

Tenterfield Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

"Birthplace of Our Nation"



Tenterfield Shire Council

General Purpose Financial Statements for the year ended 30 June 2016

Contents	Page
1. Understanding Council's Financial Statements	2
2. Statement by Councillors and Management	3
3. Primary Financial Statements:	
– Income Statement	4
– Statement of Comprehensive Income	5
– Statement of Financial Position	6
– Statement of Changes in Equity	7
– Statement of Cash Flows	8
4. Notes to the Financial Statements	9
5. Independent Auditor's Reports:	
– On the Financial Statements (Sect 417 [2])	84
– On the Conduct of the Audit (Sect 417 [3])	86

Overview

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

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

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

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

- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by the Council on 25 October 2016. Council has the power to amend and reissue these financial statements.
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Tenterfield Shire Council

General Purpose Financial Statements for the year ended 30 June 2016

Understanding Council's financial statements

Introduction

Each year, individual local governments across New South Wales are required to present a set of audited financial statements to their council and community.

What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2016.

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

About the Councillor/Management Statement

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

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

This statement summarises Council's financial performance for the year, listing all income and expenses.

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

2. The Statement of Comprehensive Income

This statement primarily records changes in the fair values of Council's infrastructure, property, plant and equipment.

3. The Statement of Financial Position

An end of year snapshot of Council's financial position indicating its assets, liabilities and equity ('net wealth').

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

Council's financial statements are required to be audited by external accountants (that generally specialise in local government). In NSW, the auditor provides 2 audit reports:

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

Who uses the financial statements?

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

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

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

Tenterfield Shire Council

General Purpose Financial Statements

for the year ended 30 June 2016

Statement by Councillors and Management

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

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

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

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

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

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

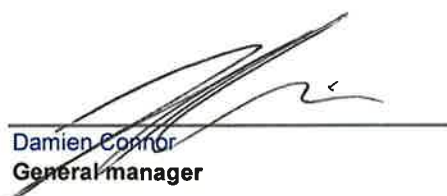
Signed in accordance with a resolution of Council made on 28 September 2016.



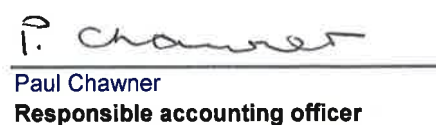
Peter Petty
Mayor



Greg Sauer
Councillor



Damien Connor
General manager



Paul Chawner
Responsible accounting officer

Tenterfield Shire Council

Income Statement

for the year ended 30 June 2016

Budget ¹ 2016	\$ '000	Notes	Actual 2016	Actual 2015
Income from continuing operations				
Revenue:				
7,561	Rates and annual charges	3a	7,564	6,999
2,556	User charges and fees	3b	2,323	2,255
272	Interest and investment revenue	3c	423	277
407	Other revenues	3d	819	376
6,225	Grants and contributions provided for operating purposes	3e,f	8,452	6,924
7,616	Grants and contributions provided for capital purposes	3e,f	2,058	3,828
Other income:				
—	Net share of interests in joint ventures and associates using the equity method	19	—	—
24,637	Total income from continuing operations		21,639	20,659
Expenses from continuing operations				
6,653	Employee benefits and on-costs	4a	6,521	5,916
374	Borrowing costs	4b	374	382
4,167	Materials and contracts	4c	3,316	3,256
5,626	Depreciation and amortisation	4d	5,805	5,165
—	Impairment	4d	—	—
1,783	Other expenses	4e	1,719	1,705
41	Net losses from the disposal of assets	5	411	172
18,644	Total expenses from continuing operations		18,146	16,596
5,993	Operating result from continuing operations		3,493	4,063
Discontinued operations				
—	Net profit/(loss) from discontinued operations	24	—	—
5,993	Net operating result for the year		3,493	4,063
5,993	Net operating result attributable to Council		3,493	4,063
—	Net operating result attributable to non-controlling interests		—	—
(1,623)	Net operating result for the year before grants and contributions provided for capital purposes		1,435	235

¹ Original budget as approved by Council – refer Note 16

Tenterfield Shire Council

Statement of Comprehensive Income
for the year ended 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
Net operating result for the year (as per Income Statement)		3,493	4,063
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	(901)	32,498
Impairment (loss) reversal relating to I,PP&E	20b (ii)	(1,440)	–
Total items which will not be reclassified subsequently to the operating result		(2,341)	32,498
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Other movements in reserves (Derecognition of RFS assets)	20b (ii)	(2,203)	–
Total items which will be reclassified subsequently to the operating result when specific conditions are met		(2,203)	–
Total other comprehensive income for the year		(4,544)	32,498
Total comprehensive income for the year		(1,051)	36,561
Total comprehensive income attributable to Council		(1,051)	36,561
Total comprehensive income attributable to non-controlling interests		–	–

Tenterfield Shire Council

Statement of Financial Position
as at 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
ASSETS			
Current assets			
Cash and cash equivalents	6a	12,245	12,204
Investments	6b	—	—
Receivables	7	2,285	2,061
Inventories	8	678	684
Other	8	—	—
Non-current assets classified as 'held for sale'	22	—	—
Total current assets		15,208	14,949
Non-current assets			
Investments	6b	—	—
Receivables	7	2	3
Inventories	8	—	—
Infrastructure, property, plant and equipment	9	352,205	352,573
Investments accounted for using the equity method	19	—	—
Investment property	14	280	280
Intangible assets	25	252	281
Total non-current assets		352,739	353,137
TOTAL ASSETS		367,947	368,086
LIABILITIES			
Current liabilities			
Payables	10	1,039	1,855
Borrowings	10	494	535
Provisions	10	1,936	2,080
Total current liabilities		3,469	4,470
Non-current liabilities			
Payables	10	—	—
Borrowings	10	4,595	5,089
Provisions	10	1,282	1,110
Total non-current liabilities		5,877	6,199
TOTAL LIABILITIES		9,346	10,669
Net assets		358,601	357,417
EQUITY			
Retained earnings	20	119,867	114,411
Revaluation reserves	20	238,734	243,006
Council equity interest		358,601	357,417
Non-controlling equity interests		—	—
Total equity		358,601	357,417

Tenterfield Shire Council

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

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity
2016						
Opening balance (as per last year's audited accounts)		114,411	243,006	357,417	—	357,417
a. Correction of prior period errors	20 (c)	2,293	(58)	2,235	—	2,235
b. Changes in accounting policies (prior year effects)	20 (d)	—	—	—	—	—
Revised opening balance (as at 1/7/15)		116,704	242,948	359,652	—	359,652
c. Net operating result for the year		3,493	—	3,493	—	3,493
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	—	(901)	(901)	—	(901)
– Revaluations: other reserves	20b (ii)	—	—	—	—	—
– Transfers to Income Statement	20b (ii)	—	—	—	—	—
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	—	(1,440)	(1,440)	—	(1,440)
– Other reserves movements (RFS assets)	20b (ii)	(330)	(1,873)	(2,203)	—	(2,203)
Other comprehensive income		(330)	(4,214)	(4,544)	—	(4,544)
Total comprehensive income (c&d)		3,163	(4,214)	(1,051)	—	(1,051)
e. Distributions to/(contributions from) non-controlling Interests		—	—	—	—	—
f. Transfers between equity		—	—	—	—	—
Equity – balance at end of the reporting period		119,867	238,734	358,601	—	358,601

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity
2015						
Opening balance (as per last year's audited accounts)		94,137	210,508	304,645	—	304,645
a. Correction of prior period errors	20 (c)	16,211	—	16,211	—	16,211
b. Changes in accounting policies (prior year effects)	20 (d)	—	—	—	—	—
Revised opening balance (as at 1/7/14)		110,348	210,508	320,856	—	320,856
c. Net operating result for the year		4,063	—	4,063	—	4,063
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	—	32,498	32,498	—	32,498
– Revaluations: other reserves	20b (ii)	—	—	—	—	—
– Transfers to Income Statement	20b (ii)	—	—	—	—	—
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	—	—	—	—	—
Other comprehensive income		—	32,498	32,498	—	32,498
Total comprehensive income (c&d)		4,063	32,498	36,561	—	36,561
e. Distributions to/(contributions from) non-controlling Interests		—	—	—	—	—
f. Transfers between equity		—	—	—	—	—
Equity – balance at end of the reporting period		114,411	243,006	357,417	—	357,417

Tenterfield Shire Council

Statement of Cash Flows
for the year ended 30 June 2016

Budget 2016	\$ '000	Notes	Actual 2016	Actual 2015
Cash flows from operating activities				
Receipts:				
7,540	Rates and annual charges		7,620	7,110
2,441	User charges and fees		2,437	2,133
274	Investment and interest revenue received		403	335
13,472	Grants and contributions		10,066	10,582
67	Bonds, deposits and retention amounts received		58	49
438	Other		928	345
Payments:				
(6,584)	Employee benefits and on-costs		(6,489)	(5,904)
(4,175)	Materials and contracts		(4,210)	(2,752)
(364)	Borrowing costs		(323)	(455)
(67)	Bonds, deposits and retention amounts refunded		(50)	(34)
(1,853)	Other		(2,044)	(1,953)
11,189	Net cash provided (or used in) operating activities	11b	8,396	9,456
Cash flows from investing activities				
Receipts:				
1,567	Sale of infrastructure, property, plant and equipment		1,885	1,698
2	Deferred debtors receipts		1	7
Payments:				
(14,801)	Purchase of infrastructure, property, plant and equipment		(9,706)	(10,195)
(13,232)	Net cash provided (or used in) investing activities		(7,820)	(8,490)
Cash flows from financing activities				
Receipts:				
–	Proceeds from borrowings and advances		–	1,200
Payments:				
(535)	Repayment of borrowings and advances		(535)	(404)
(535)	Net cash flow provided (used in) financing activities		(535)	796
(2,578)	Net increase/(decrease) in cash and cash equivalents		41	1,762
8,806	Plus: cash and cash equivalents – beginning of year	11a	12,204	10,442
6,228	Cash and cash equivalents – end of the year	11a	12,245	12,204
Additional Information:				
plus:	Investments on hand – end of year	6b	–	–
Total cash, cash equivalents and investments			12,245	12,204

Please refer to Note 11 for information on the following:

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

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	10
2(a)	Council functions/activities – financial information	28
2(b)	Council functions/activities – component descriptions	29
3	Income from continuing operations	30
4	Expenses from continuing operations	35
5	Gains or losses from the disposal of assets	37
6(a)	Cash and cash equivalent assets	38
6(b)	Investments	38 n/a
6(c)	Restricted cash, cash equivalents and investments – details	39
7	Receivables	40
8	Inventories and other assets	41
9(a)	Infrastructure, property, plant and equipment	42
9(b)	Externally restricted infrastructure, property, plant and equipment	43
10(a)	Payables, borrowings and provisions	44
10(b)	Description of (and movements in) provisions	45
11	Statement of cash flows – additional information	46
12	Commitments for expenditure	47
13	Statement of performance measures:	
13a (i)	Local government industry indicators (consolidated)	49
13a (ii)	Local government industry graphs (consolidated)	50
13b	Local government industry indicators (by fund)	52
14	Investment properties	53
15	Financial risk management	54
16	Material budget variations	58
17	Statement of developer contributions	60
18	Contingencies and other liabilities/assets not recognised	62
19	Interests in other entities	64
20	Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	66
21	Financial result and financial position by fund	69
22	'Held for sale' non-current assets and disposal groups	71 n/a
23	Events occurring after the reporting date	71 n/a
24	Discontinued operations	71 n/a
25	Intangible assets	72
26	Reinstatement, rehabilitation and restoration liabilities	73
27	Fair value measurement	74

Additional council disclosures

28	Council information and contact details	83
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n/a – not applicable

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies

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

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

(a) Basis of preparation

(i) Background

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

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

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

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

Because AASBs are sector neutral, some standards either:

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

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

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

(iii) New and amended standards adopted by Council

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

(iv) Early adoption of accounting standards

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

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

(v) Basis of accounting

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

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

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

(vi) Changes in accounting policies

Council's accounting policies have been consistently applied to all the years presented, except for the following –

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

- a) Depreciation of Rural Fire Service (RFS) Assets – In accordance with the Local Government Code of Accounting Practice and Financial Reporting, Councils have the option to elect to continue to recognise or not to recognise Rural Fire Service assets in their accounts. Council has resolved to no longer recognise Rural Fire Service assets in its accounts. The effect of this change is detailed in Note 9(a) and Note 20.

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

(vii) Critical accounting estimates

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

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

Significant judgements in applying Council's accounting policies include the impairment of receivables – Council has made significant judgements about the impairment of a number of its receivables in Note 7.

(b) Revenue recognition

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

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

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

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

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

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

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

unused grant or contribution is disclosed in Note 3 (g).

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

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

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

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

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

User charges, fees and other income

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

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

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

Sale of infrastructure, property, plant and equipment

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

Interest and rents

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

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

Dividend income

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

Other Income

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

(c) Principles of consolidation

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

(i) The Consolidated Fund

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

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

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

- *General Purpose Operations*
- *Tenterfield Water Fund*
- *Tenterfield Sewerage Fund*
- *Stormwater Management Fund*
- *Waste Management Fund*

Due to their immaterial value and nature, the following committees, entities and operations have been excluded from consolidation:

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

- *Sir Henry Parkes Memorial Management Committee (Joint Committee)*
- *Tenterfield Shire Heritage Advisory Committee*
- *Parks & Gardens Committee*
- *International Town Partnership Cultural Committee*
- *Aboriginal Advisory Committee*
- *Legume to Woodenbong Road Alliance*
- *Tenterfield Sport and Recreation Advisory Committee*
- *Tenterfield Shire Council Saleyards Committee*
- *Tenterfield Town Centre Streetscape Master Plan Steering Committee*
- *Tenterfield Shire ANZAC Centenary Steering Committee*
- *Public Art Committee*
- *Disability Advisory Committee*

Council is involved in a joint venture with Kyogle Council to supply water to the villages of Urbenville (in Tenterfield Shire), Woodenbong & Muli Muli (in Kyogle).

Councils' interest in the joint venture has not been accounted for using the equity method because it is not considered material.

Under the equity method, Council's share of the operation's profits/(losses) are recognised in the income statement, and its share of movements in retained earnings and reserves are recognised in the balance sheet.

Detailed information relating to Council's joint ventures can be found at Note 19 (b).

(ii) The trust fund

In accordance with the provisions of section 411 of the *Local Government Act 1993* (as amended), a separate and distinct trust fund is maintained to account for all money and property received by the Council in trust that must be applied only for the purposes of or in accordance with the trusts relating to those monies.

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

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

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

(iii) Interests in other entities

Subsidiaries

Council has no interest in any subsidiaries.

