

An aerial photograph of a wide, blue river winding through a lush green valley. The landscape is dotted with trees and fields, with rolling hills and mountains visible in the distance under a clear blue sky. The river's surface reflects the sky, and the surrounding vegetation is vibrant green.

C

Financial Statements



Bellingen Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

Bellingen Shire - Connected, Sustainable, Creative



Bellingen Shire Council

General Purpose Financial Statements

for the year ended 30 June 2018

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Overview

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

33-39 Hyde Street, Bellingen
Bellingen NSW 2454

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

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

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

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

Bellingen Shire Council

General Purpose Financial Statements

for the year ended 30 June 2018

Statement by Councillors and Management

made pursuant to Section 413(2)(c) of the *Local Government Act 1993 (NSW)* (as amended)

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

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

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

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

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

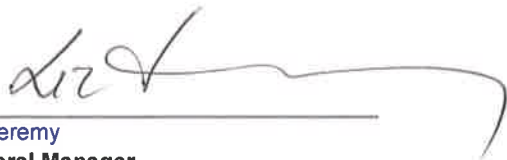
Signed in accordance with a resolution of Council made on 26 September 2018.



Dominic King
Mayor
26 September 2018



Steve Klipin
Councillor
26 September 2018



Liz Jeremy
General Manager
26 September 2018



Chris Hodge
Responsible Accounting Officer
26 September 2018

Bellingen Shire Council

Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Income from continuing operations				
Revenue:				
13,846	Rates and annual charges	3a	13,689	13,089
6,480	User charges and fees	3b	8,506	6,404
962	Interest and investment revenue	3c	891	994
520	Other revenues	3d	636	534
5,447	Grants and contributions provided for operating purposes	3e,f	6,516	7,874
4,616	Grants and contributions provided for capital purposes	3e,f	7,170	1,975
Other income:				
–	Net gains from the disposal of assets	5	196	81
–	Fair value increment on investment property	10	80	–
31,871	Total income from continuing operations		37,684	30,951
Expenses from continuing operations				
10,775	Employee benefits and on-costs	4a	9,245	9,565
559	Borrowing costs	4b	548	580
7,870	Materials and contracts	4c	10,223	8,580
7,225	Depreciation and amortisation	4d	6,973	6,824
2,515	Other expenses	4e	3,095	3,150
28,944	Total expenses from continuing operations		30,084	28,699
2,927	Operating result from continuing operations		7,600	2,252
2,927	Net operating result for the year		7,600	2,252
2,927	Net operating result attributable to Council		7,600	2,252
Net operating result for the year before grants and contributions provided for capital purposes				
(1,689)			430	277

Bellingen Shire Council

Statement of Comprehensive Income for the year ended 30 June 2018

\$ '000	Notes	2018	2017
Net operating result for the year (as per Income Statement)		7,600	2,252
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9	(6,748)	(7,949)
Total items which will not be reclassified subsequently to the operating result		(6,748)	(7,949)
Amounts that will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the year		(6,748)	(7,949)
Total comprehensive income for the year		852	(5,697)
Total comprehensive income attributable to Council		852	(5,697)

Bellingen Shire Council

Statement of Financial Position
as at 30 June 2018

\$ '000	Notes	2018	2017
ASSETS			
Current assets			
Cash and cash equivalents	6a	1,238	1,747
Investments	6b	23,500	33,300
Receivables	7	7,747	4,450
Inventories	8	248	283
Other	8	23	16
Total current assets		32,756	39,796
Non-current assets			
Investments	6b	8,900	–
Receivables	7	46	66
Infrastructure, property, plant and equipment	10	422,624	424,316
Investment property	10	2,316	1,924
Total non-current assets		433,886	426,306
TOTAL ASSETS		466,642	466,102
LIABILITIES			
Current liabilities			
Payables	11	3,230	2,781
Income received in advance	11	301	258
Borrowings	11	702	663
Provisions	12	2,493	2,670
Total current liabilities		6,726	6,372
Non-current liabilities			
Payables	11	6	10
Borrowings	11	7,039	7,740
Provisions	12	787	748
Total non-current liabilities		7,832	8,498
TOTAL LIABILITIES		14,558	14,870
Net assets		452,084	451,232
EQUITY			
Accumulated surplus	13	273,948	266,348
Revaluation reserves	13	178,136	184,884
Total equity		452,084	451,232

Bellingen Shire Council

Statement of Changes in Equity

for the year ended 30 June 2018

\$ '000	Notes	2018			2017		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		266,348	184,884	451,232	264,096	192,833	456,929
Net operating result for the year as reported in the 2017 financial statements		7,600	–	7,600	2,252	–	2,252
Net operating result for the year		7,600	–	7,600	2,252	–	2,252
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	9	–	(6,748)	(6,748)	–	(7,949)	(7,949)
Other comprehensive income		–	(6,748)	(6,748)	–	(7,949)	(7,949)
Total comprehensive income (c&d)		7,600	(6,748)	852	2,252	(7,949)	(5,697)
Equity – balance at end of the reporting period		273,948	178,136	452,084	266,348	184,884	451,232

Bellingen Shire Council

Statement of Cash Flows
for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Cash flows from operating activities				
Receipts:				
13,809	Rates and annual charges		13,706	13,263
6,455	User charges and fees		8,793	7,126
1,002	Investment and interest revenue received		928	934
10,062	Grants and contributions		14,177	10,296
649	Other		–	1,448
Payments:				
(10,765)	Employee benefits and on-costs		(9,564)	(9,687)
(8,032)	Materials and contracts		(11,563)	(9,327)
(569)	Borrowing costs		(525)	(560)
–	Bonds, deposits and retention amounts refunded		(18)	(5)
(2,515)	Other		(4,848)	(3,583)
10,096	Net cash provided (or used in) operating activities	14b	11,086	9,905
Cash flows from investing activities				
Receipts:				
3,660	Sale of investment securities		49,401	50,400
731	Sale of infrastructure, property, plant and equipment		385	177
–	Deferred debtors receipts		–	12
Payments:				
(570)	Purchase of investment securities		(48,501)	(57,100)
(14,101)	Purchase of infrastructure, property, plant and equipment		(12,218)	(9,179)
–	Deferred debtors and advances made		–	2
(10,280)	Net cash provided (or used in) investing activities		(10,933)	(15,688)
Cash flows from financing activities				
Receipts:				
Nil				
Payments:				
(699)	Repayment of borrowings and advances		(662)	(628)
(699)	Net cash flow provided (used in) financing activities		(662)	(628)
(883)	Net increase/(decrease) in cash and cash equivalents		(509)	(6,411)
2,587	Plus: cash and cash equivalents – beginning of year	14a	1,747	8,158
1,704	Cash and cash equivalents – end of the year	14a	1,238	1,747
Additional Information:				
	plus: Investments on hand – end of year	6b	32,400	33,300
	Total cash, cash equivalents and investments		33,638	35,047

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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Bellingen Shire Council

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

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 26/09/2018.

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

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

Basis of preparation

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

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

Full dollars have been used in Note 18 Related party disclosures in relation to the disclosure of specific related party transactions.

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

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

- Income statement
- Statement of cash flows
- Note 16 – Material budget variations

and are clearly marked .

(a) New and amended standards adopted by Council

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

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

- (i) estimated fair values of investment properties –refer Note 10,
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note 9,
- (iii) estimated tip remediation provisions – refer Note 12,
- (iv) employee benefit provisions – refer Note 12.

Significant judgements in applying the Council's accounting policies

- (v) Impairment of receivables

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

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General purpose operations
- Water service
- Sewerage service

(b) The Trust Fund

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

Goods and Services Tax (GST)

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

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

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

New accounting standards and interpretations issued not yet effective

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

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

As at the date of authorisation of these financial statements, Council does not consider that any of those standards are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

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

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

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

- AASB 9 Financial Instruments

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

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

Based on assessments to date, Council expects a small increase to impairment losses however the standard is not expected to have a material impact overall.

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

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

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

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

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

- AASB 16 Leases

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

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

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

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

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).									
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Governance	–	–	244	334	(244)	(334)	–	–	–	–
Administration	715	659	1,679	1,578	(964)	(919)	–	–	33,029	32,860
Public order and safety	125	344	863	1,013	(738)	(669)	160	212	7,112	7,149
Health	37	91	6	35	31	56	–	–	23	339
Environment	3,982	3,905	4,632	4,637	(650)	(732)	477	296	276	277
Community services and education	244	285	813	756	(569)	(471)	200	277	5,498	5,526
Housing and community amenities	730	374	1,140	1,063	(410)	(689)	24	–	18,626	18,722
Water supplies	2,806	2,925	2,426	2,476	380	449	55	55	53,524	52,749
Sewerage services	3,442	3,438	3,139	3,244	303	194	63	43	48,472	50,568
Recreation and culture	266	177	2,596	2,361	(2,330)	(2,184)	350	106	37,587	37,781
Agriculture	–	–	–	–	–	–	68	51	–	–
Mining, manufacturing and construction	452	322	425	333	27	(11)	951	2,813	336	338
Transport and communication	13,767	5,913	11,649	10,381	2,118	(4,468)	7,536	–	257,475	255,083
Economic Affairs	20	285	472	488	(452)	(203)	14	–	4,684	4,710
General Purpose	11,098	12,233	–	–	11,098	12,233	2,825	5,203	–	–
Total functions and activities	37,684	30,951	30,084	28,699	7,600	2,252	13,090	9,056	466,642	466,102

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

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

Governance

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

Administration

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

Public order and safety

Includes fire protection, emergency services, beach control, enforcement of regulations and animal control.

Health

Activities related to food control and health centres.

Environment

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

Community services and education

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

Housing and community amenities

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

Water supplies

Includes management of water, and activities associated with water supply and services provided by water utilities.

Sewerage services

Includes management of sewer, and activities associated with sewerage treatment and services provided by sewer utilities.

Recreation and culture

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

Mining, manufacturing and construction

Includes building control, quarries and pits.

Transport and communication

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

Economic Affairs

Includes camping areas; tourism and area promotion; industrial development promotion; saleyards and markets; real estate development; and other business undertakings.

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations

\$ '000	2018	2017
(a) Rates and annual charges		
Ordinary rates		
Residential	5,562	5,272
Farmland	996	949
Business	445	389
Total ordinary rates	7,003	6,610
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	2,525	2,446
Water supply services	488	469
Sewerage services	3,118	3,024
Waste management services (non-domestic)	555	540
Total annual charges	6,686	6,479
TOTAL RATES AND ANNUAL CHARGES	13,689	13,089

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

Accounting policy for rates and annual charges

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

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

(b) User charges and fees			2018	2017
Specific user charges (per s.502 – specific 'actual use' charges)				
Water supply services		1,759	1,688	
Sewerage services		107	111	
Waste management services (non-domestic)		139	169	
Liquid trade waste		44	45	
Total specific user charges		2,049	2,013	
Other user charges and fees				
(i) Fees and charges – statutory and regulatory functions (per s.608)				
Private works – section 67		32	150	
Regulatory/ statutory fees		167	274	
Town planning		437	310	
Total fees and charges – statutory/regulatory		636	734	

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(b) User charges and fees (continued)		
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Cemeteries	56	32
Lease rentals	4	5
Leaseback fees – Council vehicles	55	47
RMS (formerly RTA) charges (state roads not controlled by Council)	5,647	3,446
Workers comp rebate / ohs incentive payments	–	67
Respite Care	28	–
Other	31	60
Total fees and charges – other	5,821	3,657
TOTAL USER CHARGES AND FEES	8,506	6,404

Accounting policy for user charges and fees

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

(c) Interest and investment revenue (including losses)

Interest

– Overdue rates and annual charges (incl. special purpose rates)	37	61
– Cash and investments	837	896
– Other	17	35

Amortisation of premiums and discounts

– Interest free (and interest reduced) loans provided	–	2
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TOTAL INTEREST AND INVESTMENT REVENUE	891	994
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Interest revenue is attributable to:

Unrestricted investments/financial assets:

Overdue rates and annual charges (general fund)	37	55
General Council cash and investments	307	365

Restricted investments/funds – external:

Development contributions		
– Section 7.11	49	63
– Section 64	78	88
Water fund operations	333	329
Sewerage fund operations	65	71
Domestic waste management operations	22	23
Total interest and investment revenue recognised	891	994

Accounting policy for interest and investment revenue

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

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018	2017
(d) Other revenues			
Rental income – investment property	10	86	75
Rental income – other council properties		34	42
Legal fees recovery – rates and charges (extra charges)		76	90
Commissions and agency fees		1	1
Emergency services levy reimbursements		18	88
Insurance claim recoveries		57	3
Raleigh reuse centre		64	54
Saleyards reimbursement		–	2
SES reimbursements		5	10
Scrap metal sales		56	44
Statewide property rebate		16	29
Tourist centre income		40	42
Town planning income		9	10
Workers compensation/OHS rebate		116	16
Bonds Recouped		46	–
Other		12	28
<u>TOTAL OTHER REVENUE</u>		<u>636</u>	<u>534</u>

