

Bellinghen Shire COUNCIL



Annual Report 2015-16

Part D – General Purpose Financial Statements



Bellingen Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Bellingen Shire - Naturally Magic



Bellingen Shire Council

General Purpose Financial Statements

for the year ended 30 June 2016

| Contents | Page |
|---|------|
| 1. Statement by Councillors and Management | 2 |
| 2. Primary Financial Statements: | |
| – Income Statement | 3 |
| – Statement of Comprehensive Income | 4 |
| – Statement of Financial Position | 5 |
| – Statement of Changes in Equity | 6 |
| – Statement of Cash Flows | 7 |
| 3. Notes to the Financial Statements | 8 |
| 4. Independent Auditor's Reports: | |
| – On the Financial Statements (Sect 417 [2]) | 80 |
| – On the Conduct of the Audit (Sect 417 [3]) | 82 |

Overview

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

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

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

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

- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by the Council on 28 October 2016. Council has the power to amend and reissue these financial statements.
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Bellingen Shire Council

General Purpose Financial Statements for the year ended 30 June 2016

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

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

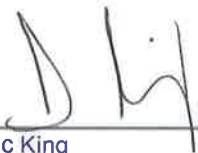
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and professional pronouncements, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

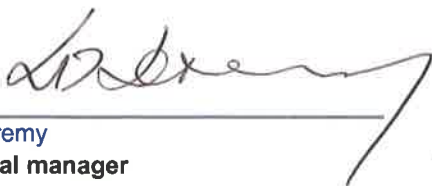
Signed in accordance with a resolution of Council made on 28 September 2016.



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 2016

| Budget ¹ 2016 | \$ '000 | Notes | Actual 2016 | Actual 2015 |
|--|--|-------|----------------|----------------|
| Income from continuing operations | | | | |
| <i>Revenue:</i> | | | | |
| 12,856 | Rates and annual charges | 3a | 12,682 | 12,244 |
| 6,085 | User charges and fees | 3b | 7,986 | 6,696 |
| 1,110 | Interest and investment revenue | 3c | 1,228 | 1,209 |
| 492 | Other revenues | 3d | 438 | 511 |
| 5,816 | Grants and contributions provided for operating purposes | 3e,f | 6,200 | 5,377 |
| 2,284 | Grants and contributions provided for capital purposes | 3e,f | 5,314 | 6,320 |
| <i>Other income:</i> | | | | |
| – | Net gains from the disposal of assets | 5 | 118 | 129 |
| – | Net share of interests in joint ventures and associates using the equity method | 19 | – | – |
| 28,643 | Total income from continuing operations | | 33,966 | 32,486 |
| Expenses from continuing operations | | | | |
| 10,665 | Employee benefits and on-costs | 4a | 10,302 | 9,774 |
| 448 | Borrowing costs | 4b | 613 | 486 |
| 8,055 | Materials and contracts | 4c | 9,440 | 9,471 |
| 8,783 | Depreciation and amortisation | 4d | 6,519 | 9,065 |
| – | Impairment | 4d | – | – |
| 3,303 | Other expenses | 4e | 2,697 | 2,808 |
| 31,254 | Total expenses from continuing operations | | 29,571 | 31,604 |
| (2,611) | Operating result from continuing operations | | 4,395 | 882 |
| Discontinued operations | | | | |
| – | Net profit/(loss) from discontinued operations | 24 | – | – |
| (2,611) | Net operating result for the year | | 4,395 | 882 |
| (2,611) | Net operating result attributable to Council | | 4,395 | 882 |
| – | Net operating result attributable to non-controlling interests | | – | – |
| (4,895) | Net operating result for the year before grants and contributions provided for capital purposes | | (919) | (5,438) |

¹ Original budget as approved by Council – refer Note 16

Bellingen Shire Council

Statement of Comprehensive Income for the year ended 30 June 2016

| \$ '000 | Notes | Actual 2016 | Actual 2015 |
|--|----------|----------------|-----------------|
| Net operating result for the year (as per Income Statement) | | 4,395 | 882 |
| Other comprehensive income: | | | |
| Amounts which will not be reclassified subsequently to the operating result | | | |
| Gain (loss) on revaluation of I,PP&E | 20b (ii) | 7,124 | (99,554) |
| Total items which will not be reclassified subsequently to the operating result | | 7,124 | (99,554) |
| Amounts which will be reclassified subsequently to the operating result when specific conditions are met | | | |
| Nil | | | |
| Total other comprehensive income for the year | | 7,124 | (99,554) |
| Total comprehensive income for the year | | 11,519 | (98,672) |
| Total comprehensive income attributable to Council | | 11,519 | (98,672) |
| Total comprehensive income attributable to non-controlling interests | | – | – |

Bellingen Shire Council

Statement of Financial Position as at 30 June 2016

| \$ '000 | Notes | Actual 2016 | Actual 2015 | Actual 2014 |
|---|-------|----------------|----------------|----------------|
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | 6a | 8,158 | 3,149 | 6,065 |
| Investments | 6b | 26,600 | 31,300 | 23,100 |
| Receivables | 7 | 5,096 | 5,156 | 5,709 |
| Inventories | 8 | 249 | 236 | 265 |
| Other | 8 | 35 | – | 12 |
| Non-current assets classified as 'held for sale' | 22 | – | – | – |
| Total current assets | | 40,138 | 39,841 | 35,151 |
| Non-current assets | | | | |
| Investments | 6b | – | – | – |
| Receivables | 7 | 119 | 67 | 12 |
| Inventories | 8 | – | – | – |
| Infrastructure, property, plant and equipment | 9 | 430,006 | 419,934 | 518,182 |
| Investments accounted for using the equity method | 19 | – | – | – |
| Investment property | 14 | 1,924 | 1,924 | 1,924 |
| Intangible assets | 25 | – | – | – |
| Total non-current assets | | 432,049 | 421,925 | 520,118 |
| TOTAL ASSETS | | 472,187 | 461,766 | 555,269 |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Payables | 10 | 2,767 | 3,047 | 2,770 |
| Borrowings | 10 | 628 | 595 | 174 |
| Provisions | 10 | 2,789 | 2,943 | 2,784 |
| Total current liabilities | | 6,184 | 6,585 | 5,728 |
| Non-current liabilities | | | | |
| Payables | 10 | 7 | 8 | – |
| Borrowings | 10 | 8,403 | 9,032 | 4,776 |
| Provisions | 10 | 664 | 731 | 689 |
| Total non-current liabilities | | 9,074 | 9,771 | 5,465 |
| TOTAL LIABILITIES | | 15,258 | 16,356 | 11,193 |
| Net assets | | 456,929 | 445,410 | 544,076 |
| EQUITY | | | | |
| Retained earnings | 20 | 264,096 | 259,701 | 258,813 |
| Revaluation reserves | 20 | 192,833 | 185,709 | 285,263 |
| Council equity interest | | 456,929 | 445,410 | 544,076 |
| Non-controlling equity interests | | – | – | – |
| Total equity | | 456,929 | 445,410 | 544,076 |

Bellingen Shire Council

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

| \$ '000 | Notes | Retained earnings | Reserves (Refer 20b) | Council interest | Non-controlling Interest | Total equity |
|--|----------|-------------------|-------------------------|------------------|--------------------------|----------------|
| 2016 | | | | | | |
| Opening balance (as per last year's audited accounts) | | 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 (as at 1/7/15) | | 259,701 | 185,709 | 445,410 | – | 445,410 |
| c. Net operating result for the year | | 4,395 | – | 4,395 | – | 4,395 |
| d. Other comprehensive income | | | | | | |
| – Revaluations: IPP&E asset revaluation rsve | 20b (ii) | – | 7,124 | 7,124 | – | 7,124 |
| Other comprehensive income | | – | 7,124 | 7,124 | – | 7,124 |
| Total comprehensive income (c&d) | | 4,395 | 7,124 | 11,519 | – | 11,519 |
| e. Distributions to/(contributions from) non-controlling Interests | | – | – | – | – | – |
| f. Transfers between equity | | – | – | – | – | – |
| Equity – balance at end of the reporting period | | 264,096 | 192,833 | 456,929 | – | 456,929 |

| \$ '000 | Notes | Retained Earnings | Reserves (Refer 20b) | Council interest | Non-controlling Interest | Total Equity |
|--|----------|-------------------|-------------------------|------------------|--------------------------|-----------------|
| 2015 | | | | | | |
| Opening balance (as per last year's audited accounts) | | 258,813 | 285,263 | 544,076 | – | 544,076 |
| a. Correction of prior period errors | 20 (c) | 6 | – | 6 | – | 6 |
| b. Changes in accounting policies (prior year effects) | 20 (d) | – | – | – | – | – |
| Revised opening balance (as at 1/7/14) | | 258,819 | 285,263 | 544,082 | – | 544,082 |
| c. Net operating result for the year | | 882 | – | 882 | – | 882 |
| d. Other comprehensive income | | | | | | |
| – Revaluations: IPP&E asset revaluation rsve | 20b (ii) | – | (99,554) | (99,554) | – | (99,554) |
| Other comprehensive income | | – | (99,554) | (99,554) | – | (99,554) |
| Total comprehensive income (c&d) | | 882 | (99,554) | (98,672) | – | (98,672) |
| e. Distributions to/(contributions from) non-controlling Interests | | – | – | – | – | – |
| f. Transfers between equity | | – | – | – | – | – |
| Equity – balance at end of the reporting period | | 259,701 | 185,709 | 445,410 | – | 445,410 |

Bellingen Shire Council

Statement of Cash Flows
for the year ended 30 June 2016

| Budget 2016 | \$ '000 | Notes | Actual 2016 | Actual 2015 |
|---|--|-------|----------------|-----------------|
| Cash flows from operating activities | | | | |
| Receipts: | | | | |
| 12,856 | Rates and annual charges | | 12,703 | 12,275 |
| 6,032 | User charges and fees | | 8,249 | 7,113 |
| 1,142 | Investment and interest revenue received | | 1,310 | 1,050 |
| 8,100 | Grants and contributions | | 11,514 | 12,001 |
| – | Bonds, deposits and retention amounts received | | 10 | – |
| 489 | Other | | 3,391 | 2,196 |
| Payments: | | | | |
| (10,649) | Employee benefits and on-costs | | (10,635) | (9,568) |
| (8,000) | Materials and contracts | | (12,124) | (10,649) |
| (442) | Borrowing costs | | (592) | (430) |
| – | Bonds, deposits and retention amounts refunded | | – | (29) |
| (3,303) | Other | | (3,574) | (3,480) |
| 6,225 | Net cash provided (or used in) operating activities | 11b | 10,252 | 10,479 |
| Cash flows from investing activities | | | | |
| Receipts: | | | | |
| 2,601 | Sale of investment securities | | 4,700 | – |
| 185 | Sale of infrastructure, property, plant and equipment | | 278 | 244 |
| 4 | Deferred debtors receipts | | – | 8 |
| Payments: | | | | |
| – | Purchase of investment securities | | – | (8,200) |
| (8,967) | Purchase of infrastructure, property, plant and equipment | | (9,627) | (10,124) |
| – | Deferred debtors and advances made | | 2 | – |
| (6,177) | Net cash provided (or used in) investing activities | | (4,647) | (18,072) |
| Cash flows from financing activities | | | | |
| Receipts: | | | | |
| 1,000 | Proceeds from borrowings and advances | | – | 4,850 |
| Payments: | | | | |
| (660) | Repayment of borrowings and advances | | (596) | (173) |
| 340 | Net cash flow provided (used in) financing activities | | (596) | 4,677 |
| 388 | Net increase/(decrease) in cash and cash equivalents | | 5,009 | (2,916) |
| 6,363 | Plus: cash and cash equivalents – beginning of year | 11a | 3,149 | 6,065 |
| 6,751 | Cash and cash equivalents – end of the year | 11a | 8,158 | 3,149 |
| Additional Information: | | | | |
| | plus: Investments on hand – end of year | 6b | 26,600 | 31,300 |
| Total cash, cash equivalents and investments | | | 34,758 | 34,449 |

Please refer to Note 11 for additional cash flow information

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Contents of the notes accompanying the financial statements

| Note | Details | Page |
|---|---|--------|
| 1 | Summary of significant accounting policies | 9 |
| 2(a) | Council functions/activities – financial information | 26 |
| 2(b) | Council functions/activities – component descriptions | 27 |
| 3 | Income from continuing operations | 28 |
| 4 | Expenses from continuing operations | 33 |
| 5 | Gains or losses from the disposal of assets | 37 |
| 6(a) | Cash and cash equivalent assets | 38 |
| 6(b) | Investments | 38 |
| 6(c) | Restricted cash, cash equivalents and investments – details | 39 |
| 7 | Receivables | 41 |
| 8 | Inventories and other assets | 42 |
| 9(a) | Infrastructure, property, plant and equipment | 43 |
| 9(b) | Externally restricted infrastructure, property, plant and equipment | 44 |
| 9(c) | Infrastructure, property, plant and equipment – current year impairments | 44 n/a |
| 10(a) | Payables, borrowings and provisions | 45 |
| 10(b) | Description of (and movements in) provisions | 46 |
| 11 | Statement of cash flows – additional information | 47 |
| 12 | Commitments for expenditure | 48 |
| 13 | Statement of performance measures: | |
| | 13a (i) Local government industry indicators (consolidated) | 49 |
| | 13a (ii) Local government industry graphs (consolidated) | 50 |
| | 13b Local government industry indicators (by fund) | 52 |
| 14 | Investment properties | 53 |
| 15 | Financial risk management | 54 |
| 16 | Material budget variations | 58 |
| 17 | Statement of developer contributions | 60 |
| 18 | Contingencies and other liabilities/assets not recognised | 63 |
| 19 | Interests in other entities | 64 n/a |
| 20 | Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors | 65 |
| 21 | Financial result and financial position by fund | 66 |
| 22 | 'Held for sale' non-current assets and disposal groups | 68 n/a |
| 23 | Events occurring after the reporting date | 68 n/a |
| 24 | Discontinued operations | 68 n/a |
| 25 | Intangible assets | 69 n/a |
| 26 | Reinstatement, rehabilitation and restoration liabilities | 69 |
| 27 | Fair value measurement | 70 |
| Additional council disclosures | | |
| 28 | Council information and contact details | 79 |

n/a – not applicable

Bellingen Shire Council

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

Note 1. Summary of significant accounting policies

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

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

(a) Basis of preparation

(i) Background

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

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

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

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

Because AASBs are sector neutral, some standards either:

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

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

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

(iii) New and amended standards adopted by Council

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

(iv) Early adoption of accounting standards

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

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

(v) Basis of accounting

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

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

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

(vi) Changes in accounting policies

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

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

There have also been no changes in accounting policies when compared with previous financial statements unless otherwise stated [refer Note 20 (d)].

(vii) Critical accounting estimates

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

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

Significant judgements in applying Council's accounting policies include the impairment of receivables – Council has made significant judgements 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 it, and specific criteria have been met for each of the Council's activities as described below.

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

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

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

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

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

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in Note 3 (g).

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

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

User charges, fees and other income

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

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

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

Sale of infrastructure, property, plant and equipment

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

Interest and rents

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

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

Dividend income

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

Other Income

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

(c) Principles of consolidation

These consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

(i) The Consolidated Fund

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

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

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

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

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

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

(iii) Interests in other entities

Subsidiaries

Council has no interest in any subsidiaries.

Joint arrangements

Council is a member Council of the Clarence Regional Library as disclosed in Note 19.

Associates

Council has no interest in any associates.

County councils

Council is not a member of any county councils.

(d) Leases

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

Finance leases

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

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

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

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

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

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

Operating Leases

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

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

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

(e) Cash and Cash Equivalents

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

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

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

(f) Investments and other financial assets

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

Bellingen Shire Council

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

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

(ii) Loans and receivables

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

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

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

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council's management

has the positive intention and ability to hold to maturity.

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

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

(iv) Available-for-sale financial assets

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

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

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

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

Financial assets – reclassification

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

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

Council may also choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if it has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

General accounting and measurement of financial instruments:

(i) Initial recognition

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

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

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

(ii) Subsequent measurement

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

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

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

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

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

Impairment

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

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

(iii) Types of investments

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

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

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

Council amended its policy following revisions to the Ministerial Local Government Investment Order arising from the Cole Inquiry recommendations.

(g) Fair value estimation – financial instruments

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

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

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

(h) Receivables

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

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

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

A provision for impairment (i.e. an allowance account) relating to receivables is established when objective evidence shows that Council will not be

able to collect all amounts due according to the original terms of each receivable.

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

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

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

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

(i) Inventories

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

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

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

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

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

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

(ii) Inventory held for distribution

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

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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, and development and borrowing costs during development.

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

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

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

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

Acquisition of assets

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

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

- **Investment Properties** – refer Note 1(p),
- **Water and Sewerage Networks**
(Internal Valuation)
- **Operational Land** (External Valuation)
- **Buildings – Specialised/Non Specialised**
(External Valuation)
- **Plant and Equipment**
(as approximated by depreciated historical cost)
- **Roads Assets incl. roads, bridges & footpaths**
(Internal Valuation)
- **Drainage Assets** (Internal Valuation)
- **Bulk Earthworks** (Internal Valuation)

- **Community Land** (Internal Valuation)
- **Land Improvements**
(as approximated by depreciated historical cost)
- **Other Structures**
(as approximated by depreciated historical cost)
- **Other Assets**
(as approximated by depreciated historical cost)

Initial recognition

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

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

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

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

Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably.

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

Asset revaluations (including indexation)

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

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

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

Capitalisation thresholds

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

Land

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

Plant & Equipment

| | |
|-------------------------|-----------|
| Office Furniture | > \$3,000 |
| Office Equipment | > \$3,000 |
| Other Plant & Equipment | > \$3,000 |

Buildings & Land Improvements

| | |
|----------------------------|-----------|
| Park Furniture & Equipment | > \$2,000 |
|----------------------------|-----------|

| | |
|---------------------------|------------------|
| Building | |
| - construction/extensions | 100% Capitalised |
| - renovations | > \$10,000 |

| | |
|------------------|-----------|
| Other Structures | > \$2,000 |
|------------------|-----------|

Water & Sewer Assets

| | |
|-------------------------|-----------|
| Reticulation extensions | > \$5,000 |
| Other | > \$5,000 |

Stormwater Assets

| | |
|-------------------|-----------|
| Drains & Culverts | > \$5,000 |
| Other | > \$5,000 |

Transport Assets

| | |
|------------------------------------|------------|
| Road construction & reconstruction | > \$10,000 |
| Reseal/Re-sheet & major repairs: | > \$10,000 |

| | |
|--------------------------------------|------------|
| Bridge construction & reconstruction | > \$10,000 |
|--------------------------------------|------------|

Other Infrastructure Assets

| | |
|--------------------------------------|-----------|
| Swimming Pools | > \$5,000 |
| Other Open Space/Recreational Assets | > \$5,000 |
| Other Infrastructure | > \$5,000 |

Depreciation

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

Land is not depreciated.

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

Plant & 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 |
|----------|-----------|

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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 |
|-------------------|----------|

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

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

Disposal and derecognition

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

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

(k) Land

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

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

(l) Land under roads

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

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

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

(m) Intangible assets

Council has not classified any assets as intangible.

(n) Crown reserves

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

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

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

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

(o) Rural fire service assets

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

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

Until such time as discussions on this matter have concluded and the legislation changed, Council will exclude the assets, their values and depreciation charges from these financial statements.

(p) Investment property

Investment property comprises land and/or buildings that are principally held for long-term rental yields, capital gains or both, that is not occupied by Council.

Investment property is carried at fair value, representing an open-market value determined by external valuers.

Annual changes in the fair value of investment properties are recorded in the Income Statement as part of 'other income'.

Full revaluations are carried out every 3 years with an appropriate index utilised each year in between the full revaluations if change in value is deemed material.

The last full revaluation for Council's investment properties was dated 30 June 2014.

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

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

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

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

Costs are estimated on the basis of a closure plan.

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

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

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

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

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

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

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

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

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

These costs are charged to the Income Statement.

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

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

The exception to this is plant and motor vehicles, which are turned over on a regular basis. Plant and motor vehicles are retained in non-current assets under the classification of infrastructure, property, plant and equipment – unless the assets are to be traded in after 30 June and the replacement assets were already purchased and accounted for as at 30 June.

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

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

Non-current assets classified as 'held for sale' are presented separately from the other assets in the balance sheet.

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

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

(s) Impairment of assets

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

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

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

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

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

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

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

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(t) Payables

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

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

(u) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

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

(v) Borrowing costs

Borrowing costs are expensed.

(w) Provisions

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

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

Provisions are not recognised for future operating losses.

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

A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

The increase in the provision due to the passage of time is recognised as interest expense.

(x) Employee benefits

(i) Short-term obligations

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

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

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

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

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

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

(ii) Other long-term obligations

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

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

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

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

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

(iii) Retirement benefit obligations

All employees of the Council are entitled to benefits on retirement, disability or death.

Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

Defined benefit plans

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

value of the superannuation fund's assets at that date and any unrecognised past service cost.

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

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

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

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

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

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 2016 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 2016 was \$ 216,845.70.

The amount of additional contributions included in the total employer contribution advised above is \$123,522.

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$127,589 as at 30 June 2016.

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

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

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

Defined contribution plans

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

(iv) Employee benefit on-costs

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

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

(y) Self-insurance

Council does not self-insure.

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

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

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

Exceptions

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

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

(aa) Taxes

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

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

Goods and Services Tax (GST)

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

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

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

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

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

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

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

recoverable from or payable to the ATO are classified as operating cash flows.

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

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

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

Council has not adopted any of these standards early.

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

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

AASB 9 – Financial Instruments

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

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

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

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

- fair value, and

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

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

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

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

AASB 15 will introduce a 5-step process for revenue recognition with the core principle of the new standard being that entities recognise revenue so as to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

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

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

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

AASB ED 260 Income of Not-for-Profit Entities

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

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

Much of the material in AASB 1004 is expected to be replaced by material included in AASB ED 260.

