



FINANCIAL STATEMENTS

Bellingen Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019

Bellingen Shire - Connected, Sustainable, Creative



Bellingen Shire Council

General Purpose Financial Statements for the year ended 30 June 2019

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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 2019

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 25 September 2019.



Dominic King
Mayor
25 September 2019



Toni Wright-Turner
Councillor
25 September 2019



Liz Jeremy
General Manager
25 September 2019



Chris Hodge
Responsible Accounting Officer
25 September 2019

Bellingen Shire Council

Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Restated ^{1,2} 2018
Income from continuing operations				
Revenue:				
14,563	Rates and annual charges	3a	14,771	13,981
6,488	User charges and fees	3b	5,236	8,506
1,089	Interest and investment revenue	3c	1,408	891
500	Other revenues	3d	509	636
5,939	Grants and contributions provided for operating purposes	3e,f	7,559	6,224
8,855	Grants and contributions provided for capital purposes	3e,f	2,378	7,170
Other income:				
–	Net gains from the disposal of assets	5	3	196
–	Fair value increment on investment property	10	531	80
37,434	Total income from continuing operations		32,395	37,684
Expenses from continuing operations				
10,871	Employee benefits and on-costs	4a	10,273	9,245
483	Borrowing costs	4b	632	530
8,283	Materials and contracts	4c	11,459	10,223
6,783	Depreciation and amortisation	4d	7,593	7,017
2,742	Other expenses	4e	3,191	3,095
29,162	Total expenses from continuing operations		33,148	30,110
8,272	Operating result from continuing operations		(753)	7,574
8,272	Net operating result for the year		(753)	7,574
8,272	Net operating result attributable to Council		(753)	7,574
Net operating result for the year before grants and contributions provided for capital purposes				
(583)			(3,131)	404

¹ The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

² See Note 13(b) for details regarding the restatement as a result of prior period error.

Bellingen Shire Council

Statement of Comprehensive Income for the year ended 30 June 2019

\$ '000	Notes	2019	Restated 2018 ^{1,2}
Net operating result for the year (as per Income Statement)		(753)	7,574
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9	1,222	(16,179)
Total items which will not be reclassified subsequently to the operating result		1,222	(16,179)
Amounts that will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the year		1,222	(16,179)
Total comprehensive income for the year		469	(8,605)
Total comprehensive income attributable to Council		469	(8,605)

¹ The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under *AASB 139 Financial Instruments: Recognition and Measurement*

² See Note 13(b) for details regarding the restatement as a result of prior period error.

Bellingen Shire Council

Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	Restated 2018 ^{1,2}	Restated 1 July 2017 ²
ASSETS				
Current assets				
Cash and cash equivalents	6a	1,376	1,238	1,747
Investments	6b	21,643	23,500	33,300
Receivables	7	6,257	7,747	4,450
Inventories	8	409	248	283
Other	8	32	23	16
Total current assets		29,717	32,756	39,796
Non-current assets				
Investments	6b	9,102	8,900	–
Receivables	7	40	46	66
Infrastructure, property, plant and equipment	9	418,193	413,783	424,950
Investment property	10	2,455	2,316	1,924
Total non-current assets		429,790	425,045	426,940
TOTAL ASSETS		459,507	457,801	466,736
LIABILITIES				
Current liabilities				
Payables	11	4,352	3,230	2,781
Income received in advance	11	320	301	258
Borrowings	11	737	702	663
Provisions	12	3,678	2,493	2,670
Total current liabilities		9,087	6,726	6,372
Non-current liabilities				
Payables	11	4	6	10
Borrowings	11	6,302	7,039	7,740
Provisions	12	1,233	1,618	1,597
Total non-current liabilities		7,539	8,663	9,347
TOTAL LIABILITIES		16,626	15,389	15,719
Net assets		442,881	442,412	451,017
EQUITY				
Accumulated surplus	13	272,954	273,707	266,133
Revaluation reserves	13	169,927	168,705	184,884
Total equity		442,881	442,412	451,017

¹ The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 Financial Instruments: Recognition and Measurement

² See Note 13(b) for details regarding the restatement as a result of prior period errors

Bellingen Shire Council

Statement of Changes in Equity

for the year ended 30 June 2019

\$ '000	Notes	2019		2018 ^{1,2}		Restated Total equity
		Accumulated surplus	IPP&E revaluation reserve	Accumulated surplus	IPP&E revaluation reserve	
Opening balance						451,232
Correction of prior period errors	13 (b)	273,948 (241)	178,136 (9,431)	266,348 (215)	184,884	451,232 (215)
Restated opening balance		273,707	168,705	266,133	184,884	451,017
Net operating result for the year prior to correction of errors and changes in accounting policies		(753)	-	7,600	-	7,600
Correction of prior period errors	13 (b)	-	-	(26)	-	(26)
Restated net operating result for the year		(753)	-	7,574	-	7,574
Other comprehensive income						
- Correction of prior period errors	13 (b)	-	-	-	(9,431)	(9,431)
- Gain (loss) on revaluation of IPP&E	9	-	1,222	-	(6,748)	(6,748)
Other comprehensive income		-	1,222	-	(16,179)	(16,179)
Total comprehensive income		(753)	1,222	7,574	(16,179)	(8,605)
Equity – balance at end of the reporting period		272,954	169,927	273,707	168,705	442,412

¹ The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

² See Note 13(b) for details regarding the restatement as a result of prior period errors

Bellingen Shire Council

Statement of Cash Flows
for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
Cash flows from operating activities				
Receipts:				
14,523	Rates and annual charges		14,864	13,706
6,488	User charges and fees		6,577	8,793
1,181	Investment and interest revenue received		1,245	928
14,794	Grants and contributions		10,344	14,177
617	Other		572	–
Payments:				
(10,871)	Employee benefits and on-costs		(9,963)	(9,564)
(8,183)	Materials and contracts		(11,442)	(11,563)
(493)	Borrowing costs		(486)	(525)
–	Bonds, deposits and retention amounts refunded		(12)	(18)
(2,742)	Other		(2,128)	(4,848)
15,314	Net cash provided (or used in) operating activities	14b	9,571	11,086
Cash flows from investing activities				
Receipts:				
12,128	Sale of investment securities		22,802	49,401
458	Sale of investment property		404	–
–	Sale of infrastructure, property, plant and equipment		379	385
Payments:				
–	Purchase of investment securities		(21,147)	(48,501)
(27,164)	Purchase of infrastructure, property, plant and equipment		(11,168)	(12,218)
(14,578)	Net cash provided (or used in) investing activities		(8,730)	(10,933)
Cash flows from financing activities				
Receipts:				
Nil				
Payments:				
(703)	Repayment of borrowings and advances		(703)	(662)
(703)	Net cash flow provided (used in) financing activities		(703)	(662)
33	Net increase/(decrease) in cash and cash equivalents		138	(509)
1,717	Plus: cash and cash equivalents – beginning of year	14a	1,238	1,747
1,750	Cash and cash equivalents – end of the year	14a	1,376	1,238
Additional Information:				
	plus: Investments on hand – end of year	6b	30,745	32,400
	Total cash, cash equivalents and investments		32,121	33,638

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

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Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 25/09/2019.

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.

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

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 18 – Material budget variations

and are clearly marked.

(a) New and amended standards adopted by Council

During the year, Council adopted all standards which were mandatorily effective for the first time at 30 June 2019.

Those newly adopted standards which had an impact on reported position, performance and/or disclosures have been discussed in Note 13.

(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 2019

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

- (i) Impairment of receivables

Council has made a significant judgement about the impairment of a number of its receivables - refer 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 property received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

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

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

Goods and Services Tax (GST)

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

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

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

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

New accounting standards and interpretations issued not yet effective

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

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

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

- *AASB 15 Revenue from Contracts with Customers, AASB 1058 Income for Not-for-Profit Entities and AASB 2016-8 Amendments to the 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. These standards may affect the timing of the recognition of some grants and donations.

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

Based on Council's analysis, the impact on Councils revenue, net operating result and financial position would be considered immaterial if Council was to adopt the new revenue standards for the year ended 30 June 2019.

Council is unable to reliably estimate the impact on the financial statements for the year ended 30 June 2020 as the main impact could be on the treatment of certain capital and operational grants revenues. Council is unsure what potential new grants impacted by the new standards it may obtain in the 2020 financial year and also whether certain grants would remain materially incomplete at 30 June 2020.

- *AASB 16 Leases*

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

Based upon Councils investigation and analysis, Council did not identify any leases which require adjustment to their current accounting treatment under AASB 16. Council, therefore considers the impact of adopting AASB 16 on the financial statements for the 2019-20 financial year to no be material due to leases identified being immaterial, leases of intangible assets or Council is able to apply the short-term and low-value asset exemptions.

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

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 2(a). Council functions/activities – financial information ¹

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)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Governance	–	–	254	244	(254)	(244)	–	–	–	–
Administration	3,741	715	1,737	1,679	2,004	(964)	–	–	32,948	33,029
Public order and safety	311	125	938	863	(627)	(738)	196	160	6,252	7,112
Health	32	37	1	6	31	31	–	–	23	23
Environment	4,011	3,982	4,651	4,632	(640)	(650)	642	477	832	866
Community services and education	324	244	841	813	(517)	(569)	159	200	5,329	5,498
Housing and community amenities	70	730	1,296	1,140	(1,226)	(410)	15	24	18,039	18,626
Water supplies	3,107	2,806	2,876	2,426	231	380	–	–	54,538	53,524
Sewerage services	3,802	3,442	3,227	3,139	575	303	–	–	44,099	48,472
Recreation and culture	951	266	2,800	2,596	(1,849)	(2,330)	904	350	34,406	37,587
Fuel and energy	–	–	–	–	–	–	–	68	–	–
Mining, manufacturing and construction	345	452	583	425	(238)	27	29	951	315	336
Transport and communication	7,516	13,767	13,398	11,675	(5,882)	2,092	4,453	7,536	258,216	248,044
Economic Affairs	825	20	546	472	279	(452)	106	14	4,510	4,684
General Purpose	7,360	11,098	–	–	7,360	11,098	2,808	3,018	–	–
Total functions and activities	32,395	37,684	33,148	30,110	(753)	7,574	9,312	12,798	459,507	457,801

¹ See Note 13(b) for details regarding the restatement as a result of prior period errors

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

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 2019

Note 3. Income from continuing operations

\$ '000	2019	2018
(a) Rates and annual charges		
Ordinary rates		
Residential	6,187	5,787
Farmland	1,070	1,006
Business	480	446
Less: pensioner rebates (mandatory)	(237)	(236)
Rates levied to ratepayers	7,500	7,003
Pensioner rate subsidies received	128	131
Total ordinary rates	7,628	7,134
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	2,761	2,639
Water supply services	613	585
Sewerage services	3,325	3,195
Waste management services (non-domestic)	572	555
Less: pensioner rebates (mandatory)	(282)	(288)
Annual charges levied	6,989	6,686
Pensioners' subsidies:		
– Water	53	55
– Sewerage	41	43
– Domestic waste management	60	63
Total annual charges	7,143	6,847
<u>TOTAL RATES AND ANNUAL CHARGES</u>	<u>14,771</u>	<u>13,981</u>

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

Accounting policy for rates and annual charges

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts.

Pensioner rebates relate to reductions in rates and certain annual charges for eligible pensioners' place of residence in the local government council area that are not subsidised by the NSW Government.

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates.

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.

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(b) User charges and fees		
Specific user charges (per s.502 – specific 'actual use' charges)		
Water supply services	1,660	1,759
Sewerage services	127	107
Waste management services (non-domestic)	180	139
Liquid trade waste	46	44
Total specific user charges	2,013	2,049
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Private works – section 67	86	32
Regulatory/ statutory fees	180	167
Town planning	308	437
Total fees and charges – statutory/regulatory	574	636
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Cemeteries	52	56
Lease rentals	1	4
Leaseback fees – Council vehicles	51	55
RMS (formerly RTA) charges (state roads not controlled by Council)	2,420	5,647
Respite care	76	28
Other	39	31
Other (YMCA Refund)	10	–
Total fees and charges – other	2,649	5,821
TOTAL USER CHARGES AND FEES	5,236	8,506

Accounting policy for user charges and fees

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

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(c) Interest and investment revenue (including losses)		
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	37	37
– Cash and investments	1,355	837
– Other	16	17
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>	<u>1,408</u>	<u>891</u>
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	37	37
General Council cash and investments	353	307
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	81	49
– Section 64	154	78
Water fund operations	566	333
Sewerage fund operations	182	65
Domestic waste management operations	35	22
<u>Total interest and investment revenue recognised</u>	<u>1,408</u>	<u>891</u>