Accounting policy for other revenue

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

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

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

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

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	2,669	3,777	–	–
Financial assistance – local roads component	951	1,295	–	–
Other				
Pensioners' rates subsidies – general component	131	131	–	–
Total general purpose	3,751	5,203	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	55	55	–	–
– Sewerage	43	43	–	–
– Domestic waste management	63	64	–	–
Bushfire and emergency services	145	212	–	–
Business and economic development	14	92	–	–
Community care	200	277	–	–
Community centres	10	–	–	–
Diesel fuel rebate	68	51	–	–
Environmental protection	84	296	–	–
Flood plain mapping/studies	64	73	–	–
Flood restoration	–	–	5,185	1,052
Heritage and cultural	14	3	–	–
Library	65	55	153	–
Noxious weeds	258	61	–	–
Public halls	–	14	–	–
Recreation and culture	132	34	25	–
Sewerage treatment plant	20	–	–	7
Street lighting	15	15	–	–
Transport (roads to recovery)	1,111	774	–	–
Transport (other roads and bridges funding)	142	128	1,401	475
Waste	–	–	72	72
Total specific purpose	2,503	2,247	6,836	1,606
Total grants	6,254	7,450	6,836	1,606
Grant revenue is attributable to:				
– Commonwealth funding	4,731	5,846	5,185	1,052
– State funding	1,523	1,604	1,651	554
	6,254	7,450	6,836	1,606

Bellingen Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(f) Contributions					
Developer contributions:					
(s7.4 & s7.11 – EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services		–	–	74	97
S 64 – water supply contributions		–	–	119	89
S 64 – sewerage service contributions		–	–	73	77
Total developer contributions – cash		–	–	266	263
Total developer contributions	20	–	–	266	263
Other contributions:					
Cash contributions					
Community services		6	–	14	52
Environmental		–	23	–	–
Other councils – joint works/services		–	150	–	–
RMS contributions (regional roads, block grant)		256	251	54	54
Total other contributions – cash		262	424	68	106
Total other contributions		262	424	68	106
Total contributions		262	424	334	369
TOTAL GRANTS AND CONTRIBUTIONS		6,516	7,874	7,170	1,975

Accounting policy for contributions

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

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

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

Bellingen Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Operating grants		
Unexpended at the close of the previous reporting period	2,430	693
Add: operating grants recognised in the current period but not yet spent	2,263	1,737
Less: operating grants recognised in a previous reporting period now spent	(2,226)	–
Unexpended and held as restricted assets (operating grants)	<u>2,467</u>	<u>2,430</u>
Capital grants		
Unexpended at the close of the previous reporting period	151	368
Add: capital grants recognised in the current period but not yet spent	227	382
Less: capital grants recognised in a previous reporting period now spent	(129)	(599)
Unexpended and held as restricted assets (capital grants)	<u>249</u>	<u>151</u>
Contributions		
Unexpended at the close of the previous reporting period	9,033	8,708
Add: contributions recognised in the current period but not yet spent	259	415
Less: contributions recognised in a previous reporting period now spent	(789)	(90)
Unexpended and held as restricted assets (contributions)	<u>8,503</u>	<u>9,033</u>

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations

\$ '000	2018	2017
(a) Employee benefits and on-costs		
Salaries and wages	8,245	7,979
Employee leave entitlements (ELE)	1,184	1,157
Superannuation – defined contribution plans	791	769
Superannuation – defined benefit plans	121	157
Workers' compensation insurance	193	447
Fringe benefit tax (FBT)	14	21
Training costs (other than salaries and wages)	71	83
Other	39	39
Total employee costs	10,658	10,652
Less: capitalised costs	(1,413)	(1,087)
TOTAL EMPLOYEE COSTS EXPENSED	9,245	9,565

Accounting policy for employee benefits and on-costs

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

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.

Superannuation plans

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

Council participates in a Defined Benefit Plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 15 for more information.

(b) Borrowing costs	2018	2017
(i) Interest bearing liability costs		
Interest on loans	519	553
Total interest bearing liability costs expensed	519	553
(ii) Other borrowing costs		
Discount adjustments relating to movements in provisions (other than ELE)		
– Remediation liabilities	12 29	27
Total other borrowing costs	29	27
TOTAL BORROWING COSTS EXPENSED	548	580

Accounting policy for borrowing costs

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

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(c) Materials and contracts		
Raw materials and consumables	1,990	1,705
– Engineering	14	128
– Externally hired plant	489	362
– Labour hire	780	662
– Swimming pool	378	357
– Transport (roads, bridges, footpaths maintenance)	2,581	1,414
– Waste contracts	2,045	1,811
– Other contractors	1,669	1,859
– Other consultancies	–	69
Contractor and consultancy costs		
– Heritage advisor	2	5
– Waste	14	7
– Recreation	33	21
– Water	–	1
– Contractor and consultancy costs	19	–
Auditors remuneration ⁽¹⁾	45	39
Legal expenses:		
– Legal expenses: planning and development	43	30
– Legal expenses: debt recovery	77	98
– Legal expenses: other	44	12
<u>TOTAL MATERIALS AND CONTRACTS</u>	<u>10,223</u>	<u>8,580</u>

1. Auditor remuneration

During the year the following fees were paid or payable for services provided by the auditor of Council, related practices and non-related audit firms

Auditors of the Council – NSW Auditor-General:

(i) Audit and other assurance services

Audit and review of financial statements	45	39
Remuneration for audit and other assurance services	45	39
Total Auditor-General remuneration	45	39
Total Auditor remuneration	45	39

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	2017
(d) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment		637	758
Office equipment		66	66
Furniture and fittings		14	15
Land improvements (depreciable)		89	89
Infrastructure:			
– Buildings – non-specialised		599	597
– Buildings – specialised		205	203
– Roads		2,330	2,382
– Bridges		684	386
– Footpaths		32	30
– Stormwater drainage		226	226
– Water supply network		689	712
– Sewerage network		1,059	1,002
– Swimming pools		64	64
– Other open space/recreational assets		176	192
– Other infrastructure		76	75
Other assets:			
– Other		11	11
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	9 & 12	16	16
Total depreciation and amortisation costs		<u>6,973</u>	<u>6,824</u>
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED</u>		<u>6,973</u>	<u>6,824</u>

Accounting policy for depreciation, amortisation and impairment expenses

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 9 for IPPE assets.

Impairment of non-financial assets

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

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

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

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

(d) Depreciation, amortisation and impairment (continued)

Impairment of financial assets

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

\$ '000	2018	2017
(e) Other expenses		
Advertising	68	97
Bad and doubtful debts	–	37
Bank charges	58	77
Conferences / seminars	61	69
Contributions/levies to other levels of government		
– Bushfire fighting fund	330	322
– Emergency services levy (includes FRNSW, SES, and RFS levies)	22	25
– Libraries contribution	264	261
– NSW fire brigade levy	50	48
– Waste levy	77	186
Councillor expenses – mayoral fee	25	24
Councillor expenses – councillors' fees	81	76
Donations, contributions and assistance to other organisations (Section 356)		
– Donations, contributions and assistance to local and regional bodies	403	183
Electricity and heating	398	389
Insurance	378	483
Licence fees	231	212
Postage	45	52
Printing and stationery	107	120
Street lighting	116	94
Subscriptions and publications	198	197
Telephone and communications	120	129
Valuation fees	43	42
Other	20	27
<u>TOTAL OTHER EXPENSES</u>	<u>3,095</u>	<u>3,150</u>

Accounting policy for other expenses

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

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	2018	2017
Plant and equipment	9		
Proceeds from disposal – plant and equipment		385	177
Less: carrying amount of plant and equipment assets sold/written off		(189)	(96)
Net gain/(loss) on disposal		196	81
Financial assets ⁽¹⁾	6		
Proceeds from disposal/redemptions/maturities – financial assets		49,401	50,400
Less: carrying amount of financial assets sold/redeemed/matured		(49,401)	(50,400)
Net gain/(loss) on disposal		–	–
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>196</u>	<u>81</u>

Accounting policy for disposal of assets

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

Note 6(a). Cash and cash equivalent assets

Cash and cash equivalents			
Cash on hand and at bank		1,238	647
Cash-equivalent assets			
– Deposits at call		–	1,100
Total cash and cash equivalents		1,238	1,747

Accounting policy for cash and cash equivalents

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

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 6(b). Investments

\$ '000	2018	2018	2017	2017
	Current	Non-current	Current	Non-current
Investments				
a. 'At fair value through the profit and loss'				
– 'Held for trading'	11,900	–	–	–
b. 'Held to maturity'	11,600	8,900	33,300	–
Total investments	23,500	8,900	33,300	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS				
	24,738	8,900	35,047	–
Financial assets at fair value through the profit and loss				
Managed funds	11,900	–	–	–
Total	11,900	–	–	–
Held to maturity investments				
Long term deposits	10,600	2,900	33,300	–
NCD's, FRN's (with maturities > 3 months)	1,000	6,000	–	–
Total	11,600	8,900	33,300	–

Accounting policy for investments

Classification

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

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

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

(b) Held to maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. Assets in this category are measured at amortised cost.

Recognition and de-recognition

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

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

Bellinghen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	24,738	8,900	35,047	–
attributable to:				
External restrictions (refer below)	20,601	8,900	28,809	–
Internal restrictions (refer below)	3,302	–	6,218	–
Unrestricted	835	–	20	–
	24,738	8,900	35,047	–

\$ '000	2018	2017
Details of restrictions		
External restrictions – included in liabilities		
Deposits, bonds, etc	71	117
External restrictions – included in liabilities	71	117
External restrictions – other		
Developer contributions – general	2,934	3,567
Developer contributions – water fund	4,916	4,727
Developer contributions – sewer fund	653	739
Specific purpose unexpended grants	2,716	2,581
Water supplies	12,062	11,722
Sewerage services	4,815	3,405
Domestic waste management	793	793
Environmental levy	460	351
Special rate variation (incl. loan funds)	5	731
Crown reserves	76	76
External restrictions – other	29,430	28,692
Total external restrictions	29,501	28,809
Internal restrictions		
Plant and vehicle replacement	685	2,191
Infrastructure replacement	–	1,251
Employees leave entitlement	904	904
Business plan	25	25
Financial sustainability programs board	–	5
Housing and community amenities reserve	–	132
IT reserve	915	915
Quarry remediation	70	70
Revolving energy	260	308
Waste management	271	271
Weeds	56	56
Workers comp contingency	90	90
Disability Access	26	–
Total internal restrictions	3,302	6,218
TOTAL RESTRICTIONS	32,803	35,027

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Purpose				
Rates and annual charges	555	34	600	45
Interest and extra charges	192	12	224	17
User charges and fees	944	–	732	–
Private works	3	–	–	4
Accrued revenues				
– Interest on investments	338	–	338	–
Net GST receivable	138	–	548	–
Other levels of government	5,348	–	1,901	–
Other debtors	257	–	177	–
Total	7,775	46	4,520	66
Less: provision for impairment				
Rates and annual charges	(26)	–	(65)	–
User charges and fees	(2)	–	(5)	–
Total provision for impairment – receivables	(28)	–	(70)	–
TOTAL NET RECEIVABLES	7,747	46	4,450	66
Externally restricted receivables				
Water supply				
– Rates and availability charges	94	–	97	–
– Other	537	–	432	–
Sewerage services				
– Rates and availability charges	158	–	173	–
– Other	141	–	100	–
Domestic waste management	–	–	113	–
Total external restrictions	930	–	915	–
Unrestricted receivables	6,817	46	3,535	66
TOTAL NET RECEIVABLES	7,747	46	4,450	66
Movement in provision for impairment of receivables			2018	2017
Balance at the beginning of the year			70	34
+ new provisions recognised during the year			–	36
– amounts already provided for and written off this year			(42)	–
Balance at the end of the year			28	70

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 7. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

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

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

Impairment

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

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

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

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
(a) Inventories				
(i) Inventories at cost				
Stores and materials	248	–	283	–
Total inventories at cost	248	–	283	–
TOTAL INVENTORIES	248	–	283	–
(b) Other assets				
Prepayments	23	–	16	–
TOTAL OTHER ASSETS	23	–	16	–
Externally restricted assets				
Water				
Stores and materials	19	–	15	–
Total water	19	–	15	–
Total externally restricted assets	19	–	15	–
Total unrestricted assets	252	–	284	–
TOTAL INVENTORIES AND OTHER ASSETS	271	–	299	–

Accounting policy

Raw materials and stores, work in progress and finished goods

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

Inventory held for distribution

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

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 9. Infrastructure, property, plant and equipment

