

Byron Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

"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 2018

Contents	Page
1. Understanding Council's Financial Statements	2
2. Statement by Councillors and Management	3
3. Primary Financial Statements:	
– Income Statement	4
– Statement of Comprehensive Income	5
– Statement of Financial Position	6
– Statement of Changes in Equity	7
– Statement of Cash Flows	8
4. Notes to the Financial Statements	9
5. Independent Auditor's Reports:	
– On the Financial Statements (Sect 417 [2])	80
– On the Conduct of the Audit (Sect 417 [3])	

Overview

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

70 -90 Station Street
MULLUMBIMBY NSW 2482

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

Byron Shire Council

General Purpose Financial Statements for the year ended 30 June 2018

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 2018.

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

About the Councillor/Management Statement

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

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

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

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

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

Who uses the financial statements?

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

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

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

Byron Shire Council

General Purpose Financial Statements for the year ended 30 June 2018

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 18 October 2018.




Simon Richardson
Mayor
18 October 2018



Basil Cameron
Councillor
18 October 2018



Mark Arnold
General Manager
18 October 2018



James Brickley
Responsible Accounting Officer
18 October 2018

Byron Shire Council

Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Income from continuing operations				
<i>Revenue:</i>				
38,271	Rates and annual charges	3a	38,851	36,968
26,359	User charges and fees	3b	29,942	28,460
1,698	Interest and investment revenue	3c	2,148	2,373
1,646	Other revenues	3d	3,254	1,320
4,146	Grants and contributions provided for operating purpose	3e,f	8,904	11,270
26,918	Grants and contributions provided for capital purposes	3e,f	37,314	18,767
99,037	Total income from continuing operations		120,413	99,158
Expenses from continuing operations				
24,009	Employee benefits and on-costs	4a	24,461	21,575
4,449	Borrowing costs	4b	4,439	4,598
27,882	Materials and contracts	4c	33,161	29,378
13,176	Depreciation and amortisation	4d	14,615	14,036
4,335	Other expenses	4e	6,089	5,980
–	Net losses from the disposal of assets	5	2,352	2,417
73,850	Total expenses from continuing operations		85,118	77,984
25,187	Operating result from continuing operations		35,295	21,174
25,187	Net operating result for the year		35,295	21,174
25,187	Net operating result attributable to Council		35,295	21,174
(1,731)	Net operating result for the year before grants and contributions provided for capital purposes		(2,019)	2,407

Byron Shire Council

Statement of Comprehensive Income
for the year ended 30 June 2018

\$ '000	Notes	2018	2017
Net operating result for the year (as per Income Statement)		35,295	21,174
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10a	3,510	(4,162)
Total items which will not be reclassified subsequently to the operating result		3,510	(4,162)
Amounts that will be reclassified subsequently to the operating result when specific conditions are met			
Other movements in reserves		(99)	560
Total items which will be reclassified subsequently to the operating result when specific conditions are met		(99)	560
Total other comprehensive income for the year		3,411	(3,602)
Total comprehensive income for the year		38,706	17,572
Total comprehensive income attributable to Council		38,706	17,572

Byron Shire Council

Statement of Financial Position

as at 30 June 2018

\$ '000	Notes	2018	2017
ASSETS			
Current assets			
Cash and cash equivalents	6a	26,388	13,036
Investments	6b	47,590	63,139
Receivables	7	9,725	9,947
Inventories	8	402	407
Other	8	16	16
Non-current assets classified as 'held for sale'	9	992	2,432
Total current assets		85,113	88,977
Non-current assets			
Investments	6b	3,422	2,665
Receivables	7	378	361
Infrastructure, property, plant and equipment	10	802,362	761,914
Investments accounted for using the equity method	15	1,157	–
Total non-current assets		807,319	764,940
TOTAL ASSETS		892,432	853,917
LIABILITIES			
Current liabilities			
Payables	11	9,783	11,149
Income received in advance	11	227	254
Borrowings	11	2,719	2,555
Provisions	12	5,402	5,380
Total current liabilities		18,130	19,338
Non-current liabilities			
Borrowings	11	56,520	57,573
Provisions	12	7,128	5,057
Total non-current liabilities		63,647	62,630
TOTAL LIABILITIES		81,777	81,968
Net assets		810,655	771,949
EQUITY			
Accumulated surplus	13	558,537	523,242
Revaluation reserves	13	252,118	248,707
Council equity interest		810,655	771,949
Total equity		810,655	771,949

Byron Shire Council

Statement of Changes in Equity

for the year ended 30 June 2018

\$ '000	Notes	2018		Total equity	2017		Total equity
		Accumulated surplus	IPP&E revaluation reserve		Accumulated surplus	IPP&E revaluation reserve	
Opening balance		523,242	248,707	771,949	502,068	252,309	754,377
Net operating result for the year		35,295	–	35,295	21,174	–	21,174
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	10a	–	3,510	3,510	–	(4,162)	(4,162)
– Other reserves movements		–	(99)	(99)	–	560	560
Other comprehensive income		–	3,411	3,411	–	(3,602)	(3,602)
Total comprehensive income (c&d)		35,295	3,411	38,706	21,174	(3,602)	17,572
Equity – balance at end of the reporting period		558,537	252,118	810,655	523,242	248,707	771,949

Byron Shire Council

Statement of Cash Flows

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Cash flows from operating activities				
Receipts:				
38,271	Rates and annual charges		38,700	37,201
26,359	User charges and fees		30,482	28,284
1,698	Investment and interest revenue received		2,263	2,217
31,064	Grants and contributions		16,244	21,272
–	Bonds, deposits and retention amounts received		15	241
1,646	Other		3,622	1,091
Payments:				
(24,009)	Employee benefits and on-costs		(24,511)	(22,010)
(27,882)	Materials and contracts		(34,387)	(27,883)
(4,449)	Borrowing costs		(4,317)	(4,492)
(4,335)	Other		(6,237)	(6,836)
38,363	Net cash provided (or used in) operating activities	14b	21,874	29,085
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		67,500	15,500
–	Sale of infrastructure, property, plant and equipment		1,428	552
–	Deferred debtors receipts		10	5
Payments:				
–	Purchase of investment securities		(52,700)	(45,750)
(51,243)	Purchase of infrastructure, property, plant and equipment		(23,871)	(27,499)
–	Deferred debtors and advances made		–	(215)
(51,243)	Net cash provided (or used in) investing activities		(7,632)	(57,407)
Cash flows from financing activities				
Receipts:				
2,160	Proceeds from borrowings and advances		1,665	–
Payments:				
(2,640)	Repayment of borrowings and advances		(2,555)	(2,592)
(480)	Net cash flow provided (used in) financing activities		(890)	(2,592)
(13,360)	Net increase/(decrease) in cash and cash equivalents		13,352	(30,914)
26,498	Plus: cash and cash equivalents – beginning of year	14a	13,036	43,950
13,138	Cash and cash equivalents – end of the year	14a	26,388	13,036
Additional Information:				
	plus: Investments on hand – end of year	6b	51,012	65,804
	Total cash, cash equivalents and investments		77,400	78,840

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Basis of preparation	10
2(a)	Council functions/activities – financial information	14
2(b)	Council functions/activities – component descriptions	15
3	Income from continuing operations	16
4	Expenses from continuing operations	22
5	Gains or losses from the disposal of assets	27
6(a)	Cash and cash equivalent assets	27
6(b)	Investments	28
6(c)	Restricted cash, cash equivalents and investments – details	29
7	Receivables	31
8	Inventories and other assets	33
9	Non-current assets classified as held for sale (and disposal groups)	34
10(a)	Infrastructure, property, plant and equipment	35
10(b)	Externally restricted infrastructure, property, plant and equipment	37
11	Payables and borrowings	38
12	Provisions	41
13	Revaluation reserves	45
14	Statement of cash flows – additional information	45
15	Interests in other entities	46
16	Commitments for expenditure	47
17	Contingencies and other liabilities/assets not recognised	47
18	Financial risk management	50
19	Material budget variations	54
20	Fair value measurement	56
21	Related party transactions	66
22	Statement of developer contributions	68
23	Financial result and financial position by fund	74
24(a)	Statement of performance measures – consolidated results	76
24(b)	Statement of performance measures – by fund	77
Additional council disclosures (unaudited)		
25	Council information and contact details	79
	n/a – not applicable	

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 18 October 2018.

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

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

Basis of preparation

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

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

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

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

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

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

(a) New and amended standards adopted by Council

Council adopted the following Australian accounting standard amendments for these financial statements:

- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107

This disclosure Initiative helps users of financial statements to better understand changes in an entity's debt.

Additional disclosures relating to changes in liabilities arising from financing activities (including both changes arising from cash flows and non-cash changes) have been incorporated in these financial statements at Note 11 (c).

- AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities

This Standard means that Not-for-profit entities (and therefore Council) no longer need to consider AASB 136 Impairment of Assets for non-cash-generating specialised assets at fair value.

Instead it is expected that for Not-for-profit entities holding non-cash-generating assets, the recoverable amount of these assets is expected to be materially the same as fair value, determined under AASB 13 Fair Value Measurement.

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 10,
- (ii) estimated tip remediation provisions – refer Note 12,
- (iii) employee benefit provisions – refer Note 12.

Significant judgements in applying the Council's accounting policies

- (i) Impairment of receivables - Council has made a significant judgement about the impairment of a number of its receivables in Note 7.
- (ii) Projected Section 7.11 Commitments – Council has used significant judgement in determining future Section 7.11 income and expenditure in Note 22.

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General purpose operations
- Water service
- Sewerage service

(b) The Trust Fund

In accordance with the provisions of Section 411 of the *Local Government Act 1993 (NSW)* (as amended), a separate and distinct Trust Fund is maintained to account for all money and other assets received by the

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

Council in trust which must be applied only for the purposes of, or in accordance with the trusts relating to those monies. Trust monies and other assets subject to Council's control have been included in these reports. A separate statement of monies held in the Trust Fund is available for inspection at the Council office by any person free of charge.

Goods and Services Tax (GST)

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

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

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

New accounting standards and interpretations issued not yet effective

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

As at the date of authorisation of these financial statements, Council considers that the standards and interpretations listed below will have an impact upon future published financial statements ranging from additional and / or revised disclosures to actual changes as to how certain transactions and balances are accounted for.

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

- AASB 9 *Financial Instruments*

This replaces AASB 139 *Financial Instruments: Recognition and Measurement*, and addresses the classification, measurement and disclosure of financial assets and liabilities.

The standard introduces a new impairment model that requires impairment provisions to be based on expected credit losses, rather than incurred credit losses.

Based on assessments to date, Council expects no material increase to impairment losses and the standard is not expected to have a material impact overall.

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

- AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-Profit Entities* and AASB 2016-8 *Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities*

AASB 15 will replace AASB 118 *Revenue*, AASB 111 *Construction Contracts* and a number of Interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15, and AASB 1058 will replace AASB 1004 *Contributions*.

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers.

While Council is still reviewing the way that income is measured and recognised to identify whether there will be any material impact arising from these standards, these standards may affect the timing of the recognition of some grants and donations.

- AASB 16 *Leases*

Council is currently a party to leases that are not recognised in the Statement of Financial Position.

It is likely that some of these leases will need to be included in the Statement of Financial Position when this standard comes into effect.

A lease liability will initially be measured at the present value of the lease payments to be made over the lease term.

A corresponding right-of-use asset will also be recognised over the lease term.

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

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).									
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
We have, infrastructure, transport and services which meet our expectations	34,927	50,307	46,109	40,534	(11,182)	9,773	5,132	9,467	547,976	519,686
We cultivate and celebrate our diverse cultures, lifestyle and sense of community	6,182	4,687	14,261	13,040	(8,079)	(8,353)	2,033	1,342	185,087	188,558
We protect and enhance our natural environment	2,285	1,842	4,737	4,256	(2,452)	(2,414)	241	75	18,798	14,117
We manage growth and change responsibly	53,292	16,710	9,032	8,836	44,260	7,874	169	124	37,502	37,512
We have community led decision making which is open and inclusive	23,728	25,611	10,979	11,317	12,749	14,294	2,131	2,845	103,043	94,045
Total functions and activities	120,413	99,158	85,118	77,984	35,295	21,174	9,707	13,852	892,432	853,917

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

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

We have, infrastructure, transport and services which meet our expectations

Provide a road network which is safe, accessible and maintained to an acceptable level of service. Provide essential services and reliable infrastructure which meet an acceptable community standard. Support, through partnership, a network of integrated sustainable transport options. Provide a regular and acceptable waste and recycling service. Provide continuous urban water and sewerage service within the Shire. Manage traffic and parking in an efficient manner.

We cultivate and celebrate our diverse cultures, lifestyle and sense of community

Support and encourage our vibrant culture and creativity. Support access to a wide range of services and activities that contribute to the wellbeing of all members of the Byron Shire community. Provide accessible, local community spaces and facilities. Enhance community safety and amenity while respecting our shared values. Encourage appreciation of cultural vitality and diversity.

We protect and enhance our natural environment

Partner to protect and enhance our biodiversity, ecosystems and ecology. Strive to become a sustainable community. Partner to protect and enhance the health of the Shire's coastlines, estuaries, waterways and catchments. Support and secure our farming future.

We manage growth and change responsibly

Support the visions and aspirations of local communities through place-based planning and management. Support housing diversity in appropriate locations across the Shire. Promote and support local business development, education and employment opportunities. Support tourism and events that reflect our culture and lifestyle. Work to improve community resilience in our changing environment.

We have community led decision making which is open and inclusive

Engage and involve community in decision making. Create a culture of trust with the community by being open, genuine and transparent. Deliver a high level of customer service. Manage Council's assets and allocate resources in a fair and holistic manner. Manage Council's finances sustainably. Manage Council's resources sustainably.

Byron Shire Council

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

Note 3. Income from continuing operations

\$ '000	2018	2017
(a) Rates and annual charges		
Ordinary rates		
Residential	15,438	14,662
Farmland	1,057	860
Business	4,097	3,564
Total ordinary rates	20,592	19,086
Special rates		
Nil		
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	4,890	4,720
Stormwater management services	290	288
Water supply services	2,241	2,191
Sewerage services	10,163	10,018
Waste management services (non-domestic)	674	665
Total annual charges	18,259	17,882
TOTAL RATES AND ANNUAL CHARGES	38,851	36,968

Council has used 2018 year valuations provided by the NSW Valuer General in calculating its rates.