Specific revenue items that may considerably change are Grants and Contributions.

The most likely financial statement impact is the deferred recognition of Grants and Contributions (i.e.

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

recognition as unearned revenue [liability]) until Council has met the associated performance obligation/s relating to the Grants or Contribution.

At this stage there is no specific date of release for a standard or a date of applicability.

AASB16 – Leases

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

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

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

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

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

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

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

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

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

(ac) Rounding of amounts

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

(ad) 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.

(ae) 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 2016

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

| Functions/activities | Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b). | | | | | | | | | | | | |
|--|--|---------------|---------------|-------------------------------------|---------------|---------------|---|----------------|----------------|--|---------------|---|----------------|
| | Income from continuing operations | | | Expenses from continuing operations | | | Operating result from continuing operations | | | Grants included in income from continuing operations | | Total assets held (current & non-current) | |
| | Original budget | Actual | Actual | Original budget | Actual | Actual | Original budget | Actual | Actual | Actual | Actual | Actual | Actual |
| | 2016 | 2016 | 2015 | 2016 | 2016 | 2015 | 2016 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Governance | – | – | – | 236 | 257 | 218 | (236) | (257) | (218) | – | – | – | – |
| Administration | 1,329 | 1,072 | 1,106 | 3,926 | 3,834 | 3,579 | (2,597) | (2,762) | (2,473) | – | 13 | 32,404 | 32,289 |
| Public order and safety | 970 | 317 | 877 | 1,562 | 893 | 1,398 | (592) | (576) | (521) | 149 | 775 | 7,965 | 4,601 |
| Health | 74 | 43 | 27 | 60 | 11 | 14 | 14 | 32 | 13 | – | – | 370 | 369 |
| Environment | 3,736 | 3,701 | 3,896 | 4,865 | 4,356 | 4,467 | (1,129) | (655) | (571) | 220 | 388 | 212 | 211 |
| Community services and education | 334 | 300 | 279 | 854 | 706 | 633 | (520) | (406) | (354) | 291 | 256 | 5,029 | 5,013 |
| Housing and community amenities | 46 | 360 | 300 | 1,385 | 1,110 | 1,088 | (1,339) | (750) | (788) | 6 | 3 | 19,358 | 19,295 |
| Water supplies | 2,974 | 2,728 | 2,689 | 2,775 | 2,385 | 2,451 | 199 | 343 | 238 | 55 | 48 | 59,626 | 59,433 |
| Sewerage services | 4,474 | 4,283 | 4,763 | 3,448 | 3,176 | 3,078 | 1,026 | 1,107 | 1,685 | 912 | 1,432 | 48,314 | 48,157 |
| Recreation and culture | 65 | 145 | 176 | 2,298 | 2,331 | 2,176 | (2,233) | (2,186) | (2,000) | 143 | 112 | 39,530 | 34,926 |
| Mining, manufacturing and construction | 83 | 7 | 5 | 33 | 314 | 287 | 50 | (307) | (282) | 65 | – | 386 | 385 |
| Transport and communication | 4,813 | 10,853 | 8,570 | 9,369 | 9,688 | 11,662 | (4,556) | 1,165 | (3,092) | 5,407 | 4,525 | 254,301 | 252,410 |
| Economic affairs | 186 | 277 | 228 | 443 | 510 | 553 | (257) | (233) | (325) | – | – | 4,692 | 4,677 |
| Total functions and activities | 19,084 | 24,086 | 22,916 | 31,254 | 29,571 | 31,604 | (12,170) | (5,485) | (8,688) | 7,248 | 7,552 | 472,187 | 461,766 |
| Share of gains/(losses) in associates and joint ventures (using the equity method) | – | – | – | – | – | – | – | – | – | – | – | – | – |
| General purpose income ¹ | 9,559 | 9,880 | 9,570 | – | – | – | 9,559 | 9,880 | 9,570 | 3,475 | 3,492 | – | – |
| Operating result from continuing operations | 28,643 | 33,966 | 32,486 | 31,254 | 29,571 | 31,604 | (2,611) | 4,395 | 882 | 10,723 | 11,044 | 472,187 | 461,766 |

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 2016

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

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

GOVERNANCE

Costs relating to the 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, area representation and public disclosure and compliance.

ADMINISTRATION

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

PUBLIC ORDER AND SAFETY

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

HEALTH

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

ENVIRONMENT

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

COMMUNITY SERVICES AND EDUCATION

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

HOUSING AND COMMUNITY AMENITIES

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

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION AND CULTURE

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

MINING, MANUFACTURING AND CONSTRUCTION

Building control, abattoirs, quarries & pits, other.

TRANSPORT AND COMMUNICATION

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

ECONOMIC AFFAIRS

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

Bellingen Shire Council

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

Note 3. Income from continuing operations

| \$ '000 | Notes | Actual 2016 | Actual 2015 |
|--|-------|----------------|----------------|
| (a) Rates and annual charges | | | |
| Ordinary rates | | | |
| Residential | | 4,681 | 4,574 |
| Farmland | | 855 | 816 |
| Business | | 347 | 347 |
| Total ordinary rates | | 5,883 | 5,737 |
| Special rates | | | |
| Infrastructure | | 573 | 559 |
| Total special rates | | 573 | 559 |
| Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611) | | | |
| Domestic waste management services | | 2,347 | 2,256 |
| Water supply services | | 442 | 421 |
| Sewerage services | | 2,918 | 2,774 |
| Waste management services (non-domestic) | | 519 | 497 |
| Total annual charges | | 6,226 | 5,948 |
| TOTAL RATES AND ANNUAL CHARGES | | 12,682 | 12,244 |

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 2016

Note 3. Income from continuing operations (continued)

| \$ '000 | Notes | Actual 2016 | Actual 2015 |
|---|-------|----------------|----------------|
| (b) User charges and fees | | | |
| Specific user charges (per s.502 – specific 'actual use' charges) | | | |
| Water supply services | | 1,576 | 1,527 |
| Sewerage services | | 117 | 113 |
| Waste management services (non-domestic) | | 264 | 528 |
| Liquid trade waste | | 45 | 42 |
| Total user charges | | 2,002 | 2,210 |
| Other user charges and fees | | | |
| (i) Fees and charges – statutory and regulatory functions (per s.608) | | | |
| Private works – section 67 | | 141 | 36 |
| Regulatory/ statutory fees | | 262 | 267 |
| Town planning | | 297 | 206 |
| Total fees and charges – statutory/regulatory | | 700 | 509 |
| (ii) Fees and charges – other (incl. general user charges (per s.608)) | | | |
| Caravan park | | 15 | 17 |
| Cemeteries | | 42 | 46 |
| Gravel pits | | 1 | – |
| Lease rentals | | 4 | 5 |
| Leaseback fees – Council vehicles | | 53 | 43 |
| RMS (formerly RTA) charges (state roads not controlled by Council) | | 5,131 | 3,777 |
| Workers comp rebate / OHS incentive payments | | 31 | 70 |
| Other | | 7 | 19 |
| Total fees and charges – other | | 5,284 | 3,977 |
| TOTAL USER CHARGES AND FEES | | 7,986 | 6,696 |

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

| \$ '000 | Notes | Actual 2016 | Actual 2015 |
|--|-------|----------------|----------------|
| (c) Interest and investment revenue (including losses) | | | |
| Interest | | | |
| – Interest on overdue rates and annual charges (incl. special purpose rates) | | 68 | 70 |
| – Interest earned on investments (interest and coupon payment income) | | 1,082 | 1,060 |
| – Interest (other) | | 76 | 76 |
| Amortisation of premiums and discounts | | | |
| – Interest free (and interest reduced) loans provided | | 2 | 3 |
| TOTAL INTEREST AND INVESTMENT REVENUE | | 1,228 | 1,209 |
| Interest revenue is attributable to: | | | |
| Unrestricted investments/financial assets: | | | |
| Overdue rates and annual charges (general fund) | | 68 | 65 |
| General Council cash and investments | | 454 | 276 |
| Restricted investments/funds – external: | | | |
| Development contributions | | | |
| – Section 94 | | 74 | 88 |
| – Section 64 | | 109 | 177 |
| Water fund operations | | 385 | 399 |
| Sewerage fund operations | | 114 | 178 |
| Domestic waste management operations | | 24 | 26 |
| Total interest and investment revenue recognised | | 1,228 | 1,209 |
| (d) Other revenues | | | |
| Rental income – investment properties | 14 | 69 | 108 |
| Rental income – other council properties | | 25 | 35 |
| Legal fees recovery – rates and charges (extra charges) | | 24 | 37 |
| Commissions and agency fees | | 1 | 1 |
| Insurance claim recoveries | | 27 | 37 |
| Long service leave transfers from other councils | | 20 | 63 |
| Raleigh Reuse Centre | | 58 | – |
| Saleyards reimbursement | | 6 | 16 |
| Scrap metal sales | | 43 | 44 |
| SES Reimbursements | | 7 | – |
| Statewide property rebate | | 28 | 30 |
| Tourist centre income | | 34 | 28 |
| Town Planning Income | | 11 | – |
| Workers comp income | | 19 | 40 |
| Other | | 66 | 72 |
| TOTAL OTHER REVENUE | | 438 | 511 |

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

| \$ '000 | 2016 Operating | 2015 Operating | 2016 Capital | 2015 Capital |
|---|-------------------|-------------------|-----------------|-----------------|
| (e) Grants | | | | |
| General purpose (untied) | | | | |
| Financial assistance – general component | 2,490 | 2,505 | – | – |
| Financial assistance – local roads component | 852 | 856 | – | – |
| Pensioners' rates subsidies – general component | 133 | 131 | – | – |
| Total general purpose | 3,475 | 3,492 | – | – |
| Specific purpose | | | | |
| Pensioners' rates subsidies: | | | | |
| – Water | 55 | 48 | – | – |
| – Sewerage | 42 | 41 | – | – |
| – Domestic waste management | 64 | 62 | – | – |
| Sewerage services | – | – | 870 | 1,391 |
| Bushfire and emergency services | 149 | 405 | – | 360 |
| Community care | 292 | 256 | – | – |
| Community centres | – | – | 33 | – |
| Diesel fuel rebate | 66 | 51 | – | – |
| Employment and training programs | – | 12 | – | – |
| Environmental protection | 84 | 94 | – | – |
| Flood restoration | – | – | 3,422 | 3,054 |
| Heritage and cultural | 6 | 3 | – | – |
| Library | 55 | 49 | – | – |
| Noxious weeds | 55 | 65 | – | – |
| Public health | – | 10 | – | – |
| Recreation and culture | – | 23 | – | 40 |
| Street lighting | 14 | 14 | – | – |
| Transport (roads to recovery) | 1,154 | 380 | – | – |
| Transport (other roads and bridges funding) | 210 | 50 | 605 | 976 |
| Waste | – | 72 | 72 | 96 |
| Total specific purpose | 2,246 | 1,635 | 5,002 | 5,917 |
| Total grants | 5,721 | 5,127 | 5,002 | 5,917 |
| Grant revenue is attributable to: | | | | |
| – Commonwealth funding | 4,496 | 3,800 | – | – |
| – State funding | 1,224 | 1,327 | 5,002 | 5,917 |
| – Other funding | 1 | – | – | – |
| | 5,721 | 5,127 | 5,002 | 5,917 |

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

| \$ '000 | 2016 Operating | 2015 Operating | 2016 Capital | 2015 Capital |
|--|-------------------|-------------------|-----------------|-----------------|
| (f) Contributions | | | | |
| Developer contributions: | | | | |
| (s93 & s94 – EP&A Act, s64 of the LGA): | | | | |
| S 94 – contributions towards amenities/services | – | – | 166 | 166 |
| S 64 – water supply contributions | – | – | 31 | 94 |
| S 64 – sewerage service contributions | – | – | 20 | 61 |
| Total developer contributions | – | – | 217 | 321 |
| Other contributions: | | | | |
| Environmental | 83 | – | – | – |
| Other councils – joint works/services | 150 | 11 | – | – |
| RMS contributions (regional roads, block grant) | 246 | 228 | 54 | 54 |
| Sewerage (excl. section 64 contributions) | – | – | 41 | 28 |
| Other | – | 11 | – | – |
| Total other contributions | 479 | 250 | 95 | 82 |
| Total contributions | 479 | 250 | 312 | 403 |
| TOTAL GRANTS AND CONTRIBUTIONS | 6,200 | 5,377 | 5,314 | 6,320 |

| \$ '000 | Actual 2016 | Actual 2015 |
|--|----------------|----------------|
| (g) Restrictions relating to grants and contributions | | |
| Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner: | | |
| Unexpended at the close of the previous reporting period | 9,923 | 10,887 |
| Add: grants and contributions recognised in the current period but not yet spent: | 780 | 755 |
| Less: grants and contributions recognised in a previous reporting period now spent: | (933) | (1,719) |
| Net increase (decrease) in restricted assets during the period | (153) | (964) |
| Unexpended and held as restricted assets | 9,770 | 9,923 |
| Comprising: | | |
| – Specific purpose unexpended grants | 1,062 | 773 |
| – Developer contributions | 8,708 | 9,150 |
| | 9,770 | 9,923 |

Bellingen Shire Council

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

Note 4. Expenses from continuing operations

| \$ '000 | Notes | Actual 2016 | Actual 2015 |
|---|-------|----------------|----------------|
| (a) Employee benefits and on-costs | | | |
| Salaries and wages | | 7,799 | 7,421 |
| Employee leave entitlements (ELE) | | 1,418 | 1,320 |
| Superannuation – defined contribution plans | | 765 | 727 |
| Superannuation – defined benefit plans | | 217 | 233 |
| Workers' compensation insurance | | 524 | 466 |
| Fringe benefit tax (FBT) | | 13 | 21 |
| Training costs (other than salaries and wages) | | 66 | 106 |
| Other | | 36 | 12 |
| Total employee costs | | 10,838 | 10,306 |
| Less: capitalised costs | | (536) | (532) |
| TOTAL EMPLOYEE COSTS EXPENSED | | 10,302 | 9,774 |
| Number of 'full-time equivalent' employees (FTE) at year end | | 124 | 135 |
| (b) Borrowing costs | | | |
| (i) Interest bearing liability costs | | | |
| Interest on loans | | 587 | 457 |
| Total interest bearing liability costs expensed | | 587 | 457 |
| (ii) Other borrowing costs | | | |
| Discount adjustments relating to movements in provisions (other than ELE) | | | |
| – Remediation liabilities | 26 | 26 | 29 |
| Total other borrowing costs | | 26 | 29 |
| TOTAL BORROWING COSTS EXPENSED | | 613 | 486 |

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

| \$ '000 | Notes | Actual 2016 | Actual 2015 |
|---|-------|---------------------|---------------------|
| (c) Materials and contracts | | | |
| Raw materials and consumables | | 2,059 | 2,220 |
| – Engineering | | 50 | – |
| – Externally hired plant | | 500 | 657 |
| – Labour hire | | 720 | 935 |
| – Transport (roads, bridges, footpaths maintenance) | | 2,018 | 1,797 |
| – Swimming pool | | 330 | 325 |
| – Waste contracts | | 1,952 | 1,864 |
| – Other contractors | | 1,568 | 1,377 |
| – Other consultancies | | 82 | 82 |
| Contractor and consultancy costs | | | |
| – Heritage Advisor | | 14 | – |
| – Recreation | | – | 26 |
| – Waste | | 12 | 12 |
| – Water | | 4 | 32 |
| Auditors remuneration ⁽¹⁾ | | 46 | 47 |
| Legal expenses: | | | |
| – Legal expenses: planning and development | | 9 | 5 |
| – Legal expenses: debt recovery | | 24 | 37 |
| – Legal expenses: other | | 52 | 55 |
| <u>TOTAL MATERIALS AND CONTRACTS</u> | | <u>9,440</u> | <u>9,471</u> |
| Auditor remuneration | | | |
| During the year, the following fees were incurred for services provided by the Council's Auditor: | | | |
| Audit and other assurance services | | | |
| – Audit and review of financial statements: Council's Auditor | | 46 | 45 |
| – Audit of regulatory returns | | – | 2 |
| Remuneration for audit and other assurance services | | <u>46</u> | <u>47</u> |
| Total Auditor remuneration | | <u>46</u> | <u>47</u> |

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

| \$ '000 | Notes | Impairment costs | | Depreciation/amortisation | |
|--|--------|------------------|----------------|---------------------------|----------------|
| | | Actual 2016 | Actual 2015 | Actual 2016 | Actual 2015 |
| Plant and equipment | | – | – | 670 | 1,179 |
| Office equipment | | – | – | 70 | 71 |
| Furniture and fittings | | – | – | 16 | 19 |
| Land improvements (depreciable) | | – | – | 89 | 92 |
| Infrastructure: | | | | | |
| – Buildings – non-specialised | | – | – | 786 | 740 |
| – Roads | | – | – | 2,333 | 4,096 |
| – Bridges | | – | – | 380 | 605 |
| – Footpaths | | – | – | 22 | 41 |
| – Stormwater drainage | | – | – | 225 | 379 |
| – Water supply network | | – | – | 687 | 695 |
| – Sewerage network | | – | – | 922 | 882 |
| – Swimming pools | | – | – | 55 | 47 |
| – Other open space/recreational assets | | – | – | 213 | 169 |
| – Other infrastructure | | – | – | 30 | 24 |
| Other assets | | | | | |
| – Other | | – | – | 5 | 10 |
| Asset reinstatement costs | 9 & 26 | – | – | 16 | 16 |
| <u>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</u> | | – | – | 6,519 | 9,065 |

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

| \$ '000 | Notes | Actual 2016 | Actual 2015 |
|--|-------|---------------------|---------------------|
| (e) Other expenses | | | |
| Other expenses for the year include the following: | | | |
| Advertising | | 49 | 66 |
| Bad and doubtful debts | | 3 | – |
| Bank charges | | 73 | 70 |
| Conferences / seminars | | 64 | 51 |
| Contributions/levies to other levels of government | | | |
| – Bushfire Fighting Fund | | 320 | 229 |
| – Emergency Services levy (includes FRNSW, SES, and RFS levies) | | 23 | 19 |
| – Libraries contribution | | 225 | 164 |
| – NSW fire brigade levy | | 47 | 45 |
| – Waste levy | | 77 | 251 |
| Councillor expenses – mayoral fee | | 23 | 23 |
| Councillor expenses – councillors' fees | | 73 | 73 |
| Donations, contributions and assistance to other organisations (Section 356) | | | |
| – Donations, contributions and assistance to local and regional bodies | | 250 | 168 |
| Electricity and heating | | 437 | 497 |
| Insurance | | 375 | 396 |
| Licence fees | | 140 | 130 |
| Postage | | 46 | 42 |
| Printing and stationery | | 116 | 122 |
| Street lighting | | 81 | 95 |
| Subscriptions and publications | | 117 | 164 |
| Telephone and communications | | 99 | 119 |
| Valuation fees | | 41 | 41 |
| Other | | 18 | 43 |
| <u>TOTAL OTHER EXPENSES</u> | | <u>2,697</u> | <u>2,808</u> |

Bellingen Shire Council

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

Note 5. Gains or losses from the disposal of assets

| \$ '000 | Notes | Actual 2016 | Actual 2015 |
|--|-------|-------------------|-------------------|
| Plant and equipment | | | |
| Proceeds from disposal – plant and equipment | | 278 | 244 |
| Less: carrying amount of plant and equipment assets sold/written off | | (86) | (115) |
| Net gain/(loss) on disposal | | 192 | 129 |
| 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 | | 4,700 | – |
| Less: carrying amount of financial assets sold/redeemed/matured | | (4,700) | – |
| Net gain/(loss) on disposal | | – | – |
| <u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u> | | <u>118</u> | <u>129</u> |

Bellinghen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

| \$ '000 | Notes | 2016 Actual Current | 2016 Actual Non-current | 2015 Actual Current | 2015 Actual Non-current |
|--|-------|---------------------------|-------------------------------|---------------------------|-------------------------------|
| Cash and cash equivalents (Note 6a) | | | | | |
| Cash on hand and at bank | | 1,557 | – | 1,235 | – |
| Cash-equivalent assets ¹ | | | | | |
| – Deposits at call | | 1,101 | – | 1,414 | – |
| – Short-term deposits | | 5,500 | – | 500 | – |
| Total cash and cash equivalents | | 8,158 | – | 3,149 | – |
| Investments (Note 6b) | | | | | |
| – Long term deposits | | 26,600 | – | 31,300 | – |
| Total investments | | 26,600 | – | 31,300 | – |
| TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS | | 34,758 | – | 34,449 | – |

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

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

Cash and cash equivalents

| | | | | | |
|--|--|-------|---|-------|---|
| a. 'At fair value through the profit and loss' | | 8,158 | – | 3,149 | – |
|--|--|-------|---|-------|---|

Investments

| | | | | | |
|-----------------------|--------|---------------|----------|---------------|----------|
| a. 'Held to maturity' | 6(b-i) | 26,600 | – | 31,300 | – |
| Investments | | 26,600 | – | 31,300 | – |

Note 6(b-i)

Reconciliation of investments classified as 'held to maturity'

| | | | | | |
|--------------------------------------|--|---------------|----------|---------------|----------|
| Balance at the beginning of the year | | 31,300 | – | 23,100 | – |
| Additions | | – | – | 8,200 | – |
| Disposals (sales and redemptions) | | (4,700) | – | – | – |
| Balance at end of year | | 26,600 | – | 31,300 | – |
| Comprising: | | | | | |
| – Long term deposits | | 26,600 | – | 31,300 | – |
| Total | | 26,600 | – | 31,300 | – |

