

Bellingen Shire Council Annual Report 2016-17 - Part D



Bellingen Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017

Bellingen Shire - Connected, Sustainable, Creative



Bellingen Shire Council

General Purpose Financial Statements for the year ended 30 June 2017

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Overview

These financial statements are General Purpose Financial Statements and cover the operations for Bellingen Shire Council.

Bellingen Shire Council is constituted under the Local Government Act 1993 (NSW) and has its principal place of business at 33-39 Hyde St, Bellingen NSW 2454.

All figures presented in these financial statements are presented in Australian currency.

These financial statements were authorised for issue by the Council on 25 October 2017. Council has the power to amend and reissue these financial statements.

Bellingen Shire Council

General Purpose Financial Statements for the year ended 30 June 2017

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

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

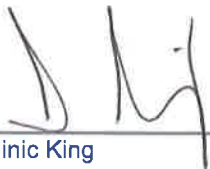
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and professional pronouncements, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

Signed in accordance with a resolution of Council made on 27 September 2017.



Dominic King
Mayor



Desmae Harrison
Councillor



Liz Jeremy
General manager



Chris Hodge
Responsible accounting officer

Bellingen Shire Council

Income Statement

for the year ended 30 June 2017

Budget ¹ 2017	\$ '000	Notes	Actual 2017	Actual 2016
Income from continuing operations				
Revenue:				
13,224	Rates and annual charges	3a	13,089	12,682
6,218	User charges and fees	3b	6,404	7,986
1,068	Interest and investment revenue	3c	994	1,228
506	Other revenues	3d	534	438
6,760	Grants and contributions provided for operating purposes	3e,f	7,874	6,200
12,878	Grants and contributions provided for capital purposes	3e,f	1,975	5,314
Other income:				
–	Net gains from the disposal of assets	5	81	118
–	Net share of interests in joint ventures and associates using the equity method	19	–	–
40,654	Total income from continuing operations		30,951	33,966
Expenses from continuing operations				
10,469	Employee benefits and on-costs	4a	9,565	10,302
557	Borrowing costs	4b	580	613
8,663	Materials and contracts	4c	8,580	9,440
7,273	Depreciation and amortisation	4d	6,824	6,519
–	Impairment	4d	–	–
2,887	Other expenses	4e	3,150	2,697
29,849	Total expenses from continuing operations		28,699	29,571
10,805	Operating result from continuing operations		2,252	4,395
Discontinued operations				
–	Net profit/(loss) from discontinued operations	24	–	–
10,805	Net operating result for the year		2,252	4,395
10,805	Net operating result attributable to Council		2,252	4,395
–	Net operating result attributable to non-controlling interests		–	–
(2,073)	Net operating result for the year before grants and contributions provided for capital purposes		277	(919)

¹ Original budget as approved by Council – refer Note 16

Bellingen Shire Council

Statement of Comprehensive Income for the year ended 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
Net operating result for the year (as per Income Statement)		2,252	4,395
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	(7,949)	7,124
Total items which will not be reclassified subsequently to the operating result		(7,949)	7,124
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the year		(7,949)	7,124
Total comprehensive income for the year		(5,697)	11,519
Total comprehensive income attributable to Council		(5,697)	11,519
Total comprehensive income attributable to non-controlling interests		–	–

Bellingen Shire Council

Statement of Financial Position as at 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
ASSETS			
Current assets			
Cash and cash equivalents	6a	1,747	8,158
Investments	6b	33,300	26,600
Receivables	7	4,450	5,096
Inventories	8	283	249
Other	8	16	35
Non-current assets classified as 'held for sale'	22	–	–
Total current assets		39,796	40,138
Non-current assets			
Investments	6b	–	–
Receivables	7	66	119
Inventories	8	–	–
Infrastructure, property, plant and equipment	9	424,316	430,006
Investments accounted for using the equity method	19	–	–
Investment property	14	1,924	1,924
Total non-current assets		426,306	432,049
TOTAL ASSETS		466,102	472,187
LIABILITIES			
Current liabilities			
Payables	10	2,781	2,551
Income received in advance	10	258	216
Borrowings	10	663	628
Provisions	10	2,670	2,789
Total current liabilities		6,372	6,184
Non-current liabilities			
Payables	10	10	7
Income received in advance	10	–	–
Borrowings	10	7,740	8,403
Provisions	10	748	664
Total non-current liabilities		8,498	9,074
TOTAL LIABILITIES		14,870	15,258
Net assets		451,232	456,929
EQUITY			
Retained earnings	20	266,348	264,096
Revaluation reserves	20	184,884	192,833
Other reserves	20	–	–
Council equity interest		451,232	456,929
Non-controlling equity interests		–	–
Total equity		451,232	456,929

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

Bellingen Shire Council

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

\$ '000	Notes	2017					2016						
		Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity	Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity
Opening balance (as per last year's audited accounts)		264,096	192,833	–	456,929	–	456,929	259,695	185,709	–	445,404	–	445,404
a. Correction of prior period errors	20 (c)	–	–	–	–	–	–	6	–	–	6	–	6
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–	–	–	–	–	–	–	–
Revised opening balance		264,096	192,833	–	456,929	–	456,929	259,701	185,709	–	445,410	–	445,410
c. Net operating result for the year		2,252	–	–	2,252	–	2,252	4,395	–	–	4,395	–	4,395
d. Other comprehensive income													
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	(7,949)	–	(7,949)	–	(7,949)	–	7,124	–	7,124	–	7,124
– Revaluations: other reserves	20b (ii)	–	–	–	–	–	–	–	–	–	–	–	–
– Transfers to Income Statement	20b (ii)	–	–	–	–	–	–	–	–	–	–	–	–
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	–	–	–	–	–	–	–	–	–	–	–	–
– Joint ventures and associates	19b	–	–	–	–	–	–	–	–	–	–	–	–
– Other reserves movements	20b (ii)	–	–	–	–	–	–	–	–	–	–	–	–
Other comprehensive income		–	(7,949)	–	(7,949)	–	(7,949)	–	7,124	–	7,124	–	7,124
Total comprehensive income (c&d)		2,252	(7,949)	–	(5,697)	–	(5,697)	4,395	7,124	–	11,519	–	11,519
e. Distributions to/(contributions from) non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	–
f. Transfers between equity		–	–	–	–	–	–	–	–	–	–	–	–
Closing Balance		266,348	184,884	–	451,232	–	451,232	264,096	192,833	–	456,929	–	456,929

Bellingen Shire Council

Statement of Cash Flows for the year ended 30 June 2017

Budget 2017	\$ '000	Notes	Actual 2017	Actual 2016
Cash flows from operating activities				
Receipts:				
13,193	Rates and annual charges		13,263	12,703
6,201	User charges and fees		7,126	8,249
1,080	Investment and interest revenue received		934	1,310
19,638	Grants and contributions		10,296	11,514
–	Bonds, deposits and retention amounts received		–	10
390	Other		1,448	3,391
Payments:				
(10,473)	Employee benefits and on-costs		(9,687)	(10,635)
(8,635)	Materials and contracts		(9,327)	(12,124)
(551)	Borrowing costs		(560)	(592)
–	Bonds, deposits and retention amounts refunded		(5)	–
(2,888)	Other		(3,583)	(3,574)
17,955	Net cash provided (or used in) operating activities	11b	9,905	10,252
Cash flows from investing activities				
Receipts:				
1,761	Sale of investment securities		50,400	4,700
583	Sale of infrastructure, property, plant and equipment		177	278
–	Deferred debtors receipts		12	–
Payments:				
–	Purchase of investment securities		(57,100)	–
(24,181)	Purchase of infrastructure, property, plant and equipment		(9,179)	(9,627)
–	Deferred debtors and advances made		2	2
(21,837)	Net cash provided (or used in) investing activities		(15,688)	(4,647)
Cash flows from financing activities				
Receipts:				
1,000	Proceeds from borrowings and advances		–	–
Payments:				
(631)	Repayment of borrowings and advances		(628)	(596)
369	Net cash flow provided (used in) financing activities		(628)	(596)
(3,513)	Net increase/(decrease) in cash and cash equivalents		(6,411)	5,009
6,751	Plus: cash and cash equivalents – beginning of year	11a	8,158	3,149
3,238	Cash and cash equivalents – end of the year	11a	1,747	8,158
Additional Information:				
	plus: Investments on hand – end of year	6b	33,300	26,600
	Total cash, cash equivalents and investments		35,047	34,758

Please refer to Note 11 for information on the following:

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

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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n/a – not applicable

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies

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

(a) Basis of preparation

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

(i) New and amended standards adopted by Council

AASB 124 Related Party Disclosures was adopted during the year, this standard had no impact on reporting financial position or performance- refer to Note 28 for further details.

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

(ii) Early adoption of standards

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

(iii) Historical cost convention

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

(iv) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

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

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

Significant judgements in applying the Council's accounting policies

- (i) Impairment of Receivables

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

(b) Revenue recognition

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

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

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

(i) Rates, annual charges, grants and contributions

Rates, annual charges, grants and contributions (including developer contributions) are recognised as

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

revenue when the Council obtains control over the assets comprising these receipts. Developer contributions may only be expended for the purposes for which the contributions were required, but the Council may apply contributions according to the priorities established in work schedules.

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

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

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

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

(ii) User charges and fees

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

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

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

(iv) Interest

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

(v) Rent

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

(vi) Other income

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

(c) Principles of consolidation

(i) The Consolidated Fund

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

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

- *General Purpose Operations*
- *Water Supply*
- *Sewerage Service*

Due to their immaterial value and nature, the Section 355 Committees have been excluded from consolidation.

(ii) The Trust Fund

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

Trust monies and property held by Council but not subject to the control of Council have been excluded from these reports. A separate statement of monies held in the Trust Fund is available for inspection at the Council office by any person free of charge.

(iii) County Councils

Council is not a member of any county councils.

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(iv) Interests in other entities

Subsidiaries

Council has no interest in any subsidiaries.

Joint arrangements

Council has no interest in any joint arrangements.

(d) Leases

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

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

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

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

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

(e) Impairment of assets

Intangible assets that have an indefinite useful life or are not yet available for use are not subject to

amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

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

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

(f) Cash and cash equivalents

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

(g) Inventories

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

Raw materials and stores, are stated at the lower of cost and net realisable value.

Cost comprises direct materials. 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.

(ii) Inventory held for distribution

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

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, development and borrowing costs during development.

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

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

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

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

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

(i) Investments and other financial assets

Classification

Council classifies its financial assets in the following categories: financial assets at fair value through

profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets.

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

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

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

(ii) Loans and receivables

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

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

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

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

(iii) Held-to-maturity investments

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

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

than 12 months from the reporting date, that are classified as current assets.

Subsequent measurement

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

Impairment

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

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

(i) Assets carried at amortised cost

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

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

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

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or

financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

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

Investment Policy

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

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

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

(j) Fair value estimation – financial instruments

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

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

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

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

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

Externally valued:

- Operational land
- Buildings – specialised/non-specialised
- Water and sewerage networks

Internally valued:

- Community land
- Roads assets including roads, bridges and footpaths
- Bulk earthworks
- Stormwater drainage

As approximated by depreciated historical cost:

- Plant and equipment
- Land improvements
- Other structures
- Swimming pools
- Other open space/recreational assets
- Other infrastructure
- Other assets

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

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

For all other asset classes, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ

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

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

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

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

Depreciation

Land is not depreciated.

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

Plant & Equipment

- Office Equipment	5 to 10 years
- Office furniture	5 to 20 years
- Computer Equipment	4 years
- Vehicles	3 to 8 years
- Other plant and equipment	5 to 20 years

Buildings

- Buildings: Non Specialised	10 to 60 years
- Buildings: Other	5 to 60 years

Stormwater Drainage

- Drains	106 years
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Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Transportation Assets

- Sealed Roads: Surface	16 to 25 years
- Sealed Roads: Structure	60 to 175 years
- Unsealed roads	25 years
- Bridge: Concrete	75 to 106 years
- Bridge: Other	60 to 75 years
- Road Pavements – Sealed	53 years
- Road Pavements – Unsealed	20 to 25 years
- Kerb, Gutter & Paths	30 to 100 years

Water & Sewer Assets

- Sewer Network	30 to 100 years
- Water Network	30 to 100 years

Other Infrastructure Assets

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

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

(l) Investment property

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

Investment property is carried at fair value, which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, Council uses alternative valuation methods such as recent prices in less active markets, or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of other income.

Properties that are under construction for future use as investment properties are regarded as investment properties. These are also carried at fair value unless the fair value cannot yet be reliably determined. Where that is the case, the property will be accounted for at cost until either the fair value becomes reliably determinable or construction is complete.

(m) 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.

(n) 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.

(o) Borrowing costs

Borrowing costs are expensed.

(p) Provisions

Provisions are recognised when Council has a present legal or constructive obligation as a result of

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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.

(q) Employee benefits

(i) Short-term obligations

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

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

(ii) Other long-term employee benefit obligations

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

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

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

(iii) Retirement benefit obligations

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

Defined Benefit Plans

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

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

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

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

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

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

The last valuation of the scheme was performed by Mr Richard Boyfield, FIAA on 24 February 2016 and covers the period ended 30 June 2016.

However the position is monitored annually and the actuary has estimated that as at 30 June 2017 the prior period deficit still exists.

Effective from 1 July 2009, employers are required to contribute additional contributions to assist in extinguishing this deficit.

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2017 was \$ 139,824.

Defined Contribution Plans

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

(r) 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.

(s) Self-insurance

Council does not self-insure.

(t) Intangible assets

Council does not have any intangible assets.

(u) 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.

(v) Rural fire service assets

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

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

(w) 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

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

financing activities which that are recoverable from, or payable to the taxation authority are presented as operating cash flows.

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

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

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

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

AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15

AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15

AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]

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

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

AASB 2016-7 Amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities

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

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

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

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

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

AASB 9 Financial Instruments (December 2009)

AASB 15 Revenue from Contracts with Customers

AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)

AASB 2014-1 Amendments to Australian Accounting Standards (Part E)

AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)
AASB 1057 Application of Australian Accounting Standards

AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15

AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions

AASB 2016-6 Amendments to Australian Accounting Standards - Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts

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

AASB 16 Leases

AASB 16 Leases (Appendix D)

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

AASB 1058 Income of Not-for-Profit Entities

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

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

(y) Rounding of amounts

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

(z) Comparative figures

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

(aa) Disclaimer

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

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current and non-current)	
	Original budget	Actual	Actual	Original budget	Actual	Actual	Original budget	Actual	Actual	Actual	Actual	Actual	Actual
	2017	2017	2016	2017	2017	2016	2017	2017	2016	2017	2016	2017	2016
Governance	–	–	–	370	334	257	(370)	(334)	(257)	–	–	–	–
Administration	701	659	1,072	2,670	1,578	3,834	(1,969)	(919)	(2,762)	–	–	32,860	32,404
Public order and safety	414	344	317	1,559	1,013	893	(1,145)	(669)	(576)	212	149	7,149	7,965
Health	96	91	43	105	35	11	(9)	56	32	–	–	339	370
Environment	4,006	3,905	3,701	4,169	4,637	4,356	(163)	(732)	(655)	296	220	277	212
Community services and education	294	285	300	780	756	706	(486)	(471)	(406)	277	291	5,526	5,029
Housing and community amenities	50	374	360	1,251	1,063	1,110	(1,201)	(689)	(750)	–	6	18,722	19,358
Water supplies	2,891	2,925	2,728	2,607	2,476	2,385	284	449	343	55	55	52,749	59,626
Sewerage services	3,376	3,438	4,283	3,358	3,244	3,176	18	194	1,107	43	912	50,568	48,314
Recreation and culture	81	177	145	2,333	2,361	2,331	(2,252)	(2,184)	(2,186)	106	143	37,781	39,530
Agriculture	–	–	–	–	–	–	–	–	–	51	65	–	–
Mining, manufacturing and construction	250	322	7	428	333	314	(178)	(11)	(307)	2,813	5,407	338	386
Transport and communication	18,096	5,913	10,853	9,755	10,381	9,688	8,341	(4,468)	1,165	–	–	255,083	254,301
Economic affairs	159	285	277	464	488	510	(305)	(203)	(233)	–	–	4,710	4,692
Total functions and activities	30,414	18,718	24,086	29,849	28,699	29,571	565	(9,981)	(5,485)	3,853	7,248	466,102	472,187
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	–	–	–	–	–	–	–	–	–
General purpose income ¹	10,240	12,233	9,880	–	–	–	10,240	12,233	9,880	5,203	3,475	–	–
Net operating result for the year as reported on the income statement	40,654	30,951	33,966	29,849	28,699	29,571	10,805	2,252	4,395	9,056	10,723	466,102	472,187

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

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

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

GOVERNANCE

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

ADMINISTRATION

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

PUBLIC ORDER AND SAFETY

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

HEALTH

Includes immunisation, food control, health centres etc.

