

Tenterfield Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017

"Birthplace of Our Nation"



Tenterfield Shire Council

General Purpose Financial Statements for the year ended 30 June 2017

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

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

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

- (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 15 November 2017. 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 2017

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 2017.

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

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

Primarily records changes in the fair value of Council's Infrastructure, Property, Plant and Equipment.

3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its assets, liabilities and "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

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 annual financial statements are required to be audited by the Audit Office of New South Wales. 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 2017

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

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

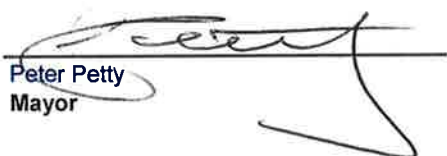
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and professional pronouncements, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

Signed in accordance with a resolution of Council made on 15 November 2017.



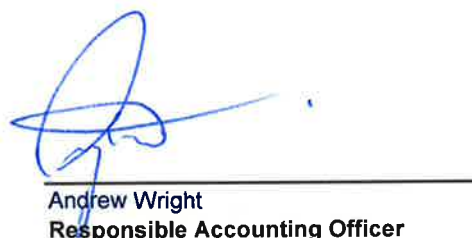
Peter Petty
Mayor



Don Forbes
Deputy Mayor



Terry Dodds
Chief Executive



Andrew Wright
Responsible Accounting Officer

Tenterfield Shire Council

Income Statement

for the year ended 30 June 2017

Budget 2017	¹ \$ '000	Notes	Actual 2017	Actual 2016
Income from continuing operations				
Revenue:				
8,009	Rates and annual charges	3a	8,078	7,564
2,508	User charges and fees	3b	2,534	2,323
334	Interest and investment revenue	3c	357	423
384	Other revenues	3d	741	819
8,965	Grants and contributions provided for operating purposes	3e,f	9,898	8,452
4,441	Grants and contributions provided for capital purposes	3e,f	4,252	2,058
24,641	Total income from continuing operations		25,860	21,639
Expenses from continuing operations				
6,419	Employee benefits and on-costs	4a	6,611	6,521
436	Borrowing costs	4b	328	374
4,429	Materials and contracts	4c	3,702	3,316
6,256	Depreciation and amortisation	4d	5,944	5,805
1,764	Other expenses	4e	1,628	1,719
136	Net losses from the disposal of assets	5	228	411
19,440	Total expenses from continuing operations		18,441	18,146
5,201	Operating result from continuing operations		7,419	3,493
5,201	Net operating result for the year		7,419	3,493
5,201	Net operating result attributable to Council		7,419	3,493
760	Net operating result for the year before grants and contributions provided for capital purposes		3,167	1,435

¹ Original budget as approved by Council – refer Note 16

Tenterfield Shire Council

Statement of Comprehensive Income
for the year ended 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
Net operating result for the year (as per Income Statement)		7,419	3,493
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	(2,783)	(901)
Impairment (loss) reversal relating to I,PP&E	20b (ii)	(6,897)	(1,440)
Total items which will not be reclassified subsequently to the operating result		(9,680)	(2,341)
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		(9,680)	(4,544)
Total comprehensive income for the year		(2,261)	(1,051)
Total comprehensive income attributable to Council		(2,261)	(1,051)

Tenterfield Shire Council

Statement of Financial Position
as at 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
ASSETS			
Current assets			
Cash and cash equivalents	6a	13,820	12,245
Receivables	7	4,540	2,285
Inventories	8	667	678
Total current assets		19,027	15,208
Non-current assets			
Receivables	7	—	2
Infrastructure, property, plant and equipment	9	346,537	352,205
Investment property	14	280	280
Intangible assets	25	224	252
Total non-current assets		347,041	352,739
TOTAL ASSETS		366,068	367,947
LIABILITIES			
Current liabilities			
Payables	10	1,709	853
Income received in advance	10	186	186
Borrowings	10	448	494
Provisions	10	2,033	1,936
Total current liabilities		4,376	3,469
Non-current liabilities			
Borrowings	10	4,147	4,595
Provisions	10	1,205	1,282
Total non-current liabilities		5,352	5,877
TOTAL LIABILITIES		9,728	9,346
Net assets		356,340	358,601
EQUITY			
Retained earnings	20	127,286	119,867
Revaluation reserves	20	229,054	238,734
Council equity interest		356,340	358,601
Total equity		356,340	358,601

Tenterfield Shire Council

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

		2017	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non- controlling interest	Total equity	2016	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non- controlling interest	Total equity
\$ '000	Notes	Retained earnings						Retained earnings					
Opening balance (as per last year's audited accounts)		119,867	238,734	—	358,601	—	358,601	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		119,867	238,734	—	358,601	—	358,601	116,704	242,948	—	359,652	—	359,652
c. Net operating result for the year		7,419	—	—	7,419	—	7,419	3,493	—	—	3,493	—	3,493
d. Other comprehensive income													
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	—	(2,783)	—	(2,783)	—	(2,783)	—	(901)	—	(901)	—	(901)
– Revaluations: other reserves	20b (ii)	—	—	—	—	—	—	—	—	—	—	—	—
– Transfers to Income Statement	20b (ii)	—	—	—	—	—	—	—	—	—	—	—	—
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	—	(6,897)	—	(6,897)	—	(6,897)	—	(1,440)	—	(1,440)	—	(1,440)
– Joint ventures and associates	19b	—	—	—	—	—	—	—	—	—	—	—	—
– Write off of overstated impairment	20b (ii)	—	—	—	—	—	—	—	—	—	—	—	—
– Other reserves movements (RFS assets)	20b (ii)	—	—	—	—	—	—	(330)	(1,873)	—	(2,203)	—	(2,203)
Other comprehensive income		—	(9,680)	—	(9,680)	—	(9,680)	(330)	(4,214)	—	(4,544)	—	(4,544)
Total comprehensive income (c&d)		7,419	(9,680)	—	(2,261)	—	(2,261)	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		127,286	229,054	—	356,340	—	356,340	119,867	238,734	—	358,601	—	358,601

Tenterfield Shire Council

Statement of Cash Flows
for the year ended 30 June 2017

Budget 2017	\$ '000	Notes	Actual 2017	Actual 2016
Cash flows from operating activities				
Receipts:				
8,118	Rates and annual charges		8,019	7,620
2,451	User charges and fees		2,440	2,437
330	Investment and interest revenue received		320	403
13,487	Grants and contributions		12,685	10,066
42	Bonds, deposits and retention amounts received		28	58
412	Other		1,362	928
Payments:				
(6,363)	Employee benefits and on-costs		(6,458)	(6,489)
(4,580)	Materials and contracts		(3,902)	(4,210)
(421)	Borrowing costs		(365)	(323)
(42)	Bonds, deposits and retention amounts refunded		–	(50)
(1,763)	Other		(1,969)	(2,044)
11,671	Net cash provided (or used in) operating activities	11b	12,160	8,396
Cash flows from investing activities				
Receipts:				
–	Sale of real estate assets		95	–
1,803	Sale of infrastructure, property, plant and equipment		1,805	1,885
2	Deferred debtors receipts		2	1
Payments:				
(16,879)	Purchase of infrastructure, property, plant and equipment		(11,993)	(9,706)
(50)	Other investing activity payments		–	–
(15,124)	Net cash provided (or used in) investing activities		(10,091)	(7,820)
Cash flows from financing activities				
Receipts:				
3,450	Proceeds from borrowings and advances		–	–
Payments:				
(542)	Repayment of borrowings and advances		(494)	(535)
2,908	Net cash flow provided (used in) financing activities		(494)	(535)
(545)	Net increase/(decrease) in cash and cash equivalents		1,575	41
8,923	Plus: cash and cash equivalents – beginning of year	11a	12,245	12,204
8,378	Cash and cash equivalents – end of the year	11a	13,820	12,245
Additional Information:				
	plus: Investments on hand – end of year	6b	–	–
	Total cash, cash equivalents and investments		13,820	12,245

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 2017

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n/a – not applicable

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies

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

(a) Basis of preparation

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

(i) New and amended standards adopted by Council

AASB 124 Related Party Disclosures was adopted during the year, the impact of this standard had no impact on reporting financial position or performance, however note 28 has been added.

AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 and AASB 11]. There has been no impact from the adoption of this standard by Council.

(ii) Early adoption of standards

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

(iii) Historical cost convention

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

(iv) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

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

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

Significant judgements in applying the Council's accounting policies

- (i) Impairment of Receivables

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

(b) Revenue recognition

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

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

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

Revenue is measured on major income categories as follows:

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(i) Rates, annual charges, grants and contributions

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

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

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

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

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

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

While 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.

(ii) User charges and fees

User charges and fees (Not including parking fees and fines) are recognised as revenue when the

service has been provided or when the penalty has been applied, whichever first occurs.

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 at reporting date.

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

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

(iv) Interest

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

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

(v) Rent

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

(vi) Other income

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

(c) Principles of consolidation

(i) The Consolidated Fund

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

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

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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:

- *Sir Henry Parkes Memorial Management Committee (Joint Committee);*
- *Tenterfield Saleyards Advisory Committee;*
- *Aboriginal Advisory Committee*
- *Heritage Advisory Committee;*
- *ANZAC Centenary Steering Committee; and*
- *Disability, Inclusion and Access Advisory Committee.*

(ii) The Trust Fund

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

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

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

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

(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 Council, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases.

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

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

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases.

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

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

(e) Impairment of assets

Intangible assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

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

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

(f) Cash and cash equivalents

For Statement of Cash Flow presentation purposes, cash and cash equivalents includes

- cash on hand;
- deposits held at call with financial institutions;
- other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of

cash and which are subject to an insignificant risk of changes in value; and,

- bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

(g) Inventories

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

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

Cost comprises direct materials.

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

Costs of purchased inventory are determined after deducting rebates and discounts.

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.

(ii) Inventory held for distribution

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

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

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

Cost is assigned by specific identification and includes the cost of acquisition.

(h) Investments and other financial assets

Classification

Council classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss;

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

- loans and receivables;
- held-to-maturity investments; and,
- available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired.

Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

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

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

A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term.

Assets in this category are primarily classified as current assets as they are primarily held for trading and / or 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 are included in current assets, except for those with maturities greater than 12 months after the reporting date which that are classified as non-current assets.

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

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

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

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity.

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, that 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.

They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Investments are 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.

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

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

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the income

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

statement as gains and losses from investment securities.

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.

Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

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

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

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

(i) Assets carried at amortised cost

For loans and receivables the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that

have not been incurred) discounted at the financial asset’s original effective interest rate.

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

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

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the impairment allowance is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

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

Investment Policy

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

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

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Council maintains an investment policy that complies with the Act and ensures that it, or its representatives, exercise the care, diligence and skill that a prudent person would exercise in investing Council funds.

(i) 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 reporting 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 reporting date.

Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

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.

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

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

Externally valued:

- Operational land

- Community land
- Land improvements
- Buildings – specialised/non-specialised
- Other structures
- Roads assets including roads, bridges and footpaths
- Bulk earthworks
- Stormwater drainage
- Water and sewerage networks
- Swimming pools
- Other open space/recreational assets

Internally valued:

- Plant and equipment
- Other assets

As approximated by depreciated historical cost:

- Plant and equipment
- Land improvements
- Buildings – specialised/non-specialised
- Other structures
- Roads assets including roads, bridges and footpaths
- Bulk earthworks
- Stormwater drainage
- Water and sewerage networks
- Swimming pools
- Other open space/recreational assets
- Other infrastructure
- Other assets

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

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

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

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

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

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

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
Other Structures	100% Capitalised

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

Land is not depreciated.

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

Plant & Equipment

- Office Equipment	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
- 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 years
- Water – Pumping Stations	30 to 80 years
- Water – Reservoirs	40 to 80 years
- Water – Treatment Works	20 to 40 years

- Sewerage – Ancillary	30 to 50 years
- Sewerage – Pumping Stations	30 years

Tenterfield Shire Council

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

Note 1. Summary of significant accounting policies (continued)

- Sewerage – Treatment Works	50 to 80 years
- Sewerage – Mains	70 to 210 years

Other Infrastructure Assets

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

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

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

(k) Investment property

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

Investment property is carried at fair value, which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. This valuation is performed by external valuers. Changes in fair values are recorded in the income statement as part of other income.

(l) Payables

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

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

(m) Borrowings

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

Borrowings are subsequently measured at amortised cost.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired.

The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or finance cost.

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

(n) Borrowing costs

Borrowing costs are expensed.

(o) 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 reliability estimated.

Provisions are not recognised for future operating losses.

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

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

Provisions are measured at the present value of management's best estimate of the expenditure

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

required to settle the present obligation at the reporting date.

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

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

(p) Employee benefits

(i) Short-term obligations

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

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

Liabilities for non-vesting sick leave are recognised at the time when the leave is taken and measured at the rate 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 employee benefit obligations

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

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

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

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

(iii) Retirement benefit obligations

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

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

Defined Benefit Plans

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

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

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

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

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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 02/12/16 and covers the period ended 30/06/16.

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 2017 was \$174,172.

The amount of additional contributions included in the total employer contribution advised above is \$160,139.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$198,000 as at 30 June 2017.

The expected employer contributions to the scheme for the year ended 30 June 2018 will be \$166,061 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.

(q) Land under roads

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

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

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

(r) Self-insurance

Council does not self-insure.

(s) 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 service, direct payroll, and payroll related costs of employees' time spent on the project.

Amortisation is calculated on a straight line basis over periods generally ranging from three to five 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.

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(t) 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 the state and local government to develop a consistent accounting treatment for Crown Reserves across both tiers of Government.

(u) Rural fire service assets

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

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

(v) Goods and Services Tax (GST)

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable.

The net amount of GST recoverable from, or payable to the taxation authority is included with

other receivables or payables in the Statement of Financial Position.

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

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

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

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

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

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

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

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

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

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

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

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

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

AASB 9 Financial Instruments (December 2009)

AASB 15 Revenue from Contracts with Customers

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

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

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

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

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

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

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

AASB 16 Leases

AASB 16 Leases (Appendix D)

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

AASB 1058 Income of Not-for-Profit Entities

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

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

(x) Rounding of amounts

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

(y) 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.

(z) 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 2017

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current and non-current)	
	Original budget	Actual	Actual	Original budget	Actual	Actual	Original budget	Actual	Actual	Actual	Actual	Actual	Actual
	2017	2017	2016	2017	2017	2016	2017	2017	2016	2017	2016	2017	2016
Governance	–	–	–	341	284	232	(341)	(284)	(232)	1,864	–	–	–
Administration	574	711	1,036	–	–	–	574	711	1,036	52	10	9,016	7,705
Public order and safety	503	58	333	897	592	656	(394)	(534)	(323)	49	237	515	702
Health	29	26	34	100	98	62	(71)	(72)	(28)	–	–	607	620
Environment	2,117	1,131	1,983	2,655	2,311	2,326	(538)	(1,180)	(343)	84	85	8,283	8,070
Community services and education	1	16	11	54	50	61	(53)	(34)	(50)	151	11	6	3
Housing and community amenities	353	436	561	1,099	882	1,157	(746)	(446)	(596)	20	51	543	3,230
Water supplies	4,579	3,786	2,188	1,970	1,741	1,680	2,609	2,045	508	29	445	18,717	18,749
Sewerage services	1,892	1,987	1,816	2,038	1,878	1,869	(146)	109	(53)	26	25	23,672	24,359
Recreation and culture	220	182	204	2,245	2,204	2,238	(2,025)	(2,022)	(2,034)	45	51	13,624	12,570
Mining, manufacturing and construction	68	75	78	315	311	303	(247)	(236)	(225)	–	–	–	–
Transport and communication	5,582	6,456	4,979	6,926	7,275	6,791	(1,344)	(819)	(1,812)	3,077	2,595	285,573	287,444
Economic affairs	384	386	383	800	815	771	(416)	(429)	(388)	–	–	3,304	4,495
Total functions and activities	16,302	15,250	13,606	19,440	18,441	18,146	(3,138)	(3,191)	(4,540)	5,397	3,510	363,860	367,947
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	–	–	–	–	–	–	–	–	–
General purpose income ¹	8,339	10,610	8,033	–	–	–	8,339	10,610	8,033	6,551	4,307	2,208	–
Operating result from continuing operations	24,641	25,860	21,639	19,440	18,441	18,146	5,201	7,419	3,493	11,948	7,817	366,068	367,947

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 2017

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

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

GOVERNANCE

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

ADMINISTRATION

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

PUBLIC ORDER AND SAFETY

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

HEALTH

Includes immunisation, food control, health centres etc.