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 2016

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

| \$ '000 | 2016 | 2016 | 2015 | 2015 |
|--|-------------------|-----------------------|-------------------|-----------------------|
| | Actual Current | Actual Non-current | Actual Current | Actual Non-current |
| Total cash, cash equivalents and investments | 34,758 | – | 34,449 | – |
| attributable to: | | | | |
| External restrictions (refer below) | 28,185 | – | 29,900 | – |
| Internal restrictions (refer below) | 6,548 | – | 4,548 | – |
| Unrestricted | 25 | – | 1 | – |
| | 34,758 | – | 34,449 | – |

| 2016 \$ '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) | 3,542 | 278 | (169) | 3,651 |
| Developer contributions – water fund (D) | 4,437 | 118 | – | 4,555 |
| Developer contributions – sewer fund (D) | 1,171 | – | (669) | 502 |
| Specific purpose unexpended grants (F) | 773 | 289 | – | 1,062 |
| Water supplies (G) | 10,277 | 520 | – | 10,797 |
| Sewerage services (G) | 3,224 | – | (415) | 2,809 |
| Domestic waste management (G) | 696 | 100 | – | 796 |
| Environmental levy | 285 | 131 | (139) | 277 |
| Crown reserves | 76 | – | – | 76 |
| Special rate variation (Incl. loan funds) | 5,302 | – | (1,759) | 3,543 |
| External restrictions – other | 29,783 | 1,436 | (3,151) | 28,068 |
| Total external restrictions | 29,900 | 1,436 | (3,151) | 28,185 |

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 2016

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

| 2016 \$ '000 | Opening balance | Transfers to restrictions | Transfers from restrictions | Closing balance |
|---|--------------------|------------------------------|--------------------------------|--------------------|
| Internal restrictions | | | | |
| Plant and vehicle replacement | 2,033 | 57 | – | 2,090 |
| Infrastructure renewals | 310 | 1,583 | – | 1,893 |
| Employees leave entitlement | 904 | – | – | 904 |
| Carry over works | 3 | – | (3) | – |
| Business plan | 25 | – | – | 25 |
| Economic development | 28 | – | (28) | – |
| Emergency services | 37 | – | (37) | – |
| Financial sustainability programs board | 19 | – | – | 19 |
| Housing and community amenities reserve | 132 | – | – | 132 |
| IT reserve | 139 | 232 | – | 371 |
| Revolving energy | 118 | 95 | – | 213 |
| Training and development | 25 | – | (25) | – |
| Transport reserve (Warranty) | 414 | – | – | 414 |
| Waste management | 271 | – | – | 271 |
| Workers comp contingency | 90 | – | – | 90 |
| Quarry Remediation | – | 70 | – | 70 |
| Weeds | – | 56 | – | 56 |
| Total internal restrictions | 4,548 | 2,093 | (93) | 6,548 |
| TOTAL RESTRICTIONS | 34,448 | 3,529 | (3,244) | 34,733 |

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 7. Receivables

| \$ '000 | Notes | 2016 | | 2015 | |
|---|-------|---------------------|-------------------|---------------------|------------------|
| | | Current | Non-current | Current | Non-current |
| Purpose | | | | | |
| Rates and annual charges | | 725 | 58 | 756 | 48 |
| Interest and extra charges | | 193 | 15 | 197 | 13 |
| User charges and fees | | 1,009 | 38 | 528 | – |
| Private works | | – | – | 5 | – |
| Accrued revenues | | | | | |
| – Interest on investments | | 313 | – | 395 | – |
| Deferred debtors | | 4 | 8 | 6 | 6 |
| Net GST receivable | | 334 | – | 112 | – |
| Other levels of government | | 2,393 | – | 3,083 | – |
| Other debtors | | 159 | – | 108 | – |
| Total | | 5,130 | 119 | 5,190 | 67 |
| Less: provision for impairment | | | | | |
| Rates and annual charges | | (29) | – | (29) | – |
| User charges and fees | | (5) | – | (5) | – |
| Total provision for impairment – receivables | | (34) | – | (34) | – |
| <u>TOTAL NET RECEIVABLES</u> | | <u>5,096</u> | <u>119</u> | <u>5,156</u> | <u>67</u> |
| Externally restricted receivables | | | | | |
| Water supply | | | | | |
| – Rates and annual charges | | 507 | – | 431 | – |
| – Other | | 327 | – | 250 | – |
| Sewerage services | | | | | |
| – Rates and annual charges | | 201 | – | 220 | – |
| – Other | | 364 | – | 213 | – |
| Domestic waste management | | 98 | – | 101 | – |
| Total external restrictions | | 1,497 | – | 1,215 | – |
| Internally restricted receivables | | | | | |
| Nil | | | | | |
| Unrestricted receivables | | 3,599 | 119 | 3,941 | 67 |
| TOTAL NET RECEIVABLES | | <u>5,096</u> | <u>119</u> | <u>5,156</u> | <u>67</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% (2015 8.50%).
Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 8. Inventories and other assets

| \$ '000 | Notes | 2016 | | 2015 | |
|---|-------|------------|-------------|------------|-------------|
| | | Current | Non-current | Current | Non-current |
| (a) Inventories | | | | | |
| (i) Inventories at cost | | | | | |
| Stores and materials | | 204 | – | 191 | – |
| Trading stock | | 45 | – | 45 | – |
| Total inventories at cost | | 249 | – | 236 | – |
| (ii) Inventories at net realisable value (NRV) | | | | | |
| Nil | | | | | |
| TOTAL INVENTORIES | | 249 | – | 236 | – |
| (b) Other assets | | | | | |
| Prepayments | | 35 | – | – | – |
| TOTAL OTHER ASSETS | | 35 | – | – | – |
| Externally restricted assets | | | | | |
| Water | | | | | |
| Stores and materials | | 17 | – | 14 | – |
| Total water | | 17 | – | 14 | – |
| Sewerage | | | | | |
| Nil | | | | | |
| Domestic waste management | | | | | |
| Nil | | | | | |
| Other | | | | | |
| Nil | | | | | |
| Total externally restricted assets | | 17 | – | 14 | – |
| Total internally restricted assets | | – | – | – | – |
| Total unrestricted assets | | 267 | – | 222 | – |
| TOTAL INVENTORIES AND OTHER ASSETS | | 284 | – | 236 | – |

Other disclosures**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 2016

Note 9a. Infrastructure, property, plant and equipment

| \$ '000 | as at 30/6/2015 | | | | | Asset movements during the reporting period | | | | | | as at 30/6/2016 | | | | | |
|--|-----------------|------------------|----------------|------------|-------------------|---|-------------------------|-----------------------------------|-------------------------|------------------------------|---|-----------------|------------------|----------------|------------|-------------------|----------------|
| | At cost | At fair value | Accumulated | | Carrying value | Additions renewals | Additions new assets | Carrying value of disposals | Depreciation expense | Adjustments and transfers | Revaluation increments to equity (ARR) | At cost | At fair value | Accumulated | | Carrying value | |
| | | | depreciation | impairment | | | | | | | | | | depreciation | impairment | | |
| Capital work in progress | – | – | – | – | – | 533 | – | – | – | – | – | 533 | – | – | – | – | 533 |
| Plant and equipment | – | 10,942 | 7,423 | – | 3,519 | – | 1,270 | (86) | (670) | (3) | – | – | 10,996 | 6,966 | – | – | 4,030 |
| Office equipment | – | 1,460 | 975 | – | 485 | – | 108 | – | (70) | – | – | – | 1,568 | 1,045 | – | – | 523 |
| Furniture and fittings | – | 471 | 355 | – | 116 | – | – | – | (16) | – | – | – | 471 | 371 | – | – | 100 |
| Land: | | | | | | | | | | | | | | | | | |
| – Operational land | – | 19,067 | – | – | 19,067 | 2 | – | – | – | 35 | – | – | 19,104 | – | – | – | 19,104 |
| – Community land | – | 11,700 | – | – | 11,700 | – | – | – | – | (35) | 3,856 | – | 15,521 | – | – | – | 15,521 |
| Land improvements – depreciable | – | 2,595 | 1,042 | – | 1,553 | – | – | – | (89) | – | – | – | 2,594 | 1,129 | – | – | 1,465 |
| Infrastructure: | | | | | | | | | | | | | | | | | |
| – Buildings – non-specialised | – | 41,736 | 5,950 | – | 35,786 | 85 | – | (74) | (786) | – | – | – | 41,728 | 6,717 | – | – | 35,011 |
| – Roads | – | 109,670 | 41,020 | – | 68,650 | 1,531 | – | – | (2,333) | – | 532 | – | 111,870 | 43,490 | – | – | 68,380 |
| – Bridges | – | 33,691 | 11,990 | – | 21,701 | 277 | – | – | (380) | – | – | – | 33,969 | 12,371 | – | – | 21,598 |
| – Footpaths | – | 2,166 | 575 | – | 1,591 | – | 214 | – | (22) | – | – | – | 2,379 | 596 | – | – | 1,783 |
| – Bulk earthworks (non-depreciable) | – | 160,798 | – | – | 160,798 | 2,316 | – | – | – | – | – | – | 163,114 | – | – | – | 163,114 |
| – Stormwater drainage | – | 22,525 | 8,207 | – | 14,318 | – | – | – | (225) | – | – | – | 22,525 | 8,432 | – | – | 14,093 |
| – Water supply network | – | 55,599 | 14,042 | – | 41,557 | 135 | 29 | – | (687) | 7 | 824 | – | 56,586 | 14,721 | – | – | 41,865 |
| – Sewerage network | – | 50,578 | 17,043 | – | 33,535 | 165 | 2,955 | – | (922) | 1 | 745 | – | 53,698 | 17,219 | – | – | 36,479 |
| – Swimming pools | – | 1,886 | 798 | – | 1,088 | – | – | – | (55) | (5) | 1 | – | 2,006 | 977 | – | – | 1,029 |
| – Other open space/recreational assets | – | 5,654 | 2,584 | – | 3,070 | 2 | – | – | (213) | – | (147) | – | 3,859 | 1,147 | – | – | 2,712 |
| – Other infrastructure | – | 1,557 | 604 | – | 953 | 5 | – | – | (30) | 1 | 1,313 | – | 3,166 | 924 | – | – | 2,242 |
| Other assets: | | | | | | | | | | | | | | | | | |
| – Library books | – | 5 | 5 | – | – | – | – | – | – | – | – | – | 5 | 5 | – | – | – |
| – Other | – | 367 | 168 | – | 199 | – | – | – | (5) | (1) | – | – | 366 | 173 | – | – | 193 |
| Reinstatement, rehabilitation and restoration assets (refer Note 26): | | | | | | | | | | | | | | | | | |
| – Tip assets | – | 363 | 115 | – | 248 | – | – | – | (17) | – | – | – | 363 | 132 | – | – | 231 |
| – Quarry assets | – | 34 | 34 | – | – | – | – | – | – | – | – | – | 34 | 34 | – | – | – |
| – Other assets | – | – | – | – | – | – | – | – | 1 | – | – | – | – | – | – | – | – |
| TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP. | – | 532,864 | 112,930 | – | 419,934 | 5,051 | 4,576 | (160) | (6,519) | – | 7,124 | 533 | 545,922 | 116,449 | – | – | 430,006 |

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 2016

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

| \$ '000 | Actual | | | | Actual | | | |
|------------------------------------|---------|----------------|-------------------|----------------|---------|----------------|-------------------|----------------|
| | 2016 | | | | 2015 | | | |
| Class of asset | At cost | At fair value | A/Dep & impairm't | Carrying value | At cost | At fair value | A/Dep & impairm't | Carrying value |
| Water supply | | | | | | | | |
| WIP | – | 101 | – | 101 | – | – | – | – |
| Plant and equipment | – | 609 | 475 | 134 | – | 610 | 467 | 143 |
| Office equipment | – | 117 | 47 | 70 | – | 117 | 44 | 73 |
| Furniture and fittings | – | 29 | 26 | 3 | – | 29 | 26 | 3 |
| Land | | | | | | | | |
| – Operational land | – | 1,850 | – | 1,850 | – | 1,850 | – | 1,850 |
| – Improvements - depreciable | – | 106 | 40 | 66 | – | 106 | 37 | 69 |
| Buildings | – | 362 | 76 | 286 | – | 362 | 55 | 307 |
| Other structures | – | 30 | 10 | 20 | – | 29 | 8 | 21 |
| Infrastructure | – | 56,586 | 14,721 | 41,865 | – | 55,599 | 14,042 | 41,557 |
| Total water supply | – | 59,790 | 15,395 | 44,395 | – | 58,702 | 14,679 | 44,023 |
| Sewerage services | | | | | | | | |
| Plant and equipment | – | 524 | 332 | 192 | – | 543 | 309 | 234 |
| Office equipment | – | 205 | 87 | 118 | – | 201 | 76 | 125 |
| Furniture and fittings | – | 4 | 4 | – | – | 4 | 4 | – |
| Land | | | | | | | | |
| – Operational land | – | 3,991 | – | 3,991 | – | 3,991 | – | 3,991 |
| Buildings | – | 5,457 | 172 | 5,285 | – | 5,458 | 77 | 5,381 |
| Other structures | – | 136 | 77 | 59 | – | 135 | 73 | 62 |
| Infrastructure | – | 53,698 | 17,219 | 36,479 | – | 50,578 | 17,043 | 33,535 |
| Other assets | – | 38 | 38 | – | – | 38 | 38 | – |
| Total sewerage services | – | 64,053 | 17,929 | 46,124 | – | 60,948 | 17,620 | 43,328 |
| Domestic waste management | | | | | | | | |
| Plant and equipment | – | 102 | 33 | 69 | – | 69 | 28 | 41 |
| Land | | | | | | | | |
| – Operational land | – | 1,259 | – | 1,259 | – | 1,259 | – | 1,259 |
| – Community land | – | 126 | – | 126 | – | 126 | – | 126 |
| – Improvements - depreciable | – | 392 | 114 | 278 | – | 392 | 107 | 285 |
| Buildings | – | 717 | 165 | 552 | – | 717 | 95 | 622 |
| Other structures | – | 184 | 74 | 110 | – | 184 | 61 | 123 |
| Future reinstatement costs | – | 363 | 132 | 231 | – | 363 | 99 | 264 |
| Total DWM | – | 3,143 | 518 | 2,625 | – | 3,110 | 390 | 2,720 |
| TOTAL RESTRICTED I,PP&E | – | 126,986 | 33,842 | 93,144 | – | 122,760 | 32,689 | 90,071 |

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 2016

Note 10a. Payables, borrowings and provisions

| \$ '000 | Notes | 2016 | | 2015 | |
|--|-------|--------------|--------------|--------------|--------------|
| | | Current | Non-current | Current | Non-current |
| Payables | | | | | |
| Goods and services – operating expenditure | | 2,011 | – | 2,182 | – |
| Payments received in advance | | 216 | – | 189 | – |
| Accrued expenses: | | | | | |
| – Borrowings | | 113 | – | 118 | – |
| – Salaries and wages | | 145 | 7 | 150 | 8 |
| – Other expenditure accruals | | 93 | – | 229 | – |
| Security bonds, deposits and retentions | | 189 | – | 179 | – |
| Total payables | | 2,767 | 7 | 3,047 | 8 |
| Borrowings | | | | | |
| Loans – secured ¹ | | 628 | 8,403 | 595 | 9,032 |
| Total borrowings | | 628 | 8,403 | 595 | 9,032 |
| Provisions | | | | | |
| Employee benefits: | | | | | |
| Annual leave | | 735 | – | 799 | – |
| Sick leave | | 448 | – | 537 | – |
| Long service leave | | 1,404 | 128 | 1,473 | 151 |
| Other leave – RDO and TIL | | 132 | – | 134 | – |
| Sub-total – aggregate employee benefits | | 2,719 | 128 | 2,943 | 151 |
| Asset remediation/restoration (future works) | 26 | 70 | 536 | – | 580 |
| Total provisions | | 2,789 | 664 | 2,943 | 731 |
| TOTAL PAYABLES, BORROWINGS AND PROVISIONS | | 6,184 | 9,074 | 6,585 | 9,771 |
| (i) Liabilities relating to restricted assets | | | | | |
| | | 2016 | | 2015 | |
| | | Current | Non-current | Current | Non-current |
| Externally restricted assets | | | | | |
| Water | | 6 | – | 7 | – |
| Sewer | | 18 | – | 17 | – |
| Other | | 117 | – | 117 | – |
| Liabilities relating to externally restricted assets | | 141 | – | 141 | – |
| Internally restricted assets | | | | | |
| Nil | | | | | |
| Total liabilities relating to restricted assets | | 141 | – | 141 | – |
| Total liabilities relating to unrestricted assets | | 6,043 | 9,074 | 6,444 | 9,771 |
| TOTAL PAYABLES, BORROWINGS AND PROVISIONS | | 6,184 | 9,074 | 6,585 | 9,771 |

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 2016

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

| \$ '000 | Actual 2016 | Actual 2015 |
|---------|----------------|----------------|
|---------|----------------|----------------|

(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 | 1,993 | 1,910 |
| | 1,993 | 1,910 |

Note 10b. Description of and movements in provisions

| Class of provision | 2015 | | 2016 | | | Closing balance as at 30/6/16 |
|--------------------------|------------------------------|-----------------------|--------------------------|--|-------------------------|-------------------------------|
| | Opening balance as at 1/7/15 | Additional provisions | Decrease due to payments | Remeasurement effects due to discounting | Unused amounts reversed | |
| Annual leave | 799 | 685 | (749) | – | – | 735 |
| Sick leave | 537 | (89) | – | – | – | 448 |
| Long service leave | 1,624 | 312 | (404) | – | – | 1,532 |
| Other leave (enter detai | 134 | (2) | – | – | – | 132 |
| Asset remediation | 580 | – | – | 26 | – | 606 |
| TOTAL | 3,674 | 906 | (1,153) | 26 | – | 3,453 |

- 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 2016

Note 11. Statement of cash flows – additional information

| \$ '000 | Notes | Actual 2016 | Actual 2015 |
|---|-------|----------------|----------------|
| (a) Reconciliation of cash assets | | | |
| Total cash and cash equivalent assets | 6a | 8,158 | 3,149 |
| Less bank overdraft | 10 | – | – |
| Balance as per the Statement of Cash Flows | | 8,158 | 3,149 |
| (b) Reconciliation of net operating result to cash provided from operating activities | | | |
| Net operating result from Income Statement | | 4,395 | 882 |
| Adjust for non-cash items: | | | |
| Depreciation and amortisation | | 6,519 | 9,065 |
| Net losses/(gains) on disposal of assets | | (118) | (129) |
| Non-cash capital grants and contributions | | – | (356) |
| Amortisation of premiums, discounts and prior period fair valuations | | | |
| – Interest on all fair value adjusted interest free advances made by Council | | (2) | (3) |
| Unwinding of discount rates on reinstatement provisions | | 26 | 29 |
| +/- Movement in operating assets and liabilities and other cash items: | | | |
| Decrease/(increase) in receivables | | 8 | 494 |
| Increase/(decrease) in provision for doubtful debts | | – | (1) |
| Decrease/(increase) in inventories | | (13) | 29 |
| Decrease/(increase) in other assets | | (35) | 12 |
| Increase/(decrease) in payables | | (171) | 493 |
| Increase/(decrease) in accrued interest payable | | (5) | 27 |
| Increase/(decrease) in other accrued expenses payable | | (142) | (181) |
| Increase/(decrease) in other liabilities | | 37 | (54) |
| Increase/(decrease) in employee leave entitlements | | (247) | 300 |
| Increase/(decrease) in other provisions | | – | (128) |
| Net cash provided from/(used in) operating activities from the Statement of Cash Flows | | 10,252 | 10,479 |
| (c) Non-cash investing and financing activities | | | |
| Bushfire grants | | – | 356 |
| Total non-cash investing and financing activities | | – | 356 |

Bellingen Shire Council

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

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

| \$ '000 | Notes | Actual 2016 | Actual 2015 |
|--|-------|----------------|----------------|
| (d) Financing arrangements | | | |
| (i) Unrestricted access was available at balance date to the following lines of credit: | | | |
| Credit cards/purchase cards | | 20 | 20 |
| Total financing arrangements | | 20 | 20 |
| Amounts utilised as at balance date: | | | |
| – Credit cards/purchase cards | | 8 | 10 |
| Total financing arrangements utilised | | 8 | 10 |
| (ii) Secured loan liabilities | | | |
| Loans are secured by a mortgage over future years rate revenue only. | | | |

Note 12. Commitments for expenditure

(a) Capital commitments (exclusive of GST)

Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

| | | | |
|--|--|----------|--------------|
| Property, plant and equipment | | | |
| Sewerage treatment works | | – | 2,684 |
| Total commitments | | – | 2,684 |
| These expenditures are payable as follows: | | | |
| Within the next year | | – | 2,684 |
| Total payable | | – | 2,684 |
| Sources for funding of capital commitments: | | | |
| Sect 64 and 94 funds/reserves | | – | 2,684 |
| Total sources of funding | | – | 2,684 |

(b) Finance lease commitments

Nil

(c) Operating lease commitments (non-cancellable)

Nil

(d) Investment property commitments

Nil

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

| \$ '000 | Amounts 2016 | Indicator 2016 | Prior periods | |
|--|-----------------|-------------------|---------------|-----------|
| | | | 2015 | 2014 |
| Local government industry indicators – consolidated | | | | |
| 1. Operating performance ratio | | | | |
| Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses | <u>(1,037)</u> | -3.63% | -21.38% | -39.07% |
| Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions | <u>28,534</u> | | | |
| 2. Own source operating revenue ratio | | | | |
| Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions | <u>22,334</u> | 65.98% | 63.85% | 71.68% |
| Total continuing operating revenue ⁽¹⁾ | <u>33,848</u> | | | |
| 3. Unrestricted current ratio | | | | |
| Current assets less all external restrictions ⁽²⁾ | <u>10,439</u> | 2.58x | 1.92x | 2.76x |
| Current liabilities less specific purpose liabilities ^(3, 4) | <u>4,050</u> | | | |
| 4. Debt service cover ratio | | | | |
| Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation | <u>6,095</u> | 5.04x | 6.05x | 0.77x |
| Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement) | <u>1,209</u> | | | |
| 5. Rates, annual charges, interest and extra charges outstanding percentage | | | | |
| Rates, annual and extra charges outstanding | <u>962</u> | 6.99% | 7.37% | 8.14% |
| Rates, annual and extra charges collectible | <u>13,759</u> | | | |
| 6. Cash expense cover ratio | | | | |
| Current year's cash and cash equivalents plus all term deposits | <u>34,758</u> | 15.16 | 17.0 mths | 14.3 mths |
| Payments from cash flow of operating and financing activities | <u>2,293</u> | mths | | |

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.