ENVIRONMENT

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

COMMUNITY SERVICES AND EDUCATION

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

HOUSING AND COMMUNITY AMENITIES

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

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION AND CULTURE

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

AGRICULTURE

Includes the administration of agricultural services; supervision and regulation of the agricultural industry; operation of flood control and irrigation systems; and operation of support services to farmers, including vet services, pest control services, crop inspection, and crop grading services.

MINING, MANUFACTURING AND CONSTRUCTION

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

TRANSPORT AND COMMUNICATION

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

ECONOMIC AFFAIRS

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

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
(a) Rates and annual charges			
Ordinary rates			
Residential		5,272	4,681
Farmland		949	855
Business		389	347
Total ordinary rates		6,610	5,883
Special rates			
Infrastructure		–	573
Total special rates		–	573
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		2,446	2,347
Water supply services		469	442
Sewerage services		3,024	2,918
Waste management services (non-domestic)		540	519
Total annual charges		6,479	6,226
TOTAL RATES AND ANNUAL CHARGES		13,089	12,682

Council has used 2014 year valuations provided by the NSW Valuer General in calculating its rates.

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(b) User charges and fees			
Specific user charges (per s.502 – specific 'actual use' charges)			
Water supply services		1,688	1,576
Sewerage services		111	117
Waste management services (non-domestic)		169	264
Liquid trade waste		45	45
Total user charges		2,013	2,002
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Private works – section 67		150	141
Regulatory/ statutory fees		274	262
Town planning		310	297
Total fees and charges – statutory/regulatory		734	700
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Caravan park		–	15
Cemeteries		32	42
Gravel pits		–	1
Lease rentals		5	4
Leaseback fees – Council vehicles		47	53
RMS (formerly RTA) charges (state roads not controlled by Council)		3,446	5,131
Workers comp rebate / ohs incentive payments		67	31
Other		60	–
Other		–	7
Total fees and charges – other		3,657	5,284
TOTAL USER CHARGES AND FEES		6,404	7,986

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		61	68
– Interest earned on investments (interest and coupon payment income)		896	1,082
– Interest (other)		35	76
Amortisation of premiums and discounts			
– Interest free (and interest reduced) loans provided		2	2
TOTAL INTEREST AND INVESTMENT REVENUE		994	1,228
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		55	68
General Council cash and investments		365	454
Restricted investments/funds – external:			
Development contributions			
– Section 94		63	74
– Section 64		88	109
Water fund operations		329	385
Sewerage fund operations		71	114
Domestic waste management operations		23	24
Total interest and investment revenue recognised		994	1,228
(d) Other revenues			
Rental income – investment properties	14	75	69
Rental income – other council properties		42	25
Legal fees recovery – rates and charges (extra charges)		90	24
Long service leave transfers from other councils		–	20
Commissions and agency fees		1	1
Emergency Services Levy Reimbursements		88	–
Insurance claim recoveries		3	27
Raleigh reuse centre		54	58
Saleyards reimbursement		2	6
SES reimbursements		10	7
Scrap metal sales		44	43
Statewide property rebate		29	28
Tourist centre income		42	34
Town Planning Income		10	11
Workers comp income		16	19
Other		28	66
TOTAL OTHER REVENUE		534	438

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
(e) Grants				
General purpose (untied)				
Financial assistance – general component	3,777	2,490	–	–
Financial assistance – local roads component	1,295	852	–	–
Pensioners' rates subsidies – general component	131	133	–	–
Total general purpose	5,203	3,475	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	55	55	–	–
– Sewerage	43	42	–	–
– Domestic waste management	64	64	–	–
Sewerage services	–	–	–	870
Bushfire and emergency services	212	149	–	–
Community care	277	292	–	–
Community centres	–	–	–	33
Diesel fuel rebate	51	66	–	–
Environmental protection	296	84	–	–
Flood restoration	–	–	1,052	3,422
Heritage and cultural	3	6	–	–
Library	55	55	–	–
Noxious weeds	61	55	–	–
Public halls	14	–	–	–
Recreation and culture	34	–	–	–
Street lighting	15	14	–	–
Transport (roads to recovery)	774	1,154	–	–
Transport (other roads and bridges funding)	128	210	475	605
Waste	–	–	72	72
Business and Economic Development	92	–	–	–
Sewerage Treatment Plant	–	–	7	–
Flood Plain Mapping/Studies	73	–	–	–
Total specific purpose	2,247	2,246	1,606	5,002
Total grants	7,450	5,721	1,606	5,002
Grant revenue is attributable to:				
– Commonwealth funding	5,846	4,496	1,052	–
– State funding	1,604	1,224	554	5,002
– Other funding	–	1	–	–
	7,450	5,721	1,606	5,002

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
S 94 – contributions towards amenities/services	–	–	97	166
S 64 – water supply contributions	–	–	89	31
S 64 – sewerage service contributions	–	–	77	20
Total developer contributions	–	–	263	217
Other contributions:				
Community services	–	–	52	–
Environmental	23	83	–	–
Other councils – joint works/services	150	150	–	–
RMS contributions (regional roads, block grant)	251	246	54	54
Sewerage (excl. section 64 contributions)	–	–	–	41
Total other contributions	424	479	106	95
Total contributions	424	479	369	312
TOTAL GRANTS AND CONTRIBUTIONS	7,874	6,200	1,975	5,314

\$ '000	Actual 2017	Actual 2016
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Unexpended at the close of the previous reporting period	9,770	9,923
Add: grants and contributions recognised in the current period but not yet spent:	2,475	780
Less: grants and contributions recognised in a previous reporting period now spent:	(631)	(933)
Net increase (decrease) in restricted assets during the period	1,844	(153)
Unexpended and held as restricted assets	11,614	9,770
Comprising:		
– Specific purpose unexpended grants	2,581	1,062
– Developer contributions	9,033	8,708
	11,614	9,770

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
(a) Employee benefits and on-costs			
Salaries and wages		7,979	7,799
Employee leave entitlements (ELE)		1,157	1,418
Superannuation – defined contribution plans		769	765
Superannuation – defined benefit plans		157	217
Workers' compensation insurance		447	524
Fringe benefit tax (FBT)		21	13
Training costs (other than salaries and wages)		83	66
Other		39	36
Total employee costs		10,652	10,838
Less: capitalised costs		(1,087)	(536)
TOTAL EMPLOYEE COSTS EXPENSED		9,565	10,302
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		553	587
Total interest bearing liability costs expensed		553	587
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	26	27	26
Total other borrowing costs		27	26
TOTAL BORROWING COSTS EXPENSED		580	613

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Materials and contracts			
Raw materials and consumables		1,705	2,059
– Engineering		128	50
– Externally hired plant		362	500
– Labour hire		662	720
– Swimming pool		357	330
– Transport (roads, bridges, footpaths maintenance)		1,414	2,018
– Waste contracts		1,811	1,952
– Other contractors		1,859	1,568
– Other consultancies		69	82
Contractor and consultancy costs			
– Heritage advisor		5	14
– Waste		7	12
– Recreation		21	–
– Water		1	4
Auditors remuneration ⁽¹⁾		39	46
Legal expenses:			
– Legal expenses: planning and development		30	9
– Legal expenses: debt recovery		98	24
– Legal expenses: other		12	52
<u>TOTAL MATERIALS AND CONTRACTS</u>		<u>8,580</u>	<u>9,440</u>
1. Auditor remuneration			
a. During the year, the following fees were incurred for services provided by the Auditor-General:			
Nil			
b. During the year, the following fees were incurred for services provided by the other Council's Auditors:			
(i) Audit and other assurance services			
– Audit and review of financial statements: Council's Auditor		39	46
Remuneration for audit and other assurance services		39	46
Total remuneration of other Council's Auditors		39	46
Total Auditor remuneration		39	46

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(d) Depreciation, amortisation and impairment			
Plant and equipment		758	670
Office equipment		66	70
Furniture and fittings		15	16
Land improvements (depreciable)		89	89
Infrastructure:			
– Buildings – non-specialised		597	786
– Buildings – specialised		203	–
– Roads		2,382	2,333
– Bridges		386	380
– Footpaths		30	22
– Stormwater drainage		226	225
– Water supply network		712	687
– Sewerage network		1,002	922
– Swimming pools		64	55
– Other open space/recreational assets		192	213
– Other infrastructure		75	30
Other assets			
– Other		11	5
Asset reinstatement costs	9 & 26	16	16
Total gross depreciation and amortisation costs		6,824	6,519
Less: capitalised costs		–	–
Total depreciation and amortisation costs		6,824	6,519
Impairment			
Nil			
<u>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</u>		<u>6,824</u>	<u>6,519</u>

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(e) Other expenses			
Advertising		97	49
Bad and doubtful debts		37	3
Bank charges		77	73
Conferences / seminars		69	64
Contributions/levies to other levels of government			
– Bushfire fighting fund		322	320
– Emergency services levy (includes FRNSW, SES, and RFS levies)		25	23
– Libraries contribution		261	225
– NSW fire brigade levy		48	47
– Waste levy		186	77
Councillor expenses – mayoral fee		24	23
Councillor expenses – councillors' fees		76	73
Donations, contributions and assistance to other organisations (Section 356)			
– Donations, contributions and assistance to local and regional bodies		183	250
Electricity and heating		389	437
Insurance		483	375
Licence fees		212	140
Postage		52	46
Printing and stationery		120	116
Street lighting		94	81
Subscriptions and publications		197	117
Telephone and communications		129	99
Valuation fees		42	41
Other		27	18
<u>TOTAL OTHER EXPENSES</u>		<u>3,150</u>	<u>2,697</u>

Note 5. Gains or losses from the disposal of assets

Plant and equipment			
Proceeds from disposal – plant and equipment		177	278
Less: carrying amount of plant and equipment assets sold/written off		(96)	(86)
Net gain/(loss) on disposal		81	192
Infrastructure			
Less: carrying amount of infrastructure assets sold/written off		–	(74)
Net gain/(loss) on disposal		–	(74)
Financial assets			
Proceeds from disposal/redemptions/maturities – financial assets		50,400	4,700
Less: carrying amount of financial assets sold/redeemed/matured		(50,400)	(4,700)
Net gain/(loss) on disposal		–	–
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>81</u>	<u>118</u>

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 6a. – Cash and Cash Equivalents

\$ '000	Notes	2017 Actual Current	2017 Actual Non-current	2016 Actual Current	2016 Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		647	–	1,557	–
Cash-equivalent assets ¹					
– Deposits at call		1,100	–	1,101	–
– Short-term deposits		–	–	5,500	–
Total cash and cash equivalents		1,747	–	8,158	–
¹ Those investments where time to maturity (from date of purchase) is < 3 mths.					
Investments (Note 6b)					
– Long term deposits		33,300	–	26,600	–
Total investments		33,300	–	26,600	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		35,047	–	34,758	–

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

Investments

a. 'Held to maturity'	33,300	–	26,600	–
Investments	33,300	–	26,600	–

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

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	2017	2017	2016	2016
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	35,047	–	34,758	–
attributable to:				
External restrictions (refer below)	28,809	–	28,185	–
Internal restrictions (refer below)	6,218	–	6,548	–
Unrestricted	20	–	25	–
	35,047	–	34,758	–

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

Details of restrictions

External restrictions – included in liabilities

Deposits, bonds, etc	117	–	–	117
External restrictions – included in liabilities	117	–	–	117

External restrictions – other

Developer contributions – general (D)	3,651	5	(89)	3,567
Developer contributions – water fund (D)	4,555	172	–	4,727
Developer contributions – sewer fund (D)	502	237	–	739
Specific purpose unexpended grants (F)	1,062	1,519	–	2,581
Water supplies (G)	10,797	925	–	11,722
Sewerage services (G)	2,809	596	–	3,405
Domestic waste management (G)	796	–	(3)	793
Environmental levy	277	229	(155)	351
Special rate variation (incl. loan funds)	3,543	712	(3,524)	731
Crown reserves	76	–	–	76
External restrictions – other	28,068	4,395	(3,771)	28,692
Total external restrictions	28,185	4,395	(3,771)	28,809

D Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).

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

G Water, sewerage, domestic waste management (DWM) and other special rates/levies/charges are externally restricted assets and must be applied for the purposes for which they were raised.

