	24,794
1,697	Investment and interest revenue received		2,217	2,482
24,546	Grants and contributions		21,272	23,321
–	Bonds, deposits and retention amounts received		241	341
1,532	Other		1,091	1,537
Payments:				
(21,622)	Employee benefits and on-costs		(22,010)	(20,715)
(27,638)	Materials and contracts		(27,883)	(29,827)
(4,572)	Borrowing costs		(4,492)	(4,912)
(4,735)	Other		(6,836)	(5,086)
31,609	Net cash provided (or used in) operating activities	11b	29,085	27,448
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		15,500	16,500
–	Sale of real estate assets		–	3,952
1,673	Sale of infrastructure, property, plant and equipment		552	243
Payments:				
–	Purchase of investment securities		(45,750)	(15,181)
(52,160)	Purchase of infrastructure, property, plant and equipment		(27,499)	(21,564)
–	Deferred debtors and advances made		(215)	–
(50,487)	Net cash provided (or used in) investing activities		(57,407)	(16,050)
Cash flows from financing activities				
Receipts:				
Nil				
Payments:				
(2,664)	Repayment of borrowings and advances		(2,592)	(3,566)
(2,664)	Net cash flow provided (used in) financing activities		(2,592)	(3,566)
(21,542)	Net increase/(decrease) in cash and cash equivalents		(30,914)	7,831
43,950	Plus: cash and cash equivalents – beginning of year	11a	43,950	36,119
22,408	Cash and cash equivalents – end of the year	11a	13,036	43,950
Additional Information:				
plus:	Investments on hand – end of year	6b	65,803	35,539
	Total cash, cash equivalents and investments		78,839	79,489

Please refer to Note 11 for information on the following:

- Non-cash financing and investing activities
- Financing arrangements
- Net cash flow disclosures relating to any discontinued operations

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	10
2(a)	Council functions/activities – financial information	21
2(b)	Council functions/activities – component descriptions	22
3	Income from continuing operations	23
4	Expenses from continuing operations	28
5	Gains or losses from the disposal of assets	32
6(a)	Cash and cash equivalent assets	33
6(b)	Investments	33
6(c)	Restricted cash, cash equivalents and investments – details	34
7	Receivables	36
8	Inventories and other assets	37
9(a)	Infrastructure, property, plant and equipment	38
9(b)	Externally restricted infrastructure, property, plant and equipment	39
9(c)	Infrastructure, property, plant and equipment – current year impairments	39 n/a
10(a)	Payables, borrowings and provisions	40
10(b)	Description of (and movements in) provisions	41
11	Statement of cash flows – additional information	42
12	Commitments for expenditure	44
13	Statement of performance measures:	
13a (i)	Local government industry indicators (consolidated)	45
13a (ii)	Local government industry graphs (consolidated)	46
13b	Local government industry indicators (by fund)	48
14	Investment properties	50 n/a
15	Financial risk management	50
16	Material budget variations	54
17	Statement of developer contributions	56
18	Contingencies and other liabilities/assets not recognised	63
19	Interests in other entities	66
20	Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	68
21	Financial result and financial position by fund	70
22	'Held for sale' non-current assets and disposal groups	72
23	Events occurring after the reporting date	73 n/a
24	Discontinued operations	73 n/a
25	Intangible assets	73 n/a
26	Reinstatement, rehabilitation and restoration liabilities	74
27	Fair value measurement	75
28	Related party disclosures	85
	Additional council disclosures	
29	Council information and contact details	86

n/a – not applicable

Byron Shire Council

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

Note 1. Summary of significant accounting policies

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

(a) Basis of preparation

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

(i) New and amended standards adopted by Council

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

AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 and AASB 11]. The impact of this standard had no impact on reporting financial position or performance.

(ii) Early adoption of standards

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

(iii) Historical cost convention

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

(iv) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

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

- (i) Estimated useful life assessments and resulting annual depreciation expense for infrastructure, property, plant and equipment.
- (ii) Estimated fair values of infrastructure, property, plant and equipment,
- (iii) Estimated remediation provisions.

Significant judgements in applying the Council's accounting policies

- (i) Impairment of Receivables -Council has made a significant judgement about the impairment of a number of its receivables in Note 7.
- (ii) Projected Section 94 Commitments – Council has used significant judgement in determining future Section 94 income and expenditure in Note 17.

(b) Revenue recognition

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

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

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

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(i) Rates, annual charges, grants and contributions

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

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

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

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

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

(ii) User charges and fees

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

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

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

(iv) Interest

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

(v) Rent

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

(vi) Dividend income

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

(vii) Other income

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

(c) Principles of consolidation

(i) The Consolidated Fund

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

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

- General purpose operations
- Water service
- Sewerage service

(ii) The Trust Fund

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

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

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

from these reports. A separate statement of monies held in the Trust Fund is available for inspection at the Council office by any person free of charge.

(iii) County Councils

Council is a member of the Rous County Council, a body corporate established under the Local Government Act 1993 (NSW) to provide bulk water supplies and control noxious weeds. Council is one of 6 constituent members and neither controls nor significantly influences the County Council. Accordingly, the County Council has not been consolidated in the financial statements.

(iv) Interests in other entities

Subsidiaries

Council has no interest in any subsidiaries.

(d) Leases

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

Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

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

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

(e) Impairment of 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.

(f) 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.

(g) Inventories

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

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

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

(ii) Inventory held for distribution

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

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

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

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

(h) Non-current assets (or disposal groups) held for sale and discontinued operations

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

They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets; assets arising from employee benefits; financial assets; and

investment properties that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

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

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

(i) Investments and other financial assets

Classification

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

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

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

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

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

greater than 12 months after the reporting date which that are classified as non-current assets.

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

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

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

(iii) Held-to-maturity investments

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

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

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

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

Recognition and de-recognition

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

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried

at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

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

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

Subsequent measurement

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

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

Impairment

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

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

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

(i) Assets carried at amortised cost

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

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Council may measure impairment on the basis of an instrument's fair value using an observable market price.

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

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

Investment Policy

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

Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order. Council maintains an investment policy that complies with the Act and ensures that it, or its

representatives, exercise the care, diligence and skill that a prudent person would exercise in investing Council funds.

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

(j) Fair value estimation – financial instruments

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

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

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

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

(k) Infrastructure, property, plant and equipment (IPPE)

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

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Externally valued:

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

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

Water and sewerage network assets are indexed annually between full revaluations in accordance with the latest indices provided in the NSW Office of Water Rates Reference Manual.

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

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

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future

economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

Land is not depreciated.

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

Plant and equipment

- Office equipment	5 to 10 years
- Office furniture	10 to 20 years
- Computer equipment	4 years
- Vehicles	7 to 10 years
- Heavy plant/road making equipment	7 to 10 years
- Other plant and equipment	5 to 10 years

Other equipment

- Playground equipment	5 to 20 years
- Benches, seats etc.	10 to 30 years

Buildings

- Buildings: Envelope	32 to 160 years
- Buildings: Floors	90 to 140 years
- Buildings: Floor Coverings	17 to 34 years
- Buildings: Internal Screens	38 to 75 years
- Buildings: Roof	14 to 105 years
- Buildings: Mechanical Services	13 to 53 years
- Buildings: Fire Services	22 to 25 years
- Buildings: Electrical Services	65 to 95 years
- Buildings: Hydraulic Services	73 to 103 years

Water and sewer assets

- Dams and reservoirs	40 to 100 years
- Bores	20 to 40 years
- Reticulation pipes: PVC	70 to 80 years
- Reticulation pipes: other	40 to 80 years
- Pumps and telemetry	10 to 60 years

Stormwater assets

- Drains	100 to 200 years
- Culverts	100 years
- Flood control structures	100 years

Transportation assets

- Sealed roads: surface	20 to 60 years
- Sealed roads: structure	40 to 200 years
- Unsealed roads	15 to 20 years
- Bridge: concrete	60 to 100 years
- Bridge: other	60 to 100 years
- Road pavements	50 years
- Kerb, gutter and footpaths	15 to 83 years

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Other infrastructure assets

- Bulk earthworks	Infinite
- Swimming pools	25 to 50 years
- Other open space/ recreational assets	5 to 50 years

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

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

(l) Payables

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

(m) Borrowings

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

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

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

liabilities assumed, is recognised in other income or finance cost.

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

(n) Borrowing costs

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

(o) Provisions

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

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

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

(p) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

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

(ii) Other long-term employee benefit obligations

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

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

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

(iii) Retirement benefit obligations

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

Defined Benefit Plans

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

assets at that date and any unrecognised past service cost.

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

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

Defined Contribution Plans

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

(q) 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.

(r) 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

Byron Shire Council

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

Note 1. Summary of significant accounting policies (continued)

Council and revenues relating to the reserves are recognised within Council's Income Statement.

(s) Rural fire service assets

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

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

(t) 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.

(u) New accounting standards and interpretations issued not yet effective

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

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

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

AASB 9 Financial Instruments and Associated Amending Standards

Significant revisions to the classification and measurement of financial assets, reducing the number of categories and simplifying the measurement choices, including the removal of impairment testing of assets measured at fair value. The amortised cost model is available for debt assets meeting both business model and cash flow characteristics tests. All investments in equity instruments using AASB 9 are to be measured at fair value.

Amends measurement rules for financial liabilities that the entity elects to measure at fair value through profit and loss. Changes in fair value attributable to changes in the entity's own credit risk are presented in other comprehensive income.

Impairment of assets is now based on expected losses in AASB 9 which requires councils to measure:

The 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date) of full lifetime Expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).

Council is yet to undertake a detailed assessment of the impact of AASB 9.

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

AASB 16 Leases

AASB 16 will result in most of the operating leases of an entity being brought onto the statement of financial position. There are limited exceptions relating to short-term leases and low-value assets which may remain off the balance sheet.

The calculation of the lease liability will take into account appropriate discount rates, assumptions about the lease term, and increases in lease payments.

A corresponding right to use assets will be recognised, which will be amortised over the term of

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

the lease. Rent expense will no longer be shown. The profit and loss impact of the leases will be through amortisation and interest charges.

AASB 15 Revenue from Contracts with Customers, and associated amending standards.

AASB 15 introduces a five-step process for revenue recognition, with the core principle of the new standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

Accounting policy changes will arise in the timing of revenue recognition, treatment of contracts costs, and contracts which contain a financing element.

AASB15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously address comprehensively (for example, service revenue and contract modifications), and improve guidance for multiple-element arrangements.

AASB 1058 Income of Not-for-Profit Entities

AASB 1058 supersedes all the income recognition requirements relating to councils, previously in AASB 1004 Contribution. The timing of income recognition depends on whether such a transactions gives rise to a liability or other performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset) received by an entity.

AASB 1058 applies when a council receives volunteer services or enters into other transactions in which the consideration to acquire an asset is significantly less than the fair value of the asset, and where the council's objective is principally to enable the asset to further the council's objectives. In cases where the council enters into other transactions, the council recognises and measures the asset at fair value in accordance with the applicable Australian Accounting Standard (eg AASB 116 Property, Plant and Equipment).

Upon initial recognition of the asset, this Standard requires council to consider whether any other financial statement elements (called 'related amounts') should be recognised in accordance with the applicable Accounting Standard, such as:

- (a) contributions by owners
- (b) revenue, or a contract liability arising from a contract with a customer
- (c) a lease liability
- (d) a financial instrument
- (e) a provision.

If the transaction is a transfer of a financial asset to enable Council to acquire or construct a recognisable non-financial asset to be controlled by Council (ie an in-substance acquisition of a non-financial asset), the council recognises a liability for the excess of the fair value of the transfer over any related amounts recognised.

Council will recognise income as it satisfies under the transfer similarly to income recognition in relation to performance obligations under AASB 15.

If the transaction does not enable council to acquire or construct a recognisable non-financial asset to be controlled by Council, then any excess of the initial carrying amount of the recognised asset over the related amounts is recognised as income.

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

(v) Rounding of amounts

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

(w) Comparative figures

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

(x) Disclaimer

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

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current and non-current)	
	Original budget 2017	Actual 2017	Actual 2016	Original budget 2017	Actual 2017	Actual 2016	Original budget 2017	Actual 2017	Actual 2016	Actual 2017	Actual 2016	Actual 2017	Actual 2016
Governance	10	104	13	1,426	1,471	1,093	(1,416)	(1,367)	(1,080)	–	–	–	–
Administration	572	627	593	394	867	415	178	(240)	178	2	–	99,624	85,776
Public order and safety	1,707	1,801	2,308	2,369	2,644	2,587	(662)	(843)	(279)	215	181	5,382	4,999
Health	364	471	385	1,295	990	1,090	(931)	(519)	(705)	–	10	57	50
Environment	7,329	9,770	7,859	8,482	8,569	8,298	(1,153)	1,201	(439)	421	514	64,844	59,677
Community services and education	1,872	1,924	1,785	3,049	3,854	3,050	(1,177)	(1,930)	(1,265)	1,050	1,113	13,209	11,765
Housing and community amenities	3,478	3,851	5,442	6,177	6,466	6,112	(2,699)	(2,615)	(670)	3	68	4,511	5,948
Water supplies	9,468	10,640	9,987	8,281	8,415	8,036	1,187	2,225	1,951	84	94	79,172	71,182
Sewerage services	16,658	19,261	19,265	14,033	14,592	14,543	2,625	4,669	4,722	81	80	138,565	159,078
Recreation and culture	1,648	1,694	1,471	8,158	9,302	8,085	(6,510)	(7,608)	(6,614)	127	114	165,749	166,918
Mining, manufacturing and construction	1,456	1,347	1,295	1,290	1,332	794	166	15	501	–	–	4,137	4,119
Transport and communication	18,335	17,818	11,639	11,994	14,973	15,743	6,341	2,845	(4,104)	7,169	3,773	241,143	233,112
Economic affairs	4,199	5,015	5,747	4,134	4,508	4,800	65	507	947	124	9	37,524	35,783
Total functions and activities	67,096	74,322	67,789	71,082	77,982	74,646	(3,986)	(3,660)	(6,857)	9,276	5,956	853,918	838,408
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	–	–	–	–	–	–	–	–	–
General purpose income ¹	23,080	24,835	22,831	–	–	–	23,080	24,835	22,831	4,576	3,015	–	–
Operating result from continuing operations	90,176	99,158	90,620	71,082	77,982	74,646	19,094	21,175	15,974	13,852	8,971	853,918	838,408

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

Byron Shire Council

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

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

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

GOVERNANCE

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

ADMINISTRATION

Includes corporate support and other support services (not otherwise attributed to the listed functions /

PUBLIC ORDER AND SAFETY

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

HEALTH

Includes inspection, immunisations, food control, health centres, other, administration.

ENVIRONMENT

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

COMMUNITY SERVICES AND EDUCATION

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

HOUSING AND COMMUNITY AMENITIES

Includes housing, town planning, street lighting, other sanitation and grabage, public cemeteries, public conveniences and other community amenities.

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION AND CULTURE

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

MINING, MANUFACTURING AND CONSTRUCTION

Includes building control, quarries and pits, other

TRANSPORT AND COMMUNICATION

Includes urban local roads, urban regional roads, sealed and unsealed roads, bridges, footpaths, parking areas, bus shelters and services, RMS works, other.

ECONOMIC AFFAIRS

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

Byron Shire Council

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

Note 3. Income from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
(a) Rates and annual charges			
Ordinary rates			
Residential		14,661	14,043
Farmland		860	987
Business		3,564	3,592
Total ordinary rates		19,085	18,622
Special rates			
Nil			
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		4,720	4,335
Stormwater management services		288	283
Water supply services		2,191	2,123
Sewerage services		10,018	9,710
Waste management services (non-domestic)		666	615
Total annual charges		17,882	17,066
TOTAL RATES AND ANNUAL CHARGES		36,968	35,688

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

Byron Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(b) User charges and fees			
Specific user charges (per s.502 – specific ‘actual use’ charges)			
Water supply services		6,573	5,914
Sewerage services		4,886	4,308
Total user charges		11,458	10,222
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Building inspections		876	880
Building services		522	487
Developer fees		985	1,033
Dog registration / release		44	33
Engineering services		6	10
Freedom of information		15	13
Health inspection		471	385
Private works – section 67		168	135
Regulatory/ statutory fees		66	72
Section 149 certificates (EPA Act)		112	114
Section 603 certificates		88	81
Total fees and charges – statutory/regulatory		3,352	3,243
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Administration and financial services		35	23
Aerodrome		99	71
Beach control		1	–
Caravan park		4,521	4,150
Cemeteries		214	211
Child care		894	806
Leaseback fees – Council vehicles		276	234
Parking fees		3,518	2,034
Property rentals and leases		1,159	1,122
Public halls		254	180
Sewerage charges		144	117
Swimming pools		311	320
Waste		1,630	1,668
Water connection fees		135	131
Other		458	375
Total fees and charges – other		13,649	11,442
TOTAL USER CHARGES AND FEES		28,460	24,907

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		154	154
– Interest earned on investments (interest and coupon payment income)		2,205	2,307
Fair value adjustments			
– Fair valuation movements in investments (at fair value or held for trading)		14	–
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>		<u>2,373</u>	<u>2,461</u>
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		154	86
General Council cash and investments		942	1,105
Restricted investments/funds – external:			
Development contributions			
– Section 94		535	646
– Section 64		434	556
Water fund operations		231	21
Sewerage fund operations		77	47
<u>Total interest and investment revenue recognised</u>		<u>2,373</u>	<u>2,461</u>
(d) Other revenues			
Fines		1,225	1,311
Legal fees recovery – other		8	6
Insurance claim recoveries		3	–
Sales – general		15	9
Waste		70	52
<u>TOTAL OTHER REVENUE</u>		<u>1,320</u>	<u>1,378</u>

Byron Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
(e) Grants				
General purpose (untied)				
Financial assistance – general component	2,607	1,613	–	–
Financial assistance – local roads component	1,740	1,161	–	–
Pensioners' rates subsidies – general component	229	241	–	–
Total general purpose	4,576	3,015	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	72	89	–	–
– Sewerage	76	80	–	–
– Domestic waste management	60	67	–	–
Bushfire and emergency services	201	181	–	–
Child care	943	931	–	–
Community centres	–	–	–	20
Community services	9	72	–	–
Crown lands maintenance	192	190	–	–
Economic development	125	9	–	–
Employment and training programs	9	16	–	–
Environmental management	75	300	–	–
Foreshore maintenance	26	26	–	–
Library	37	90	–	–
Library – per capita	61	–	–	–
Recreation and culture	–	2	–	–
Street lighting	52	101	50	–
Transport (roads to recovery)	2,494	1,554	–	–
Transport (other roads and bridges funding)	407	–	3,987	1,916
Waste management	287	216	–	–
Dog registration / release	–	10	–	–
Other sport and recreation	–	–	100	86
On site sewerage management	15	–	–	–
Total specific purpose	5,139	3,934	4,137	2,022
Total grants	9,715	6,949	4,137	2,022
Grant revenue is attributable to:				
– Commonwealth funding	5,944	4,024	100	120
– State funding	3,771	2,925	4,037	1,902
	9,715	6,949	4,137	2,022