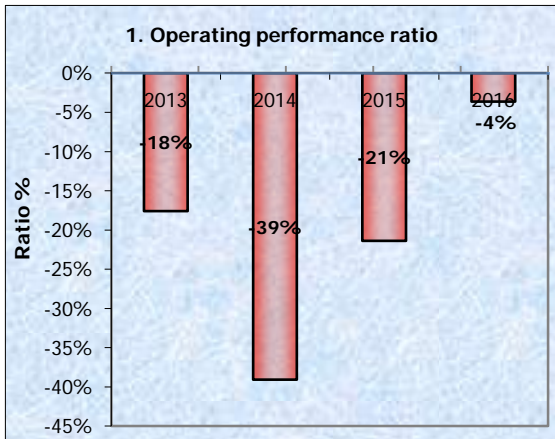
(3) Refer to Note 10(a).

(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 2016

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 2015/16 result

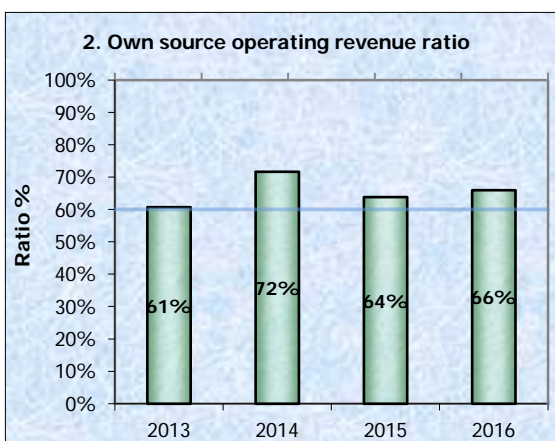
2015/16 ratio -3.63%

Council has seen a steady improvement in operating result over the past few years due to a number of initiatives that Council has undertaken including in more recent years those commitments in its Fit For the Future (FFF) submissions

Benchmark: — Minimum $\geq 0.00\%$

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

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 2015/16 result

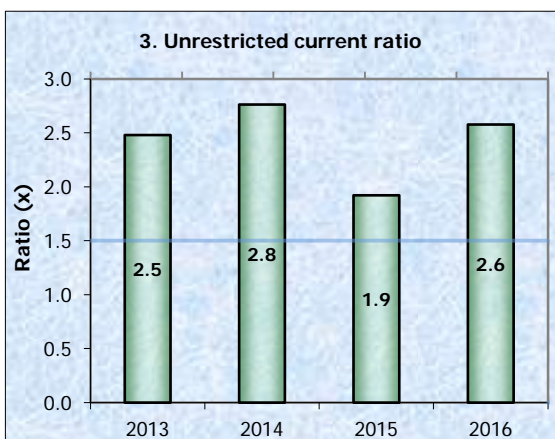
2015/16 ratio 65.98%

This ratio exceeds the industry benchmark of 60% indicating Council's ability to generate own source revenue, primarily through rating revenue.

Benchmark: — Minimum $\geq 60.00\%$

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

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 2015/16 result

2015/16 ratio 2.58x

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

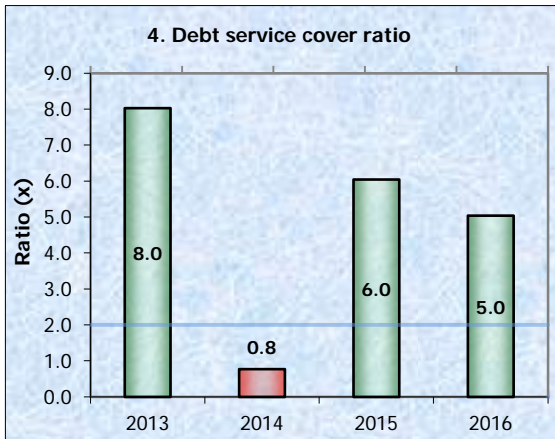
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark
 Ratio is outside benchmark

Bellingen Shire Council

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

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 2015/16 result

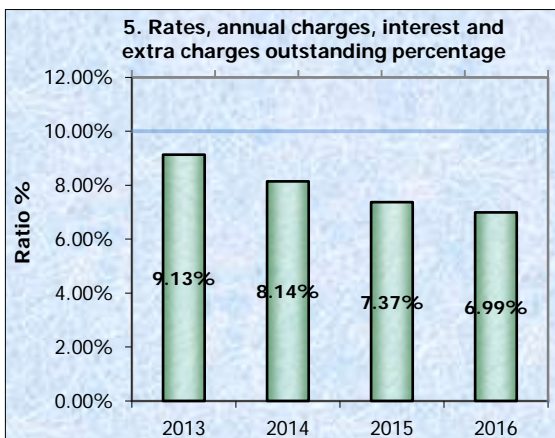
2015/16 ratio 5.04x

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 #24

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 2015/16 result

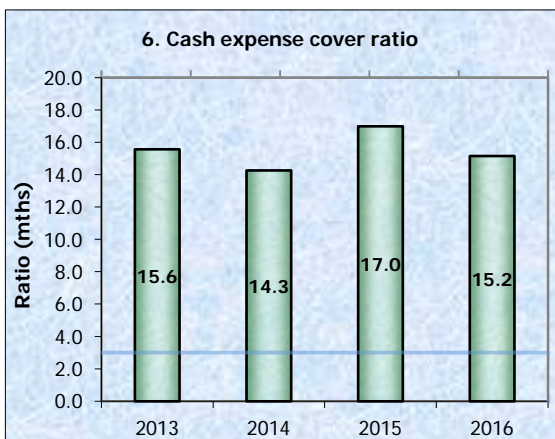
2015/16 ratio 6.99%

Councils result shows a continual improvement over the past four years to this ratio. Council staff will continue to maintain its recovery efforts throughout 2016/17 in an attempt to reduce outstanding rates and charges even further to continue to improve Councils liquidity.

Benchmark: Maximum <10.00%

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

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 2015/16 result

2015/16 ratio 15.16 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 #24

Ratio achieves benchmark
 Ratio is outside benchmark

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

| \$ '000 | Water 2016 | Sewer 2016 | General ⁵ 2016 |
|--|---------------------------|----------------|------------------------------|
| Local government industry indicators – by fund | | | |
| 1. Operating performance ratio | | | |
| <u>Total continuing operating revenue⁽¹⁾ excluding capital grants and contributions less operating expenses</u> | 11.64% | 6.55% | -6.99% |
| Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions | prior period: 5.55% | 7.04% | -29.53% |
| 2. Own source operating revenue ratio | | | |
| <u>Total continuing operating revenue⁽¹⁾ excluding all grants and contributions</u> | 96.84% | 77.20% | 61.08% |
| Total continuing operating revenue ⁽¹⁾ | prior period: 94.72% | 68.07% | 59.71% |
| 3. Unrestricted current ratio | | | |
| <u>Current assets less all external restrictions⁽²⁾</u> | 1941.33x | 187.44x | 2.58x |
| Current liabilities less specific purpose liabilities ^(3,4) | prior period: 1,567.43x | 215.12x | 1.92x |
| 4. Debt service cover ratio | | | |
| <u>Operating result⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation</u> | 0.00 | 0.00 | 3.12x |
| Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement) | prior period: 0.00x | 0.00x | 2.88x |
| 5. Rates, annual charges, interest and extra charges outstanding percentage | | | |
| <u>Rates, annual and extra charges outstanding</u> | 110.94% | 6.81% | 2.45% |
| Rates, annual and extra charges collectible | prior period: 21.14% | 7.46% | 3.30% |
| 6. Cash expense cover ratio | | | |
| <u>Current year's cash and cash equivalents plus all term deposits</u> x12 | 0.00 | 0.00 | 14.87 mths |
| Payments from cash flow of operating and financing activities | prior period: 101.65 mths | 24.94 mths | 8.99 mths |

Notes

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

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

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 14. Investment properties

| \$ '000 | Notes | Actual 2016 | Actual 2015 |
|--|-------|---------------------|---------------------|
| (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 2016 revaluations are not based on an independent assessment and valuation.

Councils investment property value was reviewed during 2015/16 financial year. It was determined that there was no material variation from the desktop valuation provided by APV Valuers in the 2013/14 financial year.

(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 | | 69 | 108 |
| Direct operating expenses on investment properties: | | | |
| – that generated rental income | | (23) | (23) |
| Net revenue contribution from investment properties | | <u>46</u> | <u>85</u> |
| Total income attributable to investment properties | | <u>46</u> | <u>85</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 2016

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 | |
|------------------------------------|----------------|---------------|---------------|---------------|
| | 2016 | 2015 | 2016 | 2015 |
| Financial assets | | | | |
| Cash and cash equivalents | 8,158 | 3,149 | 8,158 | 3,149 |
| Investments | | | | |
| – 'Held to maturity' | 26,600 | 31,300 | 26,600 | 31,300 |
| Receivables | 5,215 | 5,223 | 5,215 | 5,223 |
| Total financial assets | 39,973 | 39,672 | 39,973 | 39,672 |
| Financial liabilities | | | | |
| Payables | 2,558 | 2,866 | 2,558 | 2,866 |
| Loans/advances | 9,031 | 9,627 | 9,031 | 9,627 |
| Total financial liabilities | 11,589 | 12,493 | 11,589 | 12,493 |

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 2016

Note 15. Financial risk management (continued)

\$ '000

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

Council 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.

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

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

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

| | Increase of values/rates | | Decrease of values/rates | |
|--|--------------------------|--------|--------------------------|--------|
| | Profit | Equity | Profit | Equity |
| 2016 | | | | |
| Possible impact of a 10% movement in market values | 96 | 96 | (96) | (96) |
| Possible impact of a 1% movement in interest rates | 321 | 321 | (321) | (321) |
| 2015 | | | | |
| Possible impact of a 10% movement in market values | – | – | – | – |
| Possible impact of a 1% movement in interest rates | 318 | 318 | (318) | (318) |

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

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

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

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

| | 2016 Rates and annual charges | 2016 Other receivables | 2015 Rates and annual charges | 2015 Other receivables |
|--|--|------------------------------|--|------------------------------|
| (i) Ageing of receivables – % | | | | |
| Current (not yet overdue) | 93% | 98% | 94% | 98% |
| Overdue | 7% | 2% | 6% | 2% |
| | 100% | 100% | 100% | 100% |
| (ii) Ageing of receivables – value | | | | |
| Rates and annual charges | Other receivables | | Rates and annual charges | Other receivables |
| Current | Current | 783 | 756 | 4,376 |
| < 1 year overdue | 0 – 30 days overdue | – | 48 | 14 |
| 1 – 2 years overdue | 30 – 60 days overdue | – | – | 29 |
| 2 – 5 years overdue | 60 – 90 days overdue | – | – | 1 |
| > 5 years overdue | > 90 days overdue | – | – | 33 |
| | | 783 | 804 | 4,453 |
| (iii) Movement in provision for impairment of receivables | | | | |
| | | | 2016 | 2015 |
| Balance at the beginning of the year | | | 34 | 35 |
| – amounts already provided for and written off this year | | | – | (1) |
| Balance at the end of the year | | | 34 | 34 |

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

| \$ '000 | Subject to no maturity | payable in: | | | | | | Total cash outflows | Actual carrying values |
|------------------------------------|------------------------|--------------|------------|------------|------------|------------|--------------|---------------------|------------------------|
| | | ≤ 1 Year | 1-2 Yrs | 2-3 Yrs | 3-4 Yrs | 4-5 Yrs | > 5 Yrs | | |
| 2016 | | | | | | | | | |
| Trade/other payables | 189 | 2,369 | – | – | – | – | – | 2,558 | 2,558 |
| Loans and advances | – | 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 |
| 2015 | | | | | | | | | |
| Trade/other payables | 179 | 2,687 | – | – | – | – | – | 2,866 | 2,866 |
| Loans and advances | – | 595 | 628 | 663 | 701 | 738 | 6,302 | 9,627 | 9,627 |
| Total financial liabilities | 179 | 3,282 | 628 | 663 | 701 | 738 | 6,302 | 12,493 | 12,493 |

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

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

| | 2016 | | 2015 | |
|--|----------------|-----------------------|----------------|-----------------------|
| | Carrying value | Average interest rate | Carrying value | Average interest rate |
| Trade/other payables | 2,558 | 0.00% | 2,866 | 0.00% |
| Loans and advances – fixed interest rate | 9,031 | 6.44% | 9,627 | 6.44% |
| | <u>11,589</u> | | <u>12,493</u> | |

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 16. Material budget variations

\$ '000

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

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

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

Note that for variations* of budget to actual :

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

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

| \$ '000 | 2016 Budget | 2016 Actual | 2016 ----- Variance* ----- | | |
|--|----------------|----------------|-------------------------------|-------|----------|
| REVENUES | | | | | |
| Rates and annual charges | 12,856 | 12,682 | (174) | (1%) | U |
| User charges and fees | 6,085 | 7,986 | 1,901 | 31% | F |
| User charges were above budget as the RMS contracted council for more works on MR76 than anticipated. | | | | | |
| Interest and investment revenue | 1,110 | 1,228 | 118 | 11% | F |
| Council took a conservative approach to budgeting for investment revenues due to the declining interest rate market. Councils overall cash and investments on hand during the year were much higher than anticipated in Councils Long Term Financial Plan resulting in higher investment revenues. | | | | | |
| Other revenues | 492 | 438 | (54) | (11%) | U |
| Actual income is lower than budget primarily as a result of a decrease in rental income due to a vacancy at the Urunga shops (investment property). | | | | | |
| Operating grants and contributions | 5,816 | 6,200 | 384 | 7% | F |
| Capital grants and contributions | 2,284 | 5,314 | 3,030 | 133% | F |
| Capital grants received were much higher than budgeted due to the receiving of NDRRA Flood Grants during the year. | | | | | |
| Net gains from disposal of assets | – | 118 | 118 | 0% | F |

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 16. Material budget variations (continued)

| \$ '000 | 2016 Budget | 2016 Actual | 2016 Variance* | | |
|---|----------------|----------------|-------------------|----------|----------|
| EXPENSES | | | | | |
| Employee benefits and on-costs | 10,665 | 10,302 | 363 | 3% | F |
| Borrowing costs | 448 | 613 | (165) | (37%) | U |
| Unbudgeted amortisation of Tips and quarries. | | | | | |
| Materials and contracts | 8,055 | 9,440 | (1,385) | (17%) | U |
| Material costs were above budget as the RMS contracted council for more works on MR76 than anticipated. | | | | | |
| Depreciation and amortisation | 8,783 | 6,519 | 2,264 | 26% | F |
| Depreciation is much lower than budget due to the revaluation of the roads, bridges, footpaths and stormwater assets in 2014/15. In addition to the above Council no longer records Rural Fire Service Assets on their books, resulting in a significant decline in the depreciation figure for the year. | | | | | |
| Other expenses | 3,303 | 2,697 | 606 | 18% | F |
| Other expenses are lower than expected due to vehicle running expenses being shown in materials and contracts rather than in Other Expenses as in the budget. | | | | | |
| Budget variations relating to Council's Cash Flow Statement include: | | | | | |
| Cash flows from operating activities | 6,225 | 10,252 | 4,027 | 64.7% | F |
| Cash flows from operating activities were higher than expected to due increased funding from RMS for works on MR76 and flood damage. | | | | | |
| Cash flows from investing activities | (6,177) | (4,647) | 1,530 | (24.8%) | F |
| Cash flows from financing activities | 340 | (596) | (936) | (275.3%) | U |

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 17. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

| PURPOSE | Opening balance | Contributions received during the year | | Interest earned in year | Expenditure during year | Internal borrowing (to)/from | Held as restricted asset | Cumulative internal borrowings due/(payable) |
|---|-----------------|--|----------|-------------------------|-------------------------|------------------------------|--------------------------|--|
| | | Cash | Non-cash | | | | | |
| Drainage | 10 | – | – | 1 | – | – | 11 | – |
| Roads | 2,543 | 147 | – | 52 | (85) | – | 2,657 | – |
| Parking | 28 | – | – | – | – | – | 28 | – |
| Community facilities | 859 | 18 | – | 17 | (43) | – | 851 | – |
| S94 contributions – under a plan | 3,440 | 165 | – | 70 | (128) | – | 3,547 | – |
| Total S94 revenue under plans | 3,440 | 165 | – | 70 | (128) | – | 3,547 | – |
| S94 not under plans | 102 | – | – | 1 | – | – | 103 | – |
| S64 contributions | 5,608 | 51 | – | 109 | (710) | – | 5,058 | – |
| Total contributions | 9,150 | 216 | – | 180 | (838) | – | 8,708 | – |

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN - 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 | 741 | 15 | – | 15 | (43) | – | 728 | – |
| Total | 741 | 15 | – | 15 | (43) | – | 728 | – |

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 - Bellingen 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 | 2,510 | 147 | – | 52 | (85) | – | 2,624 | – |
| Total | 2,510 | 147 | – | 52 | (85) | – | 2,624 | – |

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 | – | – | – | – | – | 20 | – |
| Total | 20 | – | – | – | – | – | 20 | – |

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN - 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 | 118 | 3 | – | 2 | – | – | 123 | – |
| Total | 118 | 3 | – | 2 | – | – | 123 | – |

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 | 10 | – | – | 1 | – | – | 11 | – |
| Total | 10 | – | – | 1 | – | – | 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 | – |

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 | 10 | – | – | 1 | – | – | 11 | – |
| Other | 92 | – | – | – | – | – | 92 | – |
| Total | 102 | – | – | 1 | – | – | 103 | – |

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of its share of the net deficit and accordingly Council has not recorded any net liability from its defined benefit scheme obligations in accordance with AASB 119.

Future contributions made to the defined benefit scheme to rectify the net deficit position will be recognised as an expense when they become payable – similar to the accounting for defined contributions plans.

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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 2016

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.

ASSETS NOT RECOGNISED:

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

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 2016

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

| \$ '000 | Notes | Actual 2016 | Actual 2015 |
|---|--------|----------------|----------------|
| (a) Retained earnings | | | |
| Movements in retained earnings were as follows: | | | |
| Balance at beginning of year (from previous years audited accounts) | | 259,695 | 258,813 |
| a. Correction of prior period errors | 20 (c) | 6 | 6 |
| b. Net operating result for the year | | 4,395 | 882 |
| Balance at end of the reporting period | | 264,096 | 259,701 |
| (b) Revaluation reserves | | | |
| (i) Reserves are represented by: | | | |
| – Infrastructure, property, plant and equipment revaluation reserve | | 192,833 | 185,709 |
| Total | | 192,833 | 185,709 |
| (ii) Reconciliation of movements in reserves: | | | |
| Infrastructure, property, plant and equipment revaluation reserve | | | |
| – Opening balance | | 185,709 | 285,263 |
| – Revaluations for the year | 9(a) | 7,124 | (99,554) |
| – Balance at end of year | | 192,833 | 185,709 |
| TOTAL VALUE OF RESERVES | | 192,833 | 185,709 |
| (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 disclosed in this year's financial statements: | | | |
| – Adjustments 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 closing equity – 30/6/15 (relating to adjustments for the 30/6/15 year end) | | 6 | – |
| Total prior period adjustments – prior period errors | | 6 | – |
| (d) Voluntary changes in accounting policies | | | |
| Council made no voluntary changes in any accounting policies during the year. | | | |

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 21. Financial result and financial position by fund

| Income Statement by fund \$ '000 | Actual 2016 | Actual 2016 | Actual 2016 |
|--|----------------|----------------|----------------------------|
| <u>Continuing operations</u> | Water | Sewer | General¹ |
| Income from continuing operations | | | |
| Rates and annual charges | 457 | 2,953 | 9,272 |
| User charges and fees | 1,688 | 199 | 6,099 |
| Interest and investment revenue | 482 | 132 | 614 |
| Other revenues | 6 | – | 432 |
| Grants and contributions provided for operating purposes | 55 | 42 | 6,103 |
| Grants and contributions provided for capital purposes | 31 | 931 | 4,352 |
| Other income | | | |
| Net gains from disposal of assets | – | 6 | 112 |
| Total income from continuing operations | 2,719 | 4,263 | 26,984 |
| Expenses from continuing operations | | | |
| Employee benefits and on-costs | 998 | 1,160 | 8,144 |
| Borrowing costs | – | – | 613 |
| Materials and contracts | 330 | 677 | 8,433 |
| Depreciation and amortisation | 718 | 1,069 | 4,732 |
| Impairment | – | – | – |
| Other expenses | 329 | 247 | 2,121 |
| Total expenses from continuing operations | 2,375 | 3,153 | 24,043 |
| Operating result from continuing operations | 344 | 1,110 | 2,941 |
| <u>Discontinued operations</u> | | | |
| Net profit/(loss) from discontinued operations | – | – | – |
| Net operating result for the year | 344 | 1,110 | 2,941 |
| Net operating result attributable to each council fund | 344 | 1,110 | 2,941 |
| Net operating result attributable to non-controlling interests | – | – | – |
| Net operating result for the year before grants and contributions provided for capital purposes | 313 | 179 | (1,411) |

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 2016

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

| Statement of Financial Position by fund \$ '000 | Actual 2016 | Actual 2016 | Actual 2016 |
|--|----------------|----------------|----------------------------|
| ASSETS | Water | Sewer | General¹ |
| Current assets | | | |
| Cash and cash equivalents | 351 | 312 | 7,495 |
| Investments | 15,000 | 3,000 | 8,600 |
| Receivables | 834 | 566 | 3,696 |
| Inventories | 17 | – | 232 |
| Other | – | – | 35 |
| Non-current assets classified as 'held for sale' | – | – | – |
| Total current assets | 16,202 | 3,878 | 20,058 |
| Non-current assets | | | |
| Investments | – | – | – |
| Receivables | – | – | 119 |
| Inventories | – | – | – |
| Infrastructure, property, plant and equipment | 44,394 | 46,124 | 339,488 |
| Investments accounted for using the equity method | – | – | – |
| Investment property | – | – | 1,924 |
| Intangible assets | – | – | – |
| Total non-current assets | 44,394 | 46,124 | 341,531 |
| TOTAL ASSETS | 60,596 | 50,002 | 361,589 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Payables | 7 | 18 | 2,742 |
| Borrowings | – | – | 628 |
| Provisions | – | – | 2,789 |
| Total current liabilities | 7 | 18 | 6,159 |
| Non-current liabilities | | | |
| Payables | – | – | 7 |
| Borrowings | – | – | 8,403 |
| Provisions | – | – | 664 |
| Total non-current liabilities | – | – | 9,074 |
| TOTAL LIABILITIES | 7 | 18 | 15,233 |
| Net assets | 60,589 | 49,984 | 346,356 |
| EQUITY | | | |
| Retained earnings | 19,135 | 11,280 | 233,681 |
| Revaluation reserves | 41,454 | 38,704 | 112,675 |
| Total equity | 60,589 | 49,984 | 346,356 |

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 2016

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

\$ '000

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

Note 23. Events occurring after the reporting date

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

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

Accordingly, the 'authorised for issue' date is 28/10/16.