Accounting policy for rates and annual charges

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

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

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(b) User charges and fees		
Specific user charges (per s.502 – specific 'actual use' charges)		
Water supply services	6,506	6,573
Sewerage services	4,867	4,886
Total specific user charges	11,372	11,459
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Building inspections	701	876
Building services	407	522
Developer fees	871	984
Dog registration / release	69	44
Engineering services	12	6
Freedom of information	28	14
Health inspection	497	471
Planning and building regulation	152	–
Private works – section 67	222	168
Regulatory/ statutory fees	74	66
Section 149 certificates (EPA Act)	114	112
Section 603 certificates	75	88
Total fees and charges – statutory/regulatory	3,222	3,351
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Administration and financial services	169	35
Aerodrome	103	99
Beach control	–	1
Caravan park	4,694	4,521
Cemeteries	226	214
Child care	934	894
Leaseback fees – Council vehicles	251	275
Parking fees	4,297	3,518
Property rentals and leases	1,178	1,159
Public halls	238	254
Sewerage charges	161	143
Swimming pools	293	311
Waste	2,299	1,630
Tourism	23	–
Water connection fees	130	135
Other	353	461
Total fees and charges – other	15,348	13,650
TOTAL USER CHARGES AND FEES	29,942	28,460

Accounting policy for user charges and fees

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

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(c) Interest and investment revenue (including losses)		
Interest		
– Overdue rates and annual charges (incl. special purpose rates)	150	154
– Cash and investments	1,991	2,205
Fair value adjustments		
– Fair valuation movements in investments (at fair value or held for trading)	8	14
TOTAL INTEREST AND INVESTMENT REVENUE	2,148	2,373
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	150	154
General Council cash and investments	819	942
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	475	535
– Section 64	319	434
Water fund operations	171	231
Sewerage fund operations	215	77
Total interest and investment revenue recognised	2,148	2,373
Accounting policy for interest and investment revenue		
Interest income is recognised using the effective interest rate at the date that interest is earned.		
(d) Other revenues		
Fines	1,467	1,225
Legal fees recovery – other	–	8
Insurance claim recoveries	126	2
Sales – general	475	15
Waste	29	70
Richmond Tweed Regional Library	1,157	–
TOTAL OTHER REVENUE	3,254	1,320

Accounting policy for other revenue

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

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

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

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

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	1,900	2,607	–	–
Financial assistance – local roads component	1,123	1,740	–	–
Other				
Pensioners' rates subsidies – general component	228	229	–	–
Total general purpose	3,250	4,576	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	77	72	–	–
– Sewerage	75	75	–	–
– Domestic waste management	57	60	–	–
Bushfire and emergency services	144	200	–	–
Child care	936	943	84	–
Community care	36	–	–	–
Community centres	–	–	106	–
Economic development	110	124	–	–
Employment and training programs	4	9	–	–
Flood restoration	50	–	–	–
Library	41	37	–	–
Library – per capita	62	60	–	–
Street lighting	53	52	–	50
Transport (roads to recovery)	198	2,497	–	–
Transport (other roads and bridges funding)	66	407	2,893	3,987
Waste management	297	287	–	–
Emergency Services	–	–	150	–
Parks & Gardens	–	–	399	–
Other sport and recreation	–	–	179	100
Planning	58	–	–	–
On site sewerage management	–	15	–	–
Community services	–	9	–	–
Crown lands maintenance	191	192	–	–
Environmental management	164	74	–	–
Foreshore maintenance	27	26	–	–
Total specific purpose	2,646	5,139	3,811	4,137
Total grants	5,896	9,715	3,811	4,137
Grant revenue is attributable to:				
– Commonwealth funding	2,961	5,944	1,601	100
– State funding	2,935	3,771	2,210	4,037
	5,896	9,715	3,811	4,137

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(f) Contributions					
Developer contributions:					
(s7.4 & s7.11 – EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services		–	–	2,674	1,722
S 7.12 – fixed development consent levies		–	–	137	78
S 64 – water supply contributions		–	–	561	877
S 64 – sewerage service contributions		–	–	1,871	3,251
Total developer contributions – cash		–	–	5,244	5,928
Non-cash contributions					
Nil					
Total developer contributions	22	–	–	5,244	5,928
Other contributions:					
Cash contributions					
Recreation and culture		–	–	–	5
Roads and bridges		2,206	706	156	348
RMS contributions (regional roads, block grant)		678	648	–	–
Surf lifesaving		116	113	–	–
Other economic development		8	88	–	50
Other waste		–	–	–	38
Cemeteries		–	–	–	14
Open spaces		–	–	–	76
Total other contributions – cash		3,008	1,555	156	531
Non-cash contributions					
Dedications – Assets		–	–	28,103	8,171
Total other contributions – non-cash		–	–	28,103	8,171
Total other contributions		3,008	1,555	28,259	8,702
Total contributions		3,008	1,555	33,503	14,630
TOTAL GRANTS AND CONTRIBUTIONS		8,904	11,270	37,314	18,767

Accounting policy for Grants and Contributions

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

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

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

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Operating grants		
Unexpended at the close of the previous reporting period	71	480
Add: operating grants recognised in the current period but not yet spent	281	28
Less: operating grants recognised in a previous reporting period now spent	(63)	(437)
Unexpended and held as restricted assets (operating grants)	<u>288</u>	<u>71</u>
Capital grants		
Unexpended at the close of the previous reporting period	402	487
Add: capital grants recognised in the current period but not yet spent	489	264
Less: capital grants recognised in a previous reporting period now spent	(318)	(349)
Unexpended and held as restricted assets (capital grants)	<u>574</u>	<u>402</u>
Contributions		
Unexpended at the close of the previous reporting period	37,086	42,525
Add: contributions recognised in the current period but not yet spent	31	86
Add: contributions received for the provision of goods and services in a future period	6,038	7,425
Less: contributions recognised in a previous reporting period now spent	(10,739)	(12,950)
Unexpended and held as restricted assets (contributions)	<u>32,417</u>	<u>37,086</u>

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations

\$ '000	2018	2017
(a) Employee benefits and on-costs		
Salaries and wages	18,722	16,605
Employee termination costs	168	87
Employee leave entitlements (ELE)	3,838	3,242
Superannuation	2,135	2,127
Workers' compensation insurance	700	614
Fringe benefit tax (FBT)	65	96
Payroll tax	151	135
Training costs (other than salaries and wages)	333	388
Total employee costs	26,112	23,294
Less: capitalised costs	(1,651)	(1,719)
TOTAL EMPLOYEE COSTS EXPENSED	24,461	21,575
Number of 'full-time equivalent' employees (FTE) at year end	304.75	279.00

Accounting policy for employee benefits and on-costs

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

Superannuation plans

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

(i) Defined benefit superannuation contribution plans

Council participates in a defined benefits superannuation scheme called the Local Government Superannuation Scheme - Pool B (Scheme). The Pooled Employers form a sub-group of the Scheme with over 170 employers supporting over 8,700 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. The standard employer contributions were determined using the new entrant rate method under which a contribution rate sufficient to fund total benefits over the working life of a typical new entrant is calculated. The current standard employer contribution rates are: Division B - 1.9 times employee contribution, Division C 2.5% salaries, Division D 1.64 times employee contributions. The additional lump sum contributions for each Pooled Employer is a share of the total contributions of \$40.0million per annum from 1 July 2017 for 4 years to 30 June 2021, apportioned according to each employer's share of accrued liabilities as at 30 June 2017. The adequacy of contributions is assessed at each triennial actuarial investigation and monitored annually between triennials.

Each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence share in the associated gains and losses. However, there is no relief under the Scheme's trust deed dealing with deficits or surplus on wind-up. There is no provision for allocation of any surplus which may be present at the date of withdrawal of an employer.

The expected contribution to the Scheme for the next annual reporting period is \$271,710.52

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000

(a) Employee benefits and on-costs (continued)

(i) Defined benefit superannuation contribution plans (continued)

The estimated employer reserves financial position for the Pooled Employers at 30 June 2018 is:

Employer Reserves only*	\$millions	Asset Coverage
Assets	1,817.8	
Past Service Liability	1,787.5	101.7%
Vested Benefits	1,778.0	102.2%

* Excluding member accounts and reserves in both assets and liabilities.

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

Investment Return 6.0% per annum
 Salary inflation plus promotional increases 3.5% per annum
 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 group.

The implications are additional contributions are estimated to remain in place until 30 June 2021 (ie \$381,000). It is estimated that Council's level of participation in the Scheme compared with other participating Pooled Employers is approximately 0.32%.

(b) Borrowing costs

	Notes	2018	2017
(i) Interest bearing liability costs			
Interest on loans		4,315	4,493
Total interest bearing liability costs expensed		4,315	4,493
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	14	124	105
Total other borrowing costs		124	105
TOTAL BORROWING COSTS EXPENSED		4,439	4,598

Accounting policy for borrowing costs

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

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(c) Materials and contracts		
Raw materials and consumables	22,325	19,363
Contractor and consultancy costs		
– Caravan parks	1,407	1,370
– Cleaning	252	228
– Security	49	85
– Surf lifesaving	554	539
– Swimming pools	409	402
– Temporary employment	2,379	2,668
– Waste	3,972	3,366
Auditors remuneration ⁽²⁾	132	160
Infringement notice contract costs (SEINS)	185	162
Legal expenses:		
– Legal expenses: planning and development	271	9
– Legal expenses: other	82	52
Operating leases:		
– Operating lease rentals: minimum lease payments ⁽¹⁾	1,146	974
TOTAL MATERIALS AND CONTRACTS	33,161	29,378
Accounting Policy for Operating leases		
Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.		
1. Operating lease payments are attributable to:		
Computers	513	467
Parking meters	633	507
	1,146	974
2. Auditors remuneration		
During the year the following fees were paid or payable for services provided by the auditor of Council, related practices and non-related audit firms		
Auditors of the Council – NSW Auditor-General:		
(i) Audit and other assurance services		
Audit of financial statements	76	66
Total Auditor-General remuneration	76	66
Non NSW Auditor-General audit firms:		
(i) Audit and other assurance services		
Other audit and assurance services	–	12
Remuneration for audit and other assurance services	–	12
Internal audit services: O'Connor Marsden & Associates from 1/7/2017	56	82
Total remuneration of non NSW Auditor-General audit firms	56	94
Total Auditor remuneration	132	160

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	2017
(d) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment		1,084	1,040
Office equipment		183	189
Furniture and fittings		19	19
Land improvements (depreciable)		160	160
Infrastructure:			
– Buildings		1,122	870
– Other structures		36	36
– Roads		5,126	5,023
– Bridges		324	293
– Footpaths		141	126
– Stormwater drainage		623	581
– Water supply network		1,387	1,183
– Sewerage network		3,015	3,204
– Swimming pools		56	56
– Other open space/recreational assets		436	395
Other assets:			
– Other		225	231
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	10 & 12	421	630
– Quarry assets	10 & 12	257	–
Total depreciation and amortisation costs		<u><u>14,615</u></u>	<u><u>14,036</u></u>
Impairment / revaluation decrement of IPP&E			
Nil			
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED		<u><u>14,615</u></u>	<u><u>14,036</u></u>

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

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

Impairment of non-financial assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

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

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(e) Other expenses		
Advertising	105	124
Bad and doubtful debts	3	6
Bank charges	79	64
Computer software charges	724	637
Contributions/levies to other levels of government		
– Bushfire fighting fund	187	182
– Emergency services levy (includes FRNSW, SES, and RFS levies)	54	60
– NSW fire brigade levy	86	82
– Far North Coast Weeds	107	79
– Other contributions/levies	116	155
Councillor expenses – mayoral fee	42	41
Councillor expenses – councillors' fees	174	167
Councillors' expenses (incl. mayor) – other (excluding fees above)	59	91
Donations, contributions and assistance to other organisations (Section 356)	40	75
Richmond Tweed Regional Library	1,283	1,243
Election expenses	–	187
Electricity and heating	1,371	1,245
Insurance	838	773
Postage	133	124
Printing and stationery	49	74
Street lighting	294	264
Telephone and communications	256	219
Valuation fees	91	88
<u>TOTAL OTHER EXPENSES</u>	<u>6,089</u>	<u>5,980</u>

Accounting policy for other expenses

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

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	2018	2017
Plant and equipment	10		
Proceeds from disposal – plant and equipment		211	302
Less: carrying amount of plant and equipment assets sold/written off		(225)	(396)
Net gain/(loss) on disposal		(14)	(94)
Infrastructure	10		
Proceeds from disposal – infrastructure		–	35
Less: carrying amount of infrastructure assets sold/written off		(2,116)	(1,778)
Net gain/(loss) on disposal		(2,116)	(1,743)
Financial assets	6		
Proceeds from disposal/redemptions/maturities – financial assets		67,500	15,500
Less: carrying amount of financial assets sold/redeemed/matured		(67,500)	(15,500)
Net gain/(loss) on disposal		–	–
Non-current assets classified as ‘held for sale’	9		
Proceeds from disposal – non-current assets ‘held for sale’		1,218	–
Less: carrying amount of ‘held for sale’ assets sold/written off		(1,440)	–
Net gain/(loss) on disposal		(222)	–
Land			
Less: carrying amount of Land assets sold/written off		–	(540)
Net gain/(loss) on disposal		–	(540)
Building			
Proceeds from disposal – Building		–	215
Less: carrying amount of Building assets sold/written off		–	(255)
Net gain/(loss) on disposal		–	(40)
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(2,352)	(2,417)

Accounting policy for disposal of assets

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

Note 6(a). Cash and cash equivalent assets

\$ '000	2018	2017
Cash and cash equivalents		
Cash on hand and at bank	1,304	980
Cash-equivalent assets		
– Deposits at call	4,084	2,056
– Short-term deposits	21,000	10,000
Total cash and cash equivalents	26,388	13,036

Accounting policy for cash and cash equivalents

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

Byron Shire Council

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

Note 6(b). Investments

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Investments				
'At fair value through the profit and loss'				
– 'Designated at fair value on initial recognition'	47,590	3,422	63,139	2,665
Total investments	47,590	3,422	63,139	2,665
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	73,978	3,422	76,175	2,665
Financial assets at fair value through the profit and loss				
Long term deposits	47,590	–	63,139	–
NCD's, FRN's (with maturities > 3 months)	–	2,405	–	1,654
Other long term financial assets	–	1,017	–	1,011
Total	47,590	3,422	63,139	2,665

Accounting policy for investments**Classification**

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; held-to-maturity investments; and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

Financial assets at fair value through profit or loss

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

Recognition and de-recognition

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

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	73,978	3,422	76,175	2,665
attributable to:				
External restrictions (refer below)	51,598	3,422	54,186	2,665
Internal restrictions (refer below)	21,234	–	20,844	–
Unrestricted	1,146	–	1,145	–
	73,978	3,422	76,175	2,665

\$ '000	2018	2017
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Details of restrictions

External restrictions – included in liabilities

Bonds and deposits	3,122	3,963
External restrictions – included in liabilities	3,122	3,963

External restrictions – other

Developer contributions – general	18,871	20,030
Developer contributions – water fund	3,858	6,692
Developer contributions – sewer fund	9,052	9,584
RMS contributions	613	723
Specific purpose unexpended grants	862	473
Water supplies	6,924	4,954
Sewerage services	9,411	8,200
Domestic waste management	1,204	1,338
Crown paid parking reserve	457	401
Crown reserve	624	434
Other - Nth Byron Resort Roundabout	20	–
Gough Cemetery	2	9
Byron Visitor Centre	–	50
External restrictions – other	51,899	52,888
Total external restrictions	55,021	56,851

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018	2017
Internal restrictions		
Plant and vehicle replacement	1,783	1,939
Infrastructure replacement	874	3,662
Employees leave entitlement	971	972
Asset revaluation reserve	11	11
Bridge replacement fund	397	781
Brunswick Heads memorial hall	62	50
Brunswick Valley community centre	–	10
Byron Bay library exhibition space	28	36
Byron Bay library	319	227
Byron Senior Citizens Hall	19	–
Children's services	80	100
Community development	262	129
Council caravan parks	3,000	2,612
Economic Development	75	–
Environment & Enforcement Levy	114	–
Environmental levy	121	111
Financial assistance grant (in advance)	1,538	1,479
Footpath dining	86	112
General managers office	76	56
Human resources	59	65
Information technology	210	217
Information & Technology Service Fee	58	–
Infrastructure services carryover	732	1,124
Infrastructure Renewal Reserve - Non Byron Bay	177	–
Land and natural environment	241	224
Land Remediation	60	–
Legal services	318	515
Mullumbimby pioneer centre	7	4
On-site sewerage management reserve	347	514
Property	497	625
Quarry	642	616
Revolving energy fund	38	37
Risk management	111	179
Special events response and mitigation	165	161
South Golden Beach hall	25	25
2006/2007 Special Rate Carryover Reserve	113	114
2007/2008 Special Rate Carryover Reserve	601	706
2008/2009 Special Rate Carryover Reserve	174	247
2017/2018 Special Rate Carryover Reserve	258	–
Stormwater	104	160
Structural change reserve	198	198
Suffolk park community hall	17	19
Suffolk park open space	50	50
Tennis courts	2	6
Unexpended loans	1,335	–
Waste management	4,683	2,603
Ocean shores community centre	28	20
Council election	120	60
Grant management	45	68
Total internal restrictions	21,234	20,844
TOTAL RESTRICTIONS	76,254	77,695