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
S 94 – contributions towards amenities/services	–	–	1,722	2,726
S 94A – fixed development consent levies	–	–	78	474
S 64 – water supply contributions	–	–	877	1,117
S 64 – sewerage service contributions	–	–	3,251	4,070
Total developer contributions	17 –	–	5,927	8,387
Other contributions:				
Dedications (other than by S94)	–	–	8,172	1,773
Drainage	–	–	–	55
Recreation and culture	–	–	5	4
Roads and bridges	706	4,349	348	162
RMS contributions (regional roads, block grant)	648	799	–	–
Stabilisation Works	–	–	–	304
Surf Lifesaving	113	101	–	–
Other	–	11	–	–
Other economic development	88	–	50	–
Other waste	–	–	39	–
Cemeteries	–	–	14	–
Open spaces	–	–	76	–
Total other contributions	1,555	5,260	8,703	2,298
Total contributions	1,555	5,260	14,630	10,685
TOTAL GRANTS AND CONTRIBUTIONS	11,270	12,209	18,767	12,707

\$ '000	Actual 2017	Actual 2016
---------	----------------	----------------

(g) Unspent grants and contributions

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

Unexpended at the close of the previous reporting period	43,493	41,380
Add: grants and contributions recognised in the current period but not yet spent:	7,803	10,031
Less: grants and contributions recognised in a previous reporting period now spent:	(13,736)	(7,918)

Net increase (decrease) in restricted assets during the period **(5,933)** **2,113**

Unexpended and held as restricted assets **37,560** **43,493**

Comprising:

– Specific purpose unexpended grants	473	968
– Developer contributions	36,305	42,088
– Other contributions	782	437
	37,560	43,493

Byron Shire Council

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

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
(a) Employee benefits and on-costs			
Salaries and wages		16,605	15,691
Employee termination costs		87	501
Employee leave entitlements (ELE)		3,242	3,049
Superannuation		2,127	1,866
Workers' compensation insurance		614	575
Fringe benefit tax (FBT)		96	66
Payroll tax		135	126
Training costs (other than salaries and wages)		388	282
Total employee costs		23,294	22,156
Less: capitalised costs		(1,719)	(1,279)
TOTAL EMPLOYEE COSTS EXPENSED		21,575	20,877
Number of 'full-time equivalent' employees (FTE) at year end		279	253
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		4,493	4,887
Total interest bearing liability costs expensed		4,493	4,887
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	26	105	22
Total other borrowing costs		105	22
TOTAL BORROWING COSTS EXPENSED		4,598	4,909

Byron Shire Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Materials and contracts			
Raw materials and consumables		19,360	20,375
Contractor and consultancy costs			
– Caravan parks		1,370	1,244
– Cleaning		228	225
– Security		85	72
– Surf lifesaving		539	508
– Swimming pools		402	406
– Temporary employment		2,668	2,833
– Waste		3,366	3,299
Auditors remuneration ⁽¹⁾		161	177
Infringement notice contract costs (SEINS)		162	173
Legal expenses:			
– Legal expenses: planning and development		9	136
– Legal expenses: other		52	117
Operating leases:			
– Operating lease rentals: minimum lease payments ⁽²⁾		974	681
TOTAL MATERIALS AND CONTRACTS		29,378	30,246
1. Auditor remuneration			
a. During the year, the following fees were incurred for services provided by the Auditor-General:			
(i) Audit and other assurance services			
– Audit and review of financial statements: Auditor-General		66	–
Remuneration for audit and other assurance services		66	–
Total Auditor-General remuneration		66	–
b. During the year, the following fees were incurred for services provided by the other Council's Auditors:			
(i) Audit and other assurance services			
– Audit and review of financial statements: Thomas Noble & Russell		–	55
– Internal Audit Services: Grant Thornton Australia		82	72
– Other audit and assurance services		13	50
Remuneration for audit and other assurance services		95	177
Total remuneration of other Council's Auditors		95	177
Total Auditor remuneration		161	177
2. Operating lease payments are attributable to:			
Computers		467	421
Parking Meters		507	260
		974	681

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(d) Depreciation, amortisation and impairment			
Plant and equipment		1,040	1,045
Office equipment		189	220
Furniture and fittings		19	12
Land improvements (depreciable)		160	159
Infrastructure:			
– Buildings		870	769
– Other structures		36	19
– Roads		5,023	4,927
– Bridges		293	293
– Footpaths		126	126
– Stormwater drainage		581	574
– Water supply network		1,183	1,217
– Sewerage network		3,204	3,206
– Swimming pools		56	58
– Other open space/recreational assets		395	266
Other assets			
– Other		231	249
Asset reinstatement costs	9 & 26	630	94
Total gross depreciation and amortisation costs		14,036	13,234
Less: capitalised costs		–	–
Total depreciation and amortisation costs		14,036	13,234
Impairment			
Nil			
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		14,036	13,234

Byron Shire Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(e) Other expenses			
Advertising		124	117
Bad and doubtful debts		6	11
Bank charges		64	62
Computer software charges		637	493
Contributions/levies to other levels of government			
– Bushfire Fighting fund		182	120
– Emergency Services levy (includes FRNSW, SES, and RFS levies)		60	66
– Far North Coast Weeds		79	129
– NSW Fire Brigade levy		82	72
– Richmond Tweed Regional Library		1,243	1,221
– Other		155	150
Councillor expenses – mayoral fee		41	40
Councillor expenses – councillors' fees		167	165
Councillors' expenses (incl. mayor) – other (excluding fees above)		91	49
Donations, contributions and assistance to other organisations (Section 356)		75	66
Election expenses		187	–
Electricity and heating		1,241	1,179
Insurance		773	753
Postage		124	118
Printing and stationery		74	51
Street lighting		264	238
Telephone and communications		219	194
Valuation fees		88	86
<u>TOTAL OTHER EXPENSES</u>		<u>5,979</u>	<u>5,380</u>

Byron Shire Council

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

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 2017	Actual 2016
Plant and equipment			
Proceeds from disposal – plant and equipment		302	243
Less: carrying amount of plant and equipment assets sold/written off		(396)	(211)
Net gain/(loss) on disposal		(94)	32
Infrastructure			
Proceeds from disposal – infrastructure		35	–
Less: carrying amount of infrastructure assets sold/written off		(1,778)	(1,032)
Net gain/(loss) on disposal		(1,743)	(1,032)
Real estate assets held for sale			
Proceeds from disposal – real estate assets		–	3,952
Less: carrying amount of real estate assets sold/written off		–	(1,682)
Net gain/(loss) on disposal		–	2,270
Financial assets			
Proceeds from disposal/redemptions/maturities – financial assets		15,500	16,500
Less: carrying amount of financial assets sold/redeemed/matured		(15,500)	(16,500)
Net gain/(loss) on disposal		–	–
Land			
Less: carrying amount of Land assets sold/written off		(540)	–
Net gain/(loss) on disposal		(540)	–
Building			
Proceeds from disposal – Building		215	–
Less: carrying amount of Building assets sold/written off		(255)	–
Net gain/(loss) on disposal		(40)	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(2,417)	1,270

Byron Shire Council

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

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

		2017	2017	2016	2016
		Actual	Actual	Actual	Actual
\$ '000	Notes	Current	Non-current	Current	Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		980	–	2,727	–
Cash-equivalent assets ¹					
– Deposits at call		2,056	–	2,223	–
– Short-term deposits		10,000	–	39,000	–
Total cash and cash equivalents		13,036	–	43,950	–
Investments (Note 6b)					
– Long term deposits		63,139	–	34,019	–
– NCD's, FRN's (with maturities > 3 months)		–	1,654	–	1,000
– Other long term financial assets		–	1,011	520	–
Total investments		63,139	2,665	34,539	1,000
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		76,174	2,665	78,489	1,000

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

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

Cash and cash equivalents

a. 'At fair value through the profit and loss'	13,036	–	43,950	–
---	---------------	----------	---------------	----------

Investments

a. 'At fair value through the profit and loss'				
– 'Designated at fair value on initial recognition'	63,139	2,665	34,539	1,000
Investments	63,139	2,665	34,539	1,000

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

Byron Shire Council

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

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

\$ '000	2017 Actual Current	2017 Actual Non-current	2016 Actual Current	2016 Actual Non-current
Total cash, cash equivalents and investments	76,174	2,665	78,489	1,000
attributable to:				
External restrictions (refer below)	54,185	2,665	56,838	1,000
Internal restrictions (refer below)	20,844	–	20,506	–
Unrestricted	1,145	–	1,145	–
	76,174	2,665	78,489	1,000

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

Details of restrictions

External restrictions – included in liabilities

Bonds and deposits	3,722	241	–	3,963
External restrictions – included in liabilities	3,722	241	–	3,963

External restrictions – other

Developer contributions – general (D)	22,779	6,070	(8,820)	20,029
Developer contributions – water fund (D)	10,549	–	(3,857)	6,692
Developer contributions – sewer fund (D)	8,760	824	–	9,584
RMS (formerly RTA) contributions (E)	438	558	(273)	723
Specific purpose unexpended grants (F)	968	–	(495)	473
Water supplies (G)	2,723	2,231	–	4,954
Sewerage services (G)	5,981	2,220	–	8,201
Domestic waste management (G)	982	3,974	(3,618)	1,338
Crown paid parking reserve	421	854	(874)	401
Crown reserve	514	398	(420)	492
External restrictions – other	54,116	17,129	(18,358)	52,887
Total external restrictions	57,838	17,370	(18,358)	56,849

- D Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- E RMS contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.
- F Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1 (b))
- G Water, sewerage, domestic waste management (DWM) and other special rates/levies/charges are externally restricted assets and must be applied for the purposes for which they were raised.

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Plant and vehicle replacement	1,342	3,880	(3,282)	1,939
Infrastructure replacement	3,894	–	(231)	3,662
Employees leave entitlement	1,071	–	(100)	971
Asset revaluation reserve	11	–	–	11
Bangalow heritage house	0	–	–	0
Bridge replacement fund	935	–	(154)	781
Brunswick Heads memorial hall	37	13	–	50
Brunswick valley community centre	–	10	–	10
Byron bay library exhibition space	11	25	–	36
Byron bay library	242	–	(15)	227
Childrens services	17	83	–	100
Community development	119	30	(20)	129
Council caravan parks	2,305	1,219	(912)	2,612
Environmental levy	115	352	(356)	111
Financial assistance grant (in advance)	–	1,479	–	1,479
Footpath dining	232	126	(246)	112
General managers office	50	6	–	56
Human resources	65	–	–	65
Information technology	345	–	(128)	217
Infrastructure services carryover	952	575	(403)	1,124
Land and natural environment	192	99	(67)	224
Legal services	692	63	(240)	515
Mullumbimby pioneer centre	3	0	–	4
On-site sewerage management reserve	410	104	–	514
Paid parking	1,262	2,735	(3,997)	0
Property development reserve	576	4	(580)	–
Property	741	20	(136)	625
Quarry	838	28	(251)	616
Revolving energy fund	64	–	(28)	37
Risk management	184	–	(4)	179
Special events response and mitigation	128	103	(70)	161
South Golden Beach hall	22	4	–	25
2006/2007 special rate carryover reserve	57	57	(0)	114
2007/2008 special rate carryover reserve	653	275	(221)	706
2008/2009 special rate carryover reserve	155	127	(34)	247
Stormwater	505	293	(638)	160
Structural change reserve	285	17	(104)	198
Suffolk park community hall	9	10	–	19
Suffolk park open space	50	–	–	50
Tennis courts	9	1	(5)	6
Unexpended loans	54	–	(54)	–
Waste management	1,852	3,708	(2,957)	2,603
Ocean Shores Community Centre	23	1	(3)	20
Council Election	–	60	–	60
Grant Management	–	68	–	68
Total internal restrictions	20,506	15,573	(15,235)	20,844
TOTAL RESTRICTIONS	78,344	32,943	(33,593)	77,694

Byron Shire Council

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

Note 7. Receivables

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
Purpose					
Rates and annual charges		972	130	769	566
Interest and extra charges		175	31	88	64
User charges and fees		4,526	—	4,358	—
Accrued revenues					
– Interest on investments		484	—	396	—
– Other income accruals		6	—	96	—
Deferred debtors		10	200	—	—
Government grants and subsidies		611	—	18	—
Net GST receivable		1,051	—	782	—
Miscellaneous water and sewer		36	—	34	—
Pensioner subsidy		10	—	35	—
Roads and Maritime Services		2,120	—	2,048	—
Total		10,002	361	8,624	630
Less: provision for impairment					
User charges and fees		(55)	—	(68)	—
Total provision for impairment – receivables		(55)	—	(68)	—
<u>TOTAL NET RECEIVABLES</u>		<u>9,947</u>	<u>361</u>	<u>8,556</u>	<u>630</u>
Externally restricted receivables					
Water supply					
– Specific purpose grants		1	—	11	—
– Rates and availability charges		87	—	91	—
– Other		1,943	—	1,950	—
Sewerage services					
– Specific purpose grants		2	—	5	—
– Rates and availability charges		402	—	423	—
– Other		1,589	—	1,549	—
Total external restrictions		4,024	—	4,029	—
Internally restricted receivables					
Nil					
Unrestricted receivables		5,923	361	4,527	630
TOTAL NET RECEIVABLES		9,947	361	8,556	630

Notes on debtors above:

- (i) Rates and annual charges outstanding are secured against the property.
- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates and charges at 8.50% (2016 8.50%).
Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

Byron Shire Council

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

Note 8. Inventories and other assets

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current

(a) Inventories

(i) Inventories at cost

Real estate for resale (refer below)	–	–	992	–
Stores and materials	407	–	365	–
Total inventories at cost	407	–	1,357	–

(ii) Inventories at net realisable value (NRV)

Nil

TOTAL INVENTORIES	407	–	1,357	–
--------------------------	------------	----------	--------------	----------

(b) Other assets

Prepayments	–	–	69	–
Other	17	–	17	–
TOTAL OTHER ASSETS	17	–	86	–

Externally restricted assets

There are no restrictions applicable to the above assets.

(i) Other disclosures

(a) Details for real estate development

Residential	–	–	992	–
Total real estate for resale	–	–	992	–

(Valued at the lower of cost and net realisable value)

Represented by:

Acquisition costs	–	–	992	–
Total real estate for resale	–	–	992	–

Movements:

Real estate assets at beginning of the year		–	1,682	–
– Transfers in from (out to) Note 9		–	992	–
– WDV of sales (expense)	5	–	(1,682)	–
Total real estate for resale		–	992	–

(b) Inventory write downs

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

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

Byron Shire Council

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

Note 9a. Infrastructure, property, plant and equipment

Asset class	as at 30/6/2016			Asset movements during the reporting period								as at 30/6/2017		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Tfrs from/(to) 'held for sale' category	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000														
Capital work in progress	8,132	–	8,132	5,371	9,317	–	–	(5,562)	–	–	–	17,258	–	17,258
Plant and equipment	12,505	7,468	5,037	–	745	(396)	(1,040)	106	–	–	–	12,518	8,064	4,453
Office equipment	3,018	2,419	599	–	–	–	(189)	–	–	–	–	3,018	2,608	410
Furniture and fittings	296	178	118	–	–	–	(19)	–	–	–	–	297	197	99
Land:														
– Operational land	85,544	–	85,544	–	–	(540)	–	–	–	(1,440)	–	83,564	–	83,564
– Community land	116,425	–	116,425	–	906	–	–	–	–	–	6,081	123,413	–	123,413
– Land under roads (post 30/6/08)	6,403	–	6,403	–	932	–	–	–	–	–	–	7,335	–	7,335
Land improvements – non-depreciable	80	–	80	–	–	–	–	–	–	–	–	80	–	80
Land improvements – depreciable	4,723	2,332	2,391	679	–	–	(160)	813	–	–	–	6,215	2,492	3,723
Infrastructure:														
– Buildings	73,243	9,913	63,330	–	739	(255)	(870)	–	–	–	–	73,680	10,735	62,945
– Other structures	2,390	315	2,075	–	–	–	(36)	–	–	–	–	2,391	351	2,041
– Roads	291,332	134,135	157,197	4,418	7,797	(1,718)	(5,023)	2,862	(1,354)	–	–	302,542	138,363	164,179
– Bridges	23,909	10,787	13,122	–	–	–	(293)	–	–	–	–	23,909	11,080	12,830
– Footpaths	7,769	2,998	4,771	798	–	–	(126)	59	–	–	–	8,627	3,124	5,503
– Bulk earthworks (non-depreciable)	28,999	–	28,999	–	–	–	–	–	–	–	–	29,000	–	29,000
– Stormwater drainage	62,087	16,354	45,733	313	1,850	–	(581)	44	(39)	–	–	64,295	16,974	47,322
– Water supply network	87,651	36,959	50,692	335	243	(48)	(1,183)	95	–	–	8,456	97,440	38,850	58,590
– Sewerage network	190,869	60,460	130,409	774	1,280	(11)	(3,204)	1,224	–	–	(18,699)	175,858	64,086	111,772
– Swimming pools	2,800	553	2,247	–	–	–	(56)	–	–	–	–	2,800	609	2,191
– Other open space/recreational assets	14,144	4,274	9,870	26	579	–	(395)	1	–	–	–	14,751	4,669	10,081
Other assets:														
– Other	3,409	1,443	1,966	–	–	–	(231)	357	–	–	–	3,766	1,674	2,092
Reinstatement, rehabilitation and restoration assets (refer Note 26):														
– Tip assets	11,116	691	10,425	–	513	–	(373)	–	–	–	–	11,628	1,064	10,565
– Quarry assets	2,739	14	2,725	–	–	–	(257)	–	–	–	–	2,739	270	2,469
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	1,039,583	291,293	748,290	12,714	24,901	(2,968)	(14,036)	0	(1,393)	(1,440)	(4,162)	1,067,125	305,211	761,915

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

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

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000 Class of asset	Actual 2017			Actual 2016		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
WIP	5,070	–	5,070	487	–	487
Plant and equipment	21	17	4	21	15	6
Office equipment	44	44	–	44	44	–
Land						
– Operational land	6,509	–	6,509	6,509	–	6,509
Buildings	1,315	243	1,071	1,315	219	1,096
Infrastructure	97,440	38,850	58,590	87,651	36,959	50,692
Total water supply	110,399	39,154	71,244	96,026	37,236	58,790
Sewerage services						
WIP	1,452	–	1,452	1,517	–	1,517
Plant and equipment	307	129	178	130	118	12
Office equipment	72	72	–	72	72	–
Land						
– Operational land	13,463	–	13,463	13,463	–	13,463
– Improvements – depreciable	10	2	7	10	2	7
Buildings	220	47	173	220	45	175
Infrastructure	175,858	64,086	111,772	190,869	60,460	130,410
Other assets	17	17	–	17	17	–
Total sewerage services	191,398	64,353	127,045	206,298	60,714	145,584
TOTAL RESTRICTED I,PP&E	301,797	103,508	198,289	302,324	97,950	204,374