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Plant and vehicle replacement	2,090	101	–	2,191
Infrastructure replacement	1,893	–	(642)	1,251
Employees leave entitlement	904	–	–	904
Business plan	25	–	–	25
Financial sustainability programs board	19	–	(14)	5
Housing and community amenities reserve	132	–	–	132
IT reserve	371	544	–	915
Quarry remediation	70	–	–	70
Revolving energy	213	95	–	308
Transport reserve (warranty)	414	–	(414)	–
Waste management	271	–	–	271
Weeds	56	–	–	56
Workers comp contingency	90	–	–	90
Total internal restrictions	6,548	740	(1,070)	6,218
TOTAL RESTRICTIONS	34,733	5,135	(4,841)	35,027

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 7. Receivables

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
Purpose					
Rates and annual charges		600	45	725	58
Interest and extra charges		224	17	193	15
User charges and fees		732	–	1,009	38
Private works		–	4	–	–
Accrued revenues					
– Interest on investments		338	–	313	–
Deferred debtors		–	–	4	8
Net GST receivable		548	–	334	–
Other levels of government		1,901	–	2,393	–
Other debtors		177	–	159	–
Total		4,520	66	5,130	119
Less: provision for impairment					
Rates and annual charges		(65)	–	(29)	–
User charges and fees		(5)	–	(5)	–
Total provision for impairment – receivables		(70)	–	(34)	–
<u>TOTAL NET RECEIVABLES</u>		<u>4,450</u>	<u>66</u>	<u>5,096</u>	<u>119</u>
Externally restricted receivables					
Water supply					
– Rates and annual charges		97	–	507	–
– Other		432	–	327	–
Sewerage services					
– Rates and annual charges		173	–	201	–
– Other		100	–	364	–
Domestic waste management		113	–	98	–
Total external restrictions		915	–	1,497	–
Internally restricted receivables					
Nil					
Unrestricted receivables		3,535	66	3,599	119
<u>TOTAL NET RECEIVABLES</u>		<u>4,450</u>	<u>66</u>	<u>5,096</u>	<u>119</u>

Notes on debtors above:

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

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 8. Inventories and other assets

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
(a) Inventories					
(i) Inventories at cost					
Stores and materials		283	–	204	–
Trading stock		–	–	45	–
Total inventories at cost		283	–	249	–
(ii) Inventories at net realisable value (NRV)					
Nil					
TOTAL INVENTORIES		283	–	249	–
(b) Other assets					
Prepayments		16	–	35	–
TOTAL OTHER ASSETS		16	–	35	–
Externally restricted assets					
Water					
Stores and materials		15	–	17	–
Total water		15	–	17	–
Sewerage					
Nil					
Domestic waste management					
Nil					
Other					
Nil					
Total externally restricted assets		15	–	17	–
Total internally restricted assets		–	–	–	–
Total unrestricted assets		284	–	267	–
TOTAL INVENTORIES AND OTHER ASSETS		299	–	284	–

(i) Other disclosures**(a) Inventory write downs**

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

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

Bellingen Shire Council

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

Note 9a. Infrastructure, property, plant and equipment

Asset class \$ '000	as at 30/6/2016			Asset movements during the reporting period							as at 30/6/2017		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	533	–	533	–	3,032	–	–	–	–	–	3,565	–	3,565
Plant and equipment	10,996	6,966	4,030	–	523	(96)	(758)	–	–	–	11,006	7,307	3,699
Office equipment	1,568	1,045	523	–	53	–	(66)	–	–	–	1,621	1,111	510
Furniture and fittings	471	371	100	–	–	–	(15)	–	–	–	471	386	85
Land:													
– Operational land	19,104	–	19,104	–	–	–	–	–	–	–	19,104	–	19,104
– Community land	15,521	–	15,521	–	–	–	–	–	–	–	15,521	–	15,521
Land improvements – depreciable	2,594	1,129	1,465	–	–	–	(89)	1	–	–	2,595	1,218	1,377
Infrastructure:													
– Buildings – non-specialised	41,728	6,717	35,011	67	114	–	(597)	(9,807)	–	–	30,887	6,099	24,788
– Buildings – specialised	–	–	–	–	–	–	(203)	9,808	–	–	11,022	1,417	9,605
– Roads	111,870	43,490	68,380	2,613	–	–	(2,382)	–	–	–	114,483	45,872	68,611
– Bridges	33,969	12,371	21,598	571	–	–	(386)	–	–	–	34,540	12,757	21,783
– Footpaths	2,379	596	1,783	–	166	–	(30)	(1)	–	–	2,545	627	1,918
– Bulk earthworks (non-depreciable)	163,114	–	163,114	853	–	–	–	–	–	–	163,967	–	163,967
– Stormwater drainage	22,525	8,432	14,093	60	–	–	(226)	1	–	–	22,585	8,657	13,928
– Water supply network	56,586	14,721	41,865	133	–	–	(712)	–	(8,296)	–	54,914	21,924	32,990
– Sewerage network	53,698	17,219	36,479	828	–	–	(1,002)	–	–	347	57,606	20,954	36,652
– Swimming pools	2,006	977	1,029	38	–	–	(64)	–	–	–	2,044	1,041	1,003
– Other open space/recreational assets	3,859	1,147	2,712	–	–	–	(192)	16	–	–	3,859	1,323	2,536
– Other infrastructure	3,166	924	2,242	–	109	–	(75)	–	–	–	3,275	999	2,276
Other assets:													
– Library books	5	5	–	–	–	–	–	–	–	–	5	5	–
– Other	366	173	193	–	–	–	(11)	1	–	–	366	183	183
Reinstatement, rehabilitation and restoration assets (refer Note 26):													
– Tip assets	363	132	231	–	–	–	(16)	–	–	–	363	148	215
– Quarry assets	34	34	–	–	–	–	–	–	–	–	34	34	–
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	546,455	116,449	430,006	5,163	3,997	(96)	(6,824)	19	(8,296)	347	556,378	132,062	424,316

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

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

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Actual			Actual		
	2017			2016		
Class of asset	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
WIP	325	–	325	101	–	101
Plant and equipment	675	517	158	609	475	134
Office equipment	117	52	65	117	47	70
Furniture and fittings	29	27	2	29	26	3
Land						
– Operational land	1,850	–	1,850	1,850	–	1,850
– Improvements – depreciable	106	44	62	106	40	66
Buildings	498	107	391	362	76	286
Other structures	31	11	20	30	10	20
Infrastructure	54,914	21,924	32,990	56,586	14,721	41,865
Total water supply	58,545	22,682	35,863	59,790	15,395	44,395
Sewerage services						
WIP	82	–	82	–	–	–
Plant and equipment	473	306	167	524	332	192
Office equipment	206	98	108	205	87	118
Furniture and fittings	4	4	–	4	4	–
Land						
– Operational land	3,991	–	3,991	3,991	–	3,991
Buildings	5,561	298	5,263	5,457	172	5,285
Other structures	136	80	56	136	77	59
Infrastructure	57,606	20,954	36,652	53,698	17,219	36,479
Other assets	38	38	–	38	38	–
Total sewerage services	68,097	21,778	46,319	64,053	17,929	46,124
Domestic waste management						
Plant and equipment	137	36	101	102	33	69
Land						
– Operational land	1,268	–	1,268	1,259	–	1,259
– Community land	126	–	126	126	–	126
– Improvements – depreciable	392	122	270	392	114	278
Buildings	823	188	635	717	165	552
Other structures	192	74	118	184	74	110
Future reinstatement costs	363	148	215	363	132	231
Total DWM	3,301	568	2,733	3,143	518	2,625
TOTAL RESTRICTED I,PP&E	129,943	45,028	84,915	126,986	33,842	93,144

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

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

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
Payables					
Goods and services – operating expenditure		2,156	–	2,011	–
Accrued expenses:					
– Borrowings		106	–	113	–
– Salaries and wages		140	10	145	7
– Other expenditure accruals		195	–	93	–
Security bonds, deposits and retentions		184	–	189	–
Total payables		2,781	10	2,551	7
Income received in advance					
Payments received in advance		258	–	216	–
Total income received in advance		258	–	216	–
Borrowings					
Loans – secured ¹		663	7,740	628	8,403
Total borrowings		663	7,740	628	8,403
Provisions					
Employee benefits:					
Annual leave		785	–	735	–
Sick leave		443	–	448	–
Long service leave		1,239	185	1,404	128
Other leave – RDO and TIL		133	–	132	–
Sub-total – aggregate employee benefits		2,600	185	2,719	128
Asset remediation/restoration (future works) ²⁶		70	563	70	536
Total provisions		2,670	748	2,789	664
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		6,372	8,498	6,184	9,074
(i) Liabilities relating to restricted assets					
		2017		2016	
		Current	Non-current	Current	Non-current
Externally restricted assets					
Water		109	–	6	–
Sewer		202	–	18	–
Other		117	–	117	–
Liabilities relating to externally restricted assets		428	–	141	–
Internally restricted assets					
Nil					
Total liabilities relating to restricted assets		428	–	141	–
Total liabilities relating to unrestricted assets		5,944	8,498	6,043	9,074
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		6,372	8,498	6,184	9,074

¹ Loans are secured over the general rating income of Council

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

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Actual 2017	Actual 2016
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(ii) Current liabilities not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	1,879	1,993
	<u>1,879</u>	<u>1,993</u>

Note 10b. Description of and movements in provisions

The movement in each class of provision is presented in the table below:

Class of provision	2016		2017			
	Opening balance as at 1/7/16	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	Closing balance as at 30/6/17
Annual leave	735	603	(553)	–	–	785
Sick leave	448	(5)	–	–	–	443
Long service leave	1,532	143	(251)	–	–	1,424
Other leave – RDO and TIL	132	1	–	–	–	133
Asset remediation	606	27	–	–	–	633
TOTAL	3,453	769	(804)	–	–	3,418

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

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2017	Actual 2016
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	1,747	8,158
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		1,747	8,158
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		2,252	4,395
Adjust for non-cash items:			
Depreciation and amortisation		6,824	6,519
Net losses/(gains) on disposal of assets		(81)	(118)
Amortisation of premiums, discounts and prior period fair valuations			
– Interest on all fair value adjusted interest free advances made by Council		(2)	(2)
Unwinding of discount rates on reinstatement provisions		27	26
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		651	8
Increase/(decrease) in provision for doubtful debts		36	–
Decrease/(increase) in inventories		(34)	(13)
Decrease/(increase) in other assets		19	(35)
Increase/(decrease) in payables		145	(171)
Increase/(decrease) in accrued interest payable		(7)	(5)
Increase/(decrease) in other accrued expenses payable		100	(142)
Increase/(decrease) in other liabilities		37	37
Increase/(decrease) in employee leave entitlements		(62)	(247)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		9,905	10,252

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
(c) Non-cash investing and financing activities			
Nil			
(d) Financing arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Credit cards/purchase cards		30	20
Total financing arrangements		30	20
Amounts utilised as at balance date:			
– Credit cards/purchase cards		2	8
Total financing arrangements utilised		2	8

(e) Bank guarantees/loan guarantees

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

Note 12. Commitments

(a) Capital commitments (exclusive of GST)

Nil

(b) Finance lease commitments

Nil

(c) Operating lease commitments (non-cancellable)

Nil

(d) Investment property commitments

Nil

Bellinghen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Amounts 2017	Indicator 2017	Prior periods		Benchmark
			2016	2015	
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>196</u>	0.68%	-3.63%	-21.38%	>0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>28,895</u>				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>21,021</u>	68.10%	65.98%	63.85%	>60.00%
Total continuing operating revenue ⁽¹⁾	<u>30,870</u>				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	<u>10,057</u>	2.47x	2.58x	1.92x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>4,065</u>				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>7,600</u>	6.29x	5.04x	6.05x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>1,208</u>				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	<u>821</u>	5.78%	6.99%	7.37%	< 5% Metro
Rates, annual and extra charges collectible	<u>14,202</u>				<10% Rural
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	<u>35,047</u>	17.68 mths	15.2 mths	17.0 mths	> 3 mths
Payments from cash flow of operating and financing activities	<u>1,983</u>				

Notes

(1) Excludes fair value adjustments and reversal of revaluation decrements, net gain/(loss) on sale of assets and the net share of interests in joint ventures and associates.

(2) Refer Notes 6-8 inclusive.

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

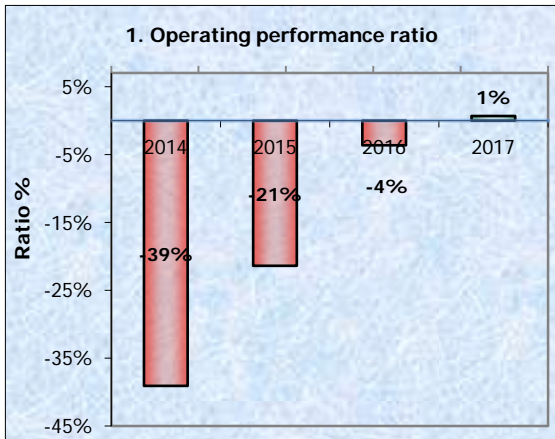
(3) Refer to Note 10(a).

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

Bellingen Shire Council

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

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



Purpose of operating performance ratio

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

Commentary on 2016/17 result

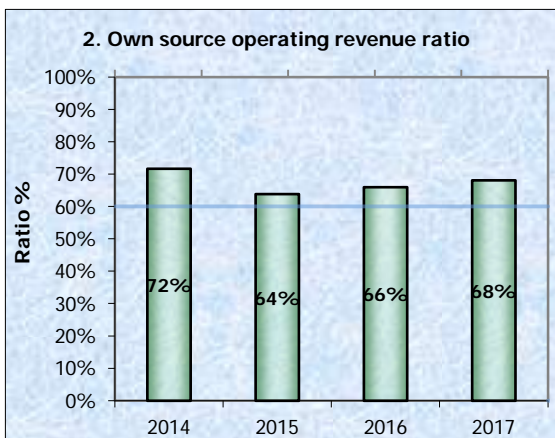
2016/17 ratio 0.68%

Council has seen a steady improvement in operating result over the past few years. For 2016/17 the early payment of the 2017/18 Financial Assistance Grant has resulted in a positive operating performance ratio.

Benchmark: ——— Minimum $\geq 0.00\%$

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

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of own source operating revenue ratio

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

Commentary on 2016/17 result

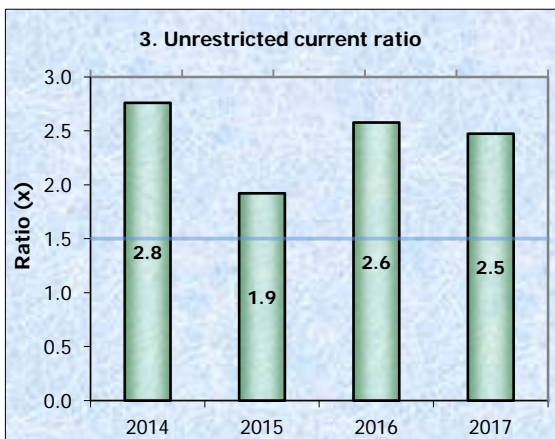
2016/17 ratio 68.10%

Councils generation of own source revenue is primarily achieved through the collection of rating revenue. The result of 68% is an improvement on last year's result, exceeding the industry benchmark of 60%.

Benchmark: ——— Minimum $\geq 60.00\%$

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

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of unrestricted current ratio

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

Commentary on 2016/17 result

2016/17 ratio 2.47x

Council's unrestricted current ratio exceeds the industry benchmark of 1.5, indicating that Council is comfortably able to satisfy its short term debts as and when they fall due.

Benchmark: ——— Minimum ≥ 1.50

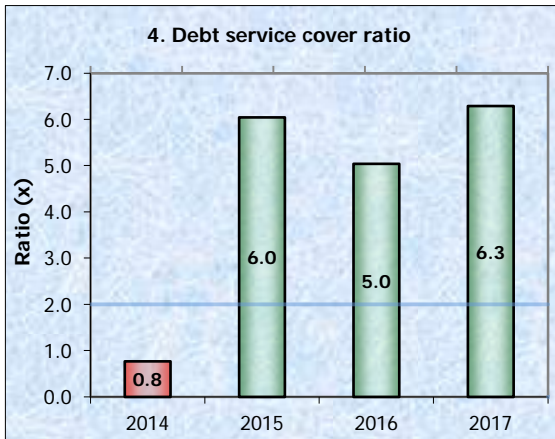
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
 Ratio is outside benchmark

Bellingen Shire Council

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

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



Purpose of debt service cover ratio

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

Commentary on 2016/17 result

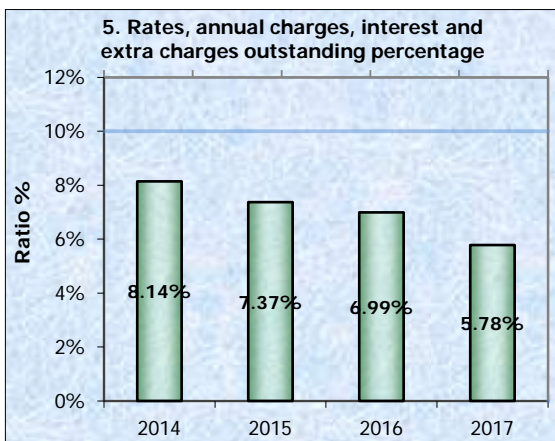
2016/17 ratio 6.29x

This ratio indicates that Council has sufficient operating cash to service its debts.