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Purpose				
Rates and annual charges	1,091	163	972	131
Interest and extra charges	158	25	175	30
User charges and fees	3,947	–	4,527	–
Accrued revenues				
– Interest on investments	384	–	484	–
– Other income accruals	107	–	6	–
Deferred debtors	10	190	10	200
Government grants and subsidies	2,481	–	611	–
Net GST receivable	791	–	1,051	–
Pensioner subsidy	25	–	10	–
Roads and Maritime Services	657	–	2,120	–
Miscellaneous water and sewer	117	–	36	–
Total	9,768	378	10,002	361
Less: provision for impairment				
User charges and fees	(43)	–	(55)	–
Total provision for impairment – receivables	(43)	–	(55)	–
TOTAL NET RECEIVABLES	9,725	378	9,947	361
Externally restricted receivables				
Water supply				
– Specific purpose grants	5	–	2	–
– Rates and availability charges	88	–	87	–
– Other	1,794	–	1,943	–
Sewerage services				
– Specific purpose grants	5	–	2	–
– Rates and availability charges	401	–	402	–
– Other	1,584	–	1,588	–
Total external restrictions	3,877	–	4,024	–
Internally restricted receivables				
Nil				
Unrestricted receivables	5,848	378	5,923	361
TOTAL NET RECEIVABLES	9,725	378	9,947	361
Movement in provision for impairment of receivables			2018	2017
Balance at the beginning of the year			55	68
+ new provisions recognised during the year			1	1
– amounts already provided for and written off this year			(13)	(15)
– amounts provided for but recovered during the year			–	1
Balance at the end of the year			43	55

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 7. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in other receivables (Note 8) and receivables (Note 7) in the Statement of Financial Position. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

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

Impairment

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

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

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

Byron Shire Council

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

Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
(a) Inventories				
(i) Inventories at cost				
Stores and materials	402	–	407	–
Total inventories at cost	402	–	407	–
(ii) Inventories at net realisable value (NRV)				
Nil				
TOTAL INVENTORIES	402	–	407	–
(b) Other assets				
Other	16	–	16	–
TOTAL OTHER ASSETS	16	–	16	–

Externally restricted assets

There are no restrictions applicable to the above assets.

Accounting policy**Raw materials and stores, work in progress and finished goods**

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventory held for distribution

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

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018	2018	2017	2017
	Current	Non-current	Current	Non-current
(i) Non-current assets and disposal group assets				
Non-current assets 'held for sale'				
Land	992	–	2,432	–
<u>TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'</u>	<u>992</u>	<u>–</u>	<u>2,432</u>	<u>–</u>

(ii) Details of assets and disposal groups

Council has one lot of operational land that it has resolved to sell. It is expected the sale of this lot will occur during the 2018/2019 financial year.

\$ '000	Assets 'held for sale'	
	2018	2017
(iii) Reconciliation of non-current assets 'held for sale'		
Opening balance	2,432	–
Less: carrying value of assets/operations sold	(1,440)	–
Balance still unsold after 12 months:	992	–
Plus new transfers in:		
– Assets 'held for sale'	–	2,432
Closing balance of 'held for sale' non-current assets	<u>992</u>	<u>2,432</u>

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

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

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

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

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

Asset class	as at 30/6/2017			Asset movements during the reporting period							as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000													
Capital work in progress	17,258	–	17,258	11,887	198	–	–	(10,577)	–	–	18,766	–	18,766
Plant and equipment	12,518	8,064	4,454	–	921	(225)	(1,084)	–	–	–	13,003	8,938	4,065
Office equipment	3,018	2,608	410	–	17	–	(183)	–	–	–	3,035	2,790	245
Furniture and fittings	297	197	100	–	–	–	(19)	–	–	–	296	216	80
Land:													
– Operational land	83,564	–	83,564	–	–	–	–	–	768	–	84,332	–	84,332
– Community land	123,413	–	123,413	–	–	–	–	–	(768)	–	122,645	–	122,645
– Land under roads (post 30/6/08)	7,335	–	7,335	–	–	–	–	–	–	–	7,335	–	7,335
Land improvements – non-depreciable	80	–	80	–	–	–	–	–	–	–	80	–	80
Land improvements – depreciable	6,215	2,492	3,723	–	–	–	(160)	–	–	–	6,215	2,652	3,563
Infrastructure:													
– Buildings	73,680	10,735	62,945	469	–	–	(1,122)	169	–	–	74,317	11,857	62,460
– Other structures	2,391	351	2,040	–	135	–	(36)	–	–	–	2,526	387	2,139
– Roads	302,542	138,363	164,179	6,065	14,194	(1,734)	(5,126)	4,109	(3,110)	–	322,507	143,937	178,570
– Bridges	23,909	11,080	12,829	443	14,971	(335)	(324)	293	(776)	–	37,790	10,688	27,102
– Footpaths	8,627	3,124	5,503	311	545	(18)	(141)	40	(253)	–	9,278	3,285	5,993
– Bulk earthworks (non-depreciable)	29,000	–	29,000	–	–	–	–	–	–	–	28,999	–	28,999
– Stormwater drainage	64,295	16,974	47,321	4,026	–	–	(623)	644	(356)	–	69,113	18,102	51,011
– Water supply network	97,440	38,850	58,590	693	774	–	(1,387)	4,694	–	1,224	105,668	41,081	64,587
– Sewerage network	175,858	64,086	111,772	326	59	–	(3,015)	37	–	2,287	179,976	68,510	111,466
– Swimming pools	2,800	609	2,191	–	–	–	(56)	–	–	–	2,800	665	2,135
– Other open space/recreational assets	14,751	4,669	10,082	445	–	(30)	(436)	590	–	–	15,727	5,078	10,649
Other assets:													
– Other	3,766	1,674	2,092	–	–	–	(225)	–	–	–	3,766	1,900	1,866
Reinstatement, rehabilitation and restoration assets (refer Note 12):													
– Tip assets	11,628	1,064	10,564	–	1,919	–	(421)	–	–	–	13,547	1,485	12,062
– Quarry assets	2,739	270	2,469	–	–	–	(257)	–	–	–	2,739	527	2,212
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	1,067,124	305,210	761,914	24,662	33,734	(2,341)	(14,615)	0	(4,496)	3,510	1,124,460	322,098	802,362

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

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

Accounting policy for infrastructure, property, plant and equipment

Infrastructure, property, plant and equipment are held at fair value. Independent valuations are performed at least every 5 years, however the carrying amount of assets is assessed at each reporting date to confirm that it is not materially different from current fair value.

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

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

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

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	5 to 20
Office furniture	10 to 20	Benches, seats etc.	10 to 30
Computer equipment	4		
Vehicles	7 to 10		
Heavy plant/road making equipment	7 to 10		
Other plant and equipment	5 to 10		
Buildings		Buildings	
Envelope	32 to 160	Mechanical services	13 to 53
Floors	90 to 140	Fire services	22 to 25
Floor coverings	17 to 34	Electrical services	65 to 95
Internal screens	38 to 75	Hydraulic services	73 to 103
Roof	14 to 105		
Water and sewer assets		Stormwater assets	
Dams and reservoirs	40 to 100	Drains	100 to 200
Bores	20 to 40	Culverts	100
Reticulation pipes: PVC	70 to 80	Flood control structures	100
Reticulation pipes: other	40 to 80		
Pumps and telemetry	10 to 60		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	20 to 60	Bulk earthworks	Infinite
Sealed roads: structure	40 to 200	Swimming pools	25 to 50
Unsealed roads	15 to 20	Other open space/recreational assets	5 to 50
Bridge: concrete	60 to 100		
Bridge: other	60 to 100		
Road pavements	50		
Kerb, gutter and footpaths	15 to 83		

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

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

Land under roads

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

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

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

Crown reserves

Crown Reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

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

Rural Fire Service assets

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

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

\$ '000	2018			2017		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
WIP	2,773	–	2,773	5,070	–	5,070
Plant and equipment	21	19	2	21	17	4
Office equipment	44	44	–	44	44	–
Land						
– Operational land	6,509	–	6,509	6,509	–	6,509
Buildings	1,315	270	1,044	1,315	243	1,071
Infrastructure	105,669	41,081	64,588	97,440	38,850	58,590
Total water supply	116,331	41,414	74,917	110,399	39,154	71,244
Sewerage services						
WIP	4,656	–	4,656	1,452	–	1,452
Plant and equipment	307	147	159	307	129	178
Office equipment	72	72	–	72	72	–
Land						
– Operational land	13,463	–	13,463	13,463	–	13,463
– Improvements – depreciable	10	3	7	10	2	7
Buildings	220	51	169	220	47	173
Other structures	17	17	–	–	–	–
Infrastructure	179,976	68,510	111,466	175,858	64,086	111,772
Other assets	–	–	–	17	17	–
Total sewerage services	198,720	68,800	129,920	191,398	64,353	127,045
TOTAL RESTRICTED IPP&E	315,051	110,214	204,837	301,797	103,508	198,289

Byron Shire Council

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

Note 11. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Payables				
Goods and services – operating expenditure	5,182	–	6,413	–
Accrued expenses:				
– Borrowings	244	–	246	–
– Other expenditure accruals	379	–	527	–
Security bonds, deposits and retentions	3,978	–	3,963	–
Total payables	9,783	–	11,149	–
Income received in advance				
Payments received in advance	227	–	254	–
Total income received in advance	227	–	254	–
Borrowings				
Loans – secured ¹	2,719	56,520	2,555	57,573
Total borrowings	2,719	56,520	2,555	57,573
TOTAL PAYABLES AND BORROWINGS	12,728	56,520	13,958	57,573

(a) Payables and borrowings relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Sewer	1,795	42,883	1,907	44,471
Bonds and deposits	3,978	–	3,963	–
Payables and borrowings relating to externally restricted assets	5,773	42,883	5,870	44,471
Internally restricted assets				
Nil				
Total payables and borrowings relating to restricted assets	5,773	42,883	5,870	44,471
Total payables and borrowings relating to unrestricted assets	6,956	13,636	8,088	13,102
TOTAL PAYABLES AND BORROWINGS	12,728	56,520	13,958	57,573

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 18.

Byron Shire Council

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

Note 11. Payables and borrowings (continued)

\$ '000

(b) Current payables and borrowings not anticipated to be settled within the next twelve months

Nil

(c) Changes in liabilities arising from financing activities

Class of borrowings	2017		Non-cash changes			2018
	Opening balance as at 1/7/17	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance as at 30/6/18
Loans – secured	60,128	(890)	–	–	–	59,238
TOTAL	60,128	(890)	–	–	–	59,238

\$ '000

2018

2017

(d) Financing arrangements**(i) Unrestricted access was available at balance date to the following lines of credit:**

Credit cards/purchase cards	185	165
Total financing arrangements	185	165
Drawn facilities as at balance date:		
– Credit cards/purchase cards	3	6
Total drawn financing arrangements	3	6
Undrawn facilities as at balance date:		
– Credit cards/purchase cards	182	159
Total undrawn financing arrangements	182	159

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

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Payables and borrowings (continued)

Accounting policy for payables and borrowings

Payables

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

Borrowings

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

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

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

Byron Shire Council

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

Note 12. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits:				
Annual leave	1,958	–	1,888	–
Long service leave	3,294	116	3,340	188
Gratuities	150	–	152	–
Sub-total – aggregate employee benefits	5,402	116	5,380	188
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	7,011	–	4,869
Sub-total – asset remediation/restoration	–	7,011	–	4,869
<u>TOTAL PROVISIONS</u>	<u>5,402</u>	<u>7,128</u>	<u>5,380</u>	<u>5,057</u>

(a) Provisions relating to restricted assets

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

\$ '000	2018	2017
---------	------	------

(b) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	3,637	3,846
	<u>3,637</u>	<u>3,846</u>

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Provisions (continued)

\$ '000

(c) Description of and movements in provisions

2018	ELE provisions			Total
	Annual leave	Long service leave	Other employee benefits	
At beginning of year	1,888	3,528	152	5,568
Additional provisions	1,702	523	4	2,229
Amounts used (payments)	(1,633)	(641)	(6)	(2,280)
Total ELE provisions at end of year	1,958	3,410	150	5,518
2017				
At beginning of year	1,723	3,399	160	5,282
Additional provisions	1,492	589	2	2,083
Amounts used (payments)	(1,327)	(460)	(10)	(1,797)
Total ELE provisions at end of year	1,888	3,528	152	5,568
			Other provisions	
2018			Asset remediation	Total
At beginning of year			4,869	4,869
Changes to provision:				
– Revised costs			20	20
– Revised discount rate			79	79
Additional provisions			1,919	1,919
Unwinding of discount			124	124
Total other provisions at end of year			7,011	7,011
2017				
At beginning of year			5,324	5,324
Changes to provision:				
– Revised costs			(30)	(30)
– Revised discount rate			(530)	(530)
Unwinding of discount			105	105
Total other provisions at end of year			4,869	4,869

Nature and purpose of non-employee benefit provisions

Asset remediation

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

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Provisions (continued)

Accounting policy for provisions

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

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

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

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

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

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

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Provisions (continued)

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

Restoration

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

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

Rehabilitation

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

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

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

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

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

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

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Revaluation reserves

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

Note 14. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	26,388	13,036
Balance as per the Statement of Cash Flows		26,388	13,036
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		35,295	21,174
Adjust for non-cash items:			
Depreciation and amortisation		14,615	14,036
Net losses/(gains) on disposal of assets		2,352	2,417
Non-cash capital grants and contributions		(29,261)	(8,172)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		(8)	(14)
Unwinding of discount rates on reinstatement provisions		124	105
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		207	(899)
Increase/(decrease) in provision for doubtful debts		(12)	(13)
Decrease/(increase) in inventories		5	(42)
Decrease/(increase) in other assets		–	70
Increase/(decrease) in payables		(1,231)	1,538
Increase/(decrease) in accrued interest payable		(2)	0
Increase/(decrease) in other accrued expenses payable		(148)	(1,086)
Increase/(decrease) in other liabilities		(13)	247
Increase/(decrease) in employee leave entitlements		(50)	285
Increase/(decrease) in other provisions		0	(560)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		21,874	29,085
(c) Non-cash investing and financing activities			
Other dedications		28,104	8,172
Total non-cash investing and financing activities		28,104	8,172

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 15. Interests in other entities

\$ '000

(a) Associates

Summarised financial information for individually immaterial associates

Council has interests in an immaterial associate

Immaterial associates that have been accounted for using the equity method.

