

Byron Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

"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 2016

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

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

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

- (iii) All figures presented in these financial statements are presented in Australian currency.
 - (iv) These financial statements were authorised for issue by the Council on 27 October 2016. Council has the power to amend and reissue these financial statements.
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Byron Shire Council

General Purpose Financial Statements for the year ended 30 June 2016

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 2016.

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

This 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

This statement primarily records changes in the fair values of Council's infrastructure, property, plant and equipment.

3. The Statement of Financial Position

An end of year snapshot of Council's financial position indicating its assets, liabilities and equity ('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

This statement 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 financial statements are required to be audited by external accountants (that generally specialise in local government). 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 2016

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

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

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

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

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

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

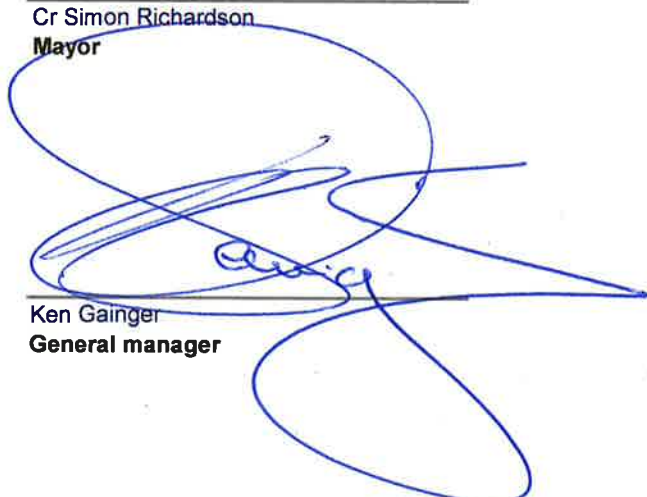
Signed in accordance with a resolution of Council made on 27 October 2016.



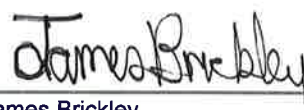
Cr Simon Richardson
Mayor



Cr Basil Cameron
Councillor



Ken Gainger
General manager



James Brickley
Responsible accounting officer

Byron Shire Council

Income Statement

for the year ended 30 June 2016

Budget ¹ 2016	\$ '000	Notes	Actual 2016	Actual 2015
Income from continuing operations				
Revenue:				
35,379	Rates and annual charges	3a	35,688	33,929
22,583	User charges and fees	3b	24,907	23,864
1,538	Interest and investment revenue	3c	2,461	2,337
1,623	Other revenues	3d	1,378	1,499
5,630	Grants and contributions provided for operating purpose	3e,f	12,209	16,661
10,726	Grants and contributions provided for capital purposes	3e,f	12,707	7,269
Other income:				
–	Net gains from the disposal of assets	5	1,270	–
–	Net share of interests in joint ventures and associates using the equity method	19	–	–
77,478	Total income from continuing operations		90,620	85,560
Expenses from continuing operations				
21,760	Employee benefits and on-costs	4a	20,877	19,541
4,948	Borrowing costs	4b	4,909	5,046
23,918	Materials and contracts	4c	30,246	35,050
14,587	Depreciation and amortisation	4d	13,234	12,766
–	Impairment	4d	–	–
5,678	Other expenses	4e	5,380	5,636
–	Net losses from the disposal of assets	5	–	676
70,890	Total expenses from continuing operations		74,646	78,715
6,589	Operating result from continuing operations		15,974	6,845
Discontinued operations				
–	Net profit/(loss) from discontinued operations	24	–	–
6,589	Net operating result for the year		15,974	6,845
6,589	Net operating result attributable to Council		15,974	6,845
–	Net operating result attributable to non-controlling interests		–	–
(4,137)	Net operating result for the year before grants and contributions provided for capital purposes		3,267	(425)

¹ Original budget as approved by Council – refer Note 16

Byron Shire Council

Statement of Comprehensive Income
for the year ended 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
Net operating result for the year (as per Income Statement)		15,974	6,845
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	38,333	(167,038)
Total items which will not be reclassified subsequently to the operating result		38,333	(167,038)
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Other movements in reserves	20b (ii)	(4,637)	—
Total items which will be reclassified subsequently to the operating result when specific conditions are met		(4,637)	—
Total other comprehensive income for the year		33,696	(167,038)
Total comprehensive income for the year		49,670	(160,194)
Total comprehensive income attributable to Council		49,670	(160,194)
Total comprehensive income attributable to non-controlling interests		—	—

Byron Shire Council

Statement of Financial Position

as at 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
ASSETS			
Current assets			
Cash and cash equivalents	6a	43,950	36,119
Investments	6b	34,539	36,320
Receivables	7	8,556	8,752
Inventories	8	1,357	2,251
Other	8	86	30
Total current assets		88,488	83,472
Non-current assets			
Investments	6b	1,000	536
Receivables	7	630	513
Inventories	8	—	—
Infrastructure, property, plant and equipment	9	720,697	674,715
Investments accounted for using the equity method	19	—	—
Investment property	14	—	—
Intangible assets	25	—	—
Total non-current assets		722,327	675,764
TOTAL ASSETS		810,815	759,236
LIABILITIES			
Current liabilities			
Payables	10	10,704	9,552
Borrowings	10	2,592	2,646
Provisions	10	5,125	5,197
Total current liabilities		18,421	17,395
Non-current liabilities			
Payables	10	—	—
Borrowings	10	60,129	63,640
Provisions	10	5,481	1,087
Total non-current liabilities		65,610	64,727
TOTAL LIABILITIES		84,031	82,122
Net assets		726,784	677,114
EQUITY			
Retained earnings	20	474,475	458,501
Revaluation reserves	20	252,309	218,613
Council equity interest		726,784	677,114
Non-controlling equity interests		—	—
Total equity		726,784	677,114

Byron Shire Council

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

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling Interest	Total equity
2016						
Opening balance (as per last year's audited accounts)		455,080	218,613	673,693	–	673,693
a. Correction of prior period errors	20 (c)	3,421	–	3,421	–	3,421
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
Revised opening balance (as at 1/7/15)		458,501	218,613	677,114	–	677,114
c. Net operating result for the year		15,974	–	15,974	–	15,974
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	38,333	38,333	–	38,333
– Other reserves movements	20b (ii)	–	(4,637)	(4,637)	–	(4,637)
Other comprehensive income		–	33,696	33,696	–	33,696
Total comprehensive income (c&d)		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		474,475	252,309	726,784	–	726,784

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non-controlling Interest	Total Equity
2015						
Opening balance (as per last year's audited accounts)		448,235	385,652	833,887	–	833,887
a. Correction of prior period errors	20 (c)	3,421	–	3,421	–	3,421
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
Revised opening balance (as at 1/7/14)		451,656	385,652	837,308	–	837,308
c. Net operating result for the year		6,845	–	6,845	–	6,845
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	(167,038)	(167,038)	–	(167,038)
Other comprehensive income		–	(167,038)	(167,038)	–	(167,038)
Total comprehensive income (c&d)		6,845	(167,038)	(160,194)	–	(160,194)
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
Equity – balance at end of the reporting period		458,501	218,613	677,114	–	677,114

Byron Shire Council

Statement of Cash Flows

for the year ended 30 June 2016

Budget 2016	\$ '000	Notes	Actual 2016	Actual 2015
Cash flows from operating activities				
Receipts:				
35,379	Rates and annual charges		35,513	34,108
22,583	User charges and fees		24,795	23,477
1,538	Investment and interest revenue received		2,482	2,186
16,356	Grants and contributions		23,321	23,960
–	Bonds, deposits and retention amounts received		341	357
1,623	Other		1,537	1,684
Payments:				
(21,760)	Employee benefits and on-costs		(20,715)	(19,296)
(23,918)	Materials and contracts		(29,827)	(34,671)
(4,948)	Borrowing costs		(4,912)	(4,984)
(5,678)	Other		(5,086)	(5,305)
21,175	Net cash provided (or used in) operating activities	11b	27,448	21,517
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		16,500	50,032
4,100	Sale of real estate assets		3,952	–
–	Sale of infrastructure, property, plant and equipment		243	999
Payments:				
–	Purchase of investment securities		(15,181)	(55,979)
(32,144)	Purchase of infrastructure, property, plant and equipment		(21,564)	(9,765)
(28,044)	Net cash provided (or used in) investing activities		(16,050)	(14,713)
Cash flows from financing activities				
Receipts:				
Nil				
Payments:				
(2,421)	Repayment of borrowings and advances		(3,566)	(3,262)
(2,421)	Net cash flow provided (used in) financing activities		(3,566)	(3,262)
(9,290)	Net increase/(decrease) in cash and cash equivalents		7,831	3,542
36,119	Plus: cash and cash equivalents – beginning of year	11a	36,119	32,577
26,829	Cash and cash equivalents – end of the year	11a	43,950	36,119
Additional Information:				
plus:	Investments on hand – end of year	6b	35,539	36,856
Total cash, cash equivalents and investments			79,489	72,975

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 2016

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n/a – not applicable

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Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies

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

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

(a) Basis of preparation

(i) Background

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

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

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

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

Because AASBs are sector neutral, some standards either:

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

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

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

(iii) New and amended standards adopted by Council

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

(iv) Early adoption of accounting standards

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

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

(v) Basis of accounting

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

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

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

(vi) Changes in accounting policies

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

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

There have also been no changes in accounting policies when compared with previous financial statements unless otherwise stated..

(vii) Critical accounting estimates

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

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

Critical judgements in applying 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 it, and specific criteria have been met for each of the Council's activities as described below.

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

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

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

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

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

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

unused grant or contribution is disclosed in Note 3 (g).

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

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

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

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

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

User charges, fees and other income

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

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

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

Sale of infrastructure, property, plant and equipment

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

Interest and rents

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

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

Dividend income

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

Other Income

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

(c) Principles of consolidation

(i) The Consolidated Fund

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

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

The following entities have been included as part of the consolidated fund:

- General Purpose Operations
- Water Supply
- Sewerage Service

(ii) The Trust Fund

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

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

(iii) Joint Arrangements

Joint Operations (controlled assets and operations)

Joint operations represent operational arrangements where the joint control parties 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.

The proportionate interests of Council in the assets, liabilities, income and expenses of all Joint Operation activities have been incorporated throughout the financial statements under the appropriate notes and line items.

Joint Ventures

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

Any interests in joint ventures are accounted for using the equity method and are carried at cost.

Under the equity method, Council's share of the operation's profits/(losses) are recognised in the income statement, and its share of movements in retained earnings and reserves are recognised in the balance sheet.

Detailed information relating to Council's joint ventures can be found at Note 19 (b).

Associates

Where Council has the power to participate in the financial and operating decisions of another entity, (i.e. where Council is deemed to have 'significant influence' over another entities' operations but neither controls nor jointly controls the entity), then Council accounts for such interests using the equity

method of accounting – in a similar fashion to joint ventures.

Such entities are usually termed associates.

Any interests in Associates are accounted for using the equity method and are carried at cost.

County councils

Council is a member of the following County Councils (which are bodies corporate under the Local Government Act);

- **Rous County Council (Rous Water)**
Provision of bulk water supplies
- **Far North Coast Weeds County Council**
Control of noxious weeds

The governing body of each County Council is responsible for managing its own affairs.

Council is of the opinion that it neither controls nor significantly influences the above County Council/s and accordingly these entities have not been consolidated or otherwise included within these financial statements.

Unconsolidated structured entities

Council has no interest in any unconsolidated structured entities.

(d) Leases

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

Finance leases

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

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

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

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

Operating Leases

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

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

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

(e) Cash and Cash Equivalents

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

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

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

(f) Investments and other financial assets

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

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

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

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

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

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

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

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

(ii) Loans and receivables

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

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

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

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(iii) Held-to-maturity investments

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

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

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

(iv) Available-for-sale financial assets

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

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

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

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

Financial assets – reclassification

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

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

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

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

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

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

General accounting and measurement of financial instruments:

(i) Initial recognition

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

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

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

(ii) Subsequent measurement

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

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

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

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

Impairment

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

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

(iii) Types of investments

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

Investments are placed and managed in accordance with the policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order.

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

(g) Fair value estimation – financial instruments

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

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

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

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

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

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

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

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

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

(h) Receivables

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

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

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

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

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

(i) Inventories

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

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

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

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

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

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

(ii) Inventory held for distribution

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

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

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

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

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

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

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

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

Acquisition of assets

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

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

- **Plant and Equipment**
(as approximated by depreciated historical cost)
- **Operational Land** (External Valuation)
- **Community Land** (External Valuation by NSW Valuer General)
- **Land Improvements**
(as approximated by depreciated historical cost)
- **Buildings – Specialised/Non Specialised**
(External Valuation)

Byron Shire Council

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

Note 1. Summary of significant accounting policies (continued)

- **Other Structures**
(External Valuation))
- **Roads Assets incl. roads, bridges and footpaths**
(External Valuation)
- **Bulk Earthworks** (External Valuation)
- **Stormwater Drainage** (External Valuation)
- **Water and Sewerage Networks**
(External Valuation)
- **Swimming Pools**
(External Valuation)
- **Other Open Space/Recreational Assets**
(External Valuation)
- **Other Infrastructure**
(External Valuation)
- **Other Assets**
(as approximated by depreciated historical cost)

Initial recognition

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

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

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

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

Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset,

as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably.

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

Asset revaluations (including indexation)

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

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

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

For all other assets, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date.

If any such indication exists, Council determines the asset's fair value and revalues the asset to that amount.

Full revaluations are undertaken for all assets on a 5-year cycle.

Capitalisation thresholds

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

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

Land

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

Plant and Equipment

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

Buildings and Land Improvements

Park Furniture and Equipment	> \$1,000
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Building

- construction/extensions	100% Capitalised
- renovations	> \$1,000

Other Structures	> \$1,000
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Water and Sewer Assets

Reticulation extensions	> \$1,000
Other	> \$1,000

Stormwater Assets

Drains and Culverts	> \$1,000
Other	> \$1,000

Transport Assets

Road construction and reconstruction	> \$1,000
Reseal/Re-sheet and major repairs	> \$1,000
Bridge construction and reconstruction	> \$1,000

Other Infrastructure Assets

Swimming Pools	> \$1,000
Other Open Space/Recreational Assets	> \$1,000

Other Infrastructure	> \$1,000
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Depreciation

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

Land is not depreciated.

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

Plant 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 equip.	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 50 years
- Reticulation pipes : PVC	70 to 80 years
- Reticulation pipes : Other	40 to 80 years
- Pumps, Pump stations and telemetry	10 to 60 years

Stormwater Assets

- Drains	100 to 200 years
- Culverts	100 years
- Pipes	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 Paths	15 to 83 years

Other Infrastructure Assets

- Bulk earthworks	Infinite
- Swimming Pools	25 to 50 years
- Other Open Space/ Recreational Assets	5 to 50 years

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

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

Disposal and De-recognition

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

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

(k) Land

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

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

(l) Land under roads

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

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

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

(m) Intangible assets

Council has not classified any assets as intangible.

(n) Crown reserves

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

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

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

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

(o) Rural fire service assets

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

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

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

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

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

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

Costs are estimated on the basis of a closure plan.

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

Close down, restoration and remediation costs are a normal consequence of tip and quarry operations, and the majority of close down and restoration expenditure is incurred at the end of the life of the operations.

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

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

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

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

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

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

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

These costs are charged to the Income Statement.

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

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

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other locations.

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

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

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

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

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

The exception to this is plant and motor vehicles, which are turned over on a regular basis. Plant and motor vehicles are retained in non-current assets under the classification of infrastructure, property,

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

plant and equipment – unless the assets are to be traded in after 30 June and the replacement assets were already purchased and accounted for as at 30 June.

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

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

Non-current assets classified as 'held for sale' are presented separately from the other assets in the Statement of Financial Position.

A discontinued operation is a component of Council that has been disposed of or is classified as 'held for sale' and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

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

(r) Impairment of assets

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

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

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

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

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

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

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

(s) Payables

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

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

(t) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired.

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

(u) 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.

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(v) Provisions

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

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

Provisions are not recognised for future operating losses.

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

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.

(w) Employee benefits

(i) Short-term obligations

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

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

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

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

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

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

(ii) Other long-term obligations

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

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

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

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

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

(iii) Retirement benefit obligations

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

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

Defined benefit plans

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

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

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

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

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

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

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

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

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

Defined contribution plans

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

(iv) Employee benefit on-costs

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

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

(x) Self-insurance

Council does not self-insure.

(y) Allocation between current and non-current assets and liabilities

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

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

Exceptions

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

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

(z) Taxes

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

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

Goods and Services Tax (GST)

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

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

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

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

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

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

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

(aa) New accounting standards and Interpretations issued (not yet effective)

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

Council has not adopted any of these standards early.

Apart from the AASB disclosures below, there are no other standards that are 'not yet effective' that are expected to have a material impact on Council in the current or future reporting periods and on foreseeable future transactions.

Council's assessment of the impact of upcoming new standards and interpretations that are likely to have an effect are set out below.

AASB 9 – Financial Instruments

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and has an effective date for reporting periods beginning on or after 1 January 2018 (and must be applied retrospectively).

The overriding impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets and financial liabilities.

These requirements are designed to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.

Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories:

- fair value, and
- amortised cost (where financial assets will only be able to be measured at amortised cost when very specific conditions are met).

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

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

AASB 15 will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

AASB 15 will introduce a 5-step process for revenue recognition with the core principle of the new standard being that entities recognise revenue so as 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.

The changes in revenue recognition requirements in AASB 15 may cause changes to accounting policies relating to the timing and amount of revenue recorded in the financial statements, as well as additional disclosures.

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2018.

Council is yet to undertake a detailed assessment of the impact of AASB 15.

AASB ED 260 Income of Not-for-Profit Entities

The AASB previously issued exposure draft AASB ED 260 on Income of Not-for-Profit Entities in April 2015.

The exposure draft proposed specific not-for-profit entity requirements and guidance when applying the principles of AASB 15 to income from certain transactions.

Much of the material in AASB 1004 is expected to be replaced by material included in AASB ED 260. Specific revenue items that may considerably change are Grants and Contributions.

The most likely financial statement impact is the deferred recognition of Grants and Contributions (i.e. recognition as unearned revenue [liability]) until Council has met the associated performance obligation/s relating to the Grants or Contribution.

At this stage there is no specific date of release for a standard nor a date of applicability.

AASB16 – Leases

AASB 116 Leases replaces AASB 117 Leases and some associated lease-related Interpretations.

AASB 16 introduces a single lease accounting model (for lessees) that will require all leases to be accounted for on the balance sheet (ie. recognition of both a right-of-use asset and a corresponding lease) for all leases with a term of more than 12 months unless the underlying assets are determined to be of 'low value'. There will also be detailed disclosure requirements for all lessees.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2019.

Council is yet to undertake a detailed assessment of the accounting impacts from AASB 16. However, based on preliminary assessments, impacts from the first time adoption of the standard are likely to include:

- a significant increase in lease assets and financial liabilities recognised on the balance sheet,
- a reduction in reported equity as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities,
- lower operating cash outflows and higher financing cash flows in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities.

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

From 1 July 2016, AASB 124 Related Party Disclosures will apply to Council.

This means that Council will be required to disclose information about related parties and Council transactions with those related parties.

Related parties will more than likely include the Mayor, Councillors and certain Council staff. In addition, the close family members of those people and any organisations that they control or are associated with will be classified as related parties (and fall under the related party reporting requirements).

(ab) Rounding of amounts

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

(ac) 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.