Benchmark: Minimum >=2.00

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

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of rates and annual charges outstanding ratio

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

Commentary on 2016/17 result

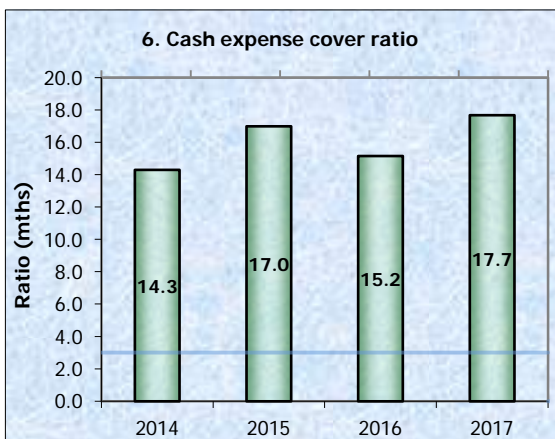
2016/17 ratio 5.78%

Council's result shows a continual improvement over the past four years to this ratio. The result of 5.78% is well under the acceptable industry benchmark of 10% for rural councils.

Benchmark: Maximum <10.00%

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

Ratio is within Benchmark
 Ratio is outside Benchmark



Purpose of cash expense cover ratio

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

Commentary on 2016/17 result

2016/17 ratio 17.68 mths

This ratio is well above industry benchmark, indicating that Council has sufficient liquidity to mitigate any unforeseen future events.

Benchmark: Minimum >=3.00

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

Ratio achieves benchmark
 Ratio is outside benchmark

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2017	2016	2017	2016	2017	2016	
Local government industry indicators – by fund							
1. Operating performance ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses							
<hr/>							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	-1.21%	-6.99%	12.72%	11.64%	3.25%	6.55%	>0.00%
2. Own source operating revenue ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
<hr/>							
Total continuing operating revenue ⁽¹⁾	60.91%	61.08%	95.11%	96.84%	96.30%	77.20%	>60.00%
3. Unrestricted current ratio							
Current assets less all external restrictions ⁽²⁾							
<hr/>							
Current liabilities less specific purpose liabilities ^(3, 4)	2.47x	2.58x	112.53x	1,941.33x	18.21x	187.44x	>1.5x

Notes

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

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

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2017	2016	2017	2016	2017	2016	
Local government industry indicators – by fund (continued)							
4. Debt service cover ratio							
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation							
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	4.31x	3.12x	0.00x	0.00x	0.00x	0.00x	>2x
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	5.16%	2.45%	20.21%	110.94%	5.67%	6.81%	< 5% Metro <10% Rural
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits							
Payments from cash flow of operating and financing activities	17.10 months	14.87 months	450.00 months	0.00 months	322.50 months	0.00 months	> 3 months

Notes

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

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

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 14. Investment properties

\$ '000	Notes	Actual 2017	Actual 2016
(a) Investment properties at fair value			
<u>Investment properties on hand</u>		<u>1,924</u>	<u>1,924</u>
Reconciliation of annual movement:			
Opening balance		1,924	1,924
CLOSING BALANCE – INVESTMENT PROPERTIES		<u>1,924</u>	<u>1,924</u>

(b) Valuation basis

The basis of valuation of investment properties is fair value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

The 2017 revaluations were based on independent assessments made by:
Cardow and Partners Property

(c) Contractual obligations at reporting date

Refer to Note 12 for disclosures relating to any capital and service obligations that have been contracted.

(d) Investment property income and expenditure – summary

Rental income from investment properties:			
– Minimum lease payments		75	69
Direct operating expenses on investment properties:			
– that generated rental income		(38)	(23)
Net revenue contribution from investment properties		<u>37</u>	<u>46</u>
Total income attributable to investment properties		<u>37</u>	<u>46</u>

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

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. 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	
	2017	2016	2017	2016
Financial assets				
Cash and cash equivalents	1,747	8,158	1,747	8,158
Investments				
– 'Held to maturity'	33,300	26,600	33,300	26,600
Receivables	4,516	5,215	4,516	5,215
Total financial assets	39,563	39,973	39,563	39,973
Financial liabilities				
Payables	2,791	2,558	2,791	2,558
Borrowings	8,403	9,031	8,403	9,031
Total financial liabilities	11,194	11,589	11,194	11,589

Fair value is determined as follows:

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

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

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

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

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

The risks associated with the investments held are:

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

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Income Statement	Equity	Income Statement	Equity
2017				
Possible impact of a 10% movement in market values	90	90	(90)	(90)
Possible impact of a 1% movement in interest rates	350	350	(350)	(350)
2016				
Possible impact of a 10% movement in market values	96	96	(96)	(96)
Possible impact of a 1% movement in interest rates	321	321	(321)	(321)

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

Council makes suitable provision for doubtful receivables as required.

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

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

	2017 Rates and annual charges	2017 Other receivables	2016 Rates and annual charges	2016 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	94%	85%	93%	98%
Overdue	6%	15%	7%	2%
	100%	100%	100%	100%

		2017 Rates and annual charges	2017 Other receivables	2016 Rates and annual charges	2016 Other receivables
(ii) Ageing of receivables – value					
Rates and annual charges	Other receivables				
Current	Current	645	2,998	783	3,931
< 1 year overdue	0 – 30 days overdue	–	370	–	458
1 – 2 years overdue	31 – 60 days overdue	–	263	–	7
2 – 5 years overdue	61 – 90 days overdue	–	266	–	2
> 5 years overdue	> 91 days overdue	–	44	–	68
		645	3,941	783	4,466

(iii) Movement in provision for impairment of receivables

	2017	2016
Balance at the beginning of the year	34	34
+ new provisions recognised during the year	36	–
Balance at the end of the year	70	34

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2017									
Trade/other payables	184	2,597	10	–	–	–	–	2,791	2,791
Borrowings	–	663	701	737	779	824	4,699	8,403	8,403
Total financial liabilities	184	3,260	711	737	779	824	4,699	11,194	11,194
2016									
Trade/other payables	189	2,369	–	–	–	–	–	2,558	2,558
Borrowings	–	627	663	701	737	779	5,524	9,031	9,031
Total financial liabilities	189	2,996	663	701	737	779	5,524	11,589	11,589

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

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

	2017		2016	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	2,791	0.00%	2,558	0.00%
Loans and advances – fixed interest rate	8,403	6.44%	9,031	6.44%
	<u>11,194</u>		<u>11,589</u>	

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 16. Material budget variations

\$ '000

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

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

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

Note that for variations* of budget to actual :

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

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

\$ '000	2017 Budget	2017 Actual	2017 ----- Variance* -----		
REVENUES					
Rates and annual charges	13,224	13,089	(135)	(1%)	U
User charges and fees	6,218	6,404	186	3%	F
Interest and investment revenue	1,068	994	(74)	(7%)	U
Other revenues	506	534	28	6%	F
Operating grants and contributions	6,760	7,874	1,114	16%	F
Operating grants were higher than budget due to the early payment of the 2017/18 Financial Assistance Grant in the amount of \$1.7M.					
Capital grants and contributions	12,878	1,975	(10,903)	(85%)	U
Operating grants were lower than budget due to the delay in grant funding payments for the June 2016 flood event					
Net gains from disposal of assets	–	81	81	0%	F
Council does not budget for gains or losses on sale of assets.					

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 16. Material budget variations (continued)

\$ '000	2017 Budget	2017 Actual	2017 ----- Variance* -----		
EXPENSES					
Employee benefits and on-costs	10,469	9,565	904	9%	F
Borrowing costs	557	580	(23)	(4%)	U
Materials and contracts	8,663	8,580	83	1%	F
Depreciation and amortisation	7,273	6,824	449	6%	F
Other expenses	2,887	3,150	(263)	(9%)	U

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

Cash flows from operating activities	17,955	9,905	(8,050)	(44.8%)	U
---------------------------------------------	---------------	--------------	----------------	----------------	----------

Cash flows from operating activities were lower than budget due to the delay in payments for the June 2016 flood event.

Cash flows from investing activities	(21,837)	(15,688)	6,149	(28.2%)	F
---------------------------------------------	-----------------	-----------------	--------------	----------------	----------

Cash flows from investing activities were lower than budget due to the delay in payments for the June 2016 flood event and performance of subsequent works.

Cash flows from financing activities	369	(628)	(997)	(270.2%)	U
---------------------------------------------	------------	--------------	--------------	-----------------	----------

Cash flows from financing activities were lower than budget due to budgeted loan funds of \$1M not being required in 2016/17.

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	11	–	–	–	–	–	11	–
Roads	2,657	65	–	46	(61)	–	2,707	–
Parking	28	–	–	–	–	–	28	–
Community facilities	851	32	–	15	(14)	–	884	–
S94 contributions – under a plan	3,547	97	–	61	(75)	–	3,630	–
Total S94 revenue under plans	3,547	97	–	61	(75)	–	3,630	–
S94 not under plans	103	–	–	2	–	–	105	–
S64 contributions	5,058	166	–	88	(14)	–	5,298	–
Total contributions	8,708	263	–	151	(89)	–	9,033	–

Bellingren Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN - Community Services & Amenities

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					
Community facilities	728	24	–	13	(14)	–	751	–
Total	728	24	–	13	(14)	–	751	–

CONTRIBUTION PLAN - South Urunga Development Area

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					
Roads	13	–	–	–	–	–	13	–
Total	13	–	–	–	–	–	13	–

CONTRIBUTION PLAN - Bellingren Council 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					
Roads	2,624	65	–	45	(61)	–	2,673	–
Total	2,624	65	–	45	(61)	–	2,673	–

CONTRIBUTION PLAN - Bridge Replacement

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					
Roads	20	–	–	1	–	–	21	–
Total	20	–	–	1	–	–	21	–

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN - Bushfire Services Plan

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					
Community facilities	123	8	–	2	–	–	133	–
Total	123	8	–	2	–	–	133	–

CONTRIBUTION PLAN - Bellingen Drainage

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					
Drainage	11	–	–	–	–	–	11	–
Total	11	–	–	–	–	–	11	–

CONTRIBUTION PLAN - Bellingen Parking

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					
Parking	28	–	–	–	–	–	28	–
Total	28	–	–	–	–	–	28	–

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – NOT UNDER A PLAN

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					
Drainage	11	–	–	–	–	–	11	–
Other	92	–	–	2	–	–	94	–
Total	103	–	–	2	–	–	105	–

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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

Contingent Liabilities

1. Guarantees

(i) Defined benefit superannuation contribution plans

Council participates in an employer-sponsored defined benefit superannuation scheme, and makes contributions as determined by the superannuation scheme's trustees.

Member councils bear responsibility of ensuring there are sufficient funds available to pay out the required benefits as they fall due.

The schemes most recent full actuarial review indicated that the net assets of the scheme were not sufficient to meet the accrued benefits of the schemes defined benefit member category with member councils required to make significantly higher contributions in future years.

The Local Government Superannuation Scheme (as referred to in Note 1), requires additional contributions be made to fund the deficit. Based upon the most recent valuation of the financial position of the fund, currently additional contributions are estimated to remain in place until 30 June 2020 i.e. \$192,000.00 additional contributions remaining. The expected contributions to the Fund for the next annual reporting period is \$137,222.

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

StateCover is a company providing workers compensation insurance cover to the NSW local government industry and specifically Council.

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

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

(iv) Other guarantees

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

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other liabilities

(i) Third party claims

The Council is involved from time to time in various claims incidental to the ordinary course of business including claims for damages relating to its services.

Council believes that it is appropriately covered for all claims through its insurance coverage and does not expect any material liabilities to eventuate.

(ii) S94 plans

Council levies section 94/94A contributions upon various development across the Council area through the required contributions plans.

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

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

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

Contingent Assets

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.

Note 19. Interests in other entities

Council has no interest in any controlled entities, joint arrangements or associates.

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		264,096	259,695
a. Correction of prior period errors	20 (c)	–	6
b. Net operating result for the year		2,252	4,395
Balance at end of the reporting period		266,348	264,096
(b) Revaluation reserves			
(i) Reserves are represented by:			
– Infrastructure, property, plant and equipment revaluation reserve		184,884	192,833
Total		184,884	192,833
(ii) Reconciliation of movements in reserves:			
Infrastructure, property, plant and equipment revaluation reserve			
– Opening balance		192,833	185,709
– Revaluations for the year	9(a)	(7,949)	7,124
– Balance at end of year		184,884	192,833
TOTAL VALUE OF RESERVES		184,884	192,833
(iii) Nature and purpose of reserves			
Infrastructure, property, plant and equipment revaluation reserve			
– The infrastructure, property, plant and equipment revaluation reserve is used to record increments/decrements of non-current asset values due to their revaluation.			
(c) Correction of error/s relating to a previous reporting period			
Correction of errors as disclosed in last year's financial statements:			
– Adjustment to asset values			6
In accordance with AASB 108 – Accounting Policies, Changes in Accounting Estimates and Errors, the above prior period errors have been recognised retrospectively.			
These amounted to the following equity adjustments:			
– Adjustments to opening equity – 1/7/15 (relating to adjustments for the 30/6/15 reporting year end and prior periods)		–	6
Total prior period adjustments – prior period errors		–	6
(d) Changes in accounting policies			
Council made no voluntary changes in any accounting policies during the year.			
(e) Change in accounting estimates			
Council made no changes in any accounting estimates during the year.			

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 21. Financial result and financial position by fund

Income Statement by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
<u>Continuing operations</u>	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	480	3,051	9,558
User charges and fees	1,886	177	4,341
Interest and investment revenue	408	80	506
Other revenues	8	1	525
Grants and contributions provided for operating purposes	55	43	7,776
Grants and contributions provided for capital purposes	88	85	1,802
Other income			
Net gains from disposal of assets	–	–	95
Share of interests in joint ventures and associates using the equity method	–	–	–
Total income from continuing operations	2,925	3,437	24,603
Expenses from continuing operations			
Employee benefits and on-costs	999	1,149	7,417
Borrowing costs	–	–	580
Materials and contracts	361	680	7,539
Depreciation and amortisation	769	1,149	4,906
Impairment	–	–	–
Other expenses	347	252	2,551
Net losses from the disposal of assets	–	14	–
Total expenses from continuing operations	2,476	3,244	22,993
Operating result from continuing operations	449	193	1,610
<u>Discontinued operations</u>			
Net profit/(loss) from discontinued operations	–	–	–
Net operating result for the year	449	193	1,610
Net operating result attributable to each council fund	449	193	1,610
Net operating result attributable to non-controlling interests	–	–	–
Net operating result for the year before grants and contributions provided for capital purposes	361	108	(192)

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.