Individually immaterial associates

	2018	2017
Aggregate carrying amount of individually immaterial associates	1,157	–
Aggregate amounts of Council's share of individually immaterial:		
Profit/(loss) from continuing operations	53	–
Total comprehensive income – individually immaterial associates	53	–

(b) 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	2018 Net profit	2018 Net assets
North East Weight Loads Group (NEWLOG)	Enforcement of heavy load weights carried by heavy vehicles. Joint Venture	(256)	128

Reasons for non-recognition

Council's share of North East Weight of Loads Group is 13.4%. Council considers this immaterial to the consolidated financial statements.

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. Commitments for expenditure

\$ '000	2018	2017
(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	185	400
Plant and equipment	–	2,919
Roads	9,601	1,691
Total commitments	9,786	5,010
These expenditures are payable as follows:		
Within the next year	9,786	5,010
Total payable	9,786	5,010
Sources for funding of capital commitments:		
Future grants and contributions	5,093	–
Section 7.11 and 64 funds/reserves	2,771	4,761
Internally restricted reserves	1,923	249
Total sources of funding	9,786	5,010
(b) 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	1,082	1,065
Later than one year and not later than 5 years	2,450	3,079
Later than 5 years	323	–
Total non-cancellable operating lease commitments	3,855	4,144
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.		

Note 17. Contingencies and other liabilities/assets not recognised

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) 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.

Byron Shire Council

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

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

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(ii) 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.

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) Section 7.11 Contributions (Previously S94 Plans)

Council levies Section 7.11 Contributions (previously Section 94/94A) 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 monies in accordance with those Plans.

As well, these Plans indicate 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 intentions to spend funds in the manner and timing set out in those Plans.

(iii) Butler Street Byron Bay Contamination

Council is currently in consultation with the Environment Protection Authority undertaking monitoring and investigation of contamination levels at the Butler Street Reserve. This being the site of a disused landfill. The ongoing monitoring will be used to determine the future management of the Reserve. The current assessment indicates that the site is fit for its current use of passive recreation.

Byron Shire Council

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

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

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Financial risk management

\$ '000

Risk management

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

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

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

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

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

	Carrying value		Fair value	
	2018	2017	2018	2017
Financial assets				
Cash and cash equivalents	26,388	13,036	26,388	13,036
Investments				
– 'Designated at fair value on initial recognition'	51,011	65,804	51,012	65,803
Receivables	10,103	10,308	10,066	10,241
Total financial assets	87,503	89,148	87,466	89,080
Financial liabilities				
Payables	9,783	11,149	9,783	11,149
Loans/advances	59,238	60,128	68,688	74,236
Total financial liabilities	69,021	71,277	78,471	85,385

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings** – 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**' – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Financial risk management (continued)

\$ '000

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

Council's finance area manages the cash and Investments portfolio.

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

The risks associated with the investments held are:

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2018				
Possible impact of a 1% movement in interest rates	733	733	(733)	(733)
2017				
Possible impact of a 1% movement in interest rates	910	910	(910)	(910)

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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 Management monthly and benchmarks are set and monitored for acceptable collection performance.

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

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

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

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	87%	93%	85%	91%
Overdue	13%	7%	15%	9%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
(ii) Ageing of receivables – value			2018	2017
Rates and annual charges				
Current			1,091	937
< 1 year overdue			29	29
1 – 2 years overdue			46	46
2 – 5 years overdue			56	55
> 5 years overdue			32	36
			<u>1,254</u>	<u>1,103</u>
Other receivables				
Current			8,560	8,416
0 – 30 days overdue			203	82
31 – 60 days overdue			20	27
61 – 90 days overdue			4	105
> 91 days overdue			105	630
			<u>8,892</u>	<u>9,260</u>

Byron Shire Council

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

Note 18. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 – 5 Years	> 5 Years		
2018							
Trade/other payables	0.00%	3,978	5,754	–	–	9,732	9,783
Loans and advances	7.22%	–	6,974	22,514	52,348	81,836	59,238
Total financial liabilities		3,978	12,728	22,514	52,348	91,568	69,021
2017							
Trade/other payables	0.00%	3,963	7,168	–	–	11,131	11,149
Loans and advances	7.29%	–	3,700	14,256	70,535	88,491	60,128
Total financial liabilities		3,963	10,868	14,256	70,535	99,622	71,277

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 22 June 2017 and is not required to be audited.

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

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

Note that for variations* of budget to actual :

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

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

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
REVENUES					
Rates and annual charges	38,271	38,851	580	2%	F
User charges and fees	26,359	29,942	3,583	14%	F
Additional Revenues were received for:- \$550k Paid Parking, \$700k Holiday Parks, \$929k Waste Charges, \$175k Sewerage Charges, \$330k Water Charges, Health Inspection Fees \$342k, Private Works \$100k, Admin Fees \$132k, Childcare Fees \$100k					
Interest and investment revenue	1,698	2,148	451	27%	F
Interest on investment revenue exceeded the original budget estimate due to Council's overall cash position. not reducing as expected, allowing additional funds to be invested and remain invested.					
Other revenues	1,646	3,254	1,608	98%	F
Additional revenues not included in the original budget include sale of closed roads \$422k and recognition of Council's share in Richmond Tweed Regional Library \$1.157million These were not budgeted.					
Operating grants and contributions	4,146	8,904	4,758	115%	F
Council received 50% (\$1.553million) of the 2018/19 Financial Assistance Grant in June 2018 in advance Council received \$2.272million in restoration works for Natural Disasters in 2016 and 2017. Council received \$300k in Waste Management related grants along with \$165k in Environmental Grants, \$50k for Floodplain Study and \$48k for Smart Cities funding. Additionally \$198k was received for Roads to Recovery but this was budgeted as a capital grant given Council funds capital works from this grant. None of the above items were included in the original budget estimate.					
Capital grants and contributions	26,918	37,314	10,396	39%	F
Council received \$40.3 million in assets that were dedicated to Council but these were not budgeted. Council did budget \$19million as a grant for the construction of the Byron Bay Bypass. The funding was not received or has construction commenced.					

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
EXPENSES					
Employee benefits and on-costs	24,009	24,461	(452)	(2%)	U
Borrowing costs	4,449	4,439	10	0%	F
Materials and contracts	27,882	33,161	(5,279)	(19%)	U
Additional Expenditure not included in the original 2017/18 budget included: Natural Disaster restoration works \$2.7million, and additional costs for petruscable waste disposal \$1.168million. Additional \$413k expended on community buildings from reserves and \$594k pay parking expenses. Additional legal expenses \$152k, collection fees on fine issued \$25k and Integrated Planning expenses \$60k Additional licence plate recognition costs \$102k and Environmental strategic studies 60K					
Depreciation and amortisation	13,176	14,615	(1,440)	(11%)	U
Additional Depreciation expense mainly due to the handover of Brunswick Valley Way and Tweed Valley Way in September 2017. Council was dedicated approx \$40million in assets now under its control. In 2017 the Water and Sewer depreciation expense was the calculated amount prior to the revaluation. 2018 saw the first year of the revalued assets depreciation expense. Due to an increase against the cost of restoration liabilities in 2016 and an adjustment in useful life increased the Tip and Quarry depreciation expense by \$275k and \$256k respectively that was not included in the original 2018 adopted budget					
Other expenses	4,335	6,089	(1,755)	(40%)	U
Additional Expenditure not included in the original 2017/18 budget included as examples: Telecommunication costs \$256k and postage \$64k budgeted as materials and contracts. Tourism and Economic Development costs not included in original budget \$296k and \$116k of People and Culture costs budgeted as materials and contracts. The original budget for other expenses was under estimated given actual results during the year.					
Net losses from disposal of assets	–	2,352	(2,352)	0%	U
Council does not budget for any expenditure resulting from the disposal of assets.					

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

Cash flows from operating activities	38,363	21,874	(16,488)	(43.0%)	U
Council had budgeted \$19million to be received in Government Funding for the Byron Bay Bypass. This funding was not received as it is not all approved or has construction commenced. Council received \$3.583million in additional user charges and fees then estimated and an advance on the Financial Assistance Grant \$1.533 million not estimated. This includes estimated receipts for capital grants and contributions (cash).					
Cash flows from investing activities	(51,243)	(7,632)	43,611	(85.1%)	F
Council had budgeted \$51.243million for capital works for 2018 but in cash terms completed \$25.790million. The other major variance in net terms is \$14.8million (not budgeted) is the purchase of investment securities. This represents Council investing longer term as well as pursuing investments in the Environmental and Social Responsibility space.					
Cash flows from financing activities	(480)	(890)	(410)	85.4%	U
Council did not borrow the extent of funds included in the original budget as they were not required					

Byron Shire Council

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

Note 20. Fair value measurement

\$ '000

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

- Infrastructure, property, plant and equipment
- Financial assets

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

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

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

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

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

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

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

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

2018	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Financial assets					
Investments					
– 'Designated at fair value on initial recognition'	30/06/18	–	51,012	–	51,012
Total financial assets		–	51,012	–	51,012
Infrastructure, property, plant and equipment					
Plant and equipment		–	–	4,065	4,065
Office equipment		–	–	245	245
Furniture and fittings		–	–	80	80
Operational land	30/06/16	–	84,332	–	84,332
Community land	30/06/17	–	–	122,645	122,645
Land under roads (Post 30/6/08)	30/06/16	–	–	7,335	7,335
Land improvements – non-depreciable	30/06/16	–	–	80	80
Land improvements – depreciable	30/06/16	–	–	3,563	3,563
Buildings specialised	30/06/16	–	–	62,460	62,460
Other structures	30/06/16	–	–	2,139	2,139
Roads	30/06/15	–	–	178,570	178,570
Bridges	30/06/15	–	–	27,102	27,102
Footpaths	30/06/15	–	–	5,993	5,993
Bulk earthworks	30/06/15	–	–	28,999	28,999
Stormwater drainage	30/06/15	–	–	51,011	51,011
Water supply network	30/06/17	–	–	64,587	64,587
Sewerage network	30/06/17	–	–	111,466	111,466
Swimming pools	30/06/16	–	–	2,135	2,135
Other open space and recreational assets	30/06/16	–	–	10,649	10,649
Other assets	30/06/16	–	–	1,866	1,866
Tip assets	30/06/16	–	–	12,062	12,062
Quarry assets	30/06/16	–	–	2,212	2,212
Total infrastructure, property, plant and equipment		–	84,332	699,264	783,596

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

\$ '000

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

2018	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkt	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Non-recurring fair value measurements					
Non-current assets classified as 'held for sale'					
Land	30/06/16	–	992	–	992
Total NCA's classified as 'held for sale'		–	992	–	992
2017					
Recurring fair value measurements					
Financial assets					
Investments					
– 'Designated at fair value on initial recognition'	30/06/17	–	65,803	–	65,803
Total financial assets		–	65,803	–	65,803
Infrastructure, property, plant and equipment					
Plant and equipment		–	–	4,453	4,453
Office equipment		–	–	410	410
Furniture and fittings		–	–	98	98
Operational land	30/06/16	–	83,564	–	83,564
Community land	30/06/17	–	–	123,413	123,413
Land under roads (Post 30/6/08)	30/06/16	–	–	7,335	7,335
Land improvements – non-depreciable	30/06/16	–	–	80	80
Land improvements – depreciable	30/06/16	–	–	3,723	3,723
Buildings specialised	30/06/16	–	–	62,944	62,944
Other structures	30/06/16	–	–	2,040	2,040
Roads	30/06/15	–	–	164,179	164,179
Bridges	30/06/15	–	–	12,830	12,830
Footpaths	30/06/15	–	–	5,503	5,503
Bulk earthworks	30/06/15	–	–	28,999	28,999
Stormwater drainage	30/06/15	–	–	47,321	47,321
Water supply network	30/06/17	–	–	58,590	58,590
Sewerage network	30/06/17	–	–	111,772	111,772
Swimming pools	30/06/16	–	–	2,191	2,191
Other open space and recreational assets	30/06/16	–	–	10,080	10,080
Other assets	30/06/16	–	–	2,092	2,092
Tip assets	30/06/16	–	–	10,565	10,565
Quarry assets	30/06/16	–	–	2,469	2,469
Total infrastructure, property, plant and equipment		–	83,564	661,086	744,650
Non-recurring fair value measurements					
Non-current assets classified as 'held for sale'					
Land	30/06/16	–	–	2,432	2,432
Total NCA's classified as 'held for sale'		–	–	2,432	2,432

(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 2018

Note 20. Fair value measurement (continued)

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

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

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

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.

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 2018

Note 20. Fair value measurement (continued)

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

Community land

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

Land under roads (Post 30/6/08)

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

Buildings – specialised

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

Roads, bridges and footpaths

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

Water

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

Sewer

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

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.

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

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

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 2018

Note 20. Fair value measurement (continued)

\$ '000

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

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

	Plant and equipment	Office equipment	Furniture and fittings	Community land	Land under roads (post 30/6/08)	Land improv'mnt non depr.	Land improv'mnt depreciable	Total
Opening balance – 1/7/16	5,037	600	117	116,425	6,403	80	2,390	131,053
Transfers from/(to) another asset class	106	–	–	–	–	–	813	920
Purchases (GBV)	745	–	–	906	932	–	679	3,261
Disposals (WDV)	(396)	–	–	–	–	–	–	(396)
Depreciation and impairment	(1,040)	(189)	(19)	–	–	–	(160)	(1,408)
Revaluation	–	–	–	6,081	–	–	–	6,081
Closing balance – 30/6/17	4,453	411	98	123,412	7,335	80	3,722	139,512
Transfers from/(to) another asset class	–	–	–	(768)	–	–	–	(768)
Purchases (GBV)	921	17	–	–	–	–	–	938
Disposals (WDV)	(225)	–	–	–	–	–	–	(225)
Depreciation and impairment	(1,084)	(183)	(19)	–	–	–	(160)	(1,446)
Closing balance – 30/6/18	4,065	245	80	122,645	7,335	80	3,563	138,012

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

\$ '000

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

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

	Buildings specialised	Other structures	Roads	Bridges	Footpaths	Bulk earthworks	Stormwater drainage	Water supply network	Total
Opening balance – 1/7/16	63,329	2,076	157,198	13,122	4,771	28,999	45,733	50,692	365,921
Transfers from/(to) another asset class	–	–	2,862	–	59	–	44	95	3,060
Purchases (GBV)	739	–	12,215	–	798	–	2,164	578	16,494
Disposals (WDV)	(255)	–	(1,718)	–	–	–	–	(48)	(2,021)
Depreciation and impairment	(870)	(36)	(5,023)	(293)	(126)	–	(581)	(1,183)	(8,112)
Revaluation	–	–	–	–	–	–	–	8,456	8,456
Non-Cash Developer Contribution	–	–	–	–	–	–	–	–	–
Accumulated Depreciation	–	–	(1,354)	–	–	–	(39)	–	(1,393)
Closing balance – 30/6/17	62,944	2,040	164,179	12,829	5,502	28,999	47,321	58,589	382,404
Transfers from/(to) another asset class	169	–	999	(483)	(213)	–	288	5,918	6,678
Purchases (GBV)	469	135	20,252	15,414	862	–	4,026	1,467	42,625
Disposals (WDV)	–	–	(1,734)	(335)	(18)	–	–	–	(2,087)
Depreciation and impairment	(1,122)	(36)	(5,126)	(324)	(141)	–	(623)	(1,387)	(8,759)
Closing balance – 30/6/18	62,460	2,139	178,570	27,102	5,993	28,999	51,011	64,587	420,860

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

\$ '000

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

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

	Sewerage network	Swimming pools	Other open space and recreation	Other	Tip assets	Quarry assets	Total
Opening balance – 1/7/16	130,410	2,248	9,869	1,966	10,425	2,725	157,643
Transfers from/(to) another asset class	1,224	–	1	357	–	–	1,582
Purchases (GBV)	2,054	–	605	–	513	–	3,171
Disposals (WDV)	(11)	–	–	–	–	–	(11)
Depreciation and impairment	(3,204)	(56)	(395)	(231)	(373)	(257)	(4,516)
Revaluation	(18,699)	–	–	–	–	–	(18,699)
Closing balance – 30/6/17	111,773	2,192	10,080	2,092	10,565	2,469	139,170
Transfers from/(to) another asset class	2,323	–	590	–	–	–	2,914
Purchases (GBV)	385	–	445	–	1,919	–	2,749
Disposals (WDV)	–	–	(30)	–	–	–	(30)
Depreciation and impairment	(3,015)	(56)	(436)	(225)	(421)	(257)	(4,410)
Closing balance – 30/6/18	111,466	2,135	10,649	1,866	12,062	2,212	140,393

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

\$ '000

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

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 (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
IPP&E Plant, Equipment, Furniture, Fittings and Office Equipment	13,003	Cost used to approximate fair value	Asset Condition, remaining useful lives
Community Land	122,645	Land values obtained from the NSW Valuer General	Land Value, land area
Land Under Roads	7,335	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	6,295	Cost used to approximate fair value	Asset Condition, remaining useful lives
Buildings	74,317	APV Valuers report	Condition, remaining lives, valuers individual knowledge and skills.
Other Structures	2,526	Cost used to approximate fair value	Asset Condition, remaining useful lives
Roads, Bridges & Footpaths	369,575	JRA Report	Condition, remaining lives, valuers individual knowledge and skills.

