



# **Appendix 3**

*Audited Financial Statements for 2017/2018*

# Tenterfield Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2018

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**"Birthplace of Our Nation"**



# Tenterfield Shire Council

## General Purpose Financial Statements for the year ended 30 June 2018

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### Overview

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

247 Rouse Street  
Tenterfield NSW 2372

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

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

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

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

## Tenterfield Shire Council

### General Purpose Financial Statements for the year ended 30 June 2018

#### Understanding Council's financial statements

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##### 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 2018.

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 NSW Audit Office. 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 2018

### Statement by Councillors and Management

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

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

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

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

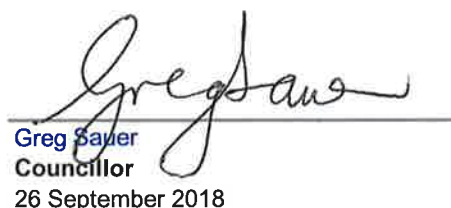
- present fairly the Council's operating result and financial position for the year,
- accord with Council's accounting and other records.

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

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



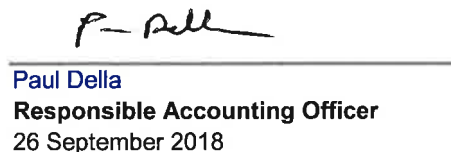
Peter Petty  
Mayor  
26 September 2018



Greg Sawyer  
Councillor  
26 September 2018



Terry Dodds  
General Manager  
26 September 2018



Paul Della  
Responsible Accounting Officer  
26 September 2018

## Tenterfield Shire Council

## Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
<b>Income from continuing operations</b>				
<b>Revenue:</b>				
8,761	Rates and annual charges	3a	8,829	8,078
2,846	User charges and fees	3b	2,589	2,534
311	Interest and investment revenue	3c	424	357
308	Other revenues	3d	2,422	741
7,997	Grants and contributions provided for operating purposes	3e,f	7,538	9,898
9,679	Grants and contributions provided for capital purposes	3e,f	5,178	4,252
<b>Other income:</b>				
–	Fair value increment on investment property	10	20	–
29,902	<b>Total income from continuing operations</b>		<b>27,000</b>	<b>25,860</b>
<b>Expenses from continuing operations</b>				
6,346	Employee benefits and on-costs	4a	6,604	6,611
404	Borrowing costs	4b	323	328
3,373	Materials and contracts	4c	4,492	3,702
6,404	Depreciation and amortisation	4d	6,008	5,944
1,617	Other expenses	4e	1,583	1,628
263	Net losses from the disposal of assets	5	338	228
–	Revaluation decrement / impairment of IPP&E	4d	357	–
18,407	<b>Total expenses from continuing operations</b>		<b>19,705</b>	<b>18,441</b>
11,495	<b>Operating result from continuing operations</b>		<b>7,295</b>	<b>7,419</b>
11,495	<b>Net operating result for the year</b>		<b>7,295</b>	<b>7,419</b>
11,495	Net operating result attributable to Council		7,295	7,419
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>				
1,816			<b>2,117</b>	<b>3,167</b>

## Tenterfield Shire Council

Statement of Comprehensive Income  
for the year ended 30 June 2018

\$ '000	Notes	2018	2017
<b>Net operating result for the year</b> (as per Income Statement)		<b>7,295</b>	<b>7,419</b>
<b>Other comprehensive income:</b>			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9a	16,072	(2,783)
Impairment (loss) reversal relating to IPP&E	9a	2,649	(6,897)
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>18,721</b>	<b>(9,680)</b>
<b>Total other comprehensive income for the year</b>		<b>18,721</b>	<b>(9,680)</b>
<b>Total comprehensive income for the year</b>		<b>26,016</b>	<b>(2,261)</b>
Total comprehensive income attributable to Council		26,016	(2,261)

## Tenterfield Shire Council

Statement of Financial Position  
as at 30 June 2018

\$ '000	Notes	2018	2017
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	17,002	13,820
Investments	6b	2,000	–
Receivables	7	1,858	4,540
Inventories	8	647	667
<b>Total current assets</b>		<b>21,507</b>	<b>19,027</b>
<b>Non-current assets</b>			
Infrastructure, property, plant and equipment	9	374,894	346,537
Investment property	10	300	280
Intangible assets	11	285	224
<b>Total non-current assets</b>		<b>375,479</b>	<b>347,041</b>
<b>TOTAL ASSETS</b>		<b>396,986</b>	<b>366,068</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	12	2,238	1,709
Income received in advance	12	–	186
Borrowings	12	593	448
Provisions	13	1,743	2,033
<b>Total current liabilities</b>		<b>4,574</b>	<b>4,376</b>
<b>Non-current liabilities</b>			
Borrowings	12	7,004	4,147
Provisions	13	3,052	1,205
<b>Total non-current liabilities</b>		<b>10,056</b>	<b>5,352</b>
<b>TOTAL LIABILITIES</b>		<b>14,630</b>	<b>9,728</b>
<b>Net assets</b>		<b>382,356</b>	<b>356,340</b>
<b>EQUITY</b>			
Accumulated surplus	14	134,581	127,286
Revaluation reserves	14	247,775	229,054
Council equity interest		382,356	356,340
<b>Total equity</b>		<b>382,356</b>	<b>356,340</b>



## Tenterfield Shire Council

## Statement of Changes in Equity

for the year ended 30 June 2018

\$ '000	Notes	2018			2017		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
<b>Opening balance</b>		127,286	229,054	<b>356,340</b>	119,867	238,734	<b>358,601</b>
<b>Net operating result for the year</b>		<b>7,295</b>	–	<b>7,295</b>	<b>7,419</b>	–	<b>7,419</b>
<b>Other comprehensive income</b>							
– Gain (loss) on revaluation of IPP&E	9a	–	16,072	<b>16,072</b>	–	(2,783)	<b>(2,783)</b>
– Impairment (loss) reversal relating to IPP&E	9a	–	2,649	<b>2,649</b>	–	(6,897)	<b>(6,897)</b>
<b>Other comprehensive income</b>		<b>–</b>	<b>18,721</b>	<b>18,721</b>	<b>–</b>	<b>(9,680)</b>	<b>(9,680)</b>
<b>Total comprehensive income</b>		<b>7,295</b>	<b>18,721</b>	<b>26,016</b>	<b>7,419</b>	<b>(9,680)</b>	<b>(2,261)</b>
<b>Equity – balance at end of the reporting period</b>		<b>134,581</b>	<b>247,775</b>	<b>382,356</b>	<b>127,286</b>	<b>229,054</b>	<b>356,340</b>

## Tenterfield Shire Council

Statement of Cash Flows  
for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
8,736	Rates and annual charges		8,735	8,019
2,779	User charges and fees		2,462	2,440
304	Investment and interest revenue received		414	320
17,505	Grants and contributions		15,237	12,685
42	Bonds, deposits and retention amounts received		14	28
304	Other		914	1,362
<b>Payments:</b>				
(6,303)	Employee benefits and on-costs		(7,013)	(6,458)
(3,510)	Materials and contracts		(4,155)	(3,902)
(389)	Borrowing costs		(289)	(365)
(42)	Bonds, deposits and retention amounts refunded		–	–
(1,822)	Other		(1,626)	(1,969)
<b>17,604</b>	<b>Net cash provided (or used in) operating activities</b>	15b	<b>14,693</b>	<b>12,160</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
46	Sale of real estate assets		60	95
2,123	Sale of infrastructure, property, plant and equipment		1,939	1,805
2	Deferred debtors receipts		2	2
<b>Payments:</b>				
–	Purchase of investment securities		(2,000)	–
(22,890)	Purchase of infrastructure, property, plant and equipment		(14,424)	(11,993)
(90)	Purchase of intangible assets		(90)	–
<b>(20,809)</b>	<b>Net cash provided (or used in) investing activities</b>		<b>(14,513)</b>	<b>(10,091)</b>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
2,953	Proceeds from borrowings and advances		3,450	–
<b>Payments:</b>				
–	Repayment of borrowings and advances		(448)	(494)
<b>2,953</b>	<b>Net cash flow provided (used in) financing activities</b>		<b>3,002</b>	<b>(494)</b>
<b>(252)</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>3,182</b>	<b>1,575</b>
10,064	Plus: cash and cash equivalents – beginning of year	15a	13,820	12,245
<b>9,812</b>	<b>Cash and cash equivalents – end of the year</b>	15a	<b>17,002</b>	<b>13,820</b>
Additional Information:				
	plus: Investments on hand – end of year	6b	2,000	–
	<b>Total cash, cash equivalents and investments</b>		<b>19,002</b>	<b>13,820</b>

# Tenterfield Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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## Tenterfield Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 1. Basis of preparation

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These financial statements were authorised for issue by Council on 25/10/2018.

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

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

#### Basis of preparation

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

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

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

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

- Income statement
- Statement of cash flows
- Note 20 – Material budget variations

and are clearly marked. Budgetary amounts are not audited.

#### (a) New and amended standards adopted by Council

Council adopted the following Australian accounting standard amendments for these financial statements:

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

This disclosure Initiative helps users of financial statements to better understand changes in an entity's debt.

Additional disclosures relating to changes in liabilities arising from financing activities (including both changes arising from cash flows and non-cash changes) have been incorporated in these financial statements at Note 12 (c).

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

This Standard means that Not-for-profit entities (and therefore Council) no longer need to consider AASB 136 *Impairment of Assets* for non-cash-generating specialised assets which are regularly revalued at fair value.

Instead it is expected that for Not-for-profit entities holding non-cash-generating assets the recoverable amount of these assets is expected to be materially the same as fair value, determined under AASB 13 *Fair Value Measurement*.

## Tenterfield Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 1. Basis of preparation (continued)

##### (b) Historical cost convention

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

##### (c) Significant accounting estimates and judgements

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

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

##### **Critical accounting estimates and assumptions**

Council makes estimates and assumptions concerning the future. These estimates require significant judgements. 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 –refer Note 10 and Note 21,
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note 9 and Note 21,
- (iii) estimated tip remediation provisions – refer Note 13,
- (iv) employee benefit provisions – refer Note 13.

#### **Monies and other assets received by Council**

##### (a) The Consolidated Fund

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

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

- *General Purpose Operations*
- *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.*

## Tenterfield Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 1. Basis of preparation (continued)

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##### (b) The Trust Fund

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

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

##### Goods and Services Tax (GST)

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

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

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

##### New accounting standards and interpretations issued not yet effective

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

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

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

- AASB 9 *Financial Instruments*

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

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

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

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

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

## Tenterfield Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 1. Basis of preparation (continued)

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

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

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

- AASB 16 *Leases*

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

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

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

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

Council does not believe there will be any significant effect on the financial statements from implementation of this standard.

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

## Tenterfield Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).									
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Civic Office	–	–	321	220	(321)	(220)	–	–	262	219
Organisation and Leadership	–	–	324	194	(324)	(194)	–	–	151	304
Community Development	21	8	118	44	(97)	(36)	21	8	354	431
Economic Growth and Tourism	105	90	488	365	(383)	(275)	30	13	1,926	1,380
Theatre and Museum Complex	345	135	360	189	(15)	(54)	43	11	2,950	–
Finance and Technology	9,257	11,011	994	1,081	8,263	9,930	4,667	6,650	15,342	13,832
Corporate and Governance	–	–	34	74	(34)	(74)	–	–	–	–
Workforce Development	296	494	834	716	(538)	(222)	11	143	–	–
Library Services	42	52	467	395	(425)	(343)	35	36	234	224
Emergency Services	161	58	579	443	(418)	(385)	148	49	431	368
Asset Management and Resourcing	16	34	521	670	(505)	(636)	–	–	3,317	2,382
Commercial Works	134	125	109	76	25	49	–	–	300	280
Environmental Management	73	38	298	192	(225)	(154)	36	30	23	16
Planning and Regulation	394	388	148	598	246	(210)	13	16	341	238
Plant, Fleet and Equipment	294	81	(383)	(804)	677	885	32	31	5,085	5,672
Buildings and Amenities	61	77	918	945	(857)	(868)	–	–	9,297	9,833
Livestock Saleyards	189	231	210	175	(21)	56	–	–	1,790	1,286
Parks, Gardens and Open Space	402	109	820	683	(418)	(574)	–	–	5,277	4,549
Swimming Complex	32	37	232	184	(200)	(147)	–	–	1,278	1,234
Stormwater and Drainage	70	68	136	113	(66)	(45)	–	–	4,390	4,502
Transport Network	5,270	5,004	6,827	6,640	(1,557)	(1,636)	2,607	2,752	291,060	274,797
Sewerage Services	2,680	1,987	1,667	1,878	1,013	109	–	26	25,241	23,652
Waste Management	2,258	2,047	1,567	1,629	691	418	–	55	2,941	2,090
Water Supply	4,900	3,786	2,115	1,741	2,785	2,045	2,226	1,893	24,996	18,779
<b>Total functions and activities</b>	<b>27,000</b>	<b>25,860</b>	<b>19,704</b>	<b>18,441</b>	<b>7,296</b>	<b>7,419</b>	<b>9,869</b>	<b>11,713</b>	<b>396,986</b>	<b>366,068</b>



## Tenterfield Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

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

##### **Civic Office**

Corporate affairs and relations; the governance framework; overall corporate performance and reporting; community advocacy; mayoral, councillor and committee support; and media and external communications.

##### **Organisation and Leadership**

Collaboration with other organisations and governments; continual improvement; overall strategic direction of the administrative arm; community engagement; administrative support; service integration and corporate advertising.

##### **Community Development**

Community engagement, development of partnerships, indigenous affairs, inclusiveness, accessible services, supporting diversity and cultural events

##### **Economic Growth and Tourism**

Community prosperity, tourism, connectivity, partnering, promotion and livability. The Office of the Chief Executive directly oversees these outcomes.

##### **Theatre and Museum Complex**

Sir Henry Parkes School of Art; cultural diversity, events and art activities; youth engagement; volunteering; and festivals.

##### **Finance and Technology**

Information technology; financial sustainability and advise; investments; financial capacity; procurement compliance; regulatory and statutory compliance; business systems; property strategy, overall management and register, land mapping service (GIS).

##### **Corporate and Governance**

statutory reporting, business processes and integration; procurement compliance; audit; community involvement; Customer service; governance; information technology and information management; insurance, risk and business continuity; registers and records management, legal services and election support.

##### **Workforce Development**

Workplace health and wellbeing, planning and culture; workers compensation; workforce performance; training; recruitment, selection and retention; and internal communications.

##### **Library Services**

Home services; vision impaired; review and updating collections; exchanges; internet and Wi Fi access; accessible technology; exhibitions; online training and resources; research and reference services; and the management of corporate art and memorabilia.

##### **Emergency Services**

Integrating land use policies to support emergency management; disaster management; review of emergency management plans; inter-agency communication and collaboration; and rural addressing.

##### **Asset Management and Resourcing**

Review, investigation, survey, design, development and project management; asset investigation, planning, policy formulation and management (both as a bureau service to whole organisation and for transport infrastructure).

## Tenterfield Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

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

##### **Commercial Works**

Private works management, benchmarking, offsetting costs through creating synergies.

##### **Environmental Management**

Education; noxious plants; feral pests (advocacy); illegal dumping and pollution; and roads & footpath regulatory enforcement.

##### **Planning and Regulation**

Development planning, controls, assessment and certification; regulation of premises; built environment; urban design; land use data, mapping and reporting; building and assessment advice; heritage; domestic animals; public health and pollution.

##### **Plant, Fleet and Equipment**

Effective provision and management of plant, fleet, equipment, store and depots; and tendering and procurement.

##### **Buildings and Amenities**

Energy management and conservation, asset planning and maintenance scheduling; building and amenities utilisation, income generation and administration.

##### **Livestock Saleyards**

Planning, development, maintenance, operations and administration of the Saleyards.

##### **Parks, Gardens and Open Space**

Consultation, planning, development; increasing patronage; amenity; maintenance and operations; public art; cycleways; public trees; sportsgrounds (active and passive); cleanliness and administration

##### **Swimming Complex**

Service provision; regulatory compliance; planning; supervision of patrons; and management.

##### **Stormwater and Drainage**

Ongoing management and improvement of all stormwater infrastructure, gross pollutant traps, natural urban waterways and erosion control apparatus.

##### **Transport Network**

Sustainable management and improvement of all infrastructure used to facilitate transportation: vehicular, aviation, pedestrian and cyclists; car parking; quarries; delineation, line marking, signage and lighting; regulatory compliance; emergency response and on-call; traffic committee administration; and risk mitigation.

##### **Sewerage Services**

Ongoing catchment, transportation, and treatment; monitoring, reporting, environmental compliance and emergency management; trade waste and commercial; fees and charges; public education and administration.

##### **Waste Management**

Ongoing and sustainably managing waste: reduction; recycling; landfill remediation and development; and public education.

##### **Water Supply**

Ongoing water catchment, storage, treatment, distribution, monitoring, regulating, reporting, compliance, charging and administration.

## Tenterfield Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 3. Income from continuing operations

\$ '000	2018	2017
<b>(a) Rates and annual charges</b>		
<b>Ordinary rates</b>		
Residential	1,803	1,637
Farmland	2,136	1,901
Mining	10	9
Business	272	250
<b>Total ordinary rates</b>	<b>4,221</b>	<b>3,797</b>
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	711	658
Stormwater management services	63	59
Water supply services	827	791
Sewerage services	1,816	1,724
Waste management services (non-domestic)	1,182	1,041
Trade waste	9	8
<b>Total annual charges</b>	<b>4,608</b>	<b>4,281</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>	<b>8,829</b>	<b>8,078</b>

Council has used 2017 year valuations provided by the NSW Valuer General in calculating its rates.