ENVIRONMENT

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

COMMUNITY SERVICES AND EDUCATION

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

HOUSING AND COMMUNITY AMENITIES

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

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION AND CULTURE

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

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 2017

Note 3. Income from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
(a) Rates and annual charges			
Ordinary rates			
Residential		1,637	1,481
Farmland		1,901	1,725
Mining		9	8
Business		250	190
Total ordinary rates		3,797	3,404
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		658	582
Stormwater management services		59	59
Water supply services		791	878
Sewerage services		1,724	1,625
Waste management services (non-domestic)		1,041	1,008
Trade waste		8	8
Total annual charges		4,281	4,160
<u>TOTAL RATES AND ANNUAL CHARGES</u>		<u>8,078</u>	<u>7,564</u>

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 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(b) User charges and fees			
Specific user charges (per s.502 – specific ‘actual use’ charges)			
Water supply services		944	710
Sewerage services		89	67
Waste management services (non-domestic)		192	184
Trade waste		24	24
Total user charges		1,249	985
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Companion animals		7	7
Inspection services		15	25
Local government and health act fees		11	9
Planning and building regulation		201	193
Private works – section 67		129	120
Section 149 certificates (EPA Act)		28	25
Section 603 certificates		22	22
Total fees and charges – statutory/regulatory		413	401
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Administration on grant works		293	463
Cemeteries		103	87
Cinema		70	63
Library		8	8
Museum and theatre		49	22
Saleyards		231	212
Service installation		14	13
Swimming centres		37	37
Tourism		33	8
Trade Waste		2	–
Other		32	24
Total fees and charges – other		872	937
TOTAL USER CHARGES AND FEES		2,534	2,323

Tenterfield Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		56	45
– Interest earned on investments (interest and coupon payment income)		301	378
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>		<u>357</u>	<u>423</u>
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		56	45
General Council cash and investments		206	234
Restricted investments/funds – external:			
Development contributions			
– Section 94		1	3
Water fund operations		26	47
Sewerage fund operations		40	35
Domestic waste management operations		22	10
Stormwater management services		6	6
Restricted investments/funds – internal:			
Internally restricted assets		–	43
<u>Total interest and investment revenue recognised</u>		<u>357</u>	<u>423</u>
(d) Other revenues			
Rental income – investment properties	14	37	32
Rental income – other council properties		79	149
Commissions and agency fees		5	3
Diesel rebate		50	46
Insurance rebates		39	40
Investment recovery		399	415
Recycling income (non-domestic)		18	–
Rural fire service program reimbursements		–	87
Sale of surplus material		34	22
Tourism		55	–
Other		25	25
<u>TOTAL OTHER REVENUE</u>		<u>741</u>	<u>819</u>

Tenterfield Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
(e) Grants				
General purpose (untied)				
Financial assistance – general component	4,133	2,679	–	–
Financial assistance – local roads component	2,343	1,558	–	–
Pensioners' rates subsidies – general component	75	70	–	–
Total general purpose	6,551	4,307	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	29	28	–	–
– Sewerage	25	25	–	–
– Domestic waste management	55	55	–	–
Water supplies	–	–	1,864	398
Bushfire and emergency services	97	237	–	–
Community development	151	11	–	–
Economic development	5	–	–	–
Employment and training programs	3	10	–	–
Heritage and cultural	16	26	–	–
Library	27	28	8	7
LIRS subsidy	18	39	–	–
Noxious weeds	30	30	–	–
Public conveniences	–	–	–	35
Solid waste management	–	–	–	18
Street lighting	31	74	–	–
Swimming centres	–	–	–	7
Transport (roads to recovery)	1,353	2,087	1,441	–
Transport (other roads and bridges funding)	–	–	234	395
Tourism & Museum	10	–	–	–
Total specific purpose	1,850	2,650	3,547	860
Total grants	8,401	6,957	3,547	860
Grant revenue is attributable to:				
– Commonwealth funding	7,829	6,324	1,675	395
– State funding	572	633	8	465
	8,401	6,957	3,547	860

Tenterfield Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
S 94 – contributions towards amenities/services	–	–	128	87
S 64 – water supply contributions	–	–	12	16
S 64 – sewerage service contributions	–	–	17	13
Total developer contributions	17	–	157	116
Other contributions:				
Environmental	–	1	–	–
FBT contributions	27	35	–	–
Other councils – joint works/services	77	92	–	–
RMS contributions (regional roads, block grant)	1,383	1,355	538	1,076
Sewerage (excl. section 64 contributions)	–	–	–	5
Solid waste management	4	4	–	–
Tourism	6	8	–	–
Library	–	–	10	–
Total other contributions	1,497	1,495	548	1,082
Total contributions	1,497	1,495	705	1,198
TOTAL GRANTS AND CONTRIBUTIONS	9,898	8,452	4,252	2,058

\$ '000	Actual 2017	Actual 2016
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(g) Unspent grants and contributions**Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:**

Unexpended at the close of the previous reporting period	1,865	1,558
Add: grants and contributions recognised in the current period but not yet spent:	595	671
Less: grants and contributions recognised in a previous reporting period now spent:	(485)	(364)
Net increase (decrease) in restricted assets during the period	110	307
Unexpended and held as restricted assets	1,975	1,865
Comprising:		
– Specific purpose unexpended grants	1,485	1,504
– Developer contributions	490	361
	1,975	1,865

Tenterfield Shire Council

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

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
(a) Employee benefits and on-costs			
Salaries and wages		6,009	5,308
Travel expenses		133	100
Employee leave entitlements (ELE)		476	756
Superannuation		673	662
Recruitment of senior staff		53	54
Workers' compensation insurance		210	340
Fringe benefit tax (FBT)		22	24
Training costs (other than salaries and wages)		232	133
Other		44	42
Total employee costs		7,852	7,419
Less: capitalised costs		(1,241)	(898)
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>		<u>6,611</u>	<u>6,521</u>
Number of 'full-time equivalent' employees (FTE) at year end		88	87
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)		96	95
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		317	355
Total interest bearing liability costs expensed		317	355
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	26	11	19
Total other borrowing costs		11	19
<u>TOTAL BORROWING COSTS EXPENSED</u>		<u>328</u>	<u>374</u>

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Materials and contracts			
Raw materials and consumables		3,028	2,820
Contractor and consultancy costs		541	395
Auditors remuneration ⁽¹⁾		60	42
Legal expenses:			
– Legal expenses: planning and development		20	12
– Legal expenses: debt recovery		13	4
– Legal expenses: other		11	14
Operating leases:			
– Operating lease rentals: minimum lease payments ⁽²⁾		29	29
TOTAL MATERIALS AND CONTRACTS		3,702	3,316
1. Auditor remuneration			
a. During the year, the following fees were incurred for services provided by the Auditor-General:			
(i) Audit and other assurance services			
– Audit and review of financial statements: Auditor-General		43	–
Remuneration for audit and other assurance services		43	–
Total Auditor-General remuneration		43	–
b. During the year, the following fees were incurred for services provided by the other Council's Auditors:			
(i) Audit and other assurance services			
– Audit and review of financial statements: Council's Auditor		17	31
– Other audit and assurance services		–	11
Remuneration for audit and other assurance services		17	42
Total remuneration of other Council's Auditors		17	42
Total Auditor remuneration		60	42
2. Operating lease payments are attributable to:			
Other		29	29
		29	29

Tenterfield Shire Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(d) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment		527	452
Office equipment		8	29
Furniture and fittings		13	13
Land improvements (depreciable)		36	22
Infrastructure:			
– Buildings – non-specialised		317	316
– Buildings – specialised		402	398
– Other structures		104	87
– Roads		2,269	2,183
– Bridges		808	801
– Footpaths		35	34
– Stormwater drainage		113	113
– Water supply network		552	520
– Sewerage network		783	754
– Swimming pools		19	44
– Other open space/recreational assets		59	45
Other assets			
– Library books		33	31
Asset reinstatement costs	9 & 26	67	83
Intangible assets	25	28	29
Total gross depreciation and amortisation costs		6,173	5,954
Less: capitalised costs		(229)	(149)
Total depreciation and amortisation costs		5,944	5,805
Impairment			
Infrastructure:			
– Roads		6,897	–
Total gross impairment costs		6,897	–
Less: IPP&E impairments (to)/from equity	9a	(6,897)	–
Total impairment costs		–	–
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		5,944	5,805