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

\$ '000

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

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

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
IPP&E (continued)			
Stormwater Drainage	69,113	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	105,668	Independent valuation using depreciated replacement cost	Condition, remaining lives, valuers individual knowledge and skills.
Sewer	179,976	Independent valuation using depreciated replacement cost	Condition, remaining lives, valuers individual knowledge and skills.
Swimming Pools	2,800	Independent valuation using depreciated replacement cost	Condition, remaining lives, valuers individual knowledge and skills.
Other Open Space & Recreation	15,727	Independent valuation using depreciated replacement cost	Condition, remaining lives, valuers individual knowledge and skills.
Other Assets	3,766	Cost used to approximate fair value	Asset Condition, remaining useful lives
Tip Assets	13,547	Cost used to approximate fair value	Asset Condition, remaining useful lives
Quarry Assets	2,739	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 2018

Note 21. Related party transactions

 \$ '000

a. Key management personnel

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

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

Compensation:	2018	2017
Short-term benefits	1,019	1,115
Post-employment benefits	68	72
Other long-term benefits	32	29
Total	1,119	1,216

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Related party transactions (continued)

b. Other transactions with KMP and their related parties

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

Nature of the transaction		Value of transactions during year	Outstanding balance	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
	Ref	Actual \$	(incl. loans and commitments) Actual \$		Actual \$	Actual \$
2018						
Fees and Charges	1	14,950	—			
Section 356 Local Government Act 1993 Donation	2	22,374	—			
Event Funding	3	65,800	—			
2017						
Fees and Charges	1	10,000	—			
Section 356 Local Government Act 1993 Donation	2	7,000	—			
Event Funding	3	58,000	—			
Supply of Materials	4	1,000	—	30 day terms on invoice		

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

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Statement of developer contributions

\$ '000

Under the *Environmental Planning and Assessment Act 1979*, Council has significant obligations to provide Section 7.11 (contributions towards provision or improvement of amenities or services) infrastructure in new release areas.

It is possible that the funds contributed may be less than the cost of this infrastructure, requiring Council to borrow or use general revenue to fund the difference.

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Urban roads	7,612	510	–	139	(2,625)	–	5,636	–
Rural roads	1,393	456	–	47	(22)	–	1,874	–
Cycleways	1,390	226	–	34	(278)	–	1,372	–
Carparking	1,453	–	–	37	(20)	–	1,470	–
Open space	3,954	857	–	113	(444)	–	4,480	–
Community facilities	1,610	336	–	35	(569)	–	1,412	–
Civic and urban improvements	1,490	71	–	40	–	–	1,601	–
Shire support services	240	10	–	6	–	–	256	–
Administration	331	208	–	9	(194)	–	354	–
Section 94 A levy	556	137	–	15	(112)	–	596	–
Other	–	–	–	–	(180)	–	(180)	–
S7.11 contributions – under a plan	20,030	2,811	–	475	(4,444)	–	18,872	–
Total S7.11 and S7.12 revenue under plans	20,030	2,811	–	475	(4,444)	–	18,872	–
S64 contributions	16,276	2,432	–	319	(6,118)	–	12,909	–
Total contributions	36,306	5,243	–	794	(10,562)	–	31,781	–

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Statement of developer contributions (continued)

\$ '000

S7.11 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	645	188	–	15	(226)	–	622	–
Mullumbimby	406	141	–	13	(24)	–	536	–
Bangalow	333	56	–	10	–	–	399	–
Suffolk Park	838	181	–	24	(70)	–	973	–
Brunswick Heads	93	7	–	2	(20)	–	82	–
Ocean Shores	199	28	–	6	(99)	–	134	–
Shire Wide	1,351	252	–	41	–	–	1,644	–
Rural North	40	–	–	1	(5)	–	36	–
Rural South	49	4	–	1	–	–	54	–
Total	3,954	857	–	113	(444)	–	4,480	–

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	506	83	–	1	(534)	–	56	–
Mullumbimby	(1)	15	–	1	–	–	15	–
Bangalow	159	14	–	4	–	–	177	–
Brunswick Heads	8	1	–	–	–	–	9	–
Ocean Shores	41	25	–	2	–	–	68	–
Shire Wide	774	197	–	24	(14)	–	981	–
Rural North	17	–	–	–	(17)	–	0	–
Rural South	107	1	–	3	(4)	–	107	–
Total	1,610	336	–	35	(569)	–	1,412	–

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Statement of developer contributions (continued)

\$ '000

S7.11 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	571	80	–	13	(125)	–	539	–
Mullumbimby	194	100	–	7	–	–	301	–
Bangalow	248	20	–	6	(49)	–	225	–
Brunswick Heads	8	2	–	–	–	–	10	–
Ocean Shores	152	8	–	4	(13)	–	151	–
Shire Wide	116	12	–	1	(91)	–	38	–
Rural North	14	–	–	1	–	–	15	–
Rural South	88	4	–	2	–	–	94	–
Total	1,390	226	–	34	(278)	–	1,372	–

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	19	1	–	–	–	–	20	–
Mullumbimby	13	–	–	–	–	–	13	–
Bangalow	4	–	–	–	–	–	4	–
Ocean Shores	6	–	–	–	–	–	6	–
Rural North	17	7	–	1	–	–	25	–
Rural South	142	2	–	4	–	–	148	–
Shire Rural	40	–	–	1	–	–	41	–
Brunswick Heads	1	–	–	–	–	–	1	–
Total	240	10	–	6	–	–	256	–

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Statement of developer contributions (continued)

\$ '000

S7.11 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	1,255	–	–	32	–	–	1,287	–
Mullumbimby	6	–	–	–	–	–	6	–
Bangalow	(20)	–	–	–	–	–	(20)	–
Brunswick Heads	212	–	–	5	(20)	–	197	–
Broken Head Hall	0	–	–	–	–	–	0	–
Total	1,453	–	–	37	(20)	–	1,470	–

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	5,242	336	–	92	(1,953)	–	3,717	–
Mullumbimby	517	82	–	12	(131)	–	480	–
Bangalow	1,217	76	–	30	(99)	–	1,224	–
Brunswick Heads	126	8	–	3	–	–	137	–
Ocean Shores	46	–	–	1	–	–	47	–
Batson Quarry	463	8	–	1	(442)	–	30	–
Other	–	–	–	–	(180)	–	(180)	–
Total	7,612	510	–	139	(2,805)	–	5,456	–

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Statement of developer contributions (continued)

\$ '000

S7.11 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	106	33	–	4	–	–	143	–
Mudges Quarry	17	–	–	1	–	–	18	–
Leela Quarry	4	–	–	–	–	–	4	–
Myocum Quarry (Council)	17	1	–	1	–	–	19	–
Rural North	170	107	–	6	(22)	–	261	–
Rural South	1,079	315	–	35	–	–	1,429	–
Total	1,393	456	–	47	(22)	–	1,874	–

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	1,002	49	–	27	–	–	1,078	–
Mullumbimby	99	7	–	3	–	–	109	–
Bangalow	177	11	–	5	–	–	193	–
Brunswick Heads	13	–	–	–	–	–	13	–
Ocean Shores	126	–	–	3	–	–	129	–
Rural North	26	–	–	1	–	–	27	–
Rural South	46	4	–	1	–	–	51	–
Total	1,490	71	–	40	–	–	1,601	–

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Statement of developer contributions (continued)

\$ '000

S7.11 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	331	208	–	9	(194)	–	354	–
Total	331	208	–	9	(194)	–	354	–

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	556	137	–	15	(112)	–	596	–
Total	556	137	–	15	(112)	–	596	–

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	6,662	106	–	83	(3,491)	–	3,360	–
Mullumbimby	30	456	–	12	–	–	498	–
Total	6,692	562	–	95	(3,491)	–	3,858	–

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	1,492	252	–	44	–	–	1,788	–
Byron Bay	8,092	1,618	–	180	(2,627)	–	7,263	–
Total	9,584	1,870	–	224	(2,627)	–	9,051	–

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23. Financial result and financial position by fund

Income Statement by fund \$ '000	2018	2018	2018
Continuing operations	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	2,289	10,288	26,818
User charges and fees	7,060	5,237	19,056
Interest and investment revenue	289	484	1,376
Other revenues	10	–	3,244
Grants and contributions provided for operating purposes	77	75	8,752
Grants and contributions provided for capital purposes	675	2,162	34,477
Total income from continuing operations	10,400	18,245	93,724
Expenses from continuing operations			
Employee benefits and on-costs	756	2,395	21,310
Borrowing costs	–	3,364	1,075
Materials and contracts	2,687	6,398	26,032
Depreciation and amortisation	1,416	3,037	10,162
Other expenses	4,099	85	1,905
Net losses from the disposal of assets	–	–	2,352
Total expenses from continuing operations	8,958	15,279	62,837
Operating result from continuing operations	1,442	2,966	30,887
Net operating result attributable to each council fund	1,442	2,966	30,887
Net operating result for the year before grants and contributions provided for capital purposes	767	804	(3,590)

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

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

Byron Shire Council

Notes to the Financial Statements

as at 30 June 2018

Note 23. Financial result and financial position by fund (continued)

Statement of Financial Position by fund			
\$ '000	2018	2018	2018
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	–	–	26,388
Investments	10,781	18,463	18,346
Receivables	1,887	1,990	5,848
Inventories	–	–	402
Other	–	–	16
Non-current assets classified as 'held for sale'	–	–	992
Total current assets	12,668	20,453	51,992
Non-current assets			
Investments	–	–	3,422
Receivables	–	–	378
Infrastructure, property, plant and equipment	74,916	129,921	597,525
Total non-current assets	74,916	129,921	602,482
TOTAL ASSETS	87,585	150,373	654,474
LIABILITIES			
Current liabilities			
Payables	–	207	9,576
Income received in advance	–	–	227
Borrowings	–	1,813	906
Provisions	–	–	5,402
Total current liabilities	–	2,020	16,110
Non-current liabilities			
Borrowings	–	42,658	13,861
Provisions	–	–	7,128
Total non-current liabilities	–	42,658	20,989
TOTAL LIABILITIES	–	44,678	37,099
Net assets	87,585	105,695	617,375
EQUITY			
Accumulated surplus	42,661	91,347	424,529
Revaluation reserves	44,924	14,348	192,847
Total equity	87,585	105,695	617,375

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

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

Byron Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 24(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	Indicator 2017	Benchmark
Local government industry indicators – consolidated				
1. Operating performance ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>(831)</u>	-1.01%	5.98%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	81,934			
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>73,030</u>	61.24%	69.70%	> 60.00%
Total continuing operating revenue ⁽¹⁾	119,248			
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	<u>29,637</u>	3.40x	3.20x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	8,720			
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>18,223</u>	2.61x	3.26x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	6,994			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	<u>1,437</u>	3.56%	3.52%	< 10% regional & rural
Rates, annual and extra charges collectible	40,309			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	<u>73,978</u>	12.33 mths	14.3 mths	> 3 mths
Payments from cash flow of operating and financing activities	6,001			

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 Notes 11 and 12.
- (4) Refer to Note 11(b) and 12(b) – 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 2018

Note 24(b). Statement of performance measures – by fund

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund							
1. Operating performance ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
<u>less operating expenses</u>							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	-4.04%	4.31%	7.88%	13.85%	4.96%	6.94%	> 0.00%
2. Own source operating revenue ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
<u>Total continuing operating revenue ⁽¹⁾</u>	53.30%	63.59%	92.76%	89.41%	87.71%	80.34%	> 60.00%
3. Unrestricted current ratio							
Current assets less all external restrictions ⁽²⁾							
<u>Current liabilities less specific purpose liabilities ^(3, 4)</u>	3.09x	3.20x	No liabilities	No liabilities	5.65x	5.35x	> 1.5x

Notes

(1) - (4) Refer to Notes at Note 24a 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 2018

Note 24(b). Statement of performance measures – by fund (continued)

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund (continued)							
4. Debt service cover ratio							
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation							
<hr/>							
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
	4.33x	7.21x	0.00x	0.00x	1.45x	1.25x	> 2x
5. Rates, annual charges, interest and extra charges outstanding percentage							
<hr/>							
Rates, annual and extra charges outstanding							
	3.36%	3.13%	3.82%	3.82%	3.88%	3.94%	< 10% regional & rural
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
<hr/>							
Current year's cash and cash equivalents plus all term deposits							
	10.60	12.91	17.15	19.31	16.02	16.24	> 3 months
Payments from cash flow of operating and financing activities	months	months	months	months	months	months	

Notes

(1) Refer to Notes at Note 24a 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 2018

Note 25. Council information and contact details

Principal place of business:

70 -90 Station Street
MULLUMBIMBY NSW 2482

Contact details**Mailing address:**

PO Box 219
MULLUMBIMBY NSW 2482

Opening hours:

8.30 to 4.30

Telephone: 02 6626 7000

Facsimile: 02 6684 3018

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

Email: council@byron.nsw.gov.au

Officers**GENERAL MANAGER**

Mark Arnold

RESPONSIBLE ACCOUNTING OFFICER

James Brickley

PUBLIC OFFICER

James Brickley

AUDITORS

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

Elected members**MAYOR**

Simon Richardson

COUNCILLORS

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

Other information

ABN: 14 472 131 473



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial report

Byron Shire Council

To the Councillors of the Byron Shire Council

Opinion

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

In my opinion,

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 19 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule 2 - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.



Reiky Jian
Director, Financial Audit Services

19 October 2018
SYDNEY

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

Contact: Reiky Jiang
Phone no: 02 9275 7281
Our ref: D1825541/1703

19 October 2019

Dear Mr Richardson

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

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

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

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

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

I did not identify any significant audit issues and observations during my audit of the Council's financial statements.