(ad) 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 2016

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current & non-current)	
	Original budget	Actual	Actual	Original budget	Actual	Actual	Original budget	Actual	Actual	Actual	Actual	Actual	Actual
	2016	2016	2015	2016	2016	2015	2016	2016	2015	2016	2015	2016	2015
Governance	10	13	–	1,121	1,093	–	(1,111)	(1,080)	–	–	(0)	0	(0)
Administration	547	593	686	320	415	1,858	228	178	(1,172)	–	–	85,776	80,519
Public order and safety	1,901	2,308	1,999	2,486	2,587	3,068	(585)	(279)	(1,069)	181	192	4,999	4,676
Health	305	385	362	1,163	1,090	560	(858)	(705)	(199)	10	–	50	–
Environment	7,115	7,859	8,242	8,685	8,298	8,083	(1,571)	(439)	158	514	1,132	59,677	988
Community services and education	1,752	1,785	2,035	2,934	3,050	2,837	(1,182)	(1,265)	(802)	1,113	1,136	11,765	16,244
Housing and community amenities	2,837	5,442	5,035	5,692	6,112	5,019	(2,855)	(670)	16	68	175	5,948	58,294
Water supplies	9,045	9,987	9,027	8,102	8,036	8,177	943	1,951	850	94	79	71,182	70,873
Sewerage services	15,427	19,265	16,248	13,903	14,543	14,430	1,524	4,722	1,818	80	77	159,078	161,469
Recreation and culture	1,831	1,471	1,430	7,942	8,085	7,952	(6,111)	(6,614)	(6,522)	114	160	139,325	116,517
Mining, manufacturing and construction	1,038	1,295	1,204	869	794	1,374	169	501	(170)	–	–	4,119	1,939
Transport and communication	9,194	11,639	13,160	13,514	15,743	21,379	(4,320)	(4,104)	(8,220)	3,773	1,710	233,112	216,070
Economic affairs	4,323	5,747	4,302	4,160	4,800	4,168	163	947	134	9	25	35,783	31,648
Total functions and activities	55,324	67,789	63,728	70,890	74,646	78,904	(15,566)	(6,857)	(15,176)	5,956	4,686	810,815	759,236
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	–	–	–	–	–	–	–	–	–
General purpose income ¹	22,155	22,831	22,021	–	–	–	22,155	22,831	22,021	3,015	2,835	–	–
Operating result from continuing operations	77,478	90,620	85,749	70,890	74,646	78,904	6,589	15,974	6,845	8,971	7,521	810,815	759,236

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 2016

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

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

GOVERNANCE

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

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

PUBLIC ORDER AND SAFETY

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

HEALTH

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

ENVIRONMENT

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

COMMUNITY SERVICES AND EDUCATION

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

HOUSING AND COMMUNITY AMENITIES

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

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION AND CULTURE

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

MINING, MANUFACTURING AND CONSTRUCTION

Building control, quarries and pits, other.

TRANSPORT AND COMMUNICATION

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

ECONOMIC AFFAIRS

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

Byron Shire Council

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

Note 3. Income from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
(a) Rates and annual charges			
Ordinary rates			
Residential		14,043	13,565
Farmland		987	984
Business		3,592	3,506
Total ordinary rates		18,622	18,055
Special rates			
Nil			
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		4,335	3,952
Stormwater management services		283	281
Water supply services		2,123	1,831
Sewerage services		9,710	9,257
Waste management services (non-domestic)		615	553
Total annual charges		17,066	15,874
TOTAL RATES AND ANNUAL CHARGES		35,688	33,929

Council has used 2012 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 2016

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(b) User charges and fees			
Specific user charges (per s.502 – specific 'actual use' charges)			
Water supply services		5,914	5,712
Sewerage services		4,308	4,288
Total user charges		10,222	10,000
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Building inspections		880	802
Building services		487	419
Developer fees		1,033	823
Dog registration / release		33	27
Engineering services		10	20
Freedom of information		13	6
Health inspection		385	362
Private works – section 67		135	311
Regulatory/ statutory fees		72	70
Section 149 certificates (EPA Act)		114	119
Section 603 certificates		81	79
Total fees and charges – statutory/regulatory		3,243	3,038
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Administration and financial services		23	16
Aerodrome		71	36
Caravan park		4,150	3,939
Cemeteries		211	169
Child care		806	852
Leaseback fees – Council vehicles		234	286
Parking fees		2,034	807
Property rentals and leases		1,122	1,201
Public halls		180	140
Sewerage charges		117	195
Swimming pools		320	355
Waste		1,668	2,067
Water		–	26
Water connection fees		131	116
Other		375	621
Total fees and charges – other		11,442	10,826
TOTAL USER CHARGES AND FEES		24,907	23,864

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		154	143
– Interest earned on investments (interest and coupon payment income)		2,307	2,146
Fair value adjustments			
– Fair valuation movements in investments (at fair value or held for trading)		–	48
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>		<u>2,461</u>	<u>2,337</u>
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		86	143
General Council cash and investments		1,105	911
Restricted investments/funds – external:			
Development contributions			
– Section 94		646	683
– Section 64		556	530
Water fund operations		21	20
Sewerage fund operations		47	49
<u>Total interest and investment revenue recognised</u>		<u>2,461</u>	<u>2,337</u>
(d) Other revenues			
Fines		1,311	1,350
Legal fees recovery – other		6	24
Insurance claim recoveries		–	96
Sales – general		9	29
Waste		52	–
<u>TOTAL OTHER REVENUE</u>		<u>1,378</u>	<u>1,499</u>

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
(e) Grants				
General purpose (untied)				
Financial assistance – general component	1,613	1,472	–	–
Financial assistance – local roads component	1,161	1,139	–	–
Pensioners' rates subsidies – general component	241	224	–	–
Total general purpose	3,015	2,835	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	89	79	–	–
– Sewerage	80	77	–	–
– Domestic waste management	67	70	–	–
Bushfire and emergency services	181	168	–	–
Child care	931	915	–	–
Community care	–	111	–	–
Community centres	–	–	20	37
Community services	72	109	–	–
Crown lands maintenance	190	186	–	–
Economic development	9	25	–	–
Employment and training programs	16	16	–	–
Environmental management	300	278	–	–
Flood restoration	–	34	–	–
Foreshore maintenance	26	25	–	–
Library	90	89	–	–
Other community amenities	–	–	–	100
Recreation and culture	2	46	–	–
Street lighting	101	50	–	–
Transport (roads to recovery)	1,554	710	–	–
Transport (other roads and bridges funding)	–	5	1,916	787
Waste management	216	769	–	–
Dog Registration / Release	10	–	–	–
Other Sport & Recreation	–	–	86	–
Total specific purpose	3,934	3,762	2,022	924
Total grants	6,949	6,597	2,022	924
Grant revenue is attributable to:				
– Commonwealth funding	4,024	3,078	120	195
– State funding	2,925	3,519	1,902	729
	6,949	6,597	2,022	924

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
S 94 – contributions towards amenities/services	–	–	2,726	2,203
S 94A – fixed development consent levies	–	–	474	194
S 64 – water supply contributions	–	–	1,117	613
S 64 – sewerage service contributions	–	–	4,070	1,665
Total developer contributions	17	–	8,387	4,675
Other contributions:				
Dedications (other than by S94)	–	–	1,773	1,582
Drainage	–	–	55	–
Recreation and culture	–	–	4	–
Roads and bridges	4,349	9,321	162	88
RMS contributions (regional roads, block grant)	799	744	–	–
Stabilisation Works	–	–	304	–
Surf Lifesaving	101	–	–	–
Other	11	–	–	–
Total other contributions	5,260	10,065	2,298	1,670
Total contributions	5,260	10,065	10,685	6,345
TOTAL GRANTS AND CONTRIBUTIONS	12,209	16,661	12,707	7,269

\$ '000	Actual 2016	Actual 2015
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(g) Restrictions relating to 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	41,380	38,359
Add: grants and contributions recognised in the current period but not yet spent:	10,031	6,758
Less: grants and contributions recognised in a previous reporting period now spent	(7,918)	(3,737)
Net increase (decrease) in restricted assets during the period	2,113	3,021
Unexpended and held as restricted assets	43,493	41,380
Comprising:		
– Specific purpose unexpended grants	968	1,332
– Developer contributions	42,088	39,341
– Other contributions	437	706
	43,493	41,380

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
(a) Employee benefits and on-costs			
Salaries and wages		15,691	14,335
Employee termination costs		501	122
Employee leave entitlements (ELE)		3,049	3,096
Superannuation		1,866	1,827
Workers' compensation insurance		575	518
Fringe benefit tax (FBT)		66	106
Payroll tax		126	132
Training costs (other than salaries and wages)		282	274
Total employee costs		22,156	20,410
Less: capitalised costs		(1,279)	(869)
TOTAL EMPLOYEE COSTS EXPENSED		20,877	19,541
Number of 'full-time equivalent' employees (FTE) at year end		253	248
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		4,887	4,976
Total interest bearing liability costs expensed		4,887	4,976
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	26	22	70
Total other borrowing costs		22	70
TOTAL BORROWING COSTS EXPENSED		4,909	5,046

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Materials and contracts			
Raw materials and consumables		20,415	26,889
Contractor and consultancy costs			
– Caravan parks		1,244	1,153
– Cleaning		225	156
– Parent support program		–	105
– Security		72	61
– Surf lifesaving		508	463
– Swimming pools		406	411
– Temporary employment		2,833	2,141
– Waste		3,299	2,782
Auditors remuneration ⁽¹⁾		137	150
Infringement notice contract costs (SEINS)		173	190
Legal expenses:			
– Legal expenses: planning and development		136	88
– Legal expenses: other		117	87
Operating leases:			
– Operating lease rentals: minimum lease payments ⁽²⁾		681	374
TOTAL MATERIALS AND CONTRACTS		30,246	35,050
1. Auditor remuneration			
During the year, the following fees were incurred for services provided by The Council's Auditor - Thomas Noble and Russell			
(i) Audit and other assurance services			
– Audit and review of financial statements: Council's Auditor		55	53
– Other audit and assurance services		10	20
Remuneration for audit and other assurance services		65	73
(ii) Other non-assurance services			
– Other services Internal Audit - Grant Thornton Australia		72	77
Remuneration for other services		72	77
Total Auditor remuneration		137	150
2. Operating lease payments are attributable to:			
Computers		421	374
Other		260	–
		681	374

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Impairment costs		Depreciation/amortisation	
		Actual 2016	Actual 2015	Actual 2016	Actual 2015

(d) Depreciation, amortisation and impairment

Plant and equipment	—	—	1,045	975	
Office equipment	—	—	220	193	
Furniture and fittings	—	—	12	12	
Land improvements (depreciable)	—	—	159	178	
Infrastructure:					
– Buildings	—	—	769	469	
– Other structures	—	—	19	19	
– Roads	—	—	4,927	4,953	
– Bridges	—	—	293	293	
– Footpaths	—	—	126	126	
– Stormwater drainage	—	—	574	574	
– Water supply network	—	—	1,217	1,194	
– Sewerage network	—	—	3,206	3,157	
– Swimming pools	—	—	58	58	
– Other open space/recreational assets	—	—	266	267	
Other assets					
– Other	—	—	249	249	
Asset reinstatement costs	9 & 26	—	—	94	49
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		—	—	13,234	12,766

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(e) Other expenses			
Other expenses for the year include the following:			
Advertising		117	152
Bad and doubtful debts		11	43
Bank charges		62	83
Computer software charges		493	605
Contributions/levies to other levels of government			
– Bushfire Fighting fund		120	151
– Emergency Services levy (includes FRNSW, SES, and RFS levies)		66	42
– Far North Coast Weeds		129	101
– NSW Fire Brigade levy		72	78
– Richmond Tweed Regional Library		1,221	1,183
– Waste levy		–	2
– Other		150	141
Councillor expenses – mayoral fee		40	39
Councillor expenses – councillors' fees		165	161
Councillors' expenses (incl. mayor) – other (excluding fees above)		49	48
Donations, contributions and assistance to other organisations (Section 356)		66	34
Electricity and heating		1,179	1,301
Insurance		753	731
Postage		118	99
Printing and stationery		51	75
Street lighting		238	248
Telephone and communications		194	234
Valuation fees		86	85
<u>TOTAL OTHER EXPENSES</u>		<u>5,380</u>	<u>5,636</u>

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 2016	Actual 2015
Plant and equipment			
Proceeds from disposal – plant and equipment		243	529
Less: carrying amount of plant and equipment assets sold/written off		(211)	(341)
Net gain/(loss) on disposal		32	188
Infrastructure			
Less: carrying amount of infrastructure assets sold/written off		(1,032)	(569)
Net gain/(loss) on disposal		(1,032)	(569)
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		16,500	50,032
Less: carrying amount of financial assets sold/redeemed/matured		(16,500)	(50,032)
Net gain/(loss) on disposal		–	–
Non-current assets classified as ‘held for sale’			
Proceeds from disposal – non-current assets ‘held for sale’		–	470
Less: carrying amount of ‘held for sale’ assets sold/written off		–	(765)
Net gain/(loss) on disposal		–	(295)
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		1,270	(676)

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	2016 Actual Current	2016 Actual Non-current	2015 Actual Current	2015 Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		2,727	–	2,200	–
Cash-equivalent assets ¹					
– Deposits at call		2,223	–	2,719	–
– Short-term deposits		39,000	–	31,200	–
Total cash and cash equivalents		43,950	–	36,119	–
Investments (Note 6b)					
– Long term deposits		34,019	–	34,836	–
– NCD's, FRN's (with maturities > 3 months)		–	1,000	–	–
– Other long term financial assets		520	–	1,484	536
Total investments		34,539	1,000	36,320	536
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		78,489	1,000	72,439	536

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

**Investments were classified at
year end in accordance with
AASB 139 as follows:**

Investments

a. 'At fair value through the profit and loss'

– 'Designated at fair value on initial recognition' 6(b-i)	34,539	1,000	36,320	536
Investments	34,539	1,000	36,320	536

Note 6(b-i)

**Reconciliation of investments classified as
'at fair value through the profit and loss'**

Balance at the beginning of the year	36,320	536	28,882	1,979
Revaluations (through the Income Statement)	16	(16)	47	1
Additions	14,184	1,000	55,979	–
Disposals (sales and redemptions)	(16,500)	–	(50,032)	–
Transfers between current/non-current	520	(520)	1,444	(1,444)
Balance at end of year	34,539	1,000	36,320	536

Comprising:

– Long term deposits	34,019	–	34,836	–
– NCD's, FRN's (with maturities > 3 months)	–	1,000	–	–
– Other long term financial assets	520	–	1,484	536
Total	34,539	1,000	36,320	536

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 2016

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

\$ '000	2016 Actual Current	2016 Actual Non-current	2015 Actual Current	2015 Actual Non-current
Total cash, cash equivalents and investments	78,489	1,000	72,439	536
attributable to:				
External restrictions (refer below)	56,838	1,000	54,507	536
Internal restrictions (refer below)	20,506	–	16,790	–
Unrestricted	1,145	–	1,143	–
	78,489	1,000	72,439	536

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

External restrictions – included in liabilities

Bonds and deposits	3,381	341	–	3,722
External restrictions – included in liabilities	3,381	341	–	3,722

External restrictions – other

Developer contributions – general (D)	22,295	7,053	(6,570)	22,779
Developer contributions – water fund (D)	10,818	–	(269)	10,549
Developer contributions – sewer fund (D)	6,228	2,532	–	8,760
RMS (formerly RTA) contributions (E)	707	–	(269)	438
Specific purpose unexpended grants (F)	1,332	–	(364)	968
Water supplies (G)	2,578	145	–	2,723
Sewerage services (G)	5,466	515	–	5,981
Domestic waste management (G)	1,008	4,034	(4,059)	982
Crown paid parking reserve	840	352	(770)	422
Crown reserve	389	412	(286)	514
External restrictions – other	51,662	15,042	(12,588)	54,116
Total external restrictions	55,043	15,383	(12,588)	57,838

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 2016

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

2016 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Plant and vehicle replacement	1,204	3,638	(3,501)	1,342
Infrastructure replacement	1,807	4,553	(2,466)	3,894
Employees leave entitlement	1,209	–	(137)	1,072
Asset revaluation reserve	35	–	(24)	11
Bangalow heritage house	2	6	(8)	0
Bridge replacement fund	500	680	(245)	935
Brunswick heads memorial hall	33	22	(17)	37
Brunswick valley community centre	13	26	(39)	–
Byron bay library exhibition space	11	19	(19)	11
Byron bay library	565	–	(324)	242
Childrens services	100	–	(83)	17
Community development	42	77	–	119
Council caravan parks	1,710	1,027	(432)	2,305
Environmental levy	99	346	(330)	115
Footpath dining	348	121	(237)	232
General managers office	51	25	(26)	50
Human resources	293	–	(228)	65
Information technology	227	209	(91)	345
Infrastructure services carryover	1,058	628	(734)	952
Land and natural environment	243	–	(51)	192
Legal services	779	–	(87)	692
Mullumbimby pioneer centre	3	4	(4)	3
On-site sewerage management reserve	281	146	(17)	410
Paid parking	360	1,111	(209)	1,262
Property development reserve	445	200	(69)	576
Property	1,328	22	(610)	741
Quarry	526	572	(260)	838
Revolving energy fund	64	–	–	64
Risk management	209	–	(26)	184
Special events response and mitigation	71	62	(4)	128
South Golden Beach hall	17	11	(7)	22
2002/2003 special rate carryover reserve	–	408	(408)	–
2005/2006 special rate carryover reserve	4	–	(4)	–
2006/2007 special rate carryover reserve	98	5	(46)	57
2007/2008 special rate carryover reserve	864	182	(393)	653
2008/2009 special rate carryover reserve	75	125	(45)	155
Stormwater	350	291	(137)	505
Structural change reserve	324	–	(39)	285
Suffolk park community hall	4	23	(18)	9
Suffolk park open space	50	–	–	50
Tennis courts	12	1	(3)	9
Unexpended loans	445	–	(390)	54
Waste management	931	3,143	(2,221)	1,852
Ocean Shores Community Centre	–	50	(27)	23
Total internal restrictions	16,790	17,735	(14,019)	20,506
TOTAL RESTRICTIONS	71,832	33,118	(26,607)	78,344

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 7. Receivables

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
Purpose					
Rates and annual charges		769	566	743	417
Interest and extra charges		88	64	101	96
User charges and fees		4,358	–	4,260	–
Accrued revenues					
– Interest on investments		396	–	372	–
– Other income accruals		96	–	255	–
Government grants and subsidies		59	–	237	–
Net GST receivable		782	–	677	–
Miscellaneous water and sewer		34	–	45	–
Pensioner subsidy		35	–	22	–
Roads and Maritime Services		2,007	–	2,113	–
Total		8,624	630	8,826	513
Less: provision for impairment					
User charges and fees		(68)	–	(74)	–
Total provision for impairment – receivables		(68)	–	(74)	–
<u>TOTAL NET RECEIVABLES</u>		<u>8,556</u>	<u>630</u>	<u>8,752</u>	<u>513</u>
Externally restricted receivables					
Water supply					
– Specific purpose grants		11	–	9	–
– Rates and availability charges		91	–	72	–
– Other		1,950	–	1,888	–
Sewerage services					
– Specific purpose grants		5	–	3	–
– Rates and availability charges		423	–	383	–
– Other		1,549	–	1,620	–
Domestic waste management		–	–	158	–
Stormwater management		–	–	12	–
Commerical waste management		–	–	23	–
Total external restrictions		4,029	–	4,168	–
Internally restricted receivables					
Nil					
Unrestricted receivables		4,527	630	4,584	513
TOTAL NET RECEIVABLES		8,556	630	8,752	513

Notes on debtors above:

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

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 8. Inventories and other assets

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current

(a) Inventories

(i) Inventories at cost

Real estate for resale (refer below)	992	–	1,682	–
Stores and materials	365	–	569	–
Total inventories at cost	1,357	–	2,251	–

(ii) Inventories at net realisable value (NRV)

Nil

TOTAL INVENTORIES	1,357	–	2,251	–
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(b) Other assets

Prepayments	69	–	14	–
Other	17	–	17	–
TOTAL OTHER ASSETS	86	–	30	–

Externally restricted assets

There are no restrictions applicable to the above assets.