**Accounting policy for rates and annual charges**

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

Control over assets acquired from rates and annual charges is obtained at the commencement of the rating year following the issuance of rate notices as it is an enforceable debt linked to the rateable property.

<b>(b) User charges and fees</b>		
	2018	2017
<b>Specific user charges</b> (per s.502 – specific 'actual use' charges)		
Water supply services	1,079	944
Sewerage services	124	89
Waste management services (non-domestic)	218	192
Trade waste	30	24
<b>Total specific user charges</b>	<b>1,451</b>	<b>1,249</b>

## Tenterfield Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
<b>(b) User charges and fees (continued)</b>		
<b>Other user charges and fees</b>		
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>		
Companion animals	16	7
Inspection services	14	15
Local government and health act fees	10	11
Planning and building regulation	214	201
Private works – section 67	134	129
Section 149 certificates (EPA Act)	4	28
Section 603 certificates	23	22
<b>Total fees and charges – statutory/regulatory</b>	<b>415</b>	<b>413</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>		
Administration on grant works	206	293
Cemeteries	118	103
Cinema	67	70
Library	6	8
Museum and theatre	40	49
Saleyards	189	231
Service installation	19	14
Swimming centres	32	37
Tourism	26	33
Trade waste	3	2
Other	17	32
<b>Total fees and charges – other</b>	<b>723</b>	<b>872</b>
<b>TOTAL USER CHARGES AND FEES</b>	<b>2,589</b>	<b>2,534</b>

**Accounting policy for user charges and fees**

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

## Tenterfield Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
<b>(c) Interest and investment revenue (including losses)</b>		
<b>Interest</b>		
– Overdue rates and annual charges (incl. special purpose rates)	44	56
– Cash and investments	380	301
<b>TOTAL INTEREST AND INVESTMENT REVENUE</b>	<b>424</b>	<b>357</b>
<b>Interest revenue is attributable to:</b>		
<b>Unrestricted investments/financial assets:</b>		
Overdue rates and annual charges (general fund)	44	56
General Council cash and investments	316	206
<b>Restricted investments/funds – external:</b>		
Development contributions		
– Section 7.11	5	1
Water fund operations	23	26
Sewerage fund operations	36	40
Domestic waste management operations	–	22
Stormwater management services	–	6
<b>Total interest and investment revenue recognised</b>	<b>424</b>	<b>357</b>

**Accounting policy for interest and investment revenue**

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

## Tenterfield Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018	2017
<b>(d) Other revenues</b>			
Rental income – investment property	10	35	37
Rental income – other council properties		75	79
Commissions and agency fees		3	5
Diesel rebate		59	50
Insurance rebates		67	39
Investment recovery		–	399
Recycling income (non-domestic)		40	18
Sale of surplus material		13	34
Tourism		–	55
Net effect from de-recognition of remediation provisions		148	–
Initial recognition of assets		1,898	–
Other		84	25
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>2,422</u></b>	<b><u>741</u></b>

**Accounting policy for other revenue**

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

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

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

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

Council recognised \$1.9M of assets as a result of initial recognition. For details refer to Note 9 (a).

## Tenterfield Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
<b>Current year allocation</b>				
Financial assistance – general component	2,921	4,133	–	–
Financial assistance – local roads component	1,640	2,343	–	–
<b>Other</b>				
Pensioners' rates subsidies – general component	73	75	–	–
<b>Total general purpose</b>	<b>4,634</b>	<b>6,551</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Water	28	29	–	–
– Sewerage	26	25	–	–
– Domestic waste management	54	55	–	–
Water supplies	–	–	2,226	1,864
Bushfire and emergency services	152	97	–	–
Community development	21	151	–	–
Economic development	30	5	–	–
Employment and training programs	11	3	–	–
Heritage and cultural	22	16	33	–
Library	35	27	–	8
LIRS subsidy	45	18	–	–
Noxious weeds	36	30	–	–
Street lighting	32	31	–	–
Tourism and museum	–	10	–	–
Transport (roads to recovery)	877	1,353	–	–
Transport (other roads and bridges funding)	–	–	1,607	1,440
<b>Total specific purpose</b>	<b>1,369</b>	<b>1,850</b>	<b>3,866</b>	<b>3,312</b>
<b>Total grants</b>	<b>6,003</b>	<b>8,401</b>	<b>3,866</b>	<b>3,312</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	5,438	7,829	–	1,675
– State funding	565	572	3,866	8
– Other funding	–	–	–	1,629
	<b>6,003</b>	<b>8,401</b>	<b>3,866</b>	<b>3,312</b>

## Tenterfield Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018 Operating	2017 Operating	2018 Capital	2017 Capital
<b>(f) Contributions</b>					
<b>Developer contributions:</b>					
<b>(s7.4 &amp; s7.11 – EP&amp;A Act, s64 of the LGA):</b>					
<b>Cash contributions</b>					
S 7.11 – contributions towards amenities/services		–	–	156	128
S 64 – water supply contributions		–	–	–	12
S 64 – sewerage service contributions		–	–	–	17
<b>Total developer contributions – cash</b>		<b>–</b>	<b>–</b>	<b>156</b>	<b>157</b>
<b>Total developer contributions</b>	24	<b>–</b>	<b>–</b>	<b>156</b>	<b>157</b>
<b>Other contributions:</b>					
<b>Cash contributions</b>					
FBT contributions		19	27	–	–
Library		–	–	–	10
Other councils – joint works/services		97	77	–	–
RMS contributions (regional roads, block grant)		1,410	1,383	1,156	773
Solid waste management		3	4	–	–
Tourism		6	6	–	–
<b>Total other contributions – cash</b>		<b>1,535</b>	<b>1,497</b>	<b>1,156</b>	<b>783</b>
<b>Total other contributions</b>		<b>1,535</b>	<b>1,497</b>	<b>1,156</b>	<b>783</b>
<b>Total contributions</b>		<b>1,535</b>	<b>1,497</b>	<b>1,312</b>	<b>940</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>		<b>7,538</b>	<b>9,898</b>	<b>5,178</b>	<b>4,252</b>

**Accounting policy for contributions**

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

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

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



## Tenterfield Shire Council

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

## Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
<b>(g) Unspent grants and contributions</b>		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
<b>Grants</b>		
Unexpended at the close of the previous reporting period	1,975	1,865
<b>Add:</b> grants recognised in the current period but not yet spent	351	595
<b>Less:</b> grants recognised in a previous reporting period now spent	(175)	(485)
<b>Unexpended and held as restricted assets (grants)</b>	<u>2,151</u>	<u>1,975</u>

## Tenterfield Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 4. Expenses from continuing operations

\$ '000	Notes	2018	2017
<b>(a) Employee benefits and on-costs</b>			
Salaries and wages		5,791	6,009
Travel expenses		15	133
Employee leave entitlements (ELE)		577	476
Superannuation		694	673
Workers' compensation insurance		193	210
Fringe benefit tax (FBT)		22	22
Recruitment of senior staff		58	53
Training costs (other than salaries and wages)		209	232
Other		4	44
<b>Total employee costs</b>		<b>7,563</b>	<b>7,852</b>
Less: capitalised costs		(959)	(1,241)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>6,604</b>	<b>6,611</b>
Number of 'full-time equivalent' employees (FTE) at year end		81	88
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)		102	96

**Accounting policy for employee benefits and on-costs**

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

**Retirement benefit obligations**

All employees of the Council are entitled to benefits on retirement, disability or death. Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

**Superannuation plans**

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

Council participates in a Defined Benefit Plan under the Local Government Superannuation Scheme, however, when sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 18 for more information.

(b) Borrowing costs	2018	2017
<b>(i) Interest bearing liability costs</b>		
Interest on loans	301	317
<b>Total interest bearing liability costs expensed</b>	<b>301</b>	<b>317</b>
<b>(ii) Other borrowing costs</b>		
Discount adjustments relating to movements in provisions (other than ELE)		
– Remediation liabilities	22	11
<b>Total other borrowing costs</b>	<b>22</b>	<b>11</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>	<b>323</b>	<b>328</b>

**Accounting policy for borrowing costs**

Borrowing costs are expensed.

## Tenterfield Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
<b>(c) Materials and contracts</b>		
Raw materials and consumables	1,854	1,850
Contractor and consultancy costs	2,526	1,719
Auditors remuneration <sup>(2)</sup>	47	60
Legal expenses:		
– Legal expenses: planning and development	13	20
– Legal expenses: debt recovery	–	13
– Legal expenses: other	33	11
Operating leases:		
– Operating lease rentals: minimum lease payments <sup>(1)</sup>	19	29
<b>TOTAL MATERIALS AND CONTRACTS</b>	<b>4,492</b>	<b>3,702</b>
<b>Operating leases</b>		
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.		
<b>1. Operating lease payments are attributable to:</b>		
Other	19	29
	<b>19</b>	<b>29</b>
<b>2. Auditor remuneration</b>		
During the year the following fees were paid or payable for services provided by the auditor of Council, related practices and non-related audit firms		
<b>Auditors of the Council – NSW Auditor-General:</b>		
<b>(i) Audit and other assurance services</b>		
Audit and review of financial statements	47	43
<b>Remuneration for audit and other assurance services</b>	<b>47</b>	<b>43</b>
<b>Total Auditor-General remuneration</b>	<b>47</b>	<b>43</b>
<b>Non NSW Auditor-General audit firms:</b>		
<b>(i) Audit and other assurance services</b>		
Audit and review of financial statements – Council's Auditor	–	17
<b>Remuneration for audit and other assurance services</b>	<b>–</b>	<b>17</b>
<b>Total remuneration of non NSW Auditor-General audit firms</b>	<b>–</b>	<b>17</b>
<b>Total Auditor remuneration</b>	<b>47</b>	<b>60</b>

## Tenterfield Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	2017
<b>(d) Depreciation, amortisation and impairment</b>			
<b>Depreciation and amortisation</b>			
Plant and equipment		592	527
Office equipment		14	8
Furniture and fittings		9	13
Land improvements (depreciable)		36	36
<b>Infrastructure:</b>			
– Buildings		794	719
– Other structures		103	104
– Roads		2,472	2,269
– Bridges		863	808
– Footpaths		41	35
– Stormwater drainage		113	113
– Water supply network		590	552
– Sewerage network		457	783
– Swimming pools		21	19
– Other open space/recreational assets		59	59
<b>Other assets:</b>			
– Library books		28	33
<b>Reinstatement, rehabilitation and restoration assets:</b>			
– Tip assets	9	10	67
– Quarry assets	9	14	–
Intangible assets	11	29	28
<b>Total gross depreciation and amortisation costs</b>		<b>6,245</b>	<b>6,173</b>
Less: capitalised costs		(237)	(229)
<b>Total depreciation and amortisation costs</b>		<b>6,008</b>	<b>5,944</b>
<b>Impairment / revaluation decrement of IPP&amp;E</b>			
Plant and equipment		357	–
<b>Total IPP&amp;E impairment / revaluation decrement costs / (reversals)</b>		<b>357</b>	<b>–</b>
<b><u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED</u></b>			
		<b>6,365</b>	<b>5,944</b>

## Tenterfield Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 4. Expenses from continuing operations (continued)

##### Accounting policy for depreciation, amortisation and impairment expenses

###### Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 9 for IPPE assets and Note 11 for intangible assets.

###### Impairment of non-financial 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.

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

###### Impairment of financial assets

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

\$ '000	2018	2017
<b>(e) Other expenses</b>		
Advertising	78	79
Bad and doubtful debts	–	37
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	301	295
Councillor expenses – mayoral fee	25	25
Councillor expenses – councillors' fees	114	112
Councillors' expenses (incl. mayor) – other (excluding fees above)	42	45
Donations, contributions and assistance to other organisations (Section 356)	39	35
Election expenses	2	63
Electricity and heating	287	248
Insurance	386	423
Street lighting	182	106
Telephone and communications	124	160
Other	3	–
<b>TOTAL OTHER EXPENSES</b>	<b>1,583</b>	<b>1,628</b>

##### Accounting policy for other expenses

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

## Tenterfield Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	2018	2017
<b>Plant and equipment</b>	9		
Proceeds from disposal – plant and equipment		1,939	1,805
Less: carrying amount of plant and equipment assets sold/written off		<u>(2,155)</u>	<u>(2,065)</u>
<b>Net gain/(loss) on disposal</b>		<u><b>(216)</b></u>	<u><b>(260)</b></u>
<b>Infrastructure</b>	9		
Less: carrying amount of infrastructure assets sold/written off		<u>(127)</u>	<u>–</u>
<b>Net gain/(loss) on disposal</b>		<u><b>(127)</b></u>	<u><b>–</b></u>
<b>Real estate assets held for sale</b>	8		
Proceeds from disposal – real estate assets		60	95
Less: carrying amount of real estate assets sold/written off		<u>(55)</u>	<u>(63)</u>
<b>Net gain/(loss) on disposal</b>		<u><b>5</b></u>	<u><b>32</b></u>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<u><b>(338)</b></u>	<u><b>(228)</b></u>

**Accounting policy for disposal of assets**

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

## Note 6(a). Cash and cash equivalent assets

<b>Cash and cash equivalents</b>			
Cash on hand and at bank		1,559	1,259
Cash-equivalent assets			
– Deposits at call		<u>15,443</u>	<u>12,561</u>
<b>Total cash and cash equivalents</b>		<u><b>17,002</b></u>	<u><b>13,820</b></u>

**Accounting policy for cash and cash equivalents**

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

## Tenterfield Shire Council

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

## Note 6(b). Investments

\$ '000	2018	2018	2017	2017
	Current	Non-current	Current	Non-current
<b>Investments</b>				
'Held to maturity'	2,000	–	–	–
<b>Total investments</b>	<b>2,000</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b><u>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</u></b>	<b><u>19,002</u></b>	<b><u>–</u></b>	<b><u>13,820</u></b>	<b><u>–</u></b>
<b>Held to maturity investments</b>				
Deposits at call more than 3 months maturity	2,000	–	–	–
<b>Total</b>	<b>2,000</b>	<b>–</b>	<b>–</b>	<b>–</b>

**Accounting policy for investments****Classification**

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

As at 30 June 2018 Council recognised only held to maturity investments.

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

## Tenterfield Shire Council

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

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

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	19,002	–	13,820	–
<b>attributable to:</b>				
External restrictions (refer below)	7,877	–	4,931	–
Internal restrictions (refer below)	10,950	–	8,781	–
Unrestricted	175	–	108	–
	<b>19,002</b>	<b>–</b>	<b>13,820</b>	<b>–</b>
<b>Details of restrictions</b>			<b>2018</b>	<b>2017</b>
<b>External restrictions</b>				
Specific purpose unexpended loans – general			–	195
NWPS advance			181	181
<b>External restrictions – included in liabilities</b>			<b>181</b>	<b>376</b>
<b>External restrictions – other</b>				
Developer contributions – general			651	490
RMS contributions			564	272
Specific purpose unexpended grants			242	519
Water supplies			2,222	–
Sewerage services			2,384	1,894
Domestic waste management			474	269
Stormwater management			465	417
Bruxner Way widening (RMS)			694	694
<b>External restrictions – other</b>			<b>7,696</b>	<b>4,555</b>
<b>Total external restrictions</b>			<b>7,877</b>	<b>4,931</b>
<b>Internal restrictions</b>				
Plant and vehicle replacement			3,542	2,456
Employees leave entitlement			300	956
Capital commitments			762	1,571
Federal assistance grant			–	2,203
Gravel quarry rehabilitation			233	233
International town partnerships			10	10
Land and buildings			51	51
Local main street			31	31
Office equipment			200	200
Roads and bridges			158	158
Special projects			912	912
Operating Commitments			1,300	–
Carry forward bridges from 2017/18			400	–
Carry forward projects from 2017/18			2,859	–
Historical Reserves			192	–
<b>Total internal restrictions</b>			<b>10,950</b>	<b>8,781</b>
<b>TOTAL RESTRICTIONS</b>			<b>18,827</b>	<b>13,712</b>



## Tenterfield Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Purpose</b>				
Rates and annual charges	548	–	454	–
Interest and extra charges	125	–	128	–
User charges and fees	657	–	519	–
Private works	147	–	158	–
Accrued revenues				
– Interest on investments	46	–	33	–
Deferred debtors	–	–	2	–
Government grants and subsidies	18	–	2,539	–
Net GST receivable	258	–	679	–
Contribution to operating costs	97	–	77	–
Other debtors	17	–	6	–
<b>Total</b>	<b>1,913</b>	<b>–</b>	<b>4,595</b>	<b>–</b>
<b>Less: provision for impairment</b>				
Other debtors	(55)	–	(55)	–
<b>Total provision for impairment – receivables</b>	<b>(55)</b>	<b>–</b>	<b>(55)</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>	<b>1,858</b>	<b>–</b>	<b>4,540</b>	<b>–</b>
<b>Externally restricted receivables</b>				
<b>Water supply</b>				
– Specific purpose grants	1	–	1,864	–
– Rates and availability charges	61	–	55	–
– Other	677	–	536	–
<b>Sewerage services</b>				
– Specific purpose grants	1	–	–	–
– Rates and availability charges	123	–	110	–
– Other	84	–	67	–
<b>Domestic waste management</b>	189	–	178	–
<b>Stormwater management</b>	6	–	5	–
<b>Total external restrictions</b>	<b>1,142</b>	<b>–</b>	<b>2,815</b>	<b>–</b>
<b>Unrestricted receivables</b>	<b>716</b>	<b>–</b>	<b>1,725</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>	<b>1,858</b>	<b>–</b>	<b>4,540</b>	<b>–</b>
<b>Movement in provision for impairment of receivables</b>			<b>2018</b>	<b>2017</b>
Balance at the beginning of the year			55	18
+ new provisions recognised during the year			–	37
<b>Balance at the end of the year</b>			<b>55</b>	<b>55</b>

## Tenterfield Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 7. Receivables (continued)

##### Accounting policy for receivables

###### Recognition and measurement

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

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

###### Impairment

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

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

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

#### Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>(a) Inventories</b>				
<b>Inventories at cost</b>				
Real estate for resale (refer below)	395	–	450	–
Stores and materials	252	–	217	–
<b>Total inventories at cost</b>	<b>647</b>	<b>–</b>	<b>667</b>	<b>–</b>
<b>TOTAL INVENTORIES</b>	<b>647</b>	<b>–</b>	<b>667</b>	<b>–</b>

##### Externally restricted assets

There are no restrictions applicable to the above assets.