Asset class \$ '000	as at 30/6/2017			Asset movements during the reporting period								as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Tfrs from/(to) investment property	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	3,565	–	3,565	244	–	–	–	–	–	–	–	3,809	–	3,809
Plant and equipment	11,006	7,307	3,699	144	1,886	(189)	(637)	–	–	–	–	12,036	7,133	4,903
Office equipment	1,621	1,111	510	16	–	–	(66)	–	–	–	–	1,637	1,177	460
Furniture and fittings	471	386	85	20	–	–	(14)	–	–	–	–	467	376	91
Land:														
– Operational land	19,104	–	19,104	–	–	–	–	–	(110)	(8,594)	–	10,400	–	10,400
– Community land	15,521	–	15,521	–	–	–	–	–	–	–	–	15,521	–	15,521
Land improvements – depreciable	2,595	1,218	1,377	–	–	–	(89)	(1)	–	–	–	2,595	1,308	1,287
Infrastructure:														
– Buildings – non-specialised	30,887	6,099	24,788	30	–	–	(599)	(1)	(202)	–	408	46,125	21,701	24,424
– Buildings – specialised	11,022	1,417	9,605	31	–	–	(205)	–	–	–	–	11,053	1,622	9,431
– Roads	114,483	45,872	68,611	8,728	–	–	(2,330)	–	–	–	–	123,211	48,202	75,009
– Bridges	34,540	12,757	21,783	580	–	–	(684)	–	–	–	–	35,120	13,441	21,679
– Footpaths	2,545	627	1,918	58	–	–	(32)	–	–	–	–	2,603	659	1,944
– Bulk earthworks (non-depreciable)	163,967	–	163,967	–	–	–	–	–	–	–	–	163,967	–	163,967
– Stormwater drainage	22,585	8,657	13,928	–	–	–	(226)	–	–	–	–	22,585	8,883	13,702
– Water supply network	54,914	21,924	32,990	390	17	–	(689)	–	–	–	686	56,482	23,088	33,394
– Sewerage network	57,606	20,954	36,652	218	–	–	(1,059)	–	–	–	752	59,038	22,475	36,563
– Swimming pools	2,044	1,041	1,003	27	–	–	(64)	1	–	–	–	2,071	1,104	967
– Other open space/recreational assets	3,859	1,323	2,536	127	–	–	(176)	1	–	–	–	3,986	1,498	2,488
– Other infrastructure	3,275	999	2,276	–	16	–	(76)	–	–	–	–	3,291	1,075	2,216
Other assets:														
– Library books	5	5	–	–	–	–	–	–	–	–	–	5	5	–
– Other	366	183	183	–	–	–	(11)	(1)	–	–	–	363	192	171
Reinstatement, rehabilitation and restoration assets (refer Note 12):														
– Tip assets	363	148	215	–	–	–	(16)	(1)	–	–	–	363	165	198
– Quarry assets	34	34	–	–	–	–	–	–	–	–	–	34	34	–
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	556,378	132,062	424,316	10,613	1,919	(189)	(6,973)	(2)	(312)	(8,594)	1,846	576,762	154,138	422,624

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

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 9. Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

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

Plant and equipment	Years		
Office equipment	5 to 10		
Office furniture	5 to 20		
Computer equipment	4		
Vehicles	3 to 8	Buildings	
Other plant and equipment	5 to 20	Buildings: Non Specialised	10 to 60
		Buildings: other	5 to 60
Water and sewer assets		Stormwater assets	
Sewer Network	30 to 100	Drains	106
Water Network	30 to 100		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	16 to 25	Bulk earthworks	Infinite
Sealed roads: structure	60 to 175		
Unsealed roads	25		
Bridge: concrete	75 to 106		
Bridge: other	60 to 75		
Road pavements - Sealed	53		
Road pavements - Unsealed	20 to 25		
Kerb, gutter and footpaths	30 to 100		

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

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 9. Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment (continued)

Land under roads

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

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

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

Crown reserves

Crown Reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated. Improvements on Crown Reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

Rural Fire Service assets

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

Council has assessed and determined to not recognise rural fire service assets including land, buildings, plant and vehicles.

Bellingen Shire Council

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

Note 10. Investment property

\$ '000	2018	2017
(a) Investment property at fair value		
<u>Investment property on hand</u>	<u>2,316</u>	<u>1,924</u>
Reconciliation of annual movement:		
Opening balance	1,924	1,924
– Net gain/(loss) from fair value adjustments	80	–
– Transfers from other asset classes (Note 9)	312	–
CLOSING BALANCE – INVESTMENT PROPERTY	<u>2,316</u>	<u>1,924</u>

(b) Valuation basis

The basis of valuation of investment property 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.

(c) Investment property income and expenditure – summary

Rental income from investment property:		
– Minimum lease payments	86	75
Direct operating expenses on investment property:		
– that generated rental income	(45)	(38)
Net revenue contribution from investment property	41	37
plus:		
Fair value movement for year	80	–
Total income attributable to investment property	<u>121</u>	<u>37</u>

Accounting policy for investment property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council. Changes in fair values are recorded in the income statement as part of other income.

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

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Payables				
Goods and services – operating expenditure	1,805	–	2,156	–
Accrued expenses:				
– Borrowings	100	–	106	–
– Salaries and wages	50	6	140	10
– Other expenditure accruals	578	–	195	–
Security bonds, deposits and retentions	166	–	184	–
Funds held on behalf of Midwaste	531	–	–	–
Total payables	3,230	6	2,781	10
Income received in advance				
Payments received in advance	301	–	258	–
Total income received in advance	301	–	258	–
Borrowings				
Loans – secured ¹	702	7,039	663	7,740
Total borrowings	702	7,039	663	7,740
TOTAL PAYABLES AND BORROWINGS	4,233	7,045	3,702	7,750

(a) Payables and borrowings relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Water	87	–	109	–
Sewer	166	–	202	–
Other	71	–	117	–
Payables and borrowings relating to externally restricted assets	324	–	428	–
Total payables and borrowings relating to restricted assets	324	–	428	–
Total payables and borrowings relating to unrestricted assets	3,909	7,045	3,274	7,750
TOTAL PAYABLES AND BORROWINGS	4,233	7,045	3,702	7,750

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 16.

Bellingen Shire Council

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

Note 11. Payables and borrowings (continued)

\$ '000

(b) Changes in liabilities arising from financing activities

Class of borrowings	2017		Non-cash changes			2018
	Opening balance as at 1/7/17	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance as at 30/6/18
Loans – secured	8,403	(662)	–	–	–	7,741
TOTAL	8,403	(662)	–	–	–	7,741

\$ '000

2018

2017

(c) Financing arrangements

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

Credit cards/purchase cards	30	30
Total financing arrangements	30	30
Drawn facilities as at balance date:		
– Credit cards/purchase cards	30	2
Total drawn financing arrangements	30	2
Undrawn facilities as at balance date:		
– Credit cards/purchase cards	–	28
Total undrawn financing arrangements	–	28

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

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Payables and borrowings (continued)

Accounting policy for payables and borrowings

Payables

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

Borrowings

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

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

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

Finance leases

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

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

Bellingen Shire Council

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

Note 12. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits:				
Annual leave	829	–	785	–
Sick leave	323	–	443	–
Long service leave	1,118	167	1,239	185
Other leave – RDO and TIL	153	–	133	–
Asset remediation/restoration:				
Asset remediation/restoration (future works)	70	620	70	563
Sub-total – asset remediation/restoration	70	620	70	563
<u>TOTAL PROVISIONS</u>	<u>2,493</u>	<u>787</u>	<u>2,670</u>	<u>748</u>

(a) Provisions relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Water	6	–	–	–
Sewer	9	–	–	–
Provisions relating to externally restricted assets	15	–	–	–
Total provisions relating to restricted assets	15	–	–	–
Total provisions relating to unrestricted assets	2,478	787	2,670	748
<u>TOTAL PROVISIONS</u>	<u>2,493</u>	<u>787</u>	<u>2,670</u>	<u>748</u>

\$ '000	2018	2017
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(b) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	1,571	1,879
	<u>1,571</u>	<u>1,879</u>

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Provisions (continued)

\$ '000

(c) Description of and movements in provisions

2018	ELE provisions					Total
	Annual leave	Sick leave	Long service leave	ELE on-costs	Other employee benefits	
At beginning of year	785	443	1,424	–	133	2,785
Amounts used and Other	44	(120)	(139)	–	20	(195)
Total ELE provisions at end of year	829	323	1,285	–	153	2,590

2017	ELE provisions					Total
	Annual leave	Sick leave	Long service leave	ELE on-costs	Other employee benefits	
At beginning of year	735	448	1,532	–	132	2,847
Additional provisions	603	(5)	143	–	1	742
Amounts used (payments)	(553)	–	(251)	–	–	(804)
Total ELE provisions at end of year	785	443	1,424	–	133	2,785

2018	Other provisions	
	Asset remediation	Total
At beginning of year	633	633
Changes to provision:		
Unwinding of discount	29	29
Other	28	28
Total other provisions at end of year	690	690

2017	Other provisions	
	Asset remediation	Total
At beginning of year	606	606
Changes to provision:		
Additional provisions	27	27
Total other provisions at end of year	633	633

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Provisions (continued)

Nature and purpose of non-employee benefit provisions

Asset remediation

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

Self-insurance

To recognise liabilities for outstanding claims (uninsured losses) arising from Council's decision to undertake self-insurance for certain risks faced.

Accounting policy for provisions

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

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

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

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

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

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

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Provisions (continued)

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

Restoration

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

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

Rehabilitation

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

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

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

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

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

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

Self-insurance

Council has decided to self-insure for various risks, including public liability and professional indemnity.

A provision for self-insurance has been made to recognise outstanding claims. Council also maintains cash and investments to meet expected future claims; refer to Note 6(c).

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

Note 14. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	1,238	1,747
Less bank overdraft	13	–	–
Balance as per the Statement of Cash Flows		1,238	1,747
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		7,600	2,252
Adjust for non-cash items:			
Depreciation and amortisation		6,973	6,824
Net losses/(gains) on disposal of assets		(196)	(81)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– investment property		(80)	–
Amortisation of premiums, discounts and prior period fair valuations			
– Interest on all fair value adjusted interest free advances made by Council		–	(2)
Unwinding of discount rates on reinstatement provisions		29	27
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(3,235)	651
Increase/(decrease) in provision for doubtful debts		(42)	36
Decrease/(increase) in inventories		35	(34)
Decrease/(increase) in other assets		(7)	19
Increase/(decrease) in payables		(351)	145
Increase/(decrease) in accrued interest payable		(6)	(7)
Increase/(decrease) in other accrued expenses payable		289	100
Increase/(decrease) in other liabilities		556	37
Increase/(decrease) in employee leave entitlements		(195)	(62)
Increase/(decrease) in other provisions		28	–
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		11,086	9,905

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 15. Contingencies and other liabilities/assets not recognised

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) 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.

While the scheme's most recent full actuarial review indicated that the net assets of the scheme were sufficient to meet the accrued benefits of the scheme's defined benefit member category, member councils are required to make contributions in future years where the scheme goes into deficit (as has occurred in previous years).

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of any 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 planned contributions being made to the defined benefit scheme to rectify past (and projected) deficit positions will be recognised as an expense when they become payable – similar to the accounting for defined contributions plans.

Member councils are treated as Pooled Employers for the purposes of AASB119. Pooled Employers are required to pay standard employer contributions and additional lump sum contributions to the Fund.

The standard employer contributions were determined using the new entrant rate method under which a contribution rate sufficient to fund the total benefits over the working life-time of a typical new entrant is calculated. The current standard employer contribution rates are:

Division B	1.9 times employee contributions
Division C	2.5% salaries
Division D	1.64 times employee contributions

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40.0 million per annum from 1 July 2017 for 4 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2017. These additional lump sum contributions are associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses (to the extent that they are not borne by members). As such, there is not sufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would for a single employer sponsored defined benefit plan.

The amount of Council employer contributions to the defined benefit section of the Fund and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2018 was \$121,030.

The last valuation of the Fund was by the Actuary, Mr Richard Boyfield, FIAA on 12 December 2017, relating to the period ended 30 June 2017.

Council's expected contributions to the Fund for the next annual reporting period is \$ 114,165.

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 15. Contingencies and other liabilities/assets not recognised (continued)

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(i) Defined benefit superannuation contribution plans (continued)

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

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

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

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

Investment return	6.0% per annum
Salary inflation *	3.5% per annum
Increase in CPI	2.5% per annum

* Plus promotional increases

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

Please note that the estimated employer reserves financial position above is a preliminary calculation and once all the relevant information has been received by the Funds Actuary, the 2018 triennial review will be completed around December 2018.

Council's additional lump sum contribution is around 0.16% of the total additional lump sum contributions for all Pooled Employers (of \$40m each year from 1 July 2017 to 30 June 2021) provides an indication of the level of participation of Council compared with other employers in the Pooled Employer sub-group.

(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.

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 15. Contingencies and other liabilities/assets not recognised (continued)

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

(ii) Potential land acquisitions due to planning restrictions imposed by Council

Council has classified a number of privately owned land parcels as local open space or bushland.

As a result, where notified in writing by the various owners, Council will be required to purchase these land parcels.

At reporting date, reliable estimates as to the value of any potential liability (and subsequent land asset) from such potential acquisitions has not been possible.

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.

Bellingen Shire Council

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

Note 16. Financial risk management

\$ '000

Risk management

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

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

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

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

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

	Carrying value		Fair value	
	2018	2017	2018	2017
Financial assets				
Cash and cash equivalents	1,238	1,747	1,238	1,747
Investments				
– 'Held for trading'	11,900	–	11,900	–
– 'Held to maturity'	20,500	33,300	20,500	33,000
Receivables	7,793	4,516	7,793	4,516
Total financial assets	41,431	39,563	41,431	39,263
Financial liabilities				
Payables	3,236	2,791	3,236	2,791
Loans/advances	7,741	8,403	7,741	8,403
Total financial liabilities	10,977	11,194	10,977	11,194

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. Financial risk management (continued)

\$ '000

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

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

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

The risks associated with the investments held are:

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

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2018				
Possible impact of a 10% movement in market values	89	89	(89)	(89)
Possible impact of a 1% movement in interest rates	344	344	(344)	(344)
2017				
Possible impact of a 10% movement in market values	90	90	(90)	(90)
Possible impact of a 1% movement in interest rates	350	350	(350)	(350)

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

Council makes suitable provision for doubtful receivables as required.