Joint arrangements

Council has no interest in any joint arrangements.

Joint ventures

Joint ventures represent operational arrangements where the joint control parties have rights to the net assets of the arrangement.

Associates

Council has no interest in any associates.

County councils

Council is not a member of any county councils.

Unconsolidated structured entities

Council has no interest in any unconsolidated structured entities.

(d) Leases

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

Finance leases

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

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

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

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

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

Operating Leases

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

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

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

(e) Cash and Cash Equivalents

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

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

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

(f) Investments and other financial assets

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

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

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

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

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

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

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

Derivatives are classified as held for trading unless they are designated as hedges.

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

(ii) Loans and receivables

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

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

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

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

and fixed maturities that the Council's management has the positive intention and ability to hold to maturity.

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

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

(iv) Available-for-sale financial assets

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

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

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

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

Financial assets – reclassification

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

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

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

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

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

General accounting and measurement of financial instruments:

(i) Initial recognition

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

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

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

(ii) Subsequent measurement

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

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

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

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

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

Impairment

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

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

(iii) Types of investments

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

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

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

(g) Fair value estimation – financial instruments

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

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

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

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

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

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

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

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

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

(h) Receivables

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

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

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

A provision for impairment (i.e. an allowance account) relating to receivables is established when objective evidence shows that Council will not be able to collect all amounts due according to the original terms of each receivable.

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

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

(i) Inventories

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

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

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

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

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

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

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

Land held for resale is stated at the lower of cost and net realisable value.

Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development.

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

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

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

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

Acquisition of assets

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

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

- **Plant and equipment**
(as approximated by depreciated historical cost)
- **Operational land** (external valuation)
- **Community land** (external valuation)
- **Land improvements** (external valuation)
- **Buildings – specialised/non-specialised**
(external valuation)
- **Other structures**
(as approximated by depreciated historical cost)
- **Roads assets including roads, bridges and footpaths** (external valuation)
- **Bulk earthworks** (external valuation)
- **Stormwater drainage** (external valuation)
- **Water and sewerage networks** (external valuation)
- **Swimming pools** (external valuation)
- **Other open space/recreational assets**
(external valuation)
- **Other infrastructure** (external valuation)

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

- Other assets

(as approximated by depreciated historical cost)

- Investment properties – refer Note 1(p),

For the revaluation of Other Structures, Swimming Pool, Open Space & Recreation asset classes a revaluation threshold of \$5,000 is applied. Assets below this amount are recorded at initial acquisition cost.

Initial recognition

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

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

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

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

Subsequent costs

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

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

Asset revaluations (including indexation)

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

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

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

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

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

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

Capitalisation thresholds

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

Land

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

Plant & Equipment

Office Furniture	> \$1,500
Office Equipment	> \$1,500
Other Plant & Equipment	> \$1,500

Buildings & Land Improvements

Park Furniture & Equipment	> \$10,000
Building	
- construction/extensions	> \$15,000
- renovations	> \$10,000

Tenterfield Shire Council

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

Note 1. Summary of significant accounting policies (continued)

Other Structures	100% Capitalised
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Water & Sewer Assets

Reticulation extensions	100% Capitalised
Other	100% Capitalised

Stormwater Assets

Drains & Culverts	100% Capitalised
Other	100% Capitalised

Transport Assets

Road construction & reconstruction	100% Capitalised
Reseal/Re-sheet & major repairs:	100% Capitalised
Bridge construction & reconstruction	100% Capitalised

Other Infrastructure Assets

Swimming Pools	100% Capitalised
Other Open Space/Recreational Assets	100% Capitalised
Other Infrastructure	100% Capitalised

Depreciation

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

Land is not depreciated.

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

Plant & Equipment

- Office Equipment	10 years
- Office Furniture	10 years
- Computer Equipment	3 years
- Other Equipment	10 years
- Vehicles – Utilities	5 years
- Vehicles – Passenger	NIL
- Vehicles – Heavy Machinery	10 years

Other Equipment

- Playground equipment	10 to 20 years
- Benches, seats etc	10 to 20 years

Buildings

- Buildings	15 to 75 years
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Stormwater Drainage

- Drains	80 years
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Transportation Assets

- Sealed Roads: Surface	25 years
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- Sealed Roads: Structure	25 years
- Unsealed roads	25 years
- Bridge: Concrete	100 years
- Bridge: Timber	50 years
- Road Pavements	25 to 35 years
- Kerb, Gutter & Paths	80 years
- Lines & Signs	30 years

Water & Sewer Assets

- Water – Mains	70 to 82 years
- Water – Pumping Stations	31 to 33 years
- Water – Reservoirs	50 to 81 years
- Water – Treatment Works	20 to 40 years

- Sewerage – Ancillary	25 years
- Sewerage – Pumping Stations	30 to 41 years
- Sewerage – Treatment Works	42 to 54 years
- Sewerage – Mains	60 to 70 years

Other Infrastructure Assets

- Bulk earthworks	Infinite
- Swimming Pools	50 years
- Other Open Space/ Recreational Assets	10-100 years

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

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

Disposal and derecognition

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

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

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(k) Land

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

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

(l) Land under roads

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

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

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

(m) Intangible assets

IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems.

Costs capitalised include external direct costs of materials and services, direct payroll and payroll-related costs of employees' time spent on the project.

Amortisation is calculated on a straight line bases over periods generally ranging from 3 to 5 years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where Council has an intention and ability to use the asset.

(n) Crown reserves

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

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

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

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

(o) Rural fire service assets

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

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

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

(p) Investment property

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

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

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

Full revaluations are carried out every 3 years.

The last full revaluation for Council's investment properties was dated 08/04/2014.

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

Costs are estimated on the basis of a closure plan.

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

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

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

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

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

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

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

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

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

These costs are charged to the Income Statement.

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

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

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

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

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

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

(r) Impairment of assets

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

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

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

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

(s) Payables

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

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

(t) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

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

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

(u) Borrowing costs

Borrowing costs are expensed except to the extent that they are incurred during the construction of qualifying assets.

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.

(v) Provisions

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

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

Provisions are not recognised for future operating losses.

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

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

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

The discount rate used to determine the present value reflects current market assessments of the

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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.

(w) Employee benefits

(i) Short-term obligations

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

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

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

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

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

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

(ii) Other long-term obligations

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

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

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

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

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

(iii) Retirement benefit obligations

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

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

Defined benefit plans

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

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

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

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

Scheme, named the 'Local Government Superannuation Scheme – Pool B'.

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

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

The last valuation of the scheme was performed by Mr Richard Boyfield, FIAA on 24/02/16 and covers the period ended 30/06/15.

However the position is monitored annually and the actuary has estimated that as at 30 June 2016 the prior period deficit still exists.

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

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2016 was \$217,346.

The amount of additional contributions included in the total employer contribution advised above is \$106,926.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$142,600 as at 30 June 2016.

The expected employer contributions to the scheme for the year ended 30 June 2017 will be \$173,289 including additional contributions of \$76,000.

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

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

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

Defined contribution plans

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

(iv) Employee benefit on-costs

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

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

(x) Self-insurance

Council does not self-insure.

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

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

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

Exceptions

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

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

Tenterfield Shire Council

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

Note 1. Summary of significant accounting policies (continued)

(z) Taxes

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

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

Goods and Services Tax (GST)

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

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

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

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

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

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

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

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

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

Council has not adopted any of these standards early.

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

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

AASB 9 – Financial Instruments

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

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

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

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

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

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

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

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

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

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

AASB ED 260 Income of Not-for-Profit Entities

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

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

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

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

The most likely financial statement impact is the deferred recognition of Grants and Contributions (i.e. recognition as unearned revenue [liability]) until Council has met the associated performance obligation/s relating to the Grants or Contribution.

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

AASB16 – Leases

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

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

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

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

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

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

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

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

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

(ab) Rounding of amounts

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

Tenterfield Shire Council

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

Note 1. Summary of significant accounting policies (continued)

(ac) Comparative figures

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

(ad) Disclaimer

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

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current & non-current)	
	Original budget	Actual	Actual	Original budget	Actual	Actual	Original budget	Actual	Actual	Actual	Actual	Actual	Actual
	2016	2016	2015	2016	2016	2015	2016	2016	2015	2016	2015	2016	2015
Governance	–	–	–	246	232	232	(246)	(232)	(232)	–	–	–	–
Administration	860	1,036	433	–	–	–	860	1,036	433	10	9	7,705	6,345
Public order and safety	717	333	569	907	656	864	(190)	(323)	(295)	237	472	702	1,947
Health	25	34	40	97	62	85	(72)	(28)	(45)	–	–	620	633
Environment	2,323	1,983	2,262	2,447	2,326	2,017	(124)	(343)	245	85	84	8,070	7,617
Community services and education	5	11	6	56	61	58	(51)	(50)	(52)	11	5	3	1
Housing and community amenities	369	561	413	1,221	1,157	971	(852)	(596)	(558)	51	48	3,230	3,160
Water supplies	1,899	2,188	1,619	1,838	1,680	1,610	61	508	9	445	408	18,749	17,934
Sewerage services	1,752	1,816	1,739	1,992	1,869	1,643	(240)	(53)	96	25	23	24,359	24,127
Recreation and culture	216	204	219	2,199	2,238	2,107	(1,983)	(2,034)	(1,888)	51	53	12,570	10,927
Mining, manufacturing and construction	68	78	41	320	303	283	(252)	(225)	(242)	–	–	–	257
Transport and communication	8,129	4,979	5,194	6,531	6,791	5,796	1,598	(1,812)	(602)	2,595	799	287,444	291,497
Economic affairs	415	383	562	790	771	930	(375)	(388)	(368)	–	–	4,495	3,641
Total functions and activities	16,778	13,606	13,097	18,644	18,146	16,596	(1,866)	(4,540)	(3,499)	3,510	1,901	367,947	368,086
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	–	–	–	–	–	–	–	–	–
General purpose income ¹	7,859	8,033	7,562	–	–	–	7,859	8,033	7,562	4,307	4,256	–	–
Operating result from continuing operations	24,637	21,639	20,659	18,644	18,146	16,596	5,993	3,493	4,063	7,817	6,157	367,947	368,086

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

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

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

GOVERNANCE

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

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

HEALTH

Includes immunisation, food control, health centres etc.

ENVIRONMENT

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

COMMUNITY SERVICES AND EDUCATION

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

HOUSING AND COMMUNITY AMENITIES

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

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION AND CULTURE

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

MINING, MANUFACTURING AND CONSTRUCTION

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

TRANSPORT AND COMMUNICATION

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

ECONOMIC AFFAIRS

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

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
(a) Rates and annual charges			
Ordinary rates			
Residential		1,481	1,336
Farmland		1,725	1,612
Mining		8	7
Business		190	172
Total ordinary rates		3,404	3,127
Special rates			
Nil			
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		582	503
Stormwater management services		59	59
Water supply services		878	797
Sewerage services		1,625	1,575
Waste management services (non-domestic)		1,008	930
Trade waste		8	8
Total annual charges		4,160	3,872
TOTAL RATES AND ANNUAL CHARGES		7,564	6,999

Council has used 2013 year valuations provided by the NSW Valuer General in calculating its rates.

Tenterfield Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(b) User charges and fees			
Specific user charges (per s.502 – specific 'actual use' charges)			
Water supply services		710	638
Sewerage services		67	56
Waste management services (non-domestic)		184	255
Trade waste		24	25
Total user charges		985	974
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Companion animals		7	7
Inspection services		25	18
Local government and health act fees		9	22
Planning and building regulation		193	145
Private works – section 67		120	259
Section 149 certificates (EPA Act)		25	25
Section 603 certificates		22	15
Total fees and charges – statutory/regulatory		401	491
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Administration on grant works		463	265
Cemeteries		87	88
Cinema		63	71
Library		8	8
Museum and theatre		22	28
Saleyards		212	230
Service installation		13	10
Swimming centres		37	37
Tourism		8	35
Other		24	18
Total fees and charges – other		937	790
TOTAL USER CHARGES AND FEES		2,323	2,255

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		45	53
– Interest earned on investments (interest and coupon payment income)		378	324
Fair value adjustments			
– Fair valuation movements in investments (at fair value or held for trading)		–	(100)
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>		<u>423</u>	<u>277</u>
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		45	53
General Council cash and investments		234	67
Restricted investments/funds – external:			
Development contributions			
– Section 94		3	5
Water fund operations		47	39
Sewerage fund operations		35	36
Domestic waste management operations		10	15
Stormwater management services		6	3
Restricted investments/funds – internal:			
Internally restricted assets		43	59
<u>Total interest and investment revenue recognised</u>		<u>423</u>	<u>277</u>
(d) Other revenues			
Rental income – investment properties	14	32	31
Rental income – other council properties		149	102
Commissions and agency fees		3	1
Diesel rebate		46	42
Emergency services		–	1
Insurance rebates		40	60
Investment recovery		415	–
Recycling income (non-domestic)		–	34
Rural fire service program reimbursements		87	89
Sale of surplus material		22	1
Other		25	15
<u>TOTAL OTHER REVENUE</u>		<u>819</u>	<u>376</u>

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
(e) Grants				
General purpose (untied)				
Financial assistance – general component	2,679	2,621	–	–
Financial assistance – local roads component	1,558	1,569	–	–
Pensioners' rates subsidies – general component	70	66	–	–
Total general purpose	4,307	4,256	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	28	26	–	–
– Sewerage	25	23	–	–
– Domestic waste management	55	52	–	–
Water supplies	–	12	398	–
Bushfire and emergency services	237	182	–	290
Community development	11	6	–	–
Employment and training programs	10	9	–	–
Environmental protection	–	5	–	–
Heritage and cultural	26	22	–	5
Library	28	28	7	11
LIRS subsidy	39	–	–	–
Noxious weeds	30	27	–	–
Public conveniences	–	–	35	–
Solid waste management	–	–	18	370
Street lighting	74	30	–	–
Swimming centres	–	–	7	–
Transport (roads to recovery)	2,087	768	–	–
Transport (other roads and bridges funding)	–	–	395	–
Town planning	–	25	–	10
Total specific purpose	2,650	1,215	860	686
Total grants	6,957	5,471	860	686
Grant revenue is attributable to:				
– Commonwealth funding	6,324	4,958	395	–
– State funding	633	513	465	686
	6,957	5,471	860	686