Accounting policy for interest and investment revenue

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

Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2019	2018
(d) Other revenues			
Rental income – investment property	10	129	86
Rental income – other council properties		21	34
Legal fees recovery – rates and charges (extra charges)		54	76
Commissions and agency fees		1	1
Emergency services levy reimbursements		–	18
Insurance claims recoveries		–	57
Raleigh reuse centre		61	64
Scrap metal sales		64	56
SES reimbursements		5	5
Statewide property rebate		7	16
Town planning income		7	9
Tourist centre income		37	40
Workers compensation/OHS rebate		83	116
Bonds recouped		–	46
Long Service Leave transfers from other councils		28	–
Other		12	12
<u>TOTAL OTHER REVENUE</u>		<u>509</u>	<u>636</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 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019 Operating	2018 Operating	2019 Capital	2018 Capital
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	1,425	2,669	–	–
Financial assistance – local roads component	468	951	–	–
Payment in advance – future year allocation				
Financial assistance – general component	1,472	–	–	–
Financial assistance – local roads component	491	–	–	–
Total general purpose	3,856	3,620	–	–
Specific purpose				
Bushfire and emergency services	194	145	–	–
Business and economic development	–	14	–	–
Community care	148	200	–	–
Community centres	–	10	887	–
Diesel fuel rebate	29	68	–	–
Employment and training programs	3	–	–	–
Environmental programs	221	84	–	–
Floodplain management	123	–	–	–
Floodplain mapping/studies	24	64	–	–
Heritage and cultural	15	14	–	–
Library	46	65	23	153
Noxious weeds	155	258	–	–
Recreation and culture	20	132	219	25
Sewerage treatment plant	–	20	–	–
Storm/flood damage	1,990	–	–	5,185
Street lighting	15	15	–	–
Transport (roads to recovery)	279	1,111	–	–
Transport (other roads and bridges funding)	102	142	905	1,401
Waste	58	–	–	72
Total specific purpose	3,422	2,342	2,034	6,836
Total grants	7,278	5,962	2,034	6,836
Grant revenue is attributable to:				
– Commonwealth funding	4,134	4,731	–	5,185
– State funding	3,144	1,231	2,034	1,651
	7,278	5,962	2,034	6,836

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2019 Operating	2018 Operating	2019 Capital	2018 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		–	–	99	74
S 64 – water supply contributions		–	–	56	119
S 64 – sewerage service contributions		–	–	106	73
Total developer contributions – cash		–	–	261	266
Total developer contributions	21	–	–	261	266
Other contributions:					
Cash contributions					
Community services		–	6	–	14
RMS contributions (regional roads, block grant)		233	256	83	54
Crown Lands		48	–	–	–
Total other contributions – cash		281	262	83	68
Total other contributions		281	262	83	68
Total contributions		281	262	344	334
TOTAL GRANTS AND CONTRIBUTIONS		7,559	6,224	2,378	7,170

Accounting policy for grants and contributions

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

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

Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of sections 7.4, 7.11 and 7.12 of the *Environmental Planning and Assessment Act 1979*.

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

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

A 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 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(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	2,467	2,430
Add: operating grants recognised as income in the current period but not yet spent	2,141	2,263
Less: operating grants recognised in a previous reporting period now spent	(2,390)	(2,226)
Unexpended and held as restricted assets (operating grants)	<u>2,218</u>	<u>2,467</u>
Capital grants		
Unexpended at the close of the previous reporting period	249	151
Add: capital grants recognised as income in the current period but not yet spent	1,119	227
Less: capital grants recognised in a previous reporting period now spent	(89)	(129)
Unexpended and held as restricted assets (capital grants)	<u>1,279</u>	<u>249</u>
Contributions		
Unexpended at the close of the previous reporting period	8,503	9,033
Add: contributions recognised as income in the current period but not yet spent	495	259
Less: contributions recognised in a previous reporting period now spent	(70)	(789)
Unexpended and held as restricted assets (contributions)	<u>8,928</u>	<u>8,503</u>

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations

\$ '000	2019	2018
(a) Employee benefits and on-costs		
Salaries and wages	8,702	8,245
Employee leave entitlements (ELE)	1,718	1,184
Superannuation – defined contribution plans	817	791
Superannuation – defined benefit plans	132	121
Workers' compensation insurance	191	193
Fringe benefit tax (FBT)	11	14
Training costs (other than salaries and wages)	125	71
Other	28	39
Total employee costs	11,724	10,658
Less: capitalised costs	(1,451)	(1,413)
TOTAL EMPLOYEE COSTS EXPENSED	10,273	9,245

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, when 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 16 for more information.

(b) Borrowing costs

	2019	Restated 2018 ¹
(i) Interest bearing liability costs		
Interest on loans	482	519
Total interest bearing liability costs expensed	482	519
(ii) Other borrowing costs		
Discount adjustments relating to movements in provisions (other than ELE)		
– Remediation liabilities	150	11
Total other borrowing costs	150	11
TOTAL BORROWING COSTS EXPENSED	632	530

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.

¹ See Note 13(b) for details regarding the restatement as a result of prior period error.

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(c) Materials and contracts		
Raw materials and consumables	1,728	1,990
– Engineering	–	14
– Externally hired plant	204	489
– Labour hire	906	780
– Swimming pool	395	378
– Transport (roads, bridges, footpaths maintenance)	2,153	2,581
– Waste contracts	2,388	2,045
– Other contractors	3,471	1,669
– Building and regulation	7	–
Contractor and consultancy costs		
– Heritage advisor	13	2
– Recreation	–	33
– Waste	1	14
– Contractor and consultancy costs	37	19
Auditors remuneration ⁽¹⁾	69	45
Legal expenses:		
– Legal expenses: planning and development	26	43
– Legal expenses: debt recovery	42	77
– Legal expenses: other	19	44
<u>TOTAL MATERIALS AND CONTRACTS</u>	<u>11,459</u>	<u>10,223</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	69	45
Remuneration for audit and other assurance services	69	45
Total Auditor-General remuneration	69	45
Total Auditor remuneration	69	45

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2019	Restated 2018 ¹
(d) Depreciation, amortisation and impairment of intangible assets and IPP&E			
Depreciation and amortisation			
Plant and equipment		734	637
Office equipment		63	66
Furniture and fittings		9	14
Land improvements (depreciable)		88	89
Infrastructure:			
– Buildings – non-specialised		657	599
– Buildings – specialised		364	205
– Roads		2,670	2,330
– Bridges		560	684
– Footpaths		33	32
– Stormwater drainage		226	226
– Water supply network		706	689
– Sewerage network		1,084	1,059
– Swimming pools		64	64
– Other open space/recreational assets		187	176
– Other infrastructure		76	76
Other assets:			
– Other		11	11
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	9 & 12	61	60
Total depreciation and amortisation costs		<u>7,593</u>	<u>7,017</u>
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E		<u>7,593</u>	<u>7,017</u>

Accounting policy for depreciation, amortisation and impairment expenses of intangibles and IPP&E

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.

Depreciation is capitalised where in-house assets have contributed to new assets.

Impairment of non-financial assets

Council assets held at fair value that are not held primarily for their ability to generate net cash flow, and that are deemed to be specialised, are no longer required to be tested for impairment under AASB 136. This is because these assets are assessed on an annual basis to ensure that the carrying amount is not materially different from fair value and therefore an impairment loss would be captured during this assessment.

¹ See Note 13(b) for details regarding the restatement as a result of prior period error.

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

(d) Depreciation, amortisation and impairment of intangible assets and IPP&E (continued)

Impairment of non-financial assets (continued)

Other assets that do not meet the criteria above 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.

\$ '000	2019	2018
(e) Other expenses		
Advertising	172	68
Bad and doubtful debts	49	–
Bank charges	63	58
Conferences / seminars	73	61
Contributions/levies to other levels of government		
– Bushfire fighting fund	321	330
– Emergency services levy (includes FRNSW, SES, and RFS levies)	17	22
– Libraries contribution	267	264
– NSW fire brigade levy	49	50
– Waste levy	38	77
Councillor expenses – mayoral fee	26	25
Councillor expenses – councillors' fees	83	81
Donations, contributions and assistance to other organisations (Section 356)		
– Donations, contributions and assistance to local and regional bodies	256	403
Electricity and heating	537	398
Insurance	286	378
Licence fees	246	231
Postage	53	45
Printing and stationery	119	107
Street lighting	145	116
Subscriptions and publications	177	198
Telephone and communications	123	120
Valuation fees	43	43
Other	48	20
TOTAL OTHER EXPENSES	3,191	3,095

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 2019

Note 5. Gain or loss from the disposal, replacement and de-recognition of assets

\$ '000	Notes	2019	2018
Plant and equipment	9		
Proceeds from disposal – plant and equipment		379	385
Less: carrying amount of plant and equipment assets sold/written off		(388)	(189)
Net gain/(loss) on disposal		(9)	196
Investment property	10		
Proceeds from disposal – investment property		404	–
Less: carrying amount of investment property sold/written off		(392)	–
Net gain/(loss) on disposal		12	–
Investments	6b		
Proceeds from disposal/redemptions/maturities – investments		22,802	49,401
Less: carrying amount of investments sold/redeemed/matured		(22,802)	(49,401)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		3	196

Accounting policy for disposal of assets

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

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 de-recognised.

Note 6(a). Cash and cash equivalent assets

\$ '000	2019	2018
Cash and cash equivalents		
Cash on hand and at bank	1,376	1,238
Total cash and cash equivalents	1,376	1,238

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 2019

Note 6(b). Investments

\$ '000	2019	2019	2018	2018
	Current	Non-current	Current	Non-current
Investments				
a. 'Financial assets at fair value through profit and loss'				
– 'Held for trading'	14,928	–	11,900	–
b. 'Financial assets at amortised cost' / 'held to maturity' (2018)				
	6,715	9,102	11,600	8,900
Total investments	21,643	9,102	23,500	8,900
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	23,019	9,102	24,738	8,900
Financial assets at fair value through the profit and loss				
Managed funds	14,928	–	11,900	–
Total	14,928	–	11,900	–
Financial assets at amortised cost / held to maturity (2018)				
Long term deposits	5,200	–	10,600	2,900
NCD's, FRN's (with maturities > 3 months)	1,515	9,102	1,000	6,000
Total	6,715	9,102	11,600	8,900

No strategic investments were disposed of during 2019, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

Accounting policy for investments

Accounting policy under AASB 9 – applicable from 1 July 2018

Financial instruments are recognised initially on the date that the Council becomes party to the contractual provisions of the instrument. On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial Assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification

On initial recognition, Council classifies its financial assets into the following categories – those measured at:

- amortised cost
- fair value through profit and loss
- fair value through other comprehensive income – equity instrument

Financial assets are not reclassified subsequent to their initial recognition.

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

Accounting policy for investments (continued)

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows, and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Council's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the Statement of Financial Position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, impairment and gains or loss on de-recognition are recognised in profit or loss.

Financial assets through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss.

Net gains or losses, including any interest or dividend income, are recognised in profit or loss.

Council's financial assets measured at fair value through profit or loss comprise investments in FRNs and NCDs in the Statement of Financial Position.

Accounting policy under AASB 139 – applicable for 2018 comparatives only

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.

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

Accounting policy for investments (continued)

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.

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.

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	23,019	9,102	24,738	8,900
attributable to:				
External restrictions (refer below)	18,285	9,102	20,601	8,900
Internal restrictions (refer below)	2,904	–	3,302	–
Unrestricted	1,830	–	835	–
	23,019	9,102	24,738	8,900

\$ '000	2019	2018
Details of restrictions		
External restrictions – included in liabilities		
Deposits, bonds, etc	71	71
External restrictions – included in liabilities	71	71
External restrictions – other		
Developer contributions – general	3,031	2,934
Developer contributions – water fund	5,133	4,916
Developer contributions – sewer fund	764	653
Specific purpose unexpended grants	3,497	2,716
Water supplies	9,544	12,062
Sewerage services	4,345	4,815
Domestic waste management	547	793
Environmental levy	379	460
Special rate variation (incl. loan funds)	–	5
Crown reserves	76	76
External restrictions – other	27,316	29,430
Total external restrictions	27,387	29,501
Internal restrictions		
Plant and vehicle replacement	685	685
Employees leave entitlement	904	904
Business plan	25	25
Disability access	–	26
IT reserve	519	915
Quarry remediation	70	70
Revolving energy	284	260
Waste management	271	271
Weeds	56	56
Workers comp contingency	90	90
Total internal restrictions	2,904	3,302
TOTAL RESTRICTIONS	30,291	32,803

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
Purpose				
Rates and annual charges	514	32	555	34
Interest and extra charges	165	10	192	12
User charges and fees	4,792	–	944	–
Private works	–	–	3	–
Accrued revenues				
– Interest on investments	163	–	338	–
Net GST receivable	527	–	138	–
Other levels of government	–	–	5,348	–
Rural Fire Service	172	–	–	–
Other debtors	–	–	257	–
Total	6,333	42	7,775	46
Less: provision for impairment				
Rates and annual charges	(76)	–	(26)	–
User charges and fees	–	(2)	(2)	–
Total provision for impairment – receivables	(76)	(2)	(28)	–
<u>TOTAL NET RECEIVABLES</u>	<u>6,257</u>	<u>40</u>	<u>7,747</u>	<u>46</u>
Externally restricted receivables				
Water supply				
– Rates and availability charges	77	–	94	–
– Other	412	25	537	–
Sewerage services				
– Rates and availability charges	123	–	158	–
– Other	113	9	141	–
Total external restrictions	725	34	930	–
Unrestricted receivables	5,532	6	6,817	46
<u>TOTAL NET RECEIVABLES</u>	<u>6,257</u>	<u>40</u>	<u>7,747</u>	<u>46</u>
Movement in provision for impairment of receivables			2019	2018
Balance at the beginning of the year (calculated in accordance with AASB 139)			28	70
+ new provisions recognised during the year			50	–
– amounts already provided for and written off this year			–	(42)
Balance at the end of the year			78	28

Accounting policy for receivables

Recognition and measurement

Receivables 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.

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.