Other disclosures

(a) Details for real estate development

Residential	992	–	1,682	–
Total real estate for resale	992	–	1,682	–

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

Represented by:

Acquisition costs	992	–	1,682	–
Total costs	992	–	1,682	–
Total real estate for resale	992	–	1,682	–

Movements:

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

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(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 2016

Note 9a. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2015					Asset movements during the reporting period								as at 30/6/2016				
	At cost	At fair value	Accumulated		Carrying value	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Tfrs from/(to) 'held for sale' category	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	At cost	At fair value	Accumulated		Carrying value
			depreciation	impairment												depreciation	impairment	
Capital work in progress	–	3,671	–	–	3,671	5,010	1,934	–	–	(2,483)	–	–	–	8,132	–	–	–	8,132
Plant and equipment	–	11,812	7,042	–	4,770	5	1,226	(205)	(1,045)	13	–	–	274	–	12,505	7,468	–	5,037
Office equipment	–	3,138	2,317	–	821	–	–	(2)	(220)	–	–	–	–	–	3,018	2,419	–	599
Furniture and fittings	–	242	167	–	75	36	18	–	(12)	–	–	–	–	–	296	178	–	118
Land:																		
– Operational land	–	79,735	–	–	79,735	–	–	–	–	–	(992)	–	6,801	–	85,544	–	–	85,544
– Community land	–	71,986	–	–	71,986	–	–	–	–	–	–	–	16,846	–	88,832	–	–	88,832
– Land under roads (post 30/6/08)	–	5,568	–	–	5,568	–	835	–	–	–	–	–	–	–	6,403	–	–	6,403
Land improvements – non-depreciable	–	80	–	–	80	–	–	–	–	–	–	–	–	–	80	–	–	80
Land improvements – depreciable	–	4,651	2,206	–	2,445	97	–	–	(159)	9	–	–	–	–	4,723	2,332	–	2,391
Infrastructure:																		
– Buildings	–	67,776	7,944	–	59,832	1,018	492	–	(769)	75	–	–	2,681	–	73,243	9,913	–	63,330
– Other structures	–	776	295	–	481	–	1,570	–	(19)	44	–	–	–	–	2,390	315	–	2,075
– Roads	–	287,883	131,081	–	156,802	4,500	794	(853)	(4,927)	880	–	–	–	–	291,332	134,135	–	157,197
– Bridges	–	23,664	10,494	–	13,170	245	–	–	(293)	–	–	–	–	–	23,909	10,787	–	13,122
– Footpaths	–	7,645	2,872	–	4,773	35	–	–	(126)	90	–	–	–	–	7,769	2,998	–	4,771
– Bulk earthworks (non-depreciable)	–	29,001	–	–	29,001	177	–	(180)	–	–	–	–	–	–	28,999	–	–	28,999
– Stormwater drainage	–	61,625	15,780	–	45,845	267	–	–	(574)	195	–	–	–	–	62,087	16,354	–	45,733
– Water supply network	–	83,024	35,197	–	47,827	2,787	–	–	(1,217)	597	–	–	696	–	87,651	36,959	–	50,692
– Sewerage network	–	186,612	56,360	–	130,252	1,218	–	–	(3,206)	249	–	–	1,897	–	190,869	60,460	–	130,409
– Swimming pools	–	2,921	234	–	2,687	4	–	–	(58)	–	–	(385)	–	–	2,800	553	–	2,247
– Other open space/recreational assets	–	7,572	2,159	–	5,413	268	394	(4)	(266)	12	–	–	4,051	–	14,144	4,274	–	9,870
Other assets:																		
– Other	–	3,596	1,335	–	2,261	–	93	–	(249)	–	–	(140)	–	–	3,409	1,443	–	1,966
Reinstatement, rehabilitation and restoration assets (refer Note 26):																		
– Tip assets	–	8,162	1,253	–	6,909	–	335	(87)	(82)	319	–	–	3,030	–	11,116	691	–	10,425
– Quarry assets	–	400	89	–	311	–	–	(154)	(12)	–	–	–	2,580	–	2,739	14	–	2,725
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	–	951,540	276,825	–	674,715	15,670	7,692	(1,484)	(13,234)	(0)	(992)	(525)	38,858	8,132	1,003,858	291,293	–	720,697

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 2016

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

\$ '000	Actual				Actual			
	2016				2015			
Class of asset	At cost	At fair value	A/Dep & impair'm't	Carrying value	At cost	At fair value	A/Dep & impair'm't	Carrying value
Water supply								
WIP	–	487	–	487	–	584	–	584
Plant and equipment	–	21	14	6	–	21	12	8
Office equipment	–	44	44	–	–	44	44	–
Land								
– Operational land	–	6,509	–	6,509	–	6,220	–	6,220
Buildings	–	1,315	219	1,096	–	1,648	551	1,097
Infrastructure	–	87,651	36,959	50,692	–	83,024	35,197	47,827
Total water supply	–	96,026	37,236	58,790	–	91,540	35,804	55,736
Sewerage services								
WIP	–	1,517	–	1,517	–	326	–	326
Plant and equipment	–	130	118	12	–	130	107	23
Office equipment	–	72	72	–	–	73	73	–
Land								
– Operational land	–	13,463	–	13,463	–	16,161	–	16,161
– Improvements - depreciable	–	10	2	7	–	10	2	8
Buildings	–	220	45	175	–	191	31	160
Other structures	–	–	–	–	–	17	17	–
Infrastructure	–	190,869	60,460	130,410	–	186,612	56,360	130,252
Other assets	–	17	17	–	–	–	–	–
Total sewerage services	–	206,298	60,714	145,584	–	203,520	56,591	146,929
TOTAL RESTRICTED I,PP&E	–	302,324	97,950	204,374	–	295,060	92,395	202,665

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 2016

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
Payables					
Goods and services – operating expenditure		4,875	–	4,660	–
Payments received In advance		248	–	256	–
Accrued expenses:					
– Borrowings		246	–	271	–
– Salaries and wages		720	–	462	–
– Other expenditure accruals		893	–	521	–
Security bonds, deposits and retentions		3,722	–	3,381	–
Total payables		10,704	–	9,552	–
Borrowings					
Loans – secured ¹		2,592	60,129	2,646	63,640
Total borrowings		2,592	60,129	2,646	63,640
Provisions					
Employee benefits:					
Annual leave		1,723	–	1,631	–
Long service leave		3,242	157	3,422	181
Gratuities		160	–	144	–
Sub-total – aggregate employee benefits		5,125	157	5,197	181
Asset remediation/restoration (future works)	26	–	5,324	–	906
Total provisions		5,125	5,481	5,197	1,087
TOTAL PAYABLES, BORROWINGS AND PROVISIONS					
		18,421	65,610	17,395	64,727

(i) Liabilities relating to restricted assets

	2016		2015	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Sewer	1,796	46,172	1,767	48,594
Bonds and deposits	3,722	–	3,381	–
Liabilities relating to externally restricted assets	5,518	46,172	5,148	48,594
Internally restricted assets				
Nil				
Total liabilities relating to restricted assets	5,518	46,172	5,148	48,594
Total liabilities relating to unrestricted assets	12,903	19,438	12,247	16,133
TOTAL PAYABLES, BORROWINGS AND PROVISIONS	18,421	65,610	17,395	64,727

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 2016

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

	Actual 2016	Actual 2015
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(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	3,572	3,729
	3,572	3,729

Note 10b. Description of and movements in provisions

Class of provision	2015	2016				Closing balance as at 30/6/16
	Opening balance as at 1/7/15	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	
Annual leave	1,631	1,380	(1,288)	–	–	1,723
Long service leave	3,603	500	(704)	–	–	3,399
Gratuities	144	16	–	–	–	160
Asset remediation	906	4,418	–	–	–	5,324
TOTAL	6,284	6,314	(1,992)	–	–	10,606

- 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 2016

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2016	Actual 2015
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	43,950	36,119
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		43,950	36,119
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		15,974	6,845
Adjust for non-cash items:			
Depreciation and amortisation		13,234	12,766
Net losses/(gains) on disposal of assets		(1,270)	676
Non-cash capital grants and contributions		(1,773)	(1,582)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		–	(48)
Unwinding of discount rates on reinstatement provisions		22	70
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		85	1,507
Increase/(decrease) in provision for doubtful debts		(6)	(64)
Decrease/(increase) in inventories		204	(135)
Decrease/(increase) in other assets		(56)	76
Increase/(decrease) in payables		215	514
Increase/(decrease) in accrued interest payable		(25)	(8)
Increase/(decrease) in other accrued expenses payable		630	359
Increase/(decrease) in other liabilities		333	399
Increase/(decrease) in employee leave entitlements		(96)	169
Increase/(decrease) in other provisions		(22)	(27)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		27,448	21,517
(c) Non-cash investing and financing activities			
Other dedications		1,773	1,582
Total non-cash investing and financing activities		1,773	1,582
(d) Financing arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Credit cards/purchase cards		65	60
Total financing arrangements		65	60
(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 2016

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2016	Actual 2015
(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		122	–
Plant and equipment		4,853	1,955
Roads		776	–
Sportsfield Development		937	–
Total commitments		6,688	1,955
These expenditures are payable as follows:			
Within the next year		6,585	1,767
Later than one year and not later than 5 years		103	188
Total payable		6,688	1,955
Sources for funding of capital commitments:			
Unrestricted general funds		795	–
Internally restricted reserves		5,893	1,955
Total sources of funding		6,688	1,955

(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	1,016	483
Later than one year and not later than 5 years	3,218	1,402
Later than 5 years	–	–
Total non-cancellable operating lease commitments	4,234	1,885

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 2016

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

\$ '000	Amounts 2016	Indicator 2016	Prior periods 2015 2014	
Local government industry indicators – consolidated				
1. Operating performance ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	1,997	2.61%	0.26%	-6.24%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	76,643			
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	64,434	72.11%	72.01%	76.62%
Total continuing operating revenue ⁽¹⁾	89,350			
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	27,621	2.96x	2.91x	2.79x
Current liabilities less specific purpose liabilities ^(3, 4)	9,331			
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	20,140	2.38x	2.17x	1.80x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	8,475			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	1,487	4.00%	3.81%	4.48%
Rates, annual and extra charges collectible	37,199			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	77,969	14.59 mths	12.6 mths	11.1 mths
Payments from cash flow of operating and financing activities	5,342			

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 2016

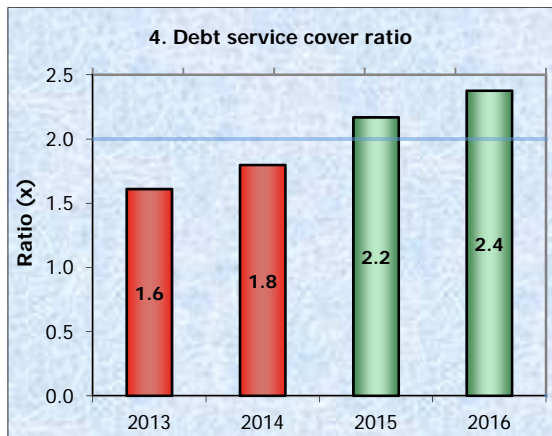
Note 13a(ii). Local government industry indicators – graphs (consolidated)

<p>1. Operating performance ratio</p> <p>Benchmark: — Minimum $\geq 0.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of operating performance ratio</p> <p>This ratio measures Council's achievement of containing operating expenditure within operating revenue.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio 2.61%</p> <p>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.</p>
<p>2. Own source operating revenue ratio</p> <p>Benchmark: — Minimum $\geq 60.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of own source operating revenue ratio</p> <p>This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio 72.11%</p> <p>The trend is indicating Council is maintaining a 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.</p>
<p>3. Unrestricted current ratio</p> <p>Benchmark: — Minimum ≥ 1.50 Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of unrestricted current ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio 2.96x</p> <p>This ratio identifies that Council's short term liquidity is strong and is remaining relatively stable. It also needs to be considered in conjunction with Note 13(b) which illustrates this ratio on a fund by fund basis.</p>

Byron Shire Council

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

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

Benchmark: — Minimum ≥ 2.00

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

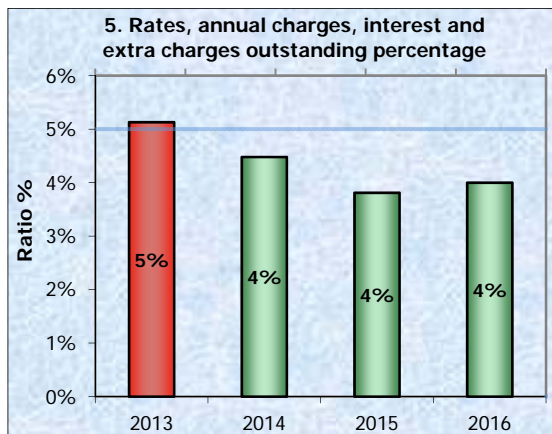
Purpose of debt service cover ratio

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

Commentary on 2015/16 result**2015/16 ratio 2.38x**

This ratio is improving on trend indicating Council's loan borrowing capacity is improving but it is important to remember Council must be able to fund any additional loan borrowing 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 #24

Purpose of rates and annual charges outstanding ratio

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

Commentary on 2015/16 result**2015/16 ratio 4.00%**

Given the current economic climate, the percentage outstanding has remained stable compared to the previous year but is an acceptable result and within the required benchmark.

Ratio is within Benchmark
Ratio is outside Benchmark

Benchmark: — Minimum ≥ 3.00

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

Purpose of cash expense cover ratio

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

Commentary on 2015/16 result**2015/16 ratio 14.59 mths**

As another measure of short term liquidity, this ratio trend has indicated that Council's short term liquidity has continued to improve.

Ratio achieves benchmark
Ratio is outside benchmark

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Water 2016	Sewer 2016	General ⁵ 2016
Local government industry indicators – by fund			
1. Operating performance ratio			
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	5.24%	0.72%	2.69%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	prior period: 3.21%	-1.45%	0.25%
2. Own source operating revenue ratio			
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	86.89%	75.45%	68.52%
Total continuing operating revenue ⁽¹⁾	prior period: 91.09%	86.60%	65.05%
3. Unrestricted current ratio			
Current assets less all external restrictions ⁽²⁾	No liabilities	4.43x	2.96x
Current liabilities less specific purpose liabilities ^(3, 4)	prior period: No liabilities	4.23x	2.91x
4. Debt service cover ratio			
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	0.00	1.06x	4.15x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	prior period: 3.66x	1.29x	3.66x
5. Rates, annual charges, interest and extra charges outstanding percentage			
Rates, annual and extra charges outstanding	4.14%	4.28%	3.87%
Rates, annual and extra charges collectible	prior period: 3.80%	4.05%	3.72%
6. Cash expense cover ratio			
Current year's cash and cash equivalents plus all term deposits	22.02 mths	13.54 mths	13.68 mths
Payments from cash flow of operating and financing activities	prior period: 21.75 mths	10.89 mths	11.65 mths

Notes

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

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

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 14. Investment properties

\$ '000

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

Note 15. Financial risk management

Risk management

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

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

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

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	
	2016	2015	2016	2015
Financial assets				
Cash and cash equivalents	43,950	36,119	43,950	36,119
Investments				
– 'Designated at fair value on initial recognition'	35,539	36,856	35,539	36,856
Receivables	9,186	9,265	8,705	8,764
Total financial assets	88,675	82,240	88,194	81,739
Financial liabilities				
Payables	10,456	9,296	9,969	9,296
Loans/advances	62,721	66,286	76,552	79,058
Total financial liabilities	73,177	75,582	86,521	88,354

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 2016

Note 15. Financial risk management (continued)

\$ '000

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

Council'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 it's staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

The risks associated with the investments held are:

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
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)
2015				
Possible impact of a 10% movement in market values	202	202	(202)	(202)
Possible impact of a 1% movement in interest rates	710	710	(710)	(710)

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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:

	2016 Rates and annual charges	2016 Other receivables	2015 Rates and annual charges	2015 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	58%	90%	64%	86%
Overdue	42%	10%	36%	14%
	100%	100%	100%	100%

		2016 Rates and annual charges	2016 Other receivables	2015 Rates and annual charges	2015 Other receivables
(ii) Ageing of receivables – value					
Rates and annual charges	Other receivables				
Current	Current	769	7,191	745	7,169
< 1 year overdue	0 – 30 days overdue	214	64	201	215
1 – 2 years overdue	30 – 60 days overdue	136	35	137	85
2 – 5 years overdue	60 – 90 days overdue	164	(14)	57	81
> 5 years overdue	> 90 days overdue	52	644	20	629
		1,335	7,919	1,160	8,179

(iii) Movement in provision for impairment of receivables

	2016	2015
Balance at the beginning of the year	74	138
+ new provisions recognised during the year	1	24
– amounts already provided for and written off this year	(10)	(8)
– amounts provided for but recovered during the year	3	(80)
Balance at the end of the year	68	74

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2016									
Trade/other payables	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
2015									
Trade/other payables	3,381	5,915	—	—	—	—	—	9,296	9,296
Loans and advances	—	7,403	7,265	7,052	7,000	6,001	73,580	108,301	66,286
Total financial liabilities	3,381	13,318	7,265	7,052	7,000	6,001	73,580	117,597	75,582

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

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

	2016		2015	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	10,456	0.00%	9,296	0.00%
Loans and advances – fixed interest rate	62,721	7.27%	66,286	7.23%
	<u>73,177</u>		<u>75,582</u>	

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 16. Material budget variations

\$ '000

Council's original financial budget for 15/16 was adopted by the Council on 25 June 2015.

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

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

Note that for variations* of budget to actual :

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

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

\$ '000	2016 Budget	2016 Actual	2016 Variance*		
REVENUES					
Rates and annual charges	35,379	35,688	310	1%	F
User charges and fees	22,583	24,907	2,324	10%	F
Additional Revenues were received for:- \$1.064million paid parking, \$262k holiday park revenue, \$532k building and development fees, Cavanbah Sports Tyagarah Aerodrome Fees \$44k, Waste Disposal \$375k.					
Interest and investment revenue	1,538	2,461	923	60%	F
Interest on investment revenue exceeded the original budget estimate due to Councils overall cash position improving throughout the year and not reducing as expected, allowing additional funds to be invested and remain invested.					
Other revenues	1,623	1,378	(245)	(15%)	U
Council's revenue from infringement notices was \$189k lower then originally estimated.					
Operating grants and contributions	5,630	12,209	6,579	117%	F
Council recognised \$4.347million in natural disaster funding that was not included in the original budget. Council recognised \$1.554million 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 Financial Assistance Grant funding of \$176k, Library funding of \$33k and Environmental grants \$116k and Rural Fire Service grants and contributions \$92k					
Capital grants and contributions	10,726	12,707	1,981	18%	F
Council had budgeted \$5million grant for Byron Bay bypass not yet received. Council received \$1.773million in subdivider dedications not budgeted and Council also received \$5.643million in Developer Contributions in additional to the amount budgeted.					
Net gains from disposal of assets	–	1,270	1,270	0%	F
Council does not budget for gain from disposal of assets given it is a non cash revenue item.					

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 16. Material budget variations (continued)

\$ '000	2016 Budget	2016 Actual	2016 Variance*	
EXPENSES				
Employee benefits and on-costs	21,760	20,877	883	4% F
Borrowing costs	4,948	4,909	39	1% F
Materials and contracts	23,918	30,246	(6,328)	(26%) U
Council expended \$4.347million in Natural Disaster restoration works that were not included in the original budget, offset by additional operating grant revenue. Council expended additional \$375k on Waste collection, \$188k for paid parking expenses then budgeted and \$94k for Holiday Park Management. In addition Council completed works defined in the budget as capital expenditure but this expenditure was not capitalised.				
Depreciation and amortisation	14,587	13,234	1,353	9% F
Other expenses	5,678	5,380	298	5% F

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

Cash flows from operating activities	21,175	27,448	6,273	29.6% F
The cash flows from grants and contributions were \$7million greater then estimated, along with additional interest cash flows of \$944k. There were also additional cash flows of \$2.2million in user charges and fees. Expenditures under payments from operations were \$4.9million greater then estimates but mainly relate to expenditures for natural disaster restoration works not budgeted which is reflected in additional grant revenues.				
Cash flows from investing activities	(28,044)	(16,050)	11,994	(42.8%) F
The major component of the variance relates to the original budget for the capital works program of Council during 2015/2016 and the level of works actually completed by Council. This includes \$1.11million in works expensed that were originally budgeted for as capital works. The original budget also included \$5 million for the construction of the Byron Bay Bypass not commenced with remaining unexpended works carried forward to 2016/2017.				
Cash flows from financing activities	(2,421)	(3,566)	(1,146)	47.3% U
During the financial year, Council progressed the early repayment in full of two outstanding loans which accounts for the additional loan principal repayment expenditure in excess of the original budget. These two loans were originally budgeted to account for the normal repayments due during 2015/2016.				