Bellingen Shire Council

Notes to the Financial Statements

as at 30 June 2017

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

Statement of Financial Position by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	449	644	654
Investments	16,000	3,500	13,800
Receivables	529	273	3,648
Inventories	15	–	268
Other	–	–	16
Non-current assets classified as 'held for sale'	–	–	–
Total current assets	16,993	4,417	18,386
Non-current assets			
Investments	–	–	–
Receivables	–	–	66
Infrastructure, property, plant and equipment	35,863	46,319	342,134
Investment property	–	–	1,924
Intangible assets	–	–	–
Total non-current assets	35,863	46,319	344,124
TOTAL ASSETS	52,856	50,736	362,510
LIABILITIES			
Current liabilities			
Payables	109	202	2,470
Income received in advance	–	–	258
Borrowings	–	–	663
Provisions	–	–	2,670
Total current liabilities	109	202	6,061
Non-current liabilities			
Payables	–	–	10
Income received in advance	–	–	–
Borrowings	–	–	7,740
Provisions	–	–	748
Total non-current liabilities	–	–	8,498
TOTAL LIABILITIES	109	202	14,559
Net assets	52,747	50,534	347,951
EQUITY			
Retained earnings	19,588	11,483	235,277
Revaluation reserves	33,159	39,051	112,674
Other reserves	–	–	–
Total equity	52,747	50,534	347,951

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.

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000

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

Note 23. Events occurring after the reporting date

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

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

Accordingly, the 'authorised for issue' date is 25/10/17.

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

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

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

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

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

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

Note 24. Discontinued operations

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

Note 25. Intangible assets

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

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

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 26. Reinstatement, rehabilitation and restoration liabilities

\$ '000

Asset remediation

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

Asset/operation	Estimated year of restoration	NPV of provision	
		2017	2016
Tip remediation	2030	562	536
Quarry remediation	2015	71	70
Balance at end of the reporting period	10(a)	633	606

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

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

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

Reconciliation of movement in provision for year:

Balance at beginning of year	606	580
Amortisation of discount (expensed to borrowing costs)	27	26
Total – reinstatement, rehabilitation and restoration provision	633	606

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement

\$ '000

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

- Infrastructure, property, plant and equipment
- Investment property

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 the assigned level for each asset and liability that have been measured and recognised at fair values:

2017	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Investment properties					
Investment properties	30/06/16	–	–	1,924	1,924
Total investment properties		–	–	1,924	1,924
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/13	–	–	3,699	3,699
Office equipment	30/06/13	–	–	510	510
Furniture and fittings	30/06/13	–	–	85	85
Land – operational	30/06/13	–	–	19,104	19,104
Land – community	30/06/13	–	–	15,521	15,521
Land improvements – depreciated	30/06/13	–	–	1,377	1,377
Buildings –specialised	30/06/13	–	–	9,605	9,605
Buildings – non-specialised	30/06/13	–	–	24,788	24,788
Roads	30/06/15	–	–	68,611	68,611
Bridges	30/06/15	–	–	21,783	21,783
Footpaths	30/06/15	–	–	1,918	1,918
Bulk earthworks	30/06/15	–	–	163,967	163,967
Stormwater drainage	30/06/15	–	–	13,928	13,928
Water supply network	30/06/17	–	–	32,990	32,990
Sewerage network	30/06/17	–	–	36,652	36,652
Swimming pools	30/06/11	–	–	1,003	1,003
Open space and recreation	30/06/11	–	–	2,536	2,536
Other infrastructure	30/06/11	–	–	2,276	2,276
Other assets	30/06/13	–	–	183	183
Tip assets	30/06/10	–	–	215	215
Work in Progress	30/06/17	–	–	3,565	3,565
Total infrastructure, property, plant and equipment		–	–	424,316	424,316

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

2016	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					
Investment properties					
Investment properties	30/06/14	–	–	1,924	1,924
Total investment properties		–	–	1,924	1,924
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/13	–	–	4,030	4,030
Office equipment	30/06/13	–	–	523	523
Furniture and fittings	30/06/13	–	–	100	100
Land – operational	30/06/13	–	–	19,104	19,104
Land – community	30/06/16	–	–	15,521	15,521
Land improvements – depreciated	30/06/13	–	–	1,465	1,465
Buildings – non-specialised	30/06/13	–	–	35,011	35,011
Roads	30/06/15	–	–	68,380	68,380
Bridges	30/06/15	–	–	21,598	21,598
Footpaths	30/06/15	–	–	1,783	1,783
Bulk earthworks	30/06/15	–	–	163,114	163,114
Stormwater drainage	30/06/15	–	–	14,093	14,093
Water supply network	30/06/12	–	–	41,865	41,865
Sewerage network	30/06/12	–	–	36,479	36,479
Swimming pools	30/06/16	–	–	1,029	1,029
Open space and recreation	30/06/16	–	–	2,712	2,712
Other infrastructure	30/06/16	–	–	2,242	2,242
Other assets	30/06/13	–	–	193	193
Tip assets	30/06/10	–	–	231	231
Work in Progress	30/06/16	–	–	533	533
Total infrastructure, property, plant and equipment		–	–	430,006	430,006

(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.

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. 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 3 inputs are as follows:

Investment Properties

The investment property is included in Level 3 of the hierarchy and the valuation is based upon the best sales evidence in an active market for similar assets. The key unobservable input to the valuation is price per square metre.

The fair value of the investment property is determined by a qualified and experienced valuer. Council's last valuation of its investment property occurred in June 2016 by Cardow & Partners Property (estate agents). There has been no change to the valuation process during the reporting period.

Infrastructure, Property, Plant & Equipment

Community Land

Community Land is based on either the Land Value provided by the Valuer-General or an average unit rate based on the Land Value for similar properties where the Valuer-General did not provide a Land Value having regard to the highest and best use for the land. As these rates were not considered to be observable market evidence they have been classified a Level 3. There has been no change to the valuation process during the reporting period.

Operational Land

The valuation of Operational Land has been based upon relevant sales in the area. In certain locations there was a lack of appropriate comparable sales evidence and in these instances the closest comparable sales and factors relating the land parcels geographic, land use and zoning were also taken into consideration. The last valuation was undertaken at 30 June 2013 by APV Valuers & Asset Management - Damon Griggs AAPI, Certified Practising Valuer, Registered Valuer No: VAL017601.

Land Under Roads

Land under roads has not been recognised in Council's accounts. Land under roads acquired after 1 July 2008 is recognised in Property, Plant and Equipment.

Other Structures

This asset class comprises of various park assets such as water tanks, fencing, small sheds & shelters, lighting & retaining walls. The valuation process involved the market value approach and depreciated replacement cost approach. The market value approach was utilised on a number of assets where there was sufficient market evidence. For some assets the valuation was based upon the depreciated replacement cost approach and unobservable inputs such as estimated patterns of consumption,

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

residual value, asset condition and useful life require extensive professional judgement and rely on the experience of the valuer. The unobservable inputs place this class of asset at Level 3. The last valuation was undertaken in June 2016 by Scott Fullarton Valuations Pty Ltd. There has been no change to the valuation process during the reporting period.

Plant & Equipment, Office Equipment, Furniture & Fittings

Office Equipment are valued at cost but disclosed at fair value in the Notes of the financial statements. It is assumed that the carrying amount of these asset classes is approximate fair value. Assets include graders, motor vehicles, mowers, chainsaws, computers, tables and chairs. The key unobservable inputs are residual life, patterns of consumption and useful life. There has been no change to the valuation process during the reporting period.

Buildings

Buildings are classified as either Specialised or Non Specialised as required by the NSW Code of Accounting Practice. Where possible the valuation was based upon the Market Value Approach where comparable market transactions have been obtained and used in the valuation. For the remaining assets the depreciated replacement cost approach was used in the valuation process. The unobservable inputs such as asset condition, patterns of consumption, replacement cost value and useful life relies on the experience and judgement of the valuer and therefore these assets are recorded at Level 3.

The last valuation was undertaken at 30 June 2013 by APV Valuers & Asset Management - Damon Griggs AAPI, Certified Practicing Valuer, Registered Valuer No: VAL017601. There has been no change to the valuation process during the reporting period.

Swimming Pools

Swimming Pools were valued as part of Other Structures in June 2016 by Scott Fullarton Valuations Pty Ltd. The valuation was based upon the depreciated replacement cost approach and unobservable inputs such as estimated patterns of consumption, residual value, asset condition and useful life require extensive professional judgement and rely on the experience of the valuer. The unobservable inputs place this class of asset at Level 3. There has been no change to the valuation process during the reporting period.

Open Space & Recreation

This asset class comprises of lighting, benches, barbecues, seating and any other asset relating to open spaces and recreation that were in the Other Structures class of asset. These assets were valued as part of the Other Structures valuation. The market value approach was utilised on a number of assets where there was sufficient market evidence. For some assets the valuation was based upon the depreciated replacement cost approach and unobservable inputs such as estimated patterns of consumption, residual value, asset condition and useful life require extensive professional judgement and rely on the experience of the valuer. The unobservable inputs place this class of asset at Level 3. The last valuation was undertaken in June 2016 by Scott Fullarton Valuations Pty Ltd. There has been no change to the valuation process during the reporting period.

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

Water System Assets

This class of assets includes water mains & reticulation, reservoirs, pumping stations and treatment works. Water system assets were valued at 30 June 2017 by JRA Consulting Services. The unobservable inputs are useful life, patterns of consumption, condition ratings, remaining life and residuals which rely on the skill and experience of the valuer. There has been no change to the valuation process during the reporting period.

Sewer System Assets

This class of assets includes sewer mains & reticulation, pumping stations, treatment works and ancillary. The Sewer system assets were valued at 30 June 2017 by JRA Consulting Services. The unobservable inputs are useful life, patterns of consumption, condition ratings, remaining life and residuals which rely on the skill and experience of the valuer. There has been no change to the valuation process during the reporting period.

Roads, Bridges, Bulk Earthworks and other Infrastructure Assets

This class of asset includes roads, culverts, bridges, footpaths, kerb & gutter, bulk earthworks and causeways. The valuation of the infrastructure assets has been undertaken internally by Council's Engineering Department by experienced Engineers. This valuation relies on key unobservable inputs such as unit rates, gross replacement cost, condition ratings, pattern of consumption, useful life and residual value. The valuation process also relied on the skill and experience of the Engineers. The key unobservable inputs and no active market places this asset category at Level 3. The last valuation was undertaken internally by Council's Engineers at 30 June 2015. There has been no change to the valuation process during the reporting year.

Stormwater Drainage

This class of assets includes culverts, mains, open drains, trash screens, GPT. The valuation is based on Modern Engineering Equivalent Replacement Asset (MEERA) and standard unit costs. The reference rates are obtained from the NSW Reference Rates Tables issued by NSW Office of Water. The last valuation was undertaken at 30 June 2015 by Council's Engineers. The unobservable inputs are useful life, patterns of consumption, condition ratings, remaining life and residuals which rely on the skill and experience of the valuer. There has been no change to the valuation process during the reporting period.

Remediation Assets

This class of asset includes the Raleigh Waste Facility and Whites Quarry. Restoration, cell capping, leachate collection and site closures have been recognised as significant costs for the remediation of these assets. In particular the closing of a landfill site will include preparation, final cell capping, site re-vegetation and leachate management. The key unobservable inputs are discount rate, estimated costs, legislative requirements, the timing of remediation and indexation of labour costs. There has been no change to the valuation process during the reporting period.

Bellinghen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Plant and equipment	Office equipment	Furniture and fittings	Land operational	Land community	Land improve ments	Buildings non specialised	Roads	Total
Opening balance – 1/7/15	3,519	485	116	19,067	11,700	1,554	35,786	68,650	140,877
Transfers from/(to) another asset class	(3)	–	–	35	(35)	–	(74)	–	(77)
Purchases (GBV)	1,270	108	–	2	–	–	85	1,532	2,997
Disposals (WDV)	(86)	–	–	–	–	–	–	–	(86)
Depreciation and impairment	(670)	(70)	(16)	–	–	(89)	(786)	(2,334)	(3,965)
Revaluations	–	–	–	–	3,856	–	–	532	4,388
Closing balance – 30/6/16	4,030	523	100	19,104	15,521	1,465	35,011	68,380	144,134
Purchases (GBV)	523	53	–	–	–	–	182	2,614	3,372
Disposals (WDV)	(96)	–	–	–	–	–	–	–	(96)
Depreciation and impairment	(758)	(66)	(14)	–	–	(88)	(597)	(2,382)	(3,905)
Other movement	–	–	–	–	–	–	(9,808)	–	(9,808)
Closing balance – 30/6/17	3,699	510	86	19,104	15,521	1,377	24,788	68,612	133,697

Bellinghen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Bridges	Footpaths	Bulk earthworks	Stormwater drainage	Water supply	Sewerage network	Swimming pools	Open space rec	Total
Opening balance – 1/7/15	21,701	1,591	160,798	14,318	41,557	33,535	1,088	3,055	277,643
Transfers from/(to) another asset class	–	–	–	–	7	1	(5)	14	17
Purchases (GBV)	277	214	2,316	–	164	3,120	–	2	6,093
Depreciation and impairment	(380)	(22)	–	(225)	(687)	(922)	(55)	(212)	(2,503)
Revaluations	–	–	–	–	824	745	1	(147)	1,423
Closing balance – 30/6/16	21,598	1,783	163,114	14,093	41,865	36,479	1,029	2,712	282,673
Purchases (GBV)	571	166	853	59	133	828	38	–	2,648
Depreciation and impairment	(386)	(30)	–	(225)	(712)	(1,002)	(64)	(176)	(2,595)
Revaluations	–	–	–	–	(8,296)	347	–	–	(7,949)
Closing balance – 30/6/17	21,783	1,919	163,967	13,927	32,990	36,652	1,003	2,536	274,777

Bellinghen Shire Council

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

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Buildings non specialised	Other infra structure	Library books	Other assets	Tip assets	Quarry assets	Total
Opening balance – 1/7/15	–	953	–	209	248	–	1,410
Transfers from/(to) another asset class	–	2	–	–	–	–	2
Purchases (GBV)	–	4	–	–	–	–	4
Depreciation and impairment	–	(30)	–	(6)	(17)	–	(53)
Removal of RFS Assets	–	–	–	(9)	–	–	(9)
Other Prior Year Adjustments	–	–	–	(1)	–	–	(1)
Revaluations	–	1,313	–	–	–	–	1,313
Closing balance – 30/6/16	–	2,242	–	193	231	–	2,666
Purchases (GBV)	–	109	–	–	–	–	109
Depreciation and impairment	(203)	(75)	–	(10)	(17)	–	(305)
Other movement	9,808	–	–	–	–	–	9,808
Closing balance – 30/6/17	9,605	2,276	–	183	214	–	12,278

b. Information relating to the transfers into and out of the level 3 fair valuation hierarchy (as disclosed in the table above) includes:

No transfers were made in or out of Level 3 fair value hierarchy.

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

c. The valuation process for level 3 fair value measurements

The valuation processes used for fair value on Level 3 assets is the depreciated replacement cost approach and the market value approach. Assets that have been valued using the market value approach have been included in the Level Fair Value as the unobservable inputs rely on the skill and experience of the valuer.

The depreciated replacement cost approach involves using comparative sales evidence, asset conditions and relies on the skill and experience of the valuer.

The land improvements, operational land, community land, other structures, swimming pools, buildings and open space and recreation assets have had valuations completed by external valuers. The external valuers are independent and are qualified and experienced in their field. The valuations have been prepared in accordance with AASB5, AASB13, ASSB116, AASB136 and AASB140.

In the case of stormwater, sewer and water assets, the valuations have been based on the modern engineering equivalent replacement asset (MEERA).

Before engaging a valuer to undertake valuations, Council requires at least three (3) quotations from suitably qualified valuers.

Valuation of the road infrastructure assets has been undertaken internally by Council's Engineering Department. This valuation process involved using unit rates to obtain a replacement cost value and condition assessments of the asset obtained a remaining life. The valuation process also relied on the skill and experience of the Engineers.