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

Impairment

Accounting policy under AASB 9 applicable from 1 July 2018

Impairment of financial assets measured at amortised cost is recognised on an expected credit loss (ECL) basis.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, and when estimating expected credit loss (ECL), the Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on Council's historical experience and informed credit assessment, and including forward-looking information.

When considering the expected credit loss (ECL) for rates debtors, Council takes into account that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

For non-rates debtors, Council uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Council uses the presentation that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Council in full, without recourse by the Council to actions such as realising security (if any is held) or
- the financial assets (for non-rates debtors) are more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the entity in accordance with the contract, and the cash flows expected to be received. This is applied using a probability weighted approach.

On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

None of the receivables that have been written off are subject to enforcement activity.

Where the Council renegotiates the terms of receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

Accounting policy under AASB 139 – applicable for 2018 comparatives only

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 uncollectable 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.

Rates and annual charges outstanding are secured against the property.

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
(a) Inventories				
(i) Inventories at cost				
Stores and materials	409	–	248	–
Total inventories at cost	409	–	248	–
TOTAL INVENTORIES	409	–	248	–
(b) Other assets				
Prepayments	32	–	23	–
TOTAL OTHER ASSETS	32	–	23	–
Externally restricted assets				
Water				
Stores and materials	129	–	19	–
Total water	129	–	19	–
Total externally restricted assets	129	–	19	–
Total unrestricted assets	312	–	252	–
TOTAL INVENTORIES AND OTHER ASSETS	441	–	271	–

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 the 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.

Land held for resale/capitalisation of borrowing costs

Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

Bellingden Shire Council

Notes to the Financial Statements
for the year ended 30 June 2019

Note 9. Infrastructure, property, plant and equipment

Asset class	as at 30/6/2018 ¹			Asset movements during the reporting period							as at 30/6/2019		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ⁽²⁾	Additions new assets	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000													
Capital work in progress	3,809	–	3,809	1,911	1,638	–	–	–	–	–	7,358	–	7,358
Plant and equipment	12,036	7,133	4,903	10	848	(388)	(734)	–	–	–	11,964	7,325	4,639
Office equipment	1,637	1,177	460	–	4	–	(63)	–	–	–	1,641	1,240	401
Furniture and fittings	467	376	91	–	–	–	(9)	–	–	–	467	385	82
Land:													
– Operational land	10,400	–	10,400	–	–	–	–	–	–	–	10,400	–	10,400
– Community land	7,654	–	7,654	–	–	–	–	–	–	–	7,654	–	7,654
– Crown land	7,867	–	7,867	–	–	–	–	–	–	–	7,867	–	7,867
Land improvements – depreciable	2,595	1,308	1,287	–	–	–	(88)	(1)	–	–	2,588	1,390	1,198
Infrastructure:													
– Buildings – non-specialised	29,350	13,358	15,991	41	–	–	(657)	–	–	–	29,391	14,015	15,376
– Buildings – specialised	16,776	8,343	8,433	–	–	–	(364)	–	–	–	16,776	8,707	8,069
– Roads	123,211	48,202	75,009	4,923	–	–	(2,670)	(2,604)	–	–	125,529	50,871	74,658
– Bridges	35,120	13,441	21,679	928	–	–	(560)	2,604	–	–	38,652	14,001	24,651
– Footpaths	2,603	659	1,944	52	–	–	(33)	–	–	–	2,654	691	1,963
– Bulk earthworks (non-depreciable)	163,967	–	163,967	20	–	–	–	–	–	–	163,987	–	163,987
– Stormwater drainage	22,595	8,883	13,702	136	–	–	(226)	–	–	–	22,721	9,109	13,612
– Water supply network	56,482	23,088	33,394	39	139	–	(706)	–	907	–	57,567	23,794	33,773
– Sewerage network	59,038	22,475	36,563	354	–	–	(1,084)	–	950	–	60,342	23,559	36,783
– Swimming pools	2,071	1,104	967	2	38	–	(64)	(63)	–	–	1,988	1,107	881
– Other open space/recreational assets	3,986	1,498	2,488	27	56	–	(187)	478	(635)	–	4,594	2,367	2,227
– Other infrastructure	3,291	1,075	2,216	–	–	–	(76)	(347)	–	–	2,695	902	1,793
Other assets:													
– Library books	5	5	–	–	–	–	–	–	–	–	4	4	–
– Other	363	192	171	–	–	–	(12)	(66)	–	–	169	76	93
Reinstatement, rehabilitation and restoration assets (refer Note 12):													
– Tip assets	848	61	787	–	–	–	(60)	–	–	–	849	121	728
– Quarry assets	34	34	–	–	–	–	–	–	–	–	34	34	–
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	566,195	152,412	413,783	8,443	2,723	(388)	(7,593)	1	(635)	1,857	577,891	159,698	418,193

¹ See Note 13(b) for details regarding the restatement as a result of prior period errors² 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 2019

Note 9. Infrastructure, property, plant and equipment

Asset class	as at 30/6/2017 ⁽¹⁾			Asset movements during the period 1 July 2017 to 30 June 2018								as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ⁽²⁾	Additions new assets	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Trfs from/to investment property	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000														
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)	(8,433)	(202)	—	409	29,350	13,358	15,991
— Buildings — specialised	11,022	1,417	9,605	31	—	—	(205)	8,433	—	(9,431)	—	16,776	8,343	8,433
— 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)	2	—	—	—	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	849	—	849	—	—	—	(60)	(1)	—	—	—	848	61	787
— Quarry assets	34	34	—	—	—	—	—	—	—	—	—	34	34	—
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	556,864	131,914	424,950	10,613	1,919	(189)	(7,017)	—	(312)	(18,025)	1,847	566,195	152,412	413,783

¹ See Note 13(b) for details regarding the restatement as a result of prior period errors

² 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 2019

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 comprehensive valuations are performed at least every five years, however the carrying amount of assets is assessed by Council 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 Department of Industry (DoI) – Water.

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.

When infrastructure, property, plant and equipment are acquired by Council for nil or nominal consideration, the assets are initially recognised at their fair value at acquisition date.

Land is not depreciated. 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 the Council will obtain ownership at the end of the lease term. 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	
Water Network	30 to 100	Drains	106
Sewer 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.

Bellingen Shire Council

Notes to the Financial Statements for the year ended 30 June 2019

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 2019

Note 10. Investment property

\$ '000	2019	2018
(a) Investment property at fair value		
<u>Investment property on hand</u>	<u>2,455</u>	<u>2,316</u>
Reconciliation of annual movement:		
Opening balance	2,316	1,924
– Disposals during year	(392)	–
– Net gain/(loss) from fair value adjustments	531	80
– Other movements	–	312
CLOSING BALANCE – INVESTMENT PROPERTY	<u>2,455</u>	<u>2,316</u>
(b) Valuation basis		
<p>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.</p>		
(c) Investment property income and expenditure – summary		
Rental income from investment property:		
– Minimum lease payments	129	86
Direct operating expenses on investment property:		
– that generated rental income	(68)	(45)
Net revenue contribution from investment property	61	41
plus:		
Fair value movement for year	531	80
Total income attributable to investment property	<u>592</u>	<u>121</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 a separate line item.

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 2019

Note 11. Payables and borrowings

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
Payables				
Goods and services – operating expenditure	3,258	–	1,805	–
Accrued expenses:				
– Borrowings	96	–	100	–
– Salaries and wages	53	4	50	6
– Other expenditure accruals	330	–	578	–
Security bonds, deposits and retentions	154	–	166	–
Funds held on behalf of Midwaste	461	–	531	–
Total payables	4,352	4	3,230	6
Income received in advance				
Payments received in advance	320	–	301	–
Total income received in advance	320	–	301	–
Borrowings				
Loans – secured ¹	737	6,302	702	7,039
Total borrowings	737	6,302	702	7,039
TOTAL PAYABLES AND BORROWINGS	5,409	6,306	4,233	7,045

(a) Payables and borrowings relating to restricted assets

	2019		2018	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Water	1	–	87	–
Sewer	6	–	166	–
Other	71	–	71	–
Payables and borrowings relating to externally restricted assets	78	–	324	–
Total payables and borrowings relating to restricted assets	78	–	324	–
Total payables and borrowings relating to unrestricted assets	5,331	6,306	3,909	7,045
TOTAL PAYABLES AND BORROWINGS	5,409	6,306	4,233	7,045

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 17.

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Payables and borrowings (continued)

\$ '000

(b) Changes in liabilities arising from financing activities

Class of borrowings	2018		Non-cash changes			2019
	Opening balance as at 1/7/18	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance as at 30/6/19
Loans – secured	7,741	(702)	–	–	–	7,039
TOTAL	7,741	(702)	–	–	–	7,039

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

2019

2018

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

Credit cards/purchase cards	100	30
Total financing arrangements	100	30
Drawn facilities as at balance date:		
– Credit cards/purchase cards	26	30
Total drawn financing arrangements	26	30
Undrawn facilities as at balance date:		
– Credit cards/purchase cards	74	–
Total undrawn financing arrangements	74	–

Breaches and defaults

During the current and prior year, there were no defaults or breaches on any of the loans

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Payables and borrowings (continued)

Accounting policy for payables and borrowings

Council measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Council comprise trade payables, bank and other loans and finance lease liabilities.

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.

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Provisions

\$ '000	2019		Restated 2018	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits:				
Annual leave	854	–	829	–
Sick leave	329	–	323	–
Long service leave	1,332	199	1,118	167
Other leave – RDO and TIL	185	–	153	–
Asset remediation/restoration:				
Asset remediation/restoration (future works)	978	1,034	70	1,451
Sub-total – asset remediation/restoration	978	1,034	70	1,451
TOTAL PROVISIONS	3,678	1,233	2,493	1,618

(a) Provisions relating to restricted assets

	2019		2018	
	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	3,678	1,233	2,478	1,618
TOTAL PROVISIONS	3,678	1,233	2,493	1,618

\$ '000	2019	2018
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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	1,778	1,571
	1,778	1,571

¹ See Note 13(b) for details regarding the restatement as a result of prior period error.

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Provisions (continued)

\$ '000

(c) Description of and movements in provisions

2019	ELE provisions					Total
	Annual leave	Sick leave	Long service leave	ELE on-costs	Other employee benefits	
At beginning of year	829	323	1,285	–	153	2,590
Other	25	6	246	–	32	309
Total ELE provisions at end of year	854	329	1,531	–	185	2,899

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

2019	Other provisions	
	Asset remediation	Total
At beginning of year	1,521	1,521
Changes to provision:		
Unwinding of discount	150	150
Other	341	341
Total other provisions at end of year	2,012	2,012

2018	Other provisions Restated ¹	
	Asset remediation	Total
At beginning of year	633	633
Changes to provision:		
Unwinding of discount	11	11
Other	877	877
Total other provisions at end of year	1,521	1,521

Nature and purpose of non-employee benefit provisions**Asset remediation**

The asset remediation provision represents the present value estimate of future costs Council will incur to restore, rehabilitate and reinstate the tip and quarry as a result of past operations.

¹ See Note 13(b) for details regarding the restatement as a result of prior period errors

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Provisions (continued)

Accounting policy for provisions

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

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

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

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

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

On-costs

The employee benefit provisions include the aggregate on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include superannuation, payroll tax and workers compensation expenses which will be payable upon the future payment of certain leave liabilities which employees are entitled to at the reporting period.

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 2019

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 infrastructure, 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.

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

The infrastructure, property, plant and equipment revaluation reserve is used to record increments and decrements in the revaluation of non-current assets.

(b) Correction of errors relating to a previous reporting period

Nature of prior-period error

Adjustment to Landfill Provision for Rehabilitation

Council had not reviewed the adequacy of its provision for remediation for some time. During the year Council engaged an independent third party to estimate the costs of rehabilitating the Councils landfill sites. The resulting report identified an understatement in the provision for rehabilitation in prior periods. Council has amended prior period comparatives required by Australian Accounting Standard AASB108. This prior period adjustment has been updated to this financial report by restating balances at the beginning of the earliest period presented (1 July 2017) and taking the adjustment through to accumulated surplus at that date.

Adjustment to Fair Value of Buildings

Council identified an error when accounting for the revaluation of buildings as at 30 June 2018. This error resulted in an overstatement in the carrying value of buildings and the asset revaluation reserve of \$9.341 million. This error has been corrected by restating the balances relating to these accounts in the comparative information as at 30 June 2018.

Comparatives have been changed to reflect the correction of errors. The impact on each line item is shown in the tables below.