Tenterfield Shire Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(e) Other expenses			
Advertising		79	63
Bad and doubtful debts		37	(4)
– Emergency services levy (includes FRNSW, SES, and RFS levies)		295	263
Councillor expenses – mayoral fee		25	24
Councillor expenses – councillors' fees		112	110
Councillors' expenses (incl. mayor) – other (excluding fees above)		45	53
Donations, contributions and assistance to other organisations (Section 356)		35	32
Election expenses		63	–
Electricity and heating		248	282
Fair value decrements – I,PP&E	9(a)	–	64
Insurance		423	431
Street lighting		106	238
Telephone and communications		160	163
<u>TOTAL OTHER EXPENSES</u>		<u>1,628</u>	<u>1,719</u>

Note 5. Gains or losses from the disposal of assets

Plant and equipment			
Proceeds from disposal – plant and equipment		1,805	1,885
Less: carrying amount of plant and equipment assets sold/written off		(2,065)	(1,995)
Net gain/(loss) on disposal		<u>(260)</u>	<u>(110)</u>
Infrastructure			
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		–	(301)
Net gain/(loss) on disposal		<u>–</u>	<u>(301)</u>
Real estate assets held for sale			
Proceeds from disposal – real estate assets		95	–
Less: carrying amount of real estate assets sold/written off		(63)	–
Net gain/(loss) on disposal		<u>32</u>	<u>–</u>
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>(228)</u>	<u>(411)</u>

Tenterfield Shire Council

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

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

		2017 Actual Current	2017 Actual Non-current	2016 Actual Current	2016 Actual Non-current
\$ '000	Notes				
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		1,259	–	482	–
Cash-equivalent assets ¹					
– Deposits at call		12,561	–	11,763	–
Total cash and cash equivalents		13,820	–	12,245	–
<u>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</u>		<u>13,820</u>	<u>–</u>	<u>12,245</u>	<u>–</u>

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

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

Cash and cash equivalents

a. 'At cost	<u>13,820</u>	<u>–</u>	<u>12,245</u>	<u>–</u>
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Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

	2017 Actual Current	2017 Actual Non-current	2016 Actual Current	2016 Actual Non-current
\$ '000				
Total cash, cash equivalents and investments	13,820	–	12,245	–
attributable to:				
External restrictions (refer below)	4,931	–	5,337	–
Internal restrictions (refer below)	8,781	–	4,745	–
Unrestricted	108	–	2,163	–
	13,820	–	12,245	–

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

External restrictions – included in liabilities

Specific purpose unexpended loans – general (A)	373	–	(178)	195
RMS (formerly RTA) advances (B)	2	–	(2)	–
NWPS advance	179	2	–	181
External restrictions – included in liabilities	554	2	(180)	376

External restrictions – other

Developer contributions – general (D)	361	158	(29)	490
RMS (formerly RTA) contributions (E)	802	164	–	966
Specific purpose unexpended grants (F)	702	–	(183)	519
Water supplies (G)	1,178	–	(1,178)	–
Sewerage services (G)	1,267	627	–	1,894
Domestic waste management (G)	125	144	–	269
Stormwater management (G)	348	69	–	417
External restrictions – other	4,783	1,162	(1,390)	4,555
Total external restrictions	5,337	1,164	(1,570)	4,931

- 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 2017

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

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Plant and vehicle replacement	1,848	1,486	(878)	2,456
Employees leave entitlement	932	24	–	956
Capital works	523	1,048	–	1,571
Gravel quarry rehabilitation	233	–	–	233
International town partnerships	10	–	–	10
Land and buildings	100	–	(49)	51
Local main street	31	–	–	31
Office equipment	200	–	–	200
Roads and bridges	158	–	–	158
Special projects	710	392	(190)	912
Federal Assistance Grant	–	2,203	–	2,203
Total internal restrictions	4,745	5,153	(1,117)	8,781
TOTAL RESTRICTIONS	10,082	6,317	(2,687)	13,712

Tenterfield Shire Council

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

Note 7. Receivables

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
Purpose					
Rates and annual charges		454	—	395	—
Interest and extra charges		128	—	90	—
User charges and fees		519	—	434	—
Private works		158	—	147	—
Accrued revenues					
– Interest on investments		33	—	34	—
Deferred debtors		2	—	2	2
Government grants and subsidies		2,539	—	1,066	—
Net GST receivable		679	—	37	—
Contribution to operating costs		77	—	92	—
Other debtors		6	—	6	—
Total		4,595	—	2,303	2
Less: provision for impairment					
Other debtors		(55)	—	(18)	—
Total provision for impairment – receivables		(55)	—	(18)	—
<u>TOTAL NET RECEIVABLES</u>		<u>4,540</u>	<u>—</u>	<u>2,285</u>	<u>2</u>
Externally restricted receivables					
Water supply					
– Specific purpose grants		1,864	—	399	—
– Rates and availability charges		55	—	57	—
– Other		536	—	480	—
Sewerage services					
– Specific purpose grants		—	—	1	—
– Rates and availability charges		110	—	109	—
– Other		67	—	51	—
Domestic waste management		178	—	148	—
Stormwater management		5	—	6	—
Total external restrictions		2,815	—	1,251	—
Unrestricted receivables		1,725	—	1,034	2
TOTAL NET RECEIVABLES		4,540	—	2,285	2

Notes on debtors above:

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

Tenterfield Shire Council

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

Note 8. Inventories and other assets

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
(a) Inventories					
(i) Inventories at cost					
Real estate for resale (refer below)		450	–	513	–
Stores and materials		217	–	165	–
Total inventories at cost		667	–	678	–
(ii) Inventories at net realisable value (NRV)					
Nil					
TOTAL INVENTORIES		667	–	678	–

Externally restricted assets

There are no restrictions applicable to the above assets.

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

Industrial/commercial		450	–	513	–
Total real estate for resale		450	–	513	–

(Valued at the lower of cost and net realisable value)

Represented by:

Acquisition costs		63	–	145	–
Development costs		387	–	368	–
Total costs		450	–	513	–
Total real estate for resale		450	–	513	–

Movements:

Real estate assets at beginning of the year		513	–	513	–
– WDV of sales (expense)	5	(63)	–	–	–
Total real estate for resale		450	–	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;