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
S 94 – contributions towards amenities/services	–	–	87	49
S 64 – water supply contributions	–	–	16	2
S 64 – sewerage service contributions	–	–	13	2
Total developer contributions 17	–	–	116	53
Other contributions:				
Environmental	1	–	–	–
FBT contributions	35	35	–	–
Other councils – joint works/services	92	85	–	9
Roads and bridges	–	–	1	4
RMS contributions (regional roads, block grant)	1,355	1,332	1,076	3,070
Sewerage (excl. section 64 contributions)	–	–	5	6
Solid Waste Management	4	–	–	–
Tourism	8	1	–	–
Total other contributions	1,495	1,453	1,082	3,089
Total contributions	1,495	1,453	1,198	3,142
TOTAL GRANTS AND CONTRIBUTIONS	8,452	6,924	2,058	3,828

\$ '000	Actual 2016	Actual 2015
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(g) Restrictions relating to grants and contributions

Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:

Unexpended at the close of the previous reporting period	1,558	1,267
Add: grants and contributions recognised in the current period but not yet spent:	671	568
Less: grants and contributions recognised in a previous reporting period now spent:	(364)	(277)
Net increase (decrease) in restricted assets during the period	307	291
Unexpended and held as restricted assets	1,865	1,558
Comprising:		
– Specific purpose unexpended grants	1,504	1,287
– Developer contributions	361	271
	1,865	1,558

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
(a) Employee benefits and on-costs			
Salaries and wages		5,308	5,191
Travel expenses		100	127
Employee leave entitlements (ELE)		756	449
Superannuation		662	676
Workers' compensation insurance		340	167
Fringe benefit tax (FBT)		24	23
Recruitment of senior staff		54	20
Training costs (other than salaries and wages)		133	175
Other		42	34
Total employee costs		7,419	6,862
Less: capitalised costs		(898)	(946)
TOTAL EMPLOYEE COSTS EXPENSED		6,521	5,916
Number of 'full-time equivalent' employees (FTE) at year end		87	86
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)		95	94
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		355	358
Total interest bearing liability costs expensed		355	358
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	26	19	24
Total other borrowing costs		19	24
TOTAL BORROWING COSTS EXPENSED		374	382
(c) Materials and contracts			
Raw materials and consumables		2,820	2,649
Contractor and consultancy costs		395	535
Auditors remuneration ⁽¹⁾		42	26
Legal expenses:			
– Legal expenses: planning and development		12	2
– Legal expenses: debt recovery		4	6
– Legal expenses: other		14	11
Operating leases:			
– Operating lease rentals: minimum lease payments ⁽²⁾		29	27
TOTAL MATERIALS AND CONTRACTS		3,316	3,256

(continued on the next page...)

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Materials and contracts (continued)			
1. Auditor remuneration			
During the year, the following fees were incurred for services provided by the Council's Auditor:			
(i) Audit and other assurance services			
– Audit and review of financial statements: Council's Auditor		31	26
– Other audit and assurance services		11	–
Remuneration for audit and other assurance services		42	26
Total Auditor remuneration		42	26
2. Operating lease payments are attributable to:			
Other		29	27
		29	27

\$ '000	Notes	Impairment costs		Depreciation/amortisation	
		Actual 2016	Actual 2015	Actual 2016	Actual 2015
Plant and equipment		–	–	452	661
Office equipment		–	–	29	36
Furniture and fittings		–	–	13	13
Land improvements (depreciable)		–	–	22	21
Infrastructure:					
– Buildings – non-specialised		–	–	316	346
– Buildings – specialised		–	–	398	400
– Other structures		–	–	87	87
– Roads		–	–	2,183	1,964
– Bridges		–	–	801	376
– Footpaths		–	–	34	49
– Stormwater drainage		–	–	113	134
– Water supply network		–	–	520	495
– Sewerage network		–	–	754	521
– Swimming pools		–	–	44	43
– Other open space/recreational assets		–	–	45	45
Other assets					
– Library books		–	–	31	36
Asset reinstatement costs	9 & 26	–	–	83	61
Intangible assets	25	–	–	29	9
Total depreciation and impairment costs		–	–	5,954	5,297
Less: capitalised costs		–	–	(149)	(132)
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		–	–	5,805	5,165

Tenterfield Shire Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(e) Other expenses			
Other expenses for the year include the following:			
Advertising		63	85
Bad and doubtful debts		(4)	15
Contributions/levies to other levels of government			
– Emergency Services levy (includes FRNSW, SES, and RFS levies)		263	321
Councillor expenses – mayoral fee		24	24
Councillor expenses – councillors' fees		110	107
Councillors' expenses (incl. mayor) – other (excluding fees above)		53	61
Donations, contributions and assistance to other organisations (Section 356)		32	72
Electricity and heating		282	351
Fair value decrements – I,PP&E	9(a)	64	(49)
Insurance		431	408
Street lighting		238	159
Telephone and communications		163	151
<u>TOTAL OTHER EXPENSES</u>		<u>1,719</u>	<u>1,705</u>

Note 5. Gains or losses from the disposal of assets

Plant and equipment

Proceeds from disposal – plant and equipment	1,885	1,698
Less: carrying amount of plant and equipment assets sold/written off	(1,995)	(1,870)
Net gain/(loss) on disposal	(110)	(172)

Infrastructure

Proceeds from disposal – infrastructure	–	–
Less: carrying amount of infrastructure assets sold/written off	(301)	–
Net gain/(loss) on disposal	(301)	–

NET GAIN/(LOSS) ON DISPOSAL OF ASSETS

(411)	(172)
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Tenterfield Shire Council

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

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

		2016	2016	2015	2015
		Actual	Actual	Actual	Actual
\$ '000	Notes	Current	Non-current	Current	Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		482	–	909	–
Cash-equivalent assets ¹					
– Deposits at call		11,763	–	11,295	–
Total cash and cash equivalents		12,245	–	12,204	–
Investments (Note 6b)					
Nil					
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		12,245	–	12,204	–

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

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

Cash and cash equivalents					
a. 'Cash and cash equivalents'		12,245	–	12,204	–

Investments

Nil

Tenterfield Shire Council

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

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

	2016 Actual Current	2016 Actual Non-current	2015 Actual Current	2015 Actual Non-current
\$ '000				
Total cash, cash equivalents and investments	12,245	–	12,204	–
attributable to:				
External restrictions (refer below)	5,337	–	5,743	–
Internal restrictions (refer below)	4,745	–	4,077	–
Unrestricted	2,163	–	2,384	–
	12,245	–	12,204	–
2016 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Details of restrictions				
External restrictions – included in liabilities				
Specific purpose unexpended loans – general (A)	1,193	–	(820)	373
RMS (formerly RTA) advances (B)	2	–	–	2
NWPS advance	178	1	–	179
External restrictions – included in liabilities	1,373	1	(820)	554
External restrictions – other				
Developer contributions – general (D)	271	119	(29)	361
RMS (formerly RTA) contributions (E)	840	99	(137)	802
Specific purpose unexpended grants (F)	447	255	–	702
Water supplies (G)	1,229	–	(51)	1,178
Sewerage services (G)	1,031	236	–	1,267
Domestic waste management (G)	254	–	(129)	125
Stormwater management (G)	298	50	–	348
External restrictions – other	4,370	759	(346)	4,783
Total external restrictions	5,743	760	(1,166)	5,337
Internal restrictions				
Plant and vehicle replacement	1,507	1,334	(993)	1,848
Employees leave entitlement	1,030	–	(98)	932
Office equipment	39	200	(39)	200
Local main street	31	–	–	31
Land and buildings	–	100	–	100
International town partnerships	10	–	–	10
Gravel quarry rehabilitation	222	11	–	233
Capital works	465	448	(390)	523
Roads and bridges	396	53	(291)	158
Special projects	377	671	(338)	710
Total internal restrictions	4,077	2,817	(2,149)	4,745
TOTAL RESTRICTIONS	9,820	3,577	(3,315)	10,082

A Loan moneys which must be applied for the purposes for which the loans were raised.

B Advances by roads and maritime services for (RMS) works on the State's classified roads.

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

E RMS contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.

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

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

Tenterfield Shire Council

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

Note 7. Receivables

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
Purpose					
Rates and annual charges		395	—	451	—
Interest and extra charges		90	—	73	—
User charges and fees		434	—	353	—
Private works		147	—	269	—
Accrued revenues					
– Interest on investments		34	—	31	—
Deferred debtors		2	2	2	3
Government grants and subsidies		1,066	—	695	—
Net GST receivable		37	—	118	—
Contribution to operating costs		92	—	85	—
Other debtors		6	—	6	—
Total		2,303	2	2,083	3
Less: provision for impairment					
Other debtors		(18)	—	(22)	—
Total provision for impairment – receivables		(18)	—	(22)	—
<u>TOTAL NET RECEIVABLES</u>		<u>2,285</u>	<u>2</u>	<u>2,061</u>	<u>3</u>
Externally restricted receivables					
Water supply					
– Specific purpose grants		399	—	1	—
– Rates and availability charges		57	—	60	—
– Other		480	—	406	—
Sewerage services					
– Specific purpose grants		1	—	1	—
– Rates and availability charges		109	—	126	—
– Other		51	—	43	—
Domestic waste management		148	—	121	—
Stormwater management		6	—	6	—
Total external restrictions		1,251	—	764	—
Internally restricted receivables					
Nil					
Unrestricted receivables		1,034	2	1,297	3
TOTAL NET RECEIVABLES		2,285	2	2,061	3

Notes on debtors above:

- (i) Rates and annual charges outstanding are secured against the property.
- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates and charges at 8.50% (2015 8.50%).
Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

Tenterfield Shire Council

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

Note 8. Inventories and other assets

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
(a) Inventories					
(i) Inventories at cost					
Real estate for resale (refer below)		513	–	513	–
Stores and materials		165	–	171	–
Total inventories at cost		678	–	684	–
(ii) Inventories at net realisable value (NRV)					
Nil					
TOTAL INVENTORIES		678	–	684	–

(b) Other assets
Nil**Externally restricted assets**

There are no restrictions applicable to the above assets.

(i) Other disclosures**(a) Details for real estate development**

Industrial/commercial	513	–	513	–
Total real estate for resale	513	–	513	–
(Valued at the lower of cost and net realisable value)				

Represented by:

Acquisition costs	145	–	145	–
Development costs	368	–	368	–
Total costs	513	–	513	–
Total real estate for resale	513	–	513	–

Movements:

Real estate assets at beginning of the year	513	–	513	–
Total real estate for resale	513	–	513	–

(b) Current assets not anticipated to be settled within the next 12 months

The following inventories and other assets, even though classified as current are not expected to be recovered in the next 12 months;

	2016	2015
Real estate for resale	470	470
	470	470

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

Note 9a. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2015				Asset movements during the reporting period													as at 30/6/2016			
	At fair value	Accumulated		Carrying value	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss (recognised in equity)	Adjustments and transfers	Prior Year Revaluation Corrections to Retained Earnings	Prior Year Revaluation Corrections to Asset Revaluation Reserve	Derecognition of RFS Assets to Retained Earnings	Derecognition of RFS Assets to Asset Revaluation Reserve	Revaluation decrements to P&L	Revaluation to Retained Earnings	Revaluation to Asset Revaluation Reserve	At fair value	Accumulated		Carrying value
		depreciation	impairment																depreciation	impairment	
Plant and equipment	13,352	6,417	–	6,935	2,940	151	(1,995)	(452)	–	79	–	–	(330)	(722)	–	–	–	11,720	5,114	–	6,606
Office equipment	2,014	1,906	–	108	19	–	–	(29)	–	–	–	–	–	–	–	–	–	357	259	–	98
Furniture and fittings	653	596	–	57	1	–	–	(13)	–	–	–	–	–	–	–	–	–	145	100	–	45
Land:																					
– Operational land	2,687	–	–	2,687	–	–	–	–	–	336	–	–	–	–	–	–	–	3,023	–	–	3,023
– Community land	1,745	–	–	1,745	–	–	–	–	–	(339)	–	–	–	–	–	456	(634)	1,228	–	–	1,228
– Land under roads (post 30/6/08)	10	–	–	10	–	–	–	–	–	–	–	–	–	–	–	–	–	10	–	–	10
Land improvements – depreciable	1,194	332	–	862	–	189	–	(22)	–	(53)	–	–	–	–	(2)	99	(234)	1,074	235	–	839
Infrastructure:																					
– Buildings – non-specialised	16,304	8,566	–	7,738	–	11	–	(316)	–	–	–	–	–	(1,142)	–	–	–	14,416	8,125	–	6,291
– Buildings – specialised	17,632	9,771	–	7,861	–	109	–	(398)	–	–	–	–	–	–	–	–	–	17,741	10,169	–	7,572
– Other structures	3,791	2,078	–	1,713	117	35	–	(87)	–	48	–	–	–	(9)	(62)	1,237	(787)	3,075	870	–	2,205
– Roads	147,689	45,172	–	102,517	3,415	268	–	(2,183)	(1,440)	(9)	(959)	(58)	–	–	–	–	–	151,364	48,373	1,440	101,551
– Bridges	69,920	27,515	–	42,405	1,269	–	(301)	(801)	–	–	–	–	–	–	–	–	–	70,229	27,657	–	42,572
– Footpaths	2,506	1,140	–	1,366	461	16	–	(34)	–	–	–	–	–	–	–	–	–	2,983	1,174	–	1,809
– Bulk earthworks (non-depreciable)	131,494	–	–	131,494	–	–	–	–	–	–	–	–	–	–	–	–	–	131,494	–	–	131,494
– Stormwater drainage	9,097	4,386	–	4,711	17	–	–	(113)	–	–	–	–	–	–	–	–	–	9,114	4,499	–	4,615
– Water supply network	42,825	26,862	–	15,963	661	11	–	(520)	–	–	–	–	–	–	–	–	232	44,140	27,793	–	16,347
– Sewerage network	33,321	10,501	–	22,820	299	130	–	(754)	–	–	–	–	–	–	–	–	331	34,250	11,424	–	22,826
– Swimming pools	1,293	729	–	564	–	–	–	(44)	–	(125)	–	–	–	–	–	507	45	1,164	217	–	947
– Other open space/recreational assets	1,412	837	–	575	15	22	–	(45)	–	5	–	–	–	–	–	974	146	2,036	344	–	1,692
Other assets:																					
– Library books	828	668	–	160	20	1	–	(31)	–	–	–	–	–	–	–	–	–	849	699	–	150
Reinstatement, rehabilitation and restoration assets (refer Note 26):																					
– Tip assets	846	641	–	205	–	–	–	(65)	–	76	–	–	–	–	–	–	–	902	686	–	216
– Quarry assets	157	80	–	77	–	–	–	(18)	–	10	–	–	–	–	–	–	–	167	98	–	69
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	500,770	148,197	–	352,573	9,234	943	(2,296)	(5,925)	(1,440)	28	(959)	(58)	(330)	(1,873)	(64)	3,273	(901)	501,481	147,836	1,440	352,205