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

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

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	94%	100%	94%	85%
Overdue	6%	0%	6%	15%
	100%	100%	100%	100%

(ii) Ageing of receivables – value

Rates and annual charges

	2018	2017
Current	589	645
	589	645

Other receivables

	2018	2017
Current	2,884	2,998
0 – 30 days overdue	3,164	370
31 – 60 days overdue	571	263
61 – 90 days overdue	546	266
> 91 days overdue	67	44
	7,232	3,941

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk by borrowing long term and fixing the interest rate on a 4-year renewal basis. The Finance Section regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 – 5 Years	> 5 Years		
2018							
Trade/other payables	0.00%	166	3,070	-	-	3,236	3,236
Loans and advances	6.44%	-	701	3,211	3,829	7,741	7,741
Total financial liabilities		166	3,771	3,211	3,829	10,977	10,977
2017							
Trade/other payables	0.00%	184	2,597	10	-	2,791	2,791
Loans and advances	6.44%	-	663	3,041	4,699	8,403	8,403
Total financial liabilities		184	3,260	3,051	4,699	11,194	11,194

Loan agreement breaches

There were no breaches to loan agreements during the reporting year.

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 28 June 2017 and is not required to be audited.

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

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

Note that for variations* of budget to actual :

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

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

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
REVENUES					
Rates and annual charges	13,846	13,689	(157)	(1%)	U
User charges and fees	6,480	8,506	2,026	31%	F
Council received additional revenue above the budget due to additional RMS contracted works on MR716.					
Interest and investment revenue	962	891	(71)	(7%)	U
Other revenues	520	636	116	22%	F
Other revenues were higher than budget due to Council receiving Work Health and Safety incentive payments during year.					
Operating grants and contributions	5,447	6,516	1,069	20%	F
Operating grant income was higher than budget due to Council receiving additional revenue from the Road to Recovery Scheme and receiving funding for the introduction of the new biodiversity legislation.					
Capital grants and contributions	4,616	7,170	2,554	55%	F
Capital grants received were higher than budget due to Council receiving NDRRA flood grants during the year.					
Net gains from disposal of assets	–	196	196	0%	F
Fair value increment on investment property	–	80	80	0%	F

Bellingen Shire Council

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

Note 17. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 Variance*		
EXPENSES					
Employee benefits and on-costs	10,775	9,245	1,530	14%	F
Employee benefits and on-costs were lower than budget due to a reduction in workers compensation insurance and an increase in capitalised wages.					
Borrowing costs	559	548	11	2%	F
Materials and contracts	7,870	10,223	(2,353)	(30%)	U
Materials and contract expenditure was higher than budget due to the additional RMS contracted works on MR716.					
Depreciation and amortisation	7,225	6,973	252	3%	F
Other expenses	2,515	3,095	(580)	(23%)	U
Other expenses were higher than budget due to the costs of works relating to the Urunga Lido.					

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

Cash flows from operating activities	10,096	11,086	990	9.8%	F
Cash flows from investing activities	(10,280)	(10,933)	(653)	6.4%	U
Cash flows from financing activities	(699)	(662)	37	(5.3%)	F

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. 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 – Financial assets and liabilities

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

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

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

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

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

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

2018	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Financial assets					
Investments – 'Held for trading'	30/06/18	–	11,900	–	11,900
Total financial assets		–	11,900	–	11,900
Investment property					
Investment properties	30/06/17	–	–	2,316	2,316
Total investment property		–	–	2,316	2,316
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/13	–	–	4,903	4,903
Office equipment	30/06/13	–	–	460	460
Furniture and fittings	30/06/13	–	–	91	91
Land – operational	30/06/18	–	–	10,400	10,400
Land – community	30/06/16	–	–	15,521	15,521
Land improvements – depreciated	30/06/13	–	–	1,287	1,287
Buildings –specialised	30/06/18	–	–	9,431	9,431
Buildings – non-specialised	30/06/18	–	–	24,424	24,424
Roads	30/06/15	–	–	75,010	75,010
Bridges	30/06/15	–	–	21,679	21,679
Footpaths	30/06/15	–	–	1,945	1,945
Bulk earthworks	30/06/15	–	–	163,967	163,967
Stormwater drainage	30/06/15	–	–	13,702	13,702
Water supply network	30/06/17	–	–	33,395	33,395
Sewerage network	30/06/17	–	–	36,563	36,563
Swimming pools	30/06/16	–	–	966	966
Open space and recreation	30/06/16	–	–	2,487	2,487
Other infrastructure	30/06/16	–	–	2,216	2,216
Other assets	30/06/13	–	–	170	170
Tip assets	30/06/10	–	–	198	198
Work in Progress	30/06/18	–	–	3,809	3,809
Total infrastructure, property, plant and equipment		–	–	422,624	422,624

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Fair value measurement (continued)

\$ '000

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

2017	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Investment property					
Investment properties	30/06/16	–	–	1,924	1,924
Total investment property		–	–	1,924	1,924
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/13	–	–	3,699	3,699
Office equipment	30/06/13	–	–	510	510
Furniture and fittings	30/06/13	–	–	85	85
Land – operational	30/06/18	–	–	19,104	19,104
Land – community	30/06/16	–	–	15,521	15,521
Land improvements – depreciated	30/06/13	–	–	1,377	1,377
Buildings –specialised	30/06/13	–	–	9,605	9,605
Buildings – non-specialised	30/06/13	–	–	24,788	24,788
Roads	30/06/15	–	–	68,611	68,611
Bridges	30/06/15	–	–	21,783	21,783
Footpaths	30/06/15	–	–	1,918	1,918
Bulk earthworks	30/06/15	–	–	163,967	163,967
Stormwater drainage	30/06/15	–	–	13,928	13,928
Water supply network	30/06/17	–	–	32,990	32,990
Sewerage network	30/06/17	–	–	36,652	36,652
Swimming pools	30/06/16	–	–	1,003	1,003
Open space and recreation	30/06/16	–	–	2,536	2,536
Other infrastructure	30/06/16	–	–	2,276	2,276
Other assets	30/06/13	–	–	183	183
Tip assets	30/06/10	–	–	215	215
Work in Progress	30/06/17	–	–	3,565	3,565
Total infrastructure, property, plant and equipment		–	–	424,316	424,316

(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 2018

Note 18. 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 2017 by Cardow & Partners Property (estate agents). There has been no change to the valuation process during the reporting period.

Infrastructure, Property, Plant & Equipment

Community Land

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

Operational Land

The valuation of Operational Land has been based upon relevant sales in the area. In certain locations there was a lack of appropriate comparable sales evidence and in these instances the closest comparable sales and factors relating the land parcels geographic, land use and zoning were also taken into consideration. The last valuation was undertaken at 30 June 2018 by Griffin Valuation Advisory.

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 evidence. For some assets the valuation was based upon the depreciated replacement cost approach and unobservable inputs such as estimated patterns of consumption,

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Fair value measurement (continued)

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

Plant & Equipment, Office Equipment, Furniture & Fittings

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

Buildings

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

The last valuation was undertaken at 30 June 2018 by Opus International Consultants (Australia) Pty Ltd.

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 2018

Note 18. Fair value measurement (continued)

Water System Assets

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

Sewer System Assets

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

Roads, Bridges, Bulk Earthworks and other Infrastructure Assets

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

Stormwater Drainage

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

Remediation Assets

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

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. 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 – 1/7/16	4,030	523	100	19,104	15,521	1,465	35,011	68,380	144,134
Purchases (GBV)	523	53	–	–	–	–	182	2,614	3,372
Disposals (WDV)	(96)	–	–	–	–	–	–	–	(96)
Depreciation and impairment	(758)	(66)	(14)	–	–	(88)	(597)	(2,382)	(3,905)
Other movement	–	–	–	–	–	–	(9,808)	–	(9,808)
Closing balance – 30/6/17	3,699	510	86	19,104	15,521	1,377	24,788	68,612	133,697
Transfers from/(to) another asset class	–	–	–	(110)	–	–	(202)	–	(312)
Purchases (GBV)	2,030	16	19	–	–	–	30	8,728	10,823
Disposals (WDV)	(189)	–	–	–	–	–	–	–	(189)
Depreciation and impairment	(637)	(66)	(14)	–	–	(90)	(599)	(2,330)	(3,736)
Other movement	–	–	–	(8,594)	–	–	408	–	(8,186)
Closing balance – 30/6/18	4,903	460	91	10,400	15,521	1,287	24,425	75,010	132,097

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. 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 – 1/7/16	21,598	1,783	163,114	14,093	41,865	36,479	1,029	2,712	282,673
Purchases (GBV)	571	166	853	59	133	828	38	–	2,648
Depreciation and impairment	(386)	(30)	–	(225)	(712)	(1,002)	(64)	(176)	(2,595)
Revaluations	–	–	–	–	(8,296)	347	–	–	(7,949)
Closing balance – 30/6/17	21,783	1,919	163,967	13,927	32,990	36,652	1,003	2,536	274,777
Purchases (GBV)	580	58	–	–	407	218	27	126	1,416
Depreciation and impairment	(684)	(32)	–	(226)	(689)	(1,059)	(64)	(175)	(2,929)
Other movement	–	–	–	–	687	752	–	–	1,439
Closing balance – 30/6/18	21,679	1,945	163,967	13,701	33,395	36,563	966	2,487	274,703

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Fair value measurement (continued)

\$ '000

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

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

	Buildings non specialised	Other infra structure	Library books	Other assets	Tip assets	Quarry assets	Total
Opening balance – 1/7/16	–	2,242	–	193	231	–	2,666
Purchases (GBV)	–	109	–	–	–	–	109
Depreciation and impairment	(203)	(75)	–	(10)	(17)	–	(305)
Other movement	9,808	–	–	–	–	–	9,808
Closing balance – 30/6/17	9,605	2,276	–	183	214	–	12,278
Transfers from/(to) another asset class	–	–	–	(1)	–	–	(1)
Purchases (GBV)	31	16	–	–	–	–	47
Depreciation and impairment	(205)	(76)	–	(11)	(16)	–	(308)
Closing balance – 30/6/18	9,431	2,216	–	171	198	–	12,016

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. 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:

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

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 2018

Note 19. Related party transactions

\$ '000

a. Key management personnel

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

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

Compensation:	2018	2017
Short-term benefits	828	820
Post-employment benefits	70	68
Total	898	888

b. Other transactions with KMP and their related parties

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

There were no related party transactions during the year.

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	11	–	–	–	–	–	11	–
Roads	2,707	51	–	35	(768)	–	2,025	–
Parking	28	–	–	1	–	–	29	–
Community facilities	884	24	–	12	(156)	–	764	–
S7.11 contributions – under a plan	3,630	75	–	48	(924)	–	2,829	–
Total S7.11 and S7.12 revenue under plans	3,630	75	–	48	(924)	–	2,829	–
S7.11 not under plans	105	–	–	1	–	–	106	–
S64 contributions	5,298	192	–	78	–	–	5,568	–
Total contributions	9,033	267	–	127	(924)	–	8,503	–

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Statement of developer contributions (continued)

\$ '000

S7.11 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	751	18	–	10	(156)	–	623	
Total	751	18	–	10	(156)	–	623	–

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	–	–	1	–	–	14	
Total	13	–	–	1	–	–	14	–

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

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	2,673	51	–	34	(768)	–	1,990	
Total	2,673	51	–	34	(768)	–	1,990	–

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	21	–	–	–	–	–	21	
Total	21	–	–	–	–	–	21	–

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Statement of developer contributions (continued)

\$ '000

S7.11 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	133	6	–	2	–	–	141	
Total	133	6	–	2	–	–	141	–

CONTRIBUTION PLAN - Bellingen Drainage

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	11	–	–	–	–	–	11	
Total	11	–	–	–	–	–	11	–

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

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	-	-	1	-	-	29	
Total	28	-	-	1	-	-	29	-

S7.11 CONTRIBUTIONS – NOT UNDER A PLAN

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	11	-	-	-	-	-	11	
Other	94	-	-	1	-	-	95	
Total	105	-	-	1	-	-	106	-

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Financial result and financial position by fund

Income Statement by fund			
\$ '000	2018	2018	2018
Continuing operations	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	501	3,147	10,041
User charges and fees	1,841	177	6,488
Interest and investment revenue	402	74	415
Other revenues	7	–	629
Grants and contributions provided for operating purposes	55	43	6,418
Grants and contributions provided for capital purposes	119	72	6,979
Other income			
Net gains from disposal of assets	–	–	196
Fair value increment on investment property	–	–	80
Total income from continuing operations	2,925	3,513	31,246
Expenses from continuing operations			
Employee benefits and on-costs	1,084	1,118	7,043
Borrowing costs	–	–	548
Materials and contracts	300	548	9,375
Depreciation and amortisation	688	1,205	5,080
Other expenses	313	249	2,533
Total expenses from continuing operations	2,385	3,120	24,579
Operating result from continuing operations	540	393	6,667
Net operating result attributable to each council fund	540	393	6,667
Net operating result for the year before grants and contributions provided for capital purposes	421	321	(312)

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 2018

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

Statement of Financial Position by fund			
\$ '000	2018	2018	2018
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	414	214	610
Investments	9,964	4,454	9,082
Receivables	631	299	6,817
Inventories	19	–	229
Other	–	–	23
Total current assets	11,028	4,967	16,761
Non-current assets			
Investments	6,600	800	1,500
Receivables	–	–	46
Infrastructure, property, plant and equipment	36,371	43,167	343,086
Investment property	–	–	2,316
Total non-current assets	42,971	43,967	346,948
TOTAL ASSETS	53,999	48,934	363,709
LIABILITIES			
Current liabilities			
Payables	87	166	2,977
Income received in advance	–	–	301
Borrowings	–	–	702
Provisions	6	9	2,478
Total current liabilities	93	175	6,458
Non-current liabilities			
Payables	–	–	6
Borrowings	–	–	7,039
Provisions	–	–	787
Total non-current liabilities	–	–	7,832
TOTAL LIABILITIES	93	175	14,290
Net assets	53,906	48,759	349,419
EQUITY			
Accumulated surplus	20,128	11,875	241,945
Revaluation reserves	33,778	36,884	107,474
Total equity	53,906	48,759	349,419

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 2018

Note 22(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	Prior periods 2017	2016	Benchmark
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>430</u>	1.42%	0.68%	-3.63%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>30,238</u>				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>23,722</u>	63.41%	68.10%	65.98%	> 60.00%
Total continuing operating revenue ⁽¹⁾	<u>37,408</u>				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	<u>11,206</u>	2.33x	2.47x	2.58x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>4,816</u>				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>7,675</u>	6.34x	6.29x	5.04x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>1,210</u>				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	<u>767</u>	5.25%	5.78%	6.99%	< 10% regional & rural
Rates, annual and extra charges collectible	<u>14,623</u>				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	<u>26,638</u>	11.76 mths	17.7 mths	15.2 mths	> 3 mths
Payments from cash flow of operating and financing activities	<u>2,265</u>				

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

⁽³⁾ Refer to Notes 11 and 12.