	2017	2016
Real estate for resale	400	470
	400	470

Tenterfield Shire Council

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

Note 9a. Infrastructure, property, plant and equipment

Asset class \$ '000	as at 30/6/2016			Asset movements during the reporting period									as at 30/6/2017		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Reinstatement costs for impaired assets	Carrying value of disposals	Depreciation expense	Impairment loss (recognised in equity)	Impairment reversal (via equity)	Adjustments and transfers	Revaluation to Asset Revaluation Reserve	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	–	–	–	1,562	–	–	–	–	–	–	–	–	1,562	–	1,562
Plant and equipment	11,720	5,114	6,606	2,634	–	–	(2,065)	(527)	–	–	–	–	11,869	5,221	6,648
Office equipment	357	259	98	–	32	–	–	(8)	–	–	–	–	390	268	122
Furniture and fittings	145	100	45	–	–	–	–	(13)	–	–	–	–	145	113	32
Land:															
– Operational land	3,023	–	3,023	–	–	–	–	–	–	–	–	–	3,023	–	3,023
– Community land	1,228	–	1,228	–	–	–	–	–	–	–	–	–	1,228	–	1,228
– Land under roads (post 30/6/08)	10	–	10	–	–	–	–	–	–	–	–	–	10	–	10
Land improvements – depreciable	1,074	235	839	–	4	–	–	(36)	–	–	–	–	1,078	271	807
Infrastructure:															
– Buildings – non-specialised	14,416	8,125	6,291	20	–	–	–	(317)	–	–	–	–	14,436	8,442	5,994
– Buildings – specialised	17,741	10,169	7,572	3	–	–	–	(402)	–	–	–	–	17,744	10,571	7,173
– Other structures	3,075	870	2,205	198	18	–	–	(104)	–	–	–	–	3,292	975	2,317
– Roads	151,364	49,813	101,551	4,697	–	1,434	–	(2,269)	(6,903)	6	–	–	156,059	57,543	98,516
– Bridges	70,229	27,657	42,572	–	571	–	–	(808)	–	–	–	–	70,801	28,466	42,335
– Footpaths	2,983	1,174	1,809	5	176	–	–	(35)	–	–	–	–	3,166	1,211	1,955
– Bulk earthworks (non-depreciable)	131,494	–	131,494	–	–	–	–	–	–	–	–	–	131,494	–	131,494
– Stormwater drainage	9,114	4,499	4,615	–	–	–	–	(113)	–	–	–	–	9,114	4,612	4,502
– Water supply network	44,140	27,793	16,347	691	2	–	–	(552)	–	–	–	(2,040)	45,603	31,155	14,448
– Sewerage network	34,250	11,424	22,826	163	29	–	–	(783)	–	–	–	(743)	31,607	10,115	21,492
– Swimming pools	1,164	217	947	–	–	–	–	(19)	–	–	–	–	1,164	236	928
– Other open space/recreational assets	2,036	344	1,692	–	–	–	–	(59)	–	–	–	–	2,036	403	1,633
Other assets:															
– Library books	849	699	150	2	27	–	–	(33)	–	–	–	–	878	732	146
Reinstatement, rehabilitation and restoration assets (refer Note 26):															
– Tip assets	902	686	216	–	–	–	–	(53)	–	–	(34)	–	869	740	129
– Quarry assets	167	98	69	–	–	–	–	(14)	–	–	(12)	–	155	112	43
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	501,481	149,276	352,205	9,975	859	1,434	(2,065)	(6,145)	(6,903)	6	(46)	(2,783)	507,723	161,186	346,537

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 2017

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

\$ '000	Actual 2017			Actual 2016		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
Plant and equipment	262	234	28	262	230	32
– Operational land	256	–	256	256	–	256
Infrastructure	46,569	30,559	16,010	44,140	27,793	16,347
Total water supply	47,087	30,793	16,294	44,658	28,023	16,635
Sewerage services						
Plant and equipment	142	131	11	142	131	11
Land						
– Operational land	94	–	94	94	–	94
Infrastructure	31,607	10,113	21,494	34,250	11,424	22,826
Total sewerage services	31,843	10,244	21,599	34,486	11,555	22,931
Domestic waste management						
Plant and equipment	617	285	332	589	267	322
Land						
– Operational land	100	–	100	100	–	100
– Improvements – depreciable	835	204	631	832	176	656
Buildings	178	98	80	178	94	84
Other structures	230	50	180	157	37	120
Remediation assets - tips	695	561	134	722	550	172
Total DWM	2,655	1,198	1,457	2,578	1,124	1,454
Stormwater management						
Stormwater drainage	9,114	4,611	4,503	9,114	4,499	4,615
Total other restrictions	9,114	4,611	4,503	9,114	4,499	4,615
TOTAL RESTRICTED I,PP&E	90,699	46,846	43,853	90,836	45,201	45,635

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

\$ '000	Notes	Actual 2017	Actual 2016
(i) Impairment losses recognised direct to equity (ARR):			
During March 2017, Council roads were impaired by a flood event		(6,903)	–
Total impairment losses		(6,903)	–
(ii) Reversals of impairment losses previously recognised direct to equity (ARR):			
Impairment write off		6	–
Total impairment reversals		6	–
IMPAIRMENT OF ASSETS – DIRECT to EQUITY (ARR)	20 (ii)	(6,897)	–

Refer to Note 9(a) for Impairment Restoration Works totalling \$1.4M undertaken this year relating to current year or prior year Impairments.

Tenterfield Shire Council

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

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
Payables					
Goods and services		1,277	–	545	–
Accrued expenses:					
– Borrowings		35	–	38	–
– Salaries and wages		299	–	200	–
Security bonds, deposits and retentions		98	–	70	–
Total payables		1,709	–	853	–
Income received in advance					
Payments received in advance		186	–	186	–
Total income received in advance		186	–	186	–
Borrowings					
Loans – secured ¹		448	4,147	494	4,595
Total borrowings		448	4,147	494	4,595
Provisions					
Employee benefits:					
Annual leave		670	–	701	–
Long service leave		1,249	117	1,235	46
Sub-total – aggregate employee benefits		1,919	117	1,936	46
Asset remediation/restoration (future works)	26	114	1,088	–	1,236
Total provisions		2,033	1,205	1,936	1,282
TOTAL PAYABLES, BORROWINGS AND PROVISIONS					
		4,376	5,352	3,469	5,877

(i) Liabilities relating to restricted assets

	2017		2016	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Water	104	304	99	314
Sewer	116	2,003	101	2,071
Domestic waste management	204	1,267	107	1,489
Other	–	–	2	–
Liabilities relating to externally restricted assets	424	3,574	309	3,874
Total liabilities relating to restricted assets	424	3,574	309	3,874
Total liabilities relating to unrestricted assets	3,952	1,778	3,160	2,003
TOTAL PAYABLES, BORROWINGS AND PROVISIONS	4,376	5,352	3,469	5,877

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 2017

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

	Actual 2017	Actual 2016
\$ '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	1,506	1,404
Other payables	10	10
	1,516	1,414

Note 10b. Description of and movements in provisions

Class of provision	2016	2017				
	Opening balance as at 1/7/16	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	Closing balance as at 30/6/17
Annual leave	701	363	(394)	–	–	670
Long service leave	1,281	113	(28)	–	–	1,366
Asset remediation	1,236	(45)	–	11	–	1,202
TOTAL	3,218	431	(422)	11	–	3,238

- 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.

Tenterfield Shire Council

Notes to the Financial Statement

for the year ended 30 June 2017

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2017	Actual 2016
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	13,820	12,245
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		13,820	12,245
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		7,419	3,493
Adjust for non-cash items:			
Depreciation and amortisation		5,944	5,805
Net losses/(gains) on disposal of assets		228	411
Non-cash capital grants and contributions		–	(350)
– Write offs relating to the fair valuation of I,PP&E		–	64
– Other		–	(21)
Amortisation of premiums, discounts and prior period fair valuations			
Unwinding of discount rates on reinstatement provisions		(34)	53
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(2,292)	(220)
Increase/(decrease) in provision for doubtful debts		37	(4)
Decrease/(increase) in inventories		(52)	6
Increase/(decrease) in payables		732	(856)
Increase/(decrease) in accrued interest payable		(3)	(2)
Increase/(decrease) in other accrued expenses payable		99	34
Increase/(decrease) in other liabilities		28	8
Increase/(decrease) in employee leave entitlements		54	–
Increase/(decrease) in other provisions		–	(25)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		12,160	8,396
(c) Non-cash investing and financing activities			
Bridge construction		–	350
Total non-cash investing and financing activities		–	350
(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 2017

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2017	Actual 2016
(a) Capital commitments (exclusive of GST)			
Property, plant and equipment			
Plant and equipment		149	569
Water Supply		—	5,761
Waste Management		—	170
Roads		173	1,709
Total commitments		322	8,209
These expenditures are payable as follows:			
Within the next year		322	7,751
Later than one year and not later than 5 years		—	458
Total payable		322	8,209
Sources for funding of capital commitments:			
Future grants and contributions		173	4,400
Unexpended grants		—	142
Externally restricted reserves		—	486
Internally restricted reserves		149	569
New loans (to be raised)		—	2,612
Total sources of funding		322	8,209
Details of capital commitments			
Purchase of a New Backhoe and survey and design works for Mount Lindsey Road upgrade			

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 12. Commitments for expenditure (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(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		24	29
Later than one year and not later than 5 years		3	27
Total non-cancellable operating lease commitments		27	56
b. Non-cancellable operating leases include the following assets:			
Photocopiers at the Shire Office and Library all under 48 month leases.			
Digital Scanner in Shire office under a 60 month lease.			
Contingent Rentals may be payable depending on the condition of the 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		1	2
Total commitments		1	2
These expenditures are payable as follows:			
Within the next year		1	1
Later than one year and not later than 5 years		–	1
Total payable		1	2