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

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

Byron Shire Council

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

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
Payables					
Goods and services – operating expenditure		6,413	–	4,875	–
Accrued expenses:					
– Borrowings		246	–	246	–
– Salaries and wages		–	–	720	–
– Other expenditure accruals		527	–	893	–
Security bonds, deposits and retentions		3,963	–	3,722	–
Total payables		11,149	–	10,456	–
Income received in advance					
Payments received in advance		254	–	248	–
Total income received in advance		254	–	248	–
Borrowings					
Loans – secured ¹		2,555	57,573	2,592	60,129
Total borrowings		2,555	57,573	2,592	60,129
Provisions					
Employee benefits:					
Annual leave		1,888	–	1,723	–
Long service leave		3,339	188	3,242	157
Gratuities		152	–	160	–
Sub-total – aggregate employee benefits		5,379	188	5,125	157
Asset remediation/restoration (future works)	26	–	4,869	–	5,324
Total provisions		5,379	5,058	5,125	5,481
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		19,337	62,631	18,421	65,610
(i) Liabilities relating to restricted assets					
		2017		2016	
		Current	Non-current	Current	Non-current
Externally restricted assets					
Sewer		1,907	44,471	1,796	46,172
Bonds and deposits		3,963	–	3,722	–
Liabilities relating to externally restricted assets		5,870	44,471	5,518	46,172
Internally restricted assets					
Nil					
Total liabilities relating to restricted assets		5,870	44,471	5,518	46,172
Total liabilities relating to unrestricted assets		13,467	18,160	12,903	19,438
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		19,337	62,631	18,421	65,610

¹ Loans are secured over the general rating income of Council

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

Byron Shire Council

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

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

	Actual 2017	Actual 2016
\$ '000		

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

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

Provisions – employees benefits	3,846	3,572
	3,846	3,572

Note 10b. Description of and movements in provisions

Class of provision	2016	2017				Closing balance as at 30/6/17
	Opening balance as at 1/7/16	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	
Annual leave	1,723	1,492	(1,327)	–	–	1,888
Long service leave	3,399	589	(461)	–	–	3,527
Gratuities	160	2	(10)	–	–	152
Asset remediation	5,324	(455)	–	–	–	4,869
TOTAL	10,606	1,629	(1,798)	–	–	10,437

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

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2017	Actual 2016
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	13,036	43,950
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		13,036	43,950
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		21,174	15,974
Adjust for non-cash items:			
Depreciation and amortisation		14,036	13,234
Net losses/(gains) on disposal of assets		2,417	(1,270)
Non-cash capital grants and contributions		(8,172)	(1,773)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		(14)	–
Unwinding of discount rates on reinstatement provisions		105	22
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(899)	85
Increase/(decrease) in provision for doubtful debts		(13)	(6)
Decrease/(increase) in inventories		(42)	204
Decrease/(increase) in other assets		70	(55)
Increase/(decrease) in payables		1,538	215
Increase/(decrease) in accrued interest payable		0	(25)
Increase/(decrease) in other accrued expenses payable		(1,086)	630
Increase/(decrease) in other liabilities		247	333
Increase/(decrease) in employee leave entitlements		285	(96)
Increase/(decrease) in other provisions		(560)	(22)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		29,085	27,448

Byron Shire Council

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

Note 11. Statement of cash flows – additional information (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Non-cash investing and financing activities			
Other dedications		8,172	1,773
Total non-cash investing and financing activities		8,172	1,773
(d) Financing arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Credit cards/purchase cards		165	65
Total financing arrangements		165	65
Amounts utilised as at balance date:			
– Credit cards/purchase cards		6	–
Total financing arrangements utilised		6	–

(ii) Secured loan liabilities

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

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2017	Actual 2016
(a) Capital commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, plant and equipment			
Buildings		400	122
Plant and equipment		2,919	4,853
Roads		1,691	776
Sportsfield Development		—	937
Total commitments		5,010	6,688
These expenditures are payable as follows:			
Within the next year		5,010	6,585
Later than one year and not later than 5 years		—	103
Total payable		5,010	6,688
Sources for funding of capital commitments:			
Unrestricted general funds		—	795
Sect 64 and 94 funds/reserves		4,761	—
Internally restricted reserves		249	5,893
Total sources of funding		5,010	6,688

(b) Finance lease commitments

Nil

(c) Operating lease commitments (non-cancellable)**a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:**

Within the next year	1,065	1,016
Later than one year and not later than 5 years	3,079	3,218
Later than 5 years	—	—
Total non-cancellable operating lease commitments	4,144	4,234

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

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

Conditions relating to operating leases:

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

(d) Investment property commitments

Nil

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Amounts 2017	Indicator 2017	Prior periods 2016 2015		Benchmark
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	4,810	5.98%	2.61%	0.26%	>0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	80,376				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	69,106	69.70%	72.11%	72.01%	>60.00%
Total continuing operating revenue ⁽¹⁾	99,143				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	30,768	3.20x	2.96x	2.91x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	9,621				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	23,444	3.26x	2.38x	2.17x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	7,190				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	1,308	3.39%	4.00%	3.81%	< 5% Metro
Rates, annual and extra charges collectible	38,609				<10% Rural
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	76,174	14.32 mths	14.6 mths	12.6 mths	> 3 mths
Payments from cash flow of operating and financing activities	5,318				

Notes

⁽¹⁾ 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.

⁽²⁾ Refer Notes 6-8 inclusive.

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

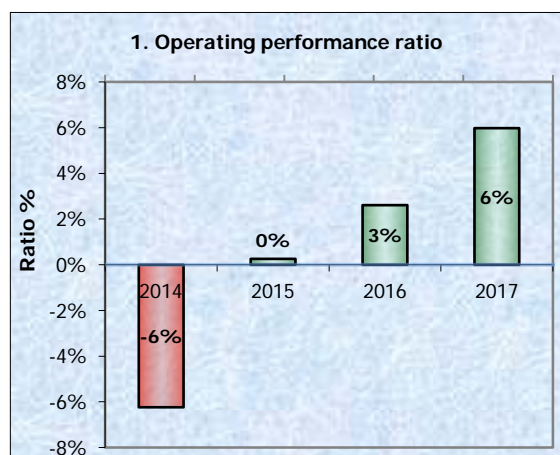
⁽³⁾ Refer to Note 10(a).

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

Byron Shire Council

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

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

Benchmark: — Minimum $\geq 0.00\%$

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

Purpose of operating performance ratio

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

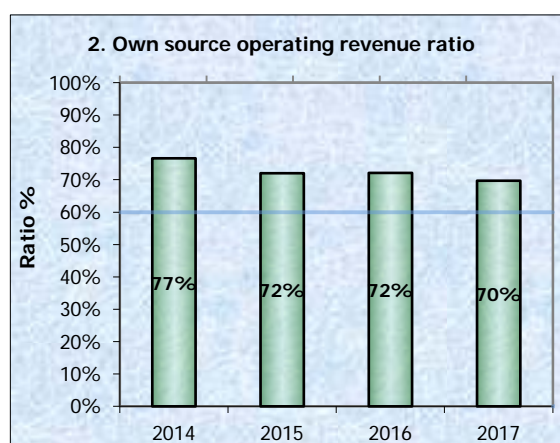
Commentary on 2016/17 result**2016/17 ratio 5.98%**

This ratio demonstrates Council is currently now generating sufficient operating revenue to cover operating expenditure. The trend of the ratio demonstrates Council is continuing to improve. The result for 2017 though is positively influenced by 50% advance payment of the 2017/2018 Financial Assistance Grant. New paid parking revenue is also influencing positively.



Ratio achieves benchmark

Ratio is outside benchmark

Benchmark: — Minimum $\geq 60.00\%$

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

Purpose of own source operating revenue ratio

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

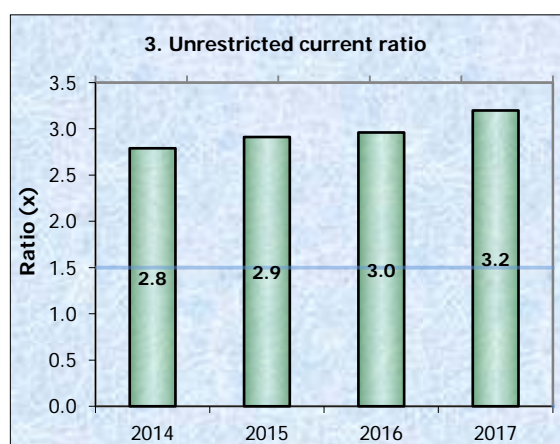
Commentary on 2016/17 result**2016/17 ratio 69.70%**

The trend is indicating Council is maintaining a relatively consistent revenue base from its own sources but is looking over time to increase this ratio to be more self reliant as part of its financial sustainability



Ratio achieves benchmark

Ratio is outside benchmark

Benchmark: — Minimum ≥ 1.50

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

Purpose of unrestricted current ratio

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

Commentary on 2016/17 result**2016/17 ratio 3.20x**

This ratio identifies that Council's short term liquidity is strong and remaining stable at twice the benchmark. It also needs to be considered in conjunction with Note 13(b) which illustrates this ratio on a funds by fund basis.



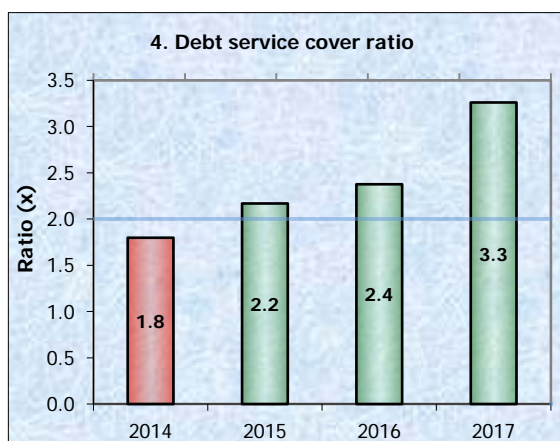
Ratio achieves benchmark

Ratio is outside benchmark

Byron Shire Council

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

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

Benchmark: — Minimum ≥ 2.00

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

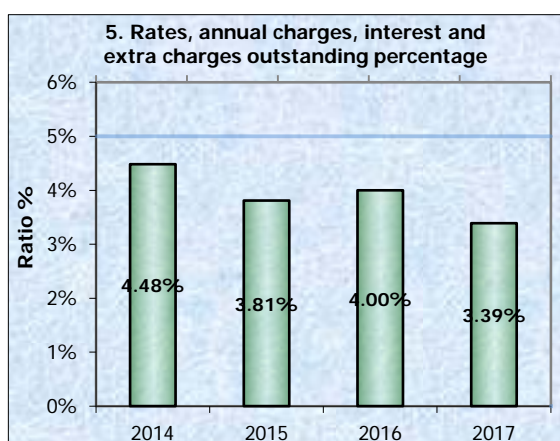
Purpose of debt service cover ratio

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

Commentary on 2016/17 result**2016/17 ratio 3.26x**

This ratio is improving on trend indicating that Council is gaining greater capacity to take on additional debt. It is important though to realise that Council must be able to fund any additional debt repayments in consideration of all services and priorities it determines within its budget.

Ratio achieves benchmark
 Ratio is outside benchmark

Benchmark: — Maximum $< 5.00\%$

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

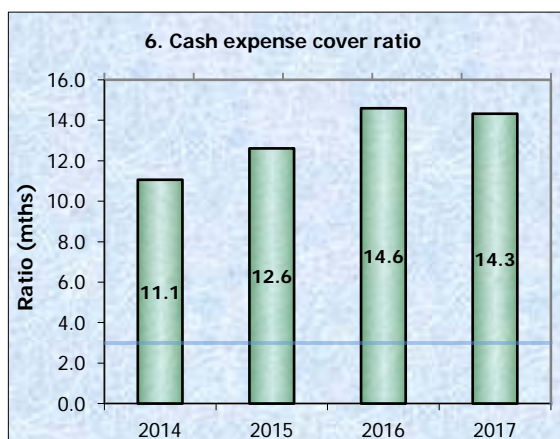
Purpose of rates and annual charges outstanding ratio

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

Commentary on 2016/17 result**2016/17 ratio 3.39%**

Given the current economic environment, the percentage outstanding has improved compared to the previous year. The result is acceptable within the benchmark and reflects Council's ongoing debt recovery activity.

Ratio is within Benchmark
 Ratio is outside Benchmark

Benchmark: — Minimum ≥ 3.00

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

Purpose of cash expense cover ratio

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

Commentary on 2016/17 result**2016/17 ratio 14.32 mths**

As another measure of short term liquidity, this ratio trend indicates that Council's short term liquidity is strong and has remained stable in relation to the previous financial year.

Ratio achieves benchmark
 Ratio is outside benchmark

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2017	2016	2017	2016	2017	2016	
Local government industry indicators – by fund							
1. Operating performance ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
less operating expenses							
<hr/>							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	4.31%	2.69%	13.85%	5.24%	6.94%	0.72%	>0.00%
2. Own source operating revenue ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
<hr/>							
Total continuing operating revenue ⁽¹⁾	63.59%	68.52%	89.41%	86.89%	80.34%	75.45%	>60.00%
3. Unrestricted current ratio							
Current assets less all external restrictions ⁽²⁾							
<hr/>							
Current liabilities less specific purpose liabilities ^(3, 4)	3.20x	2.96x	No liabilities	No liabilities	5.35x	4.43x	>1.5x

Notes

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

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

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2017	2016	2017	2016	2017	2016	
Local government industry indicators – by fund (continued)							
4. Debt service cover ratio							
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	7.21x	4.15x	0.00x	0.00x	1.25x	1.06x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	3.13%	3.87%	3.82%	4.14%	3.94%	4.28%	< 5% Metro <10% Rural
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	12.91	13.68	19.44	22.02	16.25	13.54	> 3 months
Payments from cash flow of operating and financing activities	months	months	months	months	months	months	

Notes

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

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

Byron Shire Council

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

Note 14. Investment properties

\$ '000

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

Note 15. Financial risk management

Risk management

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

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

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

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	
	2017	2016	2017	2016
Financial assets				
Cash and cash equivalents	13,036	43,950	13,036	43,950
Investments				
– 'Designated at fair value on initial recognition'	65,803	35,539	65,803	35,539
Receivables	10,308	9,186	10,241	8,705
Total financial assets	89,148	88,675	89,080	88,194
Financial liabilities				
Payables	11,149	10,456	11,131	9,969
Loans/advances	60,129	62,721	74,236	76,552
Total financial liabilities	71,277	73,177	85,367	86,521

Fair value is determined as follows:

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

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

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

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

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

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

The risks associated with the investments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether 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.

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2017				
Possible impact of a 10% movement in market values	266	266	(266)	(266)
Possible impact of a 1% movement in interest rates	910	910	(910)	(910)
2016				
Possible impact of a 10% movement in market values	52	52	(52)	(52)
Possible impact of a 1% movement in interest rates	780	780	(780)	(780)

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

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

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

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

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

	2017 Rates and annual charges	2017 Other receivables	2016 Rates and annual charges	2016 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	85%	91%	58%	90%
Overdue	15%	9%	42%	10%
	100%	100%	100%	100%

(ii) Ageing of receivables – value

Rates and annual charges	Other receivables		Rates and annual charges	Other receivables
Current	Current	936	769	7,191
< 1 year overdue	0 – 30 days overdue	29	214	64
1 – 2 years overdue	31 – 60 days overdue	46	136	35
2 – 5 years overdue	61 – 90 days overdue	55	164	(14)
> 5 years overdue	> 91 days overdue	36	52	644
		1,102	1,335	7,919

(iii) Movement in provision for impairment of receivables

	2017	2016
Balance at the beginning of the year	68	74
+ new provisions recognised during the year	1	1
– amounts already provided for and written off this year	(15)	(10)
– amounts provided for but recovered during the year	1	3
Balance at the end of the year	55	68

Byron Shire Council

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

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2017									
Trade/other payables	3,963	7,168	—	—	—	—	—	11,131	11,149
Loans and advances	—	3,700	3,671	3,465	3,267	3,853	70,535	88,491	60,129
Total financial liabilities	3,963	10,868	3,671	3,465	3,267	3,853	70,535	99,622	71,277
2016									
Trade/other payables	3,722	6,734	—	—	—	—	—	10,456	10,456
Loans and advances	—	4,078	7,349	6,650	7,500	3,791	65,217	94,585	62,721
Total financial liabilities	3,722	10,812	7,349	6,650	7,500	3,791	65,217	105,041	73,177

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

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

	2017		2016	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	11,149	0.00%	10,456	0.00%
Loans and advances – fixed interest rate	60,129	7.29%	62,721	7.27%
	<u>71,277</u>		<u>73,177</u>	

Byron Shire Council

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

Note 16. Material budget variations

\$ '000

Council's original financial budget for 16/17 was adopted by the Council on 29 June 2016.

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

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

Note that for variations* of budget to actual :

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

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

\$ '000	2017 Budget	2017 Actual	2017 ----- Variance* -----		
REVENUES					
Rates and annual charges	36,746	36,968	222	1%	F
User charges and fees	25,655	28,460	2,805	11%	F
Additional Revenues were received for:- \$918k Paid Parking, \$601k Holiday Parks, Waste Charges \$383k, Health Fees \$308k, Water User Charges \$145k, Public Hall Revenues \$98k and Property Rentals and Leases \$194k over and above revenues included for these items in the original 2017 adopted budget.					
Interest and investment revenue	1,697	2,373	676	40%	F
Interest on investment revenue exceeded the original budget estimate due to Councils overall cash position not reducing as expected, allowing additional funds to be invested and remain invested.					
Other revenues	1,532	1,320	(212)	(14%)	U
Council's revenue from infringement notices was \$88k lower then originally estimated. Council also expected other revenues of \$15k from Compliance Activities that did not occur. Council had budgeted \$73.8k for Organics Collection System funding as Other revenues in the 2017 Budget but should have been an operating grant.					
Operating grants and contributions	5,503	11,270	5,768	105%	F
Council received 50% (\$1.478 million) of the 2017/18 Financial Assistance Grant in June 2017 in advance. Council recognised \$2.494 million in Roads to Recovery Grant that is treated as operating grant whereas the budget estimate was treated as capital grant given Council applies the funds to capital works. Council, also received additional Library funding of \$37k, Waste Management grants of \$194k, Economic Development grants of \$212k and \$1.113million of other road grants and contributions not budgeted in the original budget estimate.					
Capital grants and contributions	19,043	18,767	(276)	(1%)	U

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 16. Material budget variations (continued)

\$ '000	2017 Budget	2017 Actual	2017 Variance*	
EXPENSES				
Employee benefits and on-costs	21,622	21,575	47	0% F
Borrowing costs	4,572	4,598	(26)	(1%) U
Materials and contracts	27,638	29,378	(1,740)	(6%) U
Depreciation and amortisation	12,515	14,036	(1,521)	(12%) U
Increased depreciation against the budget largely due to the effect of the Buildings, Other Structures and Open Space revaluation in 2016 that was not in the original 2017 adopted budget. Due to an increase against the cost of restoration liabilities in 2016 and an adjustment in useful life increased the Tip and Quarry depreciation expense by \$275k and \$256k respectively that was not included in the original 2017 adopted budget.				
Other expenses	4,735	5,979	(1,245)	(26%) U
Council had budgeted for electricity costs as materials and contracts in the 2017 original budget but this expense is disclosed as other expenses in the financial statements. Council's expenditure for electricity was \$1.241million.				
Net losses from disposal of assets	–	2,417	(2,417)	0% U
Council does not budget for any expenditure resulting from the disposal of assets.				