Changes to the opening Statement of Financial Position at 1 July 2017

	Original Balance 1 July, 2017	Impact Increase/ (decrease)	Restated Balance 1 July, 2017
Statement of Financial Position			
Infrastructure, property, plant and equipment	424,316	634	424,950
Comprising:			
Tip assets	215	634	849
Total Assets	466,102	634	466,736
Provisions (Non-Current)	748	849	1,597
Comprising:			
Asset remediation/restoration (Non-Current)	633	849	1,482
Total Liabilities	14,870	849	15,719
Accumulated surplus	266,348	(215)	266,133
Total equity	451,232	(215)	451,017

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000

(b) Correction of errors relating to a previous reporting period (continued)

Adjustments to the comparative figures for the year ended 30 June 2018

	Original Balance 30 June, 2018	Impact Increase/ (decrease)	Restated Balance 30 June, 2018
Statement of Financial Position			
Infrastructure, property, plant and equipment	422,624	(8,841)	413,783
Comprising:			
Tip assets	198	590	788
Buildings - specialised	24,424	(8,433)	15,991
Buildings - non specialised	9,431	(998)	8,433
Total assets	466,642	(8,841)	457,801
Provisions (Non-Current)	787	831	1,618
Comprising:			
Asset remediation/restoration (Non-Current)	620	831	1,451
Total liabilities	14,558	831	15,389
Accumulated surplus	273,948	(241)	273,707
Revaluation reserves	178,136	(9,431)	168,705
Total equity	452,084	(9,672)	442,412
	Original Balance 30 June, 2018	Impact Increase/ (decrease)	Restated Balance 30 June, 2018
Income Statement			
Total income from continuing operations	37,684	-	37,684
Depreciation and amortisation	6,973	44	7,017
Borrowing costs - remediation liability	29	(18)	11
Total expenses from continuing operations	30,084	26	30,110
Net operating result for the year	7,600	(26)	7,574
	Original Balance 30 June, 2018	Impact Increase/ (decrease)	Restated Balance 30 June, 2018
Statement of Comprehensive Income			
Net operating result for the year	7,600	(26)	7,574
Gain (loss) on revaluation of IPP&E	(6,748)	(9,431)	(16,179)
Other comprehensive income	(6,748)	(9,431)	(16,179)
Total comprehensive income for the year	852	(9,457)	(8,605)

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

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

(c) Changes in accounting policies due to adoption of new accounting standards – not-retrospective

During the year, Council adopted a number of new accounting standards. The impact of the adoption and associated transition disclosures are shown below.

The Council has adopted AASB 9 *Financial Instruments* for the first time in the current year with a date of initial adoption of 1 July 2017.

As part of the adoption of AASB 9, the Council adopted consequential amendments to other accounting standards arising from the issue of AASB 9 as follows:

- AASB 101 *Presentation of Financial Statements* requires the impairment of financial assets to be presented in a separate line item in the income statement. In prior year, this information was presented as part of other expenses.

- AASB 7 *Financial Instruments: Disclosures* requires amended disclosures due to changes arising from AASB 9. These disclosures have been provided for the current year.

The key changes to Council's accounting policy and the impact on these financial statements from applying AASB 9 are described below.

Changes in accounting policies resulting from the adoption of AASB 9 have been applied retrospectively except Council has not restated any amounts relating to classification and measurement requirements, including impairment, which have been applied from 1 July 2018.

Classification of financial assets

The financial assets of Council have been reclassified into one of the following categories on adoption of AASB 9, based primarily on the business model in which a financial asset is managed and its contractual cash flow characteristics are:

- measured at amortised cost
- fair value through profit or loss
- fair value through other comprehensive income – equity instruments

Measurement of equity instruments

All equity instruments of the Council are measured at fair value under AASB 9 whereas there was a cost exception under AASB 139 that allowed certain unlisted investments to be carried at amortised cost in the absence of a reliable measurement of fair value. Any difference in the previous carrying amount and the fair value is recognised in the opening retained earnings (or other component of equity, as appropriate) at 1 July 2018.

Equity instruments are no longer subject to impairment testing and therefore all movements on equity instruments, classified as fair value through other comprehensive income, are taken to the relevant reserve.

Impairment of financial assets

The incurred loss model from AASB 139 has been replaced with an expected credit loss model in AASB 9 for assets measured at amortised cost. This has resulted in the earlier recognition of credit loss (bad debt provisions).

The introduction of AASB9 has not had a material impact on Councils financial report.

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Statement of cash flows – additional information

\$ '000	Notes	2019	Restated ¹ 2018
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	1,376	1,238
Balance as per the Statement of Cash Flows		1,376	1,238
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		(753)	7,574
<i>Adjust for non-cash items:</i>			
Depreciation and amortisation		7,593	7,017
Net losses/(gains) on disposal of assets		(3)	(196)
<i>Losses/(gains) recognised on fair value re-measurements through the P&L:</i>			
– Investment property		(531)	(80)
– Other		–	(312)
Unwinding of discount rates on reinstatement provisions		150	11
<i>+/- Movement in operating assets and liabilities and other cash items:</i>			
Decrease/(increase) in receivables		1,446	(3,235)
Increase/(decrease) in provision for impairment of receivables		50	(42)
Decrease/(increase) in inventories		(161)	35
Decrease/(increase) in other current assets		(9)	(7)
Increase/(decrease) in payables		1,453	(351)
Increase/(decrease) in accrued interest payable		(4)	(6)
Increase/(decrease) in other accrued expenses payable		(247)	289
Increase/(decrease) in other liabilities		(63)	556
Increase/(decrease) in provision for employee benefits		309	(195)
Increase/(decrease) in other provisions		341	28
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		9,571	11,086

¹ See Note 13(b) for details regarding the restatement as a result of prior period errors

Bellingen Shire Council

Notes to the Financial Statements for the year ended 30 June 2019

Note 15. Commitments

\$ '000	2019	2018
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
IT Infrastructure	558	–
Total commitments	558	–
These expenditures are payable as follows:		
Within the next year	558	–
Total payable	558	–
Sources for funding of capital commitments:		
Internally restricted reserves	558	–
Total sources of funding	558	–

Details of capital commitments

During the year Council has undertaken a project to replace its corporate business system. Agreements have been entered into to facilitate this project. The commitments for capital expenditure represent the remainder of agreed payments as the project approaches completion in the subsequent financial year.

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. 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 plans

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named The Local Government Superannuation Scheme – Pool B (the Scheme) which is a defined benefit plan that has been deemed to be a 'multi-employer fund' for purposes of AASB119 *Employee Benefits* for the following reasons:

- Assets are not segregated within the sub-group according to the employees of each sponsoring employer.
- The contribution rates have been the same for all sponsoring employers. That is, contribution rates have not varied for each sponsoring employer according to the experience relating to the employees of that sponsoring employer.
- Benefits for employees of all sponsoring employers are determined according to the same formulae and without regard to the sponsoring employer.
- The same actuarial assumptions are currently used in respect of the employees of each sponsoring employer.

Given the factors above, each sponsoring employer is exposed to the actuarial risks 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).

Description of the funding arrangements

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 lifetime 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 \$40M per annum from 1 July 2018 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. These lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2019.

The adequacy of contributions is assessed at each triennial actuarial investigation and monitored annually between triennials.

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Contingencies and other liabilities/assets not recognised (continued)

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(i) Defined benefit plans (continued)

Description of the extent to which Council can be liable to the plan for other Council's obligations under the terms and conditions of the multi-employer plan.

As stated above, each sponsoring employer (Council) is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses.

However, there is no relief under the fund's trust deed for employers to walk away from their defined benefit obligations. Under limited circumstances, an employer may withdraw from the plan when there are no active members, on full payment of outstanding additional contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the Council.

There are no specific provisions under the fund's trust deed dealing with deficits or surplus on wind-up.

The amount of employer contributions to the defined benefit section of the Scheme and recognised as an expense for the year ending 30 June 2019 was \$118,358. The last valuation of the Scheme was performed by the Actuary, Mr Richard Boyfield on 12 December 21017, and covers the year ended 30 June 2017.

The amount of additional contributions included in the total employer contribution advised above is \$39,500. Council's expected contribution to the plan for the next annual reporting period is \$90,380.

The estimated employer reserves financial position for the pooled employees at 30 June 2019 is:

Employer reserves only *	\$ millions	Asset Coverage
Assets	1,798.7	
Past Service Liabilities	1,784.2	100.8%
Vested Benefits	1,792.0	100.4%

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

The share of this surplus that is broadly attributed to Council is estimated to be in the order of \$6,700 as at 30 June 2019.

Council's share of any surplus/deficiency cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils. For this reason, no liability for the deficiency has been recognised in Council's accounts. Council has a possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

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

Investment return	5.75% 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.

(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.

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Contingencies and other liabilities/assets not recognised (continued)

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

(ii) 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.

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Contingencies and other liabilities/assets not recognised (continued)

LIABILITIES NOT RECOGNISED (continued):

2. Other liabilities (continued)

(iii) Mixed Waste Landfill costs

The Council has a tripartite agreement with Coffs Harbour City Council (CHCC) and Nambucca Shire Council for its mixed (red bin) waste to be taken to CHCC's waste management facility for processing. Under an agreement between CHCC and the contractor, the mixed waste organic output (MWOO) fraction of this waste is further processed into an organic soil conditioner. Through the tripartite agreement, the Council is required to pay its share of the costs of using the contractor.

In October 2018, the NSW Environmental Protection Authority (the NSW EPA) revoked exemptions which allowed the MWOO fraction to be applied to land as an organic soil conditioner and instead by default, required it to be disposed of in approved landfills.

As a result, and since November 2018, all mixed waste has been transported to Tamworth to be landfilled, triggering a force majeure claim by the contractor with CHCC, the cost of which has been met by the NSW EPA as part of the Phase 1 of its transition package. However there is no certainty these costs will continue to be met by the NSW EPA in Phase 2 of its transition package, the details of which are expected to be announced during the 2019/20 financial year. Through the tripartite agreement, this may leave the Council liable for its share of these costs for the remaining 7 years of CHCC's agreement with the contractor. Council has estimated its potential liability to be \$2.1million (\$300,000 per year).

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 2019

Note 17. 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	
	2019	2018	2019	2018
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	1,376	1,238	1,376	1,238
Receivables	6,297	7,793	6,297	7,793
Investments				
– 'Financial assets at amortised cost' / 'held to maturity' (2018)	15,817	20,500	15,817	20,500
Fair value through profit and loss				
Investments				
– 'Held for trading'	14,928	11,900	14,928	11,900
Total financial assets	38,418	41,431	38,418	41,431
Financial liabilities				
Measured at amortised cost				
Payables	4,356	3,236	4,356	3,236
Loans/advances	7,039	7,741	7,039	7,741
Total financial liabilities	11,395	10,977	11,395	10,977

Fair value is determined as follows:

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

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. 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 instruments 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.
- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due
- **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 impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2019				
Possible impact of a 10% movement in market values	296	296	(296)	(296)
Possible impact of a 1% movement in interest rates	217	217	(217)	(217)
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)

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

\$ '000

(b) Credit risk

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

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures. Council also encourages ratepayers to pay their rates by the due date through incentives.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

There are no significant concentrations of credit risk, other than Council has significant credit risk exposures in its local area given the nature of the business.

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance. The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable in the financial statements.

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

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

Credit risk profile

Receivables – rates and annual charges

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.

\$ '000	Not yet overdue	< 1 year overdue	1 – 2 years overdue	2 – 5 years overdue	> 5 years overdue	Total
2019						
Gross carrying amount	–	517	29	–	–	546
2018						
Gross carrying amount	–	555	34	–	–	589

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

\$ '000

(b) Credit risk (continued)

Receivables – non-rates and annual charges

Council applies the simplified approach for non-rates and annual charges debtors to provide for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision. To measure the expected credit losses, non-rates and annual charges debtors have been grouped based on shared credit risk characteristics and the days past due.

The loss allowance provision as at 30 June 2019 is determined as follows. The expected credit losses incorporate forward-looking information.

\$ '000	Not yet overdue	0 – 30 days overdue	31 – 60 days overdue	61 – 90 days overdue	> 91 days overdue	Total
2019						
Gross carrying amount	1,490	4,180	91	1	67	5,829

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. 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 through diversification of borrowing types, maturities and interest rate structures. The finance team regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

The timing of cash flows presented in the table below to settle financial liabilities reflects the earliest contractual settlement dates. The timing of expected outflows is not expected to be materially different from contracted cashflows.

The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total contractual cash outflows	Actual carrying values
			≤ 1 Year	1 – 5 Years	> 5 Years		
2019							
Trade/other payables	0.00%	154	4,202	-	-	4,356	4,356
Loans and advances	6.44%	-	1,188	4,614	3,975	9,777	7,039
Total financial liabilities		154	5,390	4,614	3,975	14,133	11,395
2018							
Trade/other payables	0.00%	166	3,070	-	-	3,236	3,236
Loans and advances	6.44%	-	1,188	4,750	5,026	10,964	7,741
Total financial liabilities		166	4,258	4,750	5,026	14,200	10,977

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Material budget variations

\$ '000

Council's original financial budget for 18/19 was adopted by the Council on 27 June 2019 and is not required to be audited.

While the Income Statement included in this General Purpose Financial Statements 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.

Material variations represent those variances between the original budget figure and the actual result that amount to **10%** or more.

Variation Key: **F** = Favourable budget variation, **U** = Unfavourable budget variation

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance* -----		
REVENUES					
Rates and annual charges	14,563	14,771	208	1%	F
User charges and fees	6,488	5,236	(1,252)	(19%)	U
Council received less revenue from works directed by the NSW Roads and Maritime Services.					
Interest and investment revenue	1,089	1,408	319	29%	F
Councils investment strategy achieved a result of 4.08% compared to a budget of 2.75%.					
Other revenues	500	509	9	2%	F
Operating grants and contributions	5,939	7,559	1,620	27%	F
Capital grants and contributions	8,855	2,378	(6,477)	(73%)	U
Councils original budget for 2018/19 included expected grants from the NSW Government to fund new Sewer Infrastructure					
Net gains from disposal of assets	–	3	3	0%	F
Fair value increment on investment property	–	531	531	0%	F
During the year, Councils investment properties were revalued by an independent valuer.					