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

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

Tenterfield Shire Council

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

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

\$ '000 Class of asset	Actual 2016				Actual 2015			
	At cost	At fair value	A/Dep & impairm't	Carrying value	At cost	At fair value	A/Dep & impairm't	Carrying value
Water supply								
Plant and equipment	–	262	230	32	–	242	223	19
Land								
– Operational land	–	256	–	256	–	256	–	256
Infrastructure	–	44,140	27,793	16,347	–	42,825	26,862	15,963
Total water supply	–	44,658	28,023	16,635	–	43,323	27,085	16,238
Sewerage services								
Plant and equipment	–	142	131	11	–	142	130	12
Land								
– Operational land	–	94	–	94	–	94	–	94
Infrastructure	–	34,250	11,424	22,826	–	33,321	10,501	22,820
Total sewerage services	–	34,486	11,555	22,931	–	33,557	10,631	22,926
Domestic waste management								
Plant and equipment	–	589	267	322	–	167	89	78
Land								
– Operational land	–	100	–	100	–	113	–	113
– Improvements - depreciable	–	832	176	656	–	736	167	569
Buildings	–	178	94	84	–	–	–	–
Other structures	–	157	37	120	–	–	–	–
Remediation assets - tips	–	722	550	172	–	853	609	244
Total DWM	–	2,578	1,124	1,454	–	1,869	865	1,004
Stormwater management								
Stormwater drainage	–	9,114	4,499	4,615	–	9,097	4,386	4,711
Total other restrictions	–	9,114	4,499	4,615	–	9,097	4,386	4,711
TOTAL RESTRICTED I,PP&E	–	90,836	45,201	45,635	–	87,846	42,967	44,879

Tenterfield Shire Council

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

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
Payables					
Goods and services		545	—	1,401	—
Payments received In advance		186	—	186	—
Accrued expenses:					
– Borrowings		38	—	40	—
– Salaries and wages		200	—	166	—
Security bonds, deposits and retentions		70	—	62	—
Total payables		1,039	—	1,855	—
Borrowings					
Loans – secured ¹		494	4,595	535	5,089
Total borrowings		494	4,595	535	5,089
Provisions					
Employee benefits:					
Annual leave		701	—	727	—
Long service leave		1,235	46	1,222	33
Sub-total – aggregate employee benefits		1,936	46	1,949	33
Asset remediation/restoration (future works)	26	—	1,236	131	1,077
Total provisions		1,936	1,282	2,080	1,110
<u>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</u>					
		3,469	5,877	4,470	6,199
(i) Liabilities relating to restricted assets					
		2016		2015	
		Current	Non-current	Current	Non-current
Externally restricted assets					
Water		99	314	61	323
Sewer		101	2,071	110	2,135
Domestic waste management		107	1,489	132	1,307
Other		2	—	2	—
Liabilities relating to externally restricted assets		309	3,874	305	3,765
Internally restricted assets					
Nil					
Total liabilities relating to restricted assets		309	3,874	305	3,765
Total liabilities relating to unrestricted assets		3,160	2,003	4,165	2,434
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		3,469	5,877	4,470	6,199

¹. Loans are secured over the general rating income of Council

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

Tenterfield Shire Council

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

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

	Actual 2016	Actual 2015
\$ '000		
(ii) Current liabilities not anticipated to be settled within the next twelve months		
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	1,404	1,545
Other payables	10	16
	1,414	1,561

Note 10b. Description of and movements in provisions

Class of provision	2015	2016				
	Opening balance as at 1/7/15	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	Closing balance as at 30/6/16
Annual leave	727	462	(488)	–	–	701
Long service leave	1,255	295	(269)	–	–	1,281
Asset remediation	1,208	34	(25)	19	–	1,236
TOTAL	3,190	791	(782)	19	–	3,218

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

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2016	Actual 2015
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	12,245	12,204
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		12,245	12,204
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		3,493	4,063
Adjust for non-cash items:			
Depreciation and amortisation		5,805	5,165
Net losses/(gains) on disposal of assets		411	172
Non-cash capital grants and contributions		(350)	(51)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		–	100
– Write offs relating to the fair valuation of I,PP&E		64	(49)
– Other		(21)	–
Unwinding of discount rates on reinstatement provisions		53	(88)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(220)	(544)
Increase/(decrease) in provision for doubtful debts		(4)	15
Decrease/(increase) in inventories		6	(7)
Increase/(decrease) in payables		(856)	660
Increase/(decrease) in accrued interest payable		(2)	15
Increase/(decrease) in other accrued expenses payable		34	41
Increase/(decrease) in other liabilities		8	(4)
Increase/(decrease) in employee leave entitlements		–	(29)
Increase/(decrease) in other provisions		(25)	(3)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		8,396	9,456
(c) Non-cash investing and financing activities			
Bushfire grants		–	51
Bridge construction		350	–
Total non-cash investing and financing activities		350	51
(d) Financing arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Credit cards/purchase cards		50	50
Total financing arrangements		50	50
(ii) Secured loan liabilities			

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

Tenterfield Shire Council

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

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2016	Actual 2015
(a) Capital commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, plant and equipment			
Buildings		–	21
Plant and equipment		569	358
Parks		–	415
Water Supply		5,761	–
Waste Management		170	–
Roads		1,709	–
Total commitments		8,209	794
These expenditures are payable as follows:			
Within the next year		7,751	794
Later than one year and not later than 5 years		458	–
Total payable		8,209	794
Sources for funding of capital commitments:			
Future grants and contributions		4,400	–
Unexpended grants		142	–
Externally restricted reserves		486	–
Internally restricted reserves		569	379
Unexpended loans		–	415
New loans (to be raised)		2,612	–
Total sources of funding		8,209	794

Details of capital commitments

Plant & Equipment - Pavement Maintenance Truck & Grid Roller
 Water Supply - Dam Safety Upgrade & Project Management
 Waste Management - Construction of Community Recycling Centre
 Roads - Road Reconstruction Works

Tenterfield Shire Council

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

Note 12. Commitments for expenditure (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(b) Finance lease commitments			
Nil			
(c) Operating lease commitments (non-cancellable)			
a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:			
Within the next year		29	29
Later than one year and not later than 5 years		27	56
Later than 5 years		–	–
Total non-cancellable operating lease commitments		56	85
b. Non-cancellable operating leases include the following assets:			
Photocopiers in the Shire Office and Library all under a 48 month lease			
Digital Scanner in the Shire Office under a 60 month lease			
Contingent Rentals may be payable depending on the condition of items or usage during the lease term.			
Conditions relating to operating leases:			
– All operating lease agreements are secured only against the leased asset.			
– No lease agreements impose any financial restrictions on Council regarding future debt etc.			
(d) Investment property commitments			
Non-capital expenditure on investment properties committed for at the reporting date but not recognised in the financial statements as liabilities:			
Contractual obligations – other		2	3
Total commitments		2	3
These expenditures are payable as follows:			
Within the next year		1	1
Later than one year and not later than 5 years		1	2
Later than 5 years		–	–
Total payable		2	3

(e) Investment in joint operations – commitments

For capital commitments and other commitments relating to investments in joint operations, refer to Note 19 (c)

Tenterfield Shire Council

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

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

\$ '000	Amounts 2016	Indicator 2016	Prior periods 20152014	
Local government industry indicators – consolidated				
1. Operating performance ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	1,910	9.75%	2.71%	-16.80%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	19,581			
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	11,129	51.43%	48.21%	57.06%
Total continuing operating revenue ⁽¹⁾	21,639			
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	8,150	4.67x	3.06x	3.84x
Current liabilities less specific purpose liabilities ^(3, 4)	1,746			
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	8,089	8.90x	7.64x	3.85x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	909			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	485	5.96%	6.85%	8.48%
Rates, annual and extra charges collectible	8,133			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	12,245	10.76 mths	12.7 mths	9.4 mths
Payments from cash flow of operating and financing activities	1,138			

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

⁽³⁾ Refer to Note 10(a).

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

Tenterfield Shire Council

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

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

<p>1. Operating performance ratio</p> <p>Benchmark: — Minimum $\geq 0.00\%$</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of operating performance ratio</p> <p>This ratio measures Council's achievement of containing operating expenditure within operating revenue.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio 9.75%</p> <p>The average for Group 10 Councils is minus 2.77% (2014/15 data). The benchmark is greater than 0%.</p>
<p>2. Own source operating revenue ratio</p> <p>Benchmark: — Minimum $\geq 60.00\%$</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of own source operating revenue ratio</p> <p>This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio 51.43%</p> <p>The average for Group 10 Councils is 58.6% (2014/15 data). The benchmark is greater than 60%.</p>
<p>3. Unrestricted current ratio</p> <p>Benchmark: — Minimum ≥ 1.50</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of unrestricted current ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio 4.67x</p> <p>The average for Group 10 Councils is 4.36x (2014/15 data). The benchmark is greater than 1.5x.</p>

Tenterfield Shire Council

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

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

<div><div>4. Debt service cover ratio</div><div><table><tr><th>Year</th><th>Ratio (x)</th></tr><tr><td>2013</td><td>3.4</td></tr><tr><td>2014</td><td>3.9</td></tr><tr><td>2015</td><td>7.6</td></tr><tr><td>2016</td><td>8.9</td></tr></table></div><div>Benchmark: <div></div> Minimum ≥ 2.00</div><div>Source for benchmark: Code of Accounting Practice and Financial Reporting #24</div></div>	Year	Ratio (x)	2013	3.4	2014	3.9	2015	7.6	2016	8.9	<div><div>Purpose of debt service cover ratio</div><div>This ratio measures the availability of operating cash to service debt including interest, principal and lease payments</div></div>	<div><div>Commentary on 2015/16 result</div><div><div>2015/16 ratio</div><div>8.90x</div></div><div>The average for Group 10 Councils is 27.7x (2014/15 data). The benchmark is greater than 2x.</div></div>
Year	Ratio (x)											
2013	3.4											
2014	3.9											
2015	7.6											
2016	8.9											
<div><div></div> Ratio achieves benchmark</div> <div><div></div> Ratio is outside benchmark</div>												

<div><div>5. Rates, annual charges, interest and extra charges outstanding percentage</div><div><table><tr><th>Year</th><th>Ratio %</th></tr><tr><td>2013</td><td>11.62%</td></tr><tr><td>2014</td><td>8.48%</td></tr><tr><td>2015</td><td>6.85%</td></tr><tr><td>2016</td><td>5.96%</td></tr></table></div><div>Benchmark: <div></div> Maximum $< 10.00\%$</div><div>Source for Benchmark: Code of Accounting Practice and Financial Reporting #24</div></div>	Year	Ratio %	2013	11.62%	2014	8.48%	2015	6.85%	2016	5.96%	<div><div>Purpose of rates and annual charges outstanding ratio</div><div>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</div></div>	<div><div>Commentary on 2015/16 result</div><div><div>2015/16 ratio</div><div>5.96%</div></div><div>The average for Group 10 Councils is 6.76% (2014/15 data). The benchmark for Rural Councils is less than 10%.</div></div>
Year	Ratio %											
2013	11.62%											
2014	8.48%											
2015	6.85%											
2016	5.96%											
<div><div></div> Ratio is within Benchmark</div> <div><div></div> Ratio is outside Benchmark</div>												

<div><div>6. Cash expense cover ratio</div><div><table><tr><th>Year</th><th>Ratio (mths)</th></tr><tr><td>2013</td><td>9.4</td></tr><tr><td>2014</td><td>9.4</td></tr><tr><td>2015</td><td>12.7</td></tr><tr><td>2016</td><td>10.8</td></tr></table></div><div>Benchmark: <div></div> Minimum ≥ 3.00</div><div>Source for benchmark: Code of Accounting Practice and Financial Reporting #24</div></div>	Year	Ratio (mths)	2013	9.4	2014	9.4	2015	12.7	2016	10.8	<div><div>Purpose of cash expense cover ratio</div><div>This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.</div></div>	<div><div>Commentary on 2015/16 result</div><div><div>2015/16 ratio</div><div>10.76 mths</div></div><div>The average for Group 10 Councils is 11.4 months (2014/15 data). The benchmark is greater than 3 months.</div></div>
Year	Ratio (mths)											
2013	9.4											
2014	9.4											
2015	12.7											
2016	10.8											
<div><div></div> Ratio achieves benchmark</div> <div><div></div> Ratio is outside benchmark</div>												

Tenterfield Shire Council

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

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

\$ '000	Water 2016	Sewer 2016	General ⁵ 2016
Local government industry indicators – by fund			
1. Operating performance ratio			
<u>Total continuing operating revenue⁽¹⁾ excluding capital grants and contributions less operating expenses</u>	7.69%	-2.12%	11.37%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	prior period: 2.06%	7.03%	2.21%
2. Own source operating revenue ratio			
<u>Total continuing operating revenue⁽¹⁾ excluding all grants and contributions</u>	75.98%	97.95%	43.37%
Total continuing operating revenue ⁽¹⁾	prior period: 91.89%	98.26%	38.90%
3. Unrestricted current ratio			
<u>Current assets less all external restrictions⁽²⁾</u>	21.35x	14.14x	4.67x
Current liabilities less specific purpose liabilities ^(3, 4)	prior period: 27.80x	10.92x	3.06x
4. Debt service cover ratio			
<u>Operating result⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation</u>	22.97x	3.88x	10.01x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	prior period: 18.70x	3.60x	8.76x
5. Rates, annual charges, interest and extra charges outstanding percentage			
<u>Rates, annual and extra charges outstanding</u>	5.92%	6.10%	5.93%
Rates, annual and extra charges collectible	prior period: 6.94%	7.20%	6.72%
6. Cash expense cover ratio			
<u>Current year's cash and cash equivalents plus all term deposits</u> x12	12.03 mths	12.86 mths	10.41 mths
Payments from cash flow of operating and financing activities	prior period: 13.17 mths	10.45 mths	12.97 mths

Notes

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

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

Tenterfield Shire Council

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

Note 14. Investment properties

\$ '000	Notes	Actual 2016	Actual 2015
(a) Investment properties at fair value			
<u>Investment properties on hand</u>		<u>280</u>	<u>280</u>
Reconciliation of annual movement:			
Opening balance		280	280
CLOSING BALANCE – INVESTMENT PROPERTIES		280	280

(b) Valuation basis

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

The 2016 revaluations were based on independent assessments made by:
Jonathon Lea AAPI, Certified Practicing Valuer - Registered Valuer No: 6777. Valuation dated 8 April 2014

(c) Contractual obligations at reporting date

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

(d) Leasing arrangements

Details of leased investment properties are as follows;

Future minimum lease payments receivable under non-cancellable investment property operating leases not recognised in the financial statements are receivable as follows:

Within 1 year	33	32
Later than 1 year but less than 5 years	17	50
Total minimum lease payments receivable	50	82

(e) Investment property income and expenditure – summary

Rental income from investment properties:		
– Minimum lease payments	32	31
Direct operating expenses on investment properties:		
– that generated rental income	(49)	(1)
Net revenue contribution from investment properties	(17)	30
Total income attributable to investment properties	(17)	30

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

Tenterfield Shire Council

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

Note 15. Financial risk management

\$ '000

Risk management

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

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

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

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

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

	Carrying value		Fair value	
	2016	2015	2016	2015
Financial assets				
Cash and cash equivalents	12,245	12,204	12,245	12,204
Receivables	2,287	2,064	2,486	2,064
Total financial assets	14,532	14,268	14,731	14,268
Financial liabilities				
Payables	853	1,669	853	1,669
Loans/advances	5,089	5,624	5,089	5,624
Total financial liabilities	5,942	7,293	5,942	7,293

Fair value is determined as follows:

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

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

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 15. Financial risk management (continued)

\$ '000

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

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

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

The risks associated with the investments held are:

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

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

Council updated its Investment Policy on 18 May 2016 and also 20 May 2015. An update of the Ministers Orders were issued 17 February 2011.