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

Cash flows from operating activities	31,609	29,085	(2,524)	(8.0%) U
Cash flows from investing activities	(50,487)	(57,407)	(6,920)	13.7% U
Council had originally budgeted in 2017 to sell land assets for \$1.673million. This did not occur. Council had budgeted \$52.16million for capital works for 2017 but in cash terms completed \$27.498million. The major variance in terms of approx \$30million (not budgeted) is the purchase of investment securities. This represents Council investing longer term into higher yielding investments in a low interest rate environment.				
Cash flows from financing activities	(2,664)	(2,592)	72	(2.7%) F

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions

\$ '000

Council recovers contributions, raises levies and enters into planning agreements on development works that are subject to a development consent issued by Council. All contributions must be spent/utilised for the specific purpose they were levied and any interest applicable to unspent funds must be attributed to remaining funds.

The following tables detail the receipt, interest and use of the above contributions and levies and the value of all remaining funds which are 'restricted' in their future use.

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Urban roads	7,776	277	–	203	(644)	–	7,612	–
Rural roads	1,179	298	–	37	(122)	–	1,393	–
Cycleways	1,307	146	–	37	(100)	–	1,391	–
Carparking	2,336	41	–	39	(963)	–	1,453	–
Open space	5,716	536	–	106	(2,405)	–	3,954	–
Community facilities	1,587	246	–	43	(266)	–	1,610	–
Civic and urban improvements	1,617	20	–	40	(188)	–	1,490	–
Shire support services	227	7	–	6	–	–	240	–
Administration	309	148	–	9	(134)	–	331	–
Section 94 A levy	724	78	–	15	(260)	–	556	–
S94 contributions – under a plan	22,779	1,797	–	535	(5,082)	–	20,030	–
Total S94 revenue under plans	22,779	1,797	–	535	(5,082)	–	20,030	–
S64 contributions	19,309	4,128	–	434	(7,595)	–	16,275	–
Total contributions	42,088	5,925	–	969	(12,677)	–	36,305	–

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 1 - OPEN SPACE

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Byron Bay	475	242	–	17	(90)	–	645	–
Mullumbimby	397	95	–	11	(96)	–	406	–
Bangalow	331	19	–	9	(26)	–	333	–
Suffolk Park	1,903	–	–	22	(1,087)	–	838	–
Brunswick Heads	70	20	–	2	–	–	93	–
Ocean Shores	207	28	–	6	(41)	–	199	–
Shire Wide	2,248	131	–	36	(1,065)	–	1,351	–
Rural North	38	1	–	1	–	–	40	–
Rural South	47	1	–	1	–	–	49	–
Total	5,716	536	–	106	(2,405)	–	3,954	–

CONTRIBUTION PLAN NUMBER 2 - COMMUNITY FACILITIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Byron Bay	472	60	–	13	(39)	–	506	–
Mullumbimby	23	4	–	–	(28)	–	(1)	–
Bangalow	147	7	–	4	–	–	159	–
Brunswick Heads	3	5	–	0	–	–	8	–
Ocean Shores	137	24	–	1	(121)	–	41	–
Shire Wide	678	145	–	21	(70)	–	774	–
Rural North	16	1	–	0	–	–	17	–
Rural South	111	1	–	3	(8)	–	107	–
Total	1,587	246	–	43	(266)	–	1,610	–

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 3 - CYCLEWAYS

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Byron Bay	582	64	–	15	(90)	–	571	–
Mullumbimby	144	45	–	5	–	–	194	–
Bangalow	233	16	–	7	(8)	–	248	–
Brunswick Heads	5	3	–	0	–	–	8	–
Ocean Shores	142	8	–	4	(2)	–	152	–
Shire Wide	104	1	–	0	–	–	105	–
Rural North	13	1	–	2	–	–	16	–
Rural South	85	9	–	3	–	–	97	–
Total	1,307	146	–	37	(100)	–	1,391	–

CONTRIBUTION PLAN NUMBER 4 - SHIRE SUPPORT SERVICES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Byron Bay	18	0	–	0	–	–	19	–
Mullumbimby	12	–	–	0	–	–	13	–
Bangalow	3	0	–	0	–	–	4	–
Ocean Shores	5	0	–	0	–	–	6	–
Rural North	12	5	–	0	–	–	17	–
Rural South	136	2	–	4	–	–	142	–
Shire Rural	39	–	–	1	–	–	40	–
Brunswick Heads	1	–	–	0	–	–	1	–
Total	227	7	–	6	–	–	240	–

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 5 - CARPARKING

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Byron Bay	2,093	41	–	33	(913)	–	1,255	–
Mullumbimby	5	–	–	0	–	–	6	–
Bangalow	2	–	–	–	(21)	–	(20)	–
Brunswick Heads	236	–	–	6	(29)	–	212	–
Broken Head Hall	0	–	–	0	–	–	0	–
Total	2,336	41	–	39	(963)	–	1,453	–

CONTRIBUTION PLAN NUMBER 6 - URBAN ROADS

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Byron Bay	5,379	194	–	140	(470)	–	5,242	–
Mullumbimby	502	21	–	14	(20)	–	517	–
Bangalow	1,144	41	–	32	–	–	1,217	–
Brunswick Heads	111	12	–	3	–	–	126	–
Ocean Shores	198	1	–	1	(154)	–	46	–
Batson Quarry	442	9	–	12	–	–	463	–
Total	7,776	277	–	203	(644)	–	7,612	–

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 7 - RURAL ROADS

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Shire Rural	77	26	–	3	–	–	106	–
Mudges Quarry	16	–	–	0	–	–	17	–
Leela Quarry	4	–	–	0	–	–	4	–
Myocum Quarry (Council)	16	–	–	0	–	–	17	–
Rural North	163	124	–	5	(122)	–	170	–
Rural South	903	148	–	29	–	–	1,079	–
Total	1,179	298	–	37	(122)	–	1,393	–

CONTRIBUTION PLAN NUMBER 8 - CIVIC AND URBAN IMPROVEMENTS

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Byron Bay	1,147	16	–	27	(188)	–	1,002	–
Mullumbimby	96	–	–	3	–	–	99	–
Bangalow	170	3	–	5	–	–	177	–
Brunswick Heads	13	–	–	0	–	–	13	–
Ocean Shores	122	0	–	3	–	–	126	–
Rural North	25	1	–	1	–	–	26	–
Rural South	44	1	–	1	–	–	46	–
Total	1,617	20	–	40	(188)	–	1,490	–

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 9 - ADMINISTRATION

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Shire Wide	309	148	–	9	(134)	–	331	–
Total	309	148	–	9	(134)	–	331	–

CONTRIBUTION PLAN NUMBER 10 - SECTION 94 A LEVY

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Shire Wide	724	78	–	15	(260)	–	556	–
Total	724	78	–	15	(260)	–	556	–

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S64 contributions

CONTRIBUTION PLAN NUMBER 10 - WATER SUPPLY SERVICES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Byron, Bang, Burns, O/Shires	9,060	405	–	178	(4,761)	–	4,882	–
Mullumbimby	1,489	472	–	1	(152)	–	1,810	–
Total	10,549	877	–	178	(4,912)	–	6,692	–

CONTRIBUTION PLAN NUMBER 11 - SEWERAGE SERVICES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Bangalow	1,491	180	–	43	(90)	–	1,625	–
Byron Bay	7,268	3,071	–	212	(2,593)	–	7,958	–
Total	8,760	3,251	–	256	(2,683)	–	9,583	–

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:**1. Guarantees****(i) Defined benefit superannuation contribution plans**

Council participates in a defined benefits superannuation scheme called the Local Government Superannuation Scheme - Pool B (Scheme). Pooled Employers from a sub-group of the Scheme with over 170 employers supporting over 9,300 employees and ex-employees.

The Scheme is considered to be a defined benefit multi-employer plan for the following reasons:

1. Assets are not segregated within the sub-group according to the employees of each sponsoring employer.
2. The contribution rates have been the same for all sponsoring employers. That is, contribution rates have not varied for each sponsoring employer according to the experience relating to the employees of that sponsoring employer.
3. Benefits for employees of all sponsoring employers are determined according to the same formulae and without regard to the sponsoring employer.
4. The same actuarial assumptions are currently used in respect of the employees of each sponsoring employer.

Pooled Employers are required to pay standard employer contributions and additional lump sum contributions to the Scheme.

LIABILITIES NOT RECOGNISED (continued):**1. Guarantees (continued)****(i) Defined Benefit Superannuation Contribution Plans (continued)**

The estimated employer reserves financial position for the Pooled Employers at 30 June 2017 is:

Assets \$1,754.4 million.

Vesting Benefits \$1,775.9 million

The asset coverage of vested benefits is 98.8%

The key economic long term assumptions used to calculate the present value of accrued benefits are:

Investment return 6.5% per annum

Salary inflation plus promotional increases 3.5% p.a

Increase in CPI 2.5% per annum

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers.

The implications are that additional contributions are estimated to remain in place until 30 June 2020 (ie \$471,000 additional contributions remaining).

It is estimated that Council's level of participation in the Scheme compared with other participating Pooled Employers is approximately 0.32%.

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

StateCover is a company providing workers compensation insurance cover to the NSW Local Government Industry and specifically Council.

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

These future equity contributions would be required to maintain the company's minimum level of Net Assets in accordance with its Licence Requirements.

(iv) Other Guarantees

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

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) S94 Plans

Council levies Section 94/94A Contributions upon various development across the Council area through the required Contributions Plans.

As part of these Plans, Council has received funds for which it will be required to expend the monies in accordance with those Plans.

As well, these Plans indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years or where a shortfall exists by the use of Council's General Funds.

These future expenses do not yet qualify as liabilities as of the Reporting Date, but represent Council's intention to spend funds in the manner and timing set out in those Plans.

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000

ASSETS NOT RECOGNISED:

(i) Land Under Roads

As permitted under AASB 1051, Council has elected not to bring to account Land Under Roads that it owned or controlled up to & including 30/6/08.

(ii) Infringement Notices/Fines

Fines & Penalty Income, the result of Council issuing Infringement Notices is followed up and collected by the Infringement Processing Bureau.

Councils 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.

(iii) Richmond Tweed Regional Library

Council together with other local government authorities operate a regional facility known as the Richmond-Tweed Regional Library.

Annually, Councils contribute to fund its activities based on a formula. In the event that Council wishes to withdraw from the arrangement, Council will receive its attributable share of assets and liabilities.

(iv) Natural Disaster Claims

In March 2017, the Byron Shire experienced a flood event triggered by ex-Tropical Cyclone Debbie which damaged a portion of infrastructure and other essential public assets. These assets continue to be functional with an immaterial value of assets being impaired.

Council has lodged a claim with the NSW Government for funding under the Natural Disaster Assistance Scheme for \$4.46million to assist with restoring services and damaged infrastructure and other assets. Council anticipates that this funding application will be approved and repairs and remediation works will be conducted in the 2018 financial year.

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 19. Interests in other entities

\$ '000

Council's objectives can and in some cases are best met through the use of separate entities and operations.

These operations and entities range from 100% ownership and control through to lower levels of ownership and control via co-operative arrangements with other councils, bodies and other outside organisations.

The accounting and reporting for these various entities, operations and arrangements varies in accordance with accounting standards, depending on the level of council's (i) interest and (ii) control and the type (form) of entity/operation, as follows;

Controlled entities (subsidiaries)

Note 19(a)

Operational arrangements where Council's control (but not necessarily interest) exceeds 50%.

Joint ventures and associates

Note 19(b)

Joint ventures are operational arrangements where the parties that have joint control have rights to the net assets of the arrangement.

Associates are separate entities where Council has significant influence over the operations (but neither controls nor jointly controls them).

Joint operations

Note 19(c)

Operational arrangements where the parties that have joint control have rights to specific assets and obligations for specific liabilities relating to the arrangement rather than a right to the net assets of the arrangement.

Unconsolidated structured entities

Note 19(d)

Unconsolidated structured entities represent "special vehicles" that Council has an interest in but which are not controlled by Council and therefore not consolidated as a subsidiary, joint arrangement or associate. Attributes of structured entities include restricted activities, a narrow and well-defined objective and insufficient equity to finance its activities without financial support.

Subsidiaries, joint arrangements and associates not recognised

Note 19(e)

(a) Controlled entities (subsidiaries) – being entities and operations controlled by Council

Council has no interest in any controlled entities (subsidiaries).

(b) Joint ventures and associates

Council has no interest in any joint ventures or associates.

(c) Joint operations

Council has no interest in any joint operations.

Byron Shire Council

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

Note 19. Interests in other entities (continued)

\$ '000

(d) Unconsolidated structured entities

Council has no unconsolidated structured entities

(e) Subsidiaries, joint arrangements and associates not recognised

The following subsidiaries, joint arrangements and associates have not been recognised in this financial report.

Name of entity/operation	Principal activity/type of entity	2017	2017
		Net profit	Net assets
North East Weight Loads Group	To reduce road damage caused by traffic weight loads	(3)	19

Reasons for non-recognition

Council is entitled to 1/8th share of the net assets of North East Weight of Loads Group. At 30 June 2017, in accordance with AASB 1031 Materiality, Council has made the judgement its entitlement to the net assets is not material and therefore not recognised.

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		474,474	458,500
a. Correction of prior period errors	20 (c)	27,593	27,593
b. Net operating result for the year		21,174	15,974
Balance at end of the reporting period		523,242	502,067

(b) Revaluation reserves**(i) Reserves are represented by:**

– Infrastructure, property, plant and equipment revaluation reserve	248,708	252,309
Total	248,708	252,309

(ii) Reconciliation of movements in reserves:**Infrastructure, property, plant and equipment revaluation reserve**

– Opening balance	252,309	218,613
– Revaluations for the year	(4,162)	38,333
– Reassessment of Provision for Rehab of Landfill and Quarry	560	(4,637)
– Balance at end of year	248,708	252,309

TOTAL VALUE OF RESERVES

248,708	252,309
----------------	----------------

(iii) Nature and purpose of reserves**Infrastructure, property, plant and equipment revaluation reserve**

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

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
(c) Correction of error/s relating to a previous reporting period			
Correction of errors disclosed in this year's financial statements:			
During the 2017 financial year, Council undertook a comprehensive revaluation of Community Land. The revaluation process identified land controlled by Council that had not been recognised in the financial report in prior years. The majority of the land not previously recognised is controlled by Council as its appointment as Trust Manager. The value of land not previously recognised is \$27,593,000 and has been recognised as an adjustments to retained earnings and Community Land Assets as at 1 July 2015.		27,593	—
Correction of errors as disclosed in last year's financial statements:			
Since the last revaluation of Operational Land, Council as part of of the revaluation for this financial year identified an additional 17 parcels of land. These parcels were identified via an internal audit and also through changes of ownership to Council. This has resulted in a change to opening equity of \$3,421,000 which has influenced the retained earnings opening balance.		—	3,421
In accordance with AASB 108 – Accounting Policies, Changes in Accounting Estimates and Errors, the above prior period errors have been recognised retrospectively.			
These amounted to the following equity adjustments:			
– Adjustments to opening equity – 1/7/15 (relating to adjustments for the 30/6/15 reporting year end and prior periods)		27,593	3,421
– Adjustments to closing equity – 30/6/16 (relating to adjustments for the 30/6/16 year end)		—	—
Total prior period adjustments – prior period errors		27,593	3,421

(d) Voluntary changes in accounting policies

Council made no voluntary changes in any accounting policies during the year.

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 21. Financial result and financial position by fund

Income Statement by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
Continuing operations	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	2,257	10,159	25,244
User charges and fees	7,031	5,157	17,211
Interest and investment revenue	411	332	1,630
Other revenues	–	–	1,320
Grants and contributions provided for operating purposes	73	76	11,121
Grants and contributions provided for capital purposes	1,076	3,753	13,938
Total income from continuing operations	10,848	19,477	70,464
Expenses from continuing operations			
Employee benefits and on-costs	971	2,390	18,214
Borrowing costs	–	3,476	1,122
Materials and contracts	2,331	5,506	23,172
Depreciation and amortisation	1,209	3,218	9,609
Impairment	–	–	–
Other expenses	3,936	70	1,973
Net losses from the disposal of assets	48	11	2,358
Share of interests in joint ventures and associates using the equity method	–	–	–
Total expenses from continuing operations	8,495	14,671	56,448
Operating result from continuing operations	2,353	4,806	14,016
Discontinued operations			
Net profit/(loss) from discontinued operations	–	–	–
Net operating result for the year	2,353	4,806	14,016
Net operating result attributable to each council fund	2,353	4,806	14,016
Net operating result attributable to non-controlling interests	–	–	–
Net operating result for the year before grants and contributions provided for capital purposes	1,277	1,053	78

¹ 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.

Byron Shire Council

Notes to the Financial Statements

as at 30 June 2017

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

Statement of Financial Position by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
	Water	Sewer	General ¹
ASSETS			
Current assets			
Cash and cash equivalents	–	–	13,036
Investments	11,646	17,784	33,708
Receivables	2,032	1,992	5,924
Inventories	–	–	407
Other	–	–	17
Total current assets	13,678	19,776	55,523
Non-current assets			
Investments	–	–	2,665
Receivables	–	–	361
Infrastructure, property, plant and equipment	71,244	127,045	563,625
Total non-current assets	71,244	127,045	566,651
TOTAL ASSETS	84,922	146,821	622,174
LIABILITIES			
Current liabilities			
Payables	–	207	10,942
Income received in advance	–	–	254
Borrowings	–	1,700	855
Provisions	–	–	5,379
Total current liabilities	–	1,907	17,430
Non-current liabilities			
Borrowings	–	44,471	13,102
Provisions	–	–	5,058
Total non-current liabilities	–	44,471	18,160
TOTAL LIABILITIES	–	46,378	35,590
Net assets	84,922	100,443	586,585
EQUITY			
Retained earnings	41,556	88,450	393,236
Revaluation reserves	43,366	11,993	193,349
Other reserves	–	–	–
Council equity interest	84,922	100,443	586,584
Non-controlling interests	–	–	–
Total equity	84,922	100,443	586,584

¹ 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.