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

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

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

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

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

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

Note 24. Discontinued operations

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

Bellingen Shire Council

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

Note 25. Intangible assets

\$ '000

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.

Note 26. Reinstatement, rehabilitation and restoration liabilities

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

| Asset/operation | Estimated year of restoration | NPV of provision | |
|---|-------------------------------------|------------------|------------|
| | | 2016 | 2015 |
| Tip remediation | 2030 | 536 | 510 |
| Quarry remediation | 2015 | 70 | 70 |
| Balance at end of the reporting period | 10(a) | 606 | 580 |

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 | 580 | 551 |
| Amounts capitalised to new or existing assets: | | |
| Amortisation of discount (expensed to borrowing costs) | 26 | 29 |
| Total – reinstatement, rehabilitation and restoration provision | 606 | 580 |

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement

\$ '000

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

- Infrastructure, property, plant and equipment
- 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 all assets and liabilities that have been measured and recognised at fair values:

| | Date | Fair value measurement hierarchy | | | Total |
|--|----------|---|--|--|----------------|
| | | Level 1 Quoted prices in active mkts | Level 2 Significant observable inputs | Level 3 Significant unobservable inputs | |
| 2016 | | | | | |
| 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 |

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

| 2015 | 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 | – | – | 3,516 | 3,516 |
| Office equipment | 30/06/13 | – | – | 485 | 485 |
| Furniture and fittings | 30/06/13 | – | – | 116 | 116 |
| Land – operational | 30/06/13 | – | – | 19,102 | 19,102 |
| Land – community | 30/06/13 | – | – | 11,665 | 11,665 |
| Land improvements – depreciated | 30/06/13 | – | – | 1,553 | 1,553 |
| Buildings – non-specialised | 30/06/13 | – | – | 35,786 | 35,786 |
| Roads | 30/06/15 | – | – | 68,650 | 68,650 |
| Bridges | 30/06/15 | – | – | 21,701 | 21,701 |
| Footpaths | 30/06/15 | – | – | 1,591 | 1,591 |
| Bulk earthworks | 30/06/15 | – | – | 160,798 | 160,798 |
| Stormwater drainage | 30/06/15 | – | – | 14,318 | 14,318 |
| Water supply network | 30/06/12 | – | – | 41,564 | 41,564 |
| Sewerage network | 30/06/12 | – | – | 33,536 | 33,536 |
| Swimming pools | 30/06/11 | – | – | 1,083 | 1,083 |
| Open space and recreation | 30/06/11 | – | – | 3,070 | 3,070 |
| Other infrastructure | 30/06/11 | – | – | 954 | 954 |
| Other assets | 30/06/13 | – | – | 198 | 198 |
| Tip assets | 30/06/10 | – | – | 248 | 248 |
| Total infrastructure, property, plant and equipment | | – | – | 419,934 | 419,934 |

(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 2016

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 2014 by APV Valuers & Asset Management - Damon Griggs AAPI, Certified Practising Valuer, Registered Valuer No: VAL017601. 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.

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

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

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.

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 2016

Note 27. Fair value measurement (continued)

Water System Assets

This class of assets includes water mains & reticulation, reservoirs, pumping stations and treatment works. 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 2012 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.

Sewer System Assets

This class of assets includes sewer mains & reticulation, pumping stations, treatment works and ancillary. 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 2012 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.

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.

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

| | Plant and equipment | Office equipment | Furniture and fittings | Land operational | Land community | Land improve ments | Buildings non specialised | Roads | Total |
|---|------------------------|---------------------|---------------------------|---------------------|-------------------|--------------------------|---------------------------------|---------------|----------------|
| Opening balance – 1/7/14 | 3,921 | 484 | 101 | 19,067 | 11,700 | 1,586 | 31,647 | 118,987 | 187,493 |
| Transfers from/(to) another asset class | (2) | (4) | (1) | – | – | (2) | (38) | 1 | (46) |
| Purchases (GBV) | 894 | 76 | 35 | – | – | 62 | 4,928 | 1,446 | 7,441 |
| Disposals (WDV) | (115) | – | – | – | – | – | – | – | (115) |
| Depreciation and impairment | (1,179) | (71) | (19) | – | – | (92) | (740) | (4,096) | (6,197) |
| Revaluations | – | – | – | – | – | – | – | (47,682) | (47,682) |
| Other movement (details here) | – | – | – | – | – | – | (11) | (6) | (17) |
| Closing balance – 30/6/15 | 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) |
| Revaluation | – | – | – | – | 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 |

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

| | Bridges | Footpaths | Bulk earthworks | Stormwater drainage | Water supply | Sewerage network | Swimming pools | Open space rec | Total |
|---|---------------|--------------|-----------------|---------------------|---------------|------------------|----------------|----------------|----------------|
| Opening balance – 1/7/14 | 20,214 | 2,729 | 211,322 | 14,750 | 41,540 | 33,510 | 1,135 | 3,092 | 328,292 |
| Transfers from/(to) another asset class | (1) | – | (1) | 1 | (8) | (2) | – | 54 | 43 |
| Purchases (GBV) | 2,228 | 320 | 386 | 51 | 529 | 406 | – | 78 | 3,998 |
| Depreciation and impairment | (605) | (41) | – | (379) | (695) | (882) | (47) | (169) | (2,818) |
| Revaluations | (135) | (1,417) | (50,909) | (105) | 191 | 503 | – | – | (51,872) |
| Closing balance – 30/6/15 | 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 |

Bellinghen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

| | Other infra structure | Library books | Other assets | Tip assets | Quarry assets | Total |
|---|--------------------------|------------------|-----------------|---------------|------------------|--------------|
| Opening balance – 1/7/14 | 977 | – | 136 | 264 | – | 1,377 |
| Transfers from/(to) another asset class | – | – | 3 | – | – | 3 |
| Purchases (GBV) | – | – | 80 | – | – | 80 |
| Depreciation and impairment | (24) | – | (10) | (16) | – | (50) |
| Closing balance – 30/6/15 | 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 |

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

Nil

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 2016

Note 28. 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

Elected members

MAYOR

Dominic King

RESPONSIBLE ACCOUNTING OFFICER

Chris Hodge

Other information

ABN: 26 066 993 265

Armidale

92 Rusden Street
PO Box 114
Armidale NSW 2350

p +61 2 6773 8400

f +61 2 6772 9957

email armidale@forsyths.com.au

Forsyths Business Services Pty Ltd
ABN 66 182 781 401

INDEPENDENT AUDIT REPORT
Report on the general purpose financial statements

To Bellingen Shire Council

SCOPE

The financial statements comprise the Income statement, statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the Statement by Councillors and Management in the approved form as required by Section 413(2)(C) of the *Local Government Act 1993* for Bellingen Shire Council (the Council), for the year ended 30th June 2016.

Councils' responsibility for the financial statements

The Council is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the *Local Government Act 1993* and regulations and the Local Government Code of Accounting Practice and Financial Reporting. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free of material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements to the Council based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Audit Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements is free from material misstatement. Our audit responsibility does not extend to the Original Budget figures included in the Income Statement and Statement of Cash Flows and the Original Budget disclosures in Notes 2 and 16 and accordingly, we express no opinion on them.

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

Knowledge with integrity

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

INDEPENDENCE

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

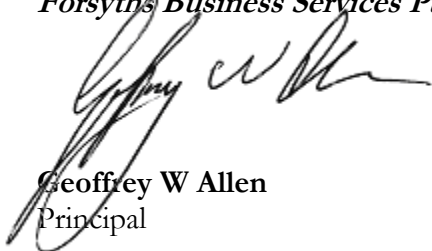
AUDIT OPINION

In our opinion:

- (a) the accounting records of the Council have been kept in accordance with the requirements of Division 2 of Part 3 of the *Local Government Act 1993*;
- (b) the general purpose financial statements:
 - (i) have been prepared in accordance with the requirements of Division 2 of Part 3 of the *Local Government Act 1993*;
 - (ii) are consistent with the Council's accounting records; and
 - (iii) presents fairly, in all material respects, the Council's financial position as at 30th June 2016 and the results of its operations for the year then ended;
- (c) we have been able to obtain all information relevant to the conduct of our audit; and
- (d) no material deficiencies in the records or the financial statements were detected in the course of the audit.

Forsyths

Forsyths Business Services Pty Ltd



Geoffrey W Allen
Principal

28 October 2016
92 Rusden Street, Armidale

Armidale

92 Rusden Street
PO Box 114
Armidale NSW 2350

p +61 2 6773 8400

f +61 2 6772 9957

e armidale@forsyths.com.au

ABN 24 935 296 225

28 October 2016

The Mayor
Bellingen Shire Council
PO Box 117
Bellingen 2454

Dear Mr Mayor

AUDIT OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

We are pleased to report that we have completed the audit of Council's financial statements and records for the year ended 30 June 2016 and have issued our audit opinion on the general purpose financial statements and special purpose financial statements as required by the provisions of Section 417(2) of the *Local Government Act 1993*.

Under Section 417(3) of the *Local Government Act 1993* we are also required to report on the conduct of the audit.

Council's responsibilities

The Council is responsible for preparing the financial statements that give a true and fair view of the financial position and performance of the Council, and that complies with Accounting Standards in Australia, in accordance with the *Local Government Act 1993*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial statements.

Audit Objectives

We have conducted an independent audit of the financial statements in order to express an opinion on them to the Council. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our audit responsibility does not extend to the Original Budget figures included in the Income Statement and Statement of Cash Flows the Original Budget disclosures in Notes 2 and 16 to the financial statements and accordingly, we express no opinion on them.

The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial statements presents fairly, in accordance with the *Local Government Act 1993*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of

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the Council's financial position, and its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial statements, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Council.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial statements. These and other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the Council.

We have issued our audit opinion on the basis of the foregoing comments.

Matters Relating to the Electronic Presentation of the Audited Financial Statements

This auditor's report relates to the financial statements of Bellinghen Shire Council for the year ended 30 June 2016 included on Bellinghen Shire Council's web site. The Council is responsible for the integrity of its web site. We have not been engaged to report on the integrity of the Council's web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.

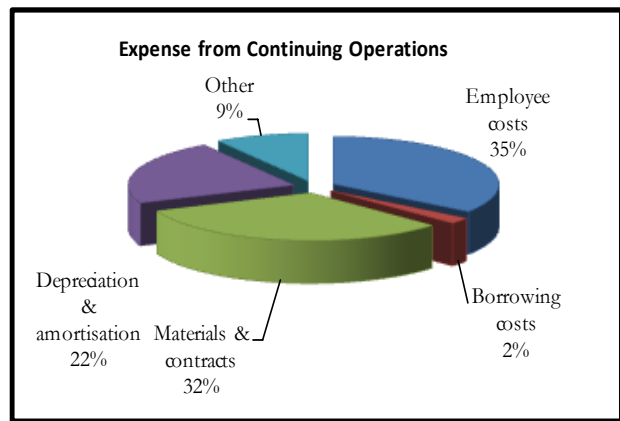
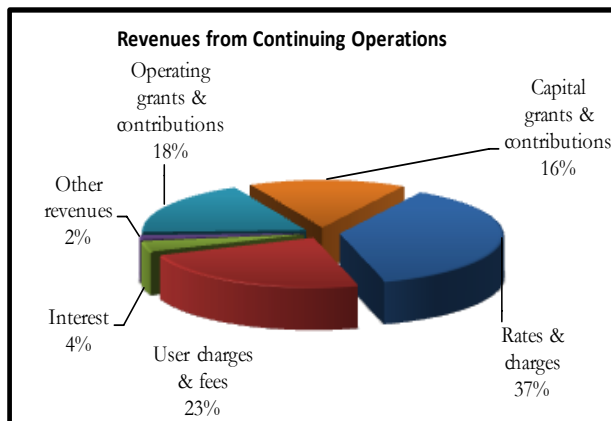


Additional Reporting Requirements

In accordance with Section 417(3) of the *Local Government Act 1993* we make the following comments in relation to the results and financial trends.

The Income Statement for the year ended 30 June 2016 discloses the following result:

| INCOME STATEMENT | Budget | Actual | Actual | Variance | |
|---|----------------|---------------|----------------|---------------|----------------|
| | 2016 | 2016 | 2015 | Actual | Budget |
| | \$'000 | \$'000 | \$'000 | | % |
| INCOME | | | | | |
| Rates & annual charges | 12,856 | 12,682 | 12,244 | 3.6% | -1.4% |
| User charges & fees | 6,085 | 7,986 | 6,696 | 19.3% | 31.2% |
| Interest | 1,110 | 1,228 | 1,209 | 1.6% | 10.6% |
| Other revenues from ordinary activities | 492 | 438 | 511 | -14.3% | -11.0% |
| Grants & contributions - Operating | 5,816 | 6,200 | 5,377 | 15.3% | 6.6% |
| Grants & contributions - Capital | 2,284 | 5,314 | 6,320 | -15.9% | 132.7% |
| Gain from sale of assets | 0 | 118 | 129 | -8.5% | 0.0% |
| Total Revenue from Ordinary Activities | 28,643 | 33,966 | 32,486 | 4.6% | 18.6% |
| EXPENSES | | | | | |
| Employee costs | 10,665 | 10,302 | 9,774 | 5.4% | 3.4% |
| Borrowing costs | 448 | 613 | 486 | 26.1% | -36.8% |
| Materials and contracts | 8,055 | 9,440 | 9,471 | -0.3% | -17.2% |
| Depreciation & amortisation | 8,783 | 6,519 | 9,065 | -28.1% | 25.8% |
| Other expenses from ordinary activities | 3,303 | 2,697 | 2,808 | -4.0% | 18.3% |
| Total Expenses from Ordinary Activities | 31,254 | 29,571 | 31,604 | -6.4% | 5.4% |
| NET OPERATING RESULT FOR THE YEAR | (2,611) | 4,395 | 882 | 398.3% | -268.3% |
| Net operating result before capital grants | (4,895) | (919) | (5,438) | -83.1% | -81.2% |



The financial statements report an operating surplus of \$4.4m for the year compared with a surplus of \$0.9m in the previous year. This result includes grants for capital purposes of \$5.3m. The expenditure of these grants is not recorded in this statement but in the statement of financial position and when excluded changes the surplus to a deficit of \$0.9m (2015: deficit \$5.4m).

Income increased compared to the prior year by 4.6%. The increase was mainly a result of increases in rates & charges, user charges & fees, interest and investment revenue, operating grants & contributions, which was partially offset by a decrease in capital grants & contributions.

- The increase in rates & annual charges is mainly due to the rate peg increase and increases in domestic waste and sewerage annual charges.



- The increase in user charges & fees was mainly due to increase in RMS state roads works and one off works for Lend Lease on Short Cut road.
- Interest has increased mainly as a result of increased cash and investments, which is partially offset by lower S64 contributions due to the completion of the Dorrigo sewerage treatment plant.
- The increase in operational grants & contributions is mainly a result of the increased funding received from Roads to Recovery.
- The decrease in capital grants and contributions is mainly due to a decrease in the grant for completion Dorrigo sewerage treatment works, which was partially offset by an increase in flood damage funding received during the year.

Expenditure decreased by 6.4% on the previous year. The decrease was mainly as a result of decreases in depreciation & amortisation and other expenses, which was partially offset increase in employee costs and borrowing costs.

- depreciation and amortisation has decreased as a result of the revaluation of roads and other infrastructure in the 2015 year.
- other expenses has decreased as a result of lower waste levy due to the completion of works on the pacific highway.
- Employee cost have increased mainly due to the increased use of contractors as a result of staff leave.
- Borrowing costs have increased as a result of an increase in interest paid.

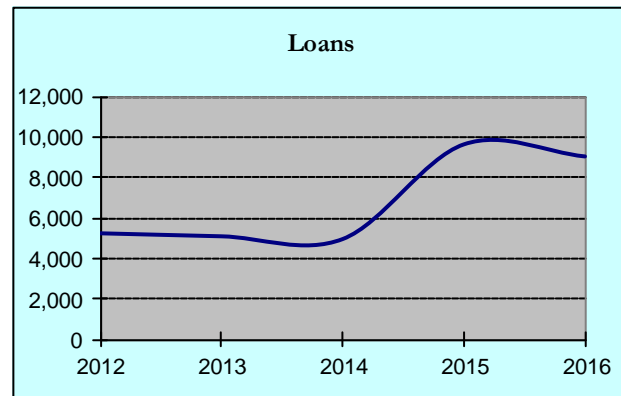
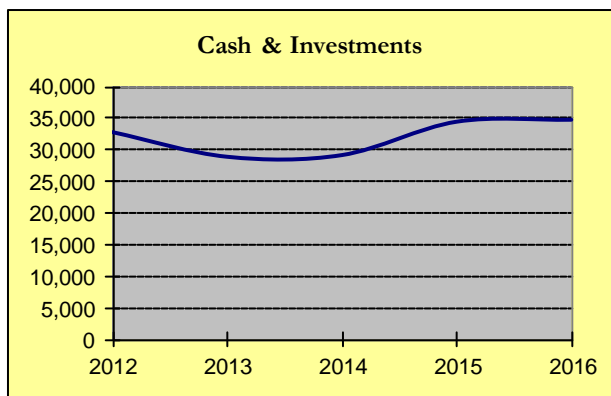
The actual operating surplus (including capital income) for the year of \$4.4m compares with the original budget deficit of \$2.6m. The variation between the actual results and the original budget is primarily due to the following:

| Budget Variations > than 10% and > \$0.5m | | Comment |
|---|---------------|---|
| User charges & fees | \$1,901,000 | User charges & fees were favourable to budget mainly due to higher than expected State road works funding during the year. |
| Capital Grants | \$3,030,000 | Capital grants were favourable to budget mainly due to increased flood restoration grants. |
| Materials & Contracts | (\$1,385,000) | Materials & contracts were unfavourable to budget mainly due to higher than expected costs of RMS State Roads works and flood restoration works not being included in the original budget. |
| Depreciation & Amortisation | \$2,264,000 | Depreciation & amortisation were favourable to budget due to the revaluation of roads and associated infrastructure in the 2015 year. Further, Council no longer includes Rural Fire Service Assets as part the property plant and equipment. |
| Other expenses from ordinary activities | \$606,000 | Favourable to budget mainly due to vehicle running expenses now being shown in materials and contracts. |



The following schedule of assets and liabilities has been extracted from the statement of financial position as at 30 June 2016. This schedule discloses the consolidated assets and liabilities of all functions.

| SCHEDULE OF ASSETS & LIABILITIES | 2016 \$'000 | 2015 \$'000 | Variance |
|---|------------------------|------------------------|-----------------|
| CURRENT ASSETS | | | |
| Cash Assets | 8,158 | 3,149 | 159.1% |
| Investment securities | 26,600 | 31,300 | -15.0% |
| Receivables | 5,096 | 5,156 | -1.2% |
| Inventories | 249 | 236 | 5.5% |
| Other | 35 | - | 0.0% |
| TOTAL CURRENT ASSETS | 40,138 | 39,841 | 0.7% |
| CURRENT LIABILITIES | | | |
| Payables | 2,767 | 3,047 | -9.2% |
| Interest Bearing Liabilities | 628 | 595 | 5.5% |
| Provisions | 2,789 | 2,943 | -5.2% |
| TOTAL CURRENT LIABILITIES | 6,184 | 6,585 | -6.1% |
| NET CURRENT ASSETS | 33,954 | 33,256 | 2.1% |
| NON-CURRENT ASSETS | | | |
| Receivables | 119 | 67 | 77.6% |
| Investment Property | 1,924 | 1,924 | 0.0% |
| Property Plant & Equipment | 430,006 | 419,934 | 2.4% |
| TOTAL NON-CURRENT ASSETS | 432,049 | 421,925 | 2.4% |
| NON-CURRENT LIABILITIES | | | |
| Payables | 7 | 8 | -12.5% |
| Provisions | 664 | 731 | -9.2% |
| Interest Bearing Liabilities | 8,403 | 9,032 | -7.0% |
| TOTAL NON-CURRENT LIABILITIES | 9,074 | 9,771 | -7.1% |
| NET ASSETS | 456,929 | 445,410 | 2.6% |



Cash and Investments as at 30th June 2016 total \$34.8m compared to \$34.4m in 2015 due to the reinvestment of term deposits.