## Tenterfield Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 8. Inventories and other assets (continued)

\$ '000	Notes	2018		2017	
		Current	Non-current	Current	Non-current
<b>Other disclosures</b>					
<b>(a) Details for real estate development</b>					
Residential		395	–	450	–
<b>Total real estate for resale</b>		<b>395</b>	<b>–</b>	<b>450</b>	<b>–</b>
(Valued at the lower of cost and net realisable value)					
<b>Represented by:</b>					
Acquisition costs		110	–	63	–
Development costs		285	–	387	–
<b>Total costs</b>		<b>395</b>	<b>–</b>	<b>450</b>	<b>–</b>
<b>Total real estate for resale</b>		<b>395</b>	<b>–</b>	<b>450</b>	<b>–</b>
<b>Movements:</b>					
Real estate assets at beginning of the year		450	–	513	–
– WDV of sales (expense)	5	(55)	–	(63)	–
<b>Total real estate for resale</b>		<b>395</b>	<b>–</b>	<b>450</b>	<b>–</b>

**(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;

	2018	2017
Real estate for resale	300	400
	<b>300</b>	<b>400</b>

**Accounting policy****Raw materials and stores, work in progress and finished goods**

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

**Land held for resale/capitalisation of borrowing costs**

Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition and development.

## Tenterfield Shire Council

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

## Note 9(a). Infrastructure, property, plant and equipment

Asset class \$ '000	as at 30/6/2017			Asset movements during the reporting period											as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Reinstatement costs for impaired assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	Impairment loss (recognised in equity)	Impairment reversal (recognised in equity)	Adjustments and transfers	Other movements (Found Assets at FV through P/L)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	1,562	–	1,562	–	6,419	–	–	–	–	–	–	–	–	–	7,980	–	7,980
Plant and equipment	11,869	5,221	6,648	2,740	–	–	(2,156)	(592)	(357)	–	–	–	333	–	12,519	5,904	6,615
Office equipment	390	268	122	–	57	–	–	(14)	–	–	–	–	–	–	446	282	164
Furniture and fittings	145	113	32	–	–	–	–	(9)	–	–	–	–	–	–	145	122	23
<b>Land:</b>																	
– Operational land	3,023	–	3,023	–	–	–	–	–	–	–	–	–	325	147	3,495	–	3,495
– Community land	1,228	–	1,228	–	–	–	–	–	–	–	–	–	186	–	1,414	–	1,414
– Land under roads (post 30/6/08)	10	–	10	–	–	–	–	–	–	–	–	–	–	–	10	–	10
Land improvements – depreciable	1,078	271	807	–	12	–	–	(36)	–	–	–	–	–	–	1,089	306	783
<b>Infrastructure:</b>																	
– Buildings	32,180	19,013	13,167	82	–	–	–	(794)	–	–	–	–	1,054	4,215	37,687	19,962	17,725
– Other structures	3,292	975	2,317	47	–	–	–	(103)	–	–	–	–	–	–	3,339	1,079	2,260
– Roads	156,059	57,543	98,516	3,384	–	620	–	(2,472)	–	–	2,877	–	10,982	159,442	45,309	114,133	
– Bridges	70,801	28,466	42,335	523	–	–	–	(863)	–	(228)	–	(225)	–	71,323	29,781	41,542	
– Footpaths	3,166	1,211	1,955	146	–	–	–	(41)	–	–	–	–	–	3,311	1,253	2,058	
– Bulk earthworks (non-depreciable)	131,494	–	131,494	–	–	–	–	–	–	–	–	–	–	131,495	–	131,495	
– Stormwater drainage	9,114	4,612	4,502	–	–	–	–	(113)	–	–	–	–	–	9,114	4,724	4,390	
– Water supply network	45,603	31,155	14,448	132	–	–	(74)	(590)	–	–	–	–	–	46,542	32,339	14,203	
– Sewerage network	31,607	10,115	21,492	313	–	–	(53)	(457)	–	–	–	–	–	32,507	10,770	21,737	
– Swimming pools	1,164	236	928	–	–	–	–	(21)	–	–	–	–	–	1,164	257	907	
– Other open space/recreational assets	2,036	403	1,633	49	–	–	–	(59)	–	–	–	–	–	2,086	463	1,623	
<b>Other assets:</b>																	
– Library books	878	732	146	–	35	–	–	(28)	–	–	–	–	–	913	760	153	
<b>Reinstatement, rehabilitation and restoration assets (refer Note 13):</b>																	
– Tip assets	869	740	129	–	–	–	–	(10)	–	–	–	1,961	–	2,830	750	2,080	
– Quarry assets	155	112	43	–	104	–	–	(14)	–	–	–	(29)	–	104	–	104	
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>507,723</b>	<b>161,186</b>	<b>346,537</b>	<b>7,416</b>	<b>6,627</b>	<b>620</b>	<b>(2,283)</b>	<b>(6,216)</b>	<b>(357)</b>	<b>(228)</b>	<b>2,877</b>	<b>1,932</b>	<b>1,898</b>	<b>16,072</b>	<b>528,955</b>	<b>154,061</b>	<b>374,894</b>

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

## Tenterfield Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

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##### **Accounting policy for infrastructure, property, plant and equipment (IPPE)**

##### **Recognition and initial measurement**

IPPE are measured initially at cost. Cost includes the fair value of the consideration given to acquire an asset (net of discounts and rebates) and any directly attributable cost of bringing the asset to working condition for its intended use (inclusive of import duties and taxes).

Directly attributable costs are the costs of site preparation and delivery, installation costs, relevant professional fees, and the estimated cost of dismantling and removing the asset and restoring the site (to the extent that such cost is recognised as a provision).

##### **Subsequent measurement**

Following the initial recognition Council measures IPPE at fair value being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

For all IPPE assets Council assesses at each reporting date whether there is any indication that a revalued class of assets carrying amount may differ materially from that which would be determined if the class of assets was revalued at the reporting date. If any such indication exists, Council determines the class of assets' fair value and revalue the whole class to that amount.

At the end of the reporting date Council adjusted the accumulated depreciation of its roads assets to match the revaluation model adopted at the time of last revaluation in 2015. This resulted in increase in roads carrying amount by \$11m.

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

Council engages external independent professional valuers to value its Land and Infrastructure Assets. In between comprehensive revaluations Water Supply Network and Sewerage Assets are indexed annually in accordance with the latest indices provided in the Rates Reference Manual issued by Crown Lands and Water (CLAW).

The Plant and Equipment, Office Equipment, Furniture and Fittings, Library Books and restoration air space assets are valued internally. These are non-specialised assets with short useful lives which are measured at depreciated historical cost. Council has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

Refer to Note 21 for information regarding fair value.

## Tenterfield Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

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

##### 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:

<b>Plant and equipment</b>	<b>Years</b>	<b>Buildings</b>	<b>Years</b>
Office equipment	10	Buildings	15 to 75
Office furniture	10 to 20		
Plants - Heavy Vehicles	10	<b>Stormwater assets</b>	
Plants - Light Vehicles	1	Drains	80
Other plant and equipment	10		
		<b>Water and sewer assets</b>	
<b>Transportation assets</b>		Water - Mains	80 to 90
Sealed roads: surface	30	Water - Pumping Stations	30 to 80
Sealed roads: pavement base	50	Water - Reservoirs	40 to 80
Sealed roads: pavement sub-base	Infinite	Water - Treatment Works	30 to 80
Unsealed roads: surface		Sewerage - Ancilliary	30 to 50
- depreciable component	25	Sewerage - Pumping Stations	30
- non depreciable component	Infinite	Sewerage - Treatment Works	30 to 70
Bulk earthworks	Infinite	Sewerage - Mains	80 to 90
Bridge: concrete	100		
Bridge: timber	50	<b>Other infrastructure assets</b>	
Kerb, gutter and footpaths	80	Swimming pools	50
		Other open space/recreational assets	10 to 100

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. As at 30 June 2018 only vehicle assets have residual values.

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

##### 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*.

## Tenterfield Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

**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.

Refer to Note 23 for details over the implementation of new legal requirements in relation to Crown Land which came into force on 1 July 2018.

**Rural Fire Service assets**

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

Council did not recognise Rural Fire Services Assets, including land, buildings, plant and equipment, due to lack of evidence of control over the economic benefits which are expected to flow from these assets.

## Note 9(b). Infrastructure, property, plant and equipment – current year impairments

\$ '000	Notes	2018	2017
<b>(i) Impairment losses recognised in the Income Statement:</b>			
Impairment of plants based on condition assessment		(357)	–
<b>Total impairment losses</b>		<b>(357)</b>	<b>–</b>
<b>IMPAIRMENT OF ASSETS – GAINS/(LOSSES) in P/L</b>	4(d)	<b>(357)</b>	<b>–</b>
<b>(ii) Impairment losses recognised direct to equity (ARR):</b>			
During March 2017, Council roads were impaired by a flood event		–	(6,903)
Bridge impairment		(228)	–
<b>Total impairment losses</b>		<b>(228)</b>	<b>(6,903)</b>
<b>(iii) Reversals of impairment losses previously recognised direct to equity (ARR):</b>			
Impairment write off		–	6
Reassessed impairment figure for the March 2017 flood event		2,877	–
<b>Total impairment reversals</b>		<b>2,877</b>	<b>6</b>
<b>IMPAIRMENT OF ASSETS – DIRECT to EQUITY (ARR)</b>		<b>2,649</b>	<b>(6,897)</b>

## Tenterfield Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 10. Investment property

\$ '000	2018	2017
<b>(a) Investment property at fair value</b>		
<b>Investment property on hand</b>	<b>300</b>	<b>280</b>
<b>Reconciliation of annual movement:</b>		
Opening balance	280	280
– Net gain/(loss) from fair value adjustments	20	–
<b>CLOSING BALANCE – INVESTMENT PROPERTY</b>	<b>300</b>	<b>280</b>

**(b) Valuation basis**

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

The 2018 revaluations were based on independent assessments made by:  
Jonathon Lea AAPI, Certified Practising Valuer - Registered Valuer NO 6777. Valuation date 23 December 2017.

**(c) Leasing arrangements – Council as lessor**

The investment property are leased to tenants under long-term operating leases with rentals payable monthly.

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	19	18
<b>Total minimum lease payments receivable</b>	<b>19</b>	<b>18</b>

Council recognised investment property for the service station which is leased out to an external party for three years. The lease expiration date is 12 December 2018 with no options for an extension attached to the lease contract. Lease payments are on a monthly basis.

**(d) Investment property income and expenditure – summary**

<b>Rental income from investment property:</b>		
– Minimum lease payments	35	37
<b>Direct operating expenses on investment property:</b>		
– that generated rental income	(5)	(5)
<b>Net revenue contribution from investment property</b>	<b>30</b>	<b>32</b>
plus: Fair value movement for year	20	–
<b>Total income attributable to investment property</b>	<b>50</b>	<b>32</b>

**Accounting policy for investment property**

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



## Tenterfield Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 11. Intangible assets

\$ '000	2018	2017
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
<b>Opening values:</b>		
Gross book value (1/7)	323	323
Accumulated amortisation (1/7)	(99)	(71)
<b>Net book value – opening balance</b>	<b>224</b>	<b>252</b>
<b>Movements for the year</b>		
– Purchases	90	–
– Amortisation charges	(29)	(28)
<b>Closing values:</b>		
Gross book value (30/6)	413	323
Accumulated amortisation (30/6)	(128)	(99)
<b>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</b> <sup>1</sup>	<b>285</b>	<b>224</b>
<b><sup>1</sup> The net book value of intangible assets represent:</b>		
– Software	285	224
	<b>285</b>	<b>224</b>

**Accounting policy for 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 2018

## Note 12. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Payables</b>				
Goods and services	1,649	–	1,277	–
Accrued expenses:				
– Borrowings	47	–	35	–
– Salaries and wages	244	–	299	–
Advances	186	–	–	–
Security bonds, deposits and retentions	112	–	98	–
<b>Total payables</b>	<b>2,238</b>	<b>–</b>	<b>1,709</b>	<b>–</b>
<b>Income received in advance</b>				
Payments received in advance	–	–	186	–
<b>Total income received in advance</b>	<b>–</b>	<b>–</b>	<b>186</b>	<b>–</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	593	7,004	448	4,147
<b>Total borrowings</b>	<b>593</b>	<b>7,004</b>	<b>448</b>	<b>4,147</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>2,831</b>	<b>7,004</b>	<b>2,343</b>	<b>4,147</b>

## (a) Payables and borrowings relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
<b>Externally restricted assets</b>				
Water	1,024	3,627	104	304
Sewer	118	1,929	116	2,003
Domestic waste management	29	–	204	1,267
Payables and borrowings relating to externally restricted assets	1,171	5,556	424	3,574
<b>Total payables and borrowings relating to restricted assets</b>	<b>1,171</b>	<b>5,556</b>	<b>424</b>	<b>3,574</b>
<b>Total payables and borrowings relating to unrestricted assets</b>	<b>1,660</b>	<b>1,448</b>	<b>1,919</b>	<b>573</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>2,831</b>	<b>7,004</b>	<b>2,343</b>	<b>4,147</b>

<sup>1</sup>. 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 19.

## Tenterfield Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 12. Payables and borrowings (continued)

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

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

Other payables	–	10
	<u>–</u>	<u>10</u>

**(c) Changes in liabilities arising from financing activities**

Class of borrowings	2017		Non-cash changes			2018
	Opening balance as at 1/7/17	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance as at 30/6/18
Loans – secured	4,595	3,002	–	–	–	7,597
<b>TOTAL</b>	<b>4,595</b>	<b>3,002</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>7,597</b>

\$ '000	2018	2017
---------	------	------

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

Credit cards/purchase cards	38	50
<b>Total financing arrangements</b>	<b>38</b>	<b>50</b>
<b>Undrawn facilities as at balance date:</b>		
– Credit cards/purchase cards	38	50
<b>Total undrawn financing arrangements</b>	<b>38</b>	<b>50</b>

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

## Tenterfield Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 12. Payables and borrowings (continued)

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##### **Accounting policy for payables and borrowings**

###### **Payables**

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

###### **Borrowings**

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

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

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

## Tenterfield Shire Council

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

## Note 13. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Provisions</b>				
<b>Employee benefits:</b>				
Annual leave	611	–	670	–
Long service leave	1,071	–	1,249	117
<b>Sub-total – aggregate employee benefits</b>	<b>1,682</b>	<b>–</b>	<b>1,919</b>	<b>117</b>
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	61	3,052	114	1,088
<b>Sub-total – asset remediation/restoration</b>	<b>61</b>	<b>3,052</b>	<b>114</b>	<b>1,088</b>
<b><u>TOTAL PROVISIONS</u></b>	<b><u>1,743</u></b>	<b><u>3,052</u></b>	<b><u>2,033</u></b>	<b><u>1,205</u></b>

**(a) Provisions relating to restricted assets**

There are no restricted assets (external or internal) applicable to the above provisions

\$ '000	2018	2017
---------	------	------

**(b) Current provisions not anticipated to be settled within the next twelve months**

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

Provisions – employees benefits	871	1,506
	<b>871</b>	<b>1,506</b>

## Tenterfield Shire Council

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

## Note 13. Provisions (continued)

\$ '000

## (c) Description of and movements in provisions

2018	ELE provisions		Total
	Annual leave	Long service leave	
At beginning of year	670	1,366	2,036
Additional provisions	309	268	577
Amounts used (payments)	(368)	(563)	(931)
<b>Total ELE provisions</b>	<b>611</b>	<b>1,071</b>	<b>1,682</b>
<b>2017</b>			
At beginning of year	701	1,281	1,982
Additional provisions	363	113	476
Amounts used (payments)	(394)	(28)	(422)
<b>Total ELE provisions</b>	<b>670</b>	<b>1,366</b>	<b>2,036</b>
			Other provisions
2018	Asset remediation		Total
At beginning of year	1,202		1,202
Revised cost, life and discount rate	1,961		1,961
Additional provisions	105		105
Unwinding of discount	22		22
Unused amounts reversed	(177)		(177)
<b>Total other provisions</b>	<b>3,113</b>		<b>3,113</b>
<b>2017</b>			
At beginning of year	1,236		1,236
Revised cost, life and discount rate	(45)		(45)
Unwinding of discount	11		11
<b>Total other provisions</b>	<b>1,202</b>		<b>1,202</b>

## Tenterfield Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 13. Provisions (continued)

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##### **Nature and purpose of non-employee benefit provisions**

###### **Asset remediation**

Council has a legal/public obligation to make, restore, rehabilitate and reinstate the council's tips and quarries.

###### **Accounting policy for provisions**

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

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

###### **Employee benefits**

###### **Short-term obligations**

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

###### **Other long-term employee benefit obligations**

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

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

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

## Tenterfield Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 13. Provisions (continued)

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

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

Provision is made for the estimated present value of the costs close-down, restoration and rehabilitation obligations outstanding at the reporting date. When the provision is recognised the corresponding asset (air-space asset) is recognised (see Note 9).

Cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new restoration techniques, or experience at other locations. The expected timing of expenditure can also change. As a result, there could be significant adjustments to the provision for close down and restoration and environmental clean-up, which would affect future financial results.

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

Effect from unwinding of discount is recognised as borrowing costs in the Income Statement.

#### Note 14. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

##### (a) Nature and purpose of reserves

###### Infrastructure, property, plant and equipment revaluation reserve

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

##### (b) Changes in accounting estimates

###### Nature and effect of changes in accounting estimates on current year

Council reviewed the roads assets carrying value as at 30 June 2018 and checked compliance with the fair value methodology during the last comprehensive revaluation in 2015. As a result, accumulated depreciation of sealed roads was decreased by \$11M to reflect the adopted non-depreciable component of sealed roads pavement. The resultant effect was an increase in the carrying value of roads class of assets by \$11 mln with the corresponding increment in the Asset Revaluation Reserve.

###### Nature and effect of changes in accounting estimates on future years

There is no effect on future years depreciation expenses because the gross carrying amount of roads was not affected. The only effect is the increase in value by \$11 mln. This effect will be comparable in future years until the next comprehensive revaluation of roads assets will be performed.



## Tenterfield Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 15. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	17,002	13,820
<b>Balance as per the Statement of Cash Flows</b>		<b>17,002</b>	<b>13,820</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>7,295</b>	<b>7,419</b>
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		6,008	5,944
Net losses/(gains) on disposal of assets		338	228
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– investment property		(20)	–
– Revaluation decrements / impairments of IPP&E direct to P&L		357	–
– Gain from recognition new assets at fair value		(3,830)	–
Unwinding of discount rates on reinstatement provisions		22	(34)
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		2,680	(2,292)
Increase/(decrease) in provision for doubtful debts		–	37
Decrease/(increase) in inventories		(35)	(52)
Increase/(decrease) in payables		372	732
Increase/(decrease) in accrued interest payable		12	(3)
Increase/(decrease) in other accrued expenses payable		(55)	99
Increase/(decrease) in other liabilities		14	28
Increase/(decrease) in employee leave entitlements		(354)	54
Increase/(decrease) in other provisions		1,889	–
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>14,693</b>	<b>12,160</b>

## Tenterfield Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 16. Interests in other entities

\$ '000

##### 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	2018 Net profit	2018 Net assets
<b>North East Weight of Loads Group</b>	Provide Limits on the weights and loads of motor vehicles using local roads	(256)	128

##### 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.

Council's interest in the group capital is 10% with no control or significant influence over the group's activity. 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 \$24,541 in 2017/18.

#### Note 17. Commitments for expenditure

##### (a) Capital commitments (exclusive of GST)

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

<b>Property, plant and equipment</b>	<b>2018</b>	<b>2017</b>
Water Supply	30	–
Plant and equipment	211	149
Intangibles	44	–
Sewer Network	326	–
Roads	151	173
<b>Total commitments</b>	<b>762</b>	<b>322</b>
<b>These expenditures are payable as follows:</b>		
Within the next year	762	322
<b>Total payable</b>	<b>762</b>	<b>322</b>
<b>Sources for funding of capital commitments:</b>		
Unrestricted general funds	44	–
Future grants and contributions	151	173
Externally restricted reserves	356	–
Internally restricted reserves	211	149
<b>Total sources of funding</b>	<b>762</b>	<b>322</b>

##### Details of capital commitments

Purchase of a new tractor; upgrade of enterprise software; relignment of sewer mains; and planned road renewal works.

## Tenterfield Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 17. Commitments for expenditure (continued)

\$ '000	2018	2017
<b>(b) Operating lease commitments (non-cancellable)</b>		
<b>a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:</b>		
Within the next year	13	24
Later than one year and not later than 5 years	45	3
<b>Total non-cancellable operating lease commitments</b>	<b>58</b>	<b>27</b>
<b>b. Non-cancellable operating leases include the following assets:</b>		
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		
<b>Conditions relating to operating leases:</b>		
– All operating lease agreements are secured only against the leased asset.		
– No lease agreements impose any financial restrictions on Council regarding future debt etc.		
<b>(c) Investment property commitments</b>		
Non-capital expenditure on investment property committed for at the reporting date but not recognised in the financial statements as liabilities:		
Contractual obligations – other	1	1
<b>Total commitments</b>	<b>1</b>	<b>1</b>
<b>These expenditures are payable as follows:</b>		
Within the next year	1	1
<b>Total payable</b>	<b>1</b>	<b>1</b>

## Tenterfield Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 18. Contingencies and other liabilities/assets not recognised

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

##### **LIABILITIES NOT RECOGNISED:**

##### **1. Guarantees**

##### **(i) Defined benefit superannuation contribution plans**

Council is a party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named The Local Government Superannuation Scheme - Pool B (the Scheme) which is a defined benefit plan that has been deemed to be a "multi-employer fund" for the purposes of AASB 119 *Employee Benefits*.

Each member employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses.

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

As the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member employers, the surplus has not been recognised in Council's financial statements.

The adequacy of contributions is assessed at each triennial actuarial investigation and monitored annually between triennials. The last valuation of the Fund was performed by Mr Richard Boyfield, FIAA on 12/12/2017.

Based on a Past Service Liabilities methodology the share of the Fund's surplus that can be attributed to the Council is 0.18%.

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

Investment Return 6.0% per annum

Salary inflation\* 3.5% per annum

Increase in CPI 2.5% per annum

\*plus promotional increases

Pooled employers are required to pay standard employer contributions which are determined using the new entrant rate method under which a contribution rate sufficient to fund the total benefits over the working life-time of a typical new entrant is calculated.

The amount of Council's employer contributions to the Scheme accounted for as an expense for the year ended 30 June 2018 was \$160,121.90. Council's expected standard and additional contributions to the plan for the next annual reporting period is \$154,331.24.

##### **(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.

## Tenterfield Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

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##### **(iii) StateCover Limited (continued)**

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

##### **(iv) Other guarantees**

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

#### **2. Other liabilities**

##### **(i) Third party claims**

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

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

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

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

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

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

#### **ASSETS NOT RECOGNISED:**

##### **(i) 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 2018

#### Note 19. 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.

	Carrying value		Fair value	
	2018	2017	2018	2017
<b>Financial assets</b>				
Cash and cash equivalents	17,002	13,820	17,002	13,820
Investments				
– 'Held to maturity'	2,000	–	2,000	–
Receivables	1,858	4,540	1,857	4,540
<b>Total financial assets</b>	<b>20,860</b>	<b>18,360</b>	<b>20,859</b>	<b>18,360</b>
<b>Financial liabilities</b>				
Payables	2,238	1,709	2,238	1,709
Loans/advances	7,597	4,595	7,597	4,595
<b>Total financial liabilities</b>	<b>9,835</b>	<b>6,304</b>	<b>9,835</b>	<b>6,304</b>

## Tenterfield Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 19. Financial risk management (continued)

\$ '000

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

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

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

The risks associated with the investments held are:

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

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2018</b>				
Possible impact of a 1% movement in interest rates	190	190	(190)	(190)
<b>2017</b>				
Possible impact of a 1% movement in interest rates	138	138	(138)	(138)

## Tenterfield Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 19. 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:

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
<b>(i) Ageing of receivables – %</b>				
Current (not yet overdue)	0%	100%	0%	94%
Overdue	100%	0%	100%	6%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
<b>(ii) Ageing of receivables – value</b>			2018	2017
<b>Rates and annual charges</b>				
Current			1	–
< 1 year overdue			320	282
1 – 2 years overdue			106	84
2 – 5 years overdue			121	63
> 5 years overdue			–	25
			<u>548</u>	<u>454</u>
<b>Other receivables</b>				
Current			1,310	4,001
0 – 30 days overdue			8	21
31 – 60 days overdue			2	32
61 – 90 days overdue			45	10
> 91 days overdue			–	77
			<u>1,365</u>	<u>4,141</u>



## Tenterfield Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 19. Financial risk management (continued)

\$ '000

## (c) Liquidity risk

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 – 5 Years	> 5 Years		
<b>2018</b>							
Trade/other payables	0.00%	112	2,126	–	–	2,238	<b>2,238</b>
Loans and advances	6.00%	–	593	2,167	4,837	7,597	<b>7,597</b>
<b>Total financial liabilities</b>		<b>112</b>	<b>2,719</b>	<b>2,167</b>	<b>4,837</b>	<b>9,835</b>	<b>9,835</b>
<b>2017</b>							
Trade/other payables	0.00%	98	1,611	–	–	1,709	<b>1,709</b>
Loans and advances	5.56%	–	448	1,734	2,413	4,595	<b>4,595</b>
<b>Total financial liabilities</b>		<b>98</b>	<b>2,059</b>	<b>1,734</b>	<b>2,413</b>	<b>6,304</b>	<b>6,304</b>

## Tenterfield Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 20. Material budget variations

\$ '000

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

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

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

Note that for variations\* of budget to actual :

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

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

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
<b>REVENUES</b>					
Rates and annual charges	8,761	8,829	68	1%	<b>F</b>
User charges and fees	2,846	2,589	(257)	(9%)	<b>U</b>
As a result of grant income being less than anticipated, the administration recharge component was also reduced.					
Interest and investment revenue	311	424	113	36%	<b>F</b>
Council effectively managed its investments despite historically low interest rates.					
Other revenues	308	2,422	2,114	686%	<b>F</b>
Non-cash effects: reassessment of provision for quarries remediation; recognition at fair value found assets in buildings and land.					
Operating grants and contributions	7,997	7,538	(459)	(6%)	<b>U</b>
Capital grants and contributions	9,679	5,178	(4,501)	(47%)	<b>U</b>
Some capital project income was not forthcoming as a result of the State Government (RMS) undertake the project on Council's behalf					
Fair value increment on investment property	–	20	20	0%	<b>F</b>
Due to revaluation increment of the investment property. This is a non-cash effect.					

## Tenterfield Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 20. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
<b>EXPENSES</b>					
<b>Employee benefits and on-costs</b>	<b>6,346</b>	<b>6,604</b>	<b>(258)</b>	(4%)	<b>U</b>
<b>Borrowing costs</b>	<b>404</b>	<b>323</b>	<b>81</b>	20%	<b>F</b>
Council took out the additional \$3.450M loan for the Dam Wall later in the financial year than anticipated hence the lower repayments					
<b>Materials and contracts</b>	<b>3,373</b>	<b>4,492</b>	<b>(1,119)</b>	(33%)	<b>U</b>
Predominantly due to additional contractor and other costs for which adjustments were made throughout the course of the year via the quarterly budget review process.					
<b>Depreciation and amortisation</b>	<b>6,404</b>	<b>6,008</b>	<b>396</b>	6%	<b>F</b>
<b>Net losses from disposal of assets</b>	<b>263</b>	<b>338</b>	<b>(75)</b>	(29%)	<b>U</b>
Difficult to predict the disposal value of some assets hence the variation.					
<b>Revaluation decrement / impairment of IPP&amp;E</b>	<b>–</b>	<b>357</b>	<b>(357)</b>	0%	<b>U</b>
Effect of condition assessment of heavy vehicles. No budget was allocated for this initially.					

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

<b>Cash flows from operating activities</b>	<b>17,604</b>	<b>14,693</b>	<b>(2,911)</b>	(16.5%)	<b>U</b>
<b>Cash flows from investing activities</b>	<b>(20,809)</b>	<b>(14,513)</b>	<b>6,296</b>	(30.3%)	<b>F</b>
Council spent less on capital works in 2017/18 than originally planned and adjustments were made throughout the course of the year via the quarterly budget review process.					
<b>Cash flows from financing activities</b>	<b>2,953</b>	<b>3,002</b>	<b>49</b>	1.7%	<b>F</b>

## Note 21. Fair value measurement

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.

## Tenterfield Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 21. Fair value measurement (continued)

\$ '000

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

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).

2018	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Investment property</b>					
Service station	30/06/18	–	–	300	300
<b>Total investment property</b>		<b>–</b>	<b>–</b>	<b>300</b>	<b>300</b>
<b>Infrastructure, property, plant and equipment</b>					
Work in Progress	n/a	–	–	7,980	7,980
'Plant and equipment	30/06/18	–	–	6,615	6,615
Office equipment	30/06/16	–	–	164	164
Furniture and fittings	30/06/16	–	–	23	23
Land - operational	30/06/18	–	–	3,495	3,495
Land - community	30/06/16	–	–	1,414	1,414
Land under roads	30/06/14	–	–	10	10
Land improvements - depreciated	30/06/16	–	–	783	783
Buildings	30/06/18	–	–	17,725	17,725
Other structures	30/06/16	–	–	2,260	2,260
Roads	30/06/15	–	–	114,133	114,133
Bulk earthworks	30/06/15	–	–	131,495	131,495
Footpaths	30/06/15	–	–	2,058	2,058
Bridges	30/06/15	–	–	41,542	41,542
Stormwater assets	30/06/15	–	–	4,390	4,390
Water supply assets	30/06/17	–	–	14,203	14,203
Sewerage network	30/06/17	–	–	21,737	21,737
Swimming pools	30/06/16	–	–	907	907
Open space and recreation	30/06/16	–	–	1,623	1,623
Library books	30/06/16	–	–	153	153
Tip assets	30/06/18	–	–	2,080	2,080
Quarry assets	30/06/18	–	–	104	104
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>–</b>	<b>374,894</b>	<b>374,894</b>

## Tenterfield Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 21. Fair value measurement (continued)

\$ '000

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

2017	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Investment property</b>					
Service station	30/06/14	–	–	280	280
<b>Total investment property</b>		<b>–</b>	<b>–</b>	<b>280</b>	<b>280</b>
<b>Infrastructure, property, plant and equipment</b>					
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	–	–	98,516	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
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>–</b>	<b>346,537</b>	<b>346,537</b>

## (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 2018

#### Note 21. Fair value measurement (continued)

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##### **(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:

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##### **Investment properties**

The investment property is included in Level 2 of the hierarchy. The fair value is derived by using income approach (capitalisation of assessed net income) along with the sales evidence in an active market for similar assets.

The fair value of the investment property is determined by a qualified and experienced valuer. Council's last valuation of its investment property was done on 23 December 2017 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.

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##### **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 where also taken into consideration. The last valuation was undertaken at 30 June 2018 by Scott Fullarton Valuations Pty Ltd. There has been no change to the valuation process during the reporting period.

###### **Other Structures, Swimming Pools and Open Space & Recreation Assets**

The valuation process involved current replacement cost approach. Unobservable inputs such as replacement cost, asset condition and useful life required extensive professional judgement. 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 Pty Ltd. 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 2018

#### Note 21. Fair value measurement (continued)

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##### **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 input is the condition of the assets. There has been no change to the valuation process during the reporting period.

##### **Buildings**

Buildings assets are valued externally. Council engaged Scott Fullarton Valuations Pty Ltd to perform a comprehensive valuation of buildings assets as at 30 June 2018. Most of the Council's buildings are specialised by nature and were valued utilising the cost approach. The approach estimated the replacement cost of each building and componentising of significant parts of specific buildings with different useful lives and taking into account a range of factors. Where the unit rates could be supported by market evidence, Level 2 inputs were utilised. Other inputs (such as estimates useful life, asset condition and componentisation) required extensive professional judgement and impacted significantly on the final determination of fair value. As such, these assets have been valued utilising Level 3 inputs. There were no changes in valuation technique from prior year.

##### **Water and Sewerage network assets**

Due to specialised nature of the assets all water and sewer network assets were valued using cost approach with the Level 3 input dominating the valuation. As a result, this class of assets is always valued externally with sufficient regularity to ensure carrying amount of the assets is not materially different to fair value. Council engaged independent professional valuer, AssetVal Pty Ltd, to perform a comprehensive revaluation of its water and sewerage supply network assets as at 30 June 2017.

Valuer applied significant judgement in determining following inputs into the valuation process: unit rates, condition assessment and obsolescence, useful life. The valuation technique has not changed from previous year.

##### **Transportation assets**

Transportation assets is a valuation class of asset for the purposes of AASB 13 *Fair Value Measurement* which combines following classes of assets from Note 9: roads, bridges, footpaths, bulk earthworks, stormwater drainage.

This valuation relies on key unobservable inputs such as unit rates, condition ratings, useful life. 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.

## Tenterfield Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 21. Fair value measurement (continued)

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##### **Remediation Assets**

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.

##### **(4) Reconciliation of movements allocated to Level 3 of the hierarchy**

Due to the fact that there were no transfers between Levels of hierarchy, for reconciliations in Level 3 inputs refer to Note 9.

##### **(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 2018

## Note 22. Related party transactions

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 \$ '000
 

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**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:

<b>Compensation:</b>	<b>2018</b>	<b>2017</b>
Short-term benefits	752	946
Post-employment benefits	55	77
Termination benefits	–	49
<b>Total</b>	<b>807</b>	<b>1,072</b>

**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.

Council had transactions with some of the KMP's related parties which were at arm's length conditions and not material in nature and in value.

Comparative figures were adjusted to reduce amount of individuals who meet the definition of a related party under AASB 124 *Related Party Disclosures*.

## Tenterfield Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 23. Events occurring after the reporting date

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##### **Commencement of the *Crown Land Management Act 2016***

In June 2018 the Minister for Lands and Forestry announced commencement of the *Crown Land Management Act 2016* (CLM Act) on 1 July 2018.