Tenterfield Shire Council

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

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

\$ '000	Amounts 2017	Indicator 2017	Prior periods 2016	Prior periods 2015	Benchmark
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	3,395	15.71%	9.75%	2.71%	>0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	21,608				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	11,710	45.28%	51.43%	48.21%	>60.00%
Total continuing operating revenue ⁽¹⁾	25,860				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	10,881	4.41x	4.67x	3.06x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	2,468				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	9,667	11.76x	8.90x	7.64x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	822				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	582	6.75%	5.96%	6.85%	<10% Rural
Rates, annual and extra charges collectible	8,619				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	13,820	12.58 mths	10.8 mths	12.7 mths	> 3 mths
Payments from cash flow of operating and financing activities	1,099				

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 2017

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

<p>1. Operating performance ratio</p> <p>Benchmark: — Minimum $\geq 0.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #25</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 2016/17 result</p> <p>2016/17 ratio 15.71%</p> <p>The average for Large Rural Councils in New South Wales is 6.0 % (2015/16 data). The benchmark is greater than 0%.</p>
<p>2. Own source operating revenue ratio</p> <p>Benchmark: — Minimum $\geq 60.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #25</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 2016/17 result</p> <p>2016/17 ratio 45.28%</p> <p>The average for Large Rural Councils in New South Wales is 54.40 % (2015/16 data). The benchmark is greater than 60%.</p>
<p>3. Unrestricted current ratio</p> <p>Benchmark: — Minimum ≥ 1.50 Source for benchmark: Code of Accounting Practice and Financial Reporting #25</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 2016/17 result</p> <p>2016/17 ratio 4.41x</p> <p>The average for Large Rural Councils in New South Wales is 5.1X (2015/16 data). The benchmark is greater than 1.5x.</p>

Tenterfield Shire Council

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

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>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><tr><td>2017</td><td>11.8</td></tr></table><div>Benchmark: <div></div> Minimum ≥ 2.00</div><div>Source for benchmark: Code of Accounting Practice and Financial Reporting #25</div></div></div> <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 2016/17 result</div><div><div>2016/17 ratio11.76x</div><div>The average for Large Rural Councils in New South Wales is 13.0x (2015/16 data). The benchmark is greater than 2.0x..</div></div></div>	Year	Ratio (x)	2014	3.9	2015	7.6	2016	8.9	2017	11.8
Year	Ratio (x)									
2014	3.9									
2015	7.6									
2016	8.9									
2017	11.8									
<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>2014</td><td>8%</td></tr><tr><td>2015</td><td>7%</td></tr><tr><td>2016</td><td>6%</td></tr><tr><td>2017</td><td>7%</td></tr></table><div>Benchmark: <div></div> Maximum $< 10.00\%$</div><div>Source for Benchmark: Code of Accounting Practice and Financial Reporting #25</div></div></div> <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 2016/17 result</div><div><div>2016/17 ratio6.75%</div><div>The average for Large Rural Councils in New South Wales is 6.3 % (2015/16 data). The benchmark for rural Councils is less than 10%.</div></div></div>	Year	Ratio %	2014	8%	2015	7%	2016	6%	2017	7%
Year	Ratio %									
2014	8%									
2015	7%									
2016	6%									
2017	7%									
<div><div>6. Cash expense cover ratio</div><div><table><tr><th>Year</th><th>Ratio (mths)</th></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><tr><td>2017</td><td>12.6</td></tr></table><div>Benchmark: <div></div> Minimum ≥ 3.00</div><div>Source for benchmark: Code of Accounting Practice and Financial Reporting #25</div></div></div> <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 2016/17 result</div><div><div>2016/17 ratio12.58 mths</div><div>The average for Large Rural Councils in New South Wales is 11.4 months (2015/16 data). The benchmark is greater than 3 months</div></div></div>	Year	Ratio (mths)	2014	9.4	2015	12.7	2016	10.8	2017	12.6
Year	Ratio (mths)									
2014	9.4									
2015	12.7									
2016	10.8									
2017	12.6									

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2017	2016	2017	2016	2017	2016	
Local government industry indicators – by fund							
1. Operating performance ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
less operating expenses							
<hr/>							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	17.69%	11.37%	8.80%	7.69%	4.66%	-2.12%	>0.00%
2. Own source operating revenue ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
<hr/>							
Total continuing operating revenue ⁽¹⁾	39.60%	43.37%	47.79%	75.98%	97.84%	97.95%	>60.00%
3. Unrestricted current ratio							
Current assets less all external restrictions ⁽²⁾							
<hr/>							
Current liabilities less specific purpose liabilities ^(3, 4)	4.41x	4.67x	23.61x	21.35x	17.85x	14.14x	>1.5x

Notes

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

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

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2017	2016	2017	2016	2017	2016	
Local government industry indicators – by fund (continued)							
4. Debt service cover ratio							
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	13.98x	10.01x	25.69x	22.97x	4.54x	3.88x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	6.90%	5.93%	6.77%	5.92%	6.24%	6.10%	<10% Rural
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	10.82	10.41	1.00	12.03	948.50	12.86	> 3 months
Payments from cash flow of operating and financing activities	months	months	months	months	months	months	

Notes

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

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

Tenterfield Shire Council

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

Note 14. Investment properties

\$ '000	Notes	Actual 2017	Actual 2016
(a) Investment properties at fair value			
<u>Investment properties on hand</u>		<u>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 2017 valuations were based on independent assessments made by:
Jonathon Lea AAPI, Certified Practicing Valuer - Registered Valuer NO 6777. Valuation date 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 – Council as lessor

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	18	33
Later than 1 year but less than 5 years	–	17
Total minimum lease payments receivable	18	50

(e) Investment property income and expenditure – summary

Rental income from investment properties:		
– Minimum lease payments	37	32
Direct operating expenses on investment properties:		
– that generated rental income	(5)	(49)
Net revenue contribution from investment properties	32	(17)
Total income attributable to investment properties	32	(17)

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 2017

Note 15. Financial risk management

\$ '000

Risk management

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

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

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

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

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

	Carrying value		Fair value	
	2017	2016	2017	2016
Financial assets				
Cash and cash equivalents	13,820	12,245	13,820	12,245
Receivables	4,540	2,287	4,540	2,486
Total financial assets	18,360	14,532	18,360	14,731
Financial liabilities				
Payables	1,709	853	1,709	853
Loans/advances	4,595	5,089	4,595	5,089
Total financial liabilities	6,304	5,942	6,304	5,942

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 2017

Note 15. Financial risk management (continued)

\$ '000

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

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

The risks associated with the investments held are:

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

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

(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
2017				
Possible impact of a 1% movement in interest rates	138	138	(138)	(138)
2016				
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 2017

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

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

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

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

		2017 Rates and annual charges	2017 Other receivables	2016 Rates and annual charges	2016 Other receivables
(i) Ageing of receivables – %					
Current (not yet overdue)		0%	94%	0%	93%
Overdue		100%	6%	100%	7%
		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	–	4,001	–	1,762
< 1 year overdue	0 – 30 days overdue	282	21	105	–
1 – 2 years overdue	31 – 60 days overdue	84	32	61	11
2 – 5 years overdue	61 – 90 days overdue	63	10	187	10
> 5 years overdue	> 91 days overdue	25	77	42	127
		454	4,141	395	1,910
(iii) Movement in provision for impairment of receivables				2017	2016
Balance at the beginning of the year				18	22
+ new provisions recognised during the year				37	3
– amounts already provided for and written off this year				–	(7)
Balance at the end of the year				55	18

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2017									
Trade/other payables	98	1,611	–	–	–	–	–	1,709	1,709
Loans and advances	–	448	477	506	365	386	2,413	4,595	4,595
Total financial liabilities	98	2,059	477	506	365	386	2,413	6,304	6,304
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

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

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

	2017		2016	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	1,709	0.00%	853	0.00%
Loans and advances – fixed interest rate	4,595	5.56%	5,089	5.53%
	<u>6,304</u>		<u>5,942</u>	

Tenterfield Shire Council

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

Note 16. Material budget variations

\$ '000

Council's original financial budget for 16/17 was adopted by the Council on 29 June 2016.