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2016				
Possible impact of a 1% movement in interest rates	122	122	(122)	(122)
2015				
Possible impact of a 1% movement in interest rates	122	122	(122)	(122)

Tenterfield Shire Council

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

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

Council makes suitable provision for doubtful receivables as required.

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

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

		2016	2016	2015	2015
		Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
(i) Ageing of receivables – %					
Current (not yet overdue)		0%	93%	0%	86%
Overdue		100%	7%	100%	14%
		100%	100%	100%	100%
		Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
(ii) Ageing of receivables – value					
Rates and annual charges	Other receivables				
Current	Current	–	1,762	–	1,410
< 1 year overdue	0 – 30 days overdue	105	–	196	–
1 – 2 years overdue	30 – 60 days overdue	61	11	59	83
2 – 5 years overdue	60 – 90 days overdue	187	10	178	18
> 5 years overdue	> 90 days overdue	42	127	18	124
		395	1,910	451	1,635
(iii) Movement in provision for impairment of receivables				2016	2015
Balance at the beginning of the year				22	7
+ new provisions recognised during the year				3	15
– amounts already provided for and written off this year				(7)	–
Balance at the end of the year				18	22

Tenterfield Shire Council

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

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2016									
Trade/other payables	70	783	–	–	–	–	–	853	853
Loans and advances	–	494	448	477	506	365	2,799	5,089	5,089
Total financial liabilities	70	1,277	448	477	506	365	2,799	5,942	5,942
2015									
Trade/other payables	62	1,607	–	–	–	–	–	1,669	1,669
Loans and advances	–	535	494	448	477	506	3,164	5,624	5,624
Total financial liabilities	62	2,142	494	448	477	506	3,164	7,293	7,293

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

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

	2016		2015	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	853	0.00%	1,669	0.00%
Loans and advances – fixed interest rate	5,089	5.53%	5,624	5.50%
	<u>5,942</u>		<u>7,293</u>	

Tenterfield Shire Council

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

Note 16. Material budget variations

\$ '000

Council's original financial budget for 15/16 was adopted by the Council on 24 June 2015.

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

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

Note that for variations* of budget to actual :

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

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

\$ '000	2016 Budget	2016 Actual	2016 ----- Variance* -----	
REVENUES				
Rates and annual charges	7,561	7,564	3	0% F
User charges and fees	2,556	2,323	(233)	(9%) U
Interest and investment revenue	272	423	151	56% F
The Commonwealth Government paid 50% of the Financial Assistance Grant in advance which allowed these funds to be invested. The impact of this was not included in the original budget. The Roads to Recovery Grant was also largely paid in advance of expenditure which allowed increased investment returns.				
Other revenues	407	819	412	101% F
Council received \$415,000 from legal actions for the recovery of investments which were lost following the Global Financial Crisis. Due to the uncertainty surrounding the outcome of these proceedings this income was not included in the original budget.				
Operating grants and contributions	6,225	8,452	2,227	36% F
In the original budget the Roads to Recovery Grant was shown as a capital grant (\$1,480,000) but was reclassified during the year to an operating grant. Due to an increase in funding as part of new funding arrangements to distribute a share of fuel excise indexation the income realised from the grant was \$2,087,000.				
Capital grants and contributions	7,616	2,058	(5,558)	(73%) U
In the original budget the Roads to Recovery Grant was shown as a capital grant (\$1,480,000) but was reclassified during the year to an operating grant. The original budget included a special grant of \$2,500,000 for the Mt Lindesay Road Reconstruction which was not realised, and budgeted income of \$1,500,000 from a Fixing Country Roads grant for the reconstruction of the Mt Lindesay Road was also not realised. Following a decision to no longer capitalise Rural Fire Service assets, capital income of \$447,500 shown in the original budget was not realised.				

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 16. Material budget variations (continued)

\$ '000	2016 Budget	2016 Actual	2016 ----- Variance* -----	
EXPENSES				
Employee benefits and on-costs	6,653	6,521	132	2% F
Borrowing costs	374	374	—	0% F
Materials and contracts	4,167	3,316	851	20% F
Raw Materials and Consumables were \$723,000 under budget while Contractor and Consultancy Costs were \$150,000 under budget. The budget for Contractor and Consultancy costs is based on historical averages.				
Depreciation and amortisation	5,626	5,805	(179)	(3%) U
Other expenses	1,783	1,719	64	4% F
Net losses from disposal of assets	41	411	(370)	(902%) U
Several plant items which were budgeted for disposal at a profit were not sold or realised a lower than expected profit. This was partly offset by a lower than expected loss on disposal of light fleet vehicles. A loss of \$301,000 from the write-off of a replaced timber bridge was not included in the original budget.				

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

Cash flows from operating activities	11,189	8,396	(2,793)	(25.0%) U
A special grant of \$2,500,000 for the Mt Lindesay Road Reconstruction Project was not realised. Budgeted income of \$1,500,000 for a Fixing Country Roads Grant was included in the 2015/16 budget but will now not be realised until 2016/17.				
Cash flows from investing activities	(13,232)	(7,820)	5,412	(40.9%) F
Capital expenditure on infrastructure, property, plant and equipment (IPPE) was lower than the original budget because a special grant of \$2,500,000 for the Mt Lindesay Road reconstruction Project was not received and works relating to a Fixing Country Roads Grant (\$1,500,000) will not be expended until 2017/18. The original budget for water supply capital projects was \$246,000 more than was expended, sewerage capital expenditure was \$303,000 less than forecast and plant purchases were \$260,000 less than budget.				
Cash flows from financing activities	(535)	(535)	—	0.0% F

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 17. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	1	–	–	–	–	–	1	–
Roads	228	73	–	3	–	–	304	–
Parking	4	–	–	–	–	–	4	–
Open space	1	–	–	–	–	–	1	–
Community facilities	21	2	–	–	–	–	23	–
Emergency services	5	4	–	–	–	–	9	–
Waste management	9	6	–	–	–	–	15	–
Other	2	2	–	–	–	–	4	–
S94 contributions – under a plan	271	87	–	3	–	–	361	–
Total S94 revenue under plans	271	87	–	3	–	–	361	–
S64 contributions	–	29	–	–	(29)	–	–	–
Total contributions	271	116	–	3	(29)	–	361	–

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 1999

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	193	–	–	2	–	–	195	–
Parking	4	–	–	–	–	–	4	–
Community facilities	19	–	–	–	–	–	19	–
Total	216	–	–	2	–	–	218	–

CONTRIBUTION PLAN NUMBER 2013

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	1	–	–	–	–	–	1	–
Roads	35	73	–	1	–	–	109	–
Open space	1	–	–	–	–	–	1	–
Community facilities	2	2	–	–	–	–	4	–
Emergency services	5	4	–	–	–	–	9	–
Waste management	9	6	–	–	–	–	15	–
Other	2	2	–	–	–	–	4	–
Total	55	87	–	1	–	–	143	–

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

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

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

Tenterfield Shire Council

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

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other liabilities

(i) Third party claims

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

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

(ii) S94 plans

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

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

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

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

ASSETS NOT RECOGNISED:

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

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.

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 19. Interests in other entities

\$ '000

Council's objectives can and in some cases are best met through the use of separate entities and operations.

These operations and entities range from 100% ownership and control through to lower levels of ownership and control via co-operative arrangements with other councils, bodies and other outside organisations.

The accounting and reporting for these various entities, operations and arrangements varies in accordance with accounting standards, depending on the level of council's (i) interest and (ii) control and the type (form) of entity/operation, as follows;

Controlled entities (subsidiaries)

Note 19(a)

Operational arrangements where Council's control (but not necessarily interest) exceeds 50%.

Joint ventures and associates

Note 19(b)

Joint ventures are operational arrangements where the parties that have joint control have rights to the net assets of the arrangement.

Associates are separate entities where Council has significant influence over the operations (but neither controls nor jointly controls them).

Joint operations

Note 19(c)

Operational arrangements where the parties that have joint control have rights to specific assets and obligations for specific liabilities relating to the arrangement rather than a right to the net assets of the arrangement.

Unconsolidated structured entities

Note 19(d)

Unconsolidated structured entities represent "special vehicles" that Council has an interest in but which are not controlled by Council and therefore not consolidated as a subsidiary, joint arrangement or associate. Attributes of structured entities include restricted activities, a narrow and well-defined objective and insufficient equity to finance its activities without financial support.

Subsidiaries, joint arrangements and associates not recognised

Note 19(e)

Tenterfield Shire Council

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

Note 19. Interests in other entities (continued)

\$ '000

(a) Controlled entities (subsidiaries) – being entities and operations controlled by Council

Council has no interest in any controlled entities (subsidiaries).

(b) Joint ventures and associates

Council has no interest in any joint ventures or associates.

(c) Joint operations

Council has no interest in any joint operations.

(d) Unconsolidated structured entities

Council has no unconsolidated structured entities

(e) Subsidiaries, joint arrangements and associates not recognised

The following subsidiaries, joint arrangements and associates have not been recognised in this financial report.

Name of entity/operation	Principal activity/type of entity	2016	2016
		Net profit	Net assets
North East Weight of Loads Group	<i>Provide Limits on the weights and loads of motor vehicles using local roads</i>	(10)	5

Reasons for non-recognition

The North East Weight of Loads Group is a joint venture between Ballina Shire Council, Byron Shire Council, Clarence Valley Council, Kyogle Council, Lismore City Council, Richmond Valley Council, Tenterfield Shire Council and Tweed Shire Council.

The principal activity of the North East Weight of Loads Group is the checking and enforcement of load weights carried by heavy vehicles on roads within the above named Council boundaries.

Tenterfield Shire Council's member contribution to the North East Weight of Loads Group was \$25,696 in 2015/16.

Tenterfield Shire Council

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

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

\$ '000	Notes	Actual 2016	Actual 2015
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		114,411	94,137
a. Correction of prior period errors	20 (c)	2,293	16,211
b. Net operating result for the year		3,493	4,063
c. Other changes (Derecognition of RFS assets)	20 (c)	(330)	–
Balance at end of the reporting period		119,867	114,411

(b) Revaluation reserves**(i) Reserves are represented by:**

– Infrastructure, property, plant and equipment revaluation reserve	238,734	243,006
Total	238,734	243,006

(ii) Reconciliation of movements in reserves:**Infrastructure, property, plant and equipment revaluation reserve**

– Opening balance	243,006	210,508
– Revaluations for the year	9(a) (901)	32,498
– (Impairment of revalued assets)/impairment reversals	9(a) (1,440)	–
– Correction of prior period errors	9(a) (58)	–
– Other movements (Derecognition of RFS assets)	9(a) (1,873)	–
– Balance at end of year	238,734	243,006

TOTAL VALUE OF RESERVES

238,734	243,006
----------------	----------------

(iii) Nature and purpose of reserves**Infrastructure, property, plant and equipment revaluation reserve**

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

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
(c) Correction of error/s relating to a previous reporting period			
<p>The revaluation of the following asset classes for the financial year end included assets that had not previously been recognised or could not be identified.</p> <p>Corrections have been made against the current year balances of IPPE because it was found to be too impractical to restate the prior year comparatives.</p> <p>As a result, Council has adjusted the current year balance of retained earnings as at financial year end to reflect the correct balances;</p>			
- Other structures		184	—
- Open space and recreation		401	—
- Community land		456	—
- Roads, bridges, footpaths and bulk earthworks		—	21,349
- Stormwater drainage		—	2,052
		<u>1,041</u>	<u>23,401</u>

Council revalued the following asset classes for the 2015/16 Year End:

- Other structures
- Land improvements
- Open space & recreation
- Swimming pool
- Community land

As part of that evaluation & measurement process, the remaining useful life of each asset has been reassessed to actual.

This reassessment has resulted in a material difference as to where some assets actually sit in relation to their asset life cycle relative to what the value of accumulated depreciation in Council's Financial Reports had previously indicated.