The CLM Act introduced significant changes to the management of Crown land by councils. Specifically, councils will have to manage their dedicated or reserved land as if it were public land under the *Local Government Act 1993* (LG Act). Most of this land is expected to be classified as “community land” under the LG Act, meaning that councils will be required to have plans of management in place for the land. The CLM Act provides a transition period of 3 years from commencement for councils to have these plans in place.

As at the reporting date Tenterfield Shire Council has already recognized some crown reserves for which evidence of control existed based on the requirements of the Australian Accounting Standards (refer to Note 9). However, new land will have to be recognized in the next financial year based on the legal requirements rather than substance.

In May 2018 Council received an Interim (preliminary) Schedule of Crown Reserves managed by the Council from NSW Department of Industry - Lands and Water Division. Based on this schedule about fifty Crown Reserves were indicated as are either under direct management of the council as a reserve trust manager or devolved to the council under section 48 of LG Act. However, this is the preliminary list only with limited information attached to each reserve. More detailed information will be available to the council later.

The new land will have to be recognized at fair value based on the requirements of AASB 116. With the limited information available by the time of issue of these financial statements, council can only make a preliminary estimate on the range of the potential effect on the financial statements which may vary from \$5m to \$10m.

## Tenterfield Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 24. Statement of developer contributions

\$ '000

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

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

## SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	2	1	–	0	–	–	3	–
Roads	404	121	–	4	–	–	529	–
Parking	4	–	–	–	–	–	4	–
Open space	1	2	–	0	–	–	3	–
Community facilities	26	5	–	0	–	–	31	–
Emergency services	16	9	–	0	–	–	25	–
Waste management	28	14	–	1	–	–	43	–
Other	8	4	–	0	–	–	12	–
<b>S7.11 contributions – under a plan</b>	<b>489</b>	<b>156</b>	<b>–</b>	<b>5</b>	<b>–</b>	<b>–</b>	<b>650</b>	<b>–</b>
<b>S7.12 levies – under a plan</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1</b>	<b>–</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>490</b>	<b>156</b>	<b>–</b>	<b>5</b>	<b>–</b>	<b>–</b>	<b>651</b>	<b>–</b>
<b>Total contributions</b>	<b>490</b>	<b>156</b>	<b>–</b>	<b>5</b>	<b>–</b>	<b>–</b>	<b>651</b>	<b>–</b>

## Tenterfield Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 24. Statement of developer contributions (continued)

\$ '000

## S7.11 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	–
<b>Total</b>	<b>218</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>218</b>	<b>–</b>

## 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	2	1	–	0	–	–	3	–
Roads	209	121	–	4	–	–	334	–
Open space	1	2	–	0	–	–	3	–
Community facilities	7	5	–	0	–	–	12	–
Emergency services	16	9	–	0	–	–	25	–
Waste management	28	14	–	1	–	–	43	–
Other	8	4	–	0	–	–	12	–
<b>Total</b>	<b>271</b>	<b>156</b>	<b>–</b>	<b>5</b>	<b>–</b>	<b>–</b>	<b>432</b>	<b>–</b>

## Tenterfield Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 24. Statement of developer contributions (continued)

\$ '000

## S7.12 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	-
<b>Total</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>

## Tenterfield Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 25. Financial result and financial position by fund

Income Statement by fund			
\$ '000	2018	2018	2018
<b>Continuing operations</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Income from continuing operations</b>			
Rates and annual charges	827	1,825	6,177
User charges and fees	1,089	165	1,335
Interest and investment revenue	23	36	365
Other revenues	609	628	1,185
Grants and contributions provided for operating purposes	125	26	7,387
Grants and contributions provided for capital purposes	2,226	–	2,952
<b>Other income</b>			
Fair value increment on investment property	–	–	20
<b>Total income from continuing operations</b>	<b>4,899</b>	<b>2,680</b>	<b>19,421</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	671	482	5,451
Borrowing costs	33	160	130
Materials and contracts	633	437	3,422
Depreciation and amortisation	594	457	4,957
Other expenses	189	132	1,262
Net losses from the disposal of assets	–	–	338
Revaluation decrement / impairment of IPPE	–	–	357
<b>Total expenses from continuing operations</b>	<b>2,120</b>	<b>1,668</b>	<b>15,917</b>
<b>Operating result from continuing operations</b>	<b>2,779</b>	<b>1,012</b>	<b>3,504</b>
<b>Net operating result attributable to each council fund</b>	<b>2,779</b>	<b>1,012</b>	<b>3,504</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>553</b>	<b>1,012</b>	<b>552</b>

<sup>1</sup> 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 2018

## Note 25. Financial result and financial position by fund (continued)

Statement of Financial Position by fund			
\$ '000	2018	2018	2018
<b>ASSETS</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Current assets</b>			
Cash and cash equivalents	2,222	1,884	12,896
Investments	–	500	1,500
Receivables	741	209	908
Inventories	–	–	647
<b>Total current assets</b>	<b>2,963</b>	<b>2,593</b>	<b>15,951</b>
<b>Non-current assets</b>			
Infrastructure, property, plant and equipment	23,096	22,459	329,339
Investment property	–	–	300
Intangible assets	–	–	285
<b>Total non-current assets</b>	<b>23,096</b>	<b>22,459</b>	<b>329,924</b>
<b>TOTAL ASSETS</b>	<b>26,059</b>	<b>25,052</b>	<b>345,875</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	892	44	1,302
Income received in advance	5	–	(5)
Borrowings	127	74	392
Provisions	–	–	1,743
<b>Total current liabilities</b>	<b>1,024</b>	<b>118</b>	<b>3,432</b>
<b>Non-current liabilities</b>			
Borrowings	3,627	1,929	1,448
Provisions	–	–	3,052
<b>Total non-current liabilities</b>	<b>3,627</b>	<b>1,929</b>	<b>4,500</b>
<b>TOTAL LIABILITIES</b>	<b>4,651</b>	<b>2,047</b>	<b>7,932</b>
<b>Net assets</b>	<b>21,408</b>	<b>23,005</b>	<b>337,943</b>
<b>EQUITY</b>			
Accumulated surplus	10,438	10,798	113,345
Revaluation reserves	10,970	12,207	224,598
<b>Total equity</b>	<b>21,408</b>	<b>23,005</b>	<b>337,943</b>

<sup>1</sup> 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 2018

## Note 26(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
<b>Local government industry indicators – consolidated</b>					
<b>1. Operating performance ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<u>2,792</u>	<b>12.81%</b>	15.71%	9.75%	> 0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<u>21,802</u>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<u>14,264</u>	<b>52.87%</b>	45.28%	51.43%	> 60.00%
Total continuing operating revenue <sup>(1)</sup>	<u>26,980</u>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions <sup>(2)</sup>	<u>12,188</u>	<b>4.81x</b>	4.47x	4.67x	> 1.5x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<u>2,532</u>				
<b>4. Debt service cover ratio</b>					
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<u>9,123</u>	<b>11.83x</b>	11.76x	8.90x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>771</u>				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<u>673</u>	<b>7.12%</b>	6.75%	5.96%	10%
Rates, annual and extra charges collectible	<u>9,455</u>				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<u>17,002</u>	<b>15.08 mths</b>	12.6 mths	10.8 mths	> 3 mths
Monthly payments from cash flow of operating and financing activities	<u>1,128</u>				

## Notes

<sup>(1)</sup> 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.

<sup>(2)</sup> Refer Notes 6-8 inclusive.

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

<sup>(3)</sup> Refer to Notes 12 and 13.

<sup>(4)</sup> Refer to Note 12(b) and 13(b) – 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 2018

## Note 26(b). Statement of performance measures – by fund

\$ '000	General indicators <sup>5</sup>		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
<b>Local government industry indicators – by fund</b>							
<b>1. Operating performance ratio</b>							
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<b>7.46%</b>	17.69%	<b>20.69%</b>	8.80%	<b>37.76%</b>	4.66%	> 0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions							
<b>2. Own source operating revenue ratio</b>							
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<b>46.71%</b>	39.60%	<b>52.01%</b>	47.79%	<b>99.03%</b>	97.84%	> 60.00%
Total continuing operating revenue <sup>(1)</sup>							
<b>3. Unrestricted current ratio</b>							
Current assets less all external restrictions <sup>(2)</sup>	<b>4.81x</b>	4.41x	<b>2.89x</b>	23.61x	<b>21.97x</b>	17.85x	> 1.5x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>							

## Notes

(1) - (4) Refer to Notes at Note 26a 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 2018

## Note 26(b). Statement of performance measures – by fund (continued)

\$ '000	General indicators <sup>5</sup>		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund (continued)							
<b>4. Debt service cover ratio</b>							
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<b>12.38x</b>	13.98x	<b>35.76x</b>	25.69x	<b>7.14x</b>	4.54x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>							
Rates, annual and extra charges outstanding	<b>7.19%</b>	6.90%	<b>7.38%</b>	6.77%	<b>6.74%</b>	6.24%	10.00%
Rates, annual and extra charges collectible							
<b>6. Cash expense cover ratio</b>							
Current year's cash and cash equivalents plus all term deposits	<b>11.44</b>	10.82	<b>0.00</b>	1.00	<b>0.00</b>	948.50	> 3 months
Monthly payments from cash flow of operating and financing activities	<b>months</b>	months	<b>months</b>	months	<b>months</b>	months	

## Notes

(1) Refer to Notes at Note 26a above.

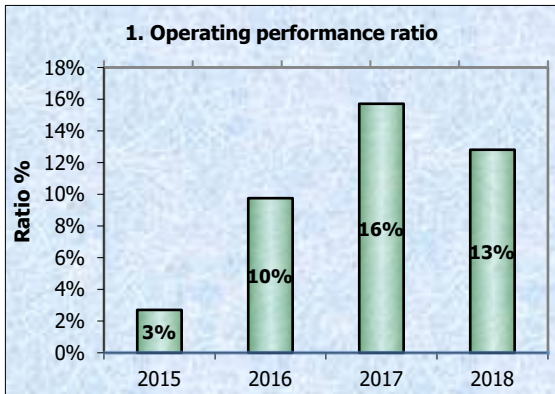
(5) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

**END OF AUDITED FINANCIAL STATEMENTS**

# Tenterfield Shire Council

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

### Note 26(c). Statement of performance measures – consolidated results (graphs)





#### Purpose of operating performance ratio

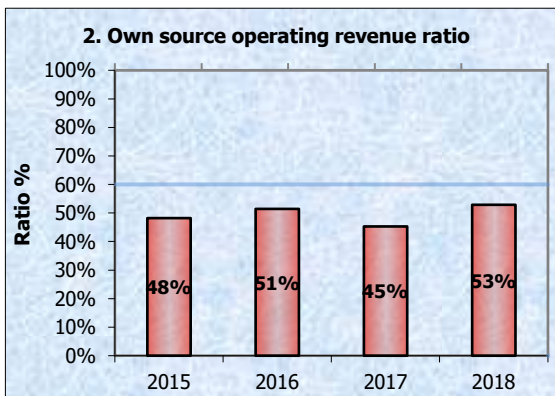
This ratio measures Council's achievement of containing operating expenditure within operating revenue.

**2017/18 ratio 12.81%**

Benchmark: — Minimum  $\geq 0.00\%$

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

 Ratio achieves benchmark  
 Ratio is outside benchmark





#### Purpose of own source operating revenue ratio

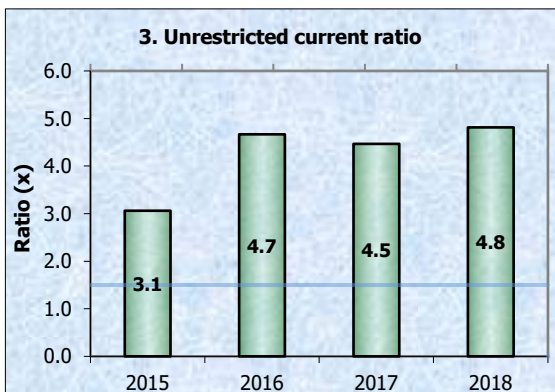
This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.

**2017/18 ratio 52.87%**

Benchmark: — Minimum  $\geq 60.00\%$

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

 Ratio achieves benchmark  
 Ratio is outside benchmark





#### Purpose of unrestricted current ratio

To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.

**2017/18 ratio 4.81x**

Benchmark: — Minimum  $\geq 1.50$

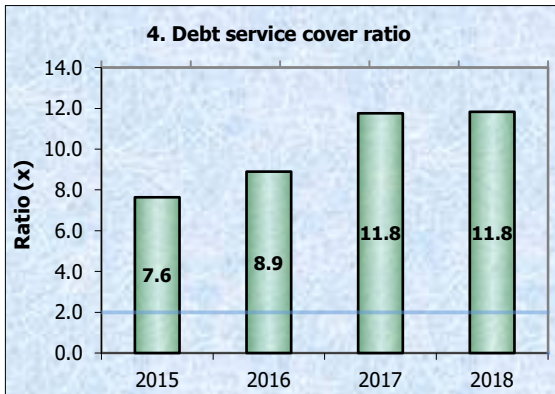
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

 Ratio achieves benchmark  
 Ratio is outside benchmark

# Tenterfield Shire Council

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

### Note 26(c). Statement of performance measures – consolidated results (graphs)



**Purpose of debt service cover ratio**

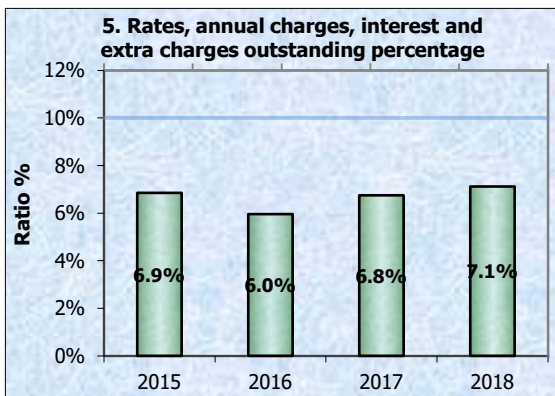
This ratio measures the availability of operating cash to service debt including interest, principal and lease payments

**2017/18 ratio 11.83x**

Benchmark: Minimum  $\geq 2.00$

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

Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of rates and annual charges outstanding ratio**

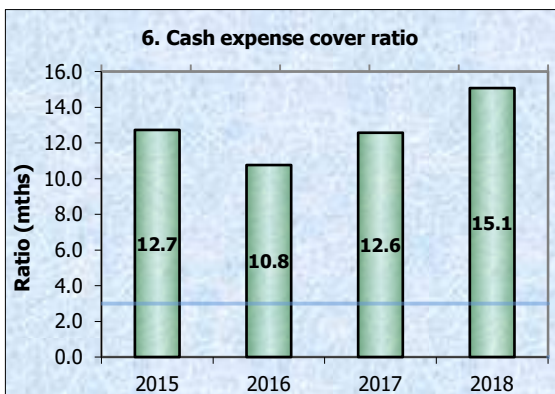
To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.

**2017/18 ratio 7.12%**

Benchmark: Maximum  $< 10.00\%$

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

Ratio is within Benchmark  
 Ratio is outside Benchmark



**Purpose of cash expense cover ratio**

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

**2017/18 ratio 15.08 mths**

Benchmark: Minimum  $\geq 3.00$

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

Ratio achieves benchmark  
 Ratio is outside benchmark

# Tenterfield Shire Council

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

### Note 27. Council information and contact details

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**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](http://www.tenterfield.nsw.gov.au)

**Email:** [council@tenterfield.nsw.gov.au](mailto:council@tenterfield.nsw.gov.au)

**Officers****GENERAL MANAGER**

Terry Dodds

**RESPONSIBLE ACCOUNTING OFFICER**

Paul Della

**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 report**  
**Tenterfield Shire Council**

To the Councillors of the Tenterfield Shire Council

## Opinion

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

In my opinion,

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

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

## Basis for Opinion

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

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

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

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

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

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

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

## **Other Information**

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

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

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

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

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Financial Report**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Report**

My objectives are to:


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

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

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

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 20 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule 2 - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.

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

James Sugumar  
Director, Financial Audit Services

25 October 2018  
SYDNEY



Cr Peter Petty  
Mayor  
Tenterfield Shire Council  
PO Box 214  
TENTERFIELD NSW 2420

Contact: James Sugumar  
Phone no: 02 9275 7288  
Our ref: D1825855/1794

26 October 2018

Dear Mayor Petty

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

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

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






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

**SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS**

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

## FINANCIAL RESULTS

### INCOME STATEMENT

	2018 \$m	2017 \$m	Variation \$m	Variation %
Rates and annual charges revenue	8.8	8.1	+0.7	 8.6
Grants and contributions revenue	12.7	14.2	-1.5	 10.6
<b>TOTAL REVENUE</b>	<b>27.0</b>	<b>25.9</b>	<b>+1.1</b>	 4.2
<b>TOTAL EXPENSES</b>	<b>19.7</b>	<b>18.4</b>	<b>+1.3</b>	 7.1
<b>Operating result for the year</b>	<b>7.3</b>	<b>7.5</b>	<b>-0.1</b>	 1.3

Increase of \$0.7 million in rates and annual charges revenue was mainly due to increase in rates (special rate variation of 10.0 per cent and a rate peg of 1.5 per cent) and increases in annual charges.

Grants and contributions revenue decreased by \$1.5 million due to lower financial assistance grant and roads to recovery grants. Receipt of a portion of financial assistance grant in previous year decreased the current year's grant revenue.

Council's total revenue increased by \$1.1 million mainly due to \$1.9 million unrecorded assets found and recognised during the year as well as the effects from movements in revenues from rates and annual charges and grants and contributions.

Council's total expenses increased by \$1.3 million because of increases in payroll award expenses and materials and contracts expenses.

Operating result for the year remained consistent with the prior year.