⁽⁴⁾ Refer to Note 11(b) and 12(b) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22(b). Statement of performance measures – by fund

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund							
1. Operating performance ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	-2.44%	-1.21%	15.00%	12.72%	9.28%	3.25%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
2. Own source operating revenue ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	56.75%	60.91%	94.05%	95.11%	96.67%	96.30%	> 60.00%
Total continuing operating revenue ⁽¹⁾							
3. Unrestricted current ratio							
Current assets less all external restrictions ⁽²⁾	2.33x	2.47x	67.68x	112.53x	17.64x	18.21x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)							

Notes

(1) - (4) Refer to Notes at Note 22a 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 2018

Note 22(b). Statement of performance measures – by fund (continued)

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund (continued)							
4. Debt service cover ratio							
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation							
	4.17x	4.31x	0.00x	0.00x	0.00x	0.00x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
	4.69%	5.16%	18.76%	20.21%	5.02%	5.67%	< 10% regional & rural
Rates, annual and extra charges outstanding							
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
	7.20	17.10	2.86	450.00	1.33	322.50	> 3 months
Current year's cash and cash equivalents plus all term deposits x12							
Payments from cash flow of operating and financing activities							

Notes

(1) Refer to Notes at Note 22a above.

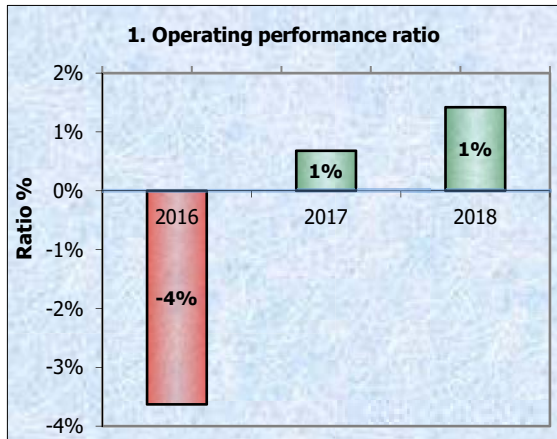
(5) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

END OF AUDITED FINANCIAL STATEMENTS

Bellingen Shire Council

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

Note 22(c). Statement of performance measures – consolidated results (graphs)



Purpose of operating performance ratio

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

Commentary on 2017/18 result

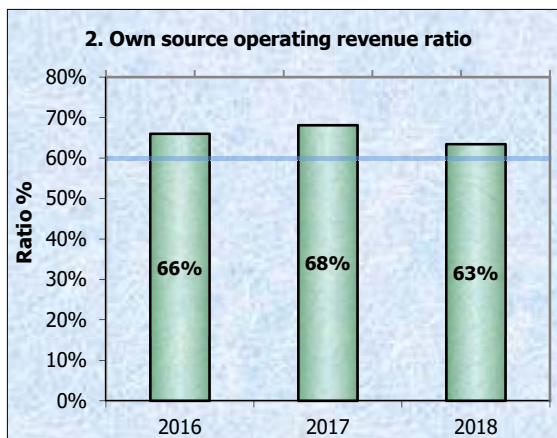
2017/18 ratio 1.42%

Through prudent financial management Council has seen a steady improvement in results over the past few years. For 2017/18 Council exceeded the industry benchmark of a minimum break even result.

Benchmark: ——— Minimum >=0.00%

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

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 2017/18 result

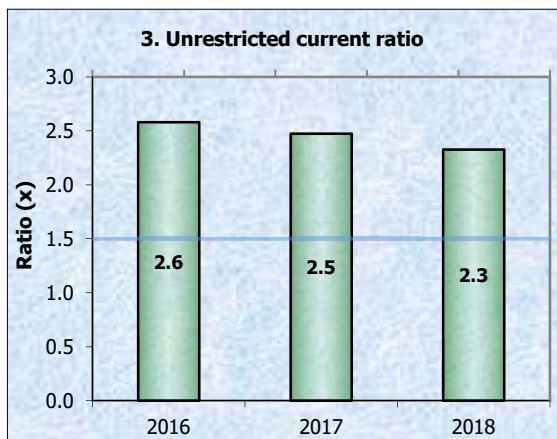
2017/18 ratio 63.41%

Councils generation of own source revenue is primarily achieved through the collection of rating revenue. The result of 64% for 2017/18 exceeds the industry benchmark of 60%.

Benchmark: ——— Minimum >=60.00%

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

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 2017/18 result

2017/18 ratio 2.33x

Councils 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

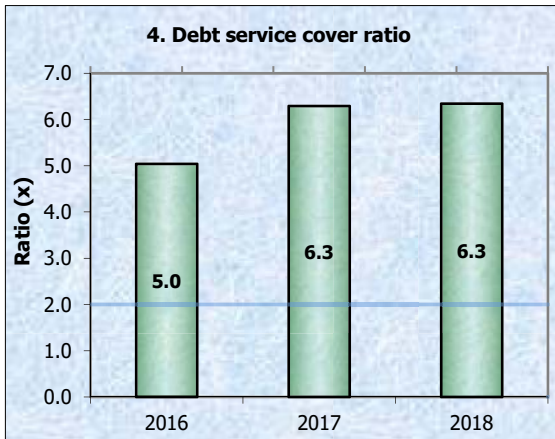
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
 Ratio is outside benchmark

Bellingen Shire Council

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

Note 22(c). Statement of performance measures – consolidated results (graphs)



Purpose of debt service cover ratio

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

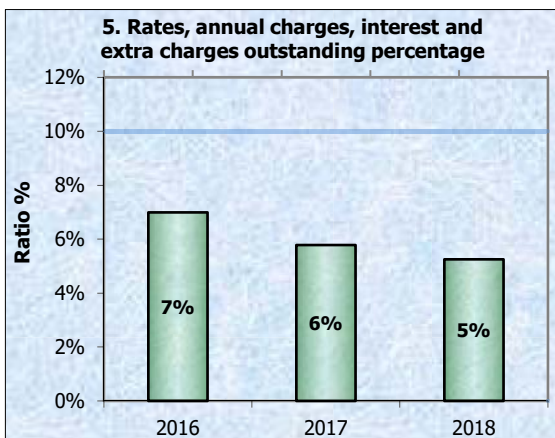
Commentary on 2017/18 result

2017/18 ratio 6.34x

This ratio exceeds the industry benchmark, indicating that Council has sufficient operating cash to service its debts.

Benchmark: ——— Minimum ≥ 2.00
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

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.

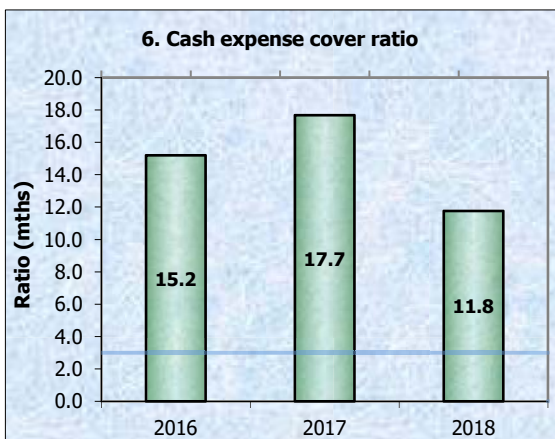
Commentary on 2017/18 result

2017/18 ratio 5.25%

Councils result shows a continual improvement over the past five years for this ratio. The result of 5.25% is well under the acceptable industry benchmark of 10% for rural councils.

Benchmark: ——— Maximum $< 10.00\%$
Source for Benchmark: Code of Accounting Practice and Financial Reporting #26

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 2017/18 result

2017/18 ratio 11.76 mths

This ratio is well above the industry benchmark of greater than 3 months, 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 #26

Ratio achieves benchmark
 Ratio is outside benchmark

Bellingen Shire Council

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

Note 23. 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

AUDITORS

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

Other information

ABN: 26 066 993 265



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

To the Councillors of Bellingen Shire Council

Opinion

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

In my opinion,

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

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

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

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

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 17 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule 2 - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.

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

James Sugumar
Director, Financial Audit Services

26 October 2018
SYDNEY

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

Contact: James Sugumar
Phone no: 02 9275 7288
Our ref: D1825524/1691

26 October 2018

Dear Mayor King

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

I issued an unmodified audit opinion in my Independent Auditor's Report for the general purpose financial statements of Bellingen Shire Council (the Council) for the year ended 30 June 2018.

The audit was conducted in accordance with section 415 of the *Local Government Act 1993* (the Act).






This Report on the Conduct of the Audit is issued in accordance with section 417 of the Act and should be read in conjunction with my audit opinion issued under section 417(2) of the Act.

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

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

FINANCIAL STATEMENTS

INCOME STATEMENT

	2018 \$m	2017 \$m	Variation \$m	Variance %
Rates and annual charges revenue	13.7	13.1	+0.6	 4.6
Grants and contributions revenue	13.7	9.8	+3.9	 39.8
TOTAL REVENUE	37.7	31.0	+6.7	 21.6
TOTAL EXPENSES	30.1	28.7	+1.4	 4.9
Operating result for the year	7.6	2.3	+5.3	 230

The increase in rates and annual charges revenue of \$0.6 million was mainly due to a special rate variation of 6.0 per cent in 2018 inclusive of the 1.5 per cent rate peg.

Net increase of \$3.9 million in Grants and contribution revenue was primarily due to:

- rise in flood restoration grant of \$4.1 million
- increase in transport grants of \$1.3 million for roads and bridges funding, and the Roads to Recovery program
- decrease of \$1.5 million in financial assistance grants received during the year.

Total revenue increased by \$6.7 million largely due to the growth in grant revenue and additional \$2.2 million revenue from Roads and Maritime Services (RMS) for maintenance of state-owned roads.

Total expenses increased by \$1.4 million largely due to an increase of \$1.2 million in materials and consumables for road maintenance, in line with the increased RMS works on state-owned roads.

The increase in total revenue exceeded the increase in total expenses, contributing to a \$5.3 million rise in the operating result for the year.

BALANCE SHEET

	2018 \$m	2017 \$m	Variation \$m	Variation %
Current assets	32.7	39.8	-7.1	↓ 17.6
Non-current assets	433.9	426.3	+7.6	↑ 2.3
TOTAL ASSETS	466.6	466.1	+0.5	↑ 0.1
TOTAL LIABILITIES	14.5	14.9	-0.4	↓ 2.0
NET ASSETS	452.1	451.2	+0.9	↑ 0.2

Decrease of current assets by \$7.1 million was mainly due to:

- reclassification of \$8.9 million current investments to non-current
- increase of \$3.3 million in receivables from RMS on road maintenance works.

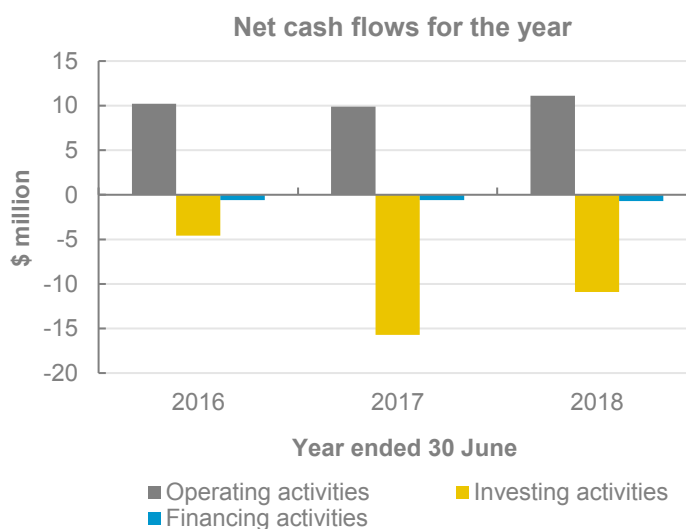
The growth in non-current assets by \$7.6 million was largely due to the reclassification current investments noted above offset by an overall decrease of \$1.7 million in infrastructure, property, plant and equipment (IPPE) assets from reassessment of fair values.

Total assets moved up by \$0.5 million primarily from increased receivables as noted above.

Total liabilities decreased by \$0.4 million mainly due to repayment of borrowings of \$662,000.

CASH FLOWS

- Council reported positive cash flows in 2016 and negative cash flows for 2017 and 2018.
- Cash flows from investing activities have fluctuated over the last three years with the purchase and sale of assets and investment securities.
- Financing activities cash flows have been consistent for the past three years, representing repayment of borrowings.