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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	8,067	587	—	221	(1,098)	—	7,776	—
Rural roads	845	329	—	33	(28)	—	1,179	—
Cycleways	1,100	170	—	37	—	—	1,307	—
Carparking	2,483	—	—	66	(214)	—	2,336	—
Open space	6,039	953	—	162	(1,439)	—	5,716	—
Community facilities	1,558	321	—	45	(338)	—	1,587	—
Civic and urban improvements	1,542	129	—	46	(100)	—	1,617	—
Shire support services	187	34	—	6	—	—	227	—
Administration	245	198	—	9	(143)	—	309	—
Section 94 A levy	230	474	—	21	—	—	724	—
S94 contributions – under a plan	22,296	3,195	—	646	(3,359)	—	22,779	—
Total S94 revenue under plans	22,296	3,195	—	646	(3,359)	—	22,779	—
S64 contributions	17,045	5,187	—	556	(3,480)	—	19,309	—
Total contributions	39,341	8,383	—	1,203	(6,839)	—	42,088	—

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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	513	291	–	13	(343)	–	475	–
Mullumbimby	385	34	–	11	(33)	–	397	–
Bangalow	274	48	–	9	(0)	–	331	–
Suffolk Park	1,689	160	–	54	–	–	1,903	–
Brunswick Heads	68	–	–	2	–	–	70	–
Ocean Shores	1,186	75	–	6	(1,061)	–	207	–
Shire Wide	1,856	328	–	64	–	–	2,248	–
Rural North	37	–	–	1	–	–	38	–
Rural South	31	16	–	1	(2)	–	47	–
Total	6,039	953	–	162	(1,439)	–	5,716	–

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	473	70	–	13	(85)	–	472	–
Mullumbimby	161	9	–	1	(148)	–	23	–
Bangalow	121	22	–	4	–	–	147	–
Brunswick Heads	3	–	–	0	–	–	3	–
Ocean Shores	180	43	–	4	(91)	–	137	–
Shire Wide	513	157	–	19	(11)	–	678	–
Rural North	16	–	–	0	–	–	16	–
Rural South	92	20	–	3	(3)	–	111	–
Total	1,558	321	–	45	(338)	–	1,587	–

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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	468	97	–	17	–	–	582	–
Mullumbimby	106	34	–	4	–	–	144	–
Bangalow	223	4	–	7	–	–	233	–
Brunswick Heads	4	–	–	0	–	–	5	–
Ocean Shores	128	9	–	4	–	–	142	–
Shire Wide	92	9	–	3	–	–	104	–
Rural North	12	–	–	0	–	–	13	–
Rural South	65	17	–	2	–	–	85	–
Total	1,100	170	–	37	–	–	1,307	–

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	16	1	–	1	–	–	18	–
Mullumbimby	2	10	–	0	–	–	12	–
Bangalow	3	0	–	0	–	–	3	–
Ocean Shores	5	1	–	0	–	–	5	–
Rural North	12	–	–	0	–	–	12	–
Rural South	111	21	–	4	–	–	136	–
Shire Rural	38	–	–	1	–	–	39	–
Brunswick Heads	1	–	–	0	–	–	1	–
Total	187	34	–	6	–	–	227	–

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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	2,205	–	–	59	(171)	–	2,093	–
Mullumbimby	22	–	–	0	(17)	–	5	–
Bangalow	17	–	–	0	(15)	–	2	–
Brunswick Heads	240	–	–	7	(11)	–	236	–
Broken Head Hall	0	–	–	0	–	–	0	–
Total	2,483	–	–	66	(214)	–	2,336	–

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	5,588	301	–	153	(663)	–	5,379	–
Mullumbimby	838	44	–	14	(394)	–	502	–
Bangalow	1,025	115	–	32	(29)	–	1,144	–
Brunswick Heads	108	–	–	3	–	–	111	–
Ocean Shores	79	113	–	6	–	–	198	–
Batson Quarry	428	14	–	13	(12)	–	442	–
Total	8,067	587	–	221	(1,098)	–	7,776	–

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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	78	25	–	2	(28)	–	77	–
Mudges Quarry	16	–	–	0	–	–	16	–
Leela Quarry	4	–	–	0	–	–	4	–
Myocum Quarry (Council)	8	8	–	0	–	–	16	–
Rural North	96	62	–	5	–	–	163	–
Rural South	644	233	–	26	–	–	903	–
Total	845	329	–	33	(28)	–	1,179	–

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	1,135	77	–	33	(98)	–	1,147	–
Mullumbimby	87	7	–	3	–	–	96	–
Bangalow	154	14	–	5	(2)	–	170	–
Brunswick Heads	13	–	–	0	–	–	13	–
Ocean Shores	105	14	–	3	–	–	122	–
Rural North	24	–	–	1	–	–	25	–
Rural South	26	18	–	1	–	–	44	–
Total	1,542	129	–	46	(100)	–	1,617	–

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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	245	198	–	9	(143)	–	309	–
Total	245	198	–	9	(143)	–	309	–

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	230	474	–	21	–	–	724	–
Total	230	474	–	21	–	–	724	–

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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	10,085	296	–	–	(1,320)	–	9,060	–
Mullumbimby	733	821	–	308	(373)	–	1,489	–
Total	10,818	1,117	–	308	(1,693)	–	10,549	–

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	1,038	559	–	42	(148)	–	1,491	–
Ocean Shores	5,189	3,511	–	206	(1,638)	–	7,268	–
Total	6,227	4,070	–	249	(1,786)	–	8,760	–

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

Council participates in 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 7,000 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 2016 is:

Assets \$1,665.2 million.
Past Service Liabilities \$1,739.3 million
Vesting Benefits \$1,796.0 million

The asset coverage of past service liabilities is 95.7% and the asset coverage of vested benefits is 92.7%

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 \$672,000 additional contributions remaining).

It is estimated that Council's level of participation in the Scheme compared with other participating Pooled Employers is approximately 0.42%.

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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 2016

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 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.

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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 2016

Note 19. Interests in other entities (continued)

\$ '000

(d) Unconsolidated structured entities

Council has no material 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	2016	2016
		Net profit	Net assets
North East Weight Loads Group	To reduce road damage caused by traffic weight loads	(1)	23

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 2016, 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 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		455,080	448,235
a. Correction of prior period errors	20 (c)	3,421	3,421
b. Net operating result for the year		15,974	6,845
Balance at end of the reporting period		474,475	458,501

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

– Infrastructure, property, plant and equipment revaluation reserve	252,309	218,613
Total	252,309	218,613

(ii) Reconciliation of movements in reserves:

Infrastructure, property, plant and equipment revaluation reserve			
– Opening balance		218,613	385,652
– Revaluations for the year	9(a)	38,333	(167,038)
– Reassessment of Provision for Rehab of Landfill and Quarry		(4,637)	–
– Balance at end of year		252,309	218,613
TOTAL VALUE OF RESERVES		252,309	218,613

(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 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
(c) Correction of error/s relating to a previous reporting period			
Correction of errors disclosed in this 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 – 1/7/14 (relating to adjustments for the 30/6/14 reporting year end and prior periods)			—
– Adjustments to closing equity – 30/6/15 (relating to adjustments for the 30/6/15 year end)		3,421	—
Total prior period adjustments – prior period errors		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 2016

Note 21. Financial result and financial position by fund

Income Statement by fund \$ '000	Actual 2016	Actual 2016	Actual 2016
Continuing operations	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	2,175	9,845	24,178
User charges and fees	6,312	4,553	15,397
Interest and investment revenue	329	295	1,837
Other revenues	—	—	1,378
Grants and contributions provided for operating purposes	94	80	12,035
Grants and contributions provided for capital purposes	1,236	4,701	6,770
Other income			
Net gains from disposal of assets	—	—	1,270
Share of interests in joint ventures and associates using the equity method	—	—	—
Total income from continuing operations	10,146	19,474	62,865
Expenses from continuing operations			
Employee benefits and on-costs	924	2,603	17,350
Borrowing costs	—	3,792	1,117
Materials and contracts	2,496	5,011	24,604
Depreciation and amortisation	1,238	3,220	8,776
Impairment	—	—	—
Other expenses	3,785	40	1,555
Total expenses from continuing operations	8,443	14,666	53,402
Operating result from continuing operations	1,703	4,808	9,463
Discontinued operations			
Net profit/(loss) from discontinued operations	—	—	—
Net operating result for the year	1,703	4,808	9,463
Net operating result attributable to each council fund	1,703	4,808	9,463
Net operating result attributable to non-controlling interests	—	—	—
Net operating result for the year before grants and contributions provided for capital purposes	467	107	2,693

¹ General fund refers to all Council's activities other than Water, Sewer and Other

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 2016

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

Statement of Financial Position by fund \$ '000	Actual 2016	Actual 2016	Actual 2016
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	13,272	14,742	15,936
Investments	—	—	34,539
Receivables	2,052	1,977	4,527
Inventories	—	—	1,357
Other	—	—	86
Non-current assets classified as 'held for sale'	—	—	—
Total current assets	15,324	16,719	56,445
Non-current assets			
Investments	—	—	1,000
Receivables	—	—	630
Inventories	—	—	—
Infrastructure, property, plant and equipment	58,790	145,584	516,323
Investments accounted for using the equity method	—	—	—
Investment property	—	—	—
Intangible assets	—	—	—
Total non-current assets	58,790	145,584	517,953
TOTAL ASSETS	74,114	162,303	574,398
LIABILITIES			
Current liabilities			
Payables	—	208	10,496
Borrowings	—	1,587	1,005
Provisions	—	—	5,125
Total current liabilities	—	1,795	16,626
Non-current liabilities			
Payables	—	—	—
Borrowings	—	46,172	13,957
Provisions	—	—	5,481
Total non-current liabilities	—	46,172	19,438
TOTAL LIABILITIES	—	47,967	36,064
Net assets	74,114	114,336	538,334
EQUITY			
Retained earnings	38,869	83,576	352,030
Revaluation reserves	35,245	30,760	186,304
Total equity	74,114	114,336	538,334

¹ General Fund refers to all Council's activities other than Water, Sewer and Other

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 2016

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

\$ '000

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

Note 23. Events occurring after the reporting date

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

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

Accordingly, the 'authorised for issue' date is 27/10/16.

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

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

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

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

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

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

Note 24. Discontinued operations

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 2016

Note 26. Reinstatement, rehabilitation and restoration liabilities

\$ '000

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

Asset/operation	Estimated year of restoration	NPV of provision	
		2016	2015
Myocum tip site	2026	2,757	497
Myocum quarry site	2026	2,567	409
Balance at end of the reporting period	10(a)	5,324	906

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.

Reconciliation of movement in provision for year:

Balance at beginning of year	906	863
Amounts capitalised to new or existing assets:		
Revised Cost Estimate (1)	4,396	–
Amortisation of discount (expensed to borrowing costs)	22	70
Expenditure incurred attributable to provisions	–	(28)
Total – reinstatement, rehabilitation and restoration provision	5,324	906

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.

During the year, Council reassessed the cost to rehabilitate its landfill and quarry sites. The costs of the estimate rehabilitation increased substantially due to a revised investigation into the extent of the rehabilitation combined with the estimated cost to complete the works.

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement

\$ '000

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

- Infrastructure, property, plant and equipment
- Financial assets and liabilities

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

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

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

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

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

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

		Fair value measurement hierarchy			
2016		Level 1	Level 2	Level 3	Total
	Date of latest valuation	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
Recurring fair value measurements					
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	–	–	88,832	88,832
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	626,634	712,568

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

		Fair value measurement hierarchy			
2015		Level 1	Level 2	Level 3	Total
	Date of latest valuation	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
Recurring fair value measurements					
Financial assets					
Investments					
– 'Designated at fair value on initial recognition'	30/06/15	–	36,856	–	36,856
Total financial assets		–	36,856	–	36,856
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/15	–	–	4,770	4,770
Office equipment	30/06/15	–	–	821	821
Furniture and fittings	30/06/15	–	–	75	75
Operational land	30/06/15	–	80,165	–	80,165
Community land	30/06/15	–	–	71,986	71,986
Land under roads (Post 30/6/08)	30/06/15	–	–	5,568	5,568
Land improvements – non-depreciable	30/06/15	–	–	80	80
Land improvements – depreciable	30/06/15	–	–	2,445	2,445
Buildings specialised	30/06/15	–	–	59,832	59,832
Other structures	30/06/15	–	–	481	481
Roads	30/06/15	–	–	156,802	156,802
Bridges	30/06/15	–	–	13,170	13,170
Footpaths	30/06/15	–	–	4,773	4,773
Bulk earthworks	30/06/15	–	–	29,001	29,001
Stormwater drainage	30/06/15	–	–	45,845	45,845
Water supply network	30/06/15	–	–	47,827	47,827
Sewerage network	30/06/15	–	–	130,252	130,252
Swimming pools	30/06/15	–	–	2,687	2,687
Other open space and recreational assets	30/06/15	–	–	5,413	5,413
Other assets	30/06/15	–	–	2,261	2,261
Tip assets	30/06/15	–	–	6,479	6,479
Quarry assets	30/06/15	–	–	311	311
Total infrastructure, property, plant and equipment		–	80,165	590,879	671,044

(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 2016

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 2016

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 30/6/14 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 have been also been 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 (including bulk earthworks), 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 2013. 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.

These assets have been indexed in the 2016 financial year in line with the NSW Reference Rates Manual issued by the NSW Office of Water

Sewer

Sewer Network assets were valued by AssetVal at 30th June 2013. 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.

These assets have been indexed in the 2016 financial year in line with the NSW Reference Rates Manual issued by the NSW Office of Water

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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)

Land Improvements - Depreciable and Non Depreciable

Land Improvements - Depreciable and Non Depreciable are valued at cost. The carrying amount of these assets is assumed to approximate fair value.

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 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Plant and equipment	Office equipment	Furniture and fittings	Community land	Land under roads (post 30/6/08)	Land improv'mnt non depr.	Land improv'mnt depreciable	Total
Opening balance – 1/7/14	3,525	838	76	71,986	5,568	80	2,623	84,698
Purchases (GBV)	2,561	177	10	–	–	–	–	2,747
Disposals (WDV)	(341)	–	–	–	–	–	–	(341)
Depreciation and impairment	(975)	(193)	(12)	–	–	–	(178)	(1,358)
Closing balance – 30/6/15	4,770	822	74	71,986	5,568	80	2,445	85,746
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	88,832	6,403	80	2,390	103,460

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Buildings specialised	Other structures	Roads	Bridges	Footpaths	Bulk earthworks	Stormwater drainage	Water supply network	Total
Opening balance – 1/7/14	59,672	500	203,772	16,906	43,112	98,314	59,813	48,027	530,116
Purchases (GBV)	718	–	2,904	–	132	–	645	346	4,746
Disposals (WDV)	(89)	–	(410)	–	–	–	–	(53)	(552)
Depreciation and impairment	(469)	(19)	(4,953)	(293)	(126)	–	(574)	(1,194)	(7,628)
Revaluation	–	–	(44,510)	(3,443)	(38,347)	(69,312)	(14,038)	–	(169,650)
Indexation	–	–	–	–	–	–	–	701	701
Closing balance – 30/6/15	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

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Sewerage network	Swimming pools	Other open space and recreation	Other	Tip assets	Quarry assets	Total
Opening balance – 1/7/14	130,664	2,746	5,533	2,479	6,959	311	148,691
Purchases (GBV)	851	–	147	32	–	–	1,030
Disposals (WDV)	(18)	–	–	–	–	–	(18)
Depreciation and impairment	(3,157)	(58)	(267)	(249)	(49)	–	(3,780)
Indexation	1,911	–	–	–	–	–	1,911
Closing balance – 30/6/15	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

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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 (30/6/16) \$'000	Valuation technique/s	Unobservable inputs
I,PP&E			
Plant, Equipment, Furniture, Fittings and Office Equipment	5,754	Cost used to approximate fair value	Asset Condition, remaining useful lives
Community Land	88,832	Land values obtained from the NSW Valuer General	Land Value, land area
Land Under Roads	6,403	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	2,391	Cost used to approximate fair value	Asset Condition, remaining useful lives
Buildings	63,329	Independent valuation using depreciated replacement cost	Condition, remaining lives, valuers individual knowledge and skills.
Other Structures	2,076	Cost used to approximate fair value	Asset Condition, remaining useful lives
Roads, Bridges & Footpaths	175,091	Independent valuation using depreciated replacement cost	Condition, remaining lives, valuers individual knowledge and skills.

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

Class	Fair value (30/6/16) \$'000	Valuation technique/s	Unobservable inputs
I, PP&E (continued)			
Stormwater Drainage	45,733	Independent valuation using depreciated replacement cost	Condition, remaining lives, valuers individual knowledge and skills.
Bulk Earthworks	28,999	Independent valuation using depreciated replacement cost	Condition, remaining lives, valuers individual knowledge and skills.
Water	50,692	Independent valuation using depreciated replacement cost	Condition, remaining lives, valuers individual knowledge and skills.
Sewer	130,410	Independent valuation using depreciated replacement cost	Condition, remaining lives, valuers individual knowledge and skills.
Swimming Pools	2,247	Independent valuation using depreciated replacement cost	Condition, remaining lives, valuers individual knowledge and skills.
Other Open Space & Recreation	9,870	Independent valuation using depreciated replacement cost	Condition, remaining lives, valuers individual knowledge and skills.
Other Assets	1,966	Cost used to approximate fair value	Asset Condition, remaining useful lives
Tip Assets	10,425	Cost used to approximate fair value	Asset Condition, remaining useful lives
Quarry Assets	2,725	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 2016

Note 28. 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:

Switchboard: 8:30am - 4:30pm
Front Counter: 9:00am - 4:00pm

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

Thomas Noble & Russell
PO Box 106
Lismore NSW 2480

Elected members
MAYOR

Cr Simon Richardson

COUNCILLORS

Cr Basil Cameron
Cr Diane Woods
Cr Chris Cubis
Cr Duncan Dey
Cr Sol Ibrahim
Cr Rose Wanchap
Cr Paul Spooner
Cr Alan Hunter

Other information

ABN: 14 472 131 473

**BYRON SHIRE COUNCIL
GENERAL PURPOSE FINANCIAL STATEMENTS
INDEPENDENT AUDITOR'S REPORT**

Report on the Financial Statements

We have audited the accompanying financial statements of Byron Shire Council ("the Council"), which comprises the statement of financial position as at 30 June 2016, the income statement, 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.

Council's Responsibility for the Financial Statements

The Council is 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 Council determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Council, as well as evaluating the overall presentation of the financial statements.

Our audit responsibility does not extend to the original budget information included in the income statement, statement of cash flows, Note 2(a) and Note 16 budget variation explanations, and accordingly, we do not express an opinion on such. In addition, our audit did not include an analysis of the prudence of business decisions made by Council or management.

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



Independence

In conducting our audit, we have complied with the independence requirements of the Australian professional accounting bodies.

Opinion

In our opinion:

- a) The Council's accounting records have been kept in accordance with the requirements of the *Local Government Act, 1993*, Chapter 13, Part 3, Division 2;
- b) The financial statements:
 - i. Have been prepared in accordance with the requirements of this Division;
 - ii. Are consistent with the Council's accounting records;
 - iii. Present fairly, in all material respects, the Council's financial position as at 30 June 2016, and of its performance and its cash flows for the year then ended; and
 - iv. Are in accordance with applicable Accounting Standards;
- c) All information relevant to the conduct of the audit has been obtained; and
- d) There are no material deficiencies in the accounting records or financial statements that have come to light in the course of the audit.

Matters Relating to the Electronic Presentation of the Audited Financial Statements

This auditor's report relates to the general purpose financial statements of Byron Shire Council for the financial year ended 30 June 2016 published in the annual report and included on Council's website. The Council is responsible for the integrity of the Council's website. We have not been engaged to report on the integrity of this website. The auditor's report refers only to the financial statements identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial statements. If users of the financial statements are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements to confirm the information contained in this website version of the financial statements.