The analysis of the Level 3 fair value movements after valuations will be undertaken by the Chief Financial Officer.

(5). Highest and best use

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

Bellingen Shire Council

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

Note 28. Related party disclosures

\$ '000

a. Key management personnel

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

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

	Actual
	2017
Compensation:	
Short-term benefits	820
Post-employment benefits	68
Total	888

b. Other transactions with KMP and their related parties

Council has no other transactions with KMP and their related parties.

c. Other related party transactions

Council has no other transactions related party transactions.

Bellingen Shire Council

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

Note 29. Council information and contact details

Principal place of business:

Hyde Street
BELLINGEN NSW 2454

Contact details

Mailing address:

PO Box 117
BELLINGEN NSW 2454

Opening hours:

8.30am to 4.30pm
Monday to Friday

Telephone: 02 6655 7300

Facsimile: 02 6655 2310

Internet: www.bellingen.nsw.gov.au

Email: council@bellingen.nsw.gov.au

Officers

GENERAL MANAGER

Liz Jeremy

RESPONSIBLE ACCOUNTING OFFICER

Chris Hodge

PUBLIC OFFICER

Anton Juodvalkis

AUDITORS

Audit Office of NSW
Level 15, 1 Margaret St
GPO Box 12
Sydney NSW 2001

Elected members

MAYOR

Dominic King

COUNCILLORS

Toni Wright-Turner
Desmae Harrison
Garry Carter
Jennie Fenton
Stephen Jenkins
Steve Klipin

Other information

ABN: 26 066 993 265



INDEPENDENT AUDITOR'S REPORT
Report on the general purpose financial statements
Bellingen Shire Council

To the Councillors of the Bellingen Shire Council

Opinion

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

In my opinion,

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Matter

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on those financial statements on 28 October 2016.

The Councillors' Responsibility for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

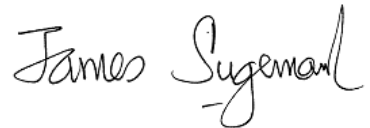
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

My opinion does *not* provide assurance:

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

A handwritten signature in black ink that reads "James Sugumar". The signature is written in a cursive style with a large, stylized 'S'.

James Sugumar
Director, Financial Audit Services

25 October 2017
SYDNEY

Mayor Dominic King
Bellingen Shire Council
PO Box 117
BELLINGEN NSW 2454

Contact: James Sugumar
Phone no: 02 9275 7100
Our ref: D1727528/1691

25 October 2017

Dear Mr King

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

I have audited the general purpose financial statements of Bellingen Shire Council (the Council) for the year ended 30 June 2017 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 2017 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2017 \$m	2016 \$m	Variation %
Rates and annual charges revenue	13.1	12.7	3.1 ↑
Grants and contributions revenue	9.8	11.5	(14.8) ↓
Total expenses	28.7	29.6	(0.9) ↓
Operating result for the year	2.3	4.4	(47.7) ↓

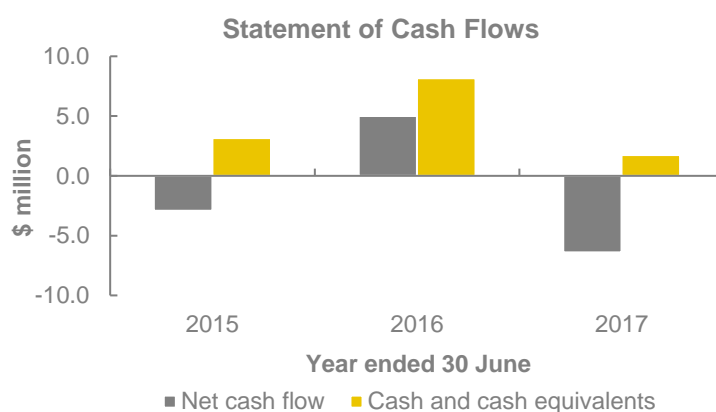
The increase in Rates and Annual Charges was largely due to the 1.8 per cent general rate rise and increases in water supply charges.

Grants and Contributions revenue decreased mainly due to \$2.3 million of reduced flood restoration grants.

The reduced operating result for the year by \$2.1 million was mainly attributable to the decreased grants and contributions.

STATEMENT OF CASH FLOWS

Net cash outflows of \$6.4 million for the year were due to acquisition of infrastructure, property, plant and equipment and investments.



FINANCIAL POSITION

Cash and Investments

Restricted Cash and Investments	2017	2016	Commentary
	\$m	\$m	
External restrictions	28.8	28.2	<ul style="list-style-type: none"> ○ Cash and investments remained stable for the past two years. ○ The ratio of externally to internally restricted cash and investments has been consistent. Council maintains minimal unrestricted cash.
Internal restrictions	6.2	6.5	
Unrestricted	--	--	<ul style="list-style-type: none"> ○ Externally restricted funds include: <ul style="list-style-type: none"> - water and sewer fund \$15.1 million - developer contributions fund \$9.0 million. ○ Internally restricted funds include: <ul style="list-style-type: none"> - plant and infrastructure replacement fund \$3.4 million - IT reserve fund \$0.9 million - employee leave entitlements fund \$0.9 million.
Total cash and investments	35.0	34.7	

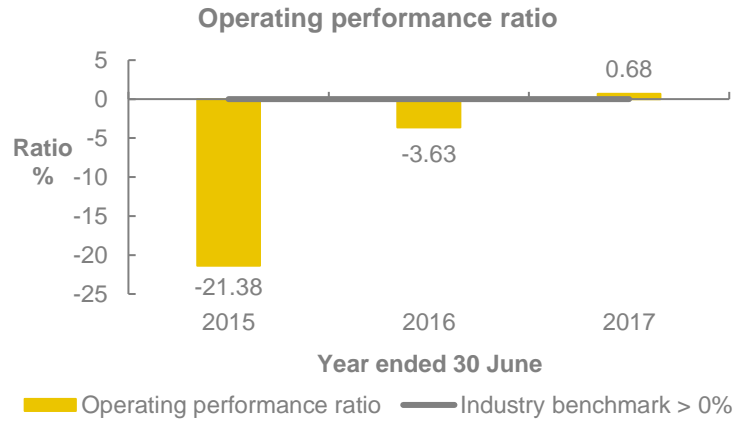
PERFORMANCE RATIOS

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

Operating performance ratio

- Council met the benchmark of greater than zero per cent in 2017.
- The ratio increased by 4.31 per cent compared to the prior year due to early receipt of the 2017–18 Financial Assistance Grant. Council also received higher rates and annual charges.

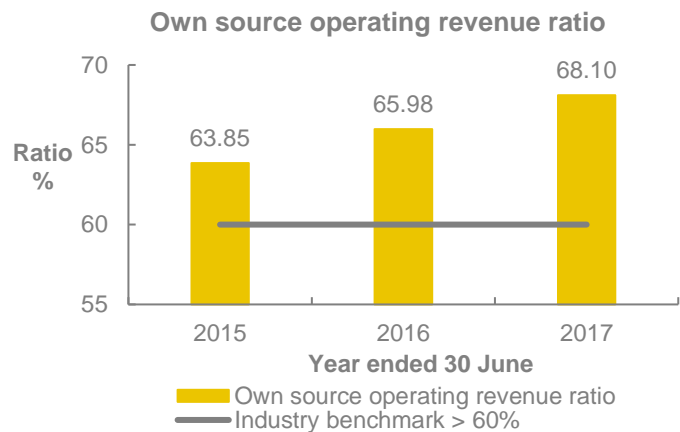
The ‘operating performance ratio’ measures how well Council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than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



Own source operating revenue ratio

- Council exceeded the benchmark of greater than 60 per cent.
- The ratio increased in 2017 due to improvements in rates and annual charges, and other revenue.

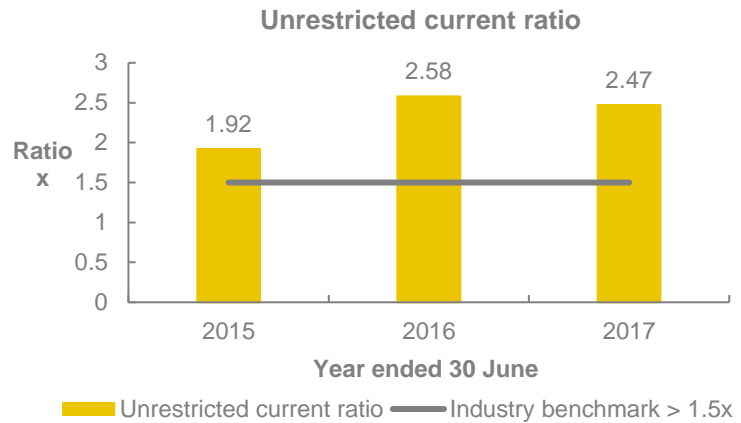
The ‘own source operating revenue ratio’ measures Council’s fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

- Council exceeded the benchmark of 1.5 times.
- Council has sufficient liquid assets to meet its liabilities as and when they fall due.

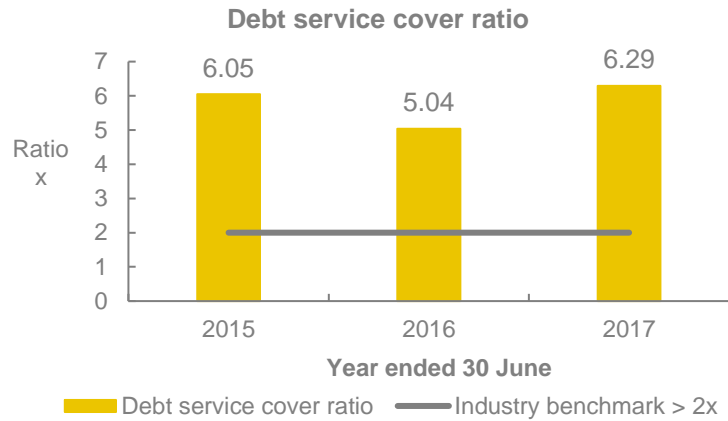
The 'unrestricted current ratio' is specific to local government and represents Council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

- Council exceeded the benchmark of greater than two times.
- The ratio increased by 1.25 times due to improvements in operating result before capital grants.

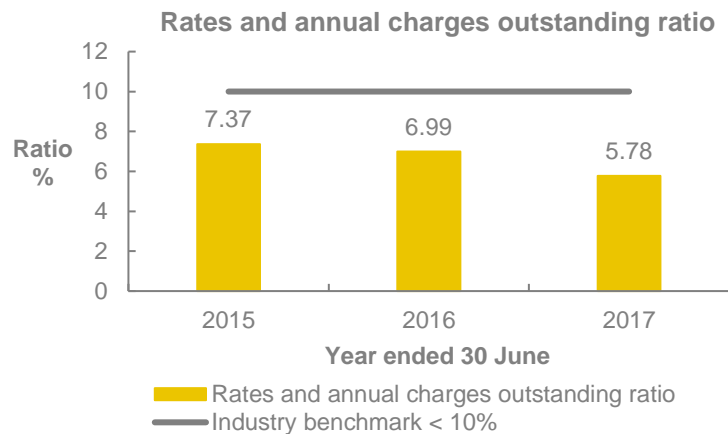
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding ratio

- Council continues to achieve the benchmark for outstanding rates and annual charges. The ratio has improved over the past three years.

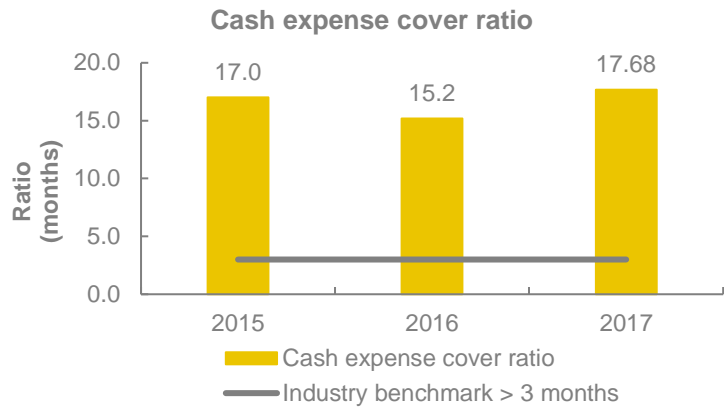
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for rural councils.



Cash expense cover ratio

- Council exceeded the benchmark of greater than three months.
- This has been consistent in the past three years.

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.

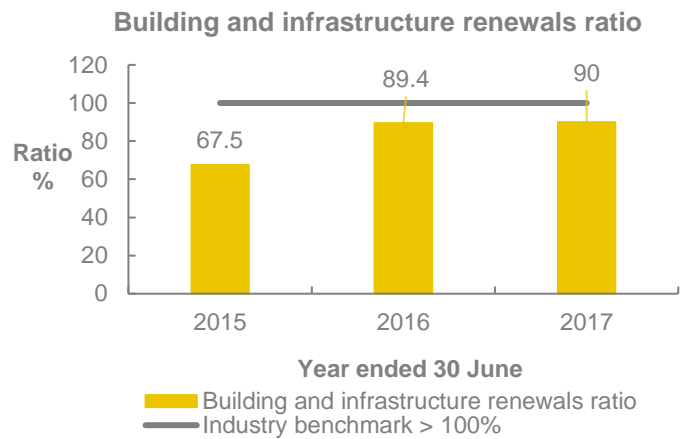


Building and infrastructure renewals ratio

- Council's building and infrastructure renewals ratio was below the benchmark.
- The ratio continues to improve in the past three years as the Council has increased its asset renewals.

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 information contained in Special Schedule 7 which has not been audited.



OTHER MATTERS

New accounting standards implemented

AASB 124 'Related Party Disclosures'

Effective for annual reporting periods beginning on or 1 July 2016

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

- compensation paid to their key management personnel
- nil other related party transactions or balances.

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.

Yours sincerely



James Sugumar
Director, Financial Audit Services

cc: Ms Liz Jeremy, General Manager
Mr Chris Hodge, Chief Financial officer
Mr Tim Hurst, Acting Chief Executive of the Office of Local Government
Mr Anthony Holland, Chair Audit Committee

Bellingen Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017

Bellingen Shire - Naturally Magic



Bellingen Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2017

Contents	Page
1. Statement by Councillors and Management	2
2. Special Purpose Financial Statements:	
Income Statement – Water Supply Business Activity	3
Income Statement – Sewerage Business Activity	4
Income Statement – Other Business Activities	n/a
Statement of Financial Position – Water Supply Business Activity	5
Statement of Financial Position – Sewerage Business Activity	6
Statement of Financial Position – Other Business Activities	n/a
3. Notes to the Special Purpose Financial Statements	7
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Background

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

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.
 - (iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

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

Bellingen Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2017

Statement by Councillors and Management

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

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

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

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

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

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

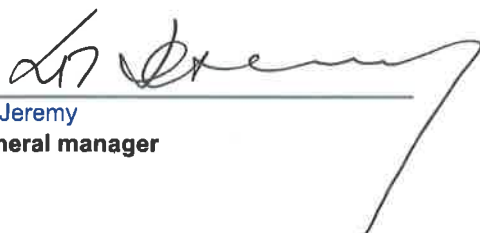
Signed in accordance with a resolution of Council made on 27 September 2017.