CASH POSITION

Cash and Investments	2018	2017	Commentary
	\$m	\$m	
External restrictions	29.5	28.8	Externally restricted cash increased mainly from receipt of water supply and sewerage services funds.
Internal restrictions	3.3	6.2	
Unrestricted	0.8	--	Internal cash restrictions decreased mainly due to timing of receipts.
Cash and investments	33.6	35.0	

COUNCIL'S PERFORMANCE RATIOS FOR 30 JUNE 2018

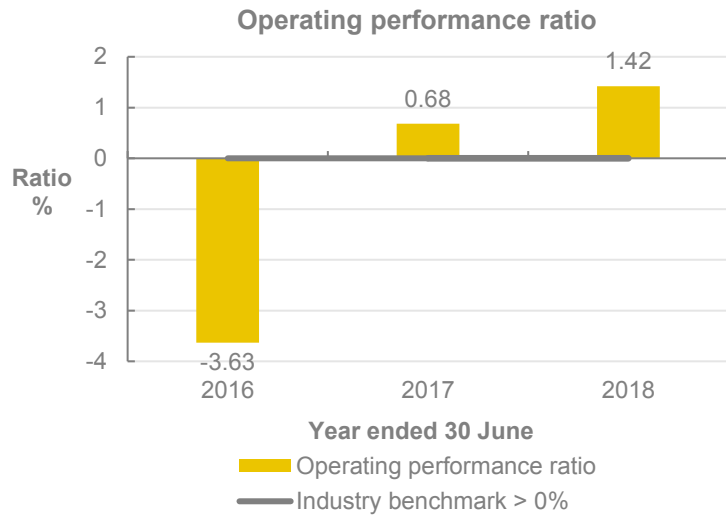
I provide a summary of outcomes and analysis of the Council's key performance ratios for the year ended 30 June 2018 below:

Performance ratio	Outcome	Reference
Operating performance ratio	Achieved	<u>1</u>
Own source operating revenue ratio	Achieved	<u>2</u>
Unrestricted current ratio	Achieved	<u>3</u>
Debt service cover ratio	Achieved	<u>4</u>
Rates and annual charges cover ratio	Achieved	<u>5</u>
Cash expense cover ratio	Achieved	<u>6</u>
Building and infrastructure renewals ratio	Achieved	<u>7</u>

The ratios and the definitions (except for the 'building and infrastructure renewals ratio') are reported in Note 22(a) of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7 which has not been audited.

1. Operating performance ratio (operating margin to operating revenue)

- Council achieved the benchmark in 2018.
- The ratio increased to 1.42 in 2018 due to increased rates revenue from the special rate variation, and rise in user charges and fees of \$1.2 million.

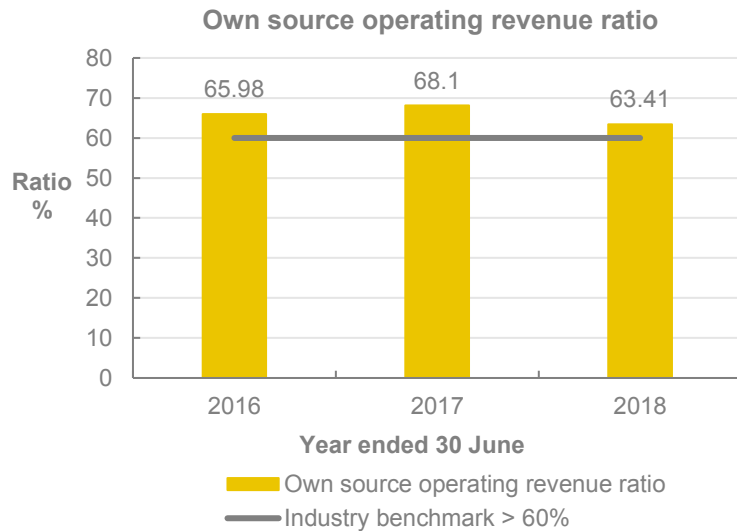


The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements).

The benchmark set by the Office of Local Government (OLG) is greater than zero per cent.

2. Own source operating revenue ratio (own funding to total funding)

- Council continued to meet the benchmark for the past three years.
- The ratio decreased in 2018 due to increased grants and contributions revenue.

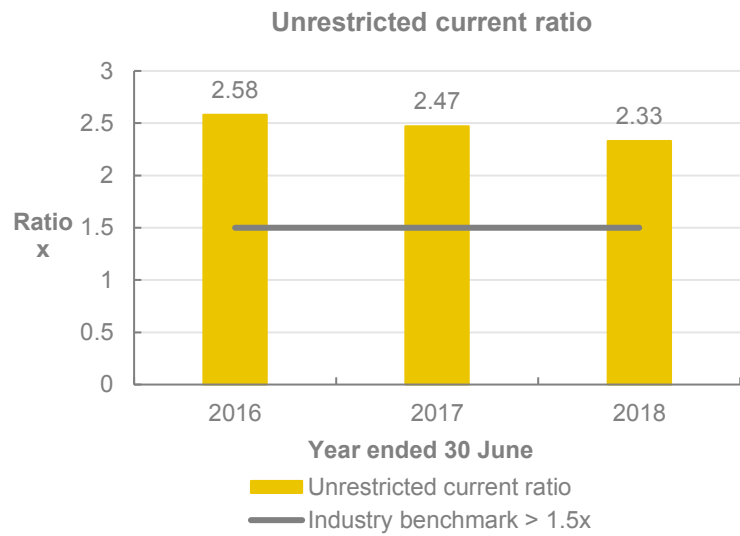


The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions.

The benchmark set by OLG is greater than 60 per cent.

3. Unrestricted current ratio (unrestricted cash to liabilities)

- Council continued to meet the benchmark for the past three years.
- Council will be able to meet its short-term obligations as and when they fall due.

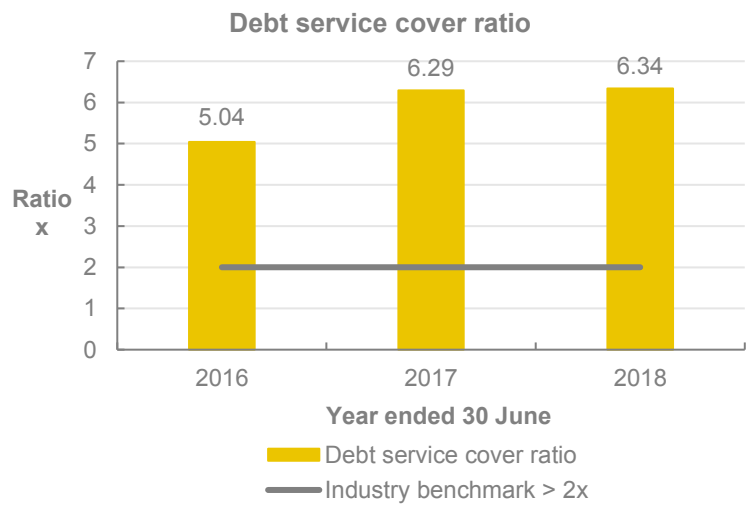


The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due.

The benchmark set by OLG is greater than 1.5 times.

4. Debt service cover ratio (operating cash to loan obligations)

- Council continued to meet the benchmark for the past three years.
- The ratio slightly increased in 2018 due to improved operating result for the year.

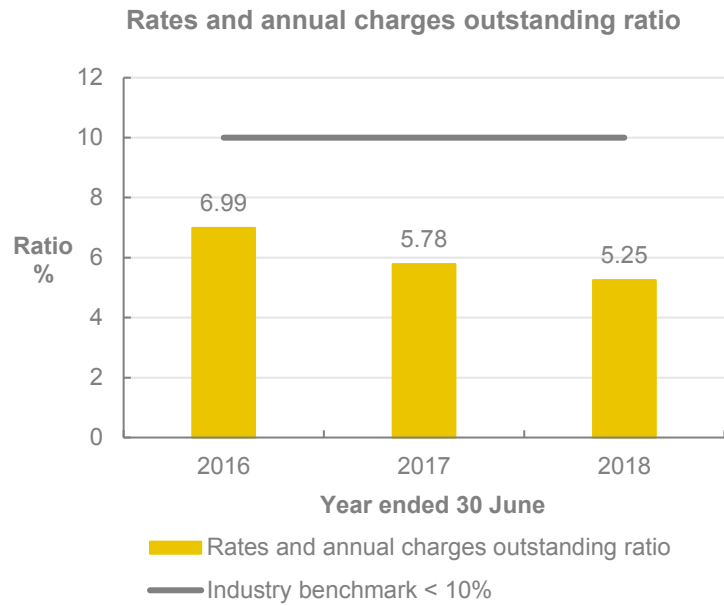


The 'debt service cover ratio' measures the operating result to service debt including interest, principal and lease payments.

The benchmark set by OLG is greater than two times.

5. Rates and annual charges outstanding ratio (uncollected rates to total rates)

- Council continued to achieve the benchmark for the past three years.
- The collection procedures of the Council operated effectively to collect more than 90 per cent of the rates and annual charges revenue within the receivable dates.

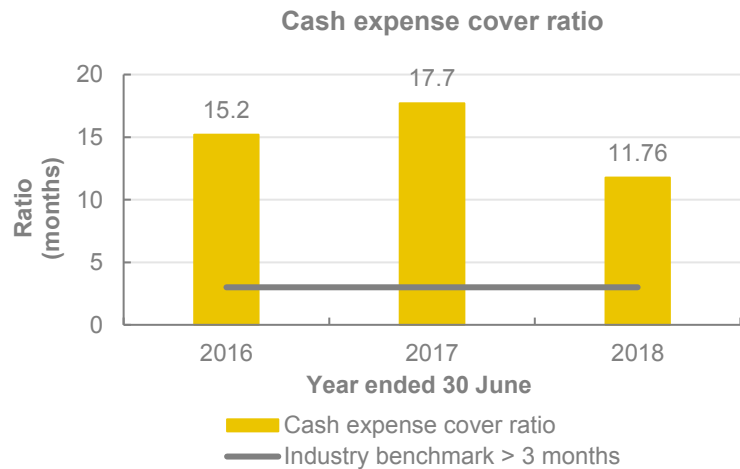


The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts.

The benchmark set by OLG is less than 10 per cent for regional and rural councils.

6. Cash expense cover ratio (cash balance to monthly outgoings)

- Council exceeded the benchmark of 3 months for the past three years.
- It will be able to meet its immediate expenses for more than eleven months without additional cash inflows.

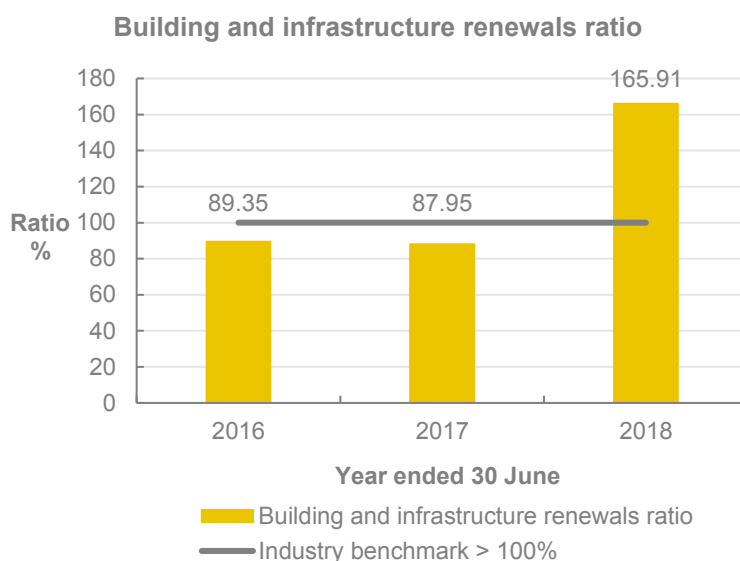


This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow.

The benchmark set by OLG is greater than three months.

7. Building and infrastructure renewals ratio (unaudited)

- Council achieved the benchmark in 2018.
- The ratio has significantly improved in 2018 due to increased asset renewals.



The 'building and infrastructure renewals ratio' assesses the rate at which these assets are being renewed against the rate at which they are depreciating.

The benchmark set by OLG is greater than 100 per cent.

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

OTHER MATTERS

Legislative compliance

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

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

James Sugumar
Director, Financial Audit Services

cc: Ms Liz Jeremy, General Manager
 Mr Chris Hodge, Chief Financial Officer
 Mr Tim Hurst, Chief Executive of the Office of Local Government

Bellingen Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

**Bellingen Shire - Connected, Sustainable,
Creative**



Bellingen Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2018

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Income Statement – Other Business Activities	n/a
Statement of Financial Position – Water Supply Business Activity	5
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Statement of Financial Position – Other Business Activities	n/a
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Background

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

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

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

Bellingen Shire Council

Special Purpose Financial Statements for the year ended 30 June 2018

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 26 September 2018.