## BALANCE SHEET

	2018 \$m	2017 \$m	Variation \$m	Variation %
<b>Current assets</b>	21.5	19.0	+2.5	↑ 13.2
<b>Non-current assets</b>	375.5	347.0	+28.5	↑ 8.2
<b>TOTAL ASSETS</b>	397.0	366.0	+31.0	↑ 8.5
<b>TOTAL LIABILITIES</b>	14.6	9.7	+4.9	↑ 50.5
<b>NET ASSETS</b>	382.4	356.3	+26.1	↑ 7.3

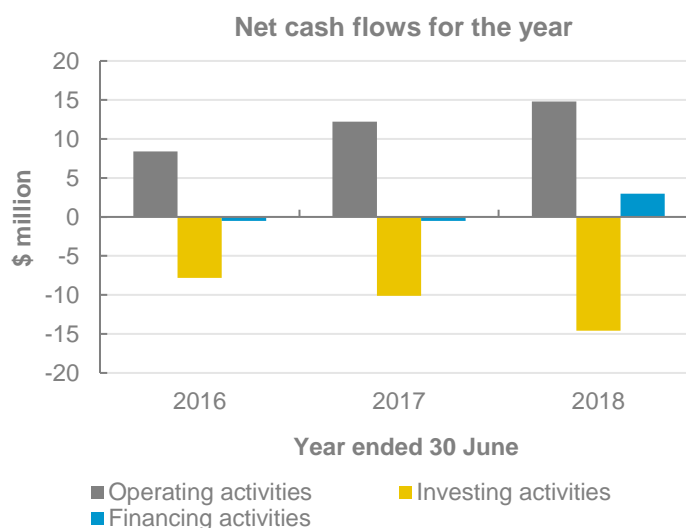
Current assets increased mainly due to improvements in cash and investments balances from positive operating result for the year.

Non-current assets increased mainly because of acquisition of infrastructure assets together with a \$16.0 million increase from reassessment of fair values of land and buildings.

Total liabilities increased by \$4.9 million mainly due to additional borrowings to fund acquisition of assets.

## CASH FLOWS

- The Council reported positive operating cash flows in the past three years
- Increasing investing cash outflows for 30 June 2018 largely represents acquisition of \$14.4 million infrastructure assets
- Cash flows from financing activities for 30 June 2018 represents additional borrowings to fund the asset acquisition.



## CASH POSITION

Cash and Investments	2018	2017	Commentary
	\$m	\$m	
Externally restricted	7.9	4.9	<ul style="list-style-type: none"> <li>Externally restricted cash increased mainly due to water and sewer funds received during the year.</li> <li>The increased in the internally restricted cash at 30 June 2018 was due to allocation of additional reserves for plant replacement and infrastructure works.</li> </ul>
Internally restricted	11.0	8.9	
Unrestricted	0.1	0.1	
<b>Cash and investments</b>	<b>19.0</b>	<b>13.9</b>	<ul style="list-style-type: none"> <li>Cash and investments at 30 June 2018 increased due to positive operating results and borrowings.</li> </ul>

## COUNCIL'S PERFORMANCE RATIOS FOR 30 JUNE 2018

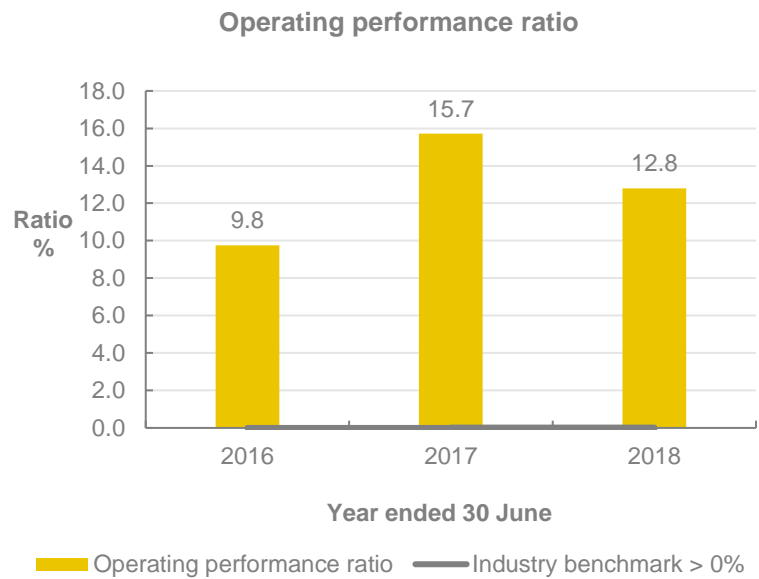
I provide a summary of outcomes and analysis of the Council's key performance ratios for the year ended 30 June 2018 below:

Performance ratio	Outcome	Reference
Operating performance ratio	Achieved	<u>1</u>
Own source operating revenue ratio	Not Achieved	<u>2</u>
Unrestricted current ratio	Achieved	<u>3</u>
Debt service cover ratio	Achieved	<u>4</u>
Rates and annual charges cover ratio	Achieved	<u>5</u>
Cash expense cover ratio	Achieved	<u>6</u>
Building and infrastructure renewals ratio	Not Achieved	<u>7</u>

The ratios and the definitions (except for the 'building and infrastructure renewals ratio') are reported in Note 26(b) of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7 which has not been audited.

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

- Council achieved the benchmark and reported positive operating performance ratios in the past three years
- A higher ratio of 12.8 for 2016-17 was due to early receipt of Financial Assistance Grants of \$1.9 million
- The ratio decreased to 12.8 percent in 2017-18 mainly due to increased capital grants of \$0.9 million and increases in operating expenditure.

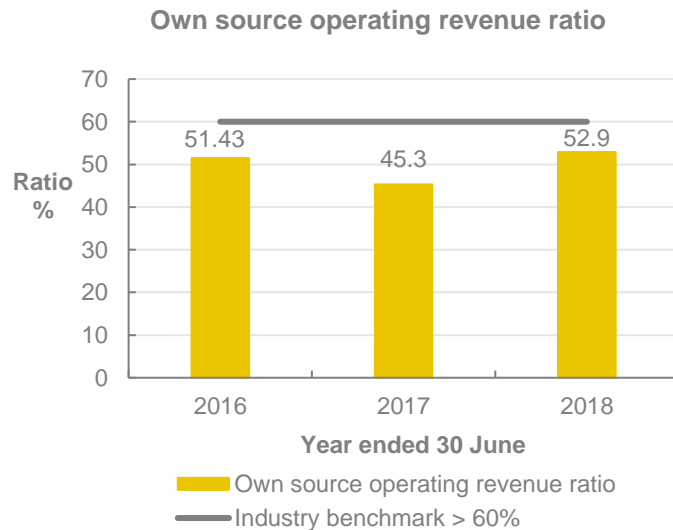


The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements).

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

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

- Council did not achieve the own source operating ratio benchmark of 60 per cent
- The own source operating revenue ratio has been below 60 per cent for the last three years due to the impacts of grants and contributions.

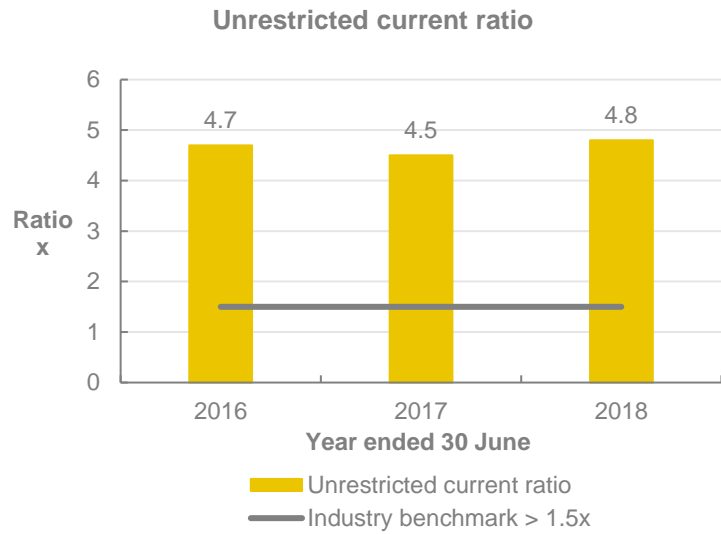


The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions.

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

### 3. Unrestricted current ratio (unrestricted cash to liabilities)

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

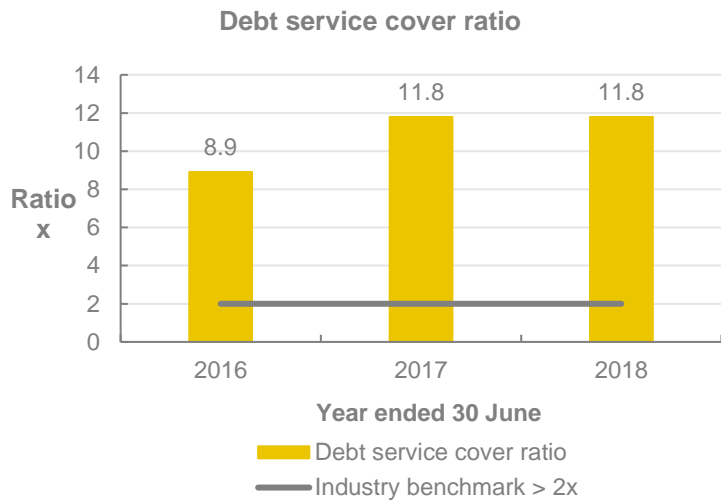


The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due.

The benchmark set by OLG is greater than 1.5 times.

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

Council continued to exceed by a good margin the debt service cover ratio benchmark for the past three years.



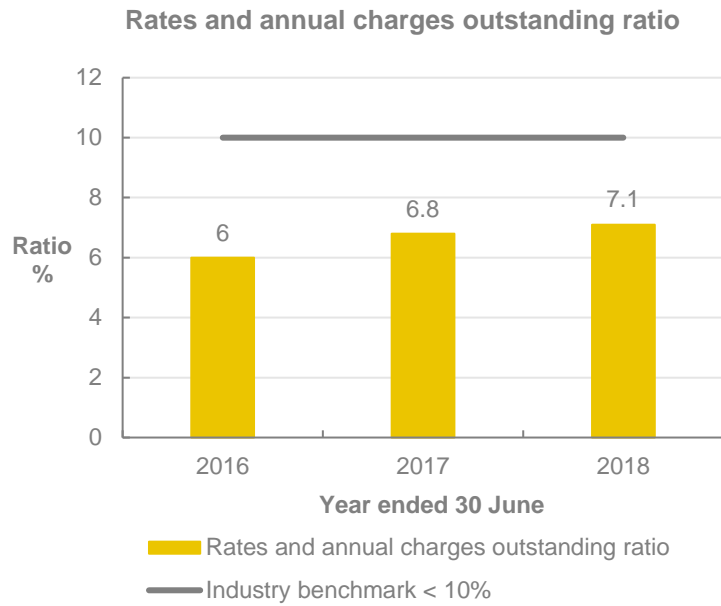
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments.

The benchmark set by OLG is greater than two times.

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

Council achieved the benchmark for outstanding rates and annual charges for the past three years.

The collection procedures of the Council operated effectively to collect more than 93 per cent of the rates and annual charges revenue within the receivable dates.

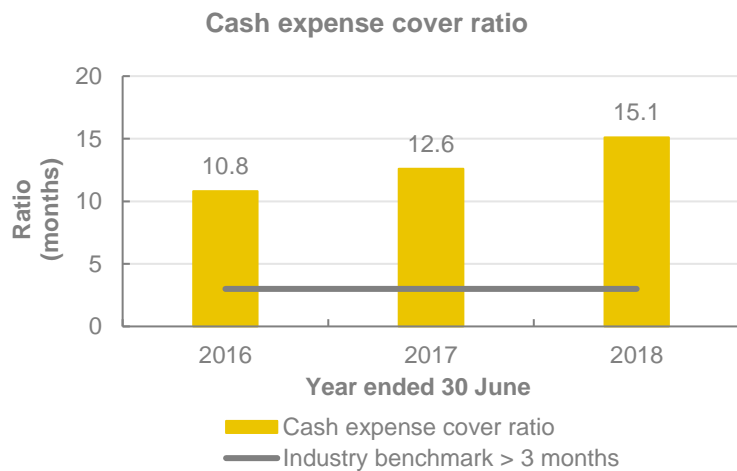


The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts.

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

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

- Council exceeded the cash expense cover ratio benchmark of 3 months by a good margin for the past three years
- It will be able to meet its immediate expenses for more than ten months without additional cash inflows.



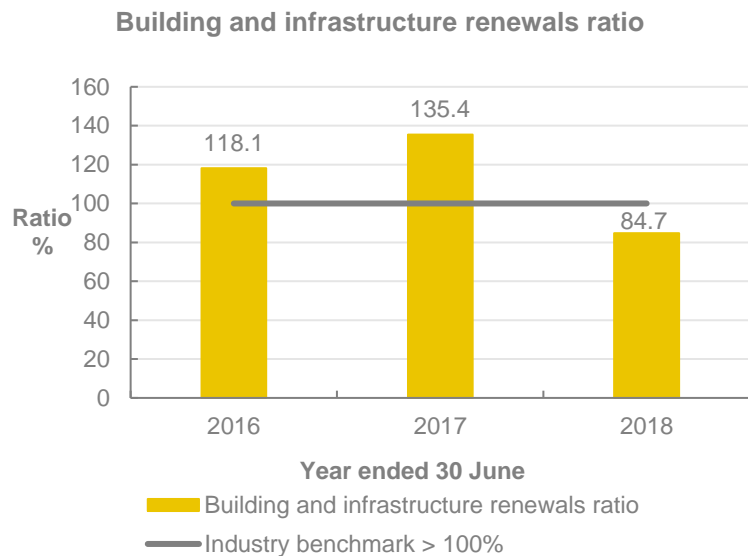
The cash expense cover ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow.

The benchmark set by OLG is greater than three months.

## 7. Building and infrastructure renewals ratio (unaudited)

Council has not achieved the benchmark for this ratio in the current year.

The building and infrastructure renewals ratio declined in the current year due to the mix of infrastructure works moving from renewal to new assets.



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

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

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

## OTHER MATTERS

### Legislative compliance

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

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

James Sugumar  
Director, Financial Audit Services

cc: Mr Terry Dodds, Chief Executive Officer  
Mr Peter Sheville, Chair Audit Risk and Improvement Committee  
Mr Tim Hurst, Chief Executive, Office of Local Government



# Tenterfield Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2018

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**"Birthplace of Our Nation"**



# Tenterfield Shire Council

## Special Purpose Financial Statements

for the year ended 30 June 2018

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### Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
  - (ii) The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.  
  
Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.
  - (iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.  
  
These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).
  - (iv) In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).
-

## Tenterfield Shire Council

### Special Purpose Financial Statements

for the year ended 30 June 2018

### Statement by Councillors and Management

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

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

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

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

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

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

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



Peter Petty  
Mayor  
26 September 2018



Greg Sauer  
Councillor  
26 September 2018



Terry Dodds  
General manager  
26 September 2018



Paul Della  
Responsible accounting officer  
26 September 2018

## Tenterfield Shire Council

## Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2018

\$ '000	2018	2017
<b>Income from continuing operations</b>		
Access charges	827	812
User charges	1,079	966
Fees	10	–
Interest	23	26
Grants and contributions provided for non-capital purposes	125	106
Other income	609	10
<b>Total income from continuing operations</b>	<b>2,673</b>	<b>1,920</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	671	581
Borrowing costs	33	21
Materials and contracts	633	350
Depreciation, amortisation and impairment	594	556
Water purchase charges	48	48
Other expenses	141	195
<b>Total expenses from continuing operations</b>	<b>2,120</b>	<b>1,751</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>553</b>	<b>169</b>
Grants and contributions provided for capital purposes	2,226	1,876
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>2,779</b>	<b>2,045</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>2,779</b>	<b>2,045</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(166)	(51)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>2,613</b>	<b>1,994</b>
Plus opening retained profits	7,659	5,614
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	166	51
<b>Closing retained profits</b>	<b>10,438</b>	<b>7,659</b>
<b>Return on capital %</b>	<b>2.5%</b>	<b>1.2%</b>
<b>Subsidy from Council</b>	<b>21</b>	<b>198</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	2,613	1,994
Less: capital grants and contributions (excluding developer contributions)	(2,226)	(1,876)
<b>Surplus for dividend calculation purposes</b>	<b>387</b>	<b>118</b>
<b>Potential dividend calculated from surplus</b>	<b>194</b>	<b>59</b>

## Tenterfield Shire Council

## Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2018

\$ '000	2018	2017
<b>Income from continuing operations</b>		
Access charges	1,825	1,762
User charges	124	94
Liquid trade waste charges	33	33
Fees	8	–
Interest	36	40
Grants and contributions provided for non-capital purposes	26	26
Other income	628	18
<b>Total income from continuing operations</b>	<b>2,680</b>	<b>1,973</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	482	459
Borrowing costs	160	165
Materials and contracts	437	279
Depreciation, amortisation and impairment	457	783
Other expenses	132	195
<b>Total expenses from continuing operations</b>	<b>1,668</b>	<b>1,881</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>1,012</b>	<b>92</b>
Grants and contributions provided for capital purposes	–	17
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>1,012</b>	<b>109</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>1,012</b>	<b>109</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(304)	(28)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>708</b>	<b>81</b>
Plus opening retained profits	9,786	9,677
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	304	28
<b>Closing retained profits</b>	<b>10,798</b>	<b>9,786</b>
<b>Return on capital %</b>	<b>5.2%</b>	<b>1.2%</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>257</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	708	81
Less: capital grants and contributions (excluding developer contributions)	–	–
<b>Surplus for dividend calculation purposes</b>	<b>708</b>	<b>81</b>
<b>Potential dividend calculated from surplus</b>	<b>354</b>	<b>41</b>