INCOME STATEMENT

Operating result

	2018 \$m	2017 \$m	Variance %
Rates and annual charges revenue	38.9	37.0	↑ 5.1
Grants and contributions revenue	46.2	30.0	↑ 54.0
Operating result for the year	35.3	21.2	↑ 66.5
Net operating result before capital amounts	(2.0)	2.4	↓ -183.3

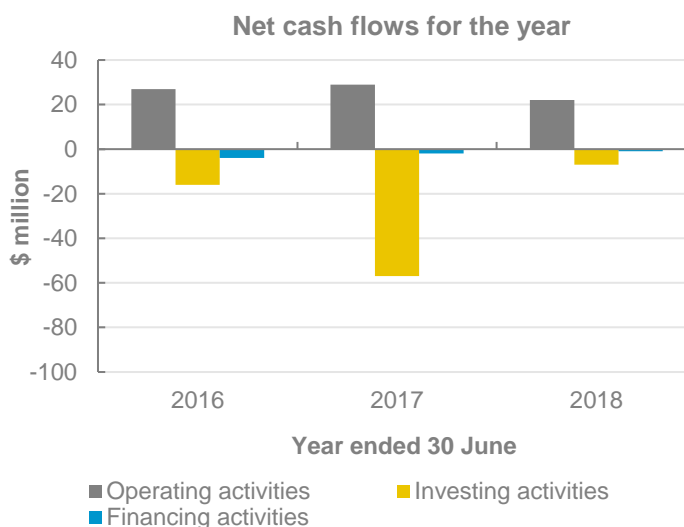
Council's operating result (\$35.3 million including the effect of depreciation and amortisation expense of \$14.6 million) was \$14.1 million higher than the 2016–17 result. The key drivers impacting the increase in the operating result include:

- the recognition of a section of the Brunswick Valley Way dedicated to Council from Roads and Maritime Services. The value of the assets vested in Council is approximately \$28.1 million and has been recognised as capital grant revenue;
- increased rates and annual charges revenue of \$1.8 million, of which \$1.2 million is attributable to the special rate variation;
- increased operating costs relating to employee costs and waste management; and
- revenue of \$1.1 million on recognition of Council's 25% share of net assets in the Richmond Tweed Regional Library arising from negotiation of a new funding agreement effective 1 July 2017.

STATEMENT OF CASH FLOWS

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

- conversion of \$15 million investments to cash during the year; and
- a reduction in cash expended on the purchase of infrastructure, property, plant and equipment of approximately \$4 million when compared to the prior year.



FINANCIAL POSITION

Cash and Investments

Cash and investments comprise:

	2018	2017	
	\$m	\$m	
Cash and cash equivalents	26.3	13.0	Cash on hand and at bank as well as term deposits with an original maturity period of less than 3 months
Investments	51.0	65.8	Term deposits with an original maturity period of more than 3 months
Cash and investments	77.3	78.8	

Council's cash and investments are restricted in their use as illustrated below:

Cash and Investments	2018	2017	Commentary
	\$m	\$m	
External restrictions	55.0	56.9	Externally restricted balances include unexpended specific loans, developer contributions and domestic waste management charges.
Internal restrictions	21.2	20.8	
Unrestricted	1.1	1.1	Balances are Internally restricted due to Council policy or decisions for forward plans including works program.
Cash and investments	77.3	78.8	Unrestricted balances provide liquidity for day-to-day operations. Cash and investments remain relatively stable year on year.

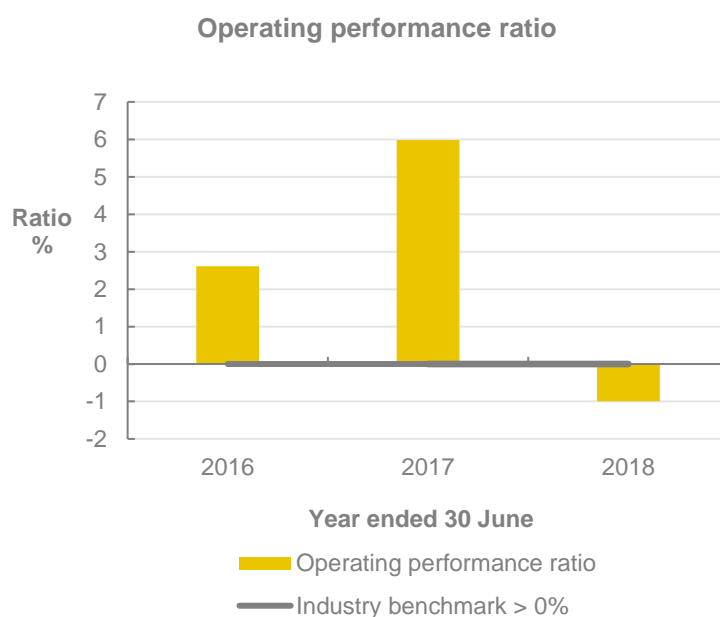
PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 24 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7 which has not been audited.

Operating performance ratio

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

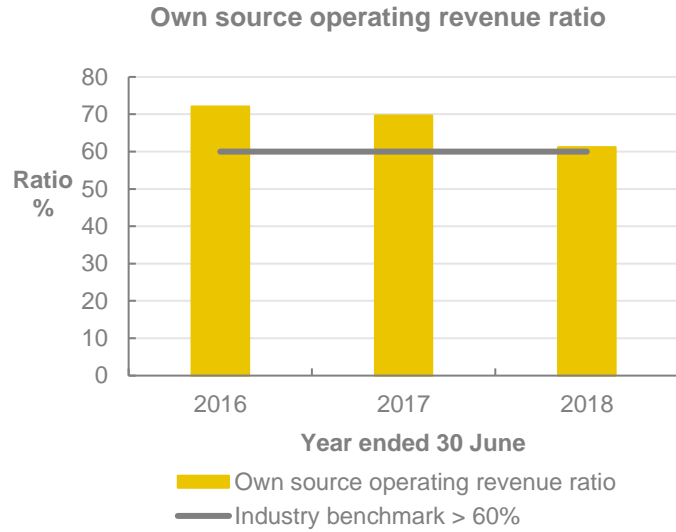
Council's operating performance ratio has not met the OLG benchmark in the current year. The 2018 operating result excluding capital grants and contributions is a deficit of \$2.0 million arising from increased depreciation, waste and employee costs. The ratio for the 2017 financial year was impacted by receiving financial assistance grants in advance totalling \$1.5 million.



Own source operating revenue ratio

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

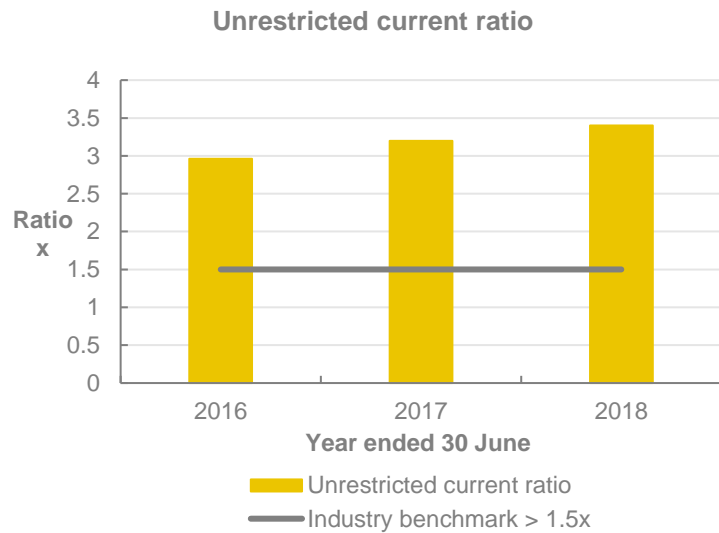
Council continues to meet the industry benchmark. The current year ratio is impacted by the dedication of assets relating to the handover of the Brunswick Valley Way valued at \$28 million which is recognised as a capital grant.



Unrestricted current ratio

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

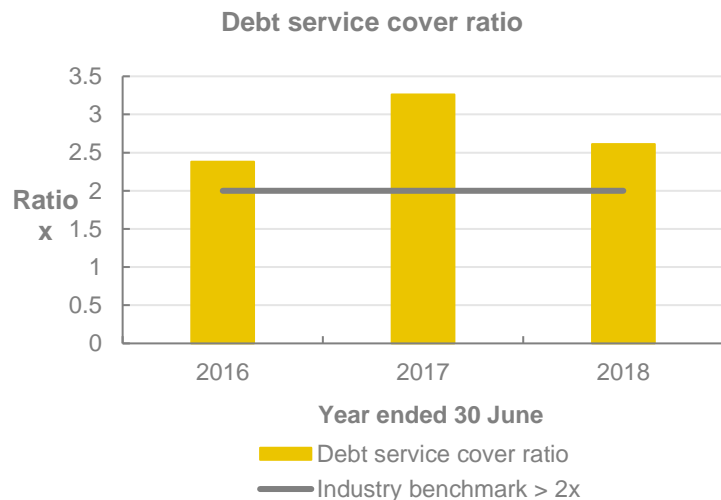
Council's unrestricted current ratio continues to be well above the industry benchmark and largely reflects the amount of internally restricted reserves set aside for future works and other expenditure programmes.



Debt service cover ratio

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

Council's debt service cover ratio exceeds the industry benchmark. Council has not taken out significant borrowings in the current year and loan repayments have remained consistent with the prior year.

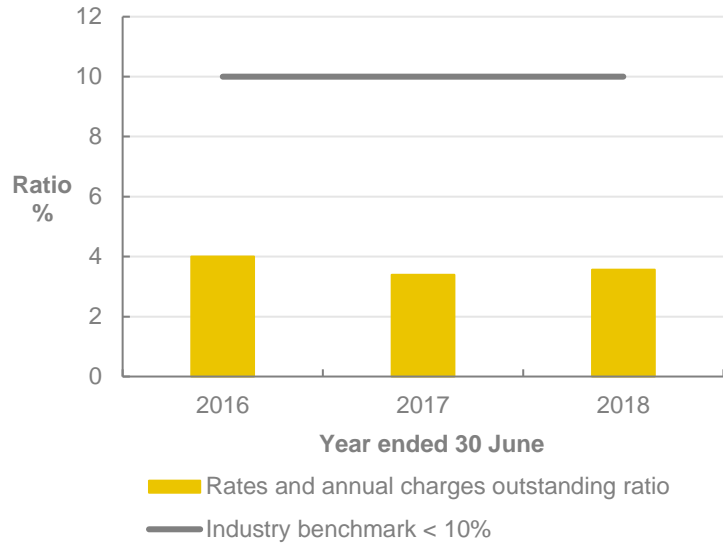


Rates and annual charges outstanding ratio

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

The result is better than the industry benchmark and reflects Council's ongoing debt recovery activity.

Rates and annual charges outstanding ratio

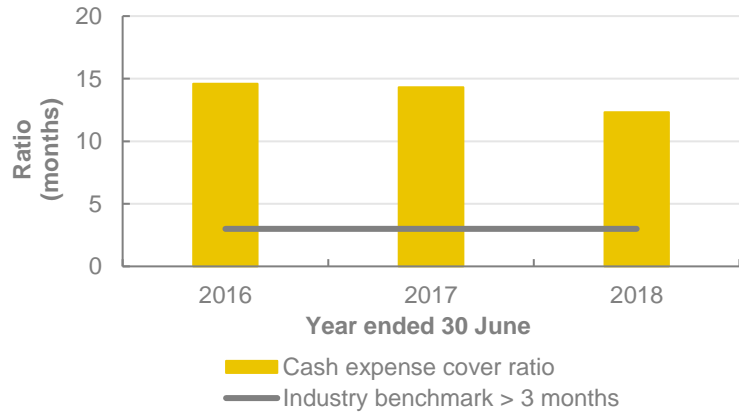


Cash expense cover ratio

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

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

Cash expense cover ratio

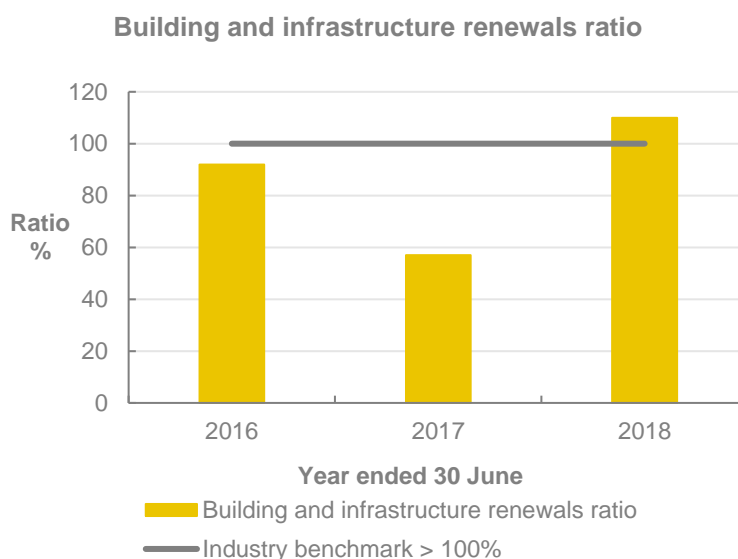


Building and infrastructure renewals ratio (unaudited)

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

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

The graph indicates that Council's 2018 capital works programme has been coordinated so that expenditure on renewing existing building and infrastructure assets matches their related depreciation. Council should continue to focus on achieving the benchmark ratio on an average basis.



OTHER MATTERS

New accounting standards implemented

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

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

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

Council's disclosure of the changes in their liabilities arising from financing activities is disclosed in Note 11.

Legislative compliance

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

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

Reiky Jiang
Director, Financial Audit Services

cc: Mr Mark Arnold, General Manager
Mr Michael Georghiou, Chairperson, Audit, Risk and Improvement Committee
Mr Tim Hurst, Acting Chief Executive of the Office of Local Government

Byron Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

"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 2018

Contents	Page
1. Statement by Councillors and Management	2
2. Special Purpose Financial Statements:	
Income Statement – Water Supply Business Activity	3
Income Statement – Sewerage Business Activity	4
Income Statement – Other Business Activities	5
Statement of Financial Position – Water Supply Business Activity	6
Statement of Financial Position – Sewerage Business Activity	7
Statement of Financial Position – Other Business Activities	8
3. Notes to the Special Purpose Financial Statements	9
4. Auditor’s Report	19

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 2018

Statement by Councillors and Management

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 18 October 2018.