Dominic King
Mayor



Steve Klipin
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 2018

\$ '000	2018	2017
Income from continuing operations		
Access charges	501	480
User charges	1,841	1,886
Interest	402	408
Grants and contributions provided for non-capital purposes	55	55
Other income	7	8
Total income from continuing operations	2,806	2,837
Expenses from continuing operations		
Employee benefits and on-costs	1,084	999
Materials and contracts	300	361
Depreciation, amortisation and impairment	688	769
Other expenses	313	347
Total expenses from continuing operations	2,385	2,476
Surplus (deficit) from continuing operations before capital amounts	421	361
Grants and contributions provided for capital purposes	119	88
Surplus (deficit) from continuing operations after capital amounts	540	449
Surplus (deficit) from all operations before tax	540	449
Less: corporate taxation equivalent (30%) [based on result before capital]	(126)	(108)
SURPLUS (DEFICIT) AFTER TAX	414	341
Plus opening retained profits	19,588	19,139
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	126	108
Closing retained profits	20,128	19,588
Return on capital %	1.2%	1.0%
Subsidy from Council	536	493
Calculation of dividend payable:		
Surplus (deficit) after tax	414	341
Less: capital grants and contributions (excluding developer contributions)	–	1
Surplus for dividend calculation purposes	414	342
Potential dividend calculated from surplus	207	171

Bellingen Shire Council

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

\$ '000	2018	2017
Income from continuing operations		
Access charges	3,147	3,051
User charges	133	132
Liquid trade waste charges	44	45
Interest	74	80
Grants and contributions provided for non-capital purposes	43	43
Other income	–	1
Total income from continuing operations	3,441	3,352
Expenses from continuing operations		
Employee benefits and on-costs	1,118	1,149
Materials and contracts	548	680
Depreciation, amortisation and impairment	1,205	1,149
Loss on sale of assets	–	14
Other expenses	249	252
Total expenses from continuing operations	3,120	3,244
Surplus (deficit) from continuing operations before capital amounts	321	108
Grants and contributions provided for capital purposes	72	85
Surplus (deficit) from continuing operations after capital amounts	393	193
Surplus (deficit) from all operations before tax	393	193
Less: corporate taxation equivalent (30%) [based on result before capital]	(96)	(32)
SURPLUS (DEFICIT) AFTER TAX	297	161
Plus opening retained profits	11,482	11,289
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	96	32
Closing retained profits	11,875	11,482
Return on capital %	0.7%	0.2%
Subsidy from Council	814	994
Calculation of dividend payable:		
Surplus (deficit) after tax	297	161
Less: capital grants and contributions (excluding developer contributions)	1	(8)
Surplus for dividend calculation purposes	298	153
Potential dividend calculated from surplus	149	76

Bellingen Shire Council

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

\$ '000	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	414	449
Investments	9,964	16,000
Receivables	631	529
Inventories	19	15
Total current assets	11,028	16,993
Non-current assets		
Investments	6,600	–
Infrastructure, property, plant and equipment	36,371	35,863
Total non-current assets	42,971	35,863
TOTAL ASSETS	53,999	52,856
LIABILITIES		
Current liabilities		
Payables	87	109
Provisions	6	–
Total current liabilities	93	109
Non-current liabilities		
Total non-current liabilities	–	–
TOTAL LIABILITIES	93	109
NET ASSETS	53,906	52,747
EQUITY		
Accumulated surplus	20,128	19,588
Revaluation reserves	33,778	33,159
TOTAL EQUITY	53,906	52,747

Bellingen Shire Council

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

\$ '000	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	214	644
Investments	4,454	3,500
Receivables	299	273
Total current Assets	4,967	4,417
Non-current assets		
Investments	800	–
Infrastructure, property, plant and equipment	43,167	46,319
Total non-current assets	43,967	46,319
TOTAL ASSETS	48,934	50,736
LIABILITIES		
Current liabilities		
Payables	166	202
Provisions	9	–
Total current liabilities	175	202
Non-current liabilities		
Total non-current liabilities	–	–
TOTAL LIABILITIES	175	202
NET ASSETS	48,759	50,534
EQUITY		
Accumulated surplus	11,875	11,483
Revaluation reserves	36,884	39,051
TOTAL EQUITY	48,759	50,534

Bellingen Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2018

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	8
2	Water Supply Business Best-Practice Management disclosure requirements	12
3	Sewerage Business Best-Practice Management disclosure requirements	14

Bellingen Shire Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2018

Note 1. Significant accounting policies

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

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

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

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

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

The Statement of Financial Position includes notional assets/liabilities receivable from/payable to Council's general fund. These balances reflect a notional intra-entity funding arrangement with the declared business activities.

National Competition Policy

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

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

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

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

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

Declared business activities

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

Category 1

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

a. Bellingen Shire Council Water Supply

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

Bellingen Shire Council

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

Note 1. Significant accounting policies (continued)

b. Bellingen Shire Council Sewerage Service

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

Category 2

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

Nil

Monetary amounts

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

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

(i) Taxation-equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – 30%

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

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

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

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

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

Bellingen Shire Council

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

Note 1. Significant accounting policies (continued)

Income tax

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

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

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

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

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

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

Local government rates and charges

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

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

Bellingen Shire Council

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

Note 1. Significant accounting policies (continued)

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

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

(iv) Dividends

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

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

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

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

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

END OF AUDITED SPECIAL PURPOSE FINANCIAL STATEMENTS

Bellingen Shire Council

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

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

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

2018

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	-
(ii)	Number of assessments multiplied by \$3/assessment	13,167
(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]	206,850
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	131,670
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	1,005,500

2018 Surplus	413,700	2017 Surplus	341,700	2016 Surplus	250,100
		2017 Dividend	-	2016 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	131,670
(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 2018

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

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

National Water Initiative (NWI) financial performance indicators

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	2,523
NWI F4	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	78.43%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	36,192
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	1,651
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	888
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)]	%	0.50%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

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

Bellingen Shire Council

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

Note 3. Sewerage business best-practice management disclosure requirements

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

2018

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	-
(ii)	Number of assessments multiplied by \$3/assessment	12,813
(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]	148,850
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	128,130
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	594,600

2018 Surplus	297,700	2017 Surplus	152,600	2016 Surplus	144,300
		2017 Dividend	-	2016 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	128,130
(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 2018Note 3. Sewerage business
best-practice management disclosure requirements (continued)

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

National Water Initiative (NWI) financial performance indicators

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	3,439
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	43,039
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	1,826
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	342
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)]	%	0.95%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

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

NWI F3	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	5,962
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.64%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	1,230
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)]	%	0.74%
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 2018

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

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

2018

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

NWI F22	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	-21.86%
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest Earnings before interest and tax (EBIT): Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c) Net interest: Interest expense (w4a + s4a) – interest income (w9 + s10)		> 100
NWI F24	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	933
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	98

- Notes:
1. References to w (eg. s12) refer to item numbers within Special Schedules 5 and 6 of Council's Annual Financial Statements.
 2. The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
 - a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007



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

To the Councillors of Bellingen Shire Council

Opinion

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

The Declared Business Activities of the Council are:

- Water Supply Business Activity
- Sewerage Business Activity.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

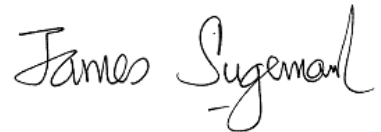
- obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

My opinion does not provide assurance:

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

A handwritten signature in black ink that reads "James Sugumar". The signature is written in a cursive style with a small dash under the 'u'.

James Sugumar
Director, Financial Audit Services

26 October 2018
SYDNEY

Bellingen Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2018

**Bellingen Shire - Connected, Sustainable,
Creative**



Bellingen Shire Council

Special Schedules

for the year ended 30 June 2018

Contents

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

Background

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

Bellingen Shire Council

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

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	244	–	–	(244)
Administration	1,679	715	–	(964)
Public order and safety				
Fire service levy, fire protection, emergency services	575	102	–	(473)
Beach control	172	–	–	(172)
Enforcement of local government regulations	–	–	–	–
Animal control	116	23	–	(93)
Other	–	–	–	–
Total public order and safety	863	125	–	(738)
Health	6	37	–	31
Environment				
Noxious plants and insect/vermin control	159	60	–	(99)
Other environmental protection	533	342	–	(191)
Solid waste management	3,515	3,515	72	72
Street cleaning	–	–	–	–
Drainage	–	–	–	–
Stormwater management	425	65	–	(360)
Total environment	4,632	3,982	72	(578)
Community services and education				
Administration and education	385	22	–	(363)
Social protection (welfare)	–	–	–	–
Aged persons and disabled	246	215	14	(17)
Children's services	182	7	–	(175)
Total community services and education	813	244	14	(555)
Housing and community amenities				
Public cemeteries	48	56	–	8
Public conveniences	362	–	–	(362)
Street lighting	–	–	–	–
Town planning	730	674	–	(56)
Other community amenities	–	–	–	–
Total housing and community amenities	1,140	730	–	(410)
Water supplies	2,426	2,806	119	499
Sewerage services	3,139	3,442	72	375

Bellingen Shire Council

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

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	676	81	153	(442)
Museums	29	–	–	(29)
Art galleries	–	–	–	–
Community centres and halls	230	–	25	(205)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	–	–	–	–
Sporting grounds and venues	–	–	–	–
Swimming pools	540	112	–	(428)
Parks and gardens (lakes)	1,121	73	–	(1,048)
Other sport and recreation	–	–	–	–
Total recreation and culture	2,596	266	178	(2,152)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	382	452	–	70
Other mining, manufacturing and construction	43	–	–	(43)
Total mining, manufacturing and const.	425	452	–	27
Transport and communication				
Urban roads (UR) – local	2,316	–	–	(2,316)
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	3,562	1,406	5,239	3,083
Sealed rural roads (SRR) – regional	889	–	–	(889)
Unsealed rural roads (URR) – local	401	–	–	(401)
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	133	–	–	(133)
Bridges on SRR – local	586	–	–	(586)
Bridges on URR – local	–	–	–	–
Bridges on regional roads	144	–	–	(144)
Parking areas	18	–	–	(18)
Footpaths	10	–	–	(10)
Aerodromes	–	–	–	–
Other transport and communication	3,590	5,191	1,476	3,077
Total transport and communication	11,649	6,597	6,715	1,663
Economic affairs				
Camping areas and caravan parks	34	–	–	(34)
Other economic affairs	438	20	–	(418)
Total economic affairs	472	20	–	(452)
Totals – functions	30,084	19,416	7,170	(3,498)
General purpose revenues ⁽¹⁾		11,098		11,098
Share of interests – joint ventures and associates using the equity method	–	–		–
NET OPERATING RESULT ⁽²⁾	30,084	30,514	7,170	7,600

(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 – Permissible income for general rates for the year ended 30 June 2019

\$'000		Calculation 2018/19	Calculation 2017/18
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	7,324	6,901
Plus or minus adjustments ⁽²⁾	b	23	12
Notional general income	c = (a + b)	7,347	6,913
Permissible income calculation			
Special variation percentage ⁽³⁾	d	6.00%	6.00%
Or rate peg percentage	e	2.30%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	441	415
Or plus rate peg amount	i = c x e	–	–
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
Sub-total	k = (c + g + h + i + j)	7,787	7,328
Plus (or minus) last year's carry forward total	l	2	(2)
Less valuation objections claimed in the previous year	m	–	–
Sub-total	n = (l + m)	2	(2)
Total permissible income	o = k + n	7,789	7,326
Less notional general income yield	p	7,792	7,324
Catch-up or (excess) result	q = o – p	(3)	2
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	4	–
Less unused catch-up ⁽⁵⁾	s	–	–
Carry forward to next year	t = q + r – s	1	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 2 in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule 2 - Permissible Income for general rates

Bellingen Shire Council

To the Councillors of Bellingen Shire Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter – Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

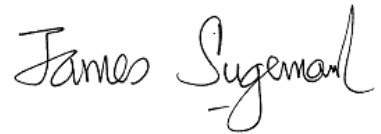
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

My opinion does *not* provide assurance:

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

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

James Sugumar
Director, Financial Audit Services

26 October 2018
SYDNEY

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 2018

\$'000	2018	2017
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	852	823
b. Engineering and supervision	213	223
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
– Mains		
c. Operation expenses	24	33
d. Maintenance expenses	150	90
– Reservoirs		
e. Operation expenses	7	16
f. Maintenance expenses	6	12
– Pumping stations		
g. Operation expenses (excluding energy costs)	–	–
h. Energy costs	126	116
i. Maintenance expenses	14	22
– Treatment		
j. Operation expenses (excluding chemical costs)	108	125
k. Chemical costs	44	27
l. Maintenance expenses	79	38
– Other		
m. Operation expenses	5	2
n. Maintenance expenses	23	22
o. Purchase of water	–	–
3. Depreciation expenses		
a. System assets	689	769
b. Plant and equipment	–	–
4. Miscellaneous expenses		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	45	158
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	2,385	2,476

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 2018

\$'000	2018	2017
Income		
6. Residential charges		
a. Access (including rates)	501	491
b. Usage charges	1,822	1,755
7. Non-residential charges		
a. Access (including rates)	–	–
b. Usage charges	–	–
8. Extra charges	–	–
9. Interest income	402	408
10. Other income	26	128
10a. Aboriginal Communities Water and Sewerage Program	–	–
11. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	55	55
c. Other grants	–	–
12. Contributions		
a. Developer charges	119	88
b. Developer provided assets	–	–
c. Other contributions	–	–
13. Total income	2,925	2,925
14. Gain (or loss) on disposal of assets	–	–
15. Operating result	540	449
15a. Operating result (less grants for acquisition of assets)	540	449

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 2018

\$'000	2018	2017
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	–	12
b. New assets for growth	17	163
c. Renewals	831	280
d. Plant and equipment	40	3
17. Repayment of debt	–	–
18. Totals	888	458
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)	3,882	3,873
b. Residential (unoccupied, ie. vacant lot)	96	99
c. Non-residential (occupied)	393	391
d. Non-residential (unoccupied, ie. vacant lot)	18	18
23. Number of ETs for which developer charges were received	15 ET	16 ET
24. Total amount of pensioner rebates (actual dollars)	\$ 97,152	\$ 97,050