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	2017	2017	2016	2016
	Current	Non-current	Current	Non-current
(i) Non-current assets and disposal group assets				
Non-current assets 'held for sale'				
Land	2,432	—	—	—
Total non-current assets 'held for sale'	2,432	—	—	—
Disposal group assets 'held for sale'				
None				
<u>TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'</u>	<u>2,432</u>	<u>—</u>	<u>—</u>	<u>—</u>

(ii) Details of assets and disposal groups

Council has two lots of operational land that it has resolved to sell. It is expected the sale of these two lots will occur during the 2017/2018 financial year.

(iii) Disposal group liabilities

Nil

\$ '000	Assets 'held for sale'	
	2017	2016
(iv) Reconciliation of non-current assets 'held for sale'		
Opening balance	—	—
Plus new transfers in:		
— Assets 'held for sale'	2,432	—
Closing balance of 'held for sale' non-current assets and operations	2,432	—

Refer to Note 27. Fair value measurement for fair value measurement information.

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 23. Events occurring after the reporting date

\$ '000

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

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

Accordingly, the 'authorised for issue' date is 26/10/17.

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

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

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

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

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

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

Note 24. Discontinued operations

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

Note 25. Intangible assets

Intangible assets represent identifiable non-monetary assets without physical substance.

Council is unaware of any control over intangible assets that warrant recognition in the financial statements, including either internally generated and developed assets or purchased assets.

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 26. Reinstatement, rehabilitation and restoration liabilities

\$ '000

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

Asset/operation	Estimated year of restoration	NPV of provision	
		2017	2016
Myocum tip site	2026	2,521	2,757
Myocum quarry site	2026	2,348	2,567
Balance at end of the reporting period	10(a)	4,869	5,324

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

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

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

Specific uncertainties relating to the final costs and the assumptions made in determining the amounts of provisions include:

Council has estimated the remaining life of the Myocum Tip Site to be approximately 10 years. Council is current transporting the majority of its waste to another landfill site and should this arrangement change, the remaining li of the Myocum landfill site may reduce.

Reconciliation of movement in provision for year:

Balance at beginning of year	5,324	906
Amounts capitalised to new or existing assets:		
Revised Cost Estimate	(30)	4,396
Effect of a change in discount rates used in PV calculations	(530)	–
Amortisation of discount (expensed to borrowing costs)	105	22
Total – reinstatement, rehabilitation and restoration provision	4,869	5,324

Amount of expected reimbursements

Of the above provisions for reinstatement, rehabilitation and restoration works, those applicable to garbage services and waste management are able to be funded through future charges incorporated within Council's annual domestic waste management charge.

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement

\$ '000

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

- Infrastructure, property, plant and equipment
- Financial assets

During the reporting period, Council has also fair value measured the following assets on a non-recurring basis:

- Non-current assets classified as 'held for sale'

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

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

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

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

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

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

Fair value measurements		Fair value measurement hierarchy			Total	
2017	Date of latest valuation	Level 1 Quoted prices in active mkt	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs		
Recurring fair value measurements						
Financial assets						
Investments						
– ‘Designated at fair value on initial recognition’		30/06/17	–	65,803	–	65,803
Total financial assets			–	65,803	–	65,803
Infrastructure, property, plant and equipment						
Plant and equipment		30/06/17	–	–	4,453	4,453
Office equipment		30/06/17	–	–	410	410
Furniture and fittings		30/06/17	–	–	98	98
Operational land		30/06/17	–	83,564	–	83,564
Community land		30/06/17	–	–	123,413	123,413
Land under roads (Post 30/6/08)		30/06/17	–	–	7,335	7,335
Land improvements – non-depreciable		30/06/17	–	–	80	80
Land improvements – depreciable		30/06/17	–	–	3,723	3,723
Buildings specialised		30/06/17	–	–	62,944	62,944
Other structures		30/06/17	–	–	2,040	2,040
Roads		30/06/17	–	–	164,179	164,179
Bridges		30/06/17	–	–	12,830	12,830
Footpaths		30/06/17	–	–	5,503	5,503
Bulk earthworks		30/06/17	–	–	28,999	28,999
Stormwater drainage		30/06/17	–	–	47,321	47,321
Water supply network		30/06/17	–	–	58,590	58,590
Sewerage network		30/06/17	–	–	111,772	111,772
Swimming pools		30/06/17	–	–	2,191	2,191
Other open space and recreational assets		30/06/17	–	–	10,080	10,080
Other assets		30/06/17	–	–	2,092	2,092
Tip assets		30/06/17	–	–	10,565	10,565
Quarry assets		30/06/17	–	–	2,469	2,469
Total infrastructure, property, plant and equipment			–	83,564	661,086	744,650

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

Fair value measurements (continued)		Fair value measurement hierarchy			
2017		Level 1	Level 2	Level 3	Total
	Date of latest valuation	Quoted prices in active mkt	Significant observable inputs	Significant unobservable inputs	
Recurring fair value measurements					
Non-current assets classified as 'held for sale'					
Land		—	—	2,432	2,432
Total NCA's classified as 'held for sale'		—	—	2,432	2,432
2016					
Recurring fair value measurements					
Financial assets					
Investments					
– 'Designated at fair value on initial recognition'	30/06/16	—	35,539	—	35,539
Total financial assets		—	35,539	—	35,539
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/16	—	—	5,037	5,037
Office equipment	30/06/16	—	—	599	599
Furniture and fittings	30/06/16	—	—	117	117
Operational land	30/06/16	—	85,544	—	85,544
Community land	30/06/16	—	—	116,425	116,425
Land under roads (Post 30/6/08)	30/06/16	—	—	6,403	6,403
Land improvements – non-depreciable	30/06/16	—	—	80	80
Land improvements – depreciable	30/06/16	—	—	2,391	2,391
Buildings specialised	30/06/16	—	390	62,939	63,329
Other structures	30/06/16	—	—	2,076	2,076
Roads	30/06/16	—	—	157,198	157,198
Bridges	30/06/16	—	—	13,122	13,122
Footpaths	30/06/16	—	—	4,771	4,771
Bulk earthworks	30/06/16	—	—	28,999	28,999
Stormwater drainage	30/06/16	—	—	45,733	45,733
Water supply network	30/06/16	—	—	50,692	50,692
Sewerage network	30/06/16	—	—	130,410	130,410
Swimming pools	30/06/16	—	—	2,247	2,247
Other open space and recreational assets	30/06/16	—	—	9,870	9,870
Other assets	30/06/16	—	—	1,966	1,966
Tip assets	30/06/16	—	—	10,425	10,425
Quarry assets	30/06/16	—	—	2,725	2,725
Total infrastructure, property, plant and equipment		—	85,934	654,227	740,161

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

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

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

(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:

Financial assets

Financial assets are exposed to financial risks such as price risk, credit risk, liquidity risk and interest rate risk surrounding the unpredictable nature of financial markets. The valuation technique for these assets is based on a market approach observing that the carrying value is a reasonable approximation of the fair value.

Infrastructure, property, plant and equipment

Plant and equipment, office equipment, furniture and fittings

Plant and equipment, office equipment and furniture & fittings assets are valued at cost. The carrying amount of these assets is assumed to approximate fair value.

Operational land

Operational Land has been valued by APV Valuers and Asset Management (APV), an external valuer utilised by Council at 30th June 2016. The report provided by APV stated - Except in the circumstance of any assets being held for sale (valued in accordance with AASB 5 Assets Held for Sale) or in accordance with specific accounting standards (such as Investment Properties) the balance of the portfolio is valued in accordance with AASB116 Property Plant and Equipment at Fair Value.

Depending upon the unique circumstances of each lot, land has been valued using a range of approaches. Where there is an active market the 'market approach' has been adopted. If its value is primarily dependent on its income generating capability the income approach was used. For other types of land the 'cost approach' was adopted.

Details of each approach are detailed below

Level 2 valuation inputs

Market (Direct Comparison) – This has been applied to land held in freehold title and has been assessed on the basis of the estimated amount which the interest in each property being valued might reasonably be expected to realise on the date of valuation in an exchange between market participants given highest and best use or highest and best alternative use. This was determined by comparison to recent sales of land with similar characteristics. This was then adjusted to reflect condition and comparability.

As this was based on observable evidence they have been classified as Level 2. Cost (Direct Comparison) - The valuation of some restricted or otherwise non-saleable land has been valued using the cost approach. This approach was used where, assuming if Byron Shire Council need to purchase the land or acquire additional land from an adjoining neighbour, the value of that land could be determined based on known zoning and town planning restrictions. This was determined by comparison to recent sales of land with similar characteristics. This was then adjusted to reflect condition and comparability. As this was based on observable evidence they have been classified as Level 2.

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

Infrastructure, property, plant and equipment (continued)

Community land

Community Land has been valued using the Valuer Generals value of land. These rates are not considered to be observable market evidence and as such they have been classified as Level 3

Land under roads (Post 30/6/08)

Revalued at 30/6/16 through information provided by the Valuer General (VG). Information was received by the VG for each zone description and an applicable rate per square metre for rural and residential areas was applied to the land recognised under roads, post 30/6/08. These rates are not considered to be observable market evidence and as such they have been classified as Level 3.

Buildings – specialised

Buildings were valued by APV at 30th June 2016 using the cost approach. This approach estimated the replacement cost for each building by componentising it into significant parts with different useful lives taking into account a range of factors. Some of these factors required extensive professional judgement and as such were classified as Level 3.

Roads, bridges and footpaths

Valuations for these asset classes were undertaken by JRA using the replacement cost approach. No market based evidence (Level 2) inputs are available, therefore Level 3 valuation inputs were used for this asset class.

Water

Water Network assets were valued by AssetVal at 30th June 2017. The replacement cost approach was used to value these assets. Some of the significant inputs considered in the valuation of those assets are remaining useful life, pattern of consumption, dimensions and asset components. Some of these inputs are unobservable and as such this asset class is classified as Level 3.

Sewer

Sewer Network assets were valued by AssetVal at 30th June 2017. The replacement cost approach was used to value these assets. Some of the significant inputs considered in the valuation of those assets are remaining useful life, pattern of consumption, dimensions and asset components. Some of these inputs are unobservable and as such this asset class is classified as Level 3.

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

Infrastructure, property, plant and equipment (continued)

Stormwater drainage

Valuations for these asset classes were undertaken by JRA using the replacement cost approach. No market based evidence (Level 2) inputs are available, therefore Level 3 valuation inputs were used for this asset class.

Swimming pools

This asset class is for the swimming pool shells only. This was valued externally by Assetic at 30th June 2016.

Other open space and recreational assets

This asset class was valued by Assetic as at 30th June 2016. All assets within the revaluation identified the assets as Level 3, valued using the cost approach.

Other assets

Other assets are valued at cost. The carrying amount of these assets is assumed to approximate fair value.

Tip assets

Tip assets are valued at cost. The carrying amount of these assets is assumed to approximate fair value based on the cost estimate to remediate the tip provided by Councils engineering staff. The cost of the asset is influenced by change in cost factors measured by the consumer price index and the discounting to present value by the applicable Government bond rate.

Quarry assets

Quarry assets are valued at cost. The carrying amount of these assets is assumed to approximate fair value based on the cost estimate to remediate the quarry provided by Councils engineering staff. The cost of the asset is influenced by change in cost factors measured by the consumer price index and the discounting to present value by the applicable Government bond rate.

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Plant and equipment	Office equipment	Furniture and fittings	Community land	Land under roads (post 30/6/08)	Land improv'mnt non depr.	Land improv'mnt depreciable	Total
Opening balance – 1/7/15	4,770	822	74	99,579	5,568	80	2,445	113,339
Transfers from/(to) another asset class	13	–	–	–	–	–	9	22
Purchases (GBV)	1,231	–	54	–	835	–	97	2,217
Disposals (WDV)	(205)	(2)	–	–	–	–	–	(208)
Depreciation and impairment	(1,045)	(220)	(12)	–	–	–	(159)	(1,435)
Revaluation	274	–	–	16,846	–	–	(2)	17,118
Closing balance – 30/6/16	5,037	600	117	116,425	6,403	80	2,390	131,053
Transfers from/(to) another asset class	106	–	–	–	–	–	813	920
Purchases (GBV)	745	–	–	906	932	–	679	3,261
Disposals (WDV)	(396)	–	–	–	–	–	–	(396)
Depreciation and impairment	(1,040)	(189)	(19)	–	–	–	(160)	(1,408)
Revaluation	–	–	–	6,081	–	–	–	6,081
Closing balance – 30/6/17	4,453	411	98	123,412	7,335	80	3,722	139,512

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Buildings specialised	Other structures	Roads	Bridges	Footpaths	Bulk earthworks	Stormwater drainage	Water supply network	Total
Opening balance – 1/7/15	59,832	481	156,803	13,170	4,772	29,001	45,846	47,828	357,733
Transfers from/(to) another asset class	75	44	880	–	90	–	195	597	1,881
Purchases (GBV)	1,511	1,570	5,294	245	35	177	267	2,787	11,887
Disposals (WDV)	–	–	(853)	–	–	(180)	–	–	(1,032)
Depreciation and impairment	(769)	(19)	(4,927)	(293)	(126)	–	(574)	(1,217)	(7,925)
Revaluation	2,681	–	–	–	–	–	–	–	2,681
Indexation	–	–	–	–	–	–	–	696	696
Closing balance – 30/6/16	63,329	2,076	157,198	13,122	4,771	28,999	45,733	50,692	365,921
Transfers from/(to) another asset class	–	–	2,862	–	59	–	44	95	3,060
Purchases (GBV)	739	–	12,215	–	798	–	2,164	578	16,494
Disposals (WDV)	(255)	–	(1,718)	–	–	–	–	(48)	(2,021)
Depreciation and impairment	(870)	(36)	(5,023)	(293)	(126)	–	(581)	(1,183)	(8,112)
Revaluation	–	–	–	–	–	–	–	8,456	8,456
Non-Cash Developer Contribution	–	–	–	–	–	–	–	–	–
Accumulated Depreciation	–	–	(1,354)	–	–	–	(39)	–	(1,393)
Closing balance – 30/6/17	62,944	2,040	164,179	12,829	5,502	28,999	47,321	58,589	382,404

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Sewerage network	Swimming pools	Other open space and recreation	Other	Tip assets	Quarry assets	Total
Opening balance – 1/7/15	130,252	2,688	5,413	2,261	6,910	311	147,834
Transfers from/(to) another asset class	249	–	12	–	319	–	580
Purchases (GBV)	1,218	4	663	93	335	–	2,313
Disposals (WDV)	–	–	(4)	–	(87)	(154)	(245)
Depreciation and impairment	(3,206)	(58)	(266)	(249)	(82)	(12)	(3,874)
Revaluation		(385)	4,051	(140)	3,030	2,580	9,136
Indexation	1,897	–	–	–	–	–	1,897
Closing balance – 30/6/16	130,410	2,248	9,869	1,966	10,425	2,725	157,643
Transfers from/(to) another asset class	1,224	–	1	357	–	–	1,582
Purchases (GBV)	2,054	–	605	–	513	–	3,171
Disposals (WDV)	(11)	–	–	–	–	–	(11)
Depreciation and impairment	(3,204)	(56)	(395)	(231)	(373)	(257)	(4,516)
Revaluation	(18,699)	–	–	–	–	–	(18,699)
Closing balance – 30/6/17	111,773	2,192	10,080	2,092	10,565	2,469	139,170

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

b. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various level 3 asset class fair values.

Class	Fair value (30/6/17) \$'000	Valuation technique/s	Unobservable inputs
I, PP&E			
Plant, Equipment, Furniture, Fittings and Office Equipment		Cost used to approximate fair value	Asset Condition, remaining useful lives
Community Land		Land values obtained from the NSW Valuer General	Land Value, land area
Land Under Roads		Square metre rate calculated from Land and Property information of LG area and applied to depending on zoning of the land	Land Value, land area
Land Improvements		Cost used to approximate fair value	Asset Condition, remaining useful lives
Buildings		APV Valuers report	Condition, remaining lives, valuers individual knowledge and skills.
Other Structures		Cost used to approximate fair value	Asset Condition, remaining useful lives
Roads, Bridges & Footpaths		JRA Report	Condition, remaining lives, valuers individual knowledge and skills.

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

b. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value. (continued)

Class	Fair value (30/6/17) \$'000	Valuation technique/s	Unobservable inputs
I,PP&E (continued)			
Stormwater Drainage		Independent valuation using depreciated replacement cost	Condition, remaining lives, valuers individual knowledge and skills.
Bulk Earthworks		Independent valuation using depreciated replacement cost	Condition, remaining lives, valuers individual knowledge and skills.
Water		Independent valuation using depreciated replacement cost	Condition, remaining lives, valuers individual knowledge and skills.
Sewer		Independent valuation using depreciated replacement cost	Condition, remaining lives, valuers individual knowledge and skills.
Swimming Pools		Independent valuation using depreciated replacement cost	Condition, remaining lives, valuers individual knowledge and skills.
Other Open Space & Recreation		Independent valuation using depreciated replacement cost	Condition, remaining lives, valuers individual knowledge and skills.
Other Assets		Cost used to approximate fair value	Asset Condition, remaining useful lives
Tip Assets		Cost used to approximate fair value	Asset Condition, remaining useful lives
Quarry Assets		Cost used to approximate fair value	Asset Condition, remaining useful lives

(5). Highest and best use

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

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 28. Related party disclosures

\$ '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:

	Actual 2017 \$'000
Compensation:	
Short-term benefits	1,115
Post-employment benefits	72
Other long-term benefits	29
Total	1,216

b. Other transactions with KMP and their related parties

Nature of the transaction	Note	Value of transactions during year \$'000	Outstanding balance (incl. loans and commitments) \$'000	Terms and conditions
Fees and Charges	1	10	—	
Section 356 Local Government Act 1993				
Donation	2	7	—	
Event Funding	3	58	—	
Supply of Materials	4	1	—	30 day terms on invoice

- 1 A community organisation has a number of leases and licences over land either owned or under the control of Council. These amounts disclosed is the total amount payable to Council during the reporting period. The General Manager of the community organisation is a KMP of Council.
- 2 Council during the financial year provided a donation to a community organisation in accordance with a resolution of the Council. The General Manager of the community organisation is a KMP of Council.
- 3 Council during the reporting period provided funding for New Years Events in Byron Bay undertaken by a community organisation. The General Manager of that community organisation is a KMP of Council.
- 4 During the reporting period, Council purchased materials from Byron Steel. A KMP of Council is a Director of Byron Steel. All purchases are at arms length and were in the normal course of Council operations and in accordance with Council's Procurement Policy.