Simon Richardson
Mayor
18 October 2018



Basil Cameron
Councillor
18 October 2018



Mark Arnold
General manager
18 October 2018



James Brickley
Responsible accounting officer
18 October 2018

Byron Shire Council

Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2018

\$ '000	2018	2017
Income from continuing operations		
Access charges	2,289	2,257
User charges	6,757	6,714
Fees	303	317
Interest	289	411
Grants and contributions provided for non-capital purposes	77	73
Other income	10	–
Total income from continuing operations	9,725	9,772
Expenses from continuing operations		
Employee benefits and on-costs	756	971
Materials and contracts	2,687	2,331
Depreciation, amortisation and impairment	1,416	1,209
Water purchase charges	4,057	3,903
Loss on sale of assets	–	48
Calculated taxation equivalents	94	97
Other expenses	14	5
Total expenses from continuing operations	9,024	8,564
Surplus (deficit) from continuing operations before capital amounts	701	1,208
Grants and contributions provided for capital purposes	675	1,076
Surplus (deficit) from continuing operations after capital amounts	1,375	2,284
Surplus (deficit) from all operations before tax	1,375	2,284
Less: corporate taxation equivalent (30%) [based on result before capital]	(210)	(362)
SURPLUS (DEFICIT) AFTER TAX	1,165	1,922
Plus opening retained profits	41,222	38,869
Plus/less: prior period adjustments	–	335
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	94	97
– Corporate taxation equivalent	210	362
Less:		
– Tax equivalent dividend paid	(28)	(28)
Closing retained profits	42,664	41,557
Return on capital %	0.9%	1.7%
Subsidy from Council	1,269	521
Calculation of dividend payable:		
Surplus (deficit) after tax	1,165	1,922
Less: capital grants and contributions (excluding developer contributions)	(114)	(199)
Surplus for dividend calculation purposes	1,052	1,723
Potential dividend calculated from surplus	526	861

Byron Shire Council

Income Statement of Council's Sewerage Business Activity
for the year ended 30 June 2018

\$ '000	2018	2017
Income from continuing operations		
Access charges	10,288	10,159
User charges	4,781	4,961
Liquid trade waste charges	238	61
Fees	218	135
Interest	484	332
Grants and contributions provided for non-capital purposes	75	76
Total income from continuing operations	16,083	15,724
Expenses from continuing operations		
Employee benefits and on-costs	2,395	2,390
Borrowing costs	3,364	3,476
Materials and contracts	6,398	5,506
Depreciation, amortisation and impairment	3,037	3,218
Loss on sale of assets	–	11
Calculated taxation equivalents	233	236
Debt guarantee fee (if applicable)	1,047	1,085
Other expenses	57	42
Total expenses from continuing operations	16,531	15,964
Surplus (deficit) from continuing operations before capital amounts	(448)	(240)
Grants and contributions provided for capital purposes	2,162	3,753
Surplus (deficit) from continuing operations after capital amounts	1,714	3,513
Surplus (deficit) from all operations before tax	1,714	3,513
SURPLUS (DEFICIT) AFTER TAX	1,714	3,513
Plus opening retained profits	88,381	83,575
Plus/less: prior period adjustments	–	69
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	233	236
– Debt guarantee fees	1,047	1,085
Less:		
– Tax equivalent dividend paid	(28)	(28)
Closing retained profits	91,347	88,450
Return on capital %	2.2%	2.4%
Subsidy from Council	501	2
Calculation of dividend payable:		
Surplus (deficit) after tax	1,714	3,513
Less: capital grants and contributions (excluding developer contributions)	(291)	(502)
Surplus for dividend calculation purposes	1,423	3,011
Potential dividend calculated from surplus	711	1,505

Byron Shire Council

Income Statement of Council's Other Business Activities
for the year ended 30 June 2018

Holiday Parks

Category 1

\$ '000	2018	2017
Income from continuing operations		
Fees	4,694	4,521
Total income from continuing operations	4,694	4,521
Expenses from continuing operations		
Materials and contracts	1,900	1,666
Depreciation, amortisation and impairment	157	79
Calculated taxation equivalents	369	372
Other expenses	828	785
Total expenses from continuing operations	3,253	2,902
Surplus (deficit) from continuing operations before capital amounts	1,441	1,619
Surplus (deficit) from continuing operations after capital amounts	1,441	1,619
Surplus (deficit) from all operations before tax	1,441	1,619
Less: corporate taxation equivalent (30%) [based on result before capital]	(432)	(486)
SURPLUS (DEFICIT) AFTER TAX	1,009	1,133
Plus opening retained profits	8,637	7,502
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	369	372
– Corporate taxation equivalent	432	486
Less:		
– TER dividend paid	(856)	(856)
– Dividend paid	(552)	–
Closing retained profits	9,038	8,637
Return on capital %	5.6%	6.2%

Byron Shire Council

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

\$ '000	2018	2017
ASSETS		
Current assets		
Investments	10,781	11,646
Receivables	1,887	2,032
Total current assets	12,668	13,678
Non-current assets		
Infrastructure, property, plant and equipment	74,916	71,244
Total non-current assets	74,916	71,244
TOTAL ASSETS	87,585	84,922
LIABILITIES		
Nil		
NET ASSETS	87,585	84,922
EQUITY		
Accumulated surplus	42,661	41,556
Revaluation reserves	44,924	43,366
Council equity interest	87,585	84,922
TOTAL EQUITY	87,585	84,922

Byron Shire Council

Statement of Financial Position – Council's Sewerage Business Activity

as at 30 June 2018

\$ '000	2018	2017
ASSETS		
Current assets		
Investments	18,463	17,784
Receivables	1,990	1,992
Total current Assets	20,453	19,776
Non-current assets		
Infrastructure, property, plant and equipment	129,921	127,045
Total non-current assets	129,921	127,045
TOTAL ASSETS	150,373	146,821
LIABILITIES		
Current liabilities		
Payables	207	207
Borrowings	1,813	1,700
Total current liabilities	2,020	1,907
Non-current liabilities		
Borrowings	42,658	44,471
Total non-current liabilities	42,658	44,471
TOTAL LIABILITIES	44,678	46,378
NET ASSETS	105,695	100,443
EQUITY		
Accumulated surplus	91,347	88,450
Revaluation reserves	14,348	11,993
Council equity interest	105,695	100,443
TOTAL EQUITY	105,695	100,443

Byron Shire Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2018

Holiday Parks

Category 1

\$ '000	2018	2017
ASSETS		
Current assets		
Nil		
Non-current assets		
Investments	3,000	2,612
Infrastructure, property, plant and equipment	25,933	25,940
Total non-current assets	28,933	28,552
TOTAL ASSETS	28,933	28,552
LIABILITIES		
Current liabilities		
Payables	234	254
Total current liabilities	234	254
Non-current liabilities		
Nil		
TOTAL LIABILITIES	234	254
NET ASSETS	28,698	28,298
EQUITY		
Accumulated surplus	9,038	8,637
Revaluation reserves	19,661	19,661
Council equity interest	28,698	28,298
TOTAL EQUITY	28,698	28,298

Byron Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2018

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	10
2	Water Supply Business Best-Practice Management disclosure requirements	14
3	Sewerage Business Best-Practice Management disclosure requirements	16

Byron Shire Council

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

Note 1. Significant accounting policies

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

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

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

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

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

National Competition Policy

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

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

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

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

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

Declared business activities

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

Category 1

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

a. Byron Shire Council Water Supplies

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

b. Byron Shire Council Sewerage Service

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

Byron Shire Council

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

Note 1. Significant accounting policies (continued)

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, except for Note 2 (Water Supply Best-Practice Management Disclosures) and Note 3 (Sewerage Best-Practice Management Disclosures).

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

(i) Taxation-equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – 30%

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

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

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

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

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

Income tax

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

Byron Shire Council

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

Note 1. Significant accounting policies (continued)

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

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

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

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

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

Local government rates and charges

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

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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

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

Byron Shire Council

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

Note 1. Significant accounting policies (continued)

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

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

(iv) Dividends

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

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

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

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

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

END OF AUDITED FINANCIAL STATEMENTS

Byron Shire Council

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

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

2018

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	94,208
(ii)	Number of assessments multiplied by \$3/assessment	36,588
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	36,588
(iv)	Amounts actually paid for tax equivalents	28,300

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	525,809
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	329,292
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	3,145,242

2018 Surplus	1,051,618	2017 Surplus	1,722,524	2016 Surplus	371,100
		2017 Dividend	–	2016 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	329,292
(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	<input type="checkbox"/>

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 2018Note 2. Water supply business
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2018

National Water Initiative (NWI) financial performance indicators

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	10,133
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)]	%	71.94%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	–
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	7,219
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	1,467
NWI F17	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	2.04%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

- Notes:
1. References to w (e.g. w12) refer to item numbers within Special Schedules 3 and 4 of Council's Annual Financial Statements.
 2. 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 2018Note 3. Sewerage business
best-practice management disclosure requirements

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

2018

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	1,280,212
(ii)	Number of assessments multiplied by \$3/assessment	35,157
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	35,157
(iv)	Amounts actually paid for tax equivalents	28,300

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	711,470
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	316,413
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	7,177,667

2018 Surplus	1,422,940	2017 Surplus	3,010,727	2016 Surplus	2,744,000
		2017 Dividend	-	2016 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	316,413
(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	<input type="checkbox"/>

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 2018Note 3. Sewerage business
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2018

National Water Initiative (NWI) financial performance indicators

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	17,812
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	–
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	8,457
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	385
NWI F18	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	4.88%
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	27,945
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	0.54%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	1,852
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)]	%	3.84%
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 2018Note 3. Sewerage business
best-practice management disclosure requirements (continued)

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

2018

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

NWI F22	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	7.88%
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest Earnings before interest and tax (EBIT): Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c) Net interest: Interest expense (w4a + s4a) – interest income (w9 + s10)		3
NWI F24	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	4,406
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	152

- 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.
 - refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007



INDEPENDENT AUDITOR'S REPORT
Report on the special purpose financial report
Byron Shire Council

To the Councillors of the Byron Shire Council

Opinion

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

The Declared Business Activities of the Council are:

- Water supply
- sewerage
- holiday parks.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

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

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

Reiky Jiang

Director, Financial Audit Services

19 October 2018
SYDNEY

Byron Shire Council

SPECIAL SCHEDULES

for the year ended 30 June 2018

"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 2018

Contents		Page
Special Schedules ¹		
Special Schedule 1	Net Cost of Services	2
Special Schedule 2	Permissible income for general rates	4
Special Schedule 2	Independent Auditors Report	5
Special Schedule 3	Water Supply Operations – incl. Income Statement	6
Special Schedule 4	Water Supply – Statement of Financial Position	9
Special Schedule 5	Sewerage Service Operations – incl. Income Statement	10
Special Schedule 6	Sewerage Service – Statement of Financial Position	13
Notes to Special Schedules 3 and 5		14
Special Schedule 7	Report on Infrastructure Assets	15

¹ Special Schedules are not audited (with the exception of Special Schedule 2).

Background

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

Byron Shire Council

Special Schedule 1 – Net Cost of Services

for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	1,417	30	–	(1,387)
Administration	690	819	–	129
Public order and safety				
Fire service levy, fire protection, emergency services	721	221	150	(350)
Beach control	630	169	–	(461)
Enforcement of local government regulations	1,367	1,567	–	199
Animal control	37	69	–	32
Other	12	–	–	(12)
Total public order and safety	2,767	2,024	150	(593)
Health	1,169	497	–	(672)
Environment				
Noxious plants and insect/vermin control	140	–	–	(140)
Other environmental protection	539	214	–	(325)
Solid waste management	8,228	8,349	–	121
Street cleaning	333	–	–	(333)
Drainage	299	–	2,844	2,545
Stormwater management	112	341	–	229
Total environment	9,651	8,904	2,844	2,097
Community services and education				
Administration and education	512	–	–	(512)
Social protection (welfare)	608	27	–	(581)
Aged persons and disabled	17	–	–	(17)
Children's services	2,205	1,862	84	(259)
Total community services and education	3,342	1,889	84	(1,368)
Housing and community amenities				
Public cemeteries	243	226	–	(17)
Public conveniences	538	–	–	(538)
Street lighting	310	53	–	(257)
Town planning	5,575	1,695	2,812	(1,068)
Other community amenities	86	68	–	(17)
Total housing and community amenities	6,751	2,042	2,812	(1,897)
Water supplies	8,857	9,425	675	1,243
Sewerage services	15,086	15,806	2,162	2,882

Byron Shire Council

Special Schedule 1 – Net Cost of Services (continued)
for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	1,967	1,259	–	(708)
Museums	–	–	–	–
Art galleries	–	–	–	–
Community centres and halls	1,161	230	106	(825)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	16	–	–	(16)
Sporting grounds and venues	2,092	331	–	(1,762)
Swimming pools	362	267	–	(95)
Parks and gardens (lakes)	3,849	95	578	(3,177)
Other sport and recreation	601	403	–	(198)
Total recreation and culture	10,049	2,585	683	(6,781)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	960	1,056	–	95
Other mining, manufacturing and construction	310	–	–	(310)
Total mining, manufacturing and const.	1,270	1,056	–	(214)
Transport and communication				
Urban roads (UR) – local	5,546	340	12,467	7,260
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	4,739	2,172	458	(2,109)
Sealed rural roads (SRR) – regional	4,334	678	–	(3,657)
Unsealed rural roads (URR) – local	2,157	–	–	(2,157)
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	434	–	14,776	14,342
Bridges on SRR – local	341	–	–	(341)
Bridges on URR – local	–	–	–	–
Bridges on regional roads	2	–	–	(2)
Parking areas	1,374	4,297	–	2,923
Footpaths	147	145	204	202
Aerodromes	165	103	–	(62)
Other transport and communication	5	302	–	297
Total transport and communication	19,245	8,036	27,904	16,696
Economic affairs				
Camping areas and caravan parks	3,523	4,694	–	1,172
Other economic affairs	1,301	529	–	(772)
Total economic affairs	4,824	5,223	–	399
Totals – functions	85,118	58,337	37,314	10,533
General purpose revenues ⁽¹⁾		24,762		24,762
Share of interests – joint ventures and associates using the equity method	–	–		–
NET OPERATING RESULT ⁽²⁾	85,118	83,099	37,314	35,295

(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 – Permissible income for general rates

for the year ended 30 June 2019

\$'000		Calculation 2018/19	Calculation 2017/18
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	21,269	19,642
Plus or minus adjustments ⁽²⁾	b	112	136
Notional general income	c = (a + b)	21,381	19,778
Permissible income calculation			
Special variation percentage ⁽³⁾	d	7.50%	7.50%
Or rate peg percentage	e	0.00%	0.00%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	1,604	1,483
Or plus rate peg amount	i = c x e	–	–
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
Sub-total	k = (c + g + h + i + j)	22,985	21,261
Plus (or minus) last year's carry forward total	l	4	3
Less valuation objections claimed in the previous year	m	(7)	–
Sub-total	n = (l + m)	(3)	3
Total permissible income	o = k + n	22,983	21,264
Less notional general income yield	p	22,964	21,267
Catch-up or (excess) result	q = o – p	20	(3)
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	–	7
Less unused catch-up ⁽⁵⁾	s	(3)	–
Carry forward to next year	t = q + r – s	17	4

Notes

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



INDEPENDENT AUDITOR'S REPORT

Special Schedule 2 - Permissible Income for general rates

Byron Shire Council

To the Councillors of Byron Shire Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter – Basis of Accounting

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

Other Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and the Special Schedules excluding Special Schedule 2 (the other Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

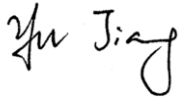
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

A description of my responsibilities for the audit of the Schedule is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar8.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Schedule on any website where it may be presented
- about any other information which may have been hyperlinked to/from the Schedule.

A handwritten signature in black ink, appearing to read "Yu Jiang". The signature is written in a cursive, flowing style.