As a result, Council has adjusted the accumulated depreciation for the following asset classes as at financial year end to reflect the correct value of accumulated depreciation and has adjusted the current year balance of retained earnings;

- Other structures	1,053	—
- Land improvements	99	—
- Open space & recreation	573	—
- Swimming pool	507	—
- Roads, bridges, footpaths and bulk earthwaorks	—	(6,319)
- Stormwater drainage	—	(871)
	<u>2,232</u>	<u>(7,190)</u>

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
(c) Correction of error/s relating to a previous reporting period			
(continued)			
The useful life of road pavement was found to be incorrect in the 2014/15 statements and has been re-assessed. The following adjustment has been made to the current year balance of retained earnings;			
- Roads		(959)	
		<u>(959)</u>	
The useful life of road pavement was found to be incorrect in the 2014/15 statements and has been re-assessed. The following adjustment has been made to the current year balance of asset revaluation reserve for the asset class below;			
- Roads		(58)	
		<u>(58)</u>	
During the year Council resolved to no longer recognise Rural Fire Service (RFS) assets in accordance with the Local Government Code of Accounting Practice and Financial Reporting.			
The net carrying amount has been debited directly to equity under the heading of asset revaluation reserve to the extent of any credit balance in respect of the same class of asset.			
- Other structures		(9)	
- Buildings non specialised		(1,142)	
- Plant and equipment		(722)	
		<u>(1,873)</u>	
The net carrying amount has been debited directly to equity under the heading of asset revaluation reserve to the extent of any credit balance in respect of the same class of asset, but where there was no credit balance remaining (or was not initially existent) the balance has been debited to equity under the heading retained earnings.			
- Plant & equipment		(330)	
		<u>(330)</u>	
In 2014/15 Council overstated income from Government Grants and Subsidies by \$19,000 and understated Employee Leave Entitlement (ELE) expenses by \$2,000.			
As a result, Council has adjusted the current year balance of retained earnings as at financial year end to reflect the correct balances.			
		(21)	
		<u>(21)</u>	

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 21. Financial result and financial position by fund

Income Statement by fund \$ '000	Actual 2016	Actual 2016	Actual 2016
Continuing operations	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	903	1,661	5,000
User charges and fees	745	99	1,479
Interest and investment revenue	47	35	341
Other revenues	13	19	787
Grants and contributions provided for operating purposes	120	25	8,307
Grants and contributions provided for capital purposes	420	13	1,625
Other income			
Share of interests in joint ventures and associates using the equity method	—	—	—
Total income from continuing operations	2,248	1,852	17,539
Expenses from continuing operations			
Employee benefits and on-costs	574	450	5,497
Borrowing costs	21	170	183
Materials and contracts	339	315	2,662
Depreciation and amortisation	527	754	4,524
Impairment	—	—	—
Other expenses	232	189	1,298
Net losses from the disposal of assets	—	—	411
Total expenses from continuing operations	1,693	1,878	14,575
Operating result from continuing operations	555	(26)	2,964
Discontinued operations			
Net profit/(loss) from discontinued operations	—	—	—
Net operating result for the year	555	(26)	2,964
Net operating result attributable to each council fund	555	(26)	2,964
Net operating result attributable to non-controlling interests	—	—	—
Net operating result for the year before grants and contributions provided for capital purposes	135	(39)	1,339

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

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

Tenterfield Shire Council

Notes to the Financial Statements
as at 30 June 2016

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

Statement of Financial Position by fund \$ '000	Actual 2016	Actual 2016	Actual 2016
	Water	Sewer	General ¹
ASSETS			
Current assets			
Cash and cash equivalents	1,178	1,267	9,800
Investments	–	–	–
Receivables	936	161	1,188
Inventories	–	–	678
Other	–	–	–
Non-current assets classified as 'held for sale'	–	–	–
Total current assets	2,114	1,428	11,666
Non-current assets			
Investments	–	–	–
Receivables	–	–	2
Inventories	–	–	–
Infrastructure, property, plant and equipment	16,635	22,931	312,639
Investments accounted for using the equity method	–	–	–
Investment property	–	–	280
Intangible assets	–	–	252
Total non-current assets	16,635	22,931	313,173
TOTAL ASSETS	18,749	24,359	324,839
LIABILITIES			
Current liabilities			
Payables	90	37	912
Borrowings	9	64	421
Provisions	–	–	1,936
Total current liabilities	99	101	3,269
Non-current liabilities			
Payables	–	–	–
Borrowings	314	2,071	2,210
Provisions	–	–	1,282
Total non-current liabilities	314	2,071	3,492
TOTAL LIABILITIES	413	2,172	6,761
Net assets	18,336	22,187	318,078
EQUITY			
Retained earnings	5,614	9,677	104,576
Revaluation reserves	12,722	12,510	213,502
Total equity	18,336	22,187	318,078

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

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

Tenterfield Shire Council

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

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

\$ '000

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

Note 23. Events occurring after the reporting date

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

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

Accordingly, the 'authorised for issue' date is 25/10/16.

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

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

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

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

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

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

Note 24. Discontinued operations

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

Tenterfield Shire Council

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

Note 25. Intangible assets

\$ '000	Actual 2016	Actual 2015
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
Opening values:		
Gross book value (1/7)	374	157
Accumulated amortisation (1/7)	(93)	(84)
Accumulated impairment (1/7)	–	–
Net book value – opening balance	281	73
Movements for the year		
– Purchases	–	217
– Amortisation charges	(29)	(9)
– Gross book value written off	(51)	–
– Accumulated amortisation charges written off	51	–
Closing values:		
Gross book value (30/6)	323	374
Accumulated amortisation (30/6)	(71)	(93)
Accumulated impairment (30/6)	–	–
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE¹</u>	<u>252</u>	<u>281</u>
^{1.} The net book value of intangible assets represent:		
– Software	252	281
	252	281

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 26. Reinstatement, rehabilitation and restoration liabilities

\$ '000

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

Asset/operation	Estimated year of restoration	NPV of provision	
		2016	2015
Tips	2017-2023	1,003	988
Quarries	2021	233	220
Balance at end of the reporting period	10(a)	<u>1,236</u>	<u>1,208</u>

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

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

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

Specific uncertainties relating to the final costs and the assumptions made in determining the amounts of provisions include:

Council is required by law to restore the present tip sites at Boonoo Boonoo, Tenterfield & Torrington at the end of their useful lives ranging from 2017 to 2023. The projected cost of this remediation is based on environmental assessments and has been discounted to its present values using rates ranging from 1.55% to 1.75%.

Council is required by law to restore the quarry site at Geyers pit at the end of its useful life in 2021. The projected cost of this remediation is based on engineering assessments and has been discounted to its present value at 1.57% being the risk free cost to Council.

Reconciliation of movement in provision for year:

Balance at beginning of year	1,208	1,299
Amounts capitalised to new or existing assets:		
– Torrington capping cell	–	5
Effect of a change in discount rates used in PV calculations	34	(112)
Amounts reversed following remediation	(25)	(8)
Amortisation of discount (expensed to borrowing costs)	19	24
Total – reinstatement, rehabilitation and restoration provision	<u>1,236</u>	<u>1,208</u>

Tenterfield Shire Council

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

Note 27. Fair value measurement

\$ '000

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

- Infrastructure, property, plant and equipment
- Investment property

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

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

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

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

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

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

Fair value measurements		Fair value measurement hierarchy			
2016		Level 1	Level 2	Level 3	Total
	Date of latest valuation	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
Recurring fair value measurements					
Investment properties					
Service station	30/06/14	—	—	280	280
Total investment properties		—	—	280	280
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/16	—	—	6,606	6,606
Office equipment	30/06/16	—	—	98	98
Furniture and fittings	30/06/16	—	—	45	45
Land - operational	30/06/13	—	—	3,023	3,023
Land - community	30/06/16	—	—	1,228	1,228
Land under roads	30/06/14	—	—	10	10
Land improvements - depreciated	30/06/16	—	—	839	839
Buildings - non specialised	30/06/13	—	—	6,291	6,291
Buildings - specialised	30/06/13	—	—	7,572	7,572
Other structures	30/06/16	—	—	2,205	2,205
Roads	30/06/15	—	—	101,551	101,551
Bulk earthworks	30/06/15	—	—	131,494	131,494
Footpaths	30/06/15	—	—	1,809	1,809
Bridges	30/06/15	—	—	42,572	42,572
Stormwater assets	30/06/15	—	—	4,615	4,615
Water supply assets	30/06/12	—	—	16,347	16,347
Sewerage network	30/06/12	—	—	22,826	22,826
Swimming pools	30/06/16	—	—	947	947
Open space and recreation	30/06/16	—	—	1,692	1,692
Library books	30/06/16	—	—	150	150
Tip assets	30/06/16	—	—	216	216
Quarry assets	30/06/16	—	—	69	69
Total infrastructure, property, plant and equipment		—	—	352,205	352,205

Tenterfield Shire Council

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

Note 27. Fair value measurement (continued)

\$ '000

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

		Fair value measurement hierarchy			
2015		Level 1	Level 2	Level 3	Total
	Date of latest valuation	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
Recurring fair value measurements					
Investment properties					
Service station		—	—	280	280
Total investment properties		—	—	280	280
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/15	—	—	6,935	6,935
Office equipment	30/06/15	—	—	108	108
Furniture and fittings	30/06/15	—	—	57	57
Land - operational	30/06/13	—	—	2,687	2,687
Land - community	30/06/11	—	—	1,745	1,745
Land under roads	30/06/14	—	—	10	10
Land improvements - depreciated	30/06/11	—	—	862	862
Buildings - non specialised	30/06/13	—	—	7,738	7,738
Buildings - specialised	30/06/13	—	—	7,861	7,861
Other structures	30/06/11	—	—	1,713	1,713
Roads	30/06/15	—	—	102,517	102,517
Bulk Earthworks	30/06/15	—	—	131,494	131,494
Footpaths	30/06/15	—	—	1,366	1,366
Bridges	30/06/15	—	—	42,405	42,405
Stormwater assets	30/06/15	—	—	4,711	4,711
Water supply assets	30/06/12	—	—	15,963	15,963
Sewerage network	30/06/12	—	—	22,820	22,820
Swimming pools	30/06/11	—	—	564	564
Open space and recreation	30/06/11	—	—	575	575
Library books	30/06/15	—	—	160	160
Tip assets	30/06/15	—	—	205	205
Quarry assets	30/06/15	—	—	77	77
Total infrastructure, property, plant and equipment		—	—	352,573	352,573

(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.

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

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

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

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

Investment properties

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

The fair value of the investment property is determined by a qualified and experienced valuer. Council's last valuation of its investment property occurred on 8 April 2014 by Taylor Byrne Jonathan Lee AAPI, Certified Practising Valuer, Registered Valuer No: 6777. There has been no change to the valuation process during the reporting period.

Infrastructure, property, plant and equipment

Community Land

All valuations of Community Land are based upon the land valuations issued by the Valuer-General. Community Land was valued at as 30 June 2016.

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 2013 by AssetVal, Paul Ellis, Certified Practising Valuer, Registered Valuer NSW VAL6842.

Land Under Roads

Council recognises Land Under Roads that was acquired on or after 1 July 2008. The valuation of Land under Roads has been valued using square metre rates based upon the valuations of surrounding land issued by the Valuer-General and applies for Community Land. The last valuation was undertaken on 30 June 2014 internally by Council's Finance staff. There has been no change to the valuation process during the reporting period.

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

Other Structures

This asset class comprises of fences, small sheds, water tanks, street bins and marquees. The valuation process involved the market value approach and depreciated replacement cost approach. The market value approach was utilised on a number of assets where there was sufficient market evidence. For some assets the valuation was based upon the depreciated replacement cost approach and unobservable inputs such as estimated patterns of consumption, 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 on 30 June 2016 by APV Valuers and Asset Management, Mr Lachlan Black, Registered Valuer.

Plant & Equipment, Office Equipment, Furniture & Fittings and Library Books

Plant & Equipment, Furniture & Fittings, Library Books and 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, chairs, lighting, library books and resources. 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 Code. 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 rely on the experience and judgement of the valuer and therefore these assets are recorded at Level 3.

The last valuation was undertaken on 30 June 2013 by AssetVal, Paul Ellis, Certified Practicing Valuer, Registered Valuer NSW VAL6842. There has been no change to the valuation process during the reporting period.

Swimming Pools

This is a new class of asset and the fair value amount has been derived from assets originally classed in Other Structures and Equipment. Swimming Pools were valued as part of Other Structures on 30 June 2016 by APV Valuers and Asset Management, Mr Lachlan Black, Registered Valuer. 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.

Open Space & Recreation

This asset class comprises of lighting, benches, bbq's, 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,

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

residual value, asset condition and useful life require extensive professional judgement and rely on the experience of the valuer. The unobservable inputs place this class of asset at Level 3. The last valuation was undertaken on 30 June 2016 by APV Valuers and Asset Management, Mr Lachlan Black, Registered Valuer.

Water System Assets

This class of assets includes water mains & reticulation, reservoirs, pumping stations and treatment works. The valuation is based on Modern Engineering Equivalent Replacement Asset (MEERA) and standard unit costs. The reference rates are obtained from the NSW Reference Rates Tables issued by NSW Office of Water. The last valuation was undertaken on 30 June 2012 by CPE Associates, Certified Practicing Valuer. The unobservable inputs are useful life, patterns of consumption, condition ratings, remaining life and residuals which rely on the skill and experience of the valuer. There has been no change to the valuation process during the reporting period.

Sewer System Assets

This class of assets includes sewer mains & reticulation, pumping stations, treatment works and ancillary. The valuation is based on Modern Engineering Equivalent Replacement Asset (MEERA) and standard unit costs. The reference rates are obtained from the NSW Reference Rates Tables issued by NSW Office of Water. The last valuation was undertaken on 30 June 2012 by CPE Associates, Certified Practicing Valuer. 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. 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 key unobservable inputs and no active market place these assets categories at Level 3. The last valuation was undertaken on 30 June 2015 by Blue Sky Contracting Pty Ltd. 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 on 30 June 2015 by Blue Sky Contracting Pty Ltd. The unobservable inputs are useful life, patterns of consumption, condition ratings, remaining life and residuals which rely on the skill and experience of the valuer. There has been no change to the valuation process during the reporting period.

Remediation Assets

This class of asset includes the Boonoo Boonoo, Dalman, Legume, Liston, Torrington, Urbenville Landfill sites, the Tenterfield Waste Transfer Station and Geyers Gravel Pit. Restoration, cell capping, leachate collection and site closures have been recognised as significant costs for the remediation 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, timing of remediation and indexation of labour costs. There has been no change to the valuation process during the reporting period.