Byron Shire Council

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

Note 29. Council information and contact details

Principal place of business:

70 -90 Station Street
MULLUMBIMBY NSW 2482

Contact details
Mailing address:

PO Box 219
MULLUMBIMBY NSW 2482

Opening hours:

8.30 to 4.30

Telephone: 02 6626 7000

Facsimile: 02 6684 3018

Internet: <http://www.byron.nsw.gov.au>

Email: council@byron.nsw.gov.au

Officers
GENERAL MANAGER

Ken Gainger

RESPONSIBLE ACCOUNTING OFFICER

James Brickley

PUBLIC OFFICER

Mark Arnold

AUDITORS

Auditor General of New South Wales
Audit Office of New South Wales
15/1 Margaret Street
Sydney NSW 2000

Elected members
MAYOR

Simon Richardson

COUNCILLORS

Cr Basil Cameron
Cr Cate Coorey
Cr Michael Lyon
Cr Sarah Ndiaye
Cr Jan Hackett
Cr Jeanette Martin
Cr Paul Spooner
Cr Alan Hunter

Other information

ABN: 14 472 131 473



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Byron Shire Council

To the Councillors of the Byron Shire Council

Opinion

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

In my opinion,

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Matter

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 27 October 2016.

The Councillors' Responsibility for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does *not* provide assurance:

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

A handwritten signature in black ink, appearing to read 'Yu Jiang'.

Reiky Jiang
Director, Financial Audit Services

26 October 2017
SYDNEY

Mr Simon Richardson
Mayor
Byron Shire Council
PO Box 219
MULLUMBIMBY NSW 2482

Contact: Reiky Jiang
Phone no: 02 9275 7100
Our ref: D1725888 /1073

26 October 2017

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2017
Byron Shire Council**

I have audited the general purpose financial statements of the Byron Shire Council (the Council) for the year ended 30 June 2017 as required by s415 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 2017 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.

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

I identified the following significant audit issues and observations during my audit of the Council's financial statements. These issues and observations were addressed as part of my audit.

Prior Period Adjustment – Recognition of Community Land Assets

The Council revalued its community land in 2017. As a part of the revaluation process, the Council undertook an internal assessment to ensure that all community land controlled by the Council was recognised in the financial statements. The internal assessment identified 60 parcels of land totalling \$27.6 million that had not been recognised in prior years. Majority of these land assets relate to Crown land reserves where the Council has been appointed as Trust Manager. The land recognised for the first time has been disclosed in the financial statements as a prior period error.

I reviewed the Council's process for determining control or ownership and found that the value of the land recognised is not materially misstated. However, the Council should review its systems and processes to ensure that all assets transferred to its control are recognised in its financial reporting in a timely manner.

INCOME STATEMENT

Operating result

	2017 \$'000	2016 \$'000	Variance %
Rates and annual charges revenue	36,968	35,688	3.6 ↑
Grants and contributions revenue	30,037	24,916	20.6 ↑
Operating result for the year	21,174	15,974	32.6 ↑
Net operating result before capital amounts	2,407	3,267	26.3 ↓

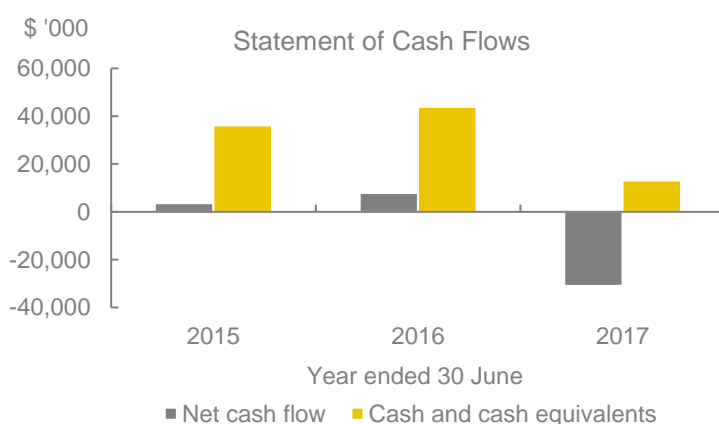
The Council's consolidated operating result for the year has increased from \$16.0 million in 2016 to \$21.2 million in 2017. The key drivers of the increase in the operating result are:

- the receipt of approximately \$1.5 million core operating grants (financial assistance grant) from the Federal Government in advance
- the recognition of sections of the Hinterland Way (previously the Pacific Highway) on completion of the construction of the Pacific Motorway. The value of the assets vested in the Council is approximately \$4.0 million and has been recognised as capital grant revenue.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows illustrates the inflows and outflows of cash during the financial year. The adjacent graph illustrates that cash and cash equivalent assets has reduced when compared to prior years. The reasons for the reduction in cash assets is as follows:

- the Council spent an additional \$6.0 million on infrastructure, property, plant and equipment compared to 2016; and
- the Council invested \$30.5 million in term deposits which did not satisfy the definition of cash and cash equivalents as at 30 June 2017.



FINANCIAL POSITION

Cash and Investments

The Council's total cash and investments at balance date has remained relatively consistent with asset levels as at 30 June 2016.

Restricted Cash and Investments	2017	2016	Commentary
	\$'000	\$'000	
External restrictions	56,850	57,838	Externally restricted balances include unexpended specific loans, developer contributions and domestic waste management charges.
Internal restrictions	20,844	20,506	Balances are Internally restricted due to Council policy or decisions for forward plans including works program.
Unrestricted	1,145	1,145	Unrestricted balances provide liquidity for day-to-day operations.
Cash and investments	78,839	79,489	Cash and investments subject to external and internal restrictions remain constant over the years.

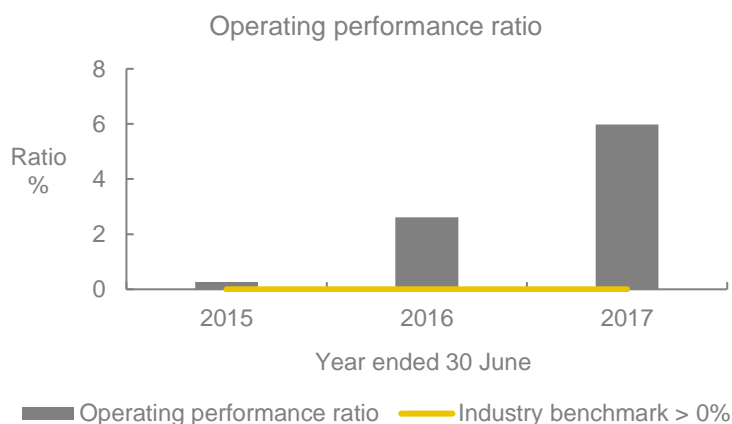
PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 13 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's unaudited Special Schedule 7.

Operating performance ratio

The 'operating performances 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 per cent.

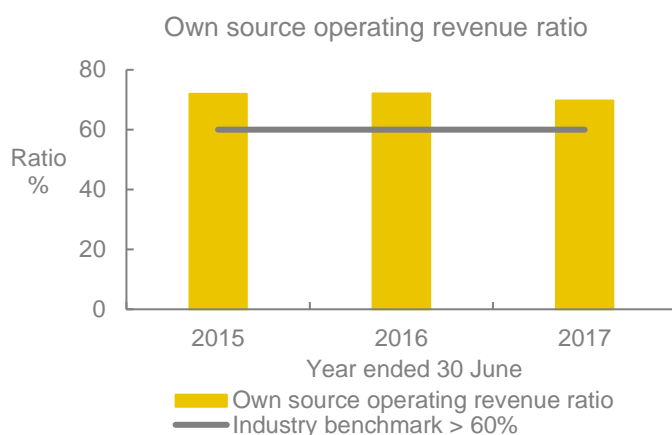
Council's operating performance ratio continues to exceed the industry benchmark. The increase in the ratio in the 2017 financial year is largely attributable to the receipt of the financial assistance grant in advance totalling \$1.5 million.



Own source operating revenue ratio

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 per cent.

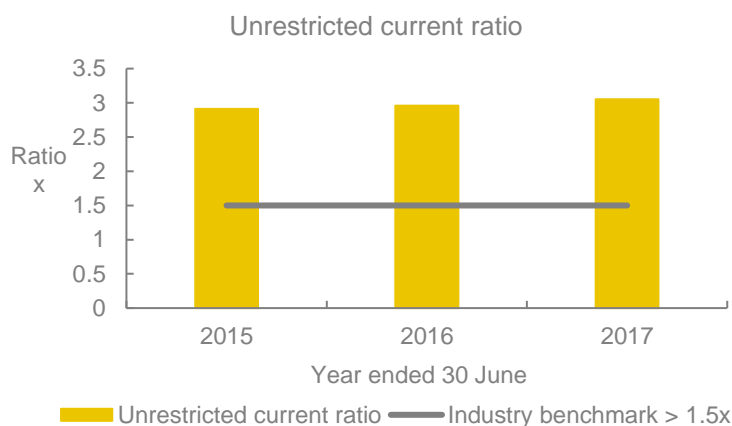
Council continues to exceed the industry benchmark which illustrates that revenue streams such as paid parking reduce the Council's reliance on government funding.



Unrestricted current ratio

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.

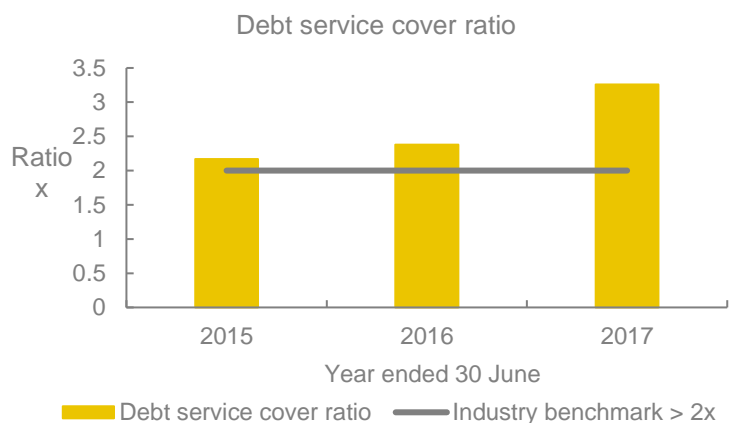
Council's unrestricted current ratio continues to be well above the industry benchmark and largely reflects the amount of internally restricted reserves set aside for future works and other expenditure programmes.



Debt service cover ratio

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.

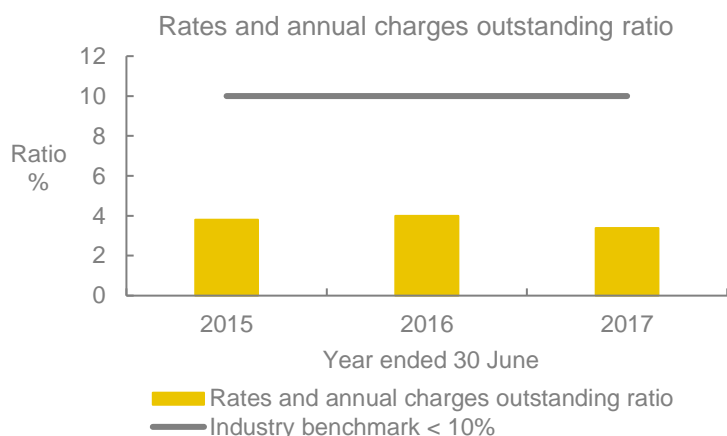
Council's debt service cover ratio continues to increase as debt levels fall.



Rates and annual charges outstanding ratio

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 rural councils.

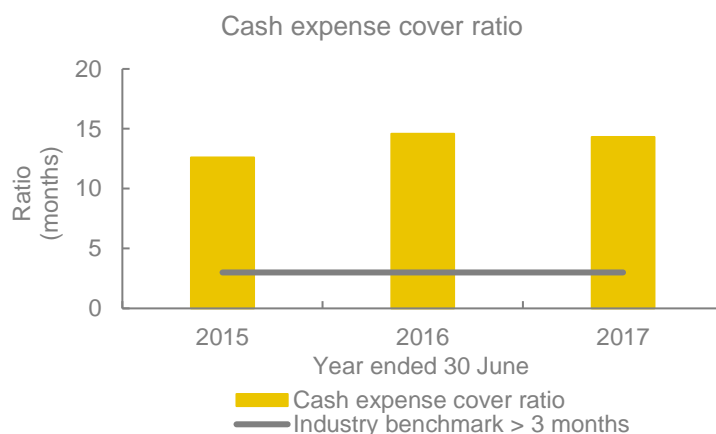
Given the current economic environment, the percentage outstanding has improved compared to the previous year. The result is better than the industry benchmark and reflects Council's ongoing debt recovery activity.



Cash expense cover ratio

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.

This ratio has remained relatively static as Council's cash and investments and expenditure levels have remained proportionate to each other.

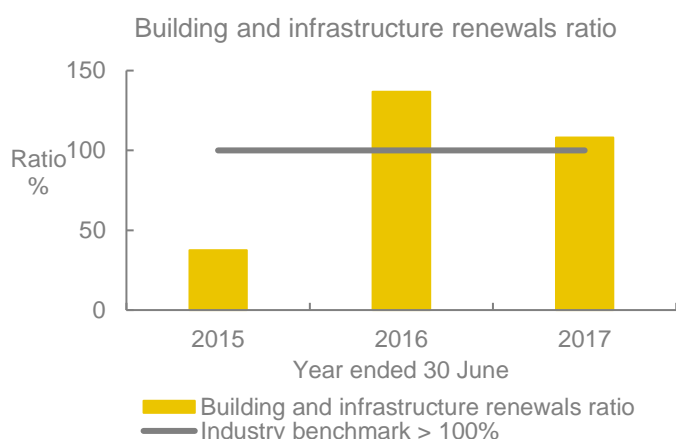


Building and infrastructure renewals ratio

The 'building and infrastructure renewals ratio' assesses the rate at which these assets are being renewed against the rate at which they are depreciating. The benchmark set by OLG is greater than 100 per cent.

This ratio is sourced from Council's Special Schedule 7 which has not been audited.

The graph indicates that Council's capital works programme has been coordinated so that expenditure on renewing existing building and infrastructure assets has kept pace with their related depreciation.



OTHER MATTERS

New accounting standards implemented

AASB 124 'Related Party Disclosures'

Effective for annual reporting periods beginning on or 1 July 2016

AASB 2015-6 extended the scope of AASB 124 to not-for-profit public sector entities. Council's financial statements disclosed the:

- compensation paid to their key management personnel
- nature of related party relationships
- amount and nature of related party transactions, outstanding balances and commitments and outstanding balances (including commitments).

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.



Reiky Jiang
Director, Financial Audit Services

26 October 2017
SYDNEY

cc: Mr Ken Gainger, General Manager
Mr Michael Georghiou, Chairperson, Internal Audit Advisory Committee
Tim Hurst, Acting Chief Executive of the Office of Local Government

Byron Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017

"Byron Shire...a thriving and vibrant
community
where residents and visitors can live, work
and play in a sustainable environment"



Byron Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2017

Contents	Page
1. Statement by Councillors and Management	2
2. Special Purpose Financial Statements:	
Income Statement – Water Supply Business Activity	3
Income Statement – Sewerage Business Activity	4
Income Statement – Other Business Activities	5
Statement of Financial Position – Water Supply Business Activity	6
Statement of Financial Position – Sewerage Business Activity	7
Statement of Financial Position – Other Business Activities	8
3. Notes to the Special Purpose Financial Statements	9
4. Auditor's Report	18

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).
-

Byron Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2017

Statement by Councillors and Management

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

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

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

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

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

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

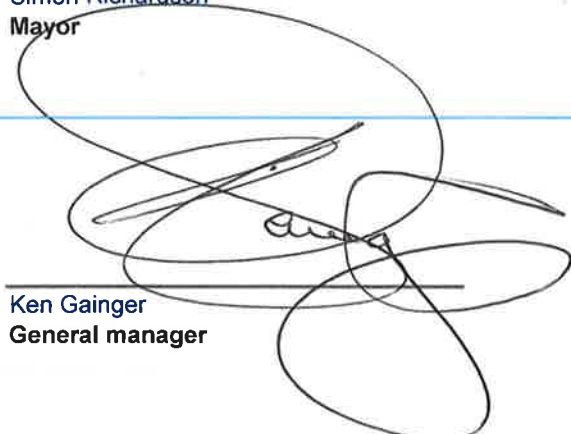
Signed in accordance with a resolution of Council made on 26 October 2017.