Reiky Jiang
Director, Financial Audit Services

19 October 2018
SYDNEY

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 2018

\$'000	2018	2017
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	1,506	1,474
b. Engineering and supervision	155	153
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
– Mains		
c. Operation expenses	288	322
d. Maintenance expenses	512	425
– Reservoirs		
e. Operation expenses	183	144
f. Maintenance expenses	–	–
– Pumping stations		
g. Operation expenses (excluding energy costs)	–	–
h. Energy costs	–	–
i. Maintenance expenses	–	–
– Treatment		
j. Operation expenses (excluding chemical costs)	188	203
k. Chemical costs	62	61
l. Maintenance expenses	3	21
– Other		
m. Operation expenses	266	282
n. Maintenance expenses	–	–
o. Purchase of water	4,057	3,903
3. Depreciation expenses		
a. System assets	1,387	1,209
b. Plant and equipment	–	–
4. Miscellaneous expenses		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	297	220
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	28	28
5. Total expenses	8,932	8,445

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 2018

\$'000	2018	2017
Income		
6. Residential charges		
a. Access (including rates)	1,797	1,765
b. Usage charges	4,607	4,620
7. Non-residential charges		
a. Access (including rates)	493	491
b. Usage charges	2,150	2,094
8. Extra charges	21	22
9. Interest income	267	388
10. Other income	313	317
10a. Aboriginal Communities Water and Sewerage Program	–	–
11. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	77	72
c. Other grants	–	1
12. Contributions		
a. Developer charges	561	877
b. Developer provided assets	114	199
c. Other contributions	–	–
13. Total income	10,401	10,846
14. Gain (or loss) on disposal of assets	–	(48)
15. Operating result	1,469	2,353
15a. Operating result (less grants for acquisition of assets)	1,469	2,353

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 2018

\$'000	2018	2017
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	–	–
c. Renewals	1,467	578
d. Plant and equipment	–	–
17. Repayment of debt	–	–
18. Totals	1,467	578
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)	10,472	10,317
b. Residential (unoccupied, ie. vacant lot)	151	155
c. Non-residential (occupied)	1,537	1,521
d. Non-residential (unoccupied, ie. vacant lot)	36	39
23. Number of ETs for which developer charges were received	– ET	– ET
24. Total amount of pensioner rebates (actual dollars)	\$ 139,971	\$ 147,203

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 2018

\$'000	Current	Non-current	Total
ASSETS			
25. Cash and investments			
a. Developer charges	3,858	–	3,858
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	6,924	–	6,924
26. Receivables			
a. Specific purpose grants	5	–	5
b. Rates and availability charges	88	–	88
c. User charges	1,794	–	1,794
d. Other	–	–	–
27. Inventories	–	–	–
28. Property, plant and equipment			
a. System assets	–	–	–
b. Plant and equipment	–	74,916	74,916
29. Other assets	–	–	–
30. Total assets	<u>12,668</u>	<u>74,916</u>	<u>87,585</u>
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	–	–	–
33. Borrowings	–	–	–
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
35. Total liabilities	<u>–</u>	<u>–</u>	<u>–</u>
36. NET ASSETS COMMITTED	<u>12,668</u>	<u>74,916</u>	<u>87,585</u>
EQUITY			
37. Accumulated surplus			42,663
38. Asset revaluation reserve			44,924
39. Other reserves			–
40. TOTAL EQUITY			<u>87,586</u>
Note to system assets:			
41. Current replacement cost of system assets			–
42. Accumulated current cost depreciation of system assets			–
43. Written down current cost of system assets			–

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 2018

\$'000	2018	2017
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	1,817	1,730
b. Engineering and supervision	180	160
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	1,038	819
b. Maintenance expenses	507	471
– Pumping stations		
c. Operation expenses (excluding energy costs)	451	335
d. Energy costs	345	334
e. Maintenance expenses	657	676
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	1,661	1,374
g. Chemical costs	442	430
h. Energy costs	402	399
i. Effluent management	164	128
j. Biosolids management	–	–
k. Maintenance expenses	608	545
– Other		
l. Operation expenses	182	108
m. Maintenance expenses	3	–
3. Depreciation expenses		
a. System assets	3,015	3,218
b. Plant and equipment	–	–
4. Miscellaneous expenses		
a. Interest expenses	3,364	3,476
b. Revaluation decrements	–	–
c. Other expenses	393	428
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	28	28
5. Total expenses	15,257	14,659

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 2018

\$'000	2018	2017
Income		
6. Residential charges (including rates)	11,477	11,340
7. Non-residential charges		
a. Access (including rates)	1,954	1,947
b. Usage charges	1,576	1,532
8. Trade waste charges		
a. Annual fees	63	63
b. Usage charges	238	237
c. Excess mass charges	48	61
d. Re-inspection fees	–	–
9. Extra charges	45	47
10. Interest income	439	285
11. Other income	169	135
11a. Aboriginal Communities Water and Sewerage Program	–	–
12. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	75	76
c. Other grants	–	–
13. Contributions		
a. Developer charges	1,871	3,251
b. Developer provided assets	297	503
c. Other contributions	–	–
14. Total income	18,251	19,477
15. Gain (or loss) on disposal of assets	–	(11)
16. Operating result	2,994	4,807
16a. Operating result (less grants for acquisition of assets)	2,994	4,807

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 2018

\$'000	2018	2017
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	–	–
c. Renewals	385	2,054
d. Plant and equipment	–	–
18. Repayment of debt	1,588	1,700
19. Totals	1,973	3,754
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)	9,924	9,604
b. Residential (unoccupied, ie. vacant lot)	335	324
c. Non-residential (occupied)	1,402	1,384
d. Non-residential (unoccupied, ie. vacant lot)	58	52
24. Number of ETs for which developer charges were received	– ET	– ET
25. Total amount of pensioner rebates (actual dollars)	\$ 135,374	\$ 142,244

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 2018

\$'000	Current	Non-current	Total
ASSETS			
26. Cash and investments			
a. Developer charges	9,052	–	9,052
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	9,411	–	9,411
27. Receivables			
a. Specific purpose grants	5	–	5
b. Rates and availability charges	401	–	401
c. User charges	1,584	–	1,584
d. Other	–	–	–
28. Inventories	–	–	–
29. Property, plant and equipment			
a. System assets	–	–	–
b. Plant and equipment	–	129,921	129,921
30. Other assets	–	–	–
31. Total assets	<u>20,453</u>	<u>129,921</u>	<u>150,373</u>
LIABILITIES			
32. Bank overdraft	–	–	–
33. Creditors	207	–	207
34. Borrowings	1,588	42,883	44,471
35. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
36. Total liabilities	<u>1,795</u>	<u>42,883</u>	<u>44,678</u>
37. NET ASSETS COMMITTED	<u>18,658</u>	<u>87,037</u>	<u>105,695</u>
EQUITY			
38. Accumulated surplus			91,347
39. Asset revaluation reserve			14,348
40. Other reserves			–
41. TOTAL EQUITY			<u>105,695</u>
Note to system assets:			
42. Current replacement cost of system assets			–
43. Accumulated current cost depreciation of system assets			–
44. Written down current cost of system assets			–

Byron Shire Council

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

Administration ⁽¹⁾

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

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

Engineering and supervision ⁽¹⁾

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes:

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

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

Byron Shire Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Council Operations	–	–	257	247	13,307	15,308	95%	5%	0%	0%	0%
	Swimming Pool Buildings	187	187	14	14	826	931	94%	6%	0%	0%	0%
	Showground Buildings	–	–	–	–	1,643	2,083	65%	31%	3%	1%	0%
	Residential Leases	9	9	–	–	1,062	1,324	50%	22%	1%	27%	0%
	Recreation Buildings	115	115	23	23	13,437	16,135	79%	20%	1%	0%	0%
	Libraries	–	–	98	98	4,092	4,455	95%	5%	0%	0%	0%
	Public Amenities	428	428	513	513	2,716	3,123	84%	10%	6%	0%	0%
	Emergency Services	49	49	2	2	1,191	1,338	93%	7%	0%	0%	0%
	Community Buildings	1,028	1,028	129	129	13,305	16,612	76%	21%	1%	2%	0%
	Commercial Leases	253	253	1	1	1,042	1,266	89%	8%	1%	2%	0%
	Holiday Parks	–	–	298	298	4,902	5,737	90%	8%	2%	0%	0%
	Childcare	–	–	24	24	4,936	6,006	80%	17%	3%	0%	0%
	Sub-total	2,069	2,069	1,358	1,348	62,460	74,317	83.4%	14.4%	1.2%	1.0%	0.0%
Other structures	Other structures	378	378	14	14	2,139	2,526	30%	10%	36%	21%	3%
	Sub-total	378	378	14	14	2,139	2,526	30.0%	10.0%	36.0%	21.0%	3.0%

Byron Shire Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Roads	Sealed roads	24,037	24,037	2,597	2,555	96,723	205,099	4%	19%	56%	12%	9%
	Unsealed roads	1,045	1,045	589	389	659	2,007	8%	20%	33%	31%	8%
	Bridges	6,274	6,274	300	27	27,102	37,790	27%	7%	49%	17%	0%
	Footpaths	550	550	167	11	5,994	9,278	15%	35%	40%	10%	0%
	Kerb and gutter	–	–	100	2	18,238	25,335	0%	18%	18%	55%	9%
	Bulk earthworks	–	–	–	–	28,999	28,999	4%	19%	56%	12%	9%
	Traffic Control Devices	–	–	10	1	44,173	65,744	28%	45%	23%	3%	1%
	Carparks	–	–	10	–	2,626	3,316	0%	22%	45%	11%	22%
	Roundabouts, Islands and Speed Humps	–	–	10	1	7,904	10,175	28%	45%	23%	3%	1%
	Other	–	–	10	1	8,247	10,832	33%	28%	29%	10%	0%
	Sub-total	31,906	31,906	3,793	2,987	240,664	398,575	11.5%	23.4%	45.3%	13.5%	6.3%
Water supply network	Mains	–	–	1,019	1,019	46,406	74,104	57%	18%	24%	0%	1%
	Reservoirs	–	–	178	178	11,045	15,235	45%	20%	31%	4%	0%
	Pumping Stations	–	–	21	21	307	579	17%	58%	18%	5%	2%
	Treatment	–	–	252	252	3,410	5,232	0%	100%	0%	0%	0%
	Hydrants	–	–	–	–	2,255	5,159	16%	33%	11%	40%	0%
	Dam Weirs	–	–	–	–	233	2,663	0%	0%	10%	0%	90%
	Monitor Control Stations	–	–	–	–	24	37	6%	94%	0%	0%	0%
	Valves	–	–	–	–	907	2,660	14%	64%	17%	2%	3%
	Sub-total	–	–	1,470	1,470	64,587	105,668	47.7%	24.0%	22.6%	2.6%	3.1%

Byron Shire Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Sewerage network	Sewerage network	–	–	1,264	1,264	–	–					
	Pumping Stations	–	–	1,314	1,314	8,987	19,173	23%	35%	23%	13%	6%
	Treatment	–	–	3,574	3,574	54,517	70,833	43%	51%	6%	0%	0%
	Mains	–	–	–	–	37,902	72,402	44%	55%	1%	0%	0%
	Valves	–	–	–	–	613	951	28%	43%	26%	3%	0%
	Manholes	–	–	–	–	9,197	16,188	15%	34%	47%	4%	0%
	Vacuum Pods	–	–	–	–	250	429	0%	0%	100%	0%	0%
	Sub-total	–	–	6,152	6,152	111,466	179,976	38.6%	49.2%	9.8%	1.8%	0.6%
Stormwater drainage	Stormwater drainage	3,025	3,025	396	722	51,011	69,875	2%	16%	46%	30%	6%
	Sub-total	3,025	3,025	396	722	51,011	69,875	2.0%	16.0%	46.0%	30.0%	6.0%
Open space/recreational assets	Swimming pools	–	–	32	32	2,135	2,800	0%	100%	0%	0%	0%
	Fences	–	–	–	–	1,337	2,094	12%	36%	34%	16%	2%
	Lighting	–	–	–	–	2,410	3,123	17%	54%	23%	5%	1%
	Open Space Furniture	–	–	30	30	976	1,419	11%	38%	37%	11%	3%
	Other Structures	–	–	–	–	2,724	3,314	62%	19%	15%	4%	0%
	Park Active Areas	–	–	–	–	1,647	3,116	5%	20%	66%	4%	5%
	Park Equipment	–	–	29	29	1,080	1,889	13%	23%	48%	15%	1%
	Park Infrastructure	–	–	–	–	152	165	9%	24%	55%	6%	6%
	Park Passive Areas	–	–	628	628	208	421	8%	28%	38%	26%	0%
	Playgrounds	–	–	–	–	116	185	49%	10%	35%	4%	2%
	Sub-total	–	–	719	719	12,784	18,527	19.1%	41.3%	30.9%	7.1%	1.6%

Byron Shire Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
	TOTAL – ALL ASSETS	37,378	37,378	13,902	13,412	545,111	849,464	27.5%	27.9%	30.8%	9.8%	4.0%

Notes:

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

Infrastructure asset condition assessment 'key'

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

Byron Shire Council

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

	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
Infrastructure asset performance indicators * consolidated					
1. Buildings and infrastructure renewals ratio ⁽¹⁾					
Asset renewals ⁽²⁾	13,538	110.37%	56.63%	91.82%	>= 100%
Depreciation, amortisation and impairment	12,266				
2. Infrastructure backlog ratio ⁽¹⁾					
Estimated cost to bring assets to a satisfactory standard	37,378	6.81%	7.90%	7.92%	< 2.00%
Net carrying amount of infrastructure assets	548,674				
3. Asset maintenance ratio					
Actual asset maintenance	13,412	96.47%	90.65%	101.00%	> 100%
Required asset maintenance	13,902				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	37,378	4.40%	4.78%	4.86%	
Gross replacement cost	849,464				

Notes

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

(1) Excludes Work In Progress (WIP)

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

<p>1. Buildings and infrastructure renewals ratio</p> <p>Benchmark: — Minimum $\geq 100.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of asset renewals ratio</p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 Ratio 110.37%</p> <p>Asset renewals and depreciation have both increased since the last financial year. This ratio has remained constant with Council still being above the benchmark due to a maintained higher level of capital works.</p>
<p>2. Infrastructure backlog ratio</p> <p>Benchmark: — Maximum $< 2.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of infrastructure backlog ratio</p> <p>This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 Ratio 6.81%</p> <p>The infrastructure backlog has remained relatively constant in dollar terms but has decreased in percentage terms due to an increase in the net carrying value of infrastructure assets</p>
<p>3. Asset maintenance ratio</p> <p>Benchmark: — Minimum $> 100.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of asset maintenance ratio</p> <p>Compares actual vs. required annual asset maintenance. A ratio above 100% indicates Council is investing enough funds to stop the infrastructure backlog growing.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 Ratio 96.47%</p> <p>The gap between required maintenance and actual maintenance has decreased slightly mainly against the open space and stormwater assets.</p>
<p>4. Cost to bring assets to agreed service level</p>	<p>Purpose of agreed service level ratio</p> <p>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.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 Ratio 4.40%</p> <p>This ratio has dropped slightly from 2017. Similar to the backlog ratio, the cost to bring to an agreed level of service remained about the same, but decreased due to the Gross Replacement Cost of infrastructure assets increasing.</p>

Byron Shire Council

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

	General indicators ⁽¹⁾		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Infrastructure asset performance indicators by fund							
1. Buildings and infrastructure renewals ratio ⁽²⁾							
Asset renewals ⁽³⁾	159.19%	75.26%	49.96%	28.33%	10.81%	24.15%	>= 100%
Depreciation, amortisation and impairment							
2. Infrastructure backlog ratio ⁽²⁾							
Estimated cost to bring assets to a satisfactory standard	10.03%	12.23%	0.00%	0.00%	0.00%	0.00%	< 2.00%
Net carrying amount of infrastructure assets							
3. Asset maintenance ratio							
Actual asset maintenance	92.19%	82.66%	100.00%	100.00%	100.00%	100.00%	> 100%
Required asset maintenance							
4. Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	6.63%	7.28%	0.00%	0.00%	0.00%	0.00%	
Gross replacement cost							

Notes

- (1) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.
- (2) Excludes Work In Progress (WIP)
- (3) 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.