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Material budget variations (continued)

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance* -----		
EXPENSES					
Employee benefits and on-costs	10,871	10,273	598	6%	F
Borrowing costs	483	632	(149)	(31%)	U
Budget variations resulted from discount adjustments made as a result of revaluing the remediation liabilities					
Materials and contracts	8,283	11,459	(3,176)	(38%)	U
Decrease in estimated expenditure as result in the reduction in works requested from the NSW Roads and Maritime Services.					
Depreciation and amortisation	6,783	7,593	(810)	(12%)	U
Increase in depreciation as a result of the revaluation of Councils Buildings after the original estimate.					
Other expenses	2,742	3,191	(449)	(16%)	U
Other expenses were lower than budget due to a reduction in Councils Building and Property insurance as a result of a review of insurances during the year.					
STATEMENT OF CASH FLOWS					
Cash flows from operating activities	15,314	9,571	(5,743)	(38%)	U
Cash flows from investing activities	(14,578)	(8,730)	5,848	(40%)	F
Cash flows from financing activities	(703)	(703)	–	0%	F

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. 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:

2019	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				
– 'At fair value through profit and loss'	–	14,928	–	14,928
Total financial assets	–	14,928	–	14,928
Investment property				
Investment properties	–	2,455	–	2,455
Total investment property	–	2,455	–	2,455
Infrastructure, property, plant and equipment				
Plant and equipment	–	–	4,639	4,639
Office equipment	–	–	401	401
Furniture and fittings	–	–	82	82
Land – operational	–	10,400	–	10,400
Land – community	–	–	15,521	15,521
Land improvements – depreciated	–	–	1,198	1,198
Buildings –specialised	–	–	8,069	8,069
Buildings – non-specialised	–	–	15,376	15,376
Roads	–	–	74,658	74,658
Bridges	–	–	24,651	24,651
Footpaths	–	–	1,963	1,963
Bulk earthworks	–	–	163,987	163,987
Stormwater drainage	–	–	13,612	13,612
Water supply network	–	–	33,773	33,773
Sewerage network	–	–	36,783	36,783
Swimming pools	–	–	881	881
Open space and recreation	–	–	2,227	2,227
Other infrastructure	–	–	1,793	1,793
Other assets	–	–	93	93
Tip assets	–	–	728	728
Total infrastructure, property, plant and equipment	–	10,400	400,435	410,835

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair value measurement (continued)

\$ '000

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

2018	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				
– 'At fair value through profit and loss'	–	11,900	–	11,900
Total financial assets	–	11,900	–	11,900
Investment property				
Investment properties	–	2,316	–	2,316
Total investment property	–	2,316	–	2,316
Infrastructure, property, plant and equipment				
Plant and equipment	–	–	4,903	4,903
Office equipment	–	–	460	460
Furniture and fittings	–	–	91	91
Land – operational	–	10,400	–	10,400
Land – community	–	–	15,521	15,521
Land improvements – depreciated	–	–	1,287	1,287
Buildings –specialised ¹	–	–	8,433	8,433
Buildings – non-specialised ¹	–	–	15,991	15,991
Roads	–	–	75,010	75,010
Bridges	–	–	21,679	21,679
Footpaths	–	–	1,944	1,944
Bulk earthworks	–	–	163,967	163,967
Stormwater drainage	–	–	13,702	13,702
Water supply network	–	–	33,394	33,394
Sewerage network	–	–	36,563	36,563
Swimming pools	–	–	967	967
Open space and recreation	–	–	2,488	2,488
Other infrastructure	–	–	2,216	2,216
Other assets	–	–	171	171
Tip assets ¹	–	–	788	788
Total infrastructure, property, plant and equipment	–	10,400	399,575	409,975

¹ See Note 13(b) for details regarding the restatement as a result of prior period errors

(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 2019

Note 19. 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:

Financial Assets

Financial assets are units in NSW Treasury Corporations funds: TCorpIM Cash Fund and TCorpIM Medium Term Growth Fund. The unit price of each fund is equal to the total fair value of the net assets held by the fund divided by the total number of units on issue for that fund. Unit prices are calculated and published daily. There has been no change to the valuation process during the reporting period.

Investment Properties

The investment property is included in Level 2 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 2019 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 to 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.

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair value measurement (continued)

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

Plant & Equipment, Office Equipment, Furniture & Fittings

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

Buildings

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

The last valuation was undertaken at 30 June 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.

Bellingen Shire Council

Notes to the Financial Statements for the year ended 30 June 2019

Note 19. Fair value measurement (continued)

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 2019 by Councils Asset Management Engineers. There has been no change to the valuation process during the reporting period.

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.

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair value measurement (continued)

Remediation Assets

This class of asset includes the Raleigh Waste Facility, Dorrigo 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.

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. 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 improvements	Buildings ¹ non specialised	Roads	Total
Opening balance – 1/7/17	3,699	510	86	19,104	15,521	1,377	24,788	68,612	133,697
Transfers from/(to) another asset class	–	–	–	(110)	–	–	(8,635)	–	(8,745)
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)
Revaluation increment/(decrement)	–	–	–	(8,594)	–	–	409	–	(8,185)
Closing balance – 30/6/18	4,903	460	91	10,400	15,521	1,287	15,993	75,009	123,665
Transfers from/(to) another asset class	–	–	–	–	–	–	–	(2,604)	(2,604)
Purchases (GBV)	859	4	–	–	–	–	41	4,923	5,827
Disposals (WDV)	(388)	–	–	–	–	–	–	–	(388)
Depreciation and impairment	(735)	(63)	(9)	–	–	(88)	(657)	(2,670)	(4,222)
Other movement	–	–	–	–	–	(1)	–	–	(1)
Closing balance – 30/6/19	4,639	401	82	10,400	15,521	1,198	15,377	74,658	122,277

¹ See Note 13(b) for details regarding the restatement as a result of prior period errors

Bellingren Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. 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 – 1/7/17	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
Transfers from/(to) another asset class	2,604	–	–	–	–	–	(63)	479	3,020
Purchases (GBV)	928	52	20	137	177	354	42	83	1,793
Depreciation and impairment	(560)	(34)	–	(226)	(706)	(1,084)	(64)	(187)	(2,861)
FV gains – other comprehensive income	–	–	–	–	907	950	–	(635)	1,222
Closing balance – 30/6/19	24,651	1,963	163,987	13,612	33,773	36,783	881	2,227	277,877

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. 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 ¹ specialised	Other infra structure	Library books	Other assets	Tip ¹ assets	Quarry assets	Total
Opening balance – 1/7/17	9,605	2,276	–	183	849	–	12,913
Transfers from/(to) another asset class	8,433	–	–	(1)	–	–	8,432
Purchases (GBV)	31	16	–	–	–	–	47
Depreciation and impairment	(205)	(76)	–	(11)	(61)	–	(353)
Revaluation increment/(decrement)	(9,431)	–	–	–	–	–	(9,431)
Closing balance – 30/6/18	8,433	2,216	–	171	788	–	11,608
Transfers from/(to) another asset class	–	(347)	–	(67)	–	–	(414)
Depreciation and impairment	(364)	(76)	–	(11)	(60)	–	(511)
Closing balance – 30/6/19	8,069	1,793	–	93	728	–	10,683

¹ See Note 13(b) for details regarding the restatement as a result of prior period errors

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

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

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair value measurement (continued)

\$ '000

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

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

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various level 3 asset class fair values.

Class	Fair value (30/6/19) \$ '000	Valuation technique/s	Unobservable inputs
Financial assets			
Investments	14,928	Value based upon unit prices calculated and published daily	Prices are observable, however no active market exists for these funds as they are only accessible to government agencies.
Investment property			
Properties	2,455	Valued provided by third-party experienced valuer	Price per square metre and future maintainable earnings assessments.
IPP&E			
Office Equipment, Furniture and Plant Fittings and equipment	5,123	Replacement cost	Gross replacement cost Asset condition Remaining useful life Residual value
Land - Operational	10,400	Rate per square metre	Rate per square metre
Land - Community	15,521	Land values obtained from the NSW Valuer-General	Unimproved Capital Value per square metre provided by Valuer General
Land Improvements	1,198	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair value measurement (continued)

\$ '000

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

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

Class	Fair value (30/6/19) \$'000	Valuation technique/s	Unobservable inputs
IPP&E (continued)			
Buildings (Specialised and non-specialised)	23,445	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Roads	74,658	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Bridges	24,651	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Footpaths	1,963	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Bulk Earthworks	163,987	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair value measurement (continued)

\$ '000

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

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

Class	Fair value (30/6/19) \$'000	Valuation technique/s	Unobservable inputs
IPP&E (continued)			
Stormwater Drainage	13,612	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Water Supply Network	33,773	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Sewer Network	36,783	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Swimming Pools	881	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Open space/recreational assets	2,227	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair value measurement (continued)

\$ '000

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

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

Class	Fair value (30/6/19) \$'000	Valuation technique/s	Unobservable inputs
IPP&E (continued)			
Other Infrastructure	1,793	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Library Books and Miscellaneous	93	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Tip Assets	728	Industry Cost Indexes, council and contractor construction rates	Future rehabilitation regulations

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair value measurement (continued)

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

d. 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, 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, AASB116, 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 2019

Note 20. 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:

	2019 (\$'000)	2018 (\$'000)
Compensation:		
Short-term benefits	868	828
Post-employment benefits	72	70
Total	940	898

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.

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. 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	2,025	47	-	55	-	-	2,127	-
Parking	29	-	-	1	-	-	30	-
Community facilities	764	52	-	21	(71)	-	766	-
S7.11 contributions – under a plan	2,829	99	-	77	(71)	-	2,934	-
Total S7.11 and S7.12 revenue under plans	2,829	99	-	77	(71)	-	2,934	-
S7.11 not under plans	106	-	-	4	-	-	110	-
S64 contributions	5,568	162	-	154	-	-	5,884	-
Total contributions	8,503	261	-	235	(71)	-	8,928	-

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. 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	623	47	-	17	(71)	-	616	-
Total	623	47	-	17	(71)	-	616	-

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	14	-	-	-	-	-	14	-
Total	14	-	-	-	-	-	14	-

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	1,990	47	-	55	-	-	2,092	-
Total	1,990	47	-	55	-	-	2,092	-

Bellingen Shire Council

Notes to the Financial Statements
for the year ended 30 June 2019

Note 21. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

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	-

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	141	5	-	4	-	-	150	-
Total	141	5	-	4	-	-	150	-

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 2019

Note 21. 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	29	-	-	1	-	-	30	-
Total	29	-	-	1	-	-	30	-

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	95	-	-	4	-	-	99	-
Total	106	-	-	4	-	-	110	-

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Financial result and financial position by fund

Income Statement by fund			
\$ '000	2019	2019	2019
Continuing operations	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	522	3,279	10,970
User charges and fees	1,754	192	3,290
Interest and investment revenue	700	201	507
Other revenues	5	–	504
Grants and contributions provided for operating purposes	53	41	7,465
Grants and contributions provided for capital purposes	73	89	2,216
Other income			
Net gains from disposal of assets	–	–	3
Fair value increment on investment property	–	–	531
Total income from continuing operations	3,107	3,802	25,486
Expenses from continuing operations			
Employee benefits and on-costs	1,154	1,207	7,912
Borrowing costs	–	–	632
Materials and contracts	476	556	10,427
Depreciation and amortisation	787	1,144	5,662
Other expenses	383	320	2,488
Total expenses from continuing operations	2,800	3,227	27,121
Operating result from continuing operations	307	575	(1,635)
Net operating result attributable to each council fund	307	575	(1,635)
Net operating result for the year before grants and contributions provided for capital purposes	234	486	(3,851)

¹ General fund refers to all Council's activities other than water and sewer.

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 2019

Note 22. Financial result and financial position by fund (continued)

Statement of Financial Position by fund			
\$ '000	2019	2019	2019
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	624	217	535
Investments	8,453	4,147	9,043
Receivables	489	236	5,532
Inventories	129	–	280
Other	–	–	32
Total current assets	9,695	4,600	15,422
Non-current assets			
Investments	5,600	745	2,757
Receivables	25	9	6
Infrastructure, property, plant and equipment	39,172	39,632	339,389
Investment property	–	–	2,455
Total non-current assets	44,797	40,386	344,607
TOTAL ASSETS	54,492	44,986	360,029
LIABILITIES			
Current liabilities			
Payables	1	6	4,345
Income received in advance	–	–	320
Borrowings	–	–	737
Provisions	–	–	3,678
Total current liabilities	1	6	9,080
Non-current liabilities			
Payables	–	–	4
Borrowings	–	–	6,302
Provisions	–	–	1,233
Total non-current liabilities	–	–	7,539
TOTAL LIABILITIES	1	6	16,619
Net assets	54,491	44,980	343,410
EQUITY			
Accumulated surplus	20,435	12,450	240,069
Revaluation reserves	34,056	32,530	103,341
Total equity	54,491	44,980	343,410

¹ General fund refers to all Council's activities other than water and sewer.

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

Assets and liabilities shown in the water and sewer columns are restricted for use for these activities.