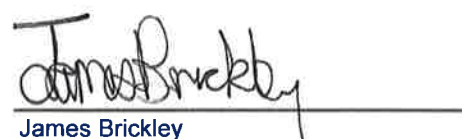
Simon Richardson
Mayor



Basil Cameron
Councillor



Ken Gainger
General manager



James Brickley
Responsible accounting officer

Byron Shire Council

Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2017

\$ '000	Actual 2017	Actual 2016
Income from continuing operations		
Access charges	2,257	2,175
User charges	6,714	6,021
Fees	317	291
Interest	411	329
Grants and contributions provided for non-capital purposes	73	94
Total income from continuing operations	9,772	8,910
Expenses from continuing operations		
Employee benefits and on-costs	971	924
Borrowing costs	—	—
Materials and contracts	2,331	2,496
Depreciation, amortisation and impairment	1,209	1,238
Water purchase charges	3,903	3,780
Loss on sale of assets	48	—
Calculated taxation equivalents	97	104
Debt guarantee fee (if applicable)	—	—
Other expenses	5	5
Total expenses from continuing operations	8,564	8,547
Surplus (deficit) from continuing operations before capital amounts	1,208	363
Grants and contributions provided for capital purposes	1,076	1,236
Surplus (deficit) from continuing operations after capital amounts	2,284	1,599
Surplus (deficit) from discontinued operations	—	—
Surplus (deficit) from all operations before tax	2,284	1,599
Less: corporate taxation equivalent (30%) [based on result before capital]	(362)	(109)
SURPLUS (DEFICIT) AFTER TAX	1,922	1,490
Plus opening retained profits	38,869	37,193
Plus/less: prior period adjustments	335	—
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	97	104
– Debt guarantee fees	—	—
– Corporate taxation equivalent	362	109
Less:		
– Tax equivalent dividend paid	(28)	(27)
– Surplus dividend paid	—	—
Closing retained profits	41,557	38,869
Return on capital %	1.7%	0.6%
Subsidy from Council	521	807
Calculation of dividend payable:		
Surplus (deficit) after tax	1,922	1,490
Less: capital grants and contributions (excluding developer contributions)	(199)	(1,119)
Surplus for dividend calculation purposes	1,723	371
Potential dividend calculated from surplus	861	186

Byron Shire Council

Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2017

\$ '000	Actual 2017	Actual 2016
Income from continuing operations		
Access charges	10,159	9,845
User charges	4,961	4,383
Liquid trade waste charges	61	31
Fees	135	139
Interest	332	295
Grants and contributions provided for non-capital purposes	76	80
Total income from continuing operations	15,724	14,773
Expenses from continuing operations		
Employee benefits and on-costs	2,390	2,603
Borrowing costs	3,476	3,792
Materials and contracts	5,506	5,011
Depreciation, amortisation and impairment	3,218	3,220
Loss on sale of assets	11	–
Calculated taxation equivalents	236	302
Debt guarantee fee (if applicable)	1,085	1,131
Other expenses	42	40
Total expenses from continuing operations	15,964	16,099
Surplus (deficit) from continuing operations before capital amounts	(240)	(1,326)
Grants and contributions provided for capital purposes	3,753	4,701
Surplus (deficit) from continuing operations after capital amounts	3,513	3,375
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	3,513	3,375
Less: corporate taxation equivalent (30%) [based on result before capital]	–	–
SURPLUS (DEFICIT) AFTER TAX	3,513	3,375
Plus opening retained profits	83,575	81,896
Plus/less: prior period adjustments	69	–
Plus/less: other adjustments	–	(3,102)
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	236	302
– Debt guarantee fees	1,085	1,131
– Corporate taxation equivalent	–	–
Less:		
– Tax equivalent dividend paid	(28)	(27)
– Surplus dividend paid	–	–
Closing retained profits	88,450	83,575
Return on capital %	2.4%	1.7%
Subsidy from Council	2	431
Calculation of dividend payable:		
Surplus (deficit) after tax	3,513	3,375
Less: capital grants and contributions (excluding developer contributions)	(502)	(631)
Surplus for dividend calculation purposes	3,011	2,744
Potential dividend calculated from surplus	1,505	1,372

Byron Shire Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2017

Holiday Parks

Category 1

\$ '000	Category 1	
	Actual 2017	Actual 2016
Income from continuing operations		
Access charges	—	—
User charges	—	—
Fees	4,521	4,150
Interest	—	—
Other income	—	—
Total income from continuing operations	4,521	4,150
Expenses from continuing operations		
Employee benefits and on-costs	—	—
Borrowing costs	—	2
Materials and contracts	1,666	1,599
Depreciation, amortisation and impairment	79	134
Loss on sale of assets	—	—
Calculated taxation equivalents	372	376
Debt guarantee fee (if applicable)	—	—
Share of loss from equity accounted investment	—	—
Other expenses	785	729
Total expenses from continuing operations	2,902	2,840
Surplus (deficit) from continuing operations before capital amounts	1,619	1,310
Grants and contributions provided for capital purposes	—	—
Surplus (deficit) from continuing operations after capital amounts	1,619	1,310
Surplus (deficit) from discontinued operations	—	—
Surplus (deficit) from all operations before tax	1,619	1,310
Less: corporate taxation equivalent (30%) [based on result before capital]	(486)	(393)
SURPLUS (DEFICIT) AFTER TAX	1,133	917
Plus opening retained profits	7,502	6,672
Plus/less: prior period adjustments	—	—
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	372	376
– Debt guarantee fees	—	—
– Corporate taxation equivalent	486	393
Add:		
– Subsidy paid/contribution to operations	—	—
Less:		
– TER dividend paid	(856)	(856)
– Dividend paid	—	—
Closing retained profits	8,637	7,502
Return on capital %	6.2%	5.1%
Subsidy from Council	—	—

Byron Shire Council

Statement of Financial Position – Council's Water Supply Business Activity

as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
ASSETS		
Current assets		
Cash and cash equivalents	–	13,272
Investments	11,646	–
Receivables	2,032	2,052
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
Total current assets	13,678	15,324
Non-current assets		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	71,244	58,790
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Total non-current assets	71,244	58,790
TOTAL ASSETS	84,922	74,114
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	–	–
Income received in advance	–	–
Borrowings	–	–
Provisions	–	–
Total current liabilities	–	–
Non-current liabilities		
Payables	–	–
Borrowings	–	–
Provisions	–	–
Total non-current liabilities	–	–
TOTAL LIABILITIES	–	–
NET ASSETS	84,922	74,114
EQUITY		
Retained earnings	41,556	38,869
Revaluation reserves	43,366	35,245
Other reserves	–	–
Council equity interest	84,922	74,114
Non-controlling equity interest	–	–
TOTAL EQUITY	84,922	74,114

Byron Shire Council

Statement of Financial Position – Council's Sewerage Business Activity

as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
ASSETS		
Current assets		
Cash and cash equivalents	–	14,742
Investments	17,784	–
Receivables	1,992	1,977
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
Total current Assets	19,776	16,719
Non-current assets		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	127,045	145,584
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Total non-current assets	127,045	145,584
TOTAL ASSETS	146,821	162,303
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	207	208
Income received in advance	–	–
Borrowings	1,700	1,587
Provisions	–	–
Total current liabilities	1,907	1,795
Non-current liabilities		
Payables	–	–
Borrowings	44,471	46,172
Provisions	–	–
Total non-current liabilities	44,471	46,172
TOTAL LIABILITIES	46,378	47,967
NET ASSETS	100,443	114,336
EQUITY		
Retained earnings	88,450	83,576
Revaluation reserves	11,993	30,760
Other reserves	–	–
Council equity interest	100,443	114,336
Non-controlling equity interest	–	–
TOTAL EQUITY	100,443	114,336

Byron Shire Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2017

Holiday Parks

Category 1

\$ '000	Actual 2017	Actual 2016
ASSETS		
Current assets		
Cash and cash equivalents	–	–
Investments	–	–
Receivables	–	–
Inventories	–	–
Total Current Assets	–	–
Non-current assets		
Investments	2,612	2,305
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	25,940	25,726
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Total non-current assets	28,552	28,031
TOTAL ASSETS	28,552	28,031
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	254	248
Income received in advance	–	–
Borrowings	–	–
Provisions	–	–
Total current liabilities	254	248
Non-current liabilities		
Payables	–	–
Borrowings	–	–
Provisions	–	–
Total non-current liabilities	–	–
TOTAL LIABILITIES	254	248
NET ASSETS	28,298	27,783
EQUITY		
Retained earnings	8,637	7,502
Revaluation reserves	19,661	20,280
Other reserves	–	–
Council equity interest	28,298	27,782
Non-controlling equity interest	–	–
TOTAL EQUITY	28,298	27,782

Byron Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2017

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	10
2	Water Supply Business Best-Practice Management disclosure requirements	13
3	Sewerage Business Best-Practice Management disclosure requirements	15

Byron Shire Council

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

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.

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)

a. Byron Shire Council Water Supplies

Water supply operations servicing the towns of Byron Bay, Mullumbimby, Bangalow, Suffolk Park, Brunswick Heads and Ocean Shores.

b. Byron Shire Council Sewerage Service

Sewerage reticulation and treatment operations servicing the towns of Byron Bay, Mullumbimby, Bangalow, Suffolk Park, Brunswick Heads and Ocean Shores.

c. Byron Shire Council Holiday Parks

Council owned Holiday Parks operated in the Shire. The holiday parks include First Sun and Suffolk Beachfront.

Category 2

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

Nil

Monetary amounts

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

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

Byron Shire Council

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

Note 1. Significant accounting policies (continued)

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

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

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

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

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

Income tax

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

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

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

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

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

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

Local government rates and charges

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

Loan and debt guarantee fees

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

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

Byron Shire Council

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

Note 1. Significant accounting policies (continued)

(ii) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed.

Subsidies occur when Council provides services on a less-than-cost-recovery basis. This option is exercised on a range of services in order for Council to meet its community service obligations.

Accordingly, 'subsidies disclosed' (in relation to National Competition Policy) represents the difference between revenue generated from 'rate of return' pricing and revenue generated from prices set by Council in any given financial year.

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

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 2017 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.

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

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

(iv) Dividends

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

Byron Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2017Note 2. Water supply business
best-practice management disclosure requirements

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

2017

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	97,000
(ii)	Number of assessments multiplied by \$3/assessment	36,096
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	36,096
(iv)	Amounts actually paid for tax equivalents	28,300

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	861,262
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	324,864
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	2,786,303

2017 Surplus	1,722,524	2016 Surplus	371,100	2015 Surplus	692,679
		2016 Dividend	—	2015 Dividend	—

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	324,864
(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? ^a	

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)	YES
(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]	YES
	– DSP with commercial developer charges [item 2 (e) in table 1]	YES
	– If dual water supplies, complying charges [item 2 (g) in table 1]	YES
(iii)	Sound water conservation and demand management implemented	YES
(iv)	Sound drought management implemented	YES
(v)	Complete performance reporting form (by 15 September each year)	YES
(vi)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	YES

Byron Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2017Note 2. Water supply business
best-practice management disclosure requirements (continued)

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

2017

National Water Initiative (NWI) financial performance indicators

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	10,458
NWI F4	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	72.36%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	–
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	6,988
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	578
NWI F17	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	3.11%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

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

Byron Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2017Note 3. Sewerage business
best-practice management disclosure requirements

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

2017

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	1,321,000
(ii)	Number of assessments multiplied by \$3/assessment	34,092
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	34,092
(iv)	Amounts actually paid for tax equivalents	28,300

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	1,505,364
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	306,828
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	5,692,246

2017 Surplus	3,010,727	2016 Surplus	2,744,000	2015 Surplus	(62,481)
		2016 Dividend	—	2015 Dividend	

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	306,828
(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? ^a	

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)	YES
(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]	YES
	DSP with commercial developer charges [item 2 (e) in table 1]	YES
	Liquid trade waste approvals and policy [item 2 (f) in table 1]	YES
(iii)	Complete performance reporting form (by 15 September each year)	YES
(iv)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	YES

Byron Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2017Note 3. Sewerage business
best-practice management disclosure requirements (continued)

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

2017

National Water Initiative (NWI) financial performance indicators

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	19,192
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	–
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	7,509
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	2,054
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)]	%	6.22%
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	29,591
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	0.50%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	2,632
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)]	%	5.14%
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%

Byron Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2017Note 3. Sewerage business
best-practice management disclosure requirements (continued)

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

2017

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

NWI F22	Net debt to equity (water and sewerage)	%	8.55%
	Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]		
NWI F23	Interest cover (water and sewerage)		4
	Earnings before interest and tax (EBIT) divided by net interest		
	Earnings before interest and tax (EBIT):		10,726
	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:		2,803
	Interest expense (w4a + s4a) – interest income (w9 + s10)		
NWI F24	Net profit after tax (water and sewerage)	\$'000	7,103
	Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))		
NWI F25	Community service obligations (water and sewerage)	\$'000	148
	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 statement

Byron Shire Council

To the Councillors of the Byron Shire Council

Opinion

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

The Declared Business Activities of the Council are:

- water supply business activity
- sewerage business activity
- holiday parks business activity.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Matter

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 27 October 2016.

The Councillors' Responsibility for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf.

The description forms part of my auditor's report.

My opinion does not provide assurance:

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

A handwritten signature in black ink, appearing to read 'Yu Jiang'.

Reiky Jiang
Director, Financial Audit Services

26 October 2017
SYDNEY

Byron Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2017

"Byron Shire...a thriving and vibrant
community
where residents and visitors can live, work
and play in a sustainable environment"



Byron Shire Council

Special Schedules for the year ended 30 June 2017

Contents

Page

Special Schedules¹

Special Schedule 1	Net Cost of Services	2
Special Schedule 2(a)	Statement of Long Term Debt (all purposes)	4
Special Schedule 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993)	n/a
Special Schedule 3	Water Supply Operations – incl. Income Statement	5
Special Schedule 4	Water Supply – Statement of Financial Position	8
Special Schedule 5	Sewerage Service Operations – incl. Income Statement	9
Special Schedule 6	Sewerage Service – Statement of Financial Position	12
Notes to Special Schedules 3 and 5		13
Special Schedule 7	Report on Infrastructure Assets	14
Special Schedule 8	Permissible Income Calculation	20

¹ Special Schedules are not audited (with the exception of Special Schedule 8).

Background

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

Byron Shire Council

Special Schedule 1 – Net Cost of Services

for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	1,471	104	–	(1,367)
Administration	867	627	–	(240)
Public order and safety				
Fire service levy, fire protection, emergency services	833	266	–	(567)
Beach control	619	114	–	(505)
Enforcement of local government regulations	1,105	1,327	–	222
Animal control	57	44	–	(13)
Other	30	50	–	20
Total public order and safety	2,644	1,801	–	(843)
Health	990	471	–	(519)
Environment				
Noxious plants and insect/vermin control	90	–	–	(90)
Other environmental protection	439	151	–	(288)
Solid waste management	6,690	7,479	39	828
Street cleaning	254	–	–	(254)
Drainage	1,040	–	1,812	772
Stormwater management	56	288	–	232
Total environment	8,569	7,918	1,852	1,201
Community services and education				
Administration and education	402	–	–	(402)
Social protection (welfare)	613	45	–	(568)
Aged persons and disabled	48	1	–	(47)
Children's services	2,791	1,878	–	(913)
Total community services and education	3,854	1,924	–	(1,930)
Housing and community amenities				
Public cemeteries	213	214	14	15
Public conveniences	551	–	–	(551)
Street lighting	289	2	50	(237)
Town planning	5,372	1,814	1,799	(1,759)
Other community amenities	41	(42)	–	(83)
Total housing and community amenities	6,466	1,988	1,863	(2,615)
Water supplies	8,415	9,564	1,076	2,225
Sewerage services	14,592	15,508	3,753	4,669

Byron Shire Council

Special Schedule 1 – Net Cost of Services (continued)

for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	1,909	98	—	(1,811)
Museums	—	—	—	—
Art galleries	—	—	—	—
Community centres and halls	733	338	—	(395)
Performing arts venues	—	—	—	—
Other performing arts	—	—	—	—
Other cultural services	—	—	—	—
Sporting grounds and venues	1,850	379	—	(1,471)
Swimming pools	735	289	—	(446)
Parks and gardens (lakes)	3,540	148	314	(3,078)
Other sport and recreation	535	123	5	(407)
Total recreation and culture	9,302	1,375	319	(7,608)
Fuel and energy	—	—	—	—
Agriculture	—	—	—	—
Mining, manufacturing and construction				
Building control	943	1,347	—	404
Other mining, manufacturing and construction	389	—	—	(389)
Total mining, manufacturing and const.	1,332	1,347	—	15
Transport and communication				
Urban roads (UR) – local	6,306	—	5,443	(863)
Urban roads – regional	10	—	—	(10)
Sealed rural roads (SRR) – local	4,794	3,414	4,335	2,955
Sealed rural roads (SRR) – regional	1,107	648	—	(459)
Unsealed rural roads (URR) – local	786	—	—	(786)
Unsealed rural roads (URR) – regional	—	—	—	—
Bridges on UR – local	74	—	—	(74)
Bridges on SRR – local	273	—	—	(273)
Bridges on URR – local	—	—	—	—
Bridges on regional roads	159	—	—	(159)
Parking areas	1,180	3,518	—	2,338
Footpaths	146	126	—	(20)
Aerodromes	131	136	—	5
Other transport and communication	8	122	76	190
Total transport and communication	14,974	7,964	9,854	2,844
Economic affairs				
Camping areas and caravan parks	3,463	4,523	—	1,060
Other economic affairs	1,045	442	50	(553)
Total economic affairs	4,508	4,965	50	507
Totals – functions	77,983	55,556	18,767	(3,661)
General purpose revenues ⁽¹⁾		24,835		24,835
Share of interests – joint ventures and associates using the equity method	—	—		—
NET OPERATING RESULT ⁽²⁾	77,983	80,391	18,767	21,174

(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

Byron Shire Council

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

for the year ended 30 June 2017

\$'000

Classification of debt	Principal outstanding at beginning of the year			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
Loans (by source)											
Commonwealth Government	–	–	–							–	–
NSW Treasury Corporation	–	–	–							–	–
Other State Government	–	–	–							–	–
Public subscription	–	–	–							–	–
Financial institutions	2,592	60,128	62,720	–	2,592	–	–	4,493	2,555	57,573	60,128
Other	–	–	–							–	–
Total loans	2,592	60,128	62,720	–	2,592	–	–	4,493	2,555	57,573	60,128
Other long term debt											
Ratepayers advances	–	–	–							–	–
Government advances	–	–	–							–	–
Finance leases	–	–	–							–	–
Deferred payments	–	–	–							–	–
Total long term debt	–	–	–	–	–	–	–	–	–	–	–
Total debt	2,592	60,128	62,720	–	2,592	–	–	4,493	2,555	57,573	60,128

Notes: excludes (i) internal loans and (ii) principal inflows/outflows relating to loan re-financing.

This schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which are reported in the GPFS).

