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# Appendix 3

*Audited Financial Statements for 2018/2019*



# Tenterfield Shire Council

ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2019

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*"Quality Nature, Quality Heritage and Quality Lifestyle"*



# Tenterfield Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2019

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*"Quality Nature, Quality Heritage and Quality Lifestyle"*



## General Purpose Financial Statements

for the year ended 30 June 2019

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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).

## General Purpose Financial Statements

for the year ended 30 June 2019

### Understanding Council's Financial Statements

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#### Introduction

Each year, individual Local Governments across NSW 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 2019.

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 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.

**General Purpose Financial Statements**  
for the year ended 30 June 2019

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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 statements:**

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

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

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



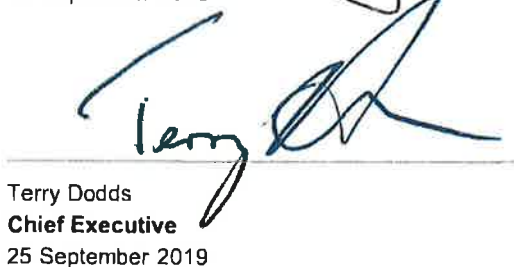
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Peter Petty  
**Mayor**  
25 September 2019



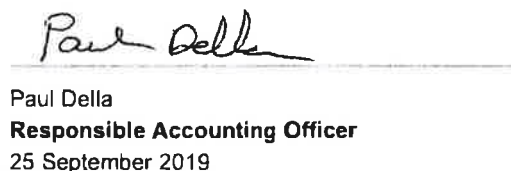
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Greg Sauer  
**Deputy Mayor**  
25 September 2019



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Terry Dodds  
**Chief Executive**  
25 September 2019



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Paul Della  
**Responsible Accounting Officer**  
25 September 2019

## Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Restated Actual 2018 <sup>1,2</sup>
<b>Income from continuing operations</b>				
<b>Revenue:</b>				
9,334	Rates and annual charges	3a	9,659	9,009
3,482	User charges and fees	3b	2,606	2,589
335	Interest and investment revenue	3c	409	424
901	Other revenues	3d	407	2,422
7,513	Grants and contributions provided for operating purposes	3e,3f	10,956	7,477
4,653	Grants and contributions provided for capital purposes	3e,3f	9,439	5,543
<b>Other income:</b>				
-	Net gains from the disposal of assets	5	120	-
-	Fair value increment on investment properties	10	-	20
<b>26,218</b>	<b>Total income from continuing operations</b>		<b>33,596</b>	<b>27,484</b>
<b>Expenses from continuing operations</b>				
5,983	Employee benefits and on-costs	4a	8,244	6,604
462	Borrowing costs	4b	462	323
6,071	Materials and contracts	4c	6,366	4,492
6,460	Depreciation and amortisation	4d	6,624	6,072
1,705	Other expenses	4e	1,630	1,583
260	Net losses from the disposal of assets	5	-	338
-	Revaluation decrement / impairment of IPP&E	4d	-	357
<b>20,941</b>	<b>Total expenses from continuing operations</b>		<b>23,326</b>	<b>19,769</b>
<b>5,277</b>	<b>Operating result from continuing operations</b>		<b>10,270</b>	<b>7,715</b>
<b>5,277</b>	<b>Net operating result for the year</b>		<b>10,270</b>	<b>7,715</b>
5,277	Net operating result attributable to council		10,270	7,715
<b>624</b>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>831</b>	<b>2,172</b>

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

(2) Please refer to Note 14 for details of prior period adjustments.

The above Income Statement should be read in conjunction with the accompanying notes.



## Statement of Comprehensive Income

for the year ended 30 June 2019

\$ '000	Notes	2019	Restated 2018 <sup>1,2</sup>
<b>Net operating result for the year (as per Income Statement)</b>		<b>10,270</b>	<b>7,715</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9(a)	51,881	16,071
Impairment (loss) reversal relating to IPP&E	9(a)	-	2,649
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>51,881</b>	<b>18,720</b>
<b>Total other comprehensive income for the year</b>		<b>51,881</b>	<b>18,720</b>
<b>Total comprehensive income for the year</b>		<b>62,151</b>	<b>26,435</b>
Total comprehensive income attributable to Council		62,151	26,435

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

(2) Please refer to Note 14 for details of prior period adjustments.