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses ⁽²⁾	<u>(3,665)</u>	-12.43%	0.42%	0.68%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>29,483</u>				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>21,642</u>	67.93%	63.41%	68.10%	> 60.00%
Total continuing operating revenue ⁽¹⁾	<u>31,861</u>				
3. Unrestricted current ratio					
Current assets less all external restrictions	<u>10,578</u>	1.46x	2.33x	2.47x	> 1.5x
Current liabilities less specific purpose liabilities	<u>7,231</u>				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>4,560</u>	3.42x	6.44x	6.29x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>1,335</u>				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	<u>645</u>	4.20%	5.25%	5.78%	10%
Rates, annual and extra charges collectible	<u>15,347</u>				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	<u>21,504</u>	10.43 mths	11.8 mths	17.7 mths	> 3 mths
Monthly payments from cash flow of operating and financing activities	<u>2,061</u>				

Notes

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

⁽²⁾ Excludes impairment/revaluation decrements, net loss on sale of assets and the net loss on share of interests in joint ventures and associates.

⁽³⁾ The 2018 ratios have been restated as a result of prior period errors. Refer to Note 13(b) for details.

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23(b). Statement of performance measures – by fund

	General indicators ³		Water indicators		Sewer indicators		Benchmark
	2019	2018	2019	2018	2019	2018	
Local government industry indicators – by fund							
1. Operating performance ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
less operating expenses ⁽²⁾	-19.29%	-2.56%	7.71%	15.00%	13.09%	9.33%	> 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	60.07%	56.74%	95.94%	94.05%	96.58%	96.73%	> 60.00%
Total continuing operating revenue ⁽¹⁾							
3. Unrestricted current ratio							
Current assets less all external restrictions	1.46x	2.33x	4562.00x	65.72x	639.33x	24.65x	> 1.5x
Current liabilities less specific purpose liabilities							

Notes

(1) - (2) Refer to Notes at Note 23a above.

(3) 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 2019

Note 23(b). Statement of performance measures – by fund (continued)

	General indicators ³		Water indicators		Sewer indicators		Benchmark
	2019	2018	2019	2018	2019	2018	
Local government industry indicators – by fund (continued)							
4. Debt service cover ratio							
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation							
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	1.43x	4.23x	0.00x	0.00x	0.00x	0.00x	> 2x
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	3.91%	4.69%	13.85%	18.76%	3.71%	5.02%	< 10% regional & rural
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	3.26	7.20	4.41	2.86	1.36	1.33	> 3 months
Monthly payments from cash flow of operating and financing activities	months	months	months	months	months	months	

Notes

(1) Refer to Notes at Note 23a above.

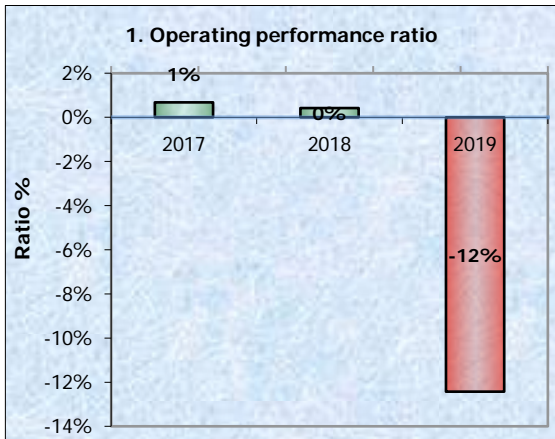
(3) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

END OF AUDITED FINANCIAL STATEMENTS

Bellingen Shire Council

Notes to the Financial Statements for the year ended 30 June 2019

Note 23(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 2018/19 result

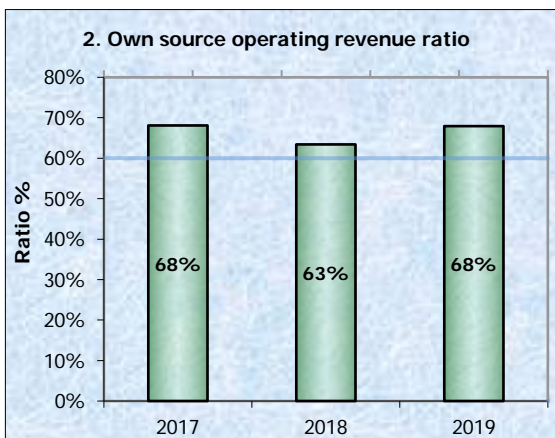
2018/19 ratio -12.43%

The result for 2018/19 reflects the reduction in operating income of 7%. This is due to fewer grants received during the year, and income generated from works undertaken for the Roads and Maritime Services of NSW. Operating expenditure, excluding depreciation and changes relating to remediation adjustments has increased by 3%.

Benchmark: Minimum >=0.00%

Source for benchmark: Code of Accounting Practice and Financial Reporting #27

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 2018/19 result

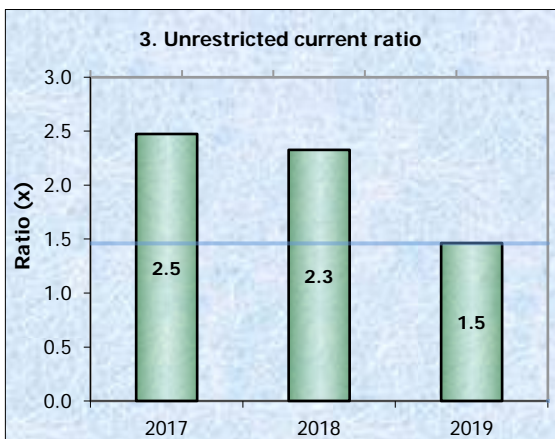
2018/19 ratio 67.93%

Councils generation of own source revenue is primarily achieved through the collection of rating revenue. The result of 68% for 2018/19 exceeds the industry benchmark of 60%.

Benchmark: Minimum >=60.00%

Source for benchmark: Code of Accounting Practice and Financial Reporting #27

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 2018/19 result

2018/19 ratio 1.46x

Councils unrestricted current ratio has met 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 >=1.46

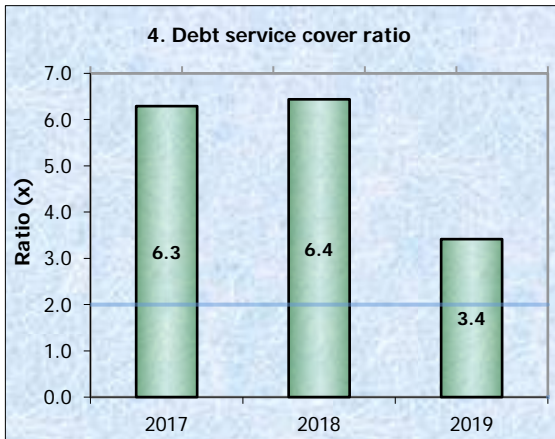
Source for benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark
 Ratio is outside benchmark

Bellingen Shire Council

Notes to the Financial Statements for the year ended 30 June 2019

Note 23(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 2018/19 result

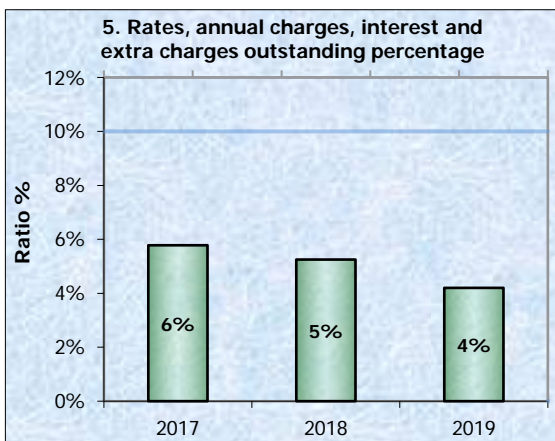
2018/19 ratio 3.42x

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 #27

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 2018/19 result

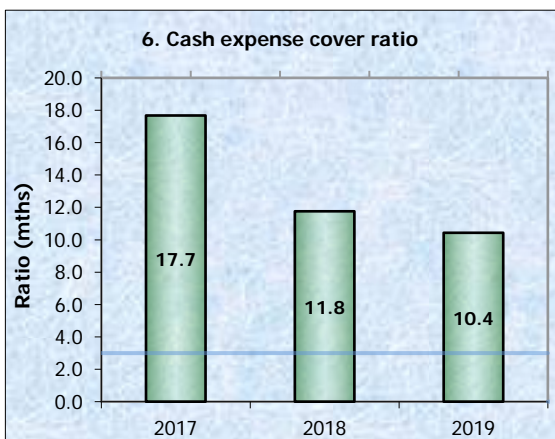
2018/19 ratio 4.20%

Council's result shows a continual improvement over the past five years for this ratio. The result of 4.2% 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 #27

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 2018/19 result

2018/19 ratio 10.43 mths

This ratio is 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 #27

Ratio achieves benchmark
 Ratio is outside benchmark

Bellingen Shire Council

Notes to the Financial Statements for the year ended 30 June 2019

Note 24. Council information and contact details

Principal place of business:

33-39 Hyde Street, Bellingen
Bellingen NSW 2454

Contact details

Mailing address:

PO Box 117
BELLINGEN NSW 2454

Opening hours:

8.30am to 4.30pm
Monday to Friday

Telephone: 02 6655 7300

Facsimile: 02 6655 2310

Internet: www.bellingen.nsw.gov.au

Email: council@bellingen.nsw.gov.au

Officers

GENERAL MANAGER

Liz Jeremy

Elected members

MAYOR

Dominic King

RESPONSIBLE ACCOUNTING OFFICER

Chris Hodge

Other information

ABN: 26 066 993 265



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Bellingen Shire Council

To the Councillors of the Bellingen Shire Council

Opinion

I have audited the accompanying financial statements of Bellingen Shire Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, 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 statements:
 - have been presented, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial statements 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 - Permissible income for general rates.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements 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 Statements

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

In preparing the financial statements, the Councillors 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 Statements

My objectives are to:

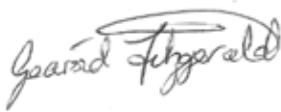
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

My opinion does not provide assurance:

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



Gearoid Fitzgerald

Delegate of the Auditor-General for New South Wales

28 October 2019
SYDNEY



Dominic King
Mayor
Bellingen Shire Council
33-39 Hyde Street, Bellingen
Bellingen NSW 2454

Contact: Gearoid Fitzgerald
Phone no: 02 9275 7392
Our ref: D1925132/1691

28 October 2019

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2019
Bellingen Shire Council**





I have audited the general purpose financial statements (GPFS) of Bellingen Shire Council (the Council) for the year ended 30 June 2019 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's GPFS.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2019 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2019	2018	Variance
	\$m	\$m	%
Rates and annual charges revenue	14.8	14.0	 5.7
Grants and contributions revenue	9.9	13.4	 26.1
Operating result for the year	(0.8)	7.6	 111
Net operating result before capital grants and contributions	(3.1)	0.4	 87.5

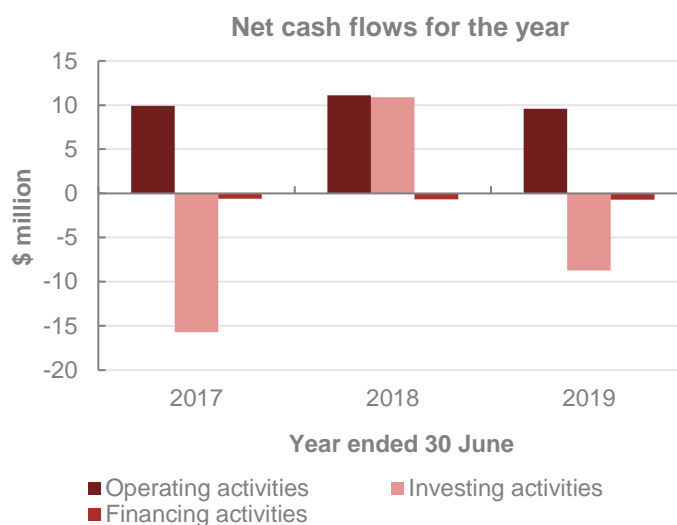
Council's operating result (loss of \$0.8 million including the effect of depreciation and amortisation expense of \$7.6 million) was \$8.4 million lower than the 2017–18 result.

The reduced operating result is largely attributable to the following:

- \$3.3 million decrease in user fees and charges. RMS fees for service were significantly higher in the prior year due to projects on the Waterfall Way;
- \$4.8 million decrease in capital grants as in the prior year Council received \$4.1m in flood restoration grants;
- \$1.3 million increase in operating grants due to funding received for flood repairs;
- \$1.6 million increase in roads maintenance arising from flood damage in prior years; and
- \$1.0 million increase in employee benefits and on-costs driven largely by remuneration increments in accordance with award conditions and change in accounting estimates used to value employee leave entitlements.

STATEMENT OF CASH FLOWS

- Council has achieved surplus cash from its operating activities over the past three years. Surplus cash generated by operating activities allows Council to invest in capital projects and repay debt.
- Council continues to invest in infrastructure, property, plant and equipment. Cash used for capital projects totalled \$11.2 million in 2019.
- Financing activities cash outflows have been consistent over the past three years and represent repayment of borrowings.