Dated at Lismore this 27th day of October 2016.

THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS

K R FRANEY (Partner)
Registered Company Auditor

Byron Shire Council

Report to Council under s417 of the Local
Government Act 1993

30 June 2016



www.tnr.com.au

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Overview

We are pleased to advise that we have completed the audit of Council's financial reports for the year ended 30 June 2016, in accordance with Section 415 of the *Local Government Act 1993*. The financial reports that have been subject to independent audit are the:

- General purpose financial report; and
- Special purpose financial report.

Unmodified independent audit reports have been issued to the Council for the 2016 year and these are attached to each financial report. Further commentary as required by the *Local Government Act 1993* is provided in this report.

This report should be read in conjunction with our audit opinion on the general purpose financial report provided under Section 417(2) of the *Local Government Act 1993*. Section 417 (3) of the *Local Government Act 1993* requires us to consider and provide comment on the material items affecting the general purpose financial report and other matters pertinent to the audit. Arising from the audit, there are a number of observations we wish to raise concerning the trends in Council's finances.

Income Statement

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

Consolidated result










Consolidated Operating Result	Current Year (\$'000)	Prior Year (\$'000)	Audit Comments
Revenues from continuing operations	76,643	78,291	<p>Council's consolidated surplus from all activities for 2016 was \$15,974,000. This compares to a surplus in 2015 of \$6,845,000.</p> <p>It is important to note that Council has returned a consolidated operating surplus after depreciation and before capital revenue and other significant items of \$1.997 million. This indicates that Council is funding its depreciation which is a key asset management and financial sustainability benchmark.</p> <p>Refer to the 'Material Revenue and Expense Movements' section of this report for audit comments in relation to material movements in operating results.</p>
Expenses from continuing operations	(61,412)	(65,273)	
Result from continuing operations before depreciation	15,231	13,018	
Less: depreciation expense	(13,234)	(12,766)	
Operating surplus/(deficit) after depreciation and before capital revenue and other significant items	1,997	252	
<i>Significant items impacting the operating result:</i>			
Gain / (Loss) on disposal of assets	1,270	(676)	
Operating result before capital revenue	3,267	(424)	
Capital grants and contributions	12,707	7,269	
Surplus from all activities	15,974	6,845	

Results by Fund

Operating Result by Fund	General			Water			Sewer	
	Current Year (\$'000)	Prior Year (\$'000)		Current Year (\$'000)	Prior Year (\$'000)		Current Year (\$'000)	Prior Year (\$'000)
Revenues from continuing operations	54,825	57,425		8,910	8,482		14,773	14,349
Expenses from continuing operations	(44,626)	(48,848)		(7,205)	(7,004)		(11,446)	(11,387)
Result from continuing operations before depreciation	10,199	8,577		1,705	1,478		3,327	2,962
Less: depreciation expense	(8,776)	(8,389)		(1,238)	(1,206)		(3,220)	(3,171)
Operating result after depreciation and before capital items, gain / (loss) on disposal of assets and other significant items	1,423	188		467	272		107	(209)
Gain / (Loss) on disposal of assets	1,270	(605)		-	(53)		-	(18)
Capital grants and contributions	6,770	4,400		1,236	737		4,701	2132
Surplus from all activities	9,463	3,983		1,703	956		4,808	1,905

The table above provides an understanding of Council's result before depreciation, capital items and significant non-recurring items by fund. The key observation from the above table is that General Fund generated a surplus of \$1,423,000 prior to capital items, gain / (loss) on sale and other significant items. The above surplus has however been inflated by \$1.554m Roads to Recovery funding which is recorded as operating revenue but spent on asset renewal. The Office of Local Government requires Roads to Recovery funding to be classified as operating revenue even though it may be spent on capital projects.

Material Revenue and Expense Movements

Revenue / Expense	Increase / (Decrease)	Audit Comment
Revenues		
Rates & Annual Charges	 1,759,000	Rates revenue increased according to rate-pegging whilst annual charges are reviewed annually.
Parking Fees	 1,227,000	Council implemented a paid parking scheme in Byron Bay in December 2015.
Transport (Roads to Recovery) - Operating	 844,000	Roads to Recovery grant revenue has increased in accordance with the Federal Government's funding commitment.
Transport (Other Roads and Bridges Funding) - Capital	 1,129,000	Council received increased funding from the Roads & Maritime Services in 2015/16 to fund capital works including the Coolamon Scenic Drive and Byron Bypass projects
Developer Contributions (s94, s94A, s64)	 3,712,000	There has been an increasing trend in the level of development activity in the region over the last several years. Council has experienced a 24% increase in the number of development applications lodged in 2016 compared to 2015.
Other contributions – Roads and Bridges - Operating	 (4,972,000)	Council received significant natural disaster funding in the previous year for various landslips and natural disaster events that occurred in 2012, 2013 and 2015. As these works near completion, the level of natural disaster recovery funding has reduced.
Gains from the disposal of assets	 1,946,000	This fluctuates depending on disposals made during the year, however in 2016, Council realised a gain from the sale of the Roundhouse land.
Expenses		
Employee benefits and on-costs	 1,336,000	Attributable to an increase local government state award increases as well as an increase in costs associated with a staffing restructure during the year.
Raw materials and consumables	 (4,804,000)	These costs have reduced as the 2015 financial year had significant maintenance expenses relating to natural disaster events.

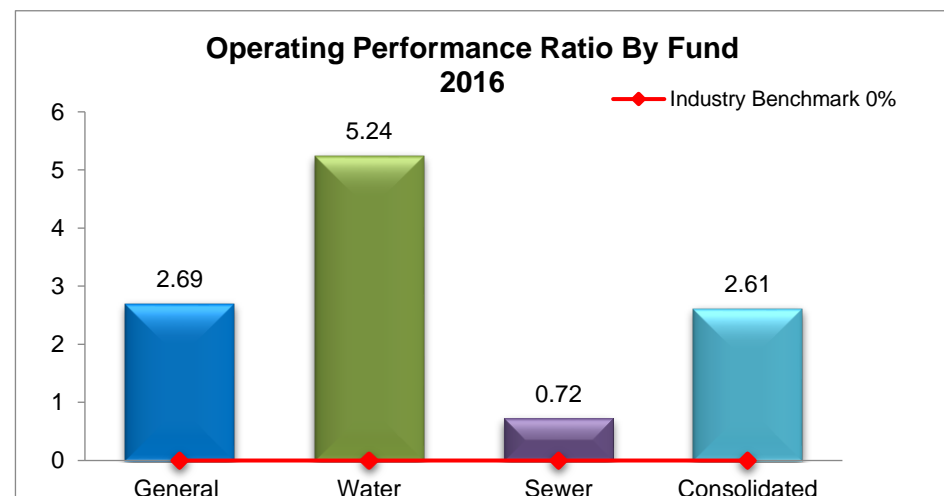
Income Statement ratios

Operating Performance Ratio

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

It is important to distinguish that this ratio is focusing on operating performance and hence capital grants and contributions and fair value adjustments are excluded.

As illustrated, all Council's funds are generating a surplus before capital revenue sufficient to fund the depreciation expense on their controlled assets.

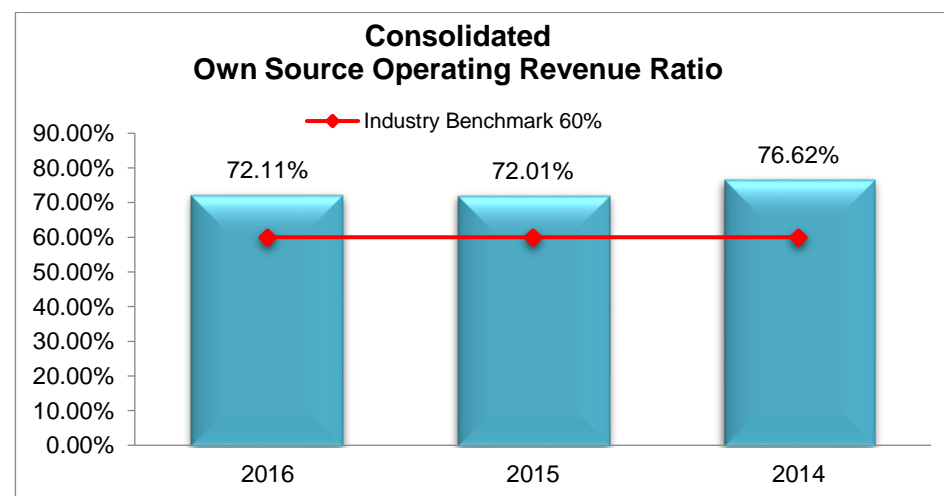


Own Source Operating Revenue Ratio

Local Government performance benchmarking analyses the ability of Council to generate its own revenue sources rather than over-reliance on grants and contributions (capital and operating) received from external sources.

The graph illustrates that Council sources 72.11% of its consolidated revenue from rates, annual charges, user charges, interest etc. which exceeds the industry benchmark of 60%.

General Fund own source revenue also exceeds the industry benchmark and was 68.52% for the 2016 financial year.



Capital Grants & Contributions

Council receives capital grants and contributions from various sources each financial year to renew existing assets as well as construct new assets. Capital contributions include developer contributions as well as dedications received by Council on the finalisation of a development.

Capital grants received during the year amounted to \$2,022,000 and largely comprised grants for roads and bridges construction - \$1,916,000.

Capital contributions received during the year amounted to \$10,685,000. The table below provides an understanding of the nature and quantum of contributions received during the financial year:

Capital Contribution Type	Current Year (\$'000)	Prior Year (\$'000)	Audit Comments
S 94 - Contributions towards amenities/services	2,726	2,203	Capital contributions has increased from 2015 by \$4,340,000 which has been caused by significant improvement in the level of development activity within the region and an increase in the level of development applications received in recent years. The use of cash contributions received during each year is restricted and accordingly they are not available for use in Council's general operations.
S 94A – Fixed Development Consent Levies	474	194	
S 64 - Water Supply Contributions	1,117	613	
S 64 - Sewerage Service Contributions	4,070	1,665	
Total Developer Contributions	8,387	4,675	
Developer Dedications	1,773	1,582	
Other Contributions	525	88	
Total	10,685	6,345	

Statement of Cashflows

Cash flow item	Current Year (\$'000)	Prior Year (\$'000)	Audit Comments
Operating & Capital receipts	87,989	85,772	The cash surplus from operations has improved from \$21,516,000 in 2015 to \$27,448,000 in 2016. These cash surpluses are then used to replace / build new infrastructure and other assets as well as make loan repayments.
Operating payments	(60,541)	(64,256)	
Net cash result from operations	27,448	21,516	
Net sale/(purchase) of investments	1,319	(5,947)	The sale/purchase of investments represents Council's treasury activities. The movement in cash can fluctuate year on year depending on the timing of investing and redeeming.
Net sale/(purchase) of IPPE	(21,321)	(8,766)	
Net sale/(purchase) of real estate assets	3,952	-	Council received proceeds of \$3,952,000 on the sale of real estate assets in the current year.
New borrowings	-	-	Council did not draw down any new borrowings during the current year.
Repayment of borrowings	(3,566)	(3,262)	
Increase in cash	7,831	3,542	
Cash at the start of the year	36,119	32,577	
Closing cash position	43,950	36,119	
Plus Investments	35,539	36,856	
Total cash and investments	79,489	72,975	

Statement of Financial Position

Line Item	Current Year (\$'000)	Prior Year (\$'000)	Audit Comments
Current Assets	88,488	83,472	<p>This table summarises Council's Statement of Financial Position and illustrates that Non-Current Assets, which largely comprises Infrastructure, Property, Plant & Equipment is the most material aspect of Council's operations. Council is focusing on its asset management practices.</p> <p>We provide commentary on some of the material assets and liabilities appearing on Council's statement of financial position as at 30 June 2016 together with related Office of Local Government benchmark data below.</p>
Non-Current Assets	722,327	675,764	
Total Assets	810,815	759,236	
Current Liabilities	18,421	17,395	
Non-Current Liabilities	65,610	64,727	
Total Liabilities	84,031	82,122	
Equity	726,784	677,114	

Unrestricted Net Current Assets

Line Item	Current Year (\$'000)	Prior Year (\$'000)	Audit Comments
Current Assets	88,488	83,472	<p>Council's unrestricted current asset position provides a measure of the Council's capacity / liquidity to meet its commitments from current assets net of externally restricted cash, investments and receivables.</p> <p>At 30 June 2016 Council held \$18,290,000 of unrestricted current net assets being \$2,010,000 more than 30 June 2015.</p> <p>Trends in the General Fund's unrestricted current ratio are shown later in this report which indicate that Council's liquidity position is satisfying industry benchmarks.</p>
Externally restricted cash & investments	(56,838)	(54,507)	
Externally restricted receivables	(4,029)	(4,168)	
Current Assets less all External restrictions	27,621	24,798	
Current Liabilities	18,421	17,395	
Externally restricted liabilities	(5,518)	(5,148)	
Liabilities classified as current in the financial report but not expected to be paid in the next 12 months	(3,572)	(3,729)	
Current Liabilities less Specific Purpose Liabilities	9,331	8,518	
Unrestricted Current Net Assets before Internal Reserves	18,290	16,280	

Cash & Investments

Cash & Investments	Current Year (\$'000)	Prior Year (\$'000)	Audit Comments
Externally Restricted <i>Monies can only be spent in accordance with legislation, grant agreement or developer contribution plan specifications</i>	57,838	55,042	Council is managing its investment portfolio in accordance with the Minister's Investment Order which is applicable to all local government authorities.
Internally Restricted <i>Money set aside for special projects via Council resolution</i>	20,506	16,790	Council has set aside additional internally restricted reserves at 30 June 2016 which are shown in the table below.
Unrestricted <i>Funds forming part of working capital used for day-to-day Council operations</i>	1,145	1,143	This table shows that Council has \$1,145,000 in available funds that have not been set aside in externally and internally restricted reserves and are available to fund day-to-day activities.
Total Cash & Investments	79,489	72,975	

Cash & Investments (Cont'd)

Internally Restricted Cash	Current Year (\$'000)	Prior Year (\$'000)	Audit Comments
Plant and vehicle replacement	1,342	1,204	Council has resolved to set aside funds for these special purposes / projects.
Infrastructure replacement	3,894	1,807	
Employees leave entitlement	1,072	1,209	
Bridge replacement fund	935	500	
Byron Bay library	242	565	
Council caravan parks	2,305	1,710	
Footpath dining	232	348	
Information technology	345	227	
Infrastructure services carryover	952	1,058	
Legal services	692	779	
On-site sewerage management reserve	410	281	
Paid parking	1,262	360	
Property development reserve	576	445	
Property	741	1,328	
Quarry	838	526	
Special rate carryover reserves	865	1,041	
Stormwater	505	350	
Waste management	1,852	931	
Unexpended loans	54	445	
Other	1,392	1,676	
Total Internal Restrictions	20,506	16,790	

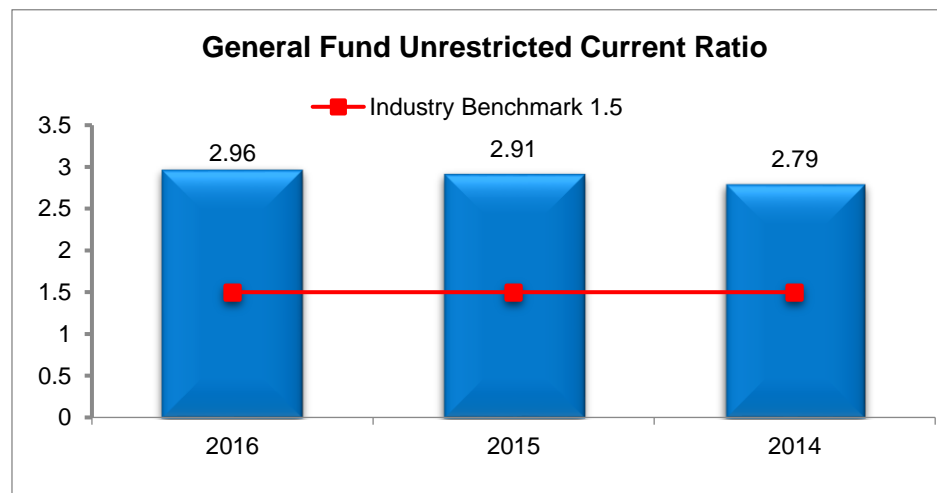
Statement of Financial Position Ratios

Unrestricted Current Ratio

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

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

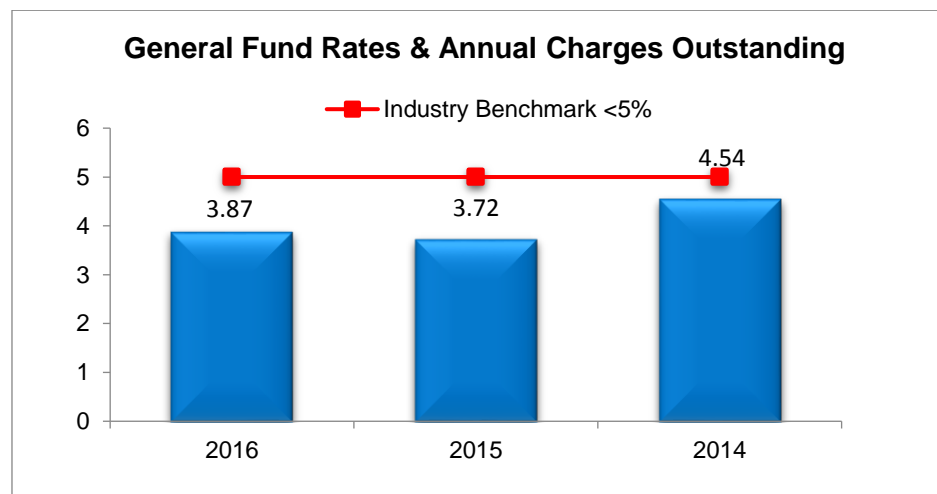
At 30 June 2016 Council's General Fund has \$2.96 in liquid current assets for every \$1 of current liabilities. The current ratio exceeds the industry benchmark.



Rates & Annual Charges Outstanding Ratio

This is a financial performance indicator that assesses the effectiveness of Council's revenue collection processes.

Council's General Fund rates and annual charges outstanding ratio has increased slightly from 3.72% in 2015 to 3.87% as at 30 June 2016. The NSW Office of Local Government benchmark is less than 5% for urban and Coastal Council's and less than 10% for rural Council's. Council is managing the collection of its general fund rates and annual charges well and is exceeding industry benchmarks.