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Plant and equipment	Office equipment	Furniture and fittings	Operational land	Community land	Land under roads	Land improve'ts	Buildings non specialised	Total
Opening balance – 1/7/14	6,468	105	67	2,687	1,745	10	873	7,801	19,756
Purchases (GBV)	2,998	39	3	–	–	–	10	283	3,333
Disposals (WDV)	(1,870)	–	–	–	–	–	–	–	(1,870)
Depreciation and impairment	(661)	(36)	(13)	–	–	–	(21)	(346)	(1,077)
Closing balance – 30/6/15	6,935	108	57	2,687	1,745	10	862	7,738	20,142
Purchases (GBV)	3,091	19	1	–	–	–	189	11	3,311
Disposals (WDV)	(1,995)	–	–	–	–	–	–	–	(1,995)
Depreciation and impairment	(452)	(29)	(13)	–	–	–	(22)	(316)	(832)
FV gains – Income Statement ¹	–	–	–	–	(634)	–	(2)	–	(636)
Transfers after Revaluation	79	–	–	336	(339)	–	145	–	221
Asset Revaluation Reserve	(330)	–	–	–	–	–	(234)	(1,142)	(1,706)
Retained Earnings	(722)	–	–	–	456	–	(99)	–	(365)
Closing balance – 30/6/16	6,606	98	45	3,023	1,228	10	839	6,291	18,140

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Buildings specialised	Other structures	Roads	Bridges	Footpaths	Bulk earthworks	Stormwater	Water	Total
Opening balance – 1/7/14	8,141	1,233	86,093	15,114	1,827	122,422	6,182	15,715	256,727
Transfers from/(to) another asset class	–	–	(223)	–	451	–	–	–	228
Purchases (GBV)	120	567	4,607	337	46	–	7	514	6,198
Depreciation and impairment	(400)	(87)	(1,964)	(376)	(49)	–	(134)	(495)	(3,505)
Revaluation adjustment	–	–	14,004	27,330	(909)	9,072	(1,344)	–	48,153
Indexation adjustment	–	–	–	–	–	–	–	229	229
Closing balance – 30/6/15	7,861	1,713	102,517	42,405	1,366	131,494	4,711	15,963	308,030
Purchases (GBV)	109	152	3,683	1,269	477	–	17	672	6,379
Disposals (WDV)	–	–	–	(301)	–	–	–	–	(301)
Depreciation and impairment	(398)	(87)	(3,623)	(801)	(34)	–	(113)	(520)	(5,576)
Transfers after Revaluation	–	48	(9)	–	–	–	–	–	39
Asset Revaluation Reserve	–	(796)	(58)	–	–	–	–	232	(622)
Retained Earnings	–	1,237	(959)	–	–	–	–	–	278
Decrements to P&L	–	(62)	–	–	–	–	–	–	(62)
Closing balance – 30/6/16	7,572	2,205	101,551	42,572	1,809	131,494	4,615	16,347	308,165

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Sewer	Swimming pools	Open space and recreation	Library books	Tip assets	Quarry assets	Investment property	Total
Opening balance – 1/7/14	22,314	595	848	166	328	78	280	24,609
Transfers from/(to) another asset class	–	–	(228)	–	–	–	–	(228)
Purchases (GBV)	700	12	–	30	5	14	–	761
Disposals (WDV)	–	–	–	–	(82)	–	–	(82)
Depreciation and impairment	(521)	(43)	(45)	(36)	(46)	(15)	–	(706)
Indexation adjustment	327	–	–	–	–	–	–	327
Closing balance – 30/6/15	22,820	564	575	160	205	77	280	24,681
Purchases (GBV)	429	–	37	21	–	–	–	487
Depreciation and impairment	(754)	(44)	(45)	(31)	(65)	(18)	–	(957)
Transfers after Revaluation	–	889	1,952	–	76	10	–	2,927
Asset Revaluation Reserve	331	45	146	–	–	–	–	522
Retained Earnings	–	(507)	(973)	–	–	–	–	(1,480)
Closing balance – 30/6/16	22,826	947	1,692	150	216	69	280	26,180

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

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

b. The valuation process for level 3 fair value measurements

The valuation processes used for fair value on Level 3 assets is the depreciated replacement cost approach and the market value approach. Assets that have been valued using the market value approach have been included in the Level Fair Value as the unobservable inputs rely on the skill and experience of the valuer. The depreciated replacement cost approach involves using comparative sales evidence, asset conditions and relies on the skill and experience of the valuer. The land improvements, operational land, community land, other structures, swimming pools, buildings and open space and recreation assets have had valuations completed by external valuers. The external valuers are independent and are qualified and experience in their field. The valuations have been prepared in accordance with AASB5, AASB13, ASSB116, AASB136 and AASB140.

In the case of sewer and water assets, the valuations have been based on the modern engineering equivalent replacement asset (MEERA) and are indexed annually during the 5 year valuation period.

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

Valuation of Land Improvements and Other Structures that included Open Space & Recreation and Swimming Pools was undertaken by APV Valuers and Asset Management. The cost approach was used in this valuation process.

The analysis of the Level 3 fair value movements after valuations will be undertaken by the GIS Asset Accounting Officer and confirmed by the Finance Manager.

(5). Highest and best use

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

Tenterfield Shire Council

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

Note 28. Council information and contact details

Principal place of business:

247 Rouse Street
Tenterfield NSW 2372

Contact details
Mailing address:

PO Box 214
Tenterfield NSW 2372

Opening hours:

Monday-Friday
9.00am to 4.30pm

Telephone: 02 6736 6000

Facsimile: 02 6736 6005

Internet: www.tenterfield.nsw.gov.au

Email: council@tenterfield.nsw.gov.au

Officers
GENERAL MANAGER

Damien Connor

RESPONSIBLE ACCOUNTING OFFICER

Paul Chawner

PUBLIC OFFICER

Allan Shorter

AUDITORS

Forsyths
92 Rusden Street
Armidale NSW 2350

Other information

ABN: 85 010 810 083

Elected members
MAYOR

Peter Petty

COUNCILLORS

Greg Sauer
Gary Verri
Bronwyn Petrie
John Macnish
Brian Murray
Tom Peters
Don Forbes
John Martin
Michael Petrie

Armidales

92 Rusden Street
PO Box 114
Armidales NSW 2350

p +61 2 6773 8400

f +61 2 6772 9957

email armidales@forsyths.com.au

Forsyths Business Services Pty Ltd
ABN 66 182 781 401

INDEPENDENT AUDIT REPORT
Report on the general purpose financial statements

To Tenterfield Shire Council

SCOPE

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

Councils' responsibility for the financial statements

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

Auditor's responsibility

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

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

Knowledge with integrity

Liability limited by a scheme approved under the Professional Standards Legislation

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

INDEPENDENCE

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

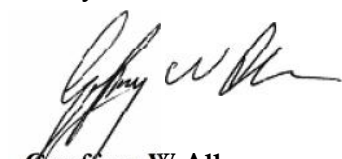
AUDIT OPINION

In our opinion:

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

Forsyths

Forsyths Business Services Pty Ltd



Geoffrey W Allen
Principal

25th October 2016
92 Rusden Street Armidale

25 October 2016

The Mayor
Tenterfield Shire Council
PO Box 214
TENTERFIELD 2372

Armidale

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Armidale NSW 2350

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Forsyth's Business Services Pty Ltd
ABN 66 182 781 401

Dear Sir

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

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

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

Councils Responsibilities

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

Audit Objectives

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

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

Knowledge with integrity

Liability limited by a scheme approved under the Professional Standards Legislation

page 86



We performed procedures to assess whether in all material respects the financial statements presents fairly, in accordance with the *Local Government Act 1993*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Council's financial position, and its performance as represented by the results of its operations and cash flows.

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

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

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

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

Matters Relating to the Electronic Presentation of the Audited Financial Statements

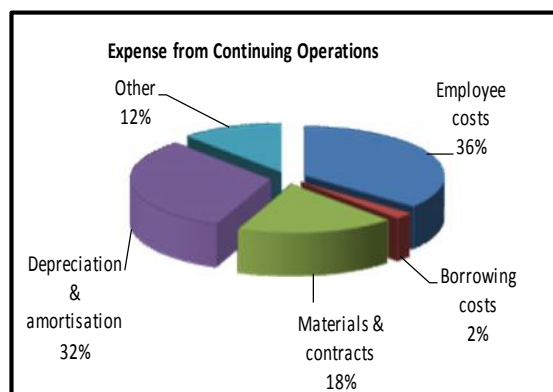
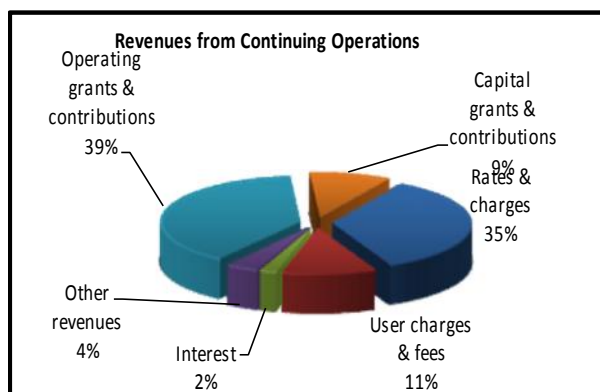
This auditor's report relates to the financial statements of Tenterfield Shire Council for the year ended 30th June 2016 included on Tenterfield Shire Council's web site. The Council is responsible for the integrity of its web site. We have not been engaged to report on the integrity of the Council web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

Additional Reporting Requirements

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

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

INCOME STATEMENT	Budget	Actual	Actual	Variance	
	2016	2016	2015	Actual	Budget
	\$'000	\$'000	\$'000		%
INCOME FROM CONTINUING OPERATIONS					
Rates & annual charges	7,561	7,564	6,999	8.1%	0.0%
User charges & fees	2,556	2,323	2,255	3.0%	-9.1%
Interest	272	423	277	52.7%	55.5%
Other revenues from ordinary activities	407	819	376	117.8%	101.2%
Grants & contributions for operating purposes	6,225	8,452	6,924	22.1%	35.8%
Grants & contributions for capital purposes	7,616	2,058	3,828	-46.2%	-73.0%
Total income from continuing operations	24,637	21,639	20,659	4.7%	-12.2%
EXPENSES FROM CONTINUING OPERATIONS					
Employee benefits & oncosts	6,653	6,521	5,916	10.2%	-2.0%
Borrowing costs	374	374	382	-2.1%	0.0%
Materials and contracts	4,167	3,316	3,256	1.8%	-20.4%
Depreciation & amortisation	5,626	5,805	5,165	12.4%	3.2%
Other expenses from ordinary activities	1,783	1,719	1,705	0.8%	-3.6%
Loss from disposal of assets	41	411	172	139.0%	902.4%
Total Expenses from continuing operations	18,644	18,146	16,596	9.3%	-2.7%
NET OPERATING RESULT FOR YEAR	5,993	3,493	4,063	-14.0%	-41.7%
NET OPERATING RESULT BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	(1,623)	1,435	235	510.6%	-188.4%



The surplus of \$3.5m is after recognising grants and contributions for capital expenditure purposes of \$2.1m. The expenditure of such funds is not recognised as part of the operating result but recorded in the statement of financial position and when excluded council achieved a surplus of \$1.4m.

Revenue increased by 4.7% due to increases in rates & annual charges, user charges & fees, interest, other revenue and operational grants & contributions which were partially offset by decreases in capital grants & contributions. The movements are explained as follows:

- The increase in rates & annual charges was mainly due to the impact of the special rate variation during the year.
- The increase in user charges & fee was mainly due increases in administration fees on grant works.



- The interest income increased as there was a fair value adjustment in the prior year, otherwise interest income was consistent with the prior year.
- The increase in other revenue was mainly due to the recovery of funds from the CDO investments previously written down.
- The increase in operational grants & contributions is mainly a result of the increased roads to recovery funding.
- Capital grants and contributions decreased mainly due a decrease in RMS funding as there were special grants received in the prior year. Council de-recognised RFS assets during the year, which has results in non-cash contributions no longer being recognised. The decrease in these capital grants and contributions was partially offset by the pre-construction grant funding for the Tenterfield Dam wall and bridges renewal program grant funding for Bookookorara bridge received during the year.

Expenditure increased by 9.3% as a result of increases in employee benefits & oncosts, materials & contracts, depreciation & amortisation, other expenses and losses on disposal of assets. The movements can be explained as follows:

- The increase in employee benefits & oncosts is mainly due to award increases during the year, increased leave entitlements as more staff became eligible for long service leave and increased workers compensation premiums as a result of a claim.
- The increase in materials and contracts was mainly a result of an increase in rural roads maintenance costs during the year.
- The increase in depreciation & amortisation was mainly due to an increase in depreciation of road and bridges following the revaluation of roads and related infrastructure in the prior year.
- The borrowing costs were consistent with the prior year.
- Other expenses remained consistent year on year.

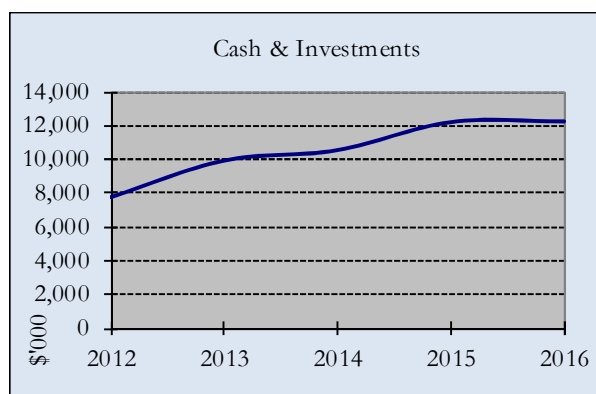
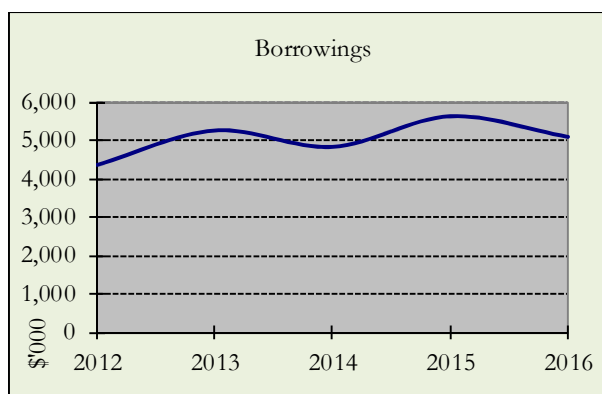
The budget amounts included in the Income Statements are those adopted in the original budget and exclude re-votes from the previous year and variations to the budget during the year. The actual operating surplus from continuing operation for the year of \$3.5m was below budget expectation of a surplus of \$6.0m. The unfavourable outcome between the actual results and the original budget is primarily due to the following:

Large Budget Variations >10% and \$0.5m			Comment
Interest	\$	151,000	Favourable variance to budget mainly due the early receipt of 50% of the financial assistance grant which allowed these funds to be invested. Roads to recovery grant was also largely paid in advance of expenditure which allowed increased investment returns.
Other revenues from ordinary activities	\$	412,000	Favourable to budget mainly due to the unplanned recovery of CDO investment funds during the year.
Grants & contributions for operating purposes	\$	2,227,000	Favourable variance to budget mainly as a result of the reclassification of roads to recovery grants to operating and the increased share of the fuel excise indexation during the year.
Grants & contributions for capital purposes	\$	(5,558,000)	Capital grants and contributions were unfavourable to budget due to the reclassification of roads to recovery grants to operating. In addition the original budget had grants for the Mt Lindesay Road which were not realised during the year.
Materials and contracts	\$	851,000	Favourable to budget mainly due to the original budget being based on higher historical contractor and consultancy costs.
Loss from disposal of assets	\$	(370,000)	Unfavourable to budget mainly due to the fact that net losses from the disposal of plant were higher than budget, and the write-off of a replaced timber bridge was not included in the original budget

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



SCHEDULE OF ASSETS & LIABILITIES	2016 \$'000	2015 \$'000	Variance %
CURRENT ASSETS			
Cash and cash equivalents	12,245	12,204	0.3%
Receivables	2,285	2,061	10.9%
Inventories	678	684	-0.9%
TOTAL CURRENT ASSETS	15,208	14,949	1.7%
CURRENT LIABILITIES			
Payables	1,039	1,855	-44.0%
Borrowings	494	535	-7.7%
Provisions	1,936	2,080	-6.9%
TOTAL CURRENT LIABILITIES	3,469	4,470	-22.4%
NET CURRENT ASSETS	11,739	10,479	12.0%
NON-CURRENT ASSETS			
Investment Property	280	280	0.0%
Receivables	2	3	-33.3%
Intangible Assets	252	281	-10.3%
Infrastructure, Property Plant & Equipment	352,205	352,573	-0.1%
TOTAL NON-CURRENT ASSETS	352,739	353,137	-0.1%
NON-CURRENT LIABILITIES			
Provisions	1,282	1,110	15.5%
Borrowings	4,595	5,089	-9.7%
TOTAL NON-CURRENT LIABILITIES	5,877	6,199	-5.2%
NET ASSETS	358,601	357,417	0.3%



Net Current assets increased by \$1.3m due mainly to increases in receivables and a decrease in current liabilities at year end. Total cash and investments stand at \$12.2m consistent with the prior year. The increase in receivables is mainly due to large grant receivables at year end in relation to the Bookookorara Bridge project. Payables decreased due to a reduction capital project progress claims and project related payables at year end.