## Tenterfield Shire Council

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

\$ '000	2018	2017
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	2,222	–
Receivables	741	2,455
<b>Total current assets</b>	<b>2,963</b>	<b>2,455</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	23,096	16,294
<b>Total non-current assets</b>	<b>23,096</b>	<b>16,294</b>
<b>TOTAL ASSETS</b>	<b>26,059</b>	<b>18,749</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank overdraft	–	32
Payables	892	62
Income received in advance	5	–
Borrowings	127	10
<b>Total current liabilities</b>	<b>1,024</b>	<b>104</b>
<b>Non-current liabilities</b>		
Borrowings	3,627	304
<b>Total non-current liabilities</b>	<b>3,627</b>	<b>304</b>
<b>TOTAL LIABILITIES</b>	<b>4,651</b>	<b>408</b>
<b>NET ASSETS</b>	<b>21,408</b>	<b>18,341</b>
<b>EQUITY</b>		
Accumulated surplus	10,438	7,659
Revaluation reserves	10,970	10,682
Council equity interest	21,408	18,341
<b>TOTAL EQUITY</b>	<b>21,408</b>	<b>18,341</b>

## Tenterfield Shire Council

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

\$ '000	2018	2017
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,884	1,896
Investments	500	–
Receivables	209	177
<b>Total current Assets</b>	<b>2,593</b>	<b>2,073</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	22,459	21,599
<b>Total non-current assets</b>	<b>22,459</b>	<b>21,599</b>
<b>TOTAL ASSETS</b>	<b>25,052</b>	<b>23,672</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	44	49
Borrowings	74	68
<b>Total current liabilities</b>	<b>118</b>	<b>117</b>
<b>Non-current liabilities</b>		
Borrowings	1,929	2,003
<b>Total non-current liabilities</b>	<b>1,929</b>	<b>2,003</b>
<b>TOTAL LIABILITIES</b>	<b>2,047</b>	<b>2,120</b>
<b>NET ASSETS</b>	<b>23,005</b>	<b>21,552</b>
<b>EQUITY</b>		
Accumulated surplus	10,798	9,786
Revaluation reserves	12,207	11,766
Council equity interest	23,005	21,552
<b>TOTAL EQUITY</b>	<b>23,005</b>	<b>21,552</b>

# Tenterfield Shire Council

## Special Purpose Financial Statements

for the year ended 30 June 2018

### Contents of the notes accompanying the financial statements

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



## Tenterfield Shire Council

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

#### Note 1. Significant accounting policies

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

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

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

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

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

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

#### National Competition Policy

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

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

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

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

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

#### Declared business activities

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

#### Category 1

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

Nil

## Tenterfield Shire Council

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

#### Note 1. Significant accounting policies (continued)

##### Category 2

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

##### a. Tenterfield Shire Water Supplies

Water supply system servicing the towns of Tenterfield, Urbenville and Jennings.

##### b. Tenterfield Shire Sewerage Services

Sewerage reticulation and treatment system servicing the towns of Tenterfield and Jennings.

##### Monetary amounts

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

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

##### (i) Taxation-equivalent charges

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

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

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

##### Notional rate applied (%)

Corporate income tax rate – **30%**

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

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

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

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

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

## Tenterfield Shire Council

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

#### Note 1. Significant accounting policies (continued)

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##### **Income tax**

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

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

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

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

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

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

##### **Local government rates and charges**

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

##### **Loan and debt guarantee fees**

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

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

##### *(ii) Subsidies*

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

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

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

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

##### *(iii) Return on investments (rate of return)*

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

## Tenterfield Shire Council

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

#### Note 1. Significant accounting policies (continued)

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

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

The rate of return is calculated as follows:

**Operating result before capital income + interest expense**

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

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

#### *(iv) Dividends*

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

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

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

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

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

**END OF AUDITED SPECIAL PURPOSE FINANCIAL STATEMENTS**

## Tenterfield Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2018Note 2. Water supply business  
best-practice management disclosure requirements

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

2018

**1. Calculation and payment of tax-equivalents**

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

(i)	Calculated tax equivalents	-
(ii)	Number of assessments multiplied by \$3/assessment	6,543
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	-
(iv)	Amounts actually paid for tax equivalents	-

**2. Dividend from surplus**

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	193,550
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	65,430
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	615,900

2018 Surplus	387,100	2017 Surplus	118,300	2016 Surplus	110,500
		2017 Dividend	-	2016 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	65,430
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	-
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? <sup>a</sup>	YES

**3. Required outcomes for 6 criteria**

[to be eligible for the payment of a 'dividend from surplus', all the criteria below need a 'YES']

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Full cost recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	– Complying charges [item 2 (b) in table 1]	YES
	– DSP with commercial developer charges [item 2 (e) in table 1]	YES
	– If dual water supplies, complying charges [item 2 (g) in table 1]	NO
(iii)	Sound water conservation and demand management implemented	YES
(iv)	Sound drought management implemented	YES
(v)	Complete performance reporting form (by 15 September each year)	YES
(vi)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	NO

## Tenterfield Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2018Note 2. Water supply business  
best-practice management disclosure requirements (continued)

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

2018

## National Water Initiative (NWI) financial performance indicators

<b>NWI F1</b>	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	2,650
<b>NWI F4</b>	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	53.29%
<b>NWI F9</b>	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	23,037
<b>NWI F11</b>	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	1,404
<b>NWI F14</b>	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	6,565
<b>NWI F17</b>	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	2.82%
<b>NWI F26</b>	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	2,226

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

## Tenterfield Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2018Note 3. Sewerage business  
best-practice management disclosure requirements

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

2018

**1. Calculation and payment of tax-equivalents**

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

(i) Calculated tax equivalents	-
(ii) Number of assessments multiplied by \$3/assessment	5,835
(iii) Amounts payable for tax equivalents [lesser of (i) and (ii)]	-
(iv) Amounts actually paid for tax equivalents	-

**2. Dividend from surplus**

(i) 50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	354,200
(ii) Number of assessments x (\$30 less tax equivalent charges per assessment)	58,350
(iii) Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	763,800

2018 Surplus	708,400	2017 Surplus	81,400	2016 Surplus	(26,000)
		2017 Dividend	-	2016 Dividend	-

(iv) Maximum dividend from surplus [least of (i), (ii) and (iii) above]	58,350
(v) Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	-
(vi) Are the overhead reallocation charges to the sewer business fair and reasonable? <sup>a</sup>	YES

**3. Required outcomes for 4 criteria**

[to be eligible for the payment of a 'dividend from surplus', all the criteria below need a 'YES']

(i) Completion of strategic business plan (including financial plan)	YES
(ii) Pricing with full cost-recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
Complying charges (a) Residential [item 2 (c) in table 1]	YES
(b) Non-residential [item 2 (c) in table 1]	YES
(c) Trade waste [item 2 (d) in table 1]	YES
DSP with commercial developer charges [item 2 (e) in table 1]	YES
Liquid trade waste approvals and policy [item 2 (f) in table 1]	YES
(iii) Complete performance reporting form (by 15 September each year)	YES
(iv) a. Integrated water cycle management evaluation	YES
b. Complete and implement integrated water cycle management strategy	NO

## Tenterfield Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2018Note 3. Sewerage business  
best-practice management disclosure requirements (continued)

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


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**National Water Initiative (NWI) financial performance indicators**

<b>NWI F2</b>	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	2,644
<b>NWI F10</b>	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	22,444
<b>NWI F12</b>	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	980
<b>NWI F15</b>	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	312
<b>NWI F18</b>	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	5.37%
<b>NWI F27</b>	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

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

<b>NWI F3</b>	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	5,167
<b>NWI F8</b>	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.05%
<b>NWI F16</b>	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	6,877
<b>NWI F19</b>	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	4.08%
<b>NWI F20</b>	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
<b>NWI F21</b>	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%



## Tenterfield Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2018Note 3. Sewerage business  
best-practice management disclosure requirements (continued)

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

2018

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

NWI F22	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	2.59%
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest  Earnings before interest and tax (EBIT): Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c)  Net interest: Interest expense (w4a + s4a) – interest income (w9 + s10)		14
NWI F24	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	1,568
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	54

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



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

To the Councillors of the Tenterfield Shire Council

## **Opinion**

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

The Declared Business Activities of the Council are:

- Water Supply Business Activity
- Sewerage Business Activity.

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

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

## **Basis for Opinion**

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

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

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

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

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

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

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

## **Other Information**

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

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

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

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

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Financial Report**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Report**

My objectives are to:

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

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

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

My opinion does not provide assurance:

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

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

James Sugumar  
Director, Financial Audit Services

25 October 2018  
SYDNEY

# Tenterfield Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2018

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**"Birthplace of Our Nation"**



# Tenterfield Shire Council

## Special Schedules

for the year ended 30 June 2018

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<sup>1</sup> Special Schedules are not audited (with the exception of Special Schedule 2).

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#### Background

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

## Tenterfield Shire Council

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

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Governance</b>	<b>345</b>	<b>-</b>	<b>-</b>	<b>(345)</b>
<b>Administration</b>	<b>1,893</b>	<b>737</b>	<b>-</b>	<b>(1,156)</b>
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	671	172	-	(499)
Beach control	-	-	-	-
Enforcement of local government regulations	35	-	-	(35)
Animal control	90	17	-	(73)
Other	-	-	-	-
<b>Total public order and safety</b>	<b>796</b>	<b>189</b>	<b>-</b>	<b>(607)</b>
<b>Health</b>	<b>70</b>	<b>23</b>	<b>-</b>	<b>(47)</b>
<b>Environment</b>				
Noxious plants and insect/vermin control	89	36	-	(53)
Other environmental protection	-	-	-	-
Solid waste management	1,567	2,311	15	759
Street cleaning	-	-	-	-
Drainage	-	-	-	-
Stormwater management	135	-	-	(135)
<b>Total environment</b>	<b>1,791</b>	<b>2,347</b>	<b>15</b>	<b>571</b>
<b>Community services and education</b>				
Administration and education	-	-	-	-
Social protection (welfare)	-	-	-	-
Aged persons and disabled	-	-	-	-
Children's services	-	-	-	-
<b>Total community services and education</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Housing and community amenities</b>				
Public cemeteries	97	119	-	22
Public conveniences	86	-	-	(86)
Street lighting	182	32	-	(150)
Town planning	200	152	141	93
Other community amenities	135	45	-	(90)
<b>Total housing and community amenities</b>	<b>700</b>	<b>348</b>	<b>141</b>	<b>(211)</b>
<b>Water supplies</b>	<b>2,120</b>	<b>2,342</b>	<b>2,226</b>	<b>2,448</b>
<b>Sewerage services</b>	<b>1,667</b>	<b>2,885</b>	<b>-</b>	<b>1,218</b>

## Tenterfield Shire Council

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

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Recreation and culture</b>				
Public libraries	477	41	–	(436)
Museums	–	–	33	33
Art galleries	9	312	–	303
Community centres and halls	286	16	–	(270)
Performing arts venues	360	–	–	(360)
Other performing arts	–	–	–	–
Other cultural services	–	–	–	–
Sporting grounds and venues	77	3	–	(74)
Swimming pools	255	32	–	(223)
Parks and gardens (lakes)	555	94	–	(461)
Other sport and recreation	21	–	–	(21)
<b>Total recreation and culture</b>	<b>2,040</b>	<b>498</b>	<b>33</b>	<b>(1,509)</b>
<b>Mining, manufacturing and construction</b>				
Building control	286	–	–	(286)
<b>Total mining, manufacturing and const.</b>	<b>286</b>	<b>–</b>	<b>–</b>	<b>(286)</b>
<b>Transport and communication</b>				
Urban roads (UR) – local	425	–	193	(232)
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	981	1,125	128	272
Sealed rural roads (SRR) – regional	1,385	5	1,811	431
Unsealed rural roads (URR) – local	2,179	1,563	631	15
Unsealed rural roads (URR) – regional	200	120	–	(80)
Bridges on UR – local	394	–	–	(394)
Bridges on SRR – local	18	–	–	(18)
Bridges on URR – local	576	–	–	(576)
Bridges on regional roads	329	–	–	(329)
Parking areas	–	–	–	–
Footpaths	55	–	–	(55)
Aerodromes	27	–	–	(27)
Other transport and communication	711	–	–	(711)
<b>Total transport and communication</b>	<b>7,280</b>	<b>2,813</b>	<b>2,763</b>	<b>(1,704)</b>
<b>Economic affairs</b>				
Other economic affairs	717	425	–	(292)
<b>Total economic affairs</b>	<b>717</b>	<b>425</b>	<b>–</b>	<b>(292)</b>
<b>Totals – functions</b>	<b>19,705</b>	<b>12,607</b>	<b>5,178</b>	<b>(1,920)</b>
<b>General purpose revenues</b> <sup>(1)</sup>		<b>9,215</b>		<b>9,215</b>
<b>NET OPERATING RESULT</b> <sup>(2)</sup>	<b>19,705</b>	<b>21,822</b>	<b>5,178</b>	<b>7,295</b>

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges



## Tenterfield Shire Council

Special Schedule 2 – Permissible income for general rates  
for the year ended 30 June 2019

\$'000		Calculation 2018/19	Calculation 2017/18
<b>Notional general income calculation <sup>(1)</sup></b>			
Last year notional general income yield	a	4,365	3,959
Plus or minus adjustments <sup>(2)</sup>	b	(1)	(5)
<b>Notional general income</b>	<b>c = (a + b)</b>	<b>4,364</b>	<b>3,954</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>(3)</sup>	d	0.00%	10.00%
Or rate peg percentage	e	2.30%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	–	395
Or plus rate peg amount	i = c x e	100	–
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
<b>Sub-total</b>	<b>k = (c + g + h + i + j)</b>	<b>4,464</b>	<b>4,349</b>
Plus (or minus) last year's carry forward total	l	(25)	(10)
Less valuation objections claimed in the previous year	m	–	–
<b>Sub-total</b>	<b>n = (l + m)</b>	<b>(25)</b>	<b>(10)</b>
<b>Total permissible income</b>	<b>o = k + n</b>	<b>4,439</b>	<b>4,340</b>
Less notional general income yield	p	4,469	4,365
<b>Catch-up or (excess) result</b>	<b>q = o – p</b>	<b>(30)</b>	<b>(25)</b>
Plus income lost due to valuation objections claimed <sup>(4)</sup>	r	–	–
Less unused catch-up <sup>(5)</sup>	s	–	–
<b>Carry forward to next year</b>	<b>t = q + r – s</b>	<b>(30)</b>	<b>(25)</b>

**Notes**

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 2 in the financial data return (FDR) to administer this process.



## INDEPENDENT AUDITOR'S REPORT

### Special Schedule 2 - Permissible Income for general rates

#### Tenterfield Shire Council

To the Councillors of Tenterfield Shire Council

### Opinion

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

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

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

### Basis for Opinion

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

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

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

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

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

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

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

### Other Information

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

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

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

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

I have nothing to report in this regard.