Infrastructure, property, plant and equipment increased by \$10.1m, mainly as a result of asset additions of \$9.6m, revaluation of community land and other infrastructure of \$7.1m which is offset by depreciation of \$6.5m, asset disposals of \$0.1m.

Borrowings have decreased by \$0.6m due scheduled loan repayments.



Provisions decreased from \$3.7m in the prior year to \$3.5m due to a decrease in the number of staff now eligible for long service leave.

NET CURRENT ASSETS

The Net Current Asset position at year end is an important financial indicator as it discloses the working capital available to Council to fund day to day operations and finance infrastructure and new community projects. However, included in Current Assets are assets which are “Restricted” by regulation or other externally imposed requirements and therefore are not available for other than their restricted purpose. The following table isolates these restrictions:

| | Water \$'000 | Sewerage \$'000 | Dom Waste \$'000 | General \$'000 | Total \$'000 |
|---|-----------------|--------------------|---------------------|-------------------|-----------------|
| Current Assets | 16,202 | 3,878 | 797 | 19,261 | 40,138 |
| Current Liabilities | 7 | 18 | - | 6,159 | 6,184 |
| Net Current Assets | 16,195 | 3,860 | 797 | 13,102 | 33,954 |
| Add back Employee Entitlements > 12 months | - | - | - | 1,993 | 1,993 |
| LESS: Current Restricted Cash & Investments (Included in Revenue) | | | | | |
| Deposits, Bonds, etc | - | - | - | 117 | 117 |
| Developer Contributions | 4,555 | 502 | - | 3,651 | 8,708 |
| Unexpended Grants | - | - | - | 1,062 | 1,062 |
| Environmental Levy | - | - | - | 277 | 277 |
| Crown Reserves incl Anchors Wharf | - | - | - | 76 | 76 |
| Loan Funds - Infrastructure | - | - | - | 3,543 | 3,543 |
| Special Rate Variation | - | - | - | - | - |
| | 4,555 | 502 | - | 8,726 | 13,783 |
| FUNDS AVAILABLE After external restrictions | 11,640 | 3,358 | 797 | 6,369 | 22,164 |
| LESS: INTERNAL RESTRICTIONS | - | - | 271 | 6,277 | 6,548 |
| NET FUNDS After Internal Restrictions | 11,640 | 3,358 | 526 | 92 | 15,616 |

| INTERNAL RESTRICTIONS | Opening | Transfers | | Closing |
|---|-----------------|--------------|----------------|------------------|
| | 1-Jul \$'000 | to \$'000 | from \$'000 | 30-Jun \$'000 |
| Employee Entitlements | 904 | - | - | 904 |
| Infrastructure Renewals | 310 | 1,583 | - | 1,893 |
| Plant Replacement | 2,033 | 57 | - | 2,090 |
| Carry-over works | 3 | - | 3 | - |
| Business Plans | 25 | - | - | 25 |
| Economic Development | 28 | - | 28 | - |
| Waste Management | 271 | - | - | 271 |
| Revolving Energy | 118 | 95 | - | 213 |
| IT Reserve | 139 | 232 | - | 371 |
| Emergency Services | 37 | - | 37 | - |
| Training & Development | 25 | - | 25 | - |
| Financial Sustainability Programs Board | 19 | - | - | 19 |
| Transport Reserve | 414 | - | - | 414 |
| Housing and Community Amenities Reserve | 132 | - | - | 132 |
| Workers Comp Contingency | 90 | - | - | 90 |
| | 4,548 | 2,093 | 93 | 6,548 |

The above table demonstrates that the General fund has available funds of \$6.3m before setting aside funds in reserves (internal restrictions). After funding \$6.3m (2015: \$4.5m) in internal restrictions, Council has a surplus of \$0.1m (2015: \$0.4m) to fund day to day working capital requirements.

Council has internally restricted \$904,000 to fund employee leave entitlements. This restriction



represents 32% of current leave entitlements. This funding is considered adequate given that the annual leave component is traditionally provided for in Council’s current year budget.

PERFORMANCE INDICATORS

The Code of Accounting Practice requires the mandatory disclosure of certain performance indicators. These financial indicators are useful in assessing performance, financial position and the likely financial burden to be placed on ratepayers.

The key financial indicators disclosed in the Financial Statements are:

| RATIO | PURPOSE | 2016 | 2015 | 2014 | Benchmarks |
|------------------------------|--|-------|--------|--------|-------------------|
| OPERATING PERFORMANCE RATIO | To assess councils ability to meet operating expenditure within operating reveune. | -3.6% | -21.4% | -39.1% | >0%(3yrs) |
| OWN SOURCE OPERATING REVENUE | To assess the degree of reliance on external funding sources. | 66.0% | 63.9% | 71.7% | TCorp >60% (3yrs) |
| UNRESTRICTED CURRENT RATIO | To assess the adequacy of working capital after excluding all restricted assets and liabilities. | 2.58 | 1.92 | 2.76 | >1.5 |
| DEBT SERVICE COVER RATIO | To assess the availability of operating cash to service debt including interest, principal and lease payments. | 5.04 | 6.05 | 0.77 | >20(3yrs) |
| OUTSTANDING RATES | To assess the impact of uncollected rates and charges on liquidity and the adequacy of recovery efforts. | 7.0% | 7.4% | 8.1% | <10% |
| CASH EXPENSE COVER RATIO | To assess the number of months council can pay its expenses without additional cash inflow. | 15.16 | 16.99 | 14.27 | >3 |

Operating performance

An operating performance deficit of 3.6% means that Councils operating revenue, excluding capital grants and contributions are insufficient to cover operating expenditure. This compares to the Group 11 Councils average deficit of 0.36% and a State average deficit of 0.58% for 2015. The benchmark for this ratio is to breakeven or better operating performance ratio over a three year period.

Own source operating revenue

A ratio of 66.0% for the 2016 year highlights Council’s dependence on grants and contributions and compares to a Group 11 average of 66.8% and a State average of 67% for 2015. The benchmark for sustainability is to have a ratio of greater than 60% over a three year period.

Unrestricted ratio

The unrestricted ratio excludes all current assets and liabilities that are restricted to specific purposes such as water, sewer, domestic waste management functions and specific purpose unexpended grants & contributions. This ratio is before setting aside cash to fund internal restrictions relative to the general function. An unrestricted current ratio of 2.58 indicates that the general purpose function of



Council has \$2.58 in current assets available to meet every dollar of current liability. Councils ratio of 2.58 compares to the average of 3.98 for the Group 11 Councils and is lower than the State average of 3.92 for 2015 and is higher than the benchmark of greater than 1.5.

Debt service cover ratio

The debt service cover ratio of 5.04 times indicates that council has \$5.04 before interest and depreciation to pay interest and principal on current borrowings. Councils ratio of 5.04 compares to the Group 11 average of 9.4 and the State average of 104.1 for 2015. The benchmark for sustainability is to have a ratio of greater than 2.0.

Outstanding rates ratio

The outstanding rates ratio stands at 7.0% and compares to the Group 11 Council average of 5.9% and the State average of 5.82% for 2015. This ratio is an indicator of Councils activity to collect outstanding rate revenues.

Cash expense ratio

The cash expense ratio indicates that Council can pay 15.16 months of its expenses without additional cash inflows and compares to the Group 11 Council average of 13.5 and the State average of 11.4 for 2015. The benchmark is to have reserves to meet at least 3 months of operating expenditure.

The key financial indicators by fund disclosed in the Financial Statements are:

| RATIO | PURPOSE | Water | Sewer | General | |
|------------------------------|--|----------------------|------------------|-----------------|------------------|
| OPERATING PERFORMANCE RATIO | To assess councils ability to meet operating expenditure within operating reveune. | 11.6% 5.6% | 6.6% 7.0% | -7.0% -29.5% | ■ 2016 ■ 2015 |
| OWN SOURCE OPERATING REVENUE | To assess the degree of reliance on external funding sources. | 96.8% 94.7% | 77.2% 68.1% | 61.1% 59.7% | ■ 2016 ■ 2015 |
| UNRESTRICTED CURRENT RATIO | To assess the adequacy of working capital after excluding all restricted assets and liabilities. | 1,941.33 1,567.43 | 187.44 215.12 | 2.58 1.92 | ■ 2016 ■ 2015 |
| DEBT SERVICE COVER RATIO | To assess the availability of operating cash to service debt including interest, principal and lease payments. | 0.0% 0.0% | 0.0% 0.0% | 3.1% 2.9% | ■ 2016 ■ 2015 |
| OUTSTANDING RATES | To assess the impact of uncollected rates and charges on liquidity and the adequacy of recovery efforts. | 110.9% 21.2% | 6.8% 7.5% | 2.5% 3.3% | ■ 2016 ■ 2015 |
| CASH EXPENSE COVER RATIO | To assess the number of months council can pay its expenses without additional cash inflow. | - 101.65 | - 24.94 | 14.87 8.99 | ■ 2016 ■ 2015 |



Operating performance

An operating performance ratio by fund shows that general fund has insufficient operating revenue, excluding capital grants and contributions to cover operating expenditure. As a result insufficient profit is being generated to fund the depreciation on assets in the general fund. Whereas the water and sewer funds meet the benchmarks

Owned source operating revenue

The ratios show the Councils reliance on grant and contribution funding, with all funds meeting the 60% benchmark.

Unrestricted Ratio

The unrestricted ratios show that all funds have sufficient working capital.

Debt service cover ratio

The debt service cover ratio by fund shows that the water and sewer funds currently have no borrowings and the general fund has limited current potential to increase borrowings to fund infrastructure backlogs.

Outstanding rate ratio

The outstanding rate ratio by fund shows that the percentage of outstanding rates and charges by fund. The water fund ratios are impacted by the timing of water billings during the year.

Cash expense ratio

This ratio shows that the each fund has sufficient cash reserves at the end of the year.

Infrastructure Asset Performance Indicators

With the emphasis on “Fit for the Future” we have included comments on unaudited infrastructure asset performance measures disclosed in the Special Schedule 7 are as follows:

| RATIO | PURPOSE | 2016 | 2015 | 2014 | Benchmarks |
|--|--|------|------|------|-------------|
| BUILDING AND INFRASTRUCTURE RENEWALS RATIO | To assess the proportion spent on infrastructure renewals vs infrastructure deterioration. | 89% | 68% | 27% | >100%(3yrs) |
| INFRASTRUCTURE BACKLOG RATIO | To assess the infrastructure backlog against the total value of councils infrastructure. | 1.2% | 7.6% | 8.0% | <2% |
| ASSET MAINTENANCE RATIO | To assess the actual vs required annual maintenance expenditure. | 52% | 75% | 64% | >100%(3yrs) |

Building & Infrastructure renewal ratio

The asset renewals ratio outlines Council’s performance with renewing its infrastructure assets against the level of estimated infrastructure asset deterioration (as represented by depreciation expense). For 2016 Council spent \$0.89 for every \$1 in estimated asset deterioration. The Group 11 average for the asset renewal ratio was \$0.96 and the State average was \$0.92 for 2015. The benchmark is that councils should have a building and infrastructure renewals ratio of greater than one over a three year period.

The current trend in the ratio highlights that Council expended less on asset renewals compared to the estimated reduction in asset condition over the past three years and therefore, based on this ratio,



Council's overall infrastructure has deteriorated over that period.

Infrastructure backlog ratio

An infrastructure backlog ratio of 1.2% indicates that the infrastructure backlog represents 1.2% of the value of Council's depreciable infrastructure and compares to a Group 11 average of 3.1% and State average of 8.7% for 2015. The benchmark is a ratio less than 20% and greater than 2%.

Asset maintenance ratio

The Asset Maintenance ratio of 52% indicated that Council has undertaken insufficient maintenance to keep pace with required maintenance requirements as determined by council's engineers and maintenance staff and compares to a Group 11 average of 104% and State average of 100.7% for 2015. A ratio of greater than 100% is considered the benchmark.

The increase in current cash and investments is evident in the following table extracted from the Statement of Cash Flows.

| CASH & INVESTMENT MOVEMENTS | Actual 2016 | Actual 2015 | Variance |
|---|------------------------|------------------------|-----------------|
| | \$'000 | \$'000 | % |
| CASH & INVESTMENT INFLOWS | | | |
| Operating Receipts | 37,177 | 34,635 | 7.3% |
| Proceeds from Assets Sales | 278 | 244 | 13.9% |
| Repayment from Deferred Debtors | 2 | 8 | -75% |
| Proceeds from sale of investment securities | 4,700 | 0 | 0.0% |
| Proceeds from Borrowings | 0 | 4,850 | 0.0% |
| TOTAL RECEIPTS | 42,157 | 39,737 | 6.1% |
| CASH & INVESTMENT OUTFLOWS | | | |
| Operating Payments | 26,925 | 24,156 | 11.5% |
| Purchase of Assets | 9,627 | 10,124 | -4.9% |
| Purchase of investment securities | 0 | 8,200 | 0.0% |
| Repayment of Loans | 596 | 173 | 244.5% |
| Purchase of investment property | 0 | 0 | 0.0% |
| TOTAL PAYMENTS | 37,148 | 42,653 | -12.9% |
| CASH & INVESTMENT MOVEMENT | 5,009 | (2,916) | -271.8% |
| Cash Assets | 8,158 | 3,149 | 159.1% |
| Investment securities | 26,600 | 31,300 | -15.0% |
| Total Cash & Investments on Hand | 34,758 | 34,449 | 0.9% |

Total cash and investment balance increased from \$34.4m in 2015 to \$34.8m due to an increase operational cash flows.

Cash Outflows for "Purchase of Assets" of \$9.6m included road and bridge construction totalling \$4.1m. This compares with the \$2.7m annual rate of depreciation of these assets. In assessing the replacement rate of depreciating assets it is also important to note that Special Schedule No 7, which is an unaudited statement prepared in conjunction with the financial report, discloses that the estimated cost to bring roads and bridges to a satisfactory standard is \$2.3m.

Other assets purchased during the year included items of plant worth \$1.2m, stormwater drainage \$0.2m, water supply network \$0.1m and sewer network \$3.1m.

SPECIAL PURPOSE FINANCIAL STATEMENTS

Council is required to report the financial results of identified Business Units in accordance with



National Competition Policy guidelines. The reports are known as Special Purpose Financial Statements and are subject to audit. Council has identified Water and Sewerage functions as Category 1 Business Units.

WATER SUPPLY FUNCTION

The Special Purpose Financial Statements disclose that the Water Supply function recorded an operating surplus (before capital funding) of \$313,000 after allowing for depreciation of \$718,000. The Net Current Asset position records a positive balance of \$16,195,000 compared to \$15,402,000 for the previous year. The net current asset position is considered good, especially given the fund has no debt and the condition of water infrastructure assets in Special Schedule 7 (unaudited) is “satisfactory”.

SEWERAGE SERVICES

The Special Purpose Financial Statements disclose that the Sewerage function recorded an operating surplus (before capital funding) of \$179,000 after allowing for depreciation of \$1,069,000. The current level of Net Current Assets of \$3,860,000 is sound given the size of the function and considering the fund has minimal debt and the condition of sewerage infrastructure assets in Special Schedule 7 (unaudited) is “satisfactory”.

GENERAL

Reporting obligations under the Local Government Act

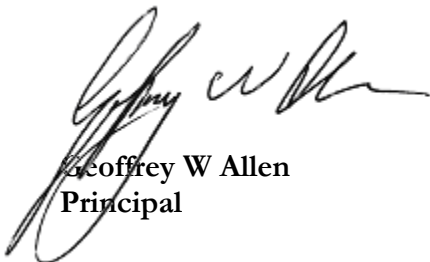
It is pleasing to report that Council’s systems and records have been well maintained during the year and the audited financial statements will be submitted within the prescribed time provided for in Division 2 of the *Local Government Act 1993*.

We take this opportunity of thanking the General Manager and her staff for their co-operation and assistance during the course of the audit.

Under section 419 of the *Local Government Act 1993*, Council is required to give public notice of a Council meeting for the purpose of presenting the audited financial statements and the auditor's report. A Principal of this firm is available to attend this meeting to address any questions in respect of the audit report or the conduct of the audit.

Yours faithfully

FORSYTHS BUSINESS SERVICES PTY LTD



Geoffrey W Allen
Principal

Bellingen Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Bellingen Shire - Naturally Magic



Bellingen Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2016

| 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 |
| 4. Auditor’s Report | 16 |

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 2016

Statement by Councillors and Management

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

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

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

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

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

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

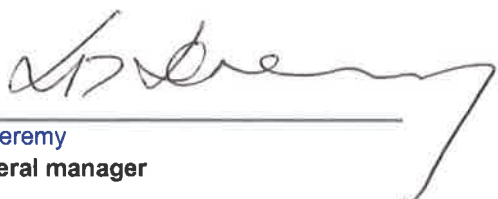
Signed in accordance with a resolution of Council made on 28 September 2016.



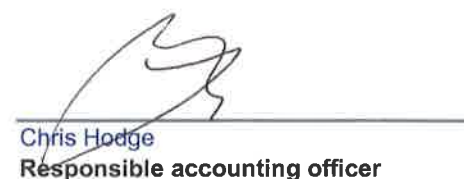
Dominic King
Mayor



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 2016

| \$ '000 | Actual 2016 | Actual 2015 |
|--|----------------|----------------|
| Income from continuing operations | | |
| Access charges | 457 | 435 |
| User charges | 1,688 | 1,599 |
| Fees | – | – |
| Interest | 482 | 510 |
| Grants and contributions provided for non-capital purposes | 55 | 48 |
| Profit from the sale of assets | – | – |
| Other income | 6 | 3 |
| Total income from continuing operations | 2,688 | 2,595 |
| Expenses from continuing operations | | |
| Employee benefits and on-costs | 998 | 1,034 |
| Borrowing costs | – | – |
| Materials and contracts | 330 | 325 |
| Depreciation and impairment | 718 | 727 |
| Water purchase charges | – | – |
| Loss on sale of assets | – | – |
| Calculated taxation equivalents | – | – |
| Debt guarantee fee (if applicable) | – | – |
| Other expenses | 329 | 365 |
| Total expenses from continuing operations | 2,375 | 2,451 |
| Surplus (deficit) from continuing operations before capital amounts | 313 | 144 |
| Grants and contributions provided for capital purposes | 31 | 94 |
| Surplus (deficit) from continuing operations after capital amounts | 344 | 238 |
| Surplus (deficit) from discontinued operations | – | – |
| Surplus (deficit) from all operations before tax | 344 | 238 |
| Less: corporate taxation equivalent (30%) [based on result before capital] | (94) | (43) |
| SURPLUS (DEFICIT) AFTER TAX | 250 | 195 |
| Plus opening retained profits | 18,795 | 18,557 |
| Plus/less: prior period adjustments | – | – |
| Plus adjustments for amounts unpaid: | | |
| – Taxation equivalent payments | – | – |
| – Debt guarantee fees | – | – |
| – Corporate taxation equivalent | 94 | 43 |
| Less: | | |
| – Tax equivalent dividend paid | – | – |
| – Surplus dividend paid | – | – |
| Closing retained profits | 19,139 | 18,795 |
| Return on capital % | 0.7% | 0.3% |
| Subsidy from Council | 650 | 1,186 |
| Calculation of dividend payable: | | |
| Surplus (deficit) after tax | 250 | 195 |
| Less: capital grants and contributions (excluding developer contributions) | – | – |
| Surplus for dividend calculation purposes | 250 | 195 |
| Potential dividend calculated from surplus | 125 | 97 |

Bellingen Shire Council

Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2016

| \$ '000 | Actual 2016 | Actual 2015 |
|--|----------------|----------------|
| Income from continuing operations | | |
| Access charges | 2,953 | 2,812 |
| User charges | 154 | 138 |
| Liquid trade waste charges | 45 | 44 |
| Fees | – | – |
| Interest | 132 | 246 |
| Grants and contributions provided for non-capital purposes | 42 | 41 |
| Profit from the sale of assets | 6 | – |
| Other income | – | 2 |
| Total income from continuing operations | 3,332 | 3,283 |
| Expenses from continuing operations | | |
| Employee benefits and on-costs | 1,160 | 1,172 |
| Borrowing costs | – | – |
| Materials and contracts | 677 | 642 |
| Depreciation and impairment | 1,069 | 983 |
| Loss on sale of assets | – | 14 |
| Calculated taxation equivalents | – | – |
| Debt guarantee fee (if applicable) | – | – |
| Other expenses | 247 | 267 |
| Total expenses from continuing operations | 3,153 | 3,078 |
| Surplus (deficit) from continuing operations before capital amounts | 179 | 205 |
| Grants and contributions provided for capital purposes | 931 | 1,480 |
| Surplus (deficit) from continuing operations after capital amounts | 1,110 | 1,685 |
| Surplus (deficit) from discontinued operations | – | – |
| Surplus (deficit) from all operations before tax | 1,110 | 1,685 |
| Less: corporate taxation equivalent (30%) [based on result before capital] | (54) | (62) |
| SURPLUS (DEFICIT) AFTER TAX | 1,056 | 1,624 |
| Plus opening retained profits | 10,179 | 8,494 |
| Plus/less: prior period adjustments | – | – |
| Plus adjustments for amounts unpaid: | | |
| – Taxation equivalent payments | – | – |
| – Debt guarantee fees | – | – |
| – Corporate taxation equivalent | 54 | 62 |
| Less: | | |
| – Tax equivalent dividend paid | – | – |
| – Surplus dividend paid | – | – |
| Closing retained profits | 11,289 | 10,179 |
| Return on capital % | 0.4% | 0.5% |
| Subsidy from Council | 822 | 1,104 |
| Calculation of dividend payable: | | |
| Surplus (deficit) after tax | 1,056 | 1,624 |
| Less: capital grants and contributions (excluding developer contributions) | (912) | (1,419) |
| Surplus for dividend calculation purposes | 144 | 205 |
| Potential dividend calculated from surplus | 72 | 102 |