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

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

Note that for variations* of budget to actual :

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

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

\$ '000	2017 Budget	2017 Actual	2017 Variance* -----		
REVENUES					
Rates and annual charges	8,009	8,078	69	1%	F
User charges and fees	2,508	2,534	26	1%	F
Interest and investment revenue	334	357	23	7%	F
Other revenues	384	741	357	93%	F
The higher than budgeted income is mainly due to the receipt of \$399,000 as part of the settlement of outstanding investments funds.					
Operating grants and contributions	8,965	9,898	933	10%	F
The higher than forecast income for operating grants and contributions is mainly due to the early receipt of \$2.2 million of Federal Assistance Grants that relate to the 2017/18 financial year. This was offset by \$1.2 million of unbudgeted grant income during the year.					
Capital grants and contributions	4,441	4,252	(189)	(4%)	U
Net gains from disposal of assets	–	–	–	0%	F

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 16. Material budget variations (continued)

\$ '000	2017 Budget	2017 Actual	2017 Variance*	
EXPENSES				
Employee benefits and on-costs	6,419	6,611	(192)	(3%) U
Borrowing costs	436	328	108	25% F
Council originally intended to take out a loan for \$3.45 million to finance the upgrade of the Tenterfield Dam Wall, however this loan was deferred due to delays in this project. This resulted in no interest charges on this loan.				
Materials and contracts	4,429	3,702	727	16% F
The variation is mainly due to a number of works in water, waste and domestic waste management being delayed due to resourcing issues during the year. The capitalisation of impairment works also contributed to the lower than forecast operational costs.				
Depreciation and amortisation	6,256	5,944	312	5% F
Other expenses	1,764	1,628	136	8% F
Net losses from disposal of assets	136	228	(92)	(68%) U
The changeover costs of Council plant was higher than forecast for the 2016/17 financial year.				

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

Cash flows from operating activities	11,671	12,160	489	4.2% F
Cash flows from investing activities	(15,124)	(10,091)	5,033	(33.3%) F
The lower than forecast investment activities is mainly due to delays in the construction of the upgrades to the Tenterfield Dam Wall of \$3.3 Million dollars. In addition, a number of roads projects were delayed due to resources being redirected to repairing storm damaged roads resulting from the March 2017 storm event.				
Cash flows from financing activities	2,908	(494)	(3,402)	(117.0%) U
Council originally intended to take out a loan for \$3.45 million to finance the upgrade of the Tenterfield Dam Wall, however this loan was deferred due to delays in this project.				

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	1	1	–	–	–	–	2	–
Roads	304	99	–	1	–	–	404	–
Parking	4	–	–	–	–	–	4	–
Open space	1	–	–	–	–	–	1	–
Community facilities	23	3	–	–	–	–	26	–
Emergency services	9	7	–	–	–	–	16	–
Waste management	15	13	–	–	–	–	28	–
Other	4	4	–	–	–	–	8	–
S94 contributions – under a plan	361	127	–	1	–	–	489	–
S94A levies – under a plan	–	1	–	–	–	–	1	–
Total S94 revenue under plans	361	128	–	1	–	–	490	–
S64 contributions	–	29	–	–	(29)	–	–	–
Total contributions	361	157	–	1	(29)	–	490	–

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN 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	195	–	–	–	–	–	195	–
Parking	4	–	–	–	–	–	4	–
Community facilities	19	–	–	–	–	–	19	–
Total	218	–	–	–	–	–	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	–	–	–	–	2	–
Roads	109	99	–	1	–	–	209	–
Open space	1	–	–	–	–	–	1	–
Community facilities	4	3	–	–	–	–	7	–
Emergency services	9	7	–	–	–	–	16	–
Waste management	15	13	–	–	–	–	28	–
Other	4	4	–	–	–	–	8	–
Total	143	127	–	1	–	–	271	–

S94A LEVIES – UNDER A PLAN

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					
Roads	–	1	–	–	–	–	1	–
Total	–	1	–	–	–	–	1	–

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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

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 2017

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other liabilities

(i) Third party claims

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

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

(ii) S94 plans

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

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

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

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

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

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

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

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

ASSETS NOT RECOGNISED:

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000

Environmental Protection Agency (EPA) Prosecution

Council in September 2016 had a failure within its sewerage network which resulted in a sewer leak. The Council is currently being taken to Court over the matter. Council's insurers have covered any costs, however Council expects to incur an excess of \$5,000.

The EPA may require Council to undertake further works on its sewerage system which Council officers estimate may cost up to \$100,000.

Contractual Dispute

Council is currently involved in a contractual dispute with one of its contractors. Currently the contractor is claiming \$1.2 million in damages. Council are confident that no further costs in relation to this contract will be incurred. Council believes the contractual entitlement to be considerably less than the \$1.2 million claimed.

Local Government Superannuation Scheme

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

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

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

The last valuation of the scheme was performed by Mr Richard Boyfield, FIAA on 02/12/16 the period ended 30/06/16.

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

Local Government Superannuation Scheme (continued)

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

The amount of employer contributions of the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2017 was \$174,172.

The amount of additional contributions included in the total employer contribution advised above is

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$198,000 as at 30 June 2017.

The expected employer contributions to the scheme for the year ended 30 June 2018 will be \$166,061 for 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.

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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 2017

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	2017	2017
		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>	(13)	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 \$26,596 in 2016/17.

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		119,867	114,411
a. Correction of prior period errors	20 (c)	–	2,293
b. Net operating result for the year		7,419	3,493
c. Other changes		–	(330)
Balance at end of the reporting period		127,286	119,867

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

– Infrastructure, property, plant and equipment revaluation reserve	229,054	238,734
Total	229,054	238,734

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

– Opening balance	238,734	243,006
– Revaluations for the year	9(a) (2,783)	(901)
– (Impairment of revalued assets)/impairment reversals	9(a),(c) (6,897)	(1,440)
– Correction of prior period errors	20(c) –	(58)
– Other movements (Write off of overstated impairment)	–	(1,873)
– Balance at end of year	229,054	238,734

TOTAL VALUE OF RESERVES

229,054	238,734
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(iii) Nature and purpose of reserves**Infrastructure, property, plant and equipment revaluation reserve**

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

(c) Correction of error/s relating to a previous reporting period

Council made no correction of errors during the current reporting period.

(d) Voluntary changes in accounting policies

Council made no voluntary changes in any accounting policies during the year.

Tenterfield Shire Council

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

Note 21. Financial result and financial position by fund

Income Statement by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
Continuing operations	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	812	1,762	5,504
User charges and fees	966	127	1,441
Interest and investment revenue	26	40	291
Other revenues	10	18	713
Grants and contributions provided for operating purposes	106	26	9,766
Grants and contributions provided for capital purposes	1,876	17	2,359
Total income from continuing operations	3,796	1,990	20,074
Expenses from continuing operations			
Employee benefits and on-costs	581	459	5,571
Borrowing costs	21	165	142
Materials and contracts	350	279	3,073
Depreciation and amortisation	556	783	4,605
Other expenses	243	195	1,190
Net losses from the disposal of assets	—	—	228
Total expenses from continuing operations	1,751	1,881	14,809
Operating result from continuing operations	2,045	109	5,265
Net operating result for the year	2,045	109	5,265
Net operating result attributable to each council fund	2,045	109	5,265
Net operating result for the year before grants and contributions provided for capital purposes	169	92	2,906

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 2017

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

Statement of Financial Position by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	–	1,896	11,956
Investments	–	–	–
Receivables	2,455	177	1,908
Inventories	–	–	667
Other	–	–	–
Non-current assets classified as 'held for sale'	–	–	–
Total current assets	2,455	2,073	14,531
Non-current assets			
Infrastructure, property, plant and equipment	16,294	21,599	308,644
Investment property	–	–	280
Intangible assets	–	–	224
Total non-current assets	16,294	21,599	309,148
TOTAL ASSETS	18,749	23,672	323,679
LIABILITIES			
Current liabilities			
Bank Overdraft	32	–	–
Payables	62	49	1,598
Income received in advance	–	–	186
Borrowings	10	68	370
Provisions	–	–	2,033
Total current liabilities	104	117	4,187
Non-current liabilities			
Borrowings	304	2,003	1,840
Provisions	–	–	1,205
Total non-current liabilities	304	2,003	3,045
TOTAL LIABILITIES	408	2,120	7,232
Net assets	18,341	21,552	316,447
EQUITY			
Retained earnings	7,659	9,678	109,949
Revaluation reserves	10,682	11,874	206,498
Council equity interest	18,341	21,552	316,447
Total equity	18,341	21,552	316,447

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 2017

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

\$ '000

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

Note 23. Events occurring after the reporting date

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

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

Accordingly, the 'authorised for issue' date is 15/11/17.