### **The Councillors' Responsibilities for the Schedule**

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

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

### **Auditor's Responsibilities for the Audit of the Schedule**

My objectives are to:

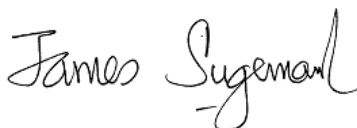
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

My opinion does *not* provide assurance:

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



James Sugumar  
Director, Financial Audit Services

25 October 2018  
SYDNEY

## Tenterfield Shire Council

## Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2018

\$'000	2018	2017
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	662	397
b. Engineering and supervision	5	105
<b>2. Operation and maintenance expenses</b>		
<b>– dams and weirs</b>		
a. Operation expenses	33	21
b. Maintenance expenses	–	–
<b>– Mains</b>		
c. Operation expenses	235	150
d. Maintenance expenses	–	–
<b>– Reservoirs</b>		
e. Operation expenses	–	2
f. Maintenance expenses	–	–
<b>– Pumping stations</b>		
g. Operation expenses (excluding energy costs)	11	10
h. Energy costs	21	19
i. Maintenance expenses	–	–
<b>– Treatment</b>		
j. Operation expenses (excluding chemical costs)	271	301
k. Chemical costs	106	100
l. Maintenance expenses	–	–
<b>– Other</b>		
m. Operation expenses	12	9
n. Maintenance expenses	–	–
o. Purchase of water	48	48
<b>3. Depreciation expenses</b>		
a. System assets	590	552
b. Plant and equipment	4	4
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	33	20
b. Revaluation decrements	–	–
c. Other expenses	14	13
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
<b>5. Total expenses</b>	<b>2,045</b>	<b>1,751</b>

## Tenterfield Shire Council

## Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2018

\$'000	2018	2017
<b>Income</b>		
<b>6. Residential charges</b>		
a. Access (including rates)	709	684
b. Usage charges	809	751
<b>7. Non-residential charges</b>		
a. Access (including rates)	117	129
b. Usage charges	270	214
<b>8. Extra charges</b>	–	–
<b>9. Interest income</b>	23	26
<b>10. Other income</b>	620	10
<b>10a. Aboriginal Communities Water and Sewerage Program</b>	–	–
<b>11. Grants</b>		
a. Grants for acquisition of assets	2,226	1,864
b. Grants for pensioner rebates	28	29
c. Other grants	–	–
<b>12. Contributions</b>		
a. Developer charges	–	12
b. Developer provided assets	–	–
c. Other contributions	97	77
<b>13. Total income</b>	<b>4,899</b>	<b>3,796</b>
<b>14. Gain (or loss) on disposal of assets</b>	(74)	–
<b>15. Operating result</b>	<b>2,780</b>	<b>2,045</b>
<b>15a. Operating result (less grants for acquisition of assets)</b>	554	181

## Tenterfield Shire Council

## Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2018

\$'000	2018	2017
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>16. Acquisition of fixed assets</b>		
a. New assets for improved standards	6,419	4
b. New assets for growth	–	–
c. Renewals	146	2,252
d. Plant and equipment	–	–
<b>17. Repayment of debt</b>	–	9
<b>18. Totals</b>	<b>6,565</b>	<b>2,265</b>
<b>Non-operating funds employed</b>		
<b>19. Proceeds from disposal of assets</b>	–	–
<b>20. Borrowing utilised</b>	–	–
<b>21. Totals</b>	<b>–</b>	<b>–</b>
<b>C Rates and charges</b>		
<b>22. Number of assessments</b>		
a. Residential (occupied)	1,872	1,870
b. Residential (unoccupied, ie. vacant lot)	–	–
c. Non-residential (occupied)	309	313
d. Non-residential (unoccupied, ie. vacant lot)	–	–
<b>23. Number of ETs for which developer charges were received</b>	– ET	– ET
<b>24. Total amount of pensioner rebates (actual dollars)</b>	\$ 52,559	\$ 52,450

## Tenterfield Shire Council

## Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis  
as at 30 June 2018

\$'000	Current	Non-current	Total
<b>ASSETS</b>			
<b>25. Cash and investments</b>			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	2,222	–	2,222
<b>26. Receivables</b>			
a. Specific purpose grants	1	–	1
b. Rates and availability charges	61	–	61
c. User charges	579	–	579
d. Other	98	–	98
<b>27. Inventories</b>	–	–	–
<b>28. Property, plant and equipment</b>			
a. System assets	–	23,037	23,037
b. Plant and equipment	–	61	61
<b>29. Other assets</b>	–	–	–
<b>30. Total assets</b>	<b>2,961</b>	<b>23,098</b>	<b>26,059</b>
<b>LIABILITIES</b>			
<b>31. Bank overdraft</b>	–	–	–
<b>32. Creditors</b>	897	–	897
<b>33. Borrowings</b>	127	3,627	3,754
<b>34. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
<b>35. Total liabilities</b>	<b>1,024</b>	<b>3,627</b>	<b>4,651</b>
<b>36. NET ASSETS COMMITTED</b>	<b>1,937</b>	<b>19,471</b>	<b>21,408</b>
<b>EQUITY</b>			
<b>37. Accumulated surplus</b>			10,438
<b>38. Asset revaluation reserve</b>			10,970
<b>39. Other reserves</b>			–
<b>40. TOTAL EQUITY</b>			<b>21,408</b>
<b>Note to system assets:</b>			
<b>41. Current replacement cost</b> of system assets			55,820
<b>42. Accumulated current cost</b> depreciation of system assets			(32,783)
<b>43. Written down current cost</b> of system assets			<b>23,037</b>

## Tenterfield Shire Council

## Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2018

\$'000	2018	2017
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	405	355
b. Engineering and supervision	49	89
<b>2. Operation and maintenance expenses</b>		
<b>– mains</b>		
a. Operation expenses	98	66
b. Maintenance expenses	–	–
<b>– Pumping stations</b>		
c. Operation expenses (excluding energy costs)	56	27
d. Energy costs	12	4
e. Maintenance expenses	–	–
<b>– Treatment</b>		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	234	242
g. Chemical costs	67	64
h. Energy costs	54	61
i. Effluent management	–	–
j. Biosolids management	5	10
k. Maintenance expenses	–	–
<b>– Other</b>		
l. Operation expenses	–	–
m. Maintenance expenses	–	–
<b>3. Depreciation expenses</b>		
a. System assets	457	783
b. Plant and equipment	–	–
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	160	165
b. Revaluation decrements	–	–
c. Other expenses	16	15
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
<b>5. Total expenses</b>	<b>1,613</b>	<b>1,881</b>



## Tenterfield Shire Council

## Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2018

\$'000	2018	2017
<b>Income</b>		
<b>6. Residential charges</b> (including rates)	1,524	1,476
<b>7. Non-residential charges</b>		
a. Access (including rates)	292	286
b. Usage charges	124	94
<b>8. Trade waste charges</b>		
a. Annual fees	9	8
b. Usage charges	33	24
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
<b>9. Extra charges</b>	–	–
<b>10. Interest income</b>	36	40
<b>11. Other income</b>	636	19
<b>11a. Aboriginal Communities Water and Sewerage Program</b>	–	–
<b>12. Grants</b>		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	26	26
c. Other grants	–	–
<b>13. Contributions</b>		
a. Developer charges	–	17
b. Developer provided assets	–	–
c. Other contributions	–	–
<b>14. Total income</b>	<u>2,680</u>	<u>1,990</u>
<b>15. Gain (or loss) on disposal of assets</b>	(53)	–
<b>16. Operating result</b>	<u>1,014</u>	<u>109</u>
<b>16a. Operating result (less grants for acquisition of assets)</b>	1,014	109

## Tenterfield Shire Council

## Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2018

\$'000	2018	2017
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>17. Acquisition of fixed assets</b>		
a. New assets for improved standards	–	10
b. New assets for growth	–	29
c. Renewals	312	155
d. Plant and equipment	–	–
<b>18. Repayment of debt</b>	68	64
<b>19. Totals</b>	<b>380</b>	<b>258</b>
<b>Non-operating funds employed</b>		
<b>20. Proceeds from disposal of assets</b>	–	–
<b>21. Borrowing utilised</b>	–	–
<b>22. Totals</b>	<b>–</b>	<b>–</b>
<b>C Rates and charges</b>		
<b>23. Number of assessments</b>		
a. Residential (occupied)	1,665	1,657
b. Residential (unoccupied, ie. vacant lot)	–	–
c. Non-residential (occupied)	280	282
d. Non-residential (unoccupied, ie. vacant lot)	–	–
<b>24. Number of ETs for which developer charges were received</b>	– ET	– ET
<b>25. Total amount of pensioner rebates (actual dollars)</b>	\$ 47,036	\$ 46,806

## Tenterfield Shire Council

## Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis  
as at 30 June 2018

\$'000	Current	Non-current	Total
<b>ASSETS</b>			
<b>26. Cash and investments</b>			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	2,384	–	2,384
<b>27. Receivables</b>			
a. Specific purpose grants	1	–	1
b. Rates and availability charges	123	–	123
c. User charges	78	–	78
d. Other	6	–	6
<b>28. Inventories</b>	–	–	–
<b>29. Property, plant and equipment</b>			
a. System assets	–	22,444	22,444
b. Plant and equipment	–	16	16
<b>30. Other assets</b>	–	–	–
<b>31. Total assets</b>	<u>2,592</u>	<u>22,460</u>	<u>25,052</u>
<b>LIABILITIES</b>			
<b>32. Bank overdraft</b>	–	–	–
<b>33. Creditors</b>	44	–	44
<b>34. Borrowings</b>	74	1,929	2,003
<b>35. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
<b>36. Total liabilities</b>	<u>118</u>	<u>1,929</u>	<u>2,047</u>
<b>37. NET ASSETS COMMITTED</b>	<u>2,474</u>	<u>20,531</u>	<u>23,005</u>
<b>EQUITY</b>			
<b>38. Accumulated surplus</b>			10,798
<b>39. Asset revaluation reserve</b>			12,207
<b>40. Other reserves</b>			–
<b>41. TOTAL EQUITY</b>			<u>23,005</u>
<b>Note to system assets:</b>			
<b>42. Current replacement cost</b> of system assets			33,419
<b>43. Accumulated current cost</b> depreciation of system assets			(10,975)
<b>44. Written down current cost</b> of system assets			<u>22,444</u>

## Tenterfield Shire Council

### Notes to Special Schedules 3 and 5 for the year ended 30 June 2018

#### Administration <sup>(1)</sup>

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

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

#### Engineering and supervision <sup>(1)</sup>

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

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

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

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

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

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

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

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

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

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

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

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

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

#### Notes:

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

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

## Tenterfield Shire Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance <sup>a</sup>	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
<b>Buildings</b>	Buildings	353	117	1,035	1,035	17,725	37,687	6%	5%	84%	5%	0%
	<b>Sub-total</b>	<b>353</b>	<b>117</b>	<b>1,035</b>	<b>1,035</b>	<b>17,725</b>	<b>37,687</b>	<b>6.0%</b>	<b>5.0%</b>	<b>84.0%</b>	<b>5.0%</b>	<b>0.0%</b>
<b>Other Structures</b>	Other structures	51	29	63	63	2,260	3,339	21%	12%	61%	5%	1%
	<b>Sub-total</b>	<b>51</b>	<b>29</b>	<b>63</b>	<b>63</b>	<b>2,260</b>	<b>3,339</b>	<b>21.0%</b>	<b>12.0%</b>	<b>61.0%</b>	<b>5.0%</b>	<b>1.0%</b>
<b>Roads</b>	Roads	17,378	12,307	2,670	2,670	114,133	159,444	6%	48%	15%	20%	11%
	Bridges	6,964	8,692	125	125	41,542	71,323	2%	42%	27%	17%	12%
	Footpaths	294	25	14	14	2,058	3,311	21%	20%	24%	34%	1%
	Bulk earthworks	–	–	–	–	131,495	131,495	100%	0%	0%	0%	0%
	<b>Sub-total</b>	<b>24,636</b>	<b>21,024</b>	<b>2,809</b>	<b>2,809</b>	<b>289,228</b>	<b>365,573</b>	<b>39.2%</b>	<b>29.3%</b>	<b>12.0%</b>	<b>12.3%</b>	<b>7.1%</b>

## Tenterfield Shire Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance <sup>a</sup>	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Water supply	Water supply	11,843	17,132	690	690	14,203	46,542	11%	5%	15%	10%	59%
	<b>Sub-total</b>	<b>11,843</b>	<b>17,132</b>	<b>690</b>	<b>690</b>	<b>14,203</b>	<b>46,542</b>	<b>11.0%</b>	<b>5.0%</b>	<b>15.0%</b>	<b>10.0%</b>	<b>59.0%</b>
Sewerage	Sewerage network	208	–	521	521	21,737	32,507	17%	40%	40%	3%	0%
	<b>Sub-total</b>	<b>208</b>	<b>–</b>	<b>521</b>	<b>521</b>	<b>21,737</b>	<b>32,507</b>	<b>17.0%</b>	<b>40.0%</b>	<b>40.0%</b>	<b>3.0%</b>	<b>0.0%</b>
Stormwater	Stormwater drainage	1,090	2,351	–	–	4,390	9,114	1%	25%	39%	9%	26%
	<b>Sub-total</b>	<b>1,090</b>	<b>2,351</b>	<b>–</b>	<b>–</b>	<b>4,390</b>	<b>9,114</b>	<b>1.0%</b>	<b>25.0%</b>	<b>39.0%</b>	<b>9.0%</b>	<b>26.0%</b>
Open space/ recreational assets	Swimming pools	–	–	30	30	907	1,164	2%	97%	1%	0%	0%
	Open Space & Recreation	26	–	555	555	1,623	2,086	29%	46%	19%	6%	0%
	<b>Sub-total</b>	<b>26</b>	<b>–</b>	<b>585</b>	<b>585</b>	<b>2,530</b>	<b>3,250</b>	<b>19.3%</b>	<b>64.3%</b>	<b>12.6%</b>	<b>3.9%</b>	<b>0.0%</b>
	<b>TOTAL – ALL ASSETS</b>	<b>38,207</b>	<b>40,653</b>	<b>5,703</b>	<b>5,703</b>	<b>352,073</b>	<b>498,012</b>	<b>31.6%</b>	<b>25.9%</b>	<b>20.4%</b>	<b>10.8%</b>	<b>11.2%</b>

## Notes:

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

## Infrastructure asset condition assessment 'key'

<b>1</b>	<b>Excellent/very good</b>	No work required (normal maintenance)
<b>2</b>	<b>Good</b>	Only minor maintenance work required
<b>3</b>	<b>Satisfactory</b>	Maintenance work required

<b>4</b>	<b>Poor</b>	Renewal required
<b>5</b>	<b>Very poor</b>	Urgent renewal/upgrading required

## Tenterfield Shire Council

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

	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
<b>Infrastructure asset performance indicators * consolidated</b>					
<b>1. Buildings and infrastructure renewals ratio <sup>(1)</sup></b>					
Asset renewals <sup>(2)</sup>	<u>4,668</u>	<b>84.67%</b>	135.36%	118.11%	>= 100%
Depreciation, amortisation and impairment	<u>5,513</u>				
<b>2. Infrastructure backlog ratio <sup>(1)</sup></b>					
Estimated cost to bring assets to a satisfactory standard	<u>38,207</u>	<b>10.83%</b>	8.86%	5.60%	< 2.00%
Net carrying amount of infrastructure assets	<u>352,856</u>				
<b>3. Asset maintenance ratio</b>					
Actual asset maintenance	<u>5,703</u>	<b>100.00%</b>	101.25%	108.22%	> 100%
Required asset maintenance	<u>5,703</u>				
<b>4. Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	<u>40,653</u>	<b>8.16%</b>	1.68%	2.38%	
Gross replacement cost	<u>498,012</u>				

**Notes**

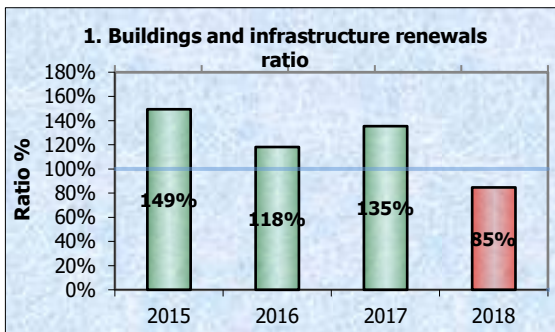
\* All asset performance indicators are calculated using the asset classes identified in the previous table.

(1) Excludes Work In Progress (WIP)

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

# Tenterfield Shire Council

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



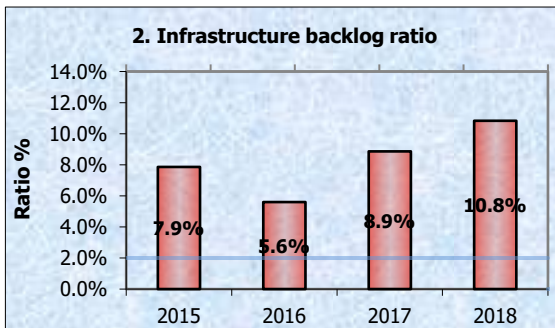
### Purpose of asset renewals ratio

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

**2017/18 Ratio 84.67%**

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

■ Ratio achieves benchmark  
■ Ratio is outside benchmark



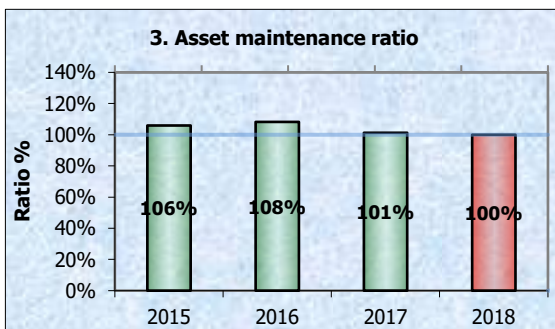
### Purpose of infrastructure backlog ratio

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

**2017/18 Ratio 10.83%**

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

■ Ratio achieves benchmark  
■ Ratio is outside benchmark



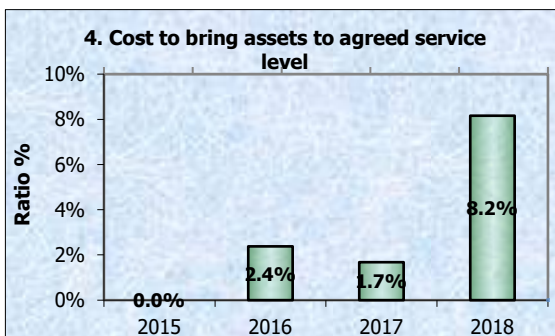
### Purpose of asset maintenance ratio

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

**2017/18 Ratio 100.00%**

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

■ Ratio achieves benchmark  
■ Ratio is outside benchmark



### Purpose of agreed service level ratio

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

**2017/18 Ratio 8.16%**



## Tenterfield Shire Council

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

	General indicators <sup>(1)</sup>		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
<b>Infrastructure asset performance indicators by fund</b>							
<b>1. Buildings and infrastructure renewals ratio <sup>(2)</sup></b>							
Asset renewals <sup>(3)</sup>	<b>94.58%</b>	158.46%	<b>22.37%</b>	125.18%	<b>68.27%</b>	20.82%	>= 100%
Depreciation, amortisation and impairment							
<b>2. Infrastructure backlog ratio <sup>(2)</sup></b>							
Estimated cost to bring assets to a satisfactory standard	<b>8.25%</b>	5.06%	<b>83.38%</b>	46.19%	<b>0.96%</b>	13.14%	< 2.00%
Net carrying amount of infrastructure assets							
<b>3. Asset maintenance ratio</b>							
Actual asset maintenance	<b>100.00%</b>	104.14%	<b>100.00%</b>	93.87%	<b>100.00%</b>	84.04%	> 100%
Required asset maintenance							
<b>4. Cost to bring assets to agreed service level</b>							
Estimated cost to bring assets to an agreed service level set by Council	<b>5.61%</b>	0.83%	<b>36.81%</b>	7.56%	<b>0.00%</b>	4.22%	
Gross replacement cost							

**Notes**

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