Infrastructure, Property, Plant & Equipment Matters

Council Constructed / Purchased Additions

Each year Council budgets to renew or capitalise new assets. An illustration of Infrastructure, Property, Plant & Equipment capitalised over the past two years is provided below:

Asset Type	Current Year (\$'000)	Prior Year (\$'000)	Audit Comments
Council Constructed / Purchased Assets:			<p>Council constructed / purchased additions have increased during the year.</p> <p>Significant expenditure in the current year relates to transport assets including large projects such as Coolamon Scenic Drive upgrade. Council has also dedicated greater funding toward roads renewals when compared to the prior year.</p> <p>Other material capital projects relate to the development of the South Byron Sewer Treatment Plant land as well as the construction of the North Ocean Shores Sports Field.</p> <p>The rate at which Council's assets are being renewed is measured by the Building and Infrastructure Renewal Ratio.</p>
Land and Buildings	2,442	718	
Plant and Equipment	1,285	2,561	
Roads and Drainage Network	5,072	2,732	
Water & Sewerage Network	3,255	606	
Other Assets	2,591	324	
Work in Progress	6,944	2,825	
Developer Dedications	1,773	1,582	
Total Asset Additions	23,362	11,348	
Asset additions – Renewals	15,670	4,162	
Asset additions – New	7,692	7,186	

Depreciation

Asset Class	Current Year			Prior Year		Audit Comments
	WDV \$'000	Depreciation Expense \$'000		WDV \$'000	Depreciation Expense \$'000	
Plant & Equipment	5,754	1,277		5,666	1,180	<p>The largest asset or liability appearing on Council's statement of financial position is Infrastructure, Property, Plant & Equipment (IPP&E).</p> <p>Note 9 to the general purpose financial statements provides an understanding of Council's IPP&E and illustrates that Council is responsible for maintaining assets with a written down value of approximately \$720 million.</p> <p>This table indicates that Council needs to generate over \$13m in surplus each year to fund the rate at which IPP&E is being consumed.</p> <p>In 2016 Council has generated sufficient surpluses (before capital grants and contributions) to fund its depreciation on a consolidated basis as well as by Fund.</p>
Operational Land	85,544	-		79,735	-	
Community Land	88,832	-		71,986	-	
Land Under Roads	6,403	-		5,568	-	
Land Improvements	2,471	159		2,525	178	
Buildings	63,330	769		59,832	469	
Other Structures	2,075	19		481	19	
Roads, Bridges & Footpaths	175,090	5,346		174,745	5,372	
Bulk Earthworks	28,999	-		29,001	-	
Stormwater Drainage	45,733	574		45,845	574	
Water Supply Infrastructure	50,692	1,217		47,827	1,194	
Sewerage Supply Infrastructure	130,409	3,206		130,252	3,157	
Swimming Pools	2,247	58		2,687	58	
Other Open Space/Recreational Assets	9,870	266		5,413	267	
Work in Progress	8,132	-		3,671	-	
Other Assets	1,966	249		2,261	249	
Tip and Quarry Assets	13,150	94		7,220	49	
	720,697	13,234		674,715	12,766	

Asset Revaluations

Asset Class	WDV Prior to Revaluation \$'000	Revaluation Increase / (Decrease) \$'000	WDV Subsequent to Revaluation \$'000	Audit Comments
Land - revalued:	157,132	23,647	180,779	<p>In the current year, Council has revalued:</p> <ul style="list-style-type: none"> ■ Community land, ■ Operational land, ■ Buildings, ■ Other structures, and ■ Other open space/recreational assets/swimming pools. <p>In accordance with the requirement to maintain assets at fair value, the Council has applied indexation to all other land, buildings and infrastructure asset classes where material.</p> <p>As a result of the revaluation and indexation processes the written down value of Council's IPP&E increased by \$38,333,000.</p>
Land Improvements - indexed:	2,471	-	2,471	
Buildings - revalued:	60,649	2,681	63,330	
Infrastructure - indexed:				
- Other structures	2,075	-	2,075	
- Roads	157,197	-	157,197	
- Bridges	13,122	-	13,122	
- Footpaths	4,771	-	4,771	
- Bulk Earthworks (non-depreciable)	28,999	-	28,999	
- Stormwater Drainage	45,733	-	45,733	
- Water Supply Network	49,996	696	50,692	
- Sewerage Network	128,512	1,897	130,409	
- Other open space/recreational assets	5,819	4,051	9,870	
Other Assets - revalued:	12,002	5,361	17,363	
Plant & Equipment - not revalued:	13,886	-	13,886	
Total	682,364	38,333	720,697	

Asset Management Performance Indicators

The NSW Office of Local Government has introduced several performance indicators designed to provide Council with an understanding of how it is managing its assets.

Audit of Asset Management Information

The Office of Local Government is planning to introduce an audit of special schedule 7. At this point in time it is unclear when the first audit will be undertaken as the framework to allow information to be prepared consistently across all NSW councils is yet to be finalised.

In early 2016, the Office of Local Government undertook a review of each council's preparedness for the audit of special schedule 7. The results of this review indicated that most local government authorities require greater investment in asset management practices. The review of Byron Shire Council's asset management practices generally indicated that there is moderate compliance with most aspects of asset management best practice and further improvement is required.

To ensure Council's asset management practices and systems continue to mature and also prepare for a possible audit of special schedule 7 it will be important to:

- Review the information contained in special schedule 7 to ensure it is accurate;
- Continue to review and update asset management plans, policies and procedures so they reflect current practice;
- Ensure that asset management is appropriately resourced to maximise the effectiveness of infrastructure management; and
- Continue to collect and analyse asset data to inform the asset management process and inform decision-making on building new infrastructure or renewing or repairing existing assets.

Linking Asset Management & Financial Performance

Creating financial capacity to fund asset maintenance, renewals and new capital projects is one of the most difficult issues facing the Local Government industry in Australia. The ability to satisfy the industry parameters for asset renewals is a key goal for any local government authority which will only be achieved by:

- Having asset management and financial systems that accurately identify and record expenditure (capital and maintenance) throughout each year by asset component;
- Ensuring that the depreciation expense disclosed in the financial report reflects the actual consumption of each asset;
- Ensuring policies and procedures are updated so that Council personnel have sound guidance on capital v maintenance and renewals v new capital works;
- Accurately recording renewals expenditure where projects include replacing an existing asset with greater capacity; and
- Constantly reviewing Council's operations so that the maximum available resources can be directed toward asset renewal and maintenance.

Building & Infrastructure Renewals Ratio

This ratio assesses the rate at which buildings and infrastructure assets are being renewed against the rate at which they are depreciating. The building and infrastructure renewals ratio is calculated based on replacement of existing assets with assets of equivalent capacity or performance as opposed to the acquisition of new assets. Expenditure incurred to add capacity to existing assets is excluded from this ratio.

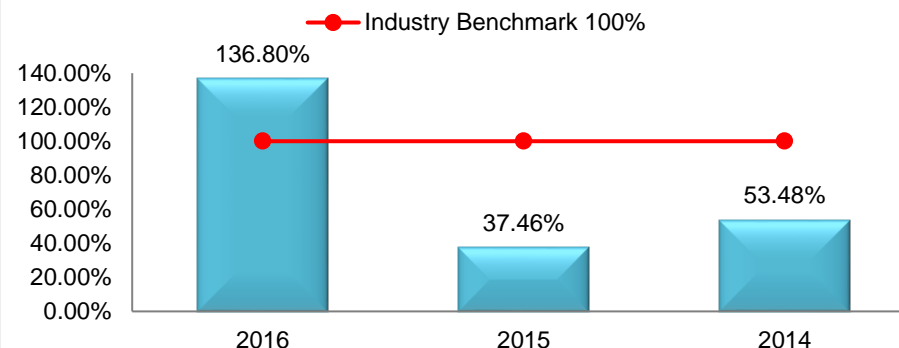
Industry benchmarking recommends that asset renewals equate to 100% of the related depreciation expense.

For General Fund, Council has satisfied this benchmark in the current year which means Council has renewed assets equivalent to the rate at which they are depreciating. The large movement in this ratio is due to a programme of re-sealing and reconstruction of Council roads, funded by State and Federal grants as well as a greater budgeted contribution of Council's own source revenue.

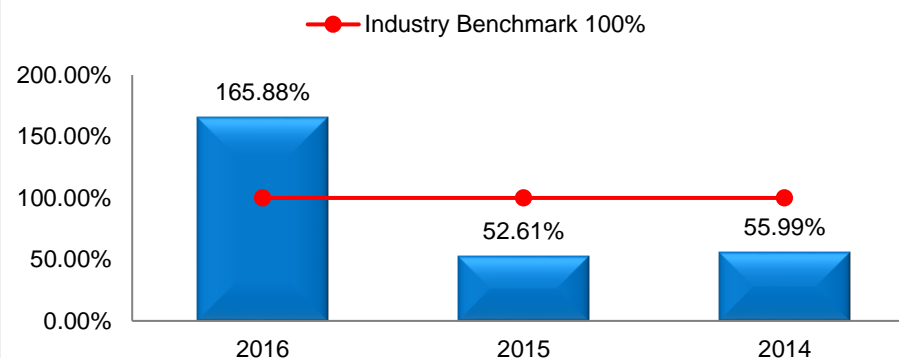
The challenge facing all local government authorities is to maintain this ratio and consistently satisfy this industry benchmark, particularly in the General Fund, which is subject to rate pegging limits.

Note that this ratio is not subject to audit.

Building & Infrastructure Renewals Ratio (Consolidated)



Building & Infrastructure Renewals Ratio (General Fund)



Asset Maintenance Ratio

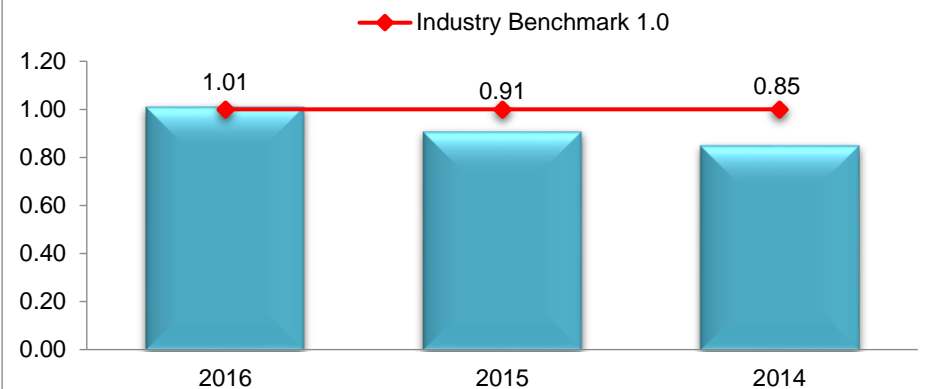
This ratio compares actual versus required (as estimated by Council staff) annual asset maintenance. A ratio of above 1.0 indicates that the Council is investing enough funds within the year to stop the Infrastructure Backlog from growing. This ratio is highly dependent on accurate and consistent required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

The benchmark for this ratio is greater than 1.0.

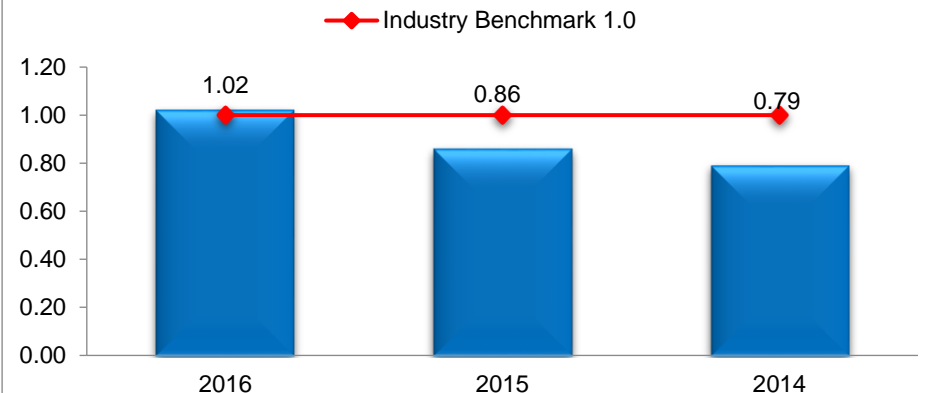
Council's ratio has improved and these graphs illustrate that Council is spending sufficient funds on asset maintenance to ensure their condition does not deteriorate below a satisfactory standard.

Note that this ratio is not subject to audit.

Asset Maintenance Ratio (Consolidated)



Asset Maintenance Ratio (General Fund)



Debt Levels

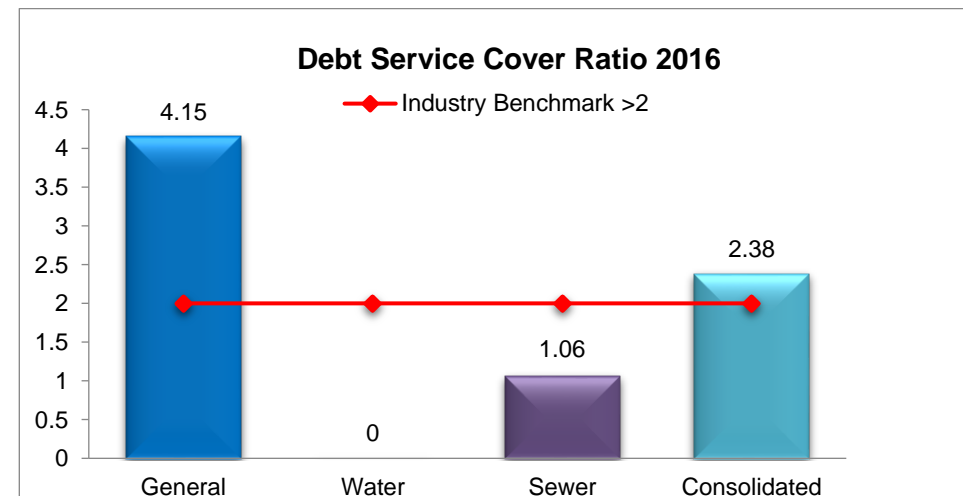
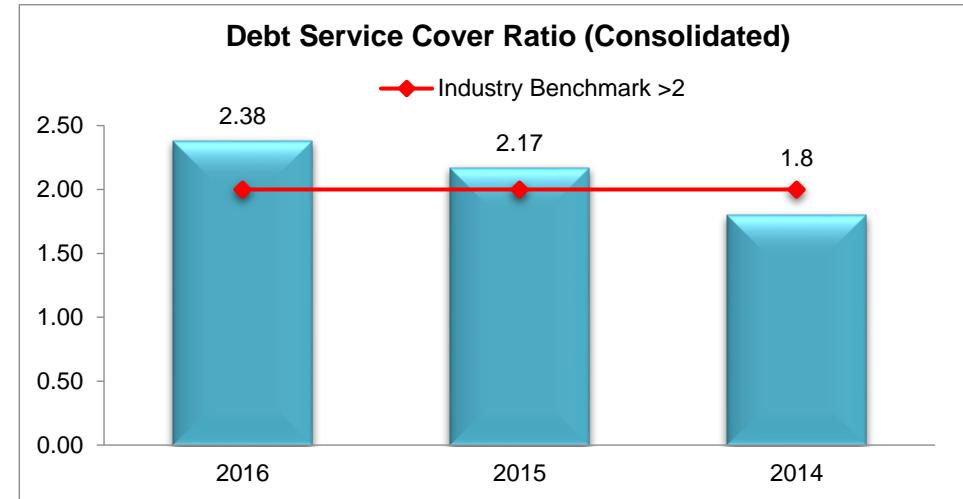
Loan Liability

Line Item	Current Year (\$'000)	Prior Year (\$'000)	Audit Comments
Current Loan Liability	2,592	2,646	In 2016 Council did not draw down any new borrowings and repaid \$3,566,000 to reduce total borrowings to \$62,721,000.
Non-Current Loan Liability	60,129	63,640	
Total Loan Liability	62,721	66,286	
By Fund			
General Fund (incl. Domestic Waste)	14,962	16,154	
Water Fund	-	-	
Sewer Fund	47,759	50,132	
Total	62,721	66,286	

Debt Service Cover Ratio

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

Council is generating sufficient cash to satisfy its debt repayment obligations on a consolidated basis however the table below illustrates that sewer is below the industry benchmark for 2016.



Other Matters

Financial Report Planning

The 2017 and future financial years will be impacted by several Australian Accounting Standards:

AASB No.	Application Date	Impact
AASB 2015-6 <i>Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities</i>	1 July 2016	Introduces reporting of related party transactions to local government including disclosure of key management remuneration.
AASB 9 <i>Financial Instruments</i>	1 January 2018	Impacts recognition and reporting of certain financial instruments as well as the way in which the provision for impairment relating to receivables is calculated.
AASB 15 <i>Revenue From Contracts With Customers</i>	1 January 2019	<p>Introduces changes to the way in which certain revenue streams are recognised and reported. May have a significant influence on revenue recognition for grants and contributions.</p> <p>The AASB have recently released a draft Accounting Standard which is applicable to not-for-profit entities that complements AASB 15. This Standard will provide not-for-profit entities with clearer and simpler requirements for recognition, measurement and disclosure of income.</p> <p>This draft provides transitional relief to allow for comparatives not to be restated in the year of implementation.</p>
AASB 16 <i>Leases</i>	1 January 2019	Requires financial statements to capitalise certain operating leases.

Council's finance team should assess the impact of new Accounting Standards well in advance of their implementation period to determine the likely impact on future financial reporting and report their findings to the Audit Committee. The assessed impact of each Accounting Standard should be included in the notes to the financial statements.

Local Government Act Amendment

The NSW Parliament recently passed the Local Government Amendment (Governance & Planning) Bill 2016. There are a number of important amendments contained in this bill which are discussed below:

■ **Introduction of NSW Auditor-General as Auditor of Local Government in NSW**

The Bill appoints the Auditor-General as the auditor of all NSW Local Government Authorities. This appointment is effective 1 July 2016 and will result in most existing local government auditors being appointed as contractors to the Auditor-General. The Audit Office of NSW will release information on how the audit of local government in NSW will be conducted for the 2017 and future years.

■ **Audit, Risk & Improvement Committee**

Section 428A of the Local Government Amendment (Governance & Planning) Bill 2016 requires all Councils to establish an Audit, Risk & Improvement Committee.

Aside from the traditional responsibilities of a committee of this nature, the additional areas prescribed as being the responsibility of the Audit, Risk and Improvement Committee include review of:

- implementation of the strategic plan, delivery program and strategies;
- service reviews;
- collection of performance measurement data by the council; and
- providing information on how to improve the council's performance.

Council is not required to establish an Audit, Risk and Improvement Committee until 6 months after the ordinary election of councillors.

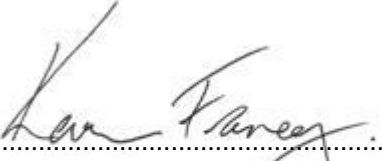
Internal Control Environment

No significant breakdowns of internal control were encountered during the course of our audit nor did we become aware of the existence of items comprising material error, sufficient to cause us to issue a modified audit opinion. We will issue a separate report to Council which identifies internal control weaknesses and other audit observations in due course.

Subject to the foregoing comments the books of account and records of the Council were maintained in good order and condition and the information and explanations required during the course of our work were readily supplied by the General Manager and his staff.

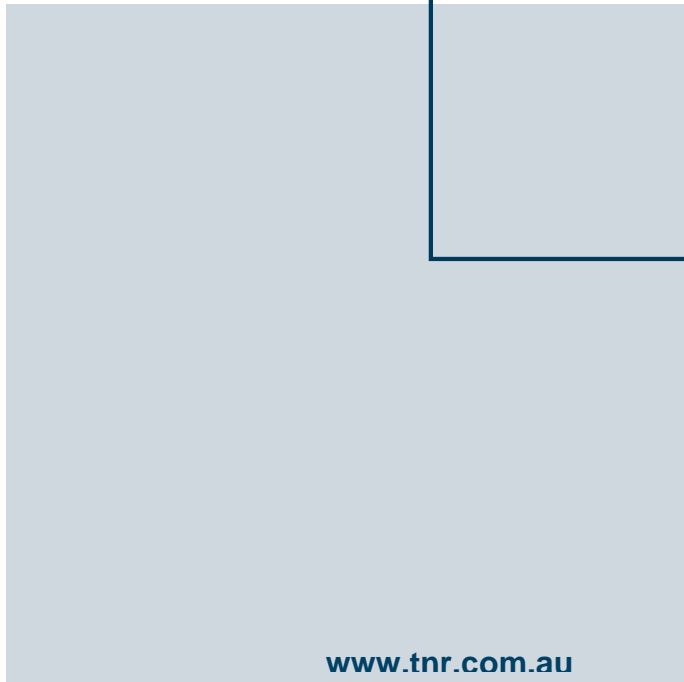
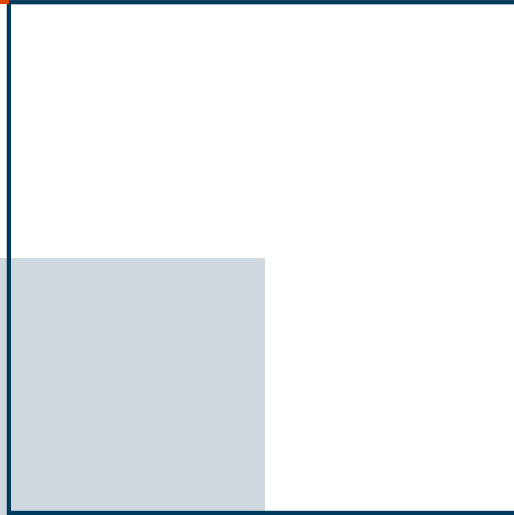
Yours faithfully

THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS



.....
K R FRANEY (PARTNER)
Registered Company Auditor

Dated at Lismore this 27th day of October 2016.