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

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

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

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

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

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 2017

Note 25. Intangible assets

	Actual 2017	Actual 2016
\$ '000		
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
Opening values:		
Gross book value (1/7)	323	374
Accumulated amortisation (1/7)	(71)	(93)
Net book value – opening balance	252	281
Movements for the year		
– Amortisation charges	(28)	(29)
Closing values:		
Gross book value (30/6)	323	323
Accumulated amortisation (30/6)	(99)	(71)
Accumulated impairment (30/6)	–	–
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u> ¹	<u>224</u>	<u>252</u>

¹ The net book value of intangible assets represent:

– Software	224	252
	224	252

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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	
		2017	2016
Tips	2017-2023	976	1,003
Quarries	2021	226	233
Balance at end of the reporting period	10(a)	<u>1,202</u>	<u>1,236</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 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	1,236	1,208
Amounts capitalised to new or existing assets:		
Effect of a change in discount rates used in PV calculations	(45)	34
Amounts reversed following remediation	–	(25)
Amortisation of discount (expensed to borrowing costs)	11	19
Total – reinstatement, rehabilitation and restoration provision	<u>1,202</u>	<u>1,236</u>

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement

\$ '000

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

- Infrastructure, property, plant and equipment
- Investment property

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

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

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

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

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

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

Fair value measurements		Fair value measurement hierarchy			Total
2017	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 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					
Work in Progress	30/06/17	—	—	1,562	1,562
'Plant and equipment	30/06/16	—	—	6,648	6,648
Office equipment	30/06/16	—	—	122	122
Furniture and fittings	30/06/16	—	—	32	32
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	—	—	807	807
Buildings - non specialised	30/06/13	—	—	5,994	5,994
Buildings - specialised	30/06/13	—	—	7,173	7,173
Other structures	30/06/16	—	—	2,317	2,317
Roads	30/06/15	—	—	98,515	98,516
Bulk earthworks	30/06/15	—	—	131,494	131,494
Footpaths	30/06/15	—	—	1,955	1,955
Bridges	30/06/15	—	—	42,335	42,335
Stormwater assets	30/06/15	—	—	4,502	4,502
Water supply assets	30/06/17	—	—	14,448	14,448
Sewerage network	30/06/17	—	—	21,492	21,492
Swimming pools	30/06/16	—	—	928	928
Open space and recreation	30/06/16	—	—	1,633	1,633
Library books	30/06/16	—	—	146	146
Tip assets	30/06/16	—	—	129	129
Quarry assets	30/06/16	—	—	43	43
Total infrastructure, property, plant and equipment		—	—	346,536	346,537

Tenterfield Shire Council

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

Note 27. Fair value measurement (continued)

\$ '000

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

		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

(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 2017

Note 27. Fair value measurement (continued)

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

Where Council is unable to derive fair valuations using quoted market prices of identical assets (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 Value - General. Community Land was valued at as 30 June 2016. There has been no change to the valuation process during the reporting period.

Operational Land

The valuation of Operational Land has been based upon relevant sales in the area. In certain locations there was a lack of appropriate comparable sales evidence and in these instances the closest comparable sales and factors relating the land parcels geographic, land use and zoning were also taken into consideration. The last valuation was undertaken at 30 June 2013 by AssetVal, Paul Ellis, Certified Practising Valuer, Register Valuer NSW VAL6842. 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 2017

Note 27. Fair value measurement (continued)

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.

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. There has been no change to the valuation process during the reporting period.

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

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

extensive professional judgement and rely on the experience of the valuer. The unobservable inputs place this class of asset at Level 3. There has been no change to the valuation process during the reporting period.

Open Space & Recreation

This asset class comprises of lighting, benches, bbq's, seating and any other asset relating to open spaces and recreation that where in the Other Structures class of asset. These assets were valued as part of the Other Structures valuation. The market value approach was utilised on a number of assets where there was sufficient market evidence. For some assets the valuation was based upon the depreciated replacement cost approach and unobservable inputs such as estimated patterns of consumption, residual value, asset condition and useful life require extensive professional judgement and rely on the experience of the valuer. The unobservable inputs place this class of asset at Level 3. The last valuation was undertaken on 30 June 2016 by APV Valuers and Asset Management, Mr Lachlan Black, Registered Valuer. There has been no change to the valuation process during the reporting period.

Water System Assets

This class of assets includes water mains & reticulation, reservoirs, pumping stations and treatment works. 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 2017 by, AssetVal, 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.

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 2017 by, AssetVal, 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.

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

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

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, and 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 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Plant and equipment	Office equipment	Furniture and fittings	Operational land	Community land	Land under roads	Land improve'ts	Buildings non specialised	Total
Opening balance – 1/7/15	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
Purchases (GBV)	2,634	32	–	–	–	–	4	20	2,690
Disposals (WDV)	(2,065)	–	–	–	–	–	–	–	(2,065)
Depreciation and impairment	(527)	(8)	(13)	–	–	–	(36)	(317)	(901)
Closing balance – 30/6/17	6,648	122	32	3,023	1,228	10	807	5,994	17,864

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Buildings specialised	Other structures	Roads	Bridges	Footpaths	Bulk earthworks	Stormwater	Water	Total
Opening balance – 1/7/15	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
Purchases (GBV)	3	216	4,697	571	181	–	–	693	6,361
Depreciation and impairment	(394)	(104)	(7,731)	(807)	(35)	–	(113)	(552)	(9,736)
Asset Revaluation Reserve	–	–	–	–	–	–	–	(2,040)	(2,040)
Closing balance – 30/6/17	7,181	2,317	98,517	42,336	1,955	131,494	4,502	14,448	302,750

Tenterfield Shire Council

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

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Sewer	Swimming pools	Open space and recreation	Library books	Tip assets	Quarry assets	Investment property	Total
Opening balance – 1/7/15	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
Purchases (GBV)	192	–	–	29	–	–	–	221
Depreciation and impairment	(783)	(18)	(59)	(33)	(53)	(14)	–	(960)
Asset Revaluation Reserve	(743)	–	–	–	–	–	–	(743)
Adjustments & Transfers	–	–	–	–	(34)	(12)	–	(46)
Closing balance – 30/6/17	21,492	929	1,633	146	129	43	280	24,652

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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, AASB116, 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 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 2017

Note 28. Related party disclosures

\$ '000

a. Key management personnel

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

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

	Actual
Compensation:	2017
Short-term benefits	2,395
Post-employment benefits	255
Termination benefits	50
Total	2,700

Tenterfield Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 28. Related party disclosures (continued)

\$ '000

b. Other transactions with KMP and their related parties

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

Nature of the transaction		Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
	Note	\$'000	\$'000		\$'000	\$'000
Purchases Tenterfield Timber and Hardware	1	15	—	Normal Commerical Terms and Conditions	—	—

1 Councils Works Manager's partner is employed at Tenterfield Timber and Hardware

Tenterfield Shire Council

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

Note 29. Council information and contact details

Principal place of business:

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

Terry Dodds

RESPONSIBLE ACCOUNTING OFFICER

Andrew Wright

PUBLIC OFFICER

Kylie Smith

AUDITORS

NSW Auditor General
15/1 Margaret St
Sydney NSW 2000

Elected members
MAYOR

Peter Petty

COUNCILLORS

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

Other information

ABN: 85 010 810 083



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Tenterfield Shire Council

To the Councillors of the Tenterfield Shire Council

Opinion

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

In my opinion,

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Matter

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on those financial statements on 25 October 2016.

The Councillors' Responsibility for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

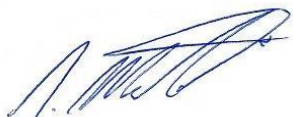
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

My opinion does *not* provide assurance:

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

A handwritten signature in blue ink, appearing to read 'S. Martin', with a stylized flourish at the end.

Steven Martin
Assistant Auditor-General, Financial Audit Services

28 November 2017
SYDNEY