FINANCIAL POSITION

Cash and investments

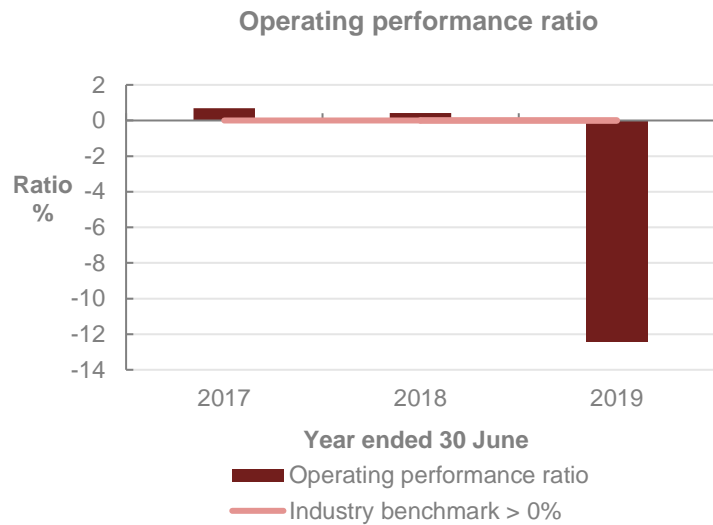
Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	27.4	29.5	<ul style="list-style-type: none"> • Councils cash and investments has remained relatively consistent with the 2018 year. • The reduction in externally restricted cash and investments of \$2.1 million is mainly due to decreases in the balance of cash and investment in the water fund. • Internally restricted cash and investments has been reduced by the expenditure of funds on Council's financial information system investment. • Unrestricted balances provide liquidity for day-to-day operations.
Internal restrictions	2.9	3.3	
Unrestricted	1.8	0.8	
Cash and investments	32.1	33.6	

PERFORMANCE

Operating performance ratio

Council's operating performance ratio of (12.43) per cent is below the industry benchmark in 2019. This ratio has been impacted by the reduction in the net operating result before capital grants and contributions. The factors attributing to this reduction are detailed at page 2 of this report.

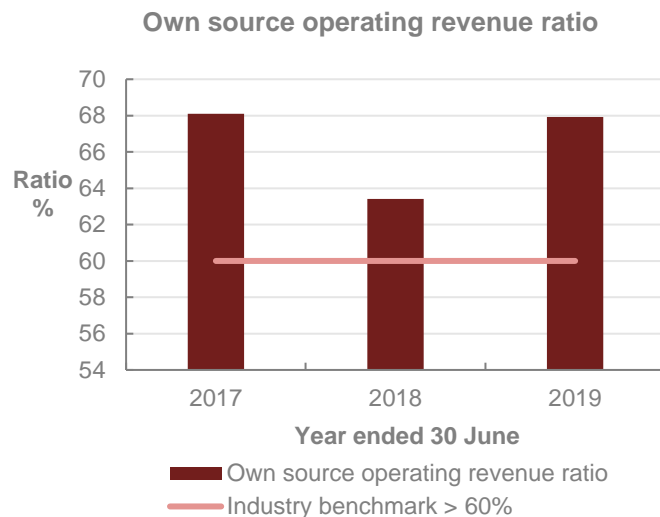
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater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



Own source operating revenue ratio

Council's own source revenue of 67.93 per cent continues to exceed the industry benchmark meaning Council is less reliant on external funding sources to conduct its operations sustainably.

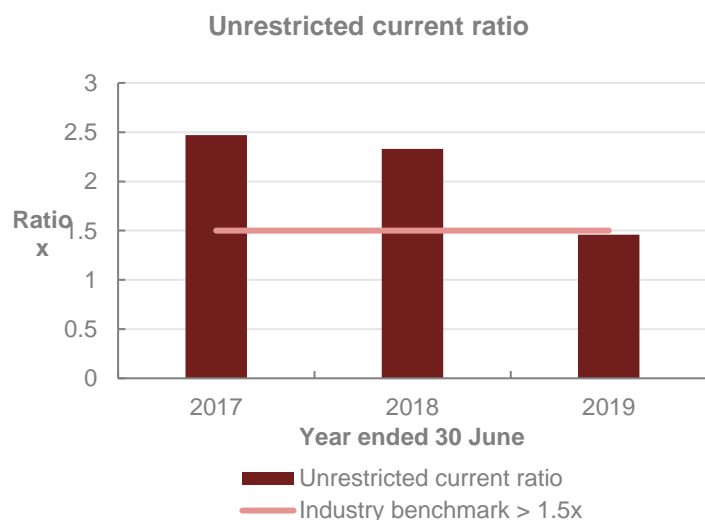
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the former OLG is greater than 60 per cent.



Unrestricted current ratio

Council's unrestricted current ratio of 1.46 has fallen below the industry benchmark in the current year. The reduction in the ratio arises from an increase in payables relating to capital projects as well as an increase in the provision for landfill rehabilitation as at 30 June 2019.

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 the former OLG is greater than 1.5 times.

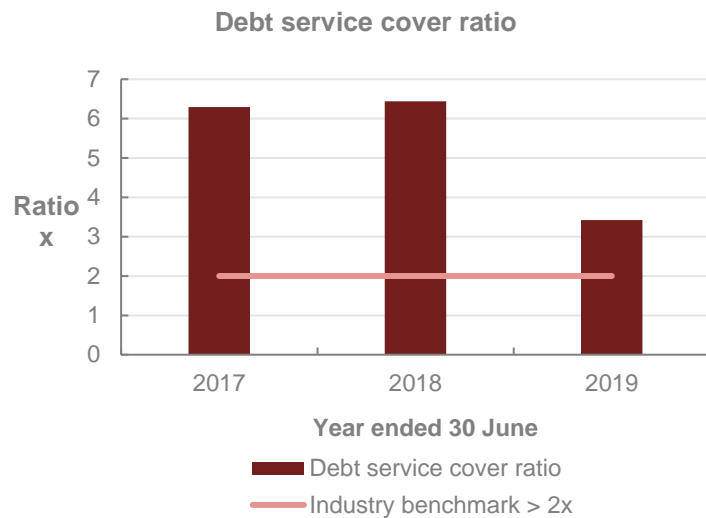


Debt service cover ratio

Council's debt service cover ratio continues to exceed the industry benchmark.

The ratio reduction to 3.42 in 2019 is attributable to the fall in the operating result.

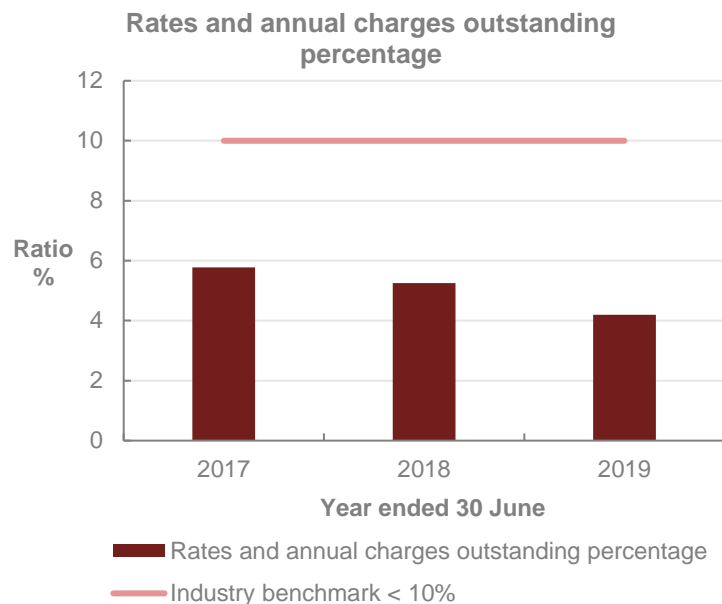
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.



Rates and annual charges outstanding percentage

Council has consistently exceeded the industry benchmark for this ratio illustrating good debt recovery practices.

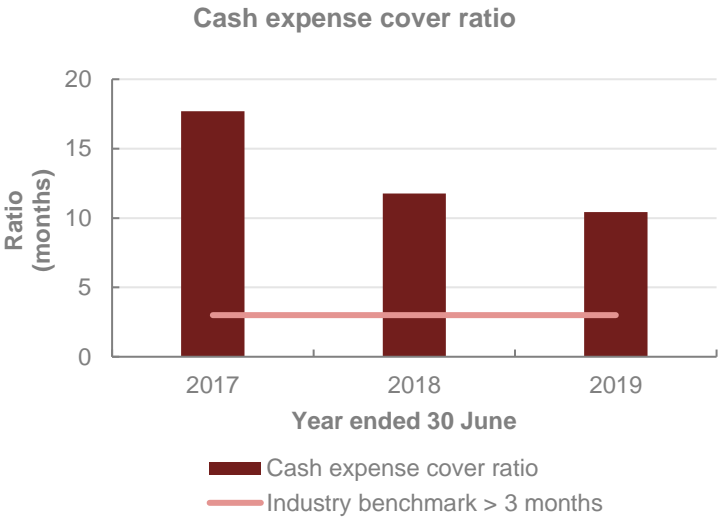
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 10 per cent for regional and rural councils.



Cash expense cover ratio

Council's cash expense cover ratio of 10.43 continues to exceed the industry benchmark. As at 30 June 2019 Council has over 10 month's cash and liquid deposits which can be used to fund operating activities and debt repayment obligations.

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 the former OLG is greater than three months.



Infrastructure, property, plant and equipment renewals

Council's total asset renewals in the 2018–19 year was \$8.4 million, compared to \$10.6 million in 2017–18. For the past two years, infrastructure renewal expenditure has been higher than the rate at which these assets are depreciating.

OTHER MATTERS

New accounting standards implemented

Application period	Overview
AASB 9 'Financial Instruments' and revised AASB 7 'Financial Instruments: Disclosures'	
For the year ended 30 June 2019	<p>AASB 9 replaces AASB 139 'Financial Instruments: Recognition and Measurement' and changes the way financial instruments are treated for financial reporting.</p> <p>Key changes include:</p> <ul style="list-style-type: none">• a simplified model for classifying and measuring financial assets• a new method for calculating impairment• a new type of hedge accounting that more closely aligns with risk management. <p>The revised AASB 7 includes new disclosures as a result of AASB 9.</p> <p>Council's disclosure of the impact of adopting AASB 9 is disclosed in Note 13 (c).</p>

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 statements. The Council's:

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



Gearoid Fitzgerald
Delegate of the Auditor-General for New South Wales

cc: Liz Jeremy, General Manager
Peter Lawry, Chair of Audit, Risk and Improvement Committee
Jim Betts, Secretary of the Department of Planning, Industry and Environment

Bellingen Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019

Bellingen Shire - Connected, Sustainable, Creative



Bellingen Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2019

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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 2019

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:

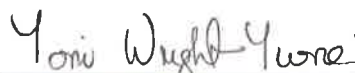
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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

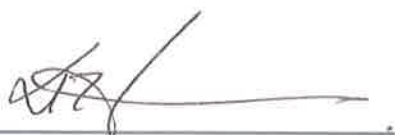
Signed in accordance with a resolution of Council made on 25 September 2019.



Dominic King
Mayor
25 September 2019



Toni Wright-Turner
Councillor
25 September 2019



Liz Jeremy
General manager
25 September 2019



Chris Hodge
Responsible accounting officer
25 September 2019

Bellingen Shire Council

Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	522	501
User charges	1,754	1,841
Interest	700	402
Grants and contributions provided for non-capital purposes	53	55
Other income	5	7
Total income from continuing operations	3,034	2,806
Expenses from continuing operations		
Employee benefits and on-costs	1,154	1,084
Materials and contracts	476	300
Depreciation, amortisation and impairment	787	688
Other expenses	383	313
Total expenses from continuing operations	2,800	2,385
Surplus (deficit) from continuing operations before capital amounts	234	421
Grants and contributions provided for capital purposes	73	119
Surplus (deficit) from continuing operations after capital amounts	307	540
Surplus (deficit) from all operations before tax	307	540
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(64)	(126)
SURPLUS (DEFICIT) AFTER TAX	243	414
Opening accumulated surplus	20,128	19,588
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	64	126
Closing accumulated surplus	20,435	20,128
Return on capital %	0.6%	1.2%
Subsidy from Council	283	536
Calculation of dividend payable:		
Surplus (deficit) after tax	243	414
Less: capital grants and contributions (excluding developer contributions)	–	–
Surplus for dividend calculation purposes	243	414
Potential dividend calculated from surplus	121	207

Bellingen Shire Council

Income Statement of Council's Sewerage Business Activity for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	3,279	3,147
User charges	146	133
Liquid trade waste charges	46	44
Interest	201	74
Grants and contributions provided for non-capital purposes	41	43
Total income from continuing operations	3,713	3,441
Expenses from continuing operations		
Employee benefits and on-costs	1,207	1,118
Materials and contracts	556	548
Depreciation, amortisation and impairment	1,144	1,205
Other expenses	320	249
Total expenses from continuing operations	3,227	3,120
Surplus (deficit) from continuing operations before capital amounts	486	321
Grants and contributions provided for capital purposes	89	72
Surplus (deficit) from continuing operations after capital amounts	575	393
Surplus (deficit) from all operations before tax	575	393
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(134)	(96)
SURPLUS (DEFICIT) AFTER TAX	441	297
Opening accumulated surplus	11,875	11,482
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	134	96
Closing accumulated surplus	12,450	11,875
Return on capital %	1.2%	0.7%
Subsidy from Council	37	814
Calculation of dividend payable:		
Surplus (deficit) after tax	441	297
Less: capital grants and contributions (excluding developer contributions)	–	1
Surplus for dividend calculation purposes	441	298
Potential dividend calculated from surplus	221	149

Bellingen Shire Council

Statement of Financial Position – Council's Water Supply Business Activity
as at 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	624	414
Investments	8,453	9,964
Receivables	489	631
Inventories	129	19
Total current assets	9,695	11,028
Non-current assets		
Investments	5,600	6,600
Receivables	25	–
Infrastructure, property, plant and equipment	39,172	36,371
Total non-current assets	44,797	42,971
TOTAL ASSETS	54,492	53,999
LIABILITIES		
Current liabilities		
Payables	1	87
Provisions	–	6
Total current liabilities	1	93
Total non-current liabilities	–	–
TOTAL LIABILITIES	1	93
NET ASSETS	54,491	53,906
EQUITY		
Accumulated surplus	20,435	20,128
Revaluation reserves	34,056	33,778
TOTAL EQUITY	54,491	53,906

Bellingen Shire Council

Statement of Financial Position – Council's Sewerage Business Activity
as at 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	217	214
Investments	4,147	4,454
Receivables	236	299
Total current Assets	4,600	4,967
Non-current assets		
Investments	745	800
Receivables	9	–
Infrastructure, property, plant and equipment	39,632	43,167
Total non-current assets	40,386	43,967
TOTAL ASSETS	44,986	48,934
LIABILITIES		
Current liabilities		
Payables	6	166
Provisions	–	9
Total current liabilities	6	175
Total non-current liabilities	–	–
TOTAL LIABILITIES	6	175
NET ASSETS	44,980	48,759
EQUITY		
Accumulated surplus	12,450	11,875
Revaluation reserves	32,530	36,884
TOTAL EQUITY	44,980	48,759

Bellingen Shire Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

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 2005*, 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, fair 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 and returns 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 – Business activities with gross operating turnover more than \$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 2019

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 – Business activities with gross operating turnover less than \$2 million

Nil

Monetary amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest thousand 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 – **27.5%**

Land tax – the first \$692,000 of combined land values attracts **0%**. For the combined land values in excess of \$692,001 up to \$4,231,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$4,231,000 a premium marginal rate of **2.0%** applies.