Bellingen Shire Council

Statement of Financial Position – Council's Water Supply Business Activity
as at 30 June 2016

| \$ '000 | Actual 2016 | Actual 2015 |
|--|----------------|----------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | 351 | 14,714 |
| Investments | 15,000 | – |
| Receivables | 834 | 681 |
| Inventories | 17 | 14 |
| Other | – | – |
| Non-current assets classified as held for sale | – | – |
| Total current assets | 16,202 | 15,409 |
| Non-current assets | | |
| Investments | – | – |
| Receivables | – | – |
| Inventories | – | – |
| Infrastructure, property, plant and equipment | 44,394 | 44,024 |
| Investments accounted for using equity method | – | – |
| Investment property | – | – |
| Intangible assets | – | – |
| Other | – | – |
| Total non-current assets | 44,394 | 44,024 |
| TOTAL ASSETS | 60,596 | 59,433 |
| LIABILITIES | | |
| Current liabilities | | |
| Bank overdraft | – | – |
| Payables | 7 | 7 |
| Borrowings | – | – |
| Provisions | – | – |
| Total current liabilities | 7 | 7 |
| Non-current liabilities | | |
| Payables | – | – |
| Borrowings | – | – |
| Provisions | – | – |
| Total non-current liabilities | – | – |
| TOTAL LIABILITIES | 7 | 7 |
| NET ASSETS | 60,589 | 59,426 |
| EQUITY | | |
| Retained earnings | 19,135 | 18,795 |
| Revaluation reserves | 41,454 | 40,631 |
| Council equity interest | 60,589 | 59,426 |
| Non-controlling equity interest | – | – |
| TOTAL EQUITY | 60,589 | 59,426 |

Bellingen Shire Council

Statement of Financial Position – Council's Sewerage Business Activity

as at 30 June 2016

| \$ '000 | Actual 2016 | Actual 2015 |
|--|----------------|----------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | 312 | 4,395 |
| Investments | 3,000 | – |
| Receivables | 566 | 434 |
| Inventories | – | – |
| Other | – | – |
| Non-current assets classified as held for sale | – | – |
| Total Current Assets | 3,878 | 4,829 |
| Non-current assets | | |
| Investments | – | – |
| Receivables | – | – |
| Inventories | – | – |
| Infrastructure, property, plant and equipment | 46,124 | 43,328 |
| Investments accounted for using equity method | – | – |
| Investment property | – | – |
| Intangible assets | – | – |
| Other | – | – |
| Total non-current assets | 46,124 | 43,328 |
| TOTAL ASSETS | 50,002 | 48,157 |
| LIABILITIES | | |
| Current liabilities | | |
| Bank overdraft | – | – |
| Payables | 18 | 17 |
| Borrowings | – | – |
| Provisions | – | – |
| Total current liabilities | 18 | 17 |
| Non-current liabilities | | |
| Payables | – | – |
| Borrowings | – | – |
| Provisions | – | – |
| Total non-current liabilities | – | – |
| TOTAL LIABILITIES | 18 | 17 |
| NET ASSETS | 49,984 | 48,140 |
| EQUITY | | |
| Retained earnings | 11,280 | 10,179 |
| Revaluation reserves | 38,704 | 37,961 |
| Council equity interest | 49,984 | 48,140 |
| Non-controlling equity interest | – | – |
| TOTAL EQUITY | 49,984 | 48,140 |

Bellingen Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2016

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 2016

Note 1. Significant accounting policies

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

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

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

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

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

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

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

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

National Competition Policy

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

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

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

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

Declared business activities

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

Category 1

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

a. 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, with the exception of some figures disclosed in 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 in undertaking its business activities. Where this is the case, they are disclosed in these

Bellinghen Shire Council

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

Note 1. Significant accounting policies (continued)

statements as a cost of operations just like all other costs.

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

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

Notional rate applied (%)

Corporate income tax rate – 30%

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

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

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

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

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

Income tax

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

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

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

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

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

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

Local government rates and charges

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

Loan and debt guarantee fees

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

Bellingen Shire Council

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

Note 1. Significant accounting policies (continued)

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

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

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

(iii) Return on investments (rate of return)

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

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

The rate of return on capital is calculated as follows:

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.17% at 30/6/16.

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

(iv) Dividends

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

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

The dividend, calculated and approved in accordance with the Best-Practice Management of

Water Supply and Sewerage Guidelines, must not exceed either:

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

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

Bellingen Shire Council

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

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

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

2016

1. Calculation and payment of tax-equivalents

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

| | | |
|-------|--|--------|
| (i) | Calculated tax equivalents | - |
| (ii) | Number of assessments multiplied by \$3/assessment | 13,098 |
| (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] | 125,050 |
| (ii) | Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment | 130,980 |
| (iii) | Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014 | 1,247,000 |

| | | | | | |
|--------------|---------|---------------|---------|---------------|---------|
| 2016 Surplus | 250,100 | 2015 Surplus | 194,800 | 2014 Surplus | 802,100 |
| | | 2015 Dividend | - | 2014 Dividend | - |

| | | |
|------|---|---------|
| (iv) | Maximum dividend from surplus [least of (i), (ii) and (iii) above] | 125,050 |
| (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 2016

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

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

2016

National Water Initiative (NWI) financial performance indicators

| | | | |
|----------------|---|--------|--------|
| NWI F1 | Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a) | \$'000 | 2,243 |
| 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)] | % | 77.74% |
| NWI F9 | Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47) | \$'000 | 44,189 |
| NWI F11 | Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2) | \$'000 | 1,597 |
| NWI F14 | Capital expenditure (water) Acquisition of fixed assets (w16) | \$'000 | 264 |
| 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)] | % | -0.16% |
| NWI F26 | Capital works grants (water) Grants for the acquisition of assets (w11a) | \$'000 | – |

- Notes:
- References to w (e.g. w12) refer to item numbers within Special Schedules 3 and 4 of Council's Annual Financial Statements.
 - The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
 - 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 2016

Note 3. Sewerage business best-practice management disclosure requirements

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

2016

1. Calculation and payment of tax-equivalents

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

| | | |
|-------|--|-------|
| (i) | Calculated tax equivalents | - |
| (ii) | Number of assessments multiplied by \$3/assessment | 9,708 |
| (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] | 72,150 |
| (ii) | Number of assessments x (\$30 less tax equivalent charges per assessment) | 97,080 |
| (iii) | Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014 | 558,800 |

| | | | | | |
|--------------|---------|---------------|---------|---------------|---------|
| 2016 Surplus | 144,300 | 2015 Surplus | 204,500 | 2014 Surplus | 210,000 |
| | | 2015 Dividend | - | 2014 Dividend | - |

| | | |
|------|---|--------|
| (iv) | Maximum dividend from surplus [least of (i), (ii) and (iii) above] | 72,150 |
| (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 2016

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

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2016

National Water Initiative (NWI) financial performance indicators

| | | | |
|----------------|--|--------|--------|
| 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 | 3,261 |
| NWI F10 | Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48) | \$'000 | 45,814 |
| NWI F12 | Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2) | \$'000 | 2,008 |
| NWI F15 | Capital expenditure (sewerage) Acquisition of fixed assets (s17) | \$'000 | 3,124 |
| 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)] | % | 0.40% |
| NWI F27 | Capital works grants (sewerage) Grants for the acquisition of assets (12a) | \$'000 | 870 |

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 | 5,504 |
| NWI F8 | Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3) | % | 1.76% |
| NWI F16 | Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17) | \$'000 | 3,388 |
| 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)] | % | 0.12% |
| 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 2016

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

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

2016

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

| | |
|---|---|
| <p>NWI F22 Net debt to equity (water and sewerage)</p> <p>Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]</p> | <p>%</p> <p style="border: 1px solid black; padding: 2px;">-16.88%</p> |
| <p>NWI F23 Interest cover (water and sewerage)</p> <p>Earnings before interest and tax (EBIT) divided by net interest</p> <p>Earnings before interest and tax (EBIT):</p> <p style="border: 1px solid black; padding: 2px;">112</p> <p>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)</p> <p>Net interest:</p> <p style="border: 1px solid black; padding: 2px;">- 608</p> <p>Interest expense (w4a + s4a) – interest income (w9 + s10)</p> | <p style="border: 1px solid black; padding: 2px;">> 100</p> |
| <p>NWI F24 Net profit after tax (water and sewerage)</p> <p>Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))</p> | <p>\$'000</p> <p style="border: 1px solid black; padding: 2px;">583</p> |
| <p>NWI F25 Community service obligations (water and sewerage)</p> <p>Grants for pensioner rebates (w11b + s12b)</p> | <p>\$'000</p> <p style="border: 1px solid black; padding: 2px;">97</p> |

- 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

Armidale

92 Rusden Street
PO Box 114
Armidale NSW 2350

p +61 2 6773 8400

f +61 2 6772 9957

email armidale@forsyths.com.au

Forsyths Business Services Pty Ltd
ABN 66 182 781 401

INDEPENDENT AUDIT REPORT
Report on the special purpose financial statements

To Bellingen Shire Council

SCOPE

We have audited the special purpose financial statements of Bellingen Shire Council for the year ended 30th June 2016 comprising the Statement by Councillors and Management, Income Statement of Business Activities, Balance Sheet by Business Activities, and Note 1 to the Financial Statements. The financial statements include the financial results of the business activities of the Council and the entities it controlled at the year's end or from time to time during the year.

Councils' responsibility for the financial statements

The Council is responsible for the preparation and fair presentation of the financial statements and have determined that the accounting policies described in Note 1 to the financial statements, which form part of the financial statements, are appropriate to meet the requirements of the Division of Local Government and Council. The Councils' responsibility also includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. No opinion is expressed as to whether the accounting policies used, as described in Note 1, are appropriate to meet the needs of the Council or the Division of Local Government. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

Knowledge with integrity

Liability limited by a scheme approved under the Professional Standards Legislation

The special purpose financial statements have been prepared for distribution to the Council and the Division of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting. We disclaim any assumption of responsibility for any reliance on this report or on the financial statements to which it relates to any person other than the Council or the Division of Local Government or for any purpose other than for which the report was prepared.

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

INDEPENDENCE

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

AUDIT OPINION

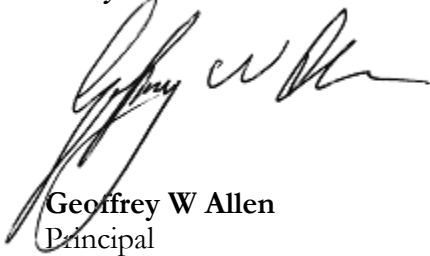
In our opinion, the Special Purpose Financial Statements of Bellingen Shire Council for the year ended 30th June 2016 are presented fairly, in all material respects, in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting.

BASIS OF ACCOUNTING

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describe the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the financial reporting requirements of the Division of Local Government. As a result, the financial statements may not be suitable for another purpose.

Forsyth's

Forsyth's Business Services Pty Ltd



Geoffrey W Allen
Principal

28 October 2016
92 Rusden Street Armidale

Bellingen Shire Council

SPECIAL SCHEDULES

for the year ended 30 June 2016

Bellingen Shire - Naturally Magic



Bellingen Shire Council

Special Schedules for the year ended 30 June 2016

| Contents | | Page |
|---|--|------|
| Special Schedules¹ | | |
| Special Schedule 1 | Net Cost of Services | 2 |
| Special Schedule 2(a) | Statement of Long Term Debt (all purposes) | 4 |
| Special Schedule 2(b) | Statement of Internal Loans (Sect. 410(3) LGA 1993) | n/a |
| Special Schedule 3 | Water Supply Operations – incl. Income Statement | 5 |
| Special Schedule 4 | Water Supply – Statement of Financial Position | 8 |
| Special Schedule 5 | Sewerage Service Operations – incl. Income Statement | 9 |
| Special Schedule 6 | Sewerage Service – Statement of Financial Position | 12 |
| Notes to Special Schedules 3 and 5 | | 13 |
| Special Schedule 7 | Report on Infrastructure Assets | 14 |
| Special Schedule 8 | Permissible Income Calculation | 20 |

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

Background

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

Bellingen Shire Council

Special Schedule 1 – Net Cost of Services
for the year ended 30 June 2016

\$'000

| Function or activity | Expenses from continuing operations | Income from continuing operations | | Net cost of services |
|--|-------------------------------------|-----------------------------------|------------|----------------------|
| | | Non-capital | Capital | |
| Governance | 257 | – | – | (257) |
| Administration | 3,834 | 1,072 | – | (2,762) |
| Public order and safety | | | | |
| Fire service levy, fire protection, emergency services | 570 | 209 | – | (361) |
| Beach control | 162 | 3 | – | (159) |
| Enforcement of local government regulations | – | – | – | – |
| Animal control | 161 | 105 | – | (56) |
| Other | – | – | – | – |
| Total public order and safety | 893 | 317 | – | (576) |
| Health | 11 | 43 | – | 32 |
| Environment | | | | |
| Noxious plants and insect/vermin control | 180 | 73 | – | (107) |
| Other environmental protection | 543 | 203 | – | (340) |
| Solid waste management | 3,391 | 3,353 | 72 | 34 |
| Street cleaning | – | – | – | – |
| Drainage | – | – | – | – |
| Stormwater management | 242 | – | – | (242) |
| Total environment | 4,356 | 3,629 | 72 | (655) |
| Community services and education | | | | |
| Administration and education | 269 | 15 | – | (254) |
| Social protection (welfare) | – | – | – | – |
| Aged persons and disabled | 280 | 275 | – | (5) |
| Children's services | 157 | 10 | – | (147) |
| Total community services and education | 706 | 300 | – | (406) |
| Housing and community amenities | | | | |
| Public cemeteries | 47 | 42 | – | (5) |
| Public conveniences | 376 | – | – | (376) |
| Street lighting | – | – | – | – |
| Town planning | 687 | 318 | – | (369) |
| Other community amenities | – | – | – | – |
| Total housing and community amenities | 1,110 | 360 | – | (750) |
| Water supplies | 2,385 | 2,697 | 31 | 343 |
| Sewerage services | 3,176 | 3,353 | 930 | 1,107 |

Bellingen Shire Council

Special Schedule 1 – Net Cost of Services (continued)
for the year ended 30 June 2016

\$'000

| Function or activity | Expenses from continuing operations | Income from continuing operations | | Net cost of services |
|---|-------------------------------------|-----------------------------------|--------------|----------------------|
| | | Non-capital | Capital | |
| Recreation and culture | | | | |
| Public libraries | 648 | 66 | – | (582) |
| Museums | 28 | – | – | (28) |
| Art galleries | – | – | – | – |
| Community centres and halls | 232 | 1 | 33 | (198) |
| Performing arts venues | – | – | – | – |
| Other performing arts | – | – | – | – |
| Other cultural services | – | – | – | – |
| Sporting grounds and venues | – | – | – | – |
| Swimming pools | 461 | – | – | (461) |
| Parks and gardens (lakes) | 962 | 27 | 18 | (917) |
| Other sport and recreation | – | – | – | – |
| Total recreation and culture | 2,331 | 94 | 51 | (2,186) |
| Fuel and energy | – | – | – | – |
| Agriculture | – | – | – | – |
| Mining, manufacturing and construction | | | | |
| Building control | 296 | 7 | – | (289) |
| Other mining, manufacturing and construction | 18 | – | – | (18) |
| Total mining, manufacturing and const. | 314 | 7 | – | (307) |
| Transport and communication | | | | |
| Urban roads (UR) – local | 1,659 | 88 | 364 | (1,207) |
| Urban roads – regional | – | – | – | – |
| Sealed rural roads (SRR) – local | 2,949 | 53 | – | (2,896) |
| Sealed rural roads (SRR) – regional | 235 | 1,154 | 442 | 1,361 |
| Unsealed rural roads (URR) – local | 209 | – | 3,423 | 3,214 |
| Unsealed rural roads (URR) – regional | – | – | – | – |
| Bridges on UR – local | – | – | – | – |
| Bridges on SRR – local | 288 | – | – | (288) |
| Bridges on URR – local | – | – | – | – |
| Bridges on regional roads | – | – | – | – |
| Parking areas | – | 15 | – | 15 |
| Footpaths | – | – | – | – |
| Aerodromes | – | – | – | – |
| Other transport and communication | 4,348 | 5,314 | – | 966 |
| Total transport and communication | 9,688 | 6,624 | 4,229 | 1,165 |
| Economic affairs | | | | |
| Camping areas and caravan parks | 41 | 25 | – | (16) |
| Other economic affairs | 469 | 252 | – | (217) |
| Total economic affairs | 510 | 277 | – | (233) |
| Totals – functions | 29,571 | 18,773 | 5,313 | (5,485) |
| General purpose revenues ⁽¹⁾ | | 9,880 | | 9,880 |
| Share of interests – joint ventures and associates using the equity method | – | – | | – |
| NET OPERATING RESULT ⁽²⁾ | 29,571 | 28,653 | 5,313 | 4,395 |

(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 2016

\$'000

| Classification of debt | Principal outstanding at beginning of the year | | | New loans raised during the year | Debt redemption during the year | | Transfers to sinking funds | Interest applicable for year | Principal outstanding at the end of the year | | |
|-----------------------------|--|--------------|--------------|----------------------------------|---------------------------------|---------------|----------------------------|------------------------------|--|--------------|--------------|
| | Current | Non-current | Total | | From revenue | Sinking funds | | | Current | Non-current | Total |
| Loans (by source) | | | | | | | | | | | |
| Commonwealth government | – | – | – | | | | | | | – | – |
| Treasury corporation | – | – | – | | | | | | | – | – |
| Other state government | – | – | – | | | | | | | – | – |
| Public subscription | – | – | – | | | | | | | – | – |
| Financial institutions | 595 | 9,032 | 9,627 | – | 595 | – | – | 587 | 628 | 8,404 | 9,032 |
| Other | – | – | – | | | | | | | – | – |
| Total loans | 595 | 9,032 | 9,627 | – | 595 | – | – | 587 | 628 | 8,404 | 9,032 |
| Other long term debt | | | | | | | | | | | |
| Ratepayers advances | – | – | – | | | | | | | – | – |
| Government advances | – | – | – | | | | | | | – | – |
| Finance leases | – | – | – | | | | | | | – | – |
| Deferred payments | – | – | – | | | | | | | – | – |
| Total long term debt | – | – | – | – | – | – | – | – | – | – | – |
| Total debt | 595 | 9,032 | 9,627 | – | 595 | – | – | 587 | 628 | 8,404 | 9,032 |

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 2016

| \$'000 | Actuals 2016 | Actuals 2015 |
|--|-----------------|-----------------|
| A Expenses and income | | |
| Expenses | | |
| 1. Management expenses | | |
| a. Administration | 819 | 795 |
| b. Engineering and supervision | 206 | 229 |
| 2. Operation and maintenance expenses | | |
| – dams and weirs | | |
| a. Operation expenses | – | – |
| b. Maintenance expenses | – | – |
| – Mains | | |
| c. Operation expenses | 67 | 44 |
| d. Maintenance expenses | 96 | 93 |
| – Reservoirs | | |
| e. Operation expenses | 10 | 13 |
| f. Maintenance expenses | 17 | 3 |
| – Pumping stations | | |
| g. Operation expenses (excluding energy costs) | – | – |
| h. Energy costs | 138 | 163 |
| i. Maintenance expenses | 25 | 29 |
| – Treatment | | |
| j. Operation expenses (excluding chemical costs) | 136 | 134 |
| k. Chemical costs | 30 | 31 |
| l. Maintenance expenses | 24 | 36 |
| – Other | | |
| m. Operation expenses | 3 | 4 |
| n. Maintenance expenses | 26 | 26 |
| o. Purchase of water | – | – |
| 3. Depreciation expenses | | |
| a. System assets | 718 | 727 |
| b. Plant and equipment | – | – |
| 4. Miscellaneous expenses | | |
| a. Interest expenses | – | – |
| b. Revaluation decrements | – | – |
| c. Other expenses | 61 | 137 |
| 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 | 2,376 | 2,464 |

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 2016

| \$'000 | Actuals 2016 | Actuals 2015 |
|--|-----------------|-----------------|
| Income | | |
| 6. Residential charges | | |
| a. Access (including rates) | 465 | 444 |
| b. Usage charges | 1,624 | 1,486 |
| 7. Non-residential charges | | |
| a. Access (including rates) | – | – |
| b. Usage charges | – | – |
| 8. Extra charges | – | 5 |
| 9. Interest income | 476 | 504 |
| 10. Other income | 68 | 121 |
| 10a. Aboriginal Communities Water and Sewerage Program | – | – |
| 11. Grants | | |
| a. Grants for acquisition of assets | – | – |
| b. Grants for pensioner rebates | 55 | 48 |
| c. Other grants | – | – |
| 12. Contributions | | |
| a. Developer charges | 31 | 94 |
| b. Developer provided assets | – | – |
| c. Other contributions | – | – |
| 13. Total income | 2,719 | 2,702 |
| 14. Gain (or loss) on disposal of assets | – | – |
| 15. Operating result | 343 | 238 |
| 15a. Operating result (less grants for acquisition of assets) | 343 | 238 |

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 2016

| \$'000 | Actuals 2016 | Actuals 2015 |
|--|-----------------|-----------------|
| B Capital transactions | | |
| Non-operating expenditures | | |
| 16. Acquisition of fixed assets | | |
| a. New assets for improved standards | – | – |
| b. New assets for growth | 129 | 72 |
| c. Renewals | 135 | 458 |
| d. Plant and equipment | – | – |
| 17. Repayment of debt | – | – |
| 18. Totals | 264 | 530 |
| 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) | 3,852 | 3,839 |
| b. Residential (unoccupied, ie. vacant lot) | 111 | 115 |
| c. Non-residential (occupied) | 385 | 378 |
| d. Non-residential (unoccupied, ie. vacant lot) | 18 | 22 |
| 23. Number of ETs for which developer charges were received | 17 ET | 10 ET |
| 24. Total amount of pensioner rebates (actual dollars) | \$ 98,321 | \$ 94,920 |