Byron 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 2017

\$'000	Actuals 2017	Actuals 2016
A Expenses and income Expenses		
1. Management expenses		
a. Administration	1,474	1,358
b. Engineering and supervision	153	206
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
– Mains		
c. Operation expenses	322	303
d. Maintenance expenses	425	319
– Reservoirs		
e. Operation expenses	144	213
f. Maintenance expenses	–	11
– Pumping stations		
g. Operation expenses (excluding energy costs)	–	–
h. Energy costs	–	–
i. Maintenance expenses	–	–
– Treatment		
j. Operation expenses (excluding chemical costs)	203	173
k. Chemical costs	61	53
l. Maintenance expenses	21	17
– Other		
m. Operation expenses	282	331
n. Maintenance expenses	–	–
o. Purchase of water	3,903	3,780
3. Depreciation expenses		
a. System assets	1,209	1,238
b. Plant and equipment	–	–
4. Miscellaneous expenses		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	220	442
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	28	27
5. Total expenses	8,445	8,471

Byron 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 2017

\$'000	Actuals 2017	Actuals 2016
Income		
6. Residential charges		
a. Access (including rates)	1,765	1,695
b. Usage charges	4,620	4,133
7. Non-residential charges		
a. Access (including rates)	491	480
b. Usage charges	2,094	1,887
8. Extra charges	22	21
9. Interest income	388	308
10. Other income	317	291
10a. Aboriginal Communities Water and Sewerage Program	–	–
11. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	72	89
c. Other grants	1	5
12. Contributions		
a. Developer charges	877	1,117
b. Developer provided assets	199	119
c. Other contributions	–	–
13. Total income	10,846	10,145
14. Gain (or loss) on disposal of assets	(48)	–
15. Operating result	2,353	1,674
15a. Operating result (less grants for acquisition of assets)	2,353	1,674

Byron 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 2017

\$'000	Actuals 2017	Actuals 2016
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	–	–
c. Renewals	578	2,787
d. Plant and equipment	–	–
17. Repayment of debt	–	–
18. Totals	578	2,787
Non-operating funds employed		
19. Proceeds from disposal of assets	–	–
20. Borrowing utilised	–	–
21. Totals	–	–
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	10,317	10,125
b. Residential (unoccupied, ie. vacant lot)	155	166
c. Non-residential (occupied)	1,521	1,523
d. Non-residential (unoccupied, ie. vacant lot)	39	35
23. Number of ETs for which developer charges were received	– ET	– ET
24. Total amount of pensioner rebates (actual dollars)	\$ 147,203	\$ 145,866

Byron 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 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
25. Cash and investments			
a. Developer charges	6,692	—	6,692
b. Special purpose grants	—	—	—
c. Accrued leave	—	—	—
d. Unexpended loans	—	—	—
e. Sinking fund	—	—	—
f. Other	4,954	—	4,954
26. Receivables			
a. Specific purpose grants	2	—	2
b. Rates and availability charges	87	—	87
c. User charges	1,943	—	1,943
d. Other	—	—	—
27. Inventories	—	—	—
28. Property, plant and equipment			
a. System assets	—	—	—
b. Plant and equipment	—	71,244	71,244
29. Other assets	—	—	—
30. Total assets	13,678	71,244	84,922
LIABILITIES			
31. Bank overdraft	—	—	—
32. Creditors	—	—	—
33. Borrowings	—	—	—
34. Provisions			
a. Tax equivalents	—	—	—
b. Dividend	—	—	—
c. Other	—	—	—
35. Total liabilities	—	—	—
36. NET ASSETS COMMITTED	13,678	71,244	84,922
EQUITY			
37. Accumulated surplus			41,556
38. Asset revaluation reserve			43,366
39. Other reserves			—
40. TOTAL EQUITY			84,922
Note to system assets:			
41. Current replacement cost of system assets			97,440
42. Accumulated current cost depreciation of system assets			(38,850)
43. Written down current cost of system assets			58,590

Byron 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 2017

\$'000	Actuals 2017	Actuals 2016
A Expenses and income Expenses		
1. Management expenses		
a. Administration	1,730	1,528
b. Engineering and supervision	160	202
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	819	844
b. Maintenance expenses	471	278
– Pumping stations		
c. Operation expenses (excluding energy costs)	335	395
d. Energy costs	334	311
e. Maintenance expenses	676	570
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	1,374	1,415
g. Chemical costs	430	423
h. Energy costs	399	388
i. Effluent management	128	133
j. Biosolids management	–	–
k. Maintenance expenses	545	565
– Other		
l. Operation expenses	108	169
m. Maintenance expenses	–	7
3. Depreciation expenses		
a. System assets	3,218	3,220
b. Plant and equipment	–	–
4. Miscellaneous expenses		
a. Interest expenses	3,476	3,792
b. Revaluation decrements	–	–
c. Other expenses	428	427
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	28	27
5. Total expenses	14,659	14,694

Byron 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 2017

\$'000	Actuals 2017	Actuals 2016
Income		
6. Residential charges (including rates)	11,340	10,667
7. Non-residential charges		
a. Access (including rates)	1,947	1,919
b. Usage charges	1,532	1,382
8. Trade waste charges		
a. Annual fees	63	61
b. Usage charges	237	198
c. Excess mass charges	61	31
d. Re-inspection fees	–	–
9. Extra charges	47	47
10. Interest income	285	248
11. Other income	135	139
11a. Aboriginal Communities Water and Sewerage Program	–	–
12. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	76	80
c. Other grants	–	–
13. Contributions		
a. Developer charges	3,251	4,070
b. Developer provided assets	503	631
c. Other contributions	–	–
14. Total income	19,477	19,473
15. Gain (or loss) on disposal of assets	(11)	–
16. Operating result	4,807	4,779
16a. Operating result (less grants for acquisition of assets)	4,807	4,779

Byron 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 2017

\$'000	Actuals 2017	Actuals 2016
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	—	—
b. New assets for growth	—	—
c. Renewals	2,054	1,218
d. Plant and equipment	—	—
18. Repayment of debt	1,700	1,587
19. Totals	3,754	2,805
Non-operating funds employed		
20. Proceeds from disposal of assets	—	—
21. Borrowing utilised	—	—
22. Totals	—	—
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	9,604	9,444
b. Residential (unoccupied, ie. vacant lot)	324	311
c. Non-residential (occupied)	1,384	1,393
d. Non-residential (unoccupied, ie. vacant lot)	52	48
24. Number of ETs for which developer charges were received	— ET	— ET
25. Total amount of pensioner rebates (actual dollars)	\$ 142,244	\$ 140,630

Byron 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 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
26. Cash and investments			
a. Developer charges	9,584	—	9,584
b. Special purpose grants	—	—	—
c. Accrued leave	—	—	—
d. Unexpended loans	—	—	—
e. Sinking fund	—	—	—
f. Other	8,200	—	8,200
27. Receivables			
a. Specific purpose grants	2	—	2
b. Rates and availability charges	402	—	402
c. User charges	1,588	—	1,588
d. Other	—	—	—
28. Inventories	—	—	—
29. Property, plant and equipment			
a. System assets	—	—	—
b. Plant and equipment	—	127,045	127,045
30. Other assets	—	—	—
31. Total assets	19,776	127,045	146,821
LIABILITIES			
32. Bank overdraft	—	—	—
33. Creditors	207	—	207
34. Borrowings	1,700	44,471	46,171
35. Provisions			
a. Tax equivalents	—	—	—
b. Dividend	—	—	—
c. Other	—	—	—
36. Total liabilities	1,907	44,471	46,378
37. NET ASSETS COMMITTED	17,869	82,574	100,443
EQUITY			
38. Accumulated surplus			88,450
39. Asset revaluation reserve			11,993
40. Other reserves			—
41. TOTAL EQUITY			100,443
Note to system assets:			
42. Current replacement cost of system assets			175,858
43. Accumulated current cost depreciation of system assets			(64,086)
44. Written down current cost of system assets			111,772

Byron Shire Council

Notes to Special Schedules 3 and 5

for the year ended 30 June 2017

Administration ⁽¹⁾

(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 ⁽¹⁾

(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 ⁽²⁾ (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 ⁽²⁾ (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:

⁽¹⁾ 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).

⁽²⁾ 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.

Byron Shire Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings												
	Council Operations	–	–	273	241	13,201	14,931	4%	84%	10%	2%	0%
	Swimming Pool Buildings	187	187	–	–	838	931	9%	58%	32%	1%	0%
	Showground Buildings	–	–	–	–	1,531	1,937	6%	36%	45%	13%	0%
	Residential Leases	9	9	–	–	1,098	1,333	4%	22%	67%	7%	0%
	Recreation Buildings	115	115	–	–	3,912	5,755	4%	38%	53%	4%	1%
	Cavanbah Centre	–	–	23	31	5,168	5,416	100%	0%	0%	0%	0%
	Public Amenities	428	428	454	475	2,660	3,051	36%	28%	30%	5%	1%
	Emergency Services	49	49	–	–	1,130	1,262	23%	51%	22%	3%	1%
	Community Buildings	1,028	1,028	312	285	27,054	31,547	21%	43%	31%	5%	0%
	Commercial Leases	253	253	–	–	1,350	1,633	14%	52%	34%	0%	0%
	Holiday Parks	–	–	474	474	5,003	5,883	18%	62%	20%	0%	0%
	Sub-total	2,069	2,069	1,536	1,506	62,945	73,679	21.4%	48.6%	26.2%	3.6%	0.1%
Other structures												
	Other structures	378	378	10	14	1,917	2,190	31%	10%	36%	21%	2%
	Bus Shelters	–	–	4	5	124	200	19%	49%	5%	22%	5%
	Sub-total	378	378	14	19	2,041	2,390	30.0%	13.3%	33.4%	21.1%	2.3%

Byron Shire Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Roads	Sealed Roads	24,037	24,037	2,597	2,555	121,837	229,941	4%	19%	56%	12%	9%
	Unsealed Roads	1,045	1,045	589	389	2,679	3,911	8%	20%	33%	31%	8%
	Bridges	6,274	6,274	300	27	12,830	23,909	27%	7%	49%	17%	0%
	Footpaths	550	550	167	11	5,503	8,627	15%	35%	40%	10%	0%
	Kerb and gutter	–	–	100	2	17,312	23,973	0%	18%	18%	55%	9%
	Other road assets	–	–	–	–	238	238					100%
	Traffic Control Devices	–	–	10	1	40,124	59,748	28%	45%	23%	3%	1%
	Carparks	–	–	10	–	2,712	3,306	0%	22%	45%	11%	22%
	Roundabouts, Islands and Speed Humps	–	–	–	–	8,277	10,424					100%
	Sub-total	31,906	31,906	3,773	2,985	211,511	364,077	9.3%	22.3%	45.3%	13.5%	9.7%
Water supply network	Mains	–	–	729	729	48,507	79,162	36%	28%	34%	2%	0%
	Reservoirs	–	–	167	167	6,305	12,587	0%	85%	11%	0%	4%
	Pumping Stations	–	–	27	27	313	567	20%	58%	17%	4%	1%
	Treatment	–	–	213	213	3,465	5,124	0%	100%	0%	0%	0%
	Sub-total	–	–	1,136	1,136	58,590	97,440	29.4%	39.3%	29.1%	1.6%	0.5%
Sewerage network	Sewerage network	–	–	695	695	48,003	87,834	31%	35%	23%	11%	0%
	Pumping Stations	–	–	1,003	1,003	9,055	18,654	19%	26%	41%	11%	3%
	Treatment	–	–	2,788	2,788	54,715	69,370	49%	46%	5%	0%	0%
	Sub-total	–	–	4,486	4,486	111,772	175,858	36.8%	38.4%	17.8%	6.7%	0.3%

Byron Shire Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage	3,025	3,025	396	127	47,322	64,294	1%	15%	62%	20%	2%
	Sub-total	3,025	3,025	396	127	47,322	64,294	1.0%	15.0%	62.0%	20.0%	2.0%
Open space/recreational assets	Swimming pools	–	–	32	32	2,192	2,800	0%	100%	0%	0%	0%
	Fences	–	–	–	–	1,303	2,017	12%	36%	34%	16%	2%
	Lighting	157	157	2	2	2,313	2,977	17%	54%	23%	5%	0%
	Open Space Furniture	182	182	14	12	813	1,221	15%	31%	39%	12%	3%
	Other Structures	75	75	202	194	2,560	3,093	62%	19%	15%	4%	0%
	Park Active Areas	35	35	567	521	1,424	2,797	5%	20%	66%	4%	5%
	Park Equipment	196	196	6	5	1,040	1,745	24%	23%	40%	11%	2%
	Park Infrastructure	–	–	–	–	21	33	9%	24%	55%	6%	6%
	Park Passive Areas	–	–	–	–	204	413	8%	28%	38%	26%	0%
	Playgrounds	–	–	32	30	110	161	49%	10%	35%	4%	2%
	Other	–	–	–	–	292	292	0%	75%	25%	0%	0%
	Sub-total	645	645	854	796	12,273	17,550	20.0%	42.3%	29.5%	6.7%	1.5%
	TOTAL – ALL ASSETS	38,023	38,023	12,195	11,055	506,453	795,288	18.6%	30.2%	36.4%	10.0%	4.8%

Notes:

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

Infrastructure asset condition assessment 'key'

1	Excellent	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Average	Maintenance work required

4	Poor	Renewal required
5	Very poor	Urgent renewal/upgrading required

Byron Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2017

\$ '000	Amounts 2017	Indicator 2017	Benchmark	Prior periods 20162015	
Infrastructure asset performance indicators * consolidated					
1. Infrastructure renewals ratio					
Asset renewals ⁽¹⁾	12,714	108.04%	>= 100%	136.80%	37.46%
Depreciation, amortisation and impairment	11,768				
2. Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	38,023	7.90%	< 2.00%	7.92%	6.27%
Net carrying amount of infrastructure assets	481,175				
3. Asset maintenance ratio					
Actual asset maintenance	11,055	0.91	> 1.00	1.01	0.91
Required asset maintenance	12,195				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	38,023	4.78%		4.86%	3.90%
Gross replacement cost	795,288				

Notes

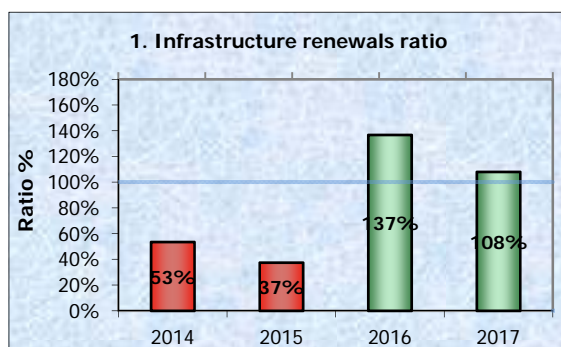
* All asset performance indicators are calculated using the asset classes identified in the previous table.

⁽¹⁾ 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.

Byron Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2017



Benchmark: — 100.00%

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

Purpose of asset renewals ratio

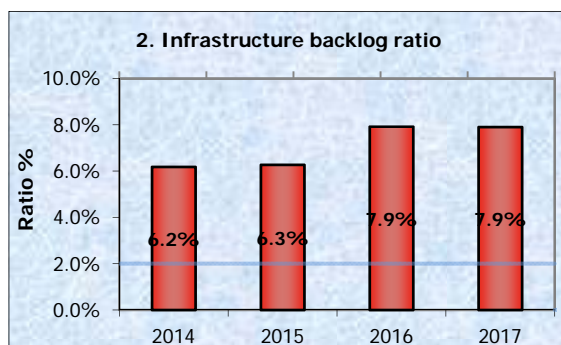
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

Commentary on 2016/17 result

2016/17 Ratio 108.04%

This ratio has decreased from 2015/16. Council is still above the benchmark due to a maintained higher level of capital works.

Ratio achieves benchmark
Ratio is outside benchmark



Benchmark: — 2.00%

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

Purpose of infrastructure backlog ratio

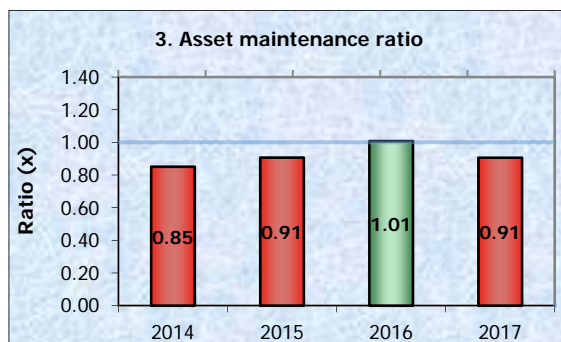
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

Commentary on 2016/17 result

2016/17 Ratio 7.90%

The infrastructure backlog has remained relatively constant in dollar terms but has decreased in percentage terms due to an increase in the net carrying value of infrastructure assets

Ratio achieves benchmark
Ratio is outside benchmark



Benchmark: — 1.00

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

Purpose of asset maintenance ratio

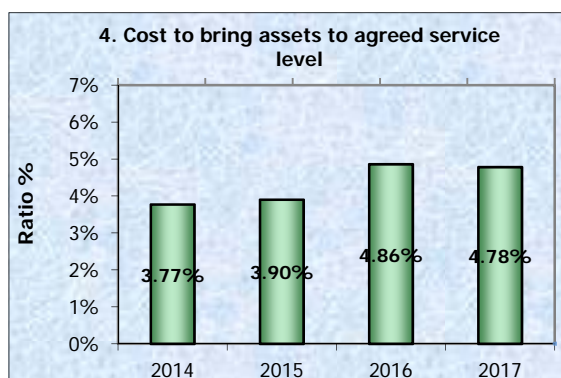
Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

Commentary on 2016/17 result

2016/17 Ratio 0.91 x

The gap between required maintenance and actual maintenance has increased mainly against the stormwater and road assets. Although actual maintenance expenditure has gone up, required maintenance expenditure has also increased significantly based on assessment.

Ratio achieves benchmark
Ratio is outside benchmark



Purpose of agreed service level ratio

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

Commentary on 2016/17 result

2016/17 Ratio 4.78%

This ratio has dropped slightly from 2016. Similar to the backlog ratio, the cost to bring to an agreed level of service remained about the same, but decreased due to the Gross Replacement Cost of infrastructure assets increasing.

Byron Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2017

\$ '000	Benchmark	Water 2017	Sewer 2017	General ⁽¹⁾ 2017
Infrastructure asset performance indicators by fund				
1. Infrastructure renewals ratio				
Asset renewals ⁽²⁾				
Depreciation, amortisation and impairment	>= 100%	84.22%	63.63%	131.14%
	prior period:	229.01%	37.99%	165.88%
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard				
Net carrying amount of infrastructure assets	< 2.00%	0.00%	0.00%	12.23%
	prior period:	0.00%	0.00%	12.69%
3. Asset maintenance ratio				
Actual asset maintenance				
Required asset maintenance	> 1.00	1.00	1.00	0.83
	prior period:	1.00	1.00	1.02
4. Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council		0.00%	0.00%	7.28%
Gross replacement cost				
	prior period:	0.00%	0.00%	7.54%

Notes

- (1) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.
- (2) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Byron Shire Council

Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2018

\$'000		Calculation 2016/17	Calculation 2017/18
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	19,307	19,642
Plus or minus adjustments ⁽²⁾	b	(8)	136
Notional general income	c = (a + b)	19,299	19,778
Permissible income calculation			
Special variation percentage ⁽³⁾	d	0.00%	7.50%
Or rate peg percentage	e	1.80%	0.00%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	—	—
Plus special variation amount	$h = d \times (c - g)$	—	1,483
Or plus rate peg amount	$i = c \times e$	347	—
Or plus Crown land adjustment and rate peg amount	$j = c \times f$	—	—
Sub-total	$k = (c + g + h + i + j)$	19,646	21,261
Plus (or minus) last year's carry forward total	l	2	3
Less valuation objections claimed in the previous year	m	(2)	—
Sub-total	$n = (l + m)$	—	3
Total permissible income	$o = k + n$	19,646	21,264
Less notional general income yield	p	19,642	21,267
Catch-up or (excess) result	$q = o - p$	4	(3)
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	—	7
Less unused catch-up ⁽⁵⁾	s	(1)	—
Carry forward to next year	$t = q + r - s$	3	4

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 8 in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule No. 8

Byron Shire Council

To the Councillors of Byron Shire Council

Opinion

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

In my opinion, Special Schedule No. 8 of the Council for 2017-18 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Councillors' Responsibility for Special Schedule No. 8

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

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

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

My objectives are to:

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

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

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

My opinion does not provide assurance:

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



Reiky Jiang
Director, Financial Audit Services

26 October 2017
SYDNEY