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 2018

\$'000	Current	Non-current	Total
ASSETS			
25. Cash and investments			
a. Developer charges	4,916	–	4,916
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	5,644	6,418	12,062
26. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	94	–	94
c. User charges	340	–	340
d. Other	197	–	197
27. Inventories	19	–	19
28. Property, plant and equipment			
a. System assets	–	36,192	36,192
b. Plant and equipment	–	179	179
29. Other assets	–	–	–
30. Total assets	<u>11,210</u>	<u>42,789</u>	<u>53,999</u>
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	87	–	87
33. Borrowings	–	–	–
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	6	–	6
35. Total liabilities	<u>93</u>	<u>–</u>	<u>93</u>
36. NET ASSETS COMMITTED	<u>11,117</u>	<u>42,789</u>	<u>53,906</u>
EQUITY			
37. Accumulated surplus			20,128
38. Asset revaluation reserve			33,778
39. Other reserves			–
40. TOTAL EQUITY			<u>53,906</u>
Note to system assets:			
41. Current replacement cost of system assets			59,549
42. Accumulated current cost depreciation of system assets			(23,357)
43. Written down current cost of system assets			<u>36,192</u>

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 2018

\$'000	2018	2017
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	693	674
b. Engineering and supervision	94	95
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	24	97
b. Maintenance expenses	100	75
– Pumping stations		
c. Operation expenses (excluding energy costs)	44	62
d. Energy costs	41	55
e. Maintenance expenses	143	134
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	99	213
g. Chemical costs	92	87
h. Energy costs	58	87
i. Effluent management	4	10
j. Biosolids management	96	188
k. Maintenance expenses	303	193
– Other		
l. Operation expenses	35	26
m. Maintenance expenses	–	–
3. Depreciation expenses		
a. System assets	1,205	1,149
b. Plant and equipment	–	–
4. Miscellaneous expenses		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	89	99
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	3,120	3,244

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 2018

\$'000	2018	2017
Income		
6. Residential charges (including rates)	3,126	3,030
7. Non-residential charges		
a. Access (including rates)	–	–
b. Usage charges	124	128
8. Trade waste charges		
a. Annual fees	22	22
b. Usage charges	44	45
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
9. Extra charges	–	–
10. Interest income	74	80
11. Other income	6	5
11a. Aboriginal Communities Water and Sewerage Program	–	–
12. Grants		
a. Grants for acquisition of assets	–	7
b. Grants for pensioner rebates	43	43
c. Other grants	–	–
13. Contributions		
a. Developer charges	74	77
b. Developer provided assets	–	–
c. Other contributions	–	–
14. Total income	<u>3,513</u>	<u>3,437</u>
15. Gain (or loss) on disposal of assets	–	–
16. Operating result	<u>393</u>	<u>193</u>
16a. Operating result (less grants for acquisition of assets)	393	186

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 2018

\$'000	2018	2017
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	–	55
b. New assets for growth	–	228
c. Renewals	304	627
d. Plant and equipment	38	–
18. Repayment of debt	–	–
19. Totals	342	910
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)	3,885	2,870
b. Residential (unoccupied, ie. vacant lot)	66	64
c. Non-residential (occupied)	320	317
d. Non-residential (unoccupied, ie. vacant lot)	–	–
24. Number of ETs for which developer charges were received	10 ET	15 ET
25. Total amount of pensioner rebates (actual dollars)	\$ 75,312	\$ 77,157

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 2018

\$'000	Current	Non-current	Total
ASSETS			
26. Cash and investments			
a. Developer charges	653	–	653
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	2,788	2,027	4,815
27. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	158	–	158
c. User charges	–	–	–
d. Other	141	–	141
28. Inventories	–	–	–
29. Property, plant and equipment			
a. System assets	–	43,039	43,039
b. Plant and equipment	–	128	128
30. Other assets	–	–	–
31. Total assets	<u>3,740</u>	<u>45,194</u>	<u>48,934</u>
LIABILITIES			
32. Bank overdraft	–	–	–
33. Creditors	166	–	166
34. Borrowings	–	–	–
35. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	9	–	9
36. Total liabilities	<u>175</u>	<u>–</u>	<u>175</u>
37. NET ASSETS COMMITTED	<u>3,565</u>	<u>45,194</u>	<u>48,759</u>
EQUITY			
38. Accumulated surplus			11,875
39. Asset revaluation reserve			36,884
40. Other reserves			–
41. TOTAL EQUITY			<u>48,759</u>
Note to system assets:			
42. Current replacement cost of system assets			66,023
43. Accumulated current cost depreciation of system assets			(22,984)
44. Written down current cost of system assets			<u>43,039</u>

Bellingen Shire Council

Notes to Special Schedules 3 and 5

for the year ended 30 June 2018

Administration ⁽¹⁾

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

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

Engineering and supervision ⁽¹⁾

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes:

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

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

Bellingen Shire Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings	1,874	1,874	385	385	33,855	57,245	1%	19%	78%	2%	0%
	Sub-total	1,874	1,874	385	385	33,855	57,245	1.0%	19.0%	78.0%	2.0%	0.0%
Roads	Sealed roads	18,154	18,154	1,053	1,053	61,415	99,877	5%	37%	31%	20%	7%
	Unsealed roads	–	–	405	405	7,323	15,634	3%	32%	45%	17%	3%
	Bridges	3,650	3,650	185	185	21,679	35,120	24%	35%	22%	16%	3%
	Footpaths					1,945	2,603	44%	47%	9%	0%	0%
	Other road assets					174	200	0%	100%	0%	0%	0%
	Bulk earthworks					163,967	163,967	100%	0%	0%	0%	0%
	Kerb and Gutter	87	87			5,816	7,039	3%	96%	1%	0%	0%
	Carparks					280	462	0%	0%	100%	0%	0%
Sub-total	21,891	21,891	1,643	1,643	262,599	324,902		19.2%	14.3%	8.7%	2.6%	
Water supply network	Water supply network	–	–	562	562	33,869	56,483	25%	41%	23%	10%	1%
	Sub-total	–	–	562	562	33,394	56,483	25.0%	41.0%	23.0%	10.0%	1.0%
Sewerage network	Sewerage network	–	–	1,064	1,064	37,025	59,038	36%	30%	27%	6%	1%
	Sub-total	–	–	1,064	1,064	36,563	59,038	36.0%	30.0%	27.0%	6.0%	1.0%

Bellingen Shire Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage	1,078	1,078	13	13	13,702	45,051	3%	93%	3%	1%	0%
	Sub-total	1,078	1,078	13	13	13,702	45,051	3.0%	93.0%	3.0%	1.0%	0.0%
Open space/recreational assets	Swimming pools					3,455	5,743	65%	0%	5%	29%	1%
	Sub-total	-	-	-	-	3,455	5,743	65.0%	0.0%	5.0%	29.0%	1.0%
Other infrastructure assets	Other	-	-	-	-	2,216	3,180	0%	100%	0%	0%	0%
	Sub-total	-	-	-	-	2,216	3,180	0.0%	100.0%	0.0%	0.0%	0.0%
TOTAL – ALL ASSETS		24,843	24,843	3,667	3,667	385,784	551,642	39.9%	28.9%	22.1%	7.4%	1.8%

Notes:

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

Infrastructure asset condition assessment 'key'

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

Bellingen Shire Council

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

	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
Infrastructure asset performance indicators * consolidated					
1. Buildings and infrastructure renewals ratio ⁽¹⁾					
Asset renewals ⁽²⁾	<u>10,187</u>	165.91%	87.95%	89.35%	>= 100%
Depreciation, amortisation and impairment	<u>6,140</u>				
2. Infrastructure backlog ratio ⁽¹⁾					
Estimated cost to bring assets to a satisfactory standard	<u>24,843</u>	6.42%	11.59%	1.18%	< 2.00%
Net carrying amount of infrastructure assets	<u>387,071</u>				
3. Asset maintenance ratio					
Actual asset maintenance	<u>3,667</u>	100.00%	89.31%	51.57%	> 100%
Required asset maintenance	<u>3,667</u>				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	<u>24,843</u>	4.50%	0.00%	0.00%	
Gross replacement cost	<u>551,642</u>				

Notes

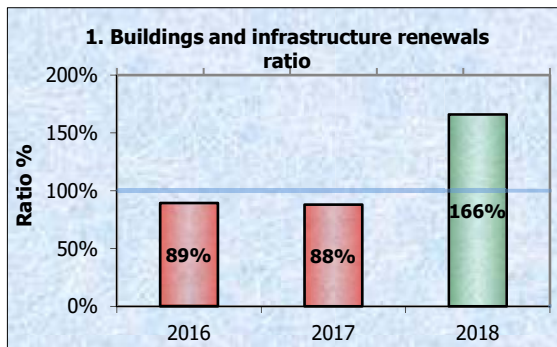
* All asset performance indicators are calculated using the asset classes identified in the previous table.

(1) Excludes Work In Progress (WIP)

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

Bellingen Shire Council

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



Purpose of asset renewals ratio

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

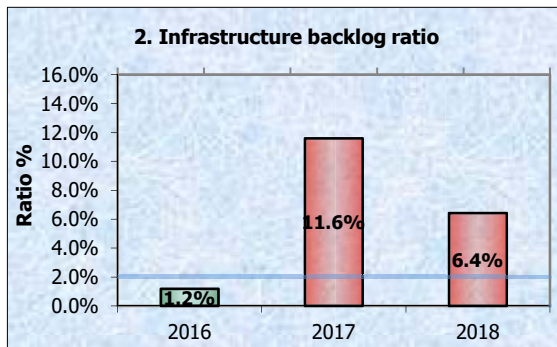
Commentary on 2017/18 result

2017/18 Ratio 165.91%

Councils infrastructure renewal expenditure for 2017/18 exceeded \$10M, highlighting Councils focus on the renewal of road and bridge infrastructure. This resulted in Council far exceeding the industry benchmark of 100%.

Benchmark: ——— Minimum $\geq 100.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

■ 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.

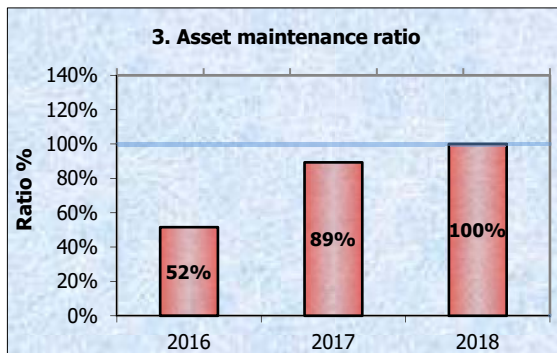
Commentary on 2017/18 result

2017/18 Ratio 6.42%

Councils backlog ratio is based on the cost to bring to satisfactory (BTS), being the sum of Modern Equivalent Renewal Cost of high residual risk assets not financed in Council's adopted budget. Whilst this is outside the acceptable benchmarks, Councils continual focus on infrastructure renewal will continue to see an improvement to this ratio

Benchmark: ——— Maximum $< 2.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

■ Ratio achieves benchmark
■ Ratio is outside benchmark



Purpose of asset maintenance ratio

Compares actual vs. required annual asset maintenance. A ratio above 100% indicates Council is investing enough funds to stop the infrastructure backlog growing.

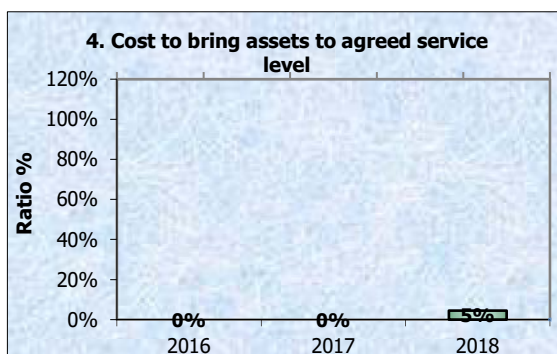
Commentary on 2017/18 result

2017/18 Ratio 100.00%

Councils result of 100% meets the industry benchmark, indicating that Councils maintenance expenditure is sufficient to prevent an increase in the infrastructure backlog.

Benchmark: ——— Minimum $> 100.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

■ Ratio achieves benchmark
■ Ratio is outside benchmark



Purpose of agreed service level ratio

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

Commentary on 2017/18 result

2017/18 Ratio 4.50%

This ratio reflects the results of the backlog ratio (above). The acceptable levels of service has been based on a robust community consultation process in recent years, including multiple special rate variations, the adopted Community Strategic Plan and Long Term Financial Plan.

Bellingen Shire Council

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

	General indicators ⁽¹⁾		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Infrastructure asset performance indicators by fund							
1. Buildings and infrastructure renewals ratio ⁽²⁾							
Asset renewals ⁽³⁾	223.55%	101.11%	55.56%	18.68%	18.91%	82.63%	>= 100%
Depreciation, amortisation and impairment							
2. Infrastructure backlog ratio ⁽²⁾							
Estimated cost to bring assets to a satisfactory standard	7.83%	17.05%	0.00%	0.00%	0.00%	0.00%	< 2.00%
Net carrying amount of infrastructure assets							
3. Asset maintenance ratio							
Actual asset maintenance	100.00%	89.56%	100.00%	98.58%	100.00%	85.03%	> 100%
Required asset maintenance							
4. Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	5.70%	0.00%	0.00%	0.00%	0.00%	0.00%	
Gross replacement cost							

Notes

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