Payroll tax – **5.45%** on the value of taxable salaries and wages in excess of \$850,000.

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

The payment of taxation equivalent charges, referred to in the DoI – 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 DoI – Water guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

Income tax

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

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

Bellingen Shire Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2019

Note 1. Significant accounting policies (continued)

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 27.5%.

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 27.5% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

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

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Bellingen Shire Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2019

Note 1. Significant accounting policies (continued)

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.32% at 30/6/19.

(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 their water supply or sewerage business surpluses.

Each dividend must be calculated and approved in accordance with the DoI – Water 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 2019 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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



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

To the Councillors of the Bellingen Shire Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Bellingen Shire Council's (the Council) declared business activities, which comprise the Income Statement of each declared business activity for the year ended 30 June 2019, the Statement of Financial Position of each declared business activity as at 30 June 2019, Note 1 Significant accounting policies for the business activities declared by Council, and the Statement by Councillors and Management.

The declared business activities of the Council are:

- Water Supply
- Sewerage.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared business activities as at 30 June 2019, and its financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting – update number 27 (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 Statements' section of my report.

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

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

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

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

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as 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 statements which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.

Other Information

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial statements 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 'Permissible income for general rates'.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements 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 Statements

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

In preparing the financial statements, the Councillors 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 Statements

My objectives are to:

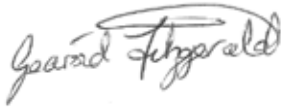
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/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
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

A handwritten signature in cursive script that reads "Gearoid Fitzgerald". The signature is written in black ink and is positioned above the printed name.

Gearoid Fitzgerald

Delegate of the Auditor-General for New South Wales

28 October 2019
SYDNEY

Bellingen Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2019

Bellingen Shire - Connected, Sustainable, Creative



Bellingen Shire Council

Special Schedules

for the year ended 30 June 2019

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Bellingen Shire Council

Permissible income for general rates

for the year ended 30 June 2020

\$'000		Calculation 2019/20	Calculation 2018/19
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	7,792	7,324
Plus or minus adjustments ⁽²⁾	b	26	23
Notional general income	c = (a + b)	7,818	7,347
Permissible income calculation			
Special variation percentage ⁽³⁾	d	6.00%	6.00%
Or rate peg percentage	e		
Or crown land adjustment (incl. rate peg percentage)	f		0.00%
Less expiring special variation amount	g	-	-
Plus special variation amount	h = d x (c - g)	469	441
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)	8,287	7,787
Plus (or minus) last year's carry forward total	l	1	2
Less valuation objections claimed in the previous year	m	(4)	-
Sub-total	n = (l + m)	(3)	2
Total permissible income	o = k + n	8,284	7,789
Less notional general income yield	p	8,276	7,792
Catch-up or (excess) result	q = o - p	8	(3)
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	-	4
Less unused catch-up ⁽⁵⁾	s	(1)	-
Carry forward to next year ⁽⁶⁾	t = q + r - s	7	1

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 permissible income from general rates in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule - Permissible income for general rates

Bellingen Shire Council

To the Councillors of Bellingen Shire Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Bellingen Shire Council (the Council) for the year ending 30 June 2020.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting – update number 27 (LG Code), 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 has 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

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2019'.

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:

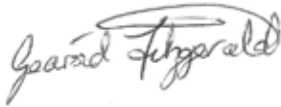
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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 cursive script that reads "Gearoid Fitzgerald". The signature is written in black ink and is positioned above the printed name.

Gearoid Fitzgerald

Delegate of the Auditor-General for New South Wales

28 October 2019
SYDNEY

Bellingen Shire Council

Report on Infrastructure Assets as at 30 June 2019

\$'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	2018/19 Required maintenance ^a	2018/19 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	420	420	23,445	46,166	1%	19%	78%	2%	0%
	Sub-total	1,874	1,874	420	420	23,445	46,166	1.0%	19.0%	78.0%	2.0%	0.0%
Roads	Sealed roads	16,954	16,954	977	977	61,058	107,416	7%	37%	31%	20%	5%
	Unsealed roads	-	-	630	630	7,323	15,634	3%	32%	45%	17%	3%
	Bridges	2,756	2,756	185	185	24,651	35,120	26%	36%	22%	14%	2%
	Footpaths	-	-	-	-	1,962	2,603	44%	47%	9%	0%	0%
	Other road assets	-	-	-	-	174	200	0%	100%	0%	0%	0%
	Bulk earthworks	-	-	-	-	163,987	163,967	100%	0%	0%	0%	0%
	Kerb and Gutter	24	24	-	-	5,816	7,039	3%	96%	1%	0%	0%
Sub-total	19,734	19,734	1,792	1,792	265,259	332,441	54.9%	19.7%	14.7%	8.7%	2.0%	
Water supply network	Water supply network	-	-	582	562	33,773	57,567	25%	41%	23%	10%	1%
	Sub-total	-	-	582	582	33,773	57,567	25.0%	41.0%	23.0%	10.0%	1.0%
Sewerage network	Sewerage network	-	-	1,116	1,116	36,783	60,342	36%	30%	27%	6%	1%
	Sub-total	-	-	1,116	1,116	36,783	60,342	36.0%	30.0%	27.0%	6.0%	1.0%

Bellingen Shire Council

Report on Infrastructure Assets as at 30 June 2019 (continued)

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	2018/19 Required maintenance ^a	2018/19 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	942	942	13	13	13,612	22,721	3%	93%	3%	1%	0%	
Open space/recreational assets	Sub-total	942	942	13	13	13,612	22,721	3.0%	93.0%	3.0%	1.0%	0.0%	
Other infrastructure assets	Swimming pools					3,106	4,594	65%	0%	5%	29%	1%	
	Sub-total	-	-	-	-	3,106	4,594	65.0%	0.0%	5.0%	29.0%	1.0%	
	Other					1,793	2,695	0%	100%	0%	0%	0%	
	Sub-total	-	-	-	-	1,793	2,695	0.0%	100.0%	0.0%	0.0%	0.0%	
	TOTAL – ALL ASSETS	22,550	22,550	3,923	3,923	377,771	526,526	42.3%	26.6%	21.9%	7.8%	1.5%	

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

Report on Infrastructure Assets (continued) for the year ended 30 June 2019

	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
Infrastructure asset performance indicators * consolidated					
1. Buildings and infrastructure renewals ratio ⁽¹⁾					
Asset renewals ⁽²⁾	<u>8,443</u>	127.40%	165.91%	87.95%	>= 100%
Depreciation, amortisation and impairment	<u>6,627</u>				
2. Infrastructure backlog ratio ⁽¹⁾					
Estimated cost to bring assets to a satisfactory standard	<u>22,550</u>	5.95%	6.58%	11.59%	< 2.00%
Net carrying amount of infrastructure assets	<u>378,971</u>				
3. Asset maintenance ratio					
Actual asset maintenance	<u>3,923</u>	100.00%	100.00%	89.31%	> 100%
Required asset maintenance	<u>3,923</u>				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	<u>22,550</u>	4.28%	4.50%	0.00%	
Gross replacement cost	<u>526,526</u>				

Notes

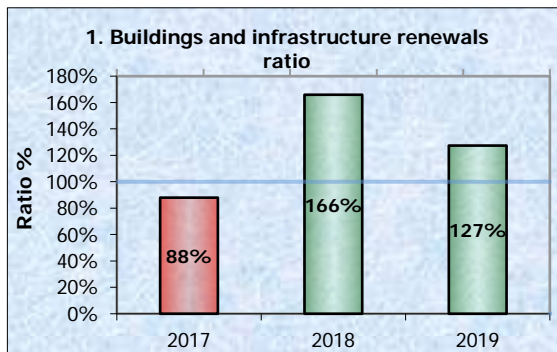
* All asset performance indicators are calculated using the asset classes identified in the previous table.

(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

Report on Infrastructure Assets (continued) for the year ended 30 June 2019



Benchmark: —— Minimum $\geq 100.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #27

Purpose of asset renewals ratio

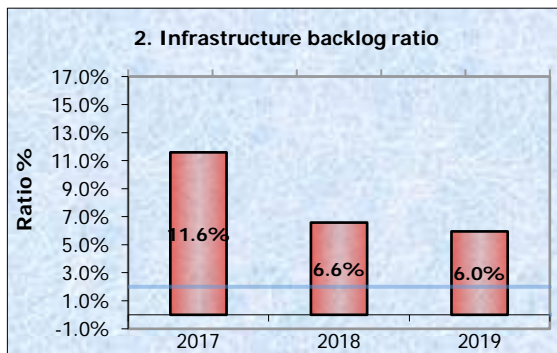
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

Commentary on 2018/19 result

2018/19 Ratio 127.40%

Councils infrastructure renewal expenditure for 2018/19 exceeded \$10M, highlighting Councils focus on the renewal of road and bridge infrastructure. This resulted in Council far exceeding the industry benchmark of 100%.

■ Ratio achieves benchmark
■ Ratio is outside benchmark



Benchmark: —— Maximum $< 2.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #27

Purpose of infrastructure backlog ratio

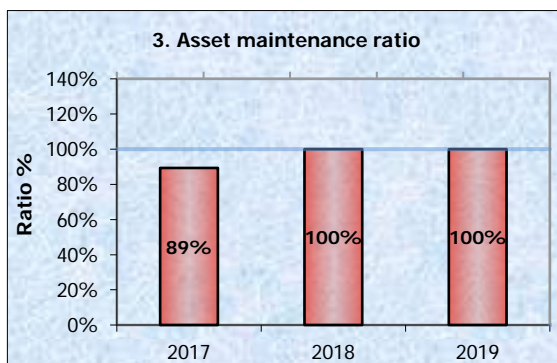
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

Commentary on 2018/19 result

2018/19 Ratio 5.95%

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

■ Ratio achieves benchmark
■ Ratio is outside benchmark



Benchmark: —— Minimum $> 100.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #27

Purpose of asset maintenance ratio

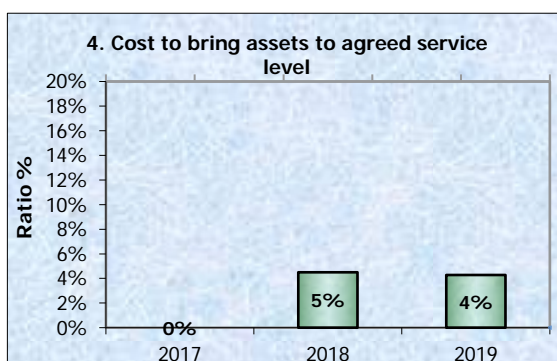
Compares actual vs. required annual asset maintenance. A ratio above 100% indicates Council is investing enough funds to stop the infrastructure backlog growing.

Commentary on 2018/19 result

2018/19 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.

■ 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 2018/19 result

2018/19 Ratio 4.28%

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

Report on Infrastructure Assets (continued) for the year ended 30 June 2019

	General indicators ⁽¹⁾		Water indicators		Sewer indicators		Benchmark
	2019	2018	2019	2018	2019	2018	
Infrastructure asset performance indicators by fund							
1. Buildings and infrastructure renewals ratio ⁽²⁾							
Asset renewals ⁽³⁾	162.29%	223.55%	33.85%	55.56%	32.66%	18.91%	>= 100%
Depreciation, amortisation and impairment							
2. Infrastructure backlog ratio ⁽²⁾							
Estimated cost to bring assets to a satisfactory standard	7.31%	8.07%	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%	100.00%	100.00%	100.00%	100.00%	100.00%	> 100%
Required asset maintenance							
4. Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	5.52%	5.70%	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.

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