Dominic King
Mayor



Desmae Harrison
Councillor



Liz Jeremy
General manager



Chris Hodge
Responsible accounting officer

Bellingen Shire Council

Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2017

\$ '000	Actual 2017	Actual 2016
Income from continuing operations		
Access charges	480	457
User charges	1,886	1,688
Fees	–	–
Interest	408	482
Grants and contributions provided for non-capital purposes	55	55
Profit from the sale of assets	–	–
Share of profit from equity accounted investment	–	–
Other income	8	6
Total income from continuing operations	2,837	2,688
Expenses from continuing operations		
Employee benefits and on-costs	999	998
Borrowing costs	–	–
Materials and contracts	361	330
Depreciation, amortisation and impairment	769	718
Water purchase charges	–	–
Loss on sale of assets	–	–
Calculated taxation equivalents	–	–
Other expenses	347	329
Total expenses from continuing operations	2,476	2,375
Surplus (deficit) from continuing operations before capital amounts	361	313
Grants and contributions provided for capital purposes	88	31
Surplus (deficit) from continuing operations after capital amounts	449	344
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	449	344
Less: corporate taxation equivalent (30%) [based on result before capital]	(108)	(94)
SURPLUS (DEFICIT) AFTER TAX	341	250
Plus opening retained profits	19,139	18,795
Plus/less: other adjustments	–	–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	–	–
– Debt guarantee fees	–	–
– Corporate taxation equivalent	108	94
Less:		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
Closing retained profits	19,588	19,139
Return on capital %	1.0%	0.7%
Subsidy from Council	493	650
Calculation of dividend payable:		
Surplus (deficit) after tax	341	250
Less: capital grants and contributions (excluding developer contributions)	1	–
Surplus for dividend calculation purposes	342	250
Potential dividend calculated from surplus	171	125

Bellingen Shire Council

Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2017

\$ '000	Actual 2017	Actual 2016
Income from continuing operations		
Access charges	3,051	2,953
User charges	132	154
Liquid trade waste charges	45	45
Fees	–	–
Interest	80	132
Grants and contributions provided for non-capital purposes	43	42
Profit from the sale of assets	–	6
Share of profit from equity accounted investment	–	–
Other income	1	–
Total income from continuing operations	3,352	3,332
Expenses from continuing operations		
Employee benefits and on-costs	1,149	1,160
Borrowing costs	–	–
Materials and contracts	680	677
Depreciation, amortisation and impairment	1,149	1,069
Loss on sale of assets	14	–
Calculated taxation equivalents	–	–
Other expenses	252	247
Total expenses from continuing operations	3,244	3,153
Surplus (deficit) from continuing operations before capital amounts	108	179
Grants and contributions provided for capital purposes	85	931
Surplus (deficit) from continuing operations after capital amounts	193	1,110
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	193	1,110
Less: corporate taxation equivalent (30%) [based on result before capital]	(32)	(54)
SURPLUS (DEFICIT) AFTER TAX	161	1,056
Plus opening retained profits	11,289	10,179
Plus/less: other adjustments	–	–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	–	–
– Debt guarantee fees	–	–
– Corporate taxation equivalent	32	54
Less:		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
Closing retained profits	11,482	11,289
Return on capital %	0.2%	0.4%
Subsidy from Council	994	822
Calculation of dividend payable:		
Surplus (deficit) after tax	161	1,056
Less: capital grants and contributions (excluding developer contributions)	(8)	(912)
Surplus for dividend calculation purposes	153	144
Potential dividend calculated from surplus	76	72

Bellingen Shire Council

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

as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
ASSETS		
Current assets		
Cash and cash equivalents	449	351
Investments	16,000	15,000
Receivables	529	834
Inventories	15	17
Other	–	–
Non-current assets classified as held for sale	–	–
Total current assets	16,993	16,202
Non-current assets		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	35,863	44,394
Investments accounted for using equity method	–	–
Investment property	–	–
Total non-current assets	35,863	44,394
TOTAL ASSETS	52,856	60,596
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	109	7
Income received in advance	–	–
Borrowings	–	–
Provisions	–	–
Total current liabilities	109	7
Non-current liabilities		
Payables	–	–
Income received in advance	–	–
Borrowings	–	–
Provisions	–	–
Total non-current liabilities	–	–
TOTAL LIABILITIES	109	7
NET ASSETS	52,747	60,589
EQUITY		
Retained earnings	19,588	19,135
Revaluation reserves	33,159	41,454
Other reserves	–	–
Council equity interest	52,747	60,589
Non-controlling equity interest	–	–
TOTAL EQUITY	52,747	60,589

Bellingen Shire Council

Statement of Financial Position – Council's Sewerage Business Activity

as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
ASSETS		
Current assets		
Cash and cash equivalents	644	312
Investments	3,500	3,000
Receivables	273	566
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
Total current Assets	4,417	3,878
Non-current assets		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	46,319	46,124
Investments accounted for using equity method	–	–
Investment property	–	–
Total non-current assets	46,319	46,124
TOTAL ASSETS	50,736	50,002
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	202	18
Income received in advance	–	–
Borrowings	–	–
Provisions	–	–
Total current liabilities	202	18
Non-current liabilities		
Payables	–	–
Income received in advance	–	–
Borrowings	–	–
Provisions	–	–
Total non-current liabilities	–	–
TOTAL LIABILITIES	202	18
NET ASSETS	50,534	49,984
EQUITY		
Retained earnings	11,483	11,280
Revaluation reserves	39,051	38,704
Other reserves	–	–
Council equity interest	50,534	49,984
Non-controlling equity interest	–	–
TOTAL EQUITY	50,534	49,984

Bellingen Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2017

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	8
2	Water Supply Business Best-Practice Management disclosure requirements	11
3	Sewerage Business Best-Practice Management disclosure requirements	13

Bellingen Shire Council

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

Note 1. Significant accounting policies

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

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

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

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

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

National Competition Policy

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

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

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

The pricing and costing guidelines outline the process for identifying and allocating costs to

activities and provide a standard for disclosure requirements.

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

Declared business activities

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

Category 1

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

a. Bellingen Shire Council Water Supply

Comprising the whole of the operations and assets of the water supply systems servicing the towns of Bellingen, Urunga, Repton, Mylestom and Dorrigo.

b. Bellingen Shire Council Sewerage Service

Comprising the whole of the operations and assets of the sewerage reticulation and treatment system servicing the towns of Bellingen, Urunga and Dorrigo.

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

(i) Taxation-equivalent charges

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

Bellingen Shire Council

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

Note 1. Significant accounting policies (continued)

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

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

Notional rate applied (%)

Corporate income tax rate – 30%

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

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

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

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

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

Income tax

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

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

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

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

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

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

Local government rates and charges

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

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

Bellingen Shire Council

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

Note 1. Significant accounting policies (continued)

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.

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

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

(iv) Dividends

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

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

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

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2017 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

Bellingen Shire Council

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

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

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

2017

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	-
(ii)	Number of assessments multiplied by \$3/assessment	13,143
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	-
(iv)	Amounts actually paid for tax equivalents	-

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	170,850
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	131,430
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	786,600

2017 Surplus	341,700	2016 Surplus	250,100	2015 Surplus	194,800
		2016 Dividend	-	2015 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	131,430
(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	YES

3. Required outcomes for 6 criteria

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

(i)	Completion of strategic business plan (including financial plan)	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

Bellingen Shire Council

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

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

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2017

National Water Initiative (NWI) financial performance indicators

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	2,517
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)]	%	78.14%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	35,759
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	1,549
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	458
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)]	%	0.55%
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

Bellingen Shire Council

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

Note 3. Sewerage business best-practice management disclosure requirements

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

2017

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	-
(ii)	Number of assessments multiplied by \$3/assessment	9,753
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	-
(iv)	Amounts actually paid for tax equivalents	-

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	76,300
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	97,530
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	501,400

2017 Surplus	152,600	2016 Surplus	144,300	2015 Surplus	204,500
		2016 Dividend	-	2015 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	76,300
(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	YES

3. Required outcomes for 4 criteria

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

(i)	Completion of strategic business plan (including financial plan)	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

Bellingen Shire Council

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

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2017

National Water Initiative (NWI) financial performance indicators

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	3,350
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	46,152
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	1,996
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	910
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)]	%	0.44%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	7

**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	5,867
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.67%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	1,368
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)]	%	0.49%
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%

Bellingen Shire Council

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

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

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2017

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

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)]	%	-19.94%
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest Earnings before interest and tax (EBIT): 404 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: - 488 Interest expense (w4a + s4a) – interest income (w9 + s10)		> 100
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	635
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	98

- Notes:
1. References to w (eg. s12) refer to item numbers within Special Schedules 5 and 6 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



INDEPENDENT AUDITOR'S REPORT
Report on the special purpose financial statements
Bellingen Shire Council

To the Councillors of the Bellingen Shire Council

Opinion

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

The Declared Business Activities of the Council are:

- Water Supply Business Activity
- Sewerage Business Activity.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter – Basis of Accounting

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

Other Matter

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on those financial statements on 28 October 2016.

The Councillors' Responsibility for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

The description forms part of my auditor's report.

My opinion does not provide assurance:

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

A handwritten signature in black ink that reads "James Sugumar". The signature is written in a cursive style with a large initial 'J' and a long, sweeping underline.

James Sugumar
Director, Financial Audit Services

25 October 2017
SYDNEY

Bellingen Shire Council

SPECIAL SCHEDULES

for the year ended 30 June 2017

Bellingen Shire - Naturally Magic



Bellingen Shire Council

Special Schedules

for the year ended 30 June 2017

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

Background

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

Bellingen Shire Council

Special Schedule 1 – Net Cost of Services
for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	334	–	–	(334)
Administration	1,578	659	–	(919)
Public order and safety				
Fire service levy, fire protection, emergency services	673	224	8	(441)
Beach control	166	–	–	(166)
Enforcement of local government regulations	–	–	–	–
Animal control	174	112	–	(62)
Other	–	–	–	–
Total public order and safety	1,013	336	8	(669)
Health	35	91	–	56
Environment				
Noxious plants and insect/vermin control	166	63	–	(103)
Other environmental protection	633	324	–	(309)
Solid waste management	3,432	3,445	–	13
Street cleaning	–	–	–	–
Drainage	–	–	–	–
Stormwater management	406	73	–	(333)
Total environment	4,637	3,905	–	(732)
Community services and education				
Administration and education	337	6	–	(331)
Social protection (welfare)	–	–	–	–
Aged persons and disabled	268	272	–	4
Children's services	151	7	–	(144)
Total community services and education	756	285	–	(471)
Housing and community amenities				
Public cemeteries	50	32	–	(18)
Public conveniences	366	–	–	(366)
Street lighting	–	–	–	–
Town planning	647	342	–	(305)
Other community amenities	–	–	–	–
Total housing and community amenities	1,063	374	–	(689)
Water supplies	2,476	2,837	88	449
Sewerage services	3,244	3,353	85	194

Bellingen Shire Council

Special Schedule 1 – Net Cost of Services (continued)
for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	649	67	–	(582)
Museums	31	–	–	(31)
Art galleries	–	–	–	–
Community centres and halls	224	–	–	(224)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	–	–	–	–
Sporting grounds and venues	–	–	–	–
Swimming pools	497	48	–	(449)
Parks and gardens (lakes)	960	31	31	(898)
Other sport and recreation	–	–	–	–
Total recreation and culture	2,361	146	31	(2,184)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	310	322	–	12
Other mining, manufacturing and construction	23	–	–	(23)
Total mining, manufacturing and const.	333	322	–	(11)
Transport and communication				
Urban roads (UR) – local	1,587	–	–	(1,587)
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	3,056	46	1,117	(1,893)
Sealed rural roads (SRR) – regional	763	1,207	–	444
Unsealed rural roads (URR) – local	344	–	–	(344)
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	114	–	–	(114)
Bridges on SRR – local	503	–	1	(502)
Bridges on URR – local	–	–	–	–
Bridges on regional roads	124	–	–	(124)
Parking areas	15	–	–	(15)
Footpaths	8	–	–	(8)
Aerodromes	–	–	–	–
Other transport and communication	3,867	2,897	645	(325)
Total transport and communication	10,381	4,150	1,763	(4,468)
Economic affairs				
Camping areas and caravan parks	21	11	–	(10)
Other economic affairs	467	274	–	(193)
Total economic affairs	488	285	–	(203)
Totals – functions	28,699	16,743	1,975	(9,981)
General purpose revenues ⁽¹⁾		12,233		12,233
Share of interests – joint ventures and associates using the equity method	–	–		–
NET OPERATING RESULT ⁽²⁾	28,699	28,976	1,975	2,252

(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

Bellingen Shire Council

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

for the year ended 30 June 2017

\$'000

Classification of debt	Principal outstanding at beginning of the year			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
Loans (by source)											
Commonwealth Government	–	–	–							–	–
NSW Treasury Corporation	–	–	–							–	–
Other State Government	–	–	–							–	–
Public subscription	–	–	–							–	–
Financial institutions	628	8,403	9,031	–	628	–	–	553	663	7,740	8,403
Other	–	–	–							–	–
Total loans	628	8,403	9,031	–	628	–	–	553	663	7,740	8,403
Other long term debt											
Ratepayers advances	–	–	–							–	–
Government advances	–	–	–							–	–
Finance leases	–	–	–							–	–
Deferred payments	–	–	–							–	–
Total long term debt	–	–	–	–	–	–	–	–	–	–	–
Total debt	628	8,403	9,031	–	628	–	–	553	663	7,740	8,403

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

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

Bellingen Shire Council

Special Schedule 3 – Water Supply Income Statement

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

\$'000	Actuals 2017	Actuals 2016
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	823	819
b. Engineering and supervision	223	206
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
– Mains		
c. Operation expenses	33	67
d. Maintenance expenses	90	96
– Reservoirs		
e. Operation expenses	16	10
f. Maintenance expenses	12	17
– Pumping stations		
g. Operation expenses (excluding energy costs)	–	–
h. Energy costs	116	138
i. Maintenance expenses	22	25
– Treatment		
j. Operation expenses (excluding chemical costs)	125	136
k. Chemical costs	27	30
l. Maintenance expenses	38	24
– Other		
m. Operation expenses	2	3
n. Maintenance expenses	22	26
o. Purchase of water	–	–
3. Depreciation expenses		
a. System assets	769	718
b. Plant and equipment	–	–
4. Miscellaneous expenses		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	158	61
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	2,476	2,376

Bellingen Shire Council

Special Schedule 3 – Water Supply Income Statement (continued)

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

\$'000	Actuals 2017	Actuals 2016
Income		
6. Residential charges		
a. Access (including rates)	491	465
b. Usage charges	1,755	1,624
7. Non-residential charges		
a. Access (including rates)	–	–
b. Usage charges	–	–
8. Extra charges	–	–
9. Interest income	408	476
10. Other income	128	68
10a. Aboriginal Communities Water and Sewerage Program	–	–
11. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	55	55
c. Other grants	–	–
12. Contributions		
a. Developer charges	88	31
b. Developer provided assets	–	–
c. Other contributions	–	–
13. Total income	2,925	2,719
14. Gain (or loss) on disposal of assets	–	–
15. Operating result	449	343
15a. Operating result (less grants for acquisition of assets)	449	343

Bellingen Shire Council

Special Schedule 3 – Water Supply Income Statement (continued)