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Russell

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Byron Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

"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 2016

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Income Statement – Other Business Activities	5
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Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
- (ii) The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.

- (iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).
 - (iv) In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).
-

Byron Shire Council

Special Purpose Financial Statements for the year ended 30 June 2016

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 27 October 2016.


 Cr Simon Richardson
Mayor

 Ken Gainger
General manager

 Cr Basil Cameron
Councillor

 James Brickley
Responsible accounting officer

Byron Shire Council

Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2016

\$ '000	Actual 2016	Actual 2015
Income from continuing operations		
Access charges	2,175	1,875
User charges	6,021	5,860
Fees	291	307
Interest	329	356
Grants and contributions provided for non-capital purposes	94	84
Profit from the sale of assets	—	—
Other income	—	—
Total income from continuing operations	8,910	8,482
Expenses from continuing operations		
Employee benefits and on-costs	924	898
Borrowing costs	—	60
Materials and contracts	2,496	2,321
Depreciation and impairment	1,238	1,206
Water purchase charges	3,780	3,719
Loss on sale of assets	—	53
Calculated taxation equivalents	104	105
Debt guarantee fee (if applicable)	—	—
Other expenses	5	6
Total expenses from continuing operations	8,547	8,368
Surplus (deficit) from continuing operations before capital amounts	363	114
Grants and contributions provided for capital purposes	1,236	737
Surplus (deficit) from continuing operations after capital amounts	1,599	851
Surplus (deficit) from discontinued operations	—	—
Surplus (deficit) from all operations before tax	1,599	851
Less: corporate taxation equivalent (30%) [based on result before capital]	(109)	(34)
SURPLUS (DEFICIT) AFTER TAX	1,490	817
Plus opening retained profits	37,193	36,264
Plus/less: prior period adjustments	—	—
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	104	105
– Debt guarantee fees	—	—
– Corporate taxation equivalent	109	34
Less:		
– Tax equivalent dividend paid	(27)	(27)
– Surplus dividend paid	—	—
Closing retained profits	38,869	37,193
Return on capital %	0.6%	0.3%
Subsidy from Council	807	1,509
Calculation of dividend payable:		
Surplus (deficit) after tax	1,490	817
Less: capital grants and contributions (excluding developer contributions)	(1,119)	(124)
Surplus for dividend calculation purposes	371	693
Potential dividend calculated from surplus	186	346

Byron Shire Council

Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2016

\$ '000	Actual 2016	Actual 2015
Income from continuing operations		
Access charges	9,845	9,397
User charges	4,383	4,381
Liquid trade waste charges	31	173
Fees	139	76
Interest	295	243
Grants and contributions provided for non-capital purposes	80	79
Profit from the sale of assets	–	–
Other income	–	–
Total income from continuing operations	14,773	14,349
Expenses from continuing operations		
Employee benefits and on-costs	2,603	2,419
Borrowing costs	3,792	3,743
Materials and contracts	5,011	5,196
Depreciation and impairment	3,220	3,171
Loss on sale of assets	–	18
Calculated taxation equivalents	302	304
Debt guarantee fee (if applicable)	1,131	1,196
Other expenses	40	29
Total expenses from continuing operations	16,099	16,076
Surplus (deficit) from continuing operations before capital amounts	(1,326)	(1,727)
Grants and contributions provided for capital purposes	4,701	2,132
Surplus (deficit) from continuing operations after capital amounts	3,375	405
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	3,375	405
Less: corporate taxation equivalent (30%) [based on result before capital]	–	–
SURPLUS (DEFICIT) AFTER TAX	3,375	405
Plus opening retained profits	81,896	80,018
Plus/less: prior period adjustments	–	–
Plus/less: other adjustments	(3,102)	–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	302	304
– Debt guarantee fees	1,131	1,196
– Corporate taxation equivalent	–	–
Less:		
– Tax equivalent dividend paid	(27)	(27)
– Surplus dividend paid	–	–
Closing retained profits	83,575	81,896
Return on capital %	1.7%	1.4%
Subsidy from Council	431	2,421
Calculation of dividend payable:		
Surplus (deficit) after tax	3,375	405
Less: capital grants and contributions (excluding developer contributions)	(631)	(467)
Surplus for dividend calculation purposes	2,744	–
Potential dividend calculated from surplus	1,372	–

Byron Shire Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2016

Holiday parks

Category 1

\$ '000	Category 1	
	Actual 2016	Actual 2015
Income from continuing operations		
Access charges	—	—
User charges	—	—
Fees	4,150	3,939
Interest	—	—
Grants and contributions provided for non-capital purposes	—	—
Profit from the sale of assets	—	—
Other income	—	—
Total income from continuing operations	4,150	3,939
Expenses from continuing operations		
Employee benefits and on-costs	—	—
Borrowing costs	2	10
Materials and contracts	1,599	1,532
Depreciation and impairment	134	118
Loss on sale of assets	—	—
Calculated taxation equivalents	376	360
Debt guarantee fee (if applicable)	—	—
Other expenses	729	644
Total expenses from continuing operations	2,840	2,664
Surplus (deficit) from continuing operations before capital amounts	1,310	1,275
Grants and contributions provided for capital purposes	—	—
Surplus (deficit) from continuing operations after capital amounts	1,310	1,275
Surplus (deficit) from discontinued operations	—	—
Surplus (deficit) from all operations before tax	1,310	1,275
Less: corporate taxation equivalent (30%) [based on result before capital]	(393)	(383)
SURPLUS (DEFICIT) AFTER TAX	917	893
Plus opening retained profits	6,672	5,693
Plus/less: prior period adjustments	—	—
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	376	360
– Debt guarantee fees	—	—
– Corporate taxation equivalent	393	383
Add:		
– Subsidy paid/contribution to operations	—	—
Less:		
– TER dividend paid	(856)	(656)
– Dividend paid	—	—
Closing retained profits	7,502	6,672
Return on capital %	5.1%	5.4%
Subsidy from Council	—	—

Byron Shire Council

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

as at 30 June 2016

\$ '000	Actual 2016	Actual 2015
ASSETS		
Current assets		
Cash and cash equivalents	13,272	13,395
Investments	–	–
Receivables	2,052	1,968
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
Total current assets	15,324	15,363
Non-current assets		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	58,790	55,737
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
Total non-current assets	58,790	55,737
TOTAL ASSETS	74,114	71,100
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	–	–
Borrowings	–	–
Provisions	–	–
Total current liabilities	–	–
Non-current liabilities		
Payables	–	–
Borrowings	–	–
Provisions	–	–
Total non-current liabilities	–	–
TOTAL LIABILITIES	–	–
NET ASSETS	74,114	71,100
EQUITY		
Retained earnings	38,869	37,193
Revaluation reserves	35,245	33,907
Council equity interest	74,114	71,100
Non-controlling equity interest	–	–
TOTAL EQUITY	74,114	71,100

Byron Shire Council

Statement of Financial Position – Council's Sewerage Business Activity

as at 30 June 2016

\$ '000	Actual 2016	Actual 2015
ASSETS		
Current assets		
Cash and cash equivalents	14,742	11,695
Investments	–	–
Receivables	1,977	2,005
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
Total Current Assets	16,719	13,700
Non-current assets		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	145,584	146,929
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
Total non-current assets	145,584	146,929
TOTAL ASSETS	162,303	160,629
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	208	229
Borrowings	1,587	1,538
Provisions	–	–
Total current liabilities	1,795	1,767
Non-current liabilities		
Payables	–	–
Borrowings	46,172	48,594
Provisions	–	–
Total non-current liabilities	46,172	48,594
TOTAL LIABILITIES	47,967	50,361
NET ASSETS	114,336	110,268
EQUITY		
Retained earnings	83,576	81,896
Revaluation reserves	30,760	28,372
Council equity interest	114,336	110,268
Non-controlling equity interest	–	–
TOTAL EQUITY	114,336	110,268

Byron Shire Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2016

Holiday parks

Category 1

\$ '000	Actual 2016	Actual 2015
ASSETS		
Current assets		
Cash and cash equivalents	–	–
Investments	–	–
Receivables	–	–
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
Total Current Assets	–	–
Non-current assets		
Investments	2,305	1,709
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	25,726	23,960
Investments accounted for using equity method	–	–
Investment property	–	–
Other	–	–
Total non-current assets	28,031	25,669
TOTAL ASSETS	28,031	25,669
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	248	267
Borrowings	–	43
Provisions	–	–
Total current liabilities	248	310
Non-current liabilities		
Payables	–	–
Borrowings	–	–
Provisions	–	–
Other Liabilities	–	–
Total non-current liabilities	–	–
TOTAL LIABILITIES	248	310
NET ASSETS	27,783	25,359
EQUITY		
Retained earnings	7,502	6,672
Revaluation reserves	20,280	18,687
Council equity interest	27,782	25,359
Non-controlling equity interest	–	–
TOTAL EQUITY	27,782	25,359

Byron Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2016

Contents of the notes accompanying the financial statements

Note	Details	Page
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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 2016

Note 1. Significant accounting policies

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

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

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

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

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

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

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

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

National Competition Policy

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

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

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

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

Declared business activities

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

Category 1

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

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 disclosed in Note 2 (Water Supply Best-Practice Management Disclosures) and Note 3 (Sewerage Best-Practice Management Disclosures).

Byron Shire Council

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

Note 1. Significant accounting policies (continued)

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

(i) Taxation-equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – 30%

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

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

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

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

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

Income tax

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

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

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

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

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

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

Local government rates and charges

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

Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that council business activities face 'true' commercial

Byron Shire Council

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

Note 1. Significant accounting policies (continued)

borrowing costs in line with private sector competitors.

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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

The rate of return on capital is calculated as follows:

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.99% at 30/6/16.

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

(iv) Dividends

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

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

The dividend, calculated and approved in accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, must not exceed either:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2016 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, a Dividend Payment Form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the NSW Office of Water prior to making the dividend and only after it has approved the payment.

Byron Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2016Note 2. Water supply business
best-practice management disclosure requirements

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

2016

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	104,000
(ii)	Number of assessments multiplied by \$3/assessment	35,547
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	35,547
(iv)	Amounts actually paid for tax equivalents	27,400

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	185,550
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	319,923
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	1,837,338

2016 Surplus	371,100	2015 Surplus	692,679	2014 Surplus	773,558
		2015 Dividend	—	2014 Dividend	—

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	185,550
(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 2016

Note 2. Water supply business

best-practice management disclosure requirements (continued)

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

2016

National Water Initiative (NWI) financial performance indicators

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	9,837
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)]	%	70.92%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	58,790
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	6,764
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	2,787
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)]	%	3.12%
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 2016Note 3. Sewerage business
best-practice management disclosure requirements

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

2016

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	1,433,000
(ii)	Number of assessments multiplied by \$3/assessment	33,588
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	33,588
(iv)	Amounts actually paid for tax equivalents	27,400

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	1,372,000
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	302,292
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	2,163,507

2016 Surplus	2,744,000	2015 Surplus	(62,481)	2014 Surplus	(518,012)
		2015 Dividend	—	2014 Dividend	—

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	302,292
(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 2016Note 3. Sewerage business
best-practice management disclosure requirements (continued)

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

2016

National Water Initiative (NWI) financial performance indicators

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	19,225
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	145,584
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	7,228
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	1,218
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)]	%	6.03%
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	29,062
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	0.58%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	4,005
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)]	%	5.19%
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 2016

Note 3. Sewerage business

best-practice management disclosure requirements (continued)

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

2016

National Water Initiative (NWI) financial performance indicators

Water and sewer (combined)

NWI F22	Net debt to equity (water and sewerage)	%	10.59%
	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)		-
	Earnings before interest and tax (EBIT) divided by net interest		
	Earnings before interest and tax (EBIT):		10,612
	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:		3,236
	Interest expense (w4a + s4a) – interest income (w9 + s10)		
NWI F24	Net profit after tax (water and sewerage)	\$'000	6,398
	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	169
	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

**BYRON SHIRE COUNCIL
SPECIAL PURPOSE FINANCIAL STATEMENTS
INDEPENDENT AUDITOR'S REPORT**

Report on the Financial Statements

We have audited the accompanying financial statements, being special purpose financial statements, of Byron Shire Council ("the Council"), which comprises the statement of financial position as at 30 June 2016, the income statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the statement by Councillors' and Management.

Council's Responsibility for the Financial Statements

The Council is responsible for the preparation and fair presentation of the financial statements and has determined that the basis of preparation described in Note 1 to the financial statements is appropriate to meet the requirements of the *Local Government Act 1993* and meet the needs of the NSW Office of Local Government. The Council's responsibility also includes such internal control as the Council determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Council, as well as evaluating the overall presentation of the financial statements.

Our audit responsibility does not extend to the best practice management disclosures in note 2 and note 3, and accordingly, we do not express an opinion on such. In addition, our audit did not include an analysis of the prudence of business decisions made by Council or management.

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



Independence

In conducting our audit, we have complied with the independence requirements of the Australian professional accounting bodies.

Opinion

In our opinion, the special purpose financial statements of Byron Shire Council:

- a) Have been prepared in accordance with the requirements of those applicable Australian Accounting Standards detailed in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting;
 - i. Are consistent with the Council's accounting records;
 - ii. Present fairly, in all material respects, the financial position of Council's nominated Business Activities as at 30 June 2016 and the results of their operations for the year then ended;
- b) All information relevant to the conduct of the audit has been obtained; and
- c) There are no material deficiencies in the accounting records or financial statements that we have become aware of in the course of the audit.

Basis of Accounting


Without modifying our opinion, we 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 the financial reporting requirements of the NSW Office of Local Government. As a result, the financial statements may not be suitable for another purpose.

Matters Relating to the Electronic Presentation of the Audited Financial Statements

This auditor's report relates to the special purpose financial statements of Byron Shire Council for the financial year ended 30 June 2016 published in the annual report and included on Council's website. The Council is responsible for the integrity of the website. We have not been engaged to report on the integrity of this website. The auditor's report refers only to the financial statements identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial statements. If users of the financial statements are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements to confirm the information contained in this website version of the financial statements.

Dated at Lismore this 27th day of October 2016

**THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS**



.....
K R FRANEY (Partner)
Registered Company Auditor

Byron Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2016

"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 2016

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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 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	1,093	13	–	(1,080)
Administration	415	593	–	178
Public order and safety				
Fire service levy, fire protection, emergency services	401	257	–	(144)
Emergency services	332	25	–	(307)
Beach control	585	405	–	(180)
Enforcement of local government regulations	1,216	1,428	–	212
Animal control	28	43	–	15
Other	25	50	100	125
Total public order and safety	2,587	2,208	100	(279)
Health	1,090	385	–	(705)
Environment				
Noxious plants and insect/vermin control	145	–	–	(145)
Other environmental protection	578	41	304	(233)
Solid waste management	6,124	7,005	–	881
Street cleaning	265	–	–	(265)
Drainage	997	–	226	(771)
Stormwater management	189	283	–	94
Total environment	8,298	7,329	530	(439)
Community services and education				
Administration and education	370	–	–	(370)
Social protection (welfare)	532	76	–	(456)
Aged persons and disabled	53	5	–	(48)
Children's services	2,095	1,704	–	(391)
Total community services and education	3,050	1,785	–	(1,265)
Housing and community amenities				
Public cemeteries	196	211	–	15
Public conveniences	534	–	–	(534)
Street lighting	308	51	–	(257)
Town planning	5,038	1,915	3,200	77
Other community amenities	36	65	–	29
Total housing and community amenities	6,112	2,242	3,200	(670)
Water supplies	8,036	8,751	1,236	1,951
Sewerage services	14,543	14,564	4,701	4,722

Byron Shire Council

Special Schedule 1 – Net Cost of Services (continued)

for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	1,829	90	–	(1,739)
Museums	–	–	–	–
Art galleries	–	–	–	–
Community centres and halls	595	205	20	(370)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	–	–	–	–
Sporting grounds and venues	1,672	348	–	(1,324)
Swimming pools	709	277	–	(432)
Parks and gardens (lakes)	3,117	360	–	(2,757)
Other sport and recreation	163	4	167	8
Total recreation and culture	8,085	1,284	187	(6,614)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	915	1,295	–	380
Other mining, manufacturing and construction	(121)	–	–	121
Total mining, manufacturing and const.	794	1,295	–	501
Transport and communication				
Urban roads (UR) – local	4,390	2	719	(3,669)
Urban roads – regional	56	–	–	(56)
Sealed rural roads (SRR) – local	8,101	5,611	1,960	(530)
Sealed rural roads (SRR) – regional	1,076	773	25	(278)
Unsealed rural roads (URR) – local	663	–	–	(663)
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	122	–	–	(122)
Bridges on SRR – local	35	–	–	(35)
Bridges on URR – local	–	–	–	–
Bridges on regional roads	273	–	–	(273)
Parking areas	667	2,035	–	1,368
Footpaths	187	124	35	(28)
Aerodromes	157	71	–	(86)
Other transport and communication	16	270	14	268
Total transport and communication	15,743	8,886	2,753	(4,104)
Economic affairs				
Camping areas and caravan parks	3,209	4,150	–	941
Other economic affairs	1,591	1,597	–	6
Total economic affairs	4,800	5,747	–	947
Totals – functions	74,646	55,082	12,707	(6,857)
General purpose revenues ⁽¹⁾		22,831		22,831
Share of interests – joint ventures and associates using the equity method	–	–		–
NET OPERATING RESULT ⁽²⁾	74,646	77,913	12,707	15,974

(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 2016

\$'000

Classification of debt	Principal outstanding at beginning of the year			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
Loans (by source)											
Commonwealth government	–	–	–	–	–	–	–	–	–	–	–
Treasury corporation	–	–	–	–	–	–	–	–	–	–	–
Other state government	–	–	–	–	–	–	–	–	–	–	–
Public subscription	–	–	–	–	–	–	–	–	–	–	–
Financial institutions	2,646	63,640	66,286	–	3,566	–	–	4,887	2,592	60,128	62,720
Other	–	–	–	–	–	–	–	–	–	–	–
Total loans	2,646	63,640	66,286	–	3,566	–	–	4,887	2,592	60,128	62,720
Other long term debt											
Ratepayers advances	–	–	–	–	–	–	–	–	–	–	–
Government advances	–	–	–	–	–	–	–	–	–	–	–
Finance leases	–	–	–	–	–	–	–	–	–	–	–
Deferred payments	–	–	–	–	–	–	–	–	–	–	–
Total long term debt	–	–	–	–	–	–	–	–	–	–	–
Total debt	2,646	63,640	66,286	–	3,566	–	–	4,887	2,592	60,128	62,720

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 2016

\$'000	Actuals 2016	Actuals 2015
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	1,358	1,344
b. Engineering and supervision	206	190
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
– Mains		
c. Operation expenses	303	316
d. Maintenance expenses	319	372
– Reservoirs		
e. Operation expenses	213	177
f. Maintenance expenses	11	20
– Pumping stations		
g. Operation expenses (excluding energy costs)	–	–
h. Energy costs	–	–
i. Maintenance expenses	–	–
– Treatment		
j. Operation expenses (excluding chemical costs)	173	224
k. Chemical costs	53	53
l. Maintenance expenses	17	22
– Other		
m. Operation expenses	331	353
n. Maintenance expenses	–	–
o. Purchase of water	3,780	3,720
3. Depreciation expenses		
a. System assets	1,238	1,206
b. Plant and equipment	–	–
4. Miscellaneous expenses		
a. Interest expenses	–	60
b. Revaluation decrements	–	–
c. Other expenses	442	154
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	27	27
5. Total expenses	8,471	8,238