Infrastructure, property, plant and equipment decreased by \$0.4m due to the revaluation of community land, land improvements, other assets and other structures of \$1.7m, asset additions of \$10.2m, indexation of water and sewer assets of \$0.6m which were mostly offset by asset disposals of \$2.3m, depreciation of \$5.9m, the de-recognition of Rural Fire Service assets of \$2.2m, impairment of assets \$1.4m as a result of flood damage and a prior year road revaluation adjustment of \$1.0m.



The total loan liability decreased to \$5.1m at 30th June 2016 compared with \$5.6m for the prior year due to scheduled repayments of \$0.5m for the year.

Provisions were in line with the prior year.

NET CURRENT ASSETS

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

	Water \$'000	Sewerage \$'000	Dom Waste \$'000	General \$'000	Total \$'000
Current Assets	2,114	1,428	273	11,393	15,208
Current Liabilities	99	101	107	3,162	3,469
Net Current Assets	2,015	1,327	166	8,231	11,739
Plus: Employee Entitlements Payable >12mths	-	-	-	1,414	1,414
Total Funds before Restrictions	2,015	1,327	166	9,645	13,153
LESS: Restricted Cash & Investments (Included in Revenue)					
Developer Contributions	-	-	-	361	361
Unexpended loans	-	-	-	373	373
Specific Purpose Grants & Contributions	-	-	-	702	702
NPWS Advance	-	-	-	179	179
RMS Advances	-	-	-	2	2
RMS Contributions	-	-	-	802	802
Stormwater Management	-	-	-	348	348
	-	-	-	2,767	2,767
NET FUNDS AVAILABLE	2,015	1,327	166	6,878	10,386
LESS Internal Restrictions	-	-	-	4,745	4,745
Net Funds After All Restrictions	2,015	1,327	166	2,133	5,641

INTERNAL RESTRICTIONS	Opening \$'000	Transfer to \$'000	Transfer from \$'000	Closing \$'000
Employee Entitlements	1,030	-	98	932
Plant & Vehicle Replacement	1,507	1,334	993	1,848
Office equipment	39	200	39	200
Land & Buildings	-	100	-	100
Capital works	465	448	390	523
Bushfire Emergencies	-	-	-	-
Roads & Bridges	396	53	291	158
Gravel Quarry Rehabilitation	222	11	-	233
Local main street	31	-	-	31
Insurance	-	-	-	-
Special projects	377	671	338	710
	4,077	2,817	2,149	4,745

After funding both external and internal restrictions Council's general fund has unrestricted funds of \$2.1m which is considered more than adequate to cover working capital requirements.

Council has set aside \$0.9m to fund employee leave entitlements. This restriction represents 47% of total employee entitlement liability and is considered more than adequate given the existing staff levels and age profiles.

LOCAL GOVERNMENT INDUSTRY PERFORMANCE INDICATORS

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

The key financial indicators disclosed in the Financial Statements are:

RATIO	PURPOSE	2016	2015	2014	Benchmark
OPERATING PERFORMANCE RATIO	To assess councils ability to meet operating expenditure within operating revenue.	9.8%	2.7%	-16.8%	>0%
OWN SOURCE OPERATING REVENUE	To assess the degree of reliance on external funding sources.	51.4%	48.2%	57.1%	>60%
UNRESTRICTED CURRENT RATIO	To assess the adequacy of working capital after excluding all restricted assets and liabilities.	4.67	3.06	3.84	>1.5
DEBT SERVICE COVER RATIO	To assess the availability of operating cash to service debt including interest, principal and lease payments.	8.9	7.64	3.85	>2.0
OUTSTANDING RATES	To assess the impact of uncollected rates and charges on liquidity and the adequacy of recovery efforts.	6.0%	6.9%	8.5%	<10%
CASH EXPENSE COVER RATIO	To assess the number of months council can pay its expenses without additional cash inflow.	10.76	12.79	9.43	>3

Operating performance

An operating performance surplus of 9.8% indicates that Councils operating revenue, excluding capital grants and contributions are sufficient to cover operating expenditure. This compares to the Group 10 Councils average deficit of 2.77% and a State average deficit of 0.58% for 2015. The “fit for the future” benchmark is that councils should have a breakeven or better operating performance ratio over a three year period. The improvement in the ratio in 2016 reflects the increase in revenue this year including the special rates variation and the impact of the Government ceasing to prepay Financial Assistance Grant instalments in the prior year.

*Own source operating revenue*

A ratio of 51.4% highlights Council's dependence on grants and contributions and compares to a Group 10 average of 58.6% and a State average of 67.0% for 2015. The benchmark for sustainability is to have a ratio of greater than 60%. Council's ratio has been adversely affected by the large amount of grant revenue received for capital projects during the year.

Unrestricted ratio

The unrestricted ratio excludes all current assets and liabilities that are restricted to specific purposes such as water, sewer, domestic waste management functions and specific purpose unexpended grants & contributions. This ratio is before setting aside cash to fund internal restrictions relative to the general function. An unrestricted current ratio of 4.67 indicates that the general purpose function of Council has \$4.67 in current assets available to meet every dollar of current liability. Council's ratio of 4.67 compares to the average of 4.36 for the Group 10 Councils and the State average of 3.92 for 2015 and is higher than the benchmark of greater than 1.5.

Debt service cover ratio

The debt service cover ratio of 8.9 times indicates that council has \$8.90 before interest and depreciation to pay interest and principal on current borrowings and compares to the average of 27.7 for the Group 10 Councils and the State average of 104.1 for 2015. The TCorp benchmark for sustainability is to have a ratio of greater than 2.0 and less than 20.0.

Outstanding rates ratio

The outstanding rates ratio stands at 6.0% and compares to the Group 10 Council average of 6.76% and the State average of 5.85% for 2015. This ratio is an indicator of Council's activity to collect outstanding rate revenues.

Cash expense ratio

The cash expense ratio indicates that Council can pay 10.76 months of its expenses without additional cash inflows and compares to the Group 10 Council average of 11.4 and the State average of 11.4 for 2015. The benchmark is to have reserves to meet at least 3 months of operating expenditure.

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

RATIO	PURPOSE	Water	Sewer	General	
OPERATING PERFORMANCE RATIO	To assess councils ability to meet operating expenditure within operating revenue.	7.7% 2.1%	-2.1% 7.0%	11.4% 2.2%	■ 2016 ■ 2015
OWN SOURCE OPERATING REVENUE	To assess the degree of reliance on external funding sources.	76.0% 91.9%	98.0% 98.3%	43.4% 38.9%	■ 2016 ■ 2015
UNRESTRICTED CURRENT RATIO	To assess the adequacy of working capital after excluding all restricted assets and liabilities.	21.35 27.8	14.14 10.92	4.67 3.06	■ 2016 ■ 2015
DEBT SERVICE COVER RATIO	To assess the availability of operating cash to service debt including interest, principal and lease payments.	22.97 18.7	3.88 3.6	10.01 8.76	■ 2016 ■ 2015
OUTSTANDING RATES	To assess the impact of uncollected rates and charges on liquidity and the adequacy of recovery efforts.	5.9% 6.9%	6.1% 7.2%	5.9% 6.7%	■ 2016 ■ 2015
CASH EXPENSE COVER RATIO	To assess the number of months council can pay its expenses without additional cash inflow.	12.03 13.17	12.86 10.45	10.41 12.97	■ 2016 ■ 2015

Operating performance

An operating performance ratio by fund shows that water fund and the general fund have a surplus which means it had sufficient operating revenue, excluding capital grants and contributions to cover operating expenditure. As a result, sufficient profit is being generated to fund the depreciation on assets in the water and general funds. Sewer fund incurred a loss due to increased depreciation on sewer infrastructure assets as a result of additions.

Owned source operating revenue

The ratios show the Councils reliance on grant and contribution funding in the general fund. With water and sewer funds meeting the 60% benchmark.

Unrestricted Ratio

The unrestricted ratios show that each of the funds have sufficient working capital.

Debt service cover ratio

The debt service cover ratio by fund indicates that Council may have some ability to increase borrowings to fund infrastructure backlogs.

Outstanding rate ratio

The outstanding rate ratio by fund shows that the outstanding rates across the funds are within the acceptable threshold and indicate council's good controls over collectability of outstanding rates debt.

Cash expense ratio

This ratio shows that each of the funds has sufficient cash reserves.

Infrastructure Asset Performance Indicators

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

RATIO	PURPOSE	2016	2015	2014	Benchmark
BUILDING AND INFRASTRUCTURE RENEWALS RATIO	To assess the proportion spent on infrastructure renewals vs infrastructure deterioration.	118.1%	149.4%	81.8%	>100%
INFRASTRUCTURE BACKLOG RATIO	To assess the infrastructure backlog against the total value of councils infrastructure.	5.6%	7.9%	20.2%	<2%
ASSET MAINTENANCE RATIO	To assess the actual vs required annual maintenance expenditure.	108.0%	106.0%	83.0%	>100%
CAPITAL EXPENDITURE RATIO	To assess the extent to which council is forecasting to expand its asset base with capital expenditure.	1.36	1.63	0.85	>1.1

Building & Infrastructure renewal ratio

The asset renewals ratio outlines Council’s performance with renewing its infrastructure assets against the level of estimated infrastructure asset deterioration (as represented by depreciation expense). For 2016 Council spent \$1.18 for every \$1 in estimated asset deterioration. The Group 10 average for the asset renewal ratio was 100.6% and the State average of 92% for 2015. The “fit for the future” benchmark is that councils should have a Building and infrastructure renewals ratio of greater than one over a three year period. The improvement in the ratio this year reflects the level of renewal work currently being undertaken in the past two years.

Infrastructure backlog ratio

An infrastructure backlog ratio of 5.6% indicates that the infrastructure backlog represents 5.6% of the value of Councils depreciable infrastructure and compares to a Group 10 average of 7.4% and State average of 4.7% for 2015. The benchmark is a ratio less than 2%. The drop in the ratio reflects the improvement in assessment and refinement of the methodology of determining Councils infrastructure backlog.

Asset maintenance ratio

The asset maintenance ratio of 108% indicated that Council has been undertaking sufficient maintenance to keep pace with required maintenance requirements as determined by council’s engineers and maintenance staff and compares to a Group 10 average of 97.6% and State average of 100.7% for 2015. A ratio of greater than 100% is considered acceptable.

Capital expenditure ratio

The capital expenditure ratio of 1.36 indicates that Council has expended \$1.36 on capital expenditure for every dollar of depreciation. The benchmark is for a Council to have a capital expenditure ratio of greater than 1.1.

The movements in cash and investments reflected in the statement of financial position is also evident in the following table extracted from the Statement of Cash Flows.

CASH MOVEMENTS	Actual 2016	Actual 2015	Variance
	\$'000	\$'000	%
CASH INFLOWS			
Operating Receipts	21,512	20,554	4.7%
Proceeds from Assets Sales	1,885	1,698	11.0%
Proceeds form sale of investments	0	0	0.0%
Proceeds from Borrowings	0	1,200	0.0%
TOTAL RECEIPTS	23,398	23,459	-0.3%
CASH OUTFLOWS			
Operating Payments	13,116	11,098	18.2%
Purchase of Assets	9,706	10,195	-4.8%
Purchase of investments	0	0	0.0%
Repayment of Loans	535	404	32.4%
TOTAL PAYMENTS	23,357	21,697	7.7%
TOTAL CASH MOVEMENT	41	1,762	-97.7%
Cash and cash equivalents	12,245	12,204	0.3%
Investments	0	0	0.0%
Total Cash & Investments on Hand	12,245	12,204	0.3%

Overall council had cash and investments of \$12.2m at 30th June 2016 which is consistent with the prior year. The cashflow shows that the purchase of assets and repayment of loans were funded by proceeds from assets sales and operational cashflows.

Of the \$9.7m in asset purchases, \$4.1m was expended on road infrastructure and compares with the \$2.1m annual rate of depreciation of these assets. In assessing the replacement rate of depreciating assets it is also important to note that Special Schedule No 7, which is an unaudited statement prepared in conjunction with the financial report that it would be necessary to spend \$6.3m to get them to a "satisfactory condition".

SPECIAL PURPOSE FINANCIAL STATEMENTS

Council is required to report the financial results of identified Business Units in accordance with National Competition Policy guidelines. The reports are known as Special Purpose Financial Statements and are subject to audit. Council has identified the Water and Sewer functions as a Category 2 Business unit.

WATER SUPPLY FUNCTION

The Special Purpose Financial Statements disclose that the Water Supply function recorded an operating surplus (before capital funding) of \$135,000 after allowing for depreciation of \$527,000 and borrowing costs of \$21,000.

The Net Current Asset position records a positive balance of \$2,015,000. The net current asset position is considered sound especially given the level of cash and low borrowings in the fund.



SEWERAGE SERVICES

This function recorded an operating deficit (before capital funding) of \$39,000 after allowing for depreciation of \$754,000 and borrowing costs of \$170,000. The current level of Net Current Assets of \$1,327,000 is satisfactory given the size of the function.

GENERAL

Reporting obligations under the Local Government Act

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

Matters of a technical nature have been documented in a management letter to the General Manager.

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

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

Yours faithfully

Forsyths Business Services Pty Ltd

A handwritten signature in black ink, appearing to read 'Geoffrey W Allen'.

Geoffrey W Allen
Principal