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

\$'000	Actuals 2017	Actuals 2016
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	12	–
b. New assets for growth	163	129
c. Renewals	280	135
d. Plant and equipment	3	–
17. Repayment of debt	–	–
18. Totals	458	264
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)	3,873	3,852
b. Residential (unoccupied, ie. vacant lot)	99	111
c. Non-residential (occupied)	391	385
d. Non-residential (unoccupied, ie. vacant lot)	18	18
23. Number of ETs for which developer charges were received	16 ET	17 ET
24. Total amount of pensioner rebates (actual dollars)	\$ 97,050	\$ 98,321

Bellingen Shire Council

Special Schedule 4 – Water Supply Statement of Financial Position

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

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
25. Cash and investments			
a. Developer charges	4,727	–	4,727
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	11,722	–	11,722
26. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	97	–	97
c. User charges	343	–	343
d. Other	89	–	89
27. Inventories	15	–	15
28. Property, plant and equipment			
a. System assets	–	35,759	35,759
b. Plant and equipment	–	104	104
29. Other assets	–	–	–
30. Total assets	16,993	35,863	52,856
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	103	–	103
33. Borrowings	–	–	–
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	6	–	6
35. Total liabilities	109	–	109
36. NET ASSETS COMMITTED	16,884	35,863	52,747
EQUITY			
37. Accumulated surplus			19,588
38. Asset revaluation reserve			33,159
39. Other reserves			–
40. TOTAL EQUITY			52,747
Note to system assets:			
41. Current replacement cost of system assets			57,934
42. Accumulated current cost depreciation of system assets			(22,175)
43. Written down current cost of system assets			35,759

Bellingen Shire Council

Special Schedule 5 – Sewerage Service Income Statement

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

\$'000	Actuals 2017	Actuals 2016
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	674	669
b. Engineering and supervision	95	93
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	97	67
b. Maintenance expenses	75	93
– Pumping stations		
c. Operation expenses (excluding energy costs)	62	101
d. Energy costs	55	65
e. Maintenance expenses	134	102
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	213	239
g. Chemical costs	87	85
h. Energy costs	87	79
i. Effluent management	10	8
j. Biosolids management	188	108
k. Maintenance expenses	193	259
– Other		
l. Operation expenses	26	32
m. Maintenance expenses	–	8
3. Depreciation expenses		
a. System assets	1,149	1,069
b. Plant and equipment	–	–
4. Miscellaneous expenses		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	99	76
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	3,244	3,153

Bellingen Shire Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

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

\$'000	Actuals 2017	Actuals 2016
Income		
6. Residential charges (including rates)	3,030	2,959
7. Non-residential charges		
a. Access (including rates)	–	–
b. Usage charges	128	133
8. Trade waste charges		
a. Annual fees	22	22
b. Usage charges	45	45
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
9. Extra charges	–	–
10. Interest income	80	132
11. Other income	5	–
11a. Aboriginal Communities Water and Sewerage Program	–	–
12. Grants		
a. Grants for acquisition of assets	7	870
b. Grants for pensioner rebates	43	42
c. Other grants	–	–
13. Contributions		
a. Developer charges	77	19
b. Developer provided assets	–	–
c. Other contributions	–	41
14. Total income	<u>3,437</u>	<u>4,263</u>
15. Gain (or loss) on disposal of assets	–	–
16. Operating result	<u>193</u>	<u>1,110</u>
16a. Operating result (less grants for acquisition of assets)	186	240

Bellingen Shire Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

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

\$'000	Actuals 2017	Actuals 2016
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	55	45
b. New assets for growth	228	2,914
c. Renewals	627	165
d. Plant and equipment	–	–
18. Repayment of debt	–	–
19. Totals	910	3,124
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)	2,870	2,854
b. Residential (unoccupied, ie. vacant lot)	64	65
c. Non-residential (occupied)	317	317
d. Non-residential (unoccupied, ie. vacant lot)	–	–
24. Number of ETs for which developer charges were received	15 ET	11 ET
25. Total amount of pensioner rebates (actual dollars)	\$ 77,157	\$ 77,540

Bellingen Shire Council

Special Schedule 6 – Sewerage Service Statement of Financial Position

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

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
26. Cash and investments			
a. Developer charges	739	–	739
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	3,405	–	3,405
27. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	173	–	173
c. User charges	–	–	–
d. Other	100	–	100
28. Inventories	–	–	–
29. Property, plant and equipment			
a. System assets	–	46,152	46,152
b. Plant and equipment	–	167	167
30. Other assets	–	–	–
31. Total assets	4,417	46,319	50,736
LIABILITIES			
32. Bank overdraft	–	–	–
33. Creditors	193	–	193
34. Borrowings	–	–	–
35. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	9	–	9
36. Total liabilities	202	–	202
37. NET ASSETS COMMITTED	4,215	46,319	50,534
EQUITY			
38. Accumulated surplus			11,483
39. Asset revaluation reserve			39,051
40. Other reserves			–
41. TOTAL EQUITY			50,534
Note to system assets:			
42. Current replacement cost of system assets			67,623
43. Accumulated current cost depreciation of system assets			(21,471)
44. Written down current cost of system assets			46,152

Bellingen Shire Council

Notes to Special Schedules 3 and 5 for the year ended 30 June 2017

Administration ⁽¹⁾

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

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

Engineering and supervision ⁽¹⁾

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes:

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

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

Bellingen Shire Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Council Offices/ Administration Centres	–		26	25	3,304	3,926	95%	5%	0%	0%	0%
	Council Works Depot	–		30	66	4,262	4,793	94%	6%	0%	0%	0%
	Buildings – specialised	–		10	11	4,262	5,368	96%	4%	0%	0%	0%
	Council Public Halls	–		30	35	5,986	8,158	95%	5%	0%	0%	0%
	Libraries	–		7	5	1,579	1,986	95%	5%	0%	0%	0%
	Amenities	–		55	94	573	697	90%	10%	0%	0%	0%
	Recreation and Culture	72		120	227	7,124	8,815	70%	25%	4%	0%	1%
	Other Buildings	–		31	51	681	855	90%	10%	0%	0%	0%
	Water, Sewer and Waste	–		–	–	6,622	7,312	3%	92%	5%	0%	0%
	Sub-total	72	–	309	514	34,393	41,910	73.5%	24.6%	1.7%	0.0%	0.2%
Roads	Sealed roads	22,001		1,000	906	54,205	91,074	5%	37%	31%	20%	7%
	Unsealed roads	590		300	348	7,970	15,634	3%	32%	45%	17%	3%
	Bridges	2,497		1,000	472	21,783	34,540	20%	35%	27%	15%	3%
	Footpaths	–		12	12	1,919	2,545	18%	70%	12%	0%	0%
	Other road assets	–		55	55	178	200	0%	100%	0%	0%	0%
	Bulk earthworks	–		–	–	163,967	163,967	100%	0%	0%	0%	0%
	Kerb and Gutter	–		–	–	5,958	7,114	5%	45%	43%	0%	7%
	Carparks	–		5	6	–	–	0%	0%	100%	0%	
	Other	–		–	–	299	462	0%	100%	0%	0%	0%
	Sub-total	25,088	–	2,372	1,799	256,279	315,536	56.0%	17.9%	15.2%	8.3%	2.7%

Bellingen Shire Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Water supply network	Mains			93	94	27,768	43,331	10%	70%	18%	1%	1%
	Pumping Stations			19	19	909	2,683	0%	100%	0%	0%	0%
	Treatment			29	26	2,604	4,887	0%	100%	0%	0%	0%
	Other			–	–	1,709	4,012	0%	100%	0%	0%	0%
	Sub-total		–	–	141	139	32,990	54,913	7.9%	76.3%	14.2%	0.8%
Sewerage network	Mains			98	76	17,968	26,630	54%	42%	2%	1%	1%
	Pumping Stations			120	123	5,740	10,313	5%	80%	10%	5%	0%
	Treatment			243	193	12,944	20,663	33%	67%	0%	0%	0%
	Sub-total		–	–	461	392	36,652	57,606	37.7%	57.8%	2.7%	1.4%
Stormwater drainage	Stormwater drainage	–			88	13,928	22,585	4%	14%	77%	5%	0%
	Sub-total	–	–	–	88	13,928	22,585	4.0%	14.0%	77.0%	5.0%	0.0%
Open space/recreational assets	Swimming pools	39			–	3,539	5,887	65%	0%	5%	29%	1%
	Sub-total	39	–	–	–	3,539	5,887	65.0%	0.0%	5.0%	29.0%	1.0%
Other infrastructure assets	Other	–			–	2,276	3,275	0%	100%	0%	0%	0%
	Sub-total	–	–	–	–	2,276	3,275	0.0%	100.0%	0.0%	0.0%	0.0%

Bellingren Shire Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
	TOTAL – ALL ASSETS	25,199	–	3,283	2,932	380,057	501,712	47.5%	29.6%	15.1%	6.0%	1.8%

Notes:

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

Infrastructure asset condition assessment 'key'

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

Bellingen Shire Council

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

\$ '000	Amounts	Indicator	Benchmark	Prior periods	
	2017	2017		2016	2015
Infrastructure asset performance indicators * consolidated					
1. Infrastructure renewals ratio					
Asset renewals ⁽¹⁾	<u>5,162</u>	87.95%	>= 100%	89.35%	67.50%
Depreciation, amortisation and impairment	<u>5,869</u>				
2. Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	<u>25,199</u>	11.59%	< 2.00%	1.18%	7.64%
Net carrying amount of infrastructure assets	<u>217,467</u>				
3. Asset maintenance ratio					
Actual asset maintenance	<u>2,932</u>	0.89	> 1.00	0.52	0.75
Required asset maintenance	<u>3,283</u>				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	<u>–</u>	0.00%		0.00%	
Gross replacement cost	<u>501,712</u>				

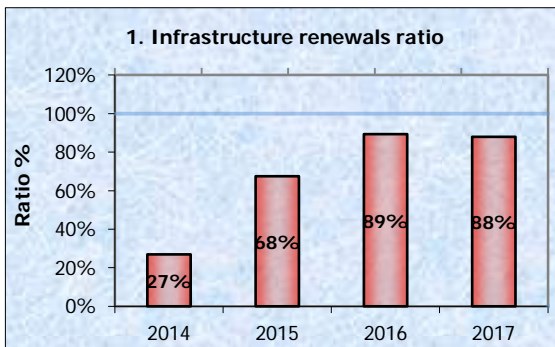
Notes

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

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

Bellingen Shire Council

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



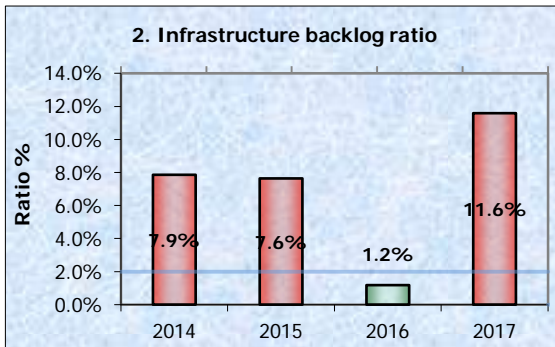
Purpose of asset renewals ratio

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

2016/17 Ratio 87.95%

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

■ Ratio achieves benchmark
■ Ratio is outside benchmark



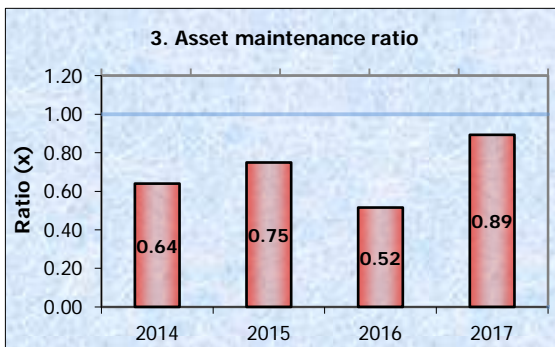
Purpose of infrastructure backlog ratio

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

2016/17 Ratio 11.59%

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

■ Ratio achieves benchmark
■ Ratio is outside benchmark



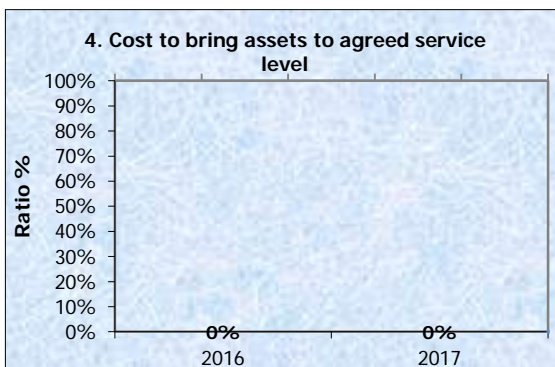
Purpose of asset maintenance ratio

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

2016/17 Ratio 0.89 x

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

■ Ratio achieves benchmark
■ Ratio is outside benchmark



Purpose of agreed service level ratio

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

2016/17 Ratio 0.00%

Bellingen Shire Council

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

\$ '000	Benchmark	Water 2017	Sewer 2017	General ⁽¹⁾ 2017
Infrastructure asset performance indicators by fund				
1. Infrastructure renewals ratio				
<u>Asset renewals ⁽²⁾</u>	>= 100%	18.68%	82.63%	101.11%
Depreciation, amortisation and impairment	prior period:	19.65%	17.90%	117.48%
2. Infrastructure backlog ratio				
<u>Estimated cost to bring assets to a satisfactory standard</u>	< 2.00%	0.00%	0.00%	17.05%
Net carrying amount of infrastructure assets	prior period:	0.00%	0.71%	1.64%
3. Asset maintenance ratio				
<u>Actual asset maintenance</u>	> 1.00	0.99	0.85	0.90
Required asset maintenance	prior period:	1.10	0.95	0.46
4. Cost to bring assets to agreed service level				
<u>Estimated cost to bring assets to an agreed service level set by Council</u>		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) 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.

Bellingen Shire Council

Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2018

\$'000		Calculation 2016/17	Calculation 2017/18
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	6,763	6,901
Plus or minus adjustments ⁽²⁾	b	18	12
Notional general income	c = (a + b)	6,781	6,913
Permissible income calculation			
Special variation percentage ⁽³⁾	d	0.00%	6.00%
Or rate peg percentage	e	1.80%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	–	415
Or plus rate peg amount	i = c x e	122	–
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
Sub-total	k = (c + g + h + i + j)	6,903	7,328
Plus (or minus) last year's carry forward total	l	(2)	(2)
Less valuation objections claimed in the previous year	m	(2)	–
Sub-total	n = (l + m)	(4)	(2)
Total permissible income	o = k + n	6,899	7,326
Less notional general income yield	p	6,901	7,324
Catch-up or (excess) result	q = o – p	(2)	2
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	–	–
Less unused catch-up ⁽⁵⁾	s	–	–
Carry forward to next year	t = q + r – s	(2)	2

Notes

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



INDEPENDENT AUDITOR'S REPORT

Special Schedule No. 8

Bellingen Shire Council

To the Councillors of Bellingen Shire Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter – Basis of Accounting

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

Other Matter

Special Schedule No. 8 of the Council for the year ended 30 June 2017 was audited by another auditor who expressed an unmodified opinion on Special Schedule No. 8 on 28 October 2016.

Councillors' Responsibility for Special Schedule No. 8

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

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

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

My objectives are to:

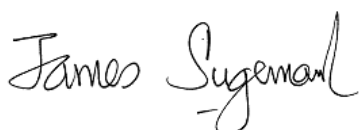
- obtain reasonable assurance whether Special Schedule No. 8 as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

My opinion does not provide assurance:

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



James Sugumar
Director, Financial Audit Services

25 October 2017
SYDNEY