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 2016

\$'000	Actuals 2016	Actuals 2015
Income		
6. Residential charges		
a. Access (including rates)	1,695	1,464
b. Usage charges	4,133	3,968
7. Non-residential charges		
a. Access (including rates)	480	411
b. Usage charges	1,887	1,893
8. Extra charges	21	20
9. Interest income	308	336
10. Other income	291	307
10a. Aboriginal Communities Water and Sewerage Program	–	–
11. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	89	79
c. Other grants	5	5
12. Contributions		
a. Developer charges	1,117	613
b. Developer provided assets	119	124
c. Other contributions	–	–
13. Total income	10,145	9,220
14. Gain (or loss) on disposal of assets	–	(53)
15. Operating result	1,674	929
15a. Operating result (less grants for acquisition of assets)	1,674	929

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 2016

\$'000	Actuals 2016	Actuals 2015
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	–	124
c. Renewals	2,787	222
d. Plant and equipment	–	–
17. Repayment of debt	–	360
18. Totals	2,787	706
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)	10,125	9,998
b. Residential (unoccupied, ie. vacant lot)	166	219
c. Non-residential (occupied)	1,523	1,463
d. Non-residential (unoccupied, ie. vacant lot)	35	36
23. Number of ETs for which developer charges were received	– ET	– ET
24. Total amount of pensioner rebates (actual dollars)	\$ 145,866	\$ 143,704

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 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
25. Cash and investments			
a. Developer charges	10,549	–	10,549
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	2,723	–	2,723
26. Receivables			
a. Specific purpose grants	11	–	11
b. Rates and availability charges	91	–	91
c. User charges	1,950	–	1,950
d. Other	–	–	–
27. Inventories	–	–	–
28. Property, plant and equipment			
a. System assets	–	58,790	58,790
b. Plant and equipment	–	–	–
29. Other assets	–	–	–
30. Total assets	15,324	58,790	74,114
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	–	–	–
33. Borrowings	–	–	–
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
35. Total liabilities	–	–	–
36. NET ASSETS COMMITTED	15,324	58,790	74,114
EQUITY			
37. Accumulated surplus			38,869
38. Asset revaluation reserve			35,245
39. TOTAL EQUITY			74,114
Note to system assets:			
40. Current replacement cost of system assets			96,036
41. Accumulated current cost depreciation of system assets			(37,246)
42. Written down current cost of system assets			58,790

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 2016

\$'000	Actuals 2016	Actuals 2015
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	1,528	1,407
b. Engineering and supervision	202	186
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	844	765
b. Maintenance expenses	278	319
– Pumping stations		
c. Operation expenses (excluding energy costs)	395	410
d. Energy costs	311	307
e. Maintenance expenses	570	502
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	1,415	1,354
g. Chemical costs	423	410
h. Energy costs	388	495
i. Effluent management	133	184
j. Biosolids management	–	158
k. Maintenance expenses	565	553
– Other		
l. Operation expenses	169	195
m. Maintenance expenses	7	–
3. Depreciation expenses		
a. System assets	3,220	3,171
b. Plant and equipment	–	–
4. Miscellaneous expenses		
a. Interest expenses	3,792	3,743
b. Revaluation decrements	–	–
c. Other expenses	427	398
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	27	27
5. Total expenses	14,694	14,584

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 2016

\$'000	Actuals 2016	Actuals 2015
Income		
6. Residential charges (including rates)	10,667	10,262
7. Non-residential charges		
a. Access (including rates)	1,919	1,829
b. Usage charges	1,382	1,368
8. Trade waste charges		
a. Annual fees	61	60
b. Usage charges	198	259
c. Excess mass charges	31	153
d. Re-inspection fees	–	–
9. Extra charges	47	49
10. Interest income	248	194
11. Other income	139	99
11a. Aboriginal Communities Water and Sewerage Program	–	–
12. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	80	77
c. Other grants	–	–
13. Contributions		
a. Developer charges	4,070	1,665
b. Developer provided assets	631	466
c. Other contributions	–	–
14. Total income	19,473	16,481
15. Gain (or loss) on disposal of assets	–	(18)
16. Operating result	4,779	1,879
16a. Operating result (less grants for acquisition of assets)	4,779	1,879

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 2016

\$'000	Actuals 2016	Actuals 2015
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	–	467
c. Renewals	1,218	384
d. Plant and equipment	–	–
18. Repayment of debt	1,587	1,475
19. Totals	2,805	2,326
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)	9,444	9,521
b. Residential (unoccupied, ie. vacant lot)	311	341
c. Non-residential (occupied)	1,393	1,399
d. Non-residential (unoccupied, ie. vacant lot)	48	51
24. Number of ETs for which developer charges were received	– ET	– ET
25. Total amount of pensioner rebates (actual dollars)	\$ 140,630	\$ 139,519

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 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
26. Cash and investments			
a. Developer charges	8,760	—	8,760
b. Special purpose grants	—	—	—
c. Accrued leave	—	—	—
d. Unexpended loans	—	—	—
e. Sinking fund	—	—	—
f. Other	5,981	—	5,981
27. Receivables			
a. Specific purpose grants	5	—	5
b. Rates and availability charges	423	—	423
c. User charges	1,550	—	1,550
d. Other	—	—	—
28. Inventories	—	—	—
29. Property, plant and equipment			
a. System assets	—	145,584	145,584
b. Plant and equipment	—	—	—
30. Other assets	—	—	—
31. Total assets	16,719	145,584	162,303
LIABILITIES			
32. Bank overdraft	—	—	—
33. Creditors	—	—	—
34. Borrowings	1,796	46,172	47,968
35. Provisions			
a. Tax equivalents	—	—	—
b. Dividend	—	—	—
c. Other	—	—	—
36. Total liabilities	1,796	46,172	47,968
37. NET ASSETS COMMITTED	14,923	99,412	114,335
EQUITY			
38. Accumulated surplus			83,575
39. Asset revaluation reserve			30,760
40. TOTAL EQUITY			114,335
Note to system assets:			
41. Current replacement cost of system assets			206,298
42. Accumulated current cost depreciation of system assets			(60,714)
43. Written down current cost of system assets			145,584

Byron Shire Council

Notes to Special Schedules 3 and 5

for the year ended 30 June 2016

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 contribution 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 2016

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance ^a	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Council Operations	–	–	292	243	13,398	14,931	4%	84%	10%	2%	0%
	Swimming Pool Buildings	187	187	–	89	846	931	9%	58%	32%	1%	0%
	Showground Buildings	–	–	–	–	1,582	1,937	6%	36%	45%	13%	0%
	Residential Leases	9	9	24	20	1,122	1,333	4%	22%	67%	7%	0%
	Recreation Buildings	115	115	31	26	4,162	5,016	4%	38%	53%	4%	1%
	Cavanbah Centre	–	–	1	763	5,222	5,416	100%	0%	0%	0%	0%
	Public Amenities	428	428	614	511	2,693	3,051	36%	28%	30%	5%	1%
	Emergency Services	49	49	–	–	1,142	1,262	23%	51%	22%	3%	1%
	Community Buildings	1,028	1,028	201	167	26,564	31,848	21%	43%	31%	5%	0%
	Commercial Leases	253	253	45	38	1,408	1,633	14%	52%	34%	0%	0%
	Holiday Parks	–	–	242	242	5,191	5,883	18%	62%	20%	0%	0%
	Sub-total	2,069	2,069	1,450	2,099	63,330	73,243	21.6%	48.7%	26.0%	3.6%	0.1%
Other structures	Other structures	40	40	10	0	1,947	1,876	60%	0%	20%	20%	0%
	Bus Shelters	–	–	10	5	128	200	19%	49%	5%	22%	5%
	Sub-total	40	40	20	6	2,075	2,076	56.0%	4.7%	18.6%	20.2%	0.5%
Roads	Sealed Roads	24,036	24,036	1,397	1,397	112,944	218,644	1%	40%	48%	11%	1%
	Unsealed Roads	795	795	200	200	2,807	3,911	15%	48%	31%	6%	0%
	Kerb and gutter	80	80	100	20	17,600	23,973	11%	88%	2%	0%	0%
	Footpaths and cycleways	968	968	167	36	4,771	7,769	25%	46%	25%	4%	0%
	Bridges	6,174	6,174	310	130	13,122	23,909	35%	13%	46%	7%	0%
	Traffic Control Devices	–	–	10	–	41,288	59,719	14%	75%	11%	0%	0%
	Carparks	–	–	10	2	2,538	3,063	79%	4%	9%	0%	9%
	Other	320	320	60	66	9,019	11,021	65%	30%	4%	1%	0%
	Sub-total	32,373	32,373	2,254	1,852	204,089	352,010	9.3%	46.9%	36.0%	7.2%	0.6%

Byron Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance ^a	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Water supply network	Mains	–	–	729	729	40,798	64,654	38%	29%	28%	5%	0%
	Reservoirs	–	–	167	167	6,822	16,348	8%	22%	60%	4%	7%
	Pumping Stations	–	–	27	27	417	751	13%	40%	39%	6%	2%
	Treatment	–	–	213	213	2,223	5,461	37%	29%	3%	27%	4%
	Other	–	–	9	9	433	437	100%	0%	0%	0%	0%
	Sub-total	–	–	1,145	1,145	50,692	87,651	32.1%	27.9%	32.3%	5.9%	1.8%
Sewerage network	Mains	–	–	695	695	61,676	100,070	28%	35%	31%	7%	0%
	Pumping Stations	–	–	1,003	1,003	9,411	18,361	24%	33%	30%	11%	2%
	Treatment	–	–	2,788	2,788	59,124	72,239	73%	19%	7%	1%	0%
	Other	–	–	66	66	198	199	0%	100%	0%	0%	0%
	Sub-total	–	–	4,552	4,552	130,409	190,869	44.5%	28.9%	21.6%	4.8%	0.2%

Byron Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance ^a	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage	3,025	3,025	236	197	45,733	62,087	26%	61%	13%	0%	0%
	Sub-total	3,025	3,025	236	197	45,733	62,087	26.2%	61.0%	12.8%	0.0%	0.0%
Open space/recreational assets	Swimming pools	–	–	–	–	2,248	2,800	0%	100%	0%	0%	0%
	Fences	–	–	–	–	1,332	1,916	12%	36%	34%	16%	2%
	Lighting	157	157	429	357	2,388	2,952	17%	54%	23%	5%	0%
	Open Space Furniture	182	182	168	140	794	1,145	11%	33%	41%	13%	3%
	Other Structures	75	75	48	40	2,523	2,816	61%	20%	16%	4%	0%
	Park Active Areas	35	35	20	17	1,511	2,771	5%	20%	67%	3%	5%
	Park Equipment	196	196	25	21	1,007	1,591	16%	25%	44%	12%	2%
	Park Infrastructure	–	–	–	–	22	33	9%	24%	55%	6%	6%
	Park Passive Areas	–	–	–	–	215	413	8%	28%	38%	26%	0%
	Playgrounds	–	–	–	–	78	118	31%	13%	48%	5%	3%
	Sub-total	645	645	690	575	12,117	16,555	18.3%	43.0%	30.4%	6.8%	1.5%
	TOTAL – ALL ASSETS	38,152	38,152	10,347	10,426	508,445	784,490	23.2%	41.5%	29.1%	5.6%	0.6%

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 2016

\$ '000	Amounts 2016	Indicator 2016	Prior periods	
			2015	2014
Infrastructure asset performance indicators * consolidated				
1. Infrastructure renewals ratio				
Asset renewals ⁽¹⁾	15,670	136.80%	37.46%	53.48%
Depreciation, amortisation and impairment	11,455			
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	38,152	7.92%	6.27%	6.18%
Carrying value of infrastructure assets	481,837			
3. Asset maintenance ratio				
Actual asset maintenance	10,426	1.01	0.91	0.85
Required asset maintenance	10,347			
4. Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council	38,152	4.86%	3.90%	3.77%
Gross replacement cost	784,490			
5. Capital expenditure ratio				
Annual capital expenditure	21,877	1.65	0.82	0.70
Annual depreciation	13,234			

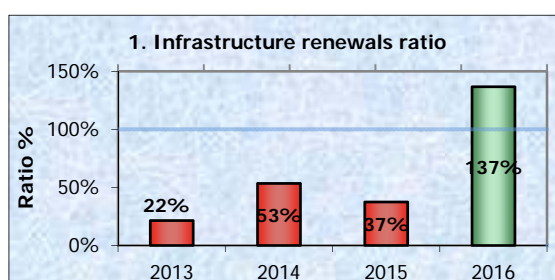
Notes

- * 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 2016



Benchmark: — Minimum $\geq 100.00\%$
 Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Purpose of asset renewals ratio

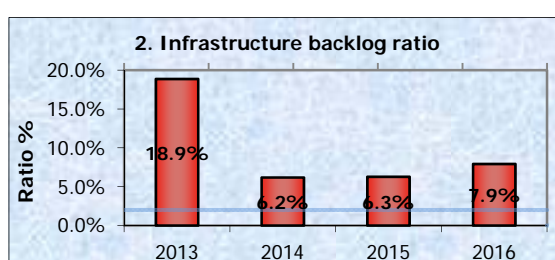
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

Commentary on 2015/16 result

2015/16 Ratio 136.80%

Council during the 2015/2016 financial year determined to undertake additional capital expenditure as part of establishing the 2015/2016 budget. Part of this expenditure has been funded from one off sources and cannot be sustained without addressing the revenue base.

Ratio achieves benchmark
 Ratio is outside benchmark



Benchmark: — Maximum $< 2.00\%$
 Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Purpose of infrastructure backlog ratio

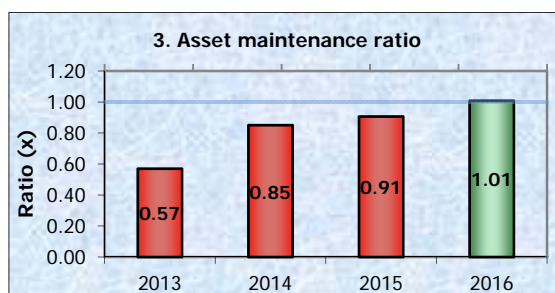
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

Commentary on 2015/16 result

2015/16 Ratio 7.92%

Council has further commissioned a review of its infrastructure backlog for 2015/2016 following reviews conducted in 2013/2014 and 2014/2015. This reassessment has seen an increase in the backlog by \$8.697million.

Ratio achieves benchmark
 Ratio is outside benchmark



Benchmark: — Minimum > 1.00
 Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Purpose of asset maintenance ratio

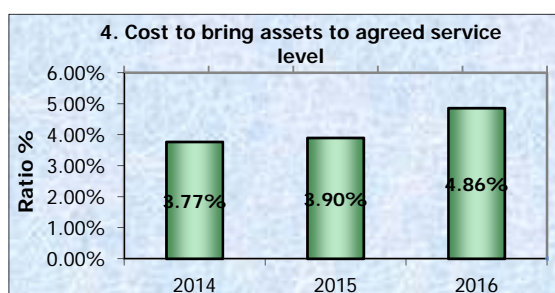
Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

Commentary on 2015/16 result

2015/16 Ratio 1.01 x

Council has been able to achieve the Asset maintenance benchmark in 2015/2016 for the first time and on trend is continuing to show improvement.

Ratio achieves benchmark
 Ratio is outside benchmark



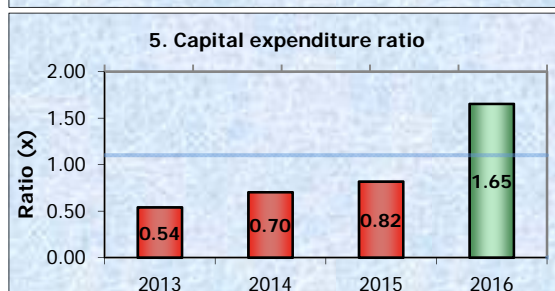
Purpose of agreed service level ratio

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 2015/16 result

2015/16 Ratio 4.86%

Council during the 2015/2016 financial year has undertaken further significant work on its infrastructure assets in terms of condition assessment and backlog. As a result this has shown an increase in this ratio.



Benchmark: — Minimum > 1.10
 Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Purpose of capital expenditure ratio

To assess the extent to which a Council is expanding its asset base thru capital expenditure on both new assets and the replacement and renewal of existing assets.

Commentary on 2015/16 result

2015/16 Ratio 1.65 x

This ratio is demonstrating and ongoing improvement by Council to invest in infrastructure with 2015/2016 showing additional expenditure. Ongoing expenditures will need to be balanced within the confines of its revenue sources and other service priorities.

Ratio achieves benchmark
 Ratio is outside benchmark

Byron Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2016

\$ '000	Water 2016	Sewer 2016	General ⁽¹⁾ 2016
Infrastructure asset performance indicators by fund			
1. Infrastructure renewals ratio			
Asset renewals ⁽²⁾	229.01%	37.99%	165.88%
Depreciation, amortisation and impairment			
prior period:	18.59%	12.16%	52.61%
2. Infrastructure backlog ratio			
Estimated cost to bring assets to a satisfactory standard	0.00%	0.00%	12.69%
Carrying value of infrastructure assets			
prior period:	0.00%	0.00%	10.11%
3. Asset maintenance ratio			
Actual asset maintenance	1.00	1.00	1.02
Required asset maintenance			
prior period:	1.00	1.00	0.86
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%	7.54%
Gross replacement cost			
prior period:	0.00%	0.00%	6.06%
5. Capital expenditure ratio			
Annual capital expenditure	2.25	0.38	2.04
Annual depreciation			
prior period:	0.29	0.27	1.10

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 2017

\$'000		Calculation 2015/16	Calculation 2016/17
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	18,698	19,307
Plus or minus adjustments ⁽²⁾	b	156	(8)
Notional general income	c = (a + b)	18,854	19,299
Permissible income calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
Or rate peg percentage	e	2.40%	1.80%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	—	—
Plus special variation amount	$h = d \times (c - g)$	—	—
Or plus rate peg amount	$i = c \times e$	452	347
Or plus Crown land adjustment and rate peg amount	$j = c \times f$	—	—
Sub-total	k = (c + g + h + i + j)	19,306	19,646
Plus (or minus) last year's carry forward total	l	5	2
Less valuation objections claimed in the previous year	m	(4)	(2)
Sub-total	n = (l + m)	1	0
Total permissible income	o = k + n	19,307	19,647
Less notional general income yield	p	19,307	4
Catch-up or (excess) result	q = o - p	0	19,643
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	2	—
Less unused catch-up ⁽⁵⁾	s	—	(1)
Carry forward to next year	t = q + r - s	2	19,642

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.

**BYRON SHIRE COUNCIL
SPECIAL SCHEDULE NO 8
INDEPENDENT AUDITOR'S REPORT**

REPORT ON SPECIAL SCHEDULE NO 8

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Byron Shire Council for the year ending 30 June 2017.

Responsibility of Council for Special Schedule No. 8

The Council is responsible for the preparation and fair presentation of Special Schedule No. 8 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 24. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on Special Schedule No. 8 based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether Special Schedule No. 8 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in Special Schedule No. 8. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of Special Schedule No. 8, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of Special Schedule No. 8.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.

In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule No. 8 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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



Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

Audit Opinion

In our opinion, Special Schedule No. 8 of Byron Shire Council for 2016/17 is properly drawn up in accordance with the requirements of the NSW Office of Local Government and in accordance with the books and records of the Council.

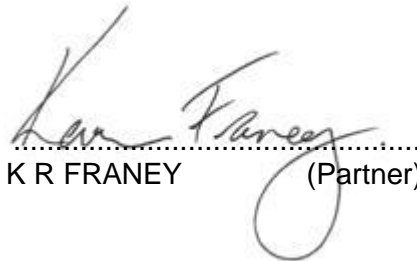
Basis of Accounting

Without modifying our opinion, we advise that this schedule has been prepared for distribution to the NSW Office of Local Government for the purposes of confirming that Council's reconciliation of Council's total permissible general income is presented fairly. As a result, the schedule may not be suitable for another purpose.

Dated at Lismore this 27th day of October 2016.

**THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS**

Per:

A handwritten signature in dark ink, appearing to read 'K R Franey', is written over a dotted line. Below the signature, the text 'K R FRANEY' and '(Partner)' are printed.

K R FRANEY (Partner)