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 2016

| \$'000 | Actuals Current | Actuals Non-current | Actuals Total |
|---|--------------------|------------------------|------------------|
| ASSETS | | | |
| 25. Cash and investments | | | |
| a. Developer charges | 4,555 | – | 4,555 |
| b. Special purpose grants | – | – | – |
| c. Accrued leave | – | – | – |
| d. Unexpended loans | – | – | – |
| e. Sinking fund | – | – | – |
| f. Other | 10,797 | – | 10,797 |
| 26. Receivables | | | |
| a. Specific purpose grants | – | – | – |
| b. Rates and availability charges | 507 | – | 507 |
| c. User charges | – | – | – |
| d. Other | 327 | – | 327 |
| 27. Inventories | 17 | – | 17 |
| 28. Property, plant and equipment | | | |
| a. System assets | – | 44,189 | 44,189 |
| b. Plant and equipment | – | 206 | 206 |
| 29. Other assets | – | – | – |
| 30. Total assets | 16,203 | 44,395 | 60,598 |
| LIABILITIES | | | |
| 31. Bank overdraft | – | – | – |
| 32. Creditors | 6 | – | 6 |
| 33. Borrowings | – | – | – |
| 34. Provisions | | | |
| a. Tax equivalents | – | – | – |
| b. Dividend | – | – | – |
| c. Other | – | – | – |
| 35. Total liabilities | 6 | – | 6 |
| 36. NET ASSETS COMMITTED | 16,197 | 44,395 | 60,592 |
| EQUITY | | | |
| 37. Accumulated surplus | | | 19,138 |
| 38. Asset revaluation reserve | | | 41,454 |
| 39. TOTAL EQUITY | | | 60,592 |
| Note to system assets: | | | |
| 40. Current replacement cost of system assets | | | 59,036 |
| 41. Accumulated current cost depreciation of system assets | | | (14,847) |
| 42. Written down current cost of system assets | | | 44,189 |

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 2016

| \$'000 | Actuals 2016 | Actuals 2015 |
|---|-----------------|-----------------|
| A Expenses and income | | |
| Expenses | | |
| 1. Management expenses | | |
| a. Administration | 669 | 645 |
| b. Engineering and supervision | 93 | 102 |
| 2. Operation and maintenance expenses | | |
| – mains | | |
| a. Operation expenses | 67 | 53 |
| b. Maintenance expenses | 93 | 98 |
| – Pumping stations | | |
| c. Operation expenses (excluding energy costs) | 101 | 89 |
| d. Energy costs | 65 | 72 |
| e. Maintenance expenses | 102 | 128 |
| – Treatment | | |
| f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs) | 239 | 267 |
| g. Chemical costs | 85 | 46 |
| h. Energy costs | 79 | 109 |
| i. Effluent management | 8 | 5 |
| j. Biosolids management | 108 | 147 |
| k. Maintenance expenses | 259 | 243 |
| – Other | | |
| l. Operation expenses | 32 | 12 |
| m. Maintenance expenses | 8 | 4 |
| 3. Depreciation expenses | | |
| a. System assets | 1,069 | 983 |
| b. Plant and equipment | – | – |
| 4. Miscellaneous expenses | | |
| a. Interest expenses | – | – |
| b. Revaluation decrements | – | – |
| c. Other expenses | 76 | 95 |
| 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 | 3,153 | 3,098 |

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 2016

| \$'000 | Actuals 2016 | Actuals 2015 |
|--|-----------------|-----------------|
| Income | | |
| 6. Residential charges (including rates) | 2,959 | 2,813 |
| 7. Non-residential charges | | |
| a. Access (including rates) | – | – |
| b. Usage charges | 133 | 130 |
| 8. Trade waste charges | | |
| a. Annual fees | 22 | 21 |
| b. Usage charges | 45 | 43 |
| c. Excess mass charges | – | – |
| d. Re-inspection fees | – | – |
| 9. Extra charges | – | – |
| 10. Interest income | 132 | 246 |
| 11. Other income | – | 9 |
| 11a. Aboriginal Communities Water and Sewerage Program | – | – |
| 12. Grants | | |
| a. Grants for acquisition of assets | 870 | 1,391 |
| b. Grants for pensioner rebates | 42 | 41 |
| c. Other grants | – | – |
| 13. Contributions | | |
| a. Developer charges | 19 | 61 |
| b. Developer provided assets | – | – |
| c. Other contributions | 41 | 28 |
| 14. Total income | <u>4,263</u> | <u>4,783</u> |
| 15. Gain (or loss) on disposal of assets | – | – |
| 16. Operating result | <u>1,110</u> | <u>1,685</u> |
| 16a. Operating result (less grants for acquisition of assets) | 240 | 294 |

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 2016

| \$'000 | Actuals 2016 | Actuals 2015 |
|--|-----------------|-----------------|
| B Capital transactions | | |
| Non-operating expenditures | | |
| 17. Acquisition of fixed assets | | |
| a. New assets for improved standards | 45 | 110 |
| b. New assets for growth | 2,914 | 4,880 |
| c. Renewals | 165 | 221 |
| d. Plant and equipment | – | – |
| 18. Repayment of debt | – | – |
| 19. Totals | 3,124 | 5,211 |
| 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) | 2,854 | 2,845 |
| b. Residential (unoccupied, ie. vacant lot) | 65 | 101 |
| c. Non-residential (occupied) | 317 | 267 |
| d. Non-residential (unoccupied, ie. vacant lot) | – | 12 |
| 24. Number of ETs for which developer charges were received | 11 ET | 9 ET |
| 25. Total amount of pensioner rebates (actual dollars) | \$ 77,540 | \$ 75,127 |

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 2016

| \$'000 | Actuals Current | Actuals Non-current | Actuals Total |
|---|--------------------|------------------------|------------------|
| ASSETS | | | |
| 26. Cash and investments | | | |
| a. Developer charges | 502 | – | 502 |
| b. Special purpose grants | – | – | – |
| c. Accrued leave | – | – | – |
| d. Unexpended loans | – | – | – |
| e. Sinking fund | – | – | – |
| f. Other | 2,809 | – | 2,809 |
| 27. Receivables | | | |
| a. Specific purpose grants | – | – | – |
| b. Rates and availability charges | 201 | – | 201 |
| c. User charges | – | – | – |
| d. Other | 364 | – | 364 |
| 28. Inventories | – | – | – |
| 29. Property, plant and equipment | | | |
| a. System assets | – | 45,814 | 45,814 |
| b. Plant and equipment | – | 310 | 310 |
| 30. Other assets | – | – | – |
| 31. Total assets | <u>3,876</u> | <u>46,124</u> | <u>50,000</u> |
| LIABILITIES | | | |
| 32. Bank overdraft | – | – | – |
| 33. Creditors | 18 | – | 18 |
| 34. Borrowings | – | – | – |
| 35. Provisions | | | |
| a. Tax equivalents | – | – | – |
| b. Dividend | – | – | – |
| c. Other | – | – | – |
| 36. Total liabilities | <u>18</u> | <u>–</u> | <u>18</u> |
| 37. NET ASSETS COMMITTED | <u>3,858</u> | <u>46,124</u> | <u>49,982</u> |
| EQUITY | | | |
| 38. Accumulated surplus | | | 11,278 |
| 39. Asset revaluation reserve | | | 38,704 |
| 40. TOTAL EQUITY | | | <u>49,982</u> |
| Note to system assets: | | | |
| 41. Current replacement cost of system assets | | | 63,321 |
| 42. Accumulated current cost depreciation of system assets | | | (17,507) |
| 43. Written down current cost of system assets | | | <u>45,814</u> |

Bellingen Shire Council

Notes to Special Schedules 3 and 5 for the year ended 30 June 2016

Administration ⁽¹⁾

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

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

Engineering and supervision ⁽¹⁾

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

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

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

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

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

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

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

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

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

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

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

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

Other contributions (items 12c and 13c of Special Schedules 3 and 5 respectively) including capital 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 2016

\$'000

| Asset class | Asset category | Estimated cost to bring assets to satisfactory standard | Estimated cost to bring to the agreed level of service set by Council | 2015/16 Required maintenance ^a | 2015/16 Actual maintenance | Carrying value | Gross replacement cost (GRC) | Assets in condition as a percentage of gross replacement cost | | | | |
|------------------|-------------------------|---|---|---|----------------------------|----------------|------------------------------|---|--------------|--------------|-------------|-------------|
| | | | | | | | | 1 | 2 | 3 | 4 | 5 |
| Buildings | Administration Centres | – | – | 26 | 21 | 3,369 | 3,889 | 95% | 5% | 0% | 0% | 0% |
| | Council Works Depot | – | – | 30 | 31 | 4,361 | 4,830 | 96% | 4% | 0% | 0% | 0% |
| | Council Public Halls | – | – | 25 | 20 | 6,140 | 8,156 | 94% | 6% | 0% | 0% | 0% |
| | Public Order and Safety | – | – | 7 | 8 | 2,313 | 2,847 | 96% | 4% | 0% | 0% | 0% |
| | Childcare | – | – | – | – | 2,120 | 2,605 | 95% | 5% | 0% | 0% | 0% |
| | Libraries | – | – | 7 | 8 | 1,600 | 1,984 | 95% | 5% | 0% | 0% | 0% |
| | Amenities | – | – | 55 | 52 | 573 | 684 | 90% | 10% | 0% | 0% | 0% |
| | Recreation and Culture | 72 | – | 120 | 115 | 7,428 | 7,207 | 70% | 25% | 4% | 0% | 1% |
| | Other Buildings | – | – | 31 | 28 | 1,093 | 2,354 | 90% | 10% | 0% | 0% | 0% |
| | Water, Sewer and Waste | – | – | – | – | 6,014 | 7,172 | 80% | 20% | 0% | 0% | 0% |
| | Sub-total | 72 | – | 301 | 283 | 35,011 | 41,728 | 87.7% | 11.4% | 0.7% | 0.0% | 0.2% |
| Roads | Sealed roads | 885 | – | 1,500 | 1,103 | 53,286 | 88,513 | 6% | 35% | 50% | 8% | 1% |
| | Unsealed roads | – | – | 1,800 | 320 | 8,627 | 15,634 | 3% | 32% | 61% | 4% | 0% |
| | Bridges | 1,359 | – | 1,000 | 311 | 21,597 | 33,969 | 20% | 35% | 27% | 15% | 3% |
| | Footpaths | – | – | 12 | 9 | 1,783 | 2,379 | 18% | 70% | 12% | 0% | 0% |
| | Bulk earthworks | – | – | – | – | 163,114 | 163,114 | 100% | 0% | 0% | 0% | 0% |
| | Kerb and Gutter | 71 | – | 2 | – | 5,966 | 7,061 | 2% | 97% | 0% | 0% | 1% |
| | Carparks | – | – | 5 | 3 | 319 | 462 | 0% | 0% | 100% | 0% | 0% |
| | Other | – | – | – | 32 | 183 | 200 | 0% | 100% | 0% | 0% | 0% |
| | Sub-total | 2,315 | – | 4,319 | 1,778 | 254,875 | 311,332 | 56.6% | 18.2% | 20.5% | 4.1% | 0.6% |

Bellingen Shire Council

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

\$'000

| Asset class | Asset category | Estimated cost to bring assets to satisfactory standard | Estimated cost to bring to the agreed level of service set by Council | 2015/16 Required maintenance ^a | 2015/16 Actual maintenance | Carrying value | Gross replacement cost (GRC) | Assets in condition as a percentage of gross replacement cost | | | | |
|----------------------|------------------|---|---|---|----------------------------|----------------|------------------------------|---|--------------|--------------|-------------|-------------|
| | | | | | | | | 1 | 2 | 3 | 4 | 5 |
| Water supply network | Mains | – | – | 93 | 113 | 30,174 | 36,098 | 10% | 70% | 18% | 2% | 0% |
| | Pumping Stations | – | – | 19 | 19 | 651 | 1,599 | 0% | 100% | 0% | 0% | 0% |
| | Treatment | – | – | 29 | 23 | 7,241 | 12,463 | 0% | 100% | 0% | 0% | 0% |
| | Headworks | – | – | – | – | 3,799 | 6,426 | 0% | 100% | 0% | 0% | 0% |
| | Sub-total | – | – | 141 | 155 | 41,865 | 56,586 | 6.4% | 80.9% | 11.5% | 1.3% | 0.0% |
| Sewerage network | Mains | 259 | – | 98 | 89 | 23,078 | 25,887 | 54% | 42% | 2% | 1% | 1% |
| | Pumping Stations | – | – | 120 | 89 | 5,280 | 9,721 | 5% | 80% | 10% | 5% | 0% |
| | Treatment | – | – | 243 | 259 | 8,121 | 18,090 | 33% | 67% | 0% | 0% | 0% |
| | Sub-total | 259 | – | 461 | 437 | 36,479 | 53,698 | 38.1% | 57.3% | 2.8% | 1.4% | 0.5% |

Bellingen Shire Council

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

\$'000

| Asset class | Asset category | Estimated cost to bring assets to satisfactory standard | Estimated cost to bring to the agreed level of service set by Council | 2015/16 Required maintenance ^a | 2015/16 Actual maintenance | Carrying value | Gross replacement cost (GRC) | Assets in condition as a percentage of gross replacement cost | | | | |
|--------------------------------|---------------------------|---|---|---|----------------------------|----------------|------------------------------|---|--------------|--------------|--------------|-------------|
| | | | | | | | | 1 | 2 | 3 | 4 | 5 |
| Stormwater | Stormwater drainage | – | – | 46 | 62 | 14,093 | 22,525 | 4% | 14% | 77% | 5% | 0% |
| | Sub-total | – | – | 46 | 62 | 14,093 | 22,525 | 4.0% | 14.0% | 77.0% | 5.0% | 0.0% |
| Open space/recreational assets | Open Space/Rec | 39 | – | – | 12 | 3,741 | 3,887 | 65% | 0% | 5% | 29% | 1% |
| | Sub-total | 39 | – | – | 12 | 3,741 | 3,887 | 65.0% | 0.0% | 5.0% | 29.0% | 1.0% |
| Other | Other | – | – | 20 | – | 927 | 1,561 | 80% | 20% | 0% | 0% | 0% |
| | Sub-total | – | – | 20 | – | 2,242 | 1,561 | 80.0% | 20.0% | 0.0% | 0.0% | 0.0% |
| | TOTAL – ALL ASSETS | 2,685 | – | 5,288 | 2,727 | 388,306 | 491,317 | 49.2% | 28.8% | 18.2% | 3.4% | 0.5% |

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 2016

| \$ '000 | Amounts 2016 | Indicator 2016 | Prior periods | |
|---|-----------------|-------------------|---------------|--------|
| | | | 2015 | 2014 |
| Infrastructure asset performance indicators * consolidated | | | | |
| 1. Infrastructure renewals ratio | | | | |
| Asset renewals ⁽¹⁾ | <u>5,051</u> | 89.35% | 67.50% | 26.94% |
| Depreciation, amortisation and impairment | <u>5,653</u> | | | |
| 2. Infrastructure backlog ratio | | | | |
| Estimated cost to bring assets to a satisfactory standard | <u>2,685</u> | 1.18% | 7.64% | 7.86% |
| Carrying value of infrastructure assets | <u>226,657</u> | | | |
| 3. Asset maintenance ratio | | | | |
| Actual asset maintenance | <u>2,727</u> | 0.52 | 0.75 | 0.64 |
| Required asset maintenance | <u>5,288</u> | | | |

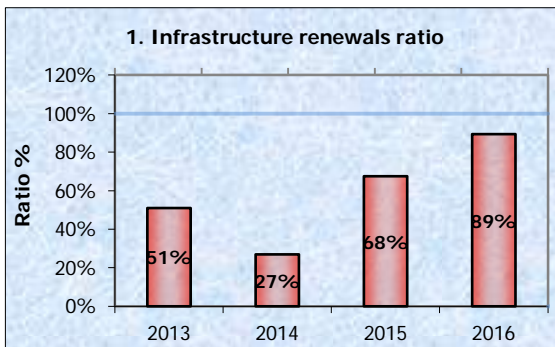
Notes

* 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 2016



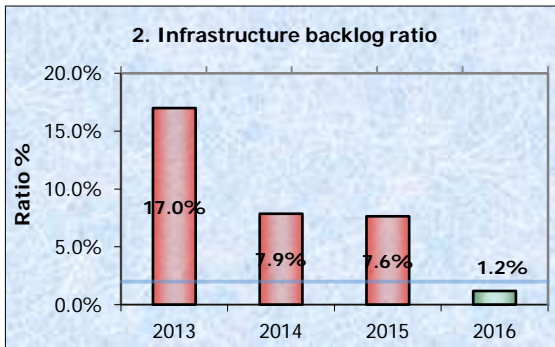
Purpose of asset renewals ratio

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

2015/16 Ratio 89.35%

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

Ratio achieves benchmark
 Ratio is outside benchmark



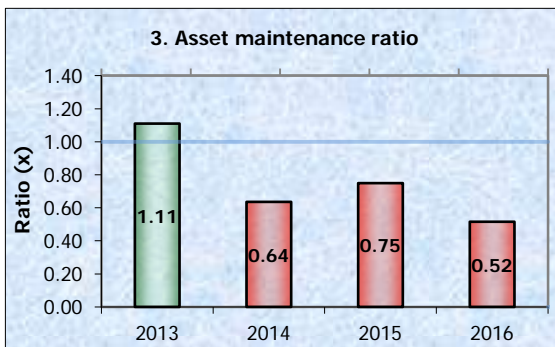
Purpose of infrastructure backlog ratio

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

2015/16 Ratio 1.18%

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

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.

2015/16 Ratio 0.52 x

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

Ratio achieves benchmark
 Ratio is outside benchmark

Bellingen Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2016

| \$ '000 | Water 2016 | Sewer 2016 | General ⁽¹⁾ 2016 |
|--|----------------------|---------------|--------------------------------|
| Infrastructure asset performance indicators by fund | | | |
| 1. Infrastructure renewals ratio | | | |
| Asset renewals ⁽²⁾ | 19.65% | 17.90% | 117.48% |
| Depreciation, amortisation and impairment | prior period: 76.12% | 46.03% | 69.63% |
| 2. Infrastructure backlog ratio | | | |
| Estimated cost to bring assets to a satisfactory standard | 0.00% | 0.71% | 1.64% |
| Carrying value of infrastructure assets | prior period: 0.48% | 25.94% | 5.51% |
| 3. Asset maintenance ratio | | | |
| Actual asset maintenance | 1.10 | 0.95 | 0.46 |
| Required asset maintenance | prior period: 1.00 | 1.00 | 0.72 |

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 2017

| \$'000 | | Calculation 2015/16 | Calculation 2016/17 |
|---|-------------------------|------------------------|------------------------|
| Notional general income calculation ⁽¹⁾ | | | |
| Last year notional general income yield | a | 6,601 | 6,763 |
| Plus or minus adjustments ⁽²⁾ | b | (1) | 18 |
| Notional general income | c = (a + b) | 6,600 | 6,781 |
| Permissible income calculation | | | |
| Special variation percentage ⁽³⁾ | d | 0.00% | 0.00% |
| Or rate peg percentage | e | 2.40% | 1.80% |
| Or crown land adjustment (incl. rate peg percentage) | f | 0.00% | 0.00% |
| Less expiring special variation amount | g | – | – |
| Plus special variation amount | h = d x (c – g) | – | – |
| Or plus rate peg amount | i = c x e | 158 | 122 |
| Or plus Crown land adjustment and rate peg amount | j = c x f | – | – |
| Sub-total | k = (c + g + h + i + j) | 6,758 | 6,903 |
| Plus (or minus) last year's carry forward total | l | 6 | (2) |
| Less valuation objections claimed in the previous year | m | (2) | (2) |
| Sub-total | n = (l + m) | 4 | (4) |
| Total permissible income | o = k + n | 6,762 | 6,899 |
| Less notional general income yield | p | 6,763 | 6,901 |
| Catch-up or (excess) result | q = o – p | (1) | (2) |
| Plus income lost due to valuation objections claimed ⁽⁴⁾ | r | 2 | – |
| Less unused catch-up ⁽⁵⁾ | s | (3) | – |
| 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.

Armidale

92 Rusden Street
PO Box 114
Armidale NSW 2350

p +61 2 6773 8400

f +61 2 6772 9957

e armidale@forsyths.com.au

Forsyths Business Services Pty Ltd
ABN 66 182 781 401

BELLINGEN SHIRE COUNCIL INDEPENDENT AUDITORS' REPORT - SPECIAL SCHEDULE No. 8

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Bellingen Shire Council for the year ending 30 June 2016.

Responsibility of Council for Special Schedule No. 8

The Council is responsible for preparation and fair presentation of Special No. 8 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 23. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant preparation and fair presentation of Special Schedule No. 8 that is free from material mistreatment, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibilities

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

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

Knowledge with integrity

Liability limited by a scheme approved under the Professional Standards Legislation

Bellingen Shire Council

INDEPENDENT AUDITORS' REPORT - SPECIAL SCHEDULE No. 8

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

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

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

Independence

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

Audit Opinion

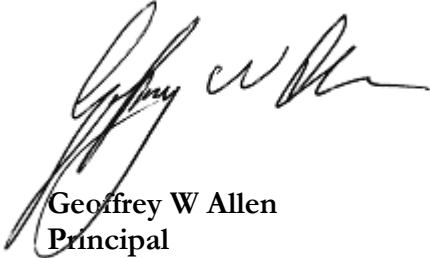
In our opinion Special Schedule No. 8 of Bellingen Shire Council for the year ending 30 June 2017 is properly drawn up in all material respects, in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

Basis of Accounting

Without modifying our opinion, we advise that the Special Schedule No. 8 has been prepared for distribution to the Office of Local Government for the purposes of confirming the Council's reconciliation of Council's total permissible general income is presented fairly. As a result, the Special Schedule No. 8 may not be suitable for another purpose

Forsyths

FORYSTHS BUSINESS SERVICES PTY LTD



Geoffrey W Allen
Principal

Dated at Armidale this 28th October 2016