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

## Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	Restated 2018 <sup>2, 1</sup>	Restated 1 July 2017 <sup>2</sup>
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalent assets	6(a)	17,269	17,002	13,820
Investments	6(b)	1,000	2,000	–
Receivables	7	4,759	2,342	4,540
Inventories	8	747	647	667
<b>Total current assets</b>		<b>23,775</b>	<b>21,991</b>	<b>19,027</b>
<b>Non-current assets</b>				
Infrastructure, property, plant and equipment	9(a)	445,970	382,439	354,147
Investment property	10a	–	300	280
Intangible assets	11	377	285	224
<b>Total non-current assets</b>		<b>446,347</b>	<b>383,024</b>	<b>354,651</b>
<b>TOTAL ASSETS</b>		<b>470,122</b>	<b>405,015</b>	<b>373,678</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables	12	2,243	2,238	1,709
Income received in advance	12	–	–	186
Borrowings	12	822	593	448
Provisions	13	1,867	1,743	2,033
<b>Total current liabilities</b>		<b>4,932</b>	<b>4,574</b>	<b>4,376</b>
<b>Non-current liabilities</b>				
Borrowings	12	9,233	7,004	4,147
Provisions	13	3,421	3,052	1,205
<b>Total non-current liabilities</b>		<b>12,654</b>	<b>10,056</b>	<b>5,352</b>
<b>TOTAL LIABILITIES</b>		<b>17,586</b>	<b>14,630</b>	<b>9,728</b>
<b>Net assets</b>		<b>452,536</b>	<b>390,385</b>	<b>363,950</b>
<b>EQUITY</b>				
Accumulated surplus	14a	149,289	139,019	131,304
Revaluation reserves	14a	303,247	251,366	232,646
<b>Council equity interest</b>		<b>452,536</b>	<b>390,385</b>	<b>363,950</b>
<b>Total equity</b>		<b>452,536</b>	<b>390,385</b>	<b>363,950</b>

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

(2) Please refer to Note 14 for details of prior period adjustments

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

## Statement of Changes in Equity

for the year ended 30 June 2019

	2019			2018 <sup>1</sup>		
	Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance	135,001	247,774	382,775	127,286	229,054	356,340
Correction of prior period errors	4,018	3,592	7,610	4,018	3,592	7,610
<b>Restated opening balance</b>	<b>139,019</b>	<b>251,366</b>	<b>390,385</b>	<b>131,304</b>	<b>232,646</b>	<b>363,950</b>
Net operating result for the year	10,270	-	10,270	7,295	-	7,295
Correction of prior period errors	-	-	-	420	-	420
<b>Restated net operating result for the period</b>	<b>10,270</b>	<b>-</b>	<b>10,270</b>	<b>7,715</b>	<b>-</b>	<b>7,715</b>
<b>Other comprehensive income</b>						
- Gain (loss) on revaluation of IPP&E	-	51,881	51,881	-	16,071	16,071
- Impairment (loss) reversal relating to IPP&E	-	-	-	-	2,649	2,649
<b>Other comprehensive income</b>	<b>-</b>	<b>51,881</b>	<b>51,881</b>	<b>-</b>	<b>18,720</b>	<b>18,720</b>
<b>Total comprehensive income</b>	<b>10,270</b>	<b>51,881</b>	<b>62,151</b>	<b>7,715</b>	<b>18,720</b>	<b>26,435</b>
<b>Equity – balance at end of the reporting period</b>	<b>149,289</b>	<b>303,247</b>	<b>452,536</b>	<b>139,019</b>	<b>251,366</b>	<b>390,385</b>

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

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

## Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
<b>Cash flows from operating activities</b>				
<b>Receipts</b>				
9,303	Rates and annual charges		9,549	8,735
3,380	User charges and fees		2,150	2,462
344	Investment and interest revenue received		391	414
8,495	Grants and contributions		18,703	15,237
42	Bonds, deposits and retention amounts received		7	14
503	Other		276	914
<b>Payments</b>				
(5,955)	Employee benefits and on-costs		(8,136)	(7,013)
(4,896)	Materials and contracts		(6,591)	(4,155)
(452)	Borrowing costs		(396)	(289)
(42)	Bonds, deposits and retention amounts refunded		—	—
(2,095)	Other		(1,191)	(1,626)
8,627	<b>Net cash provided (or used in) operating activities</b>	15b	14,762	14,693
<b>Cash flows from investing activities</b>				
<b>Receipts</b>				
—	Sale of investment securities		1,000	—
—	Sale of investment property		813	—
—	Sale of real estate assets		—	60
2,236	Sale of infrastructure, property, plant and equipment		2,311	1,939
—	Deferred debtors receipts		—	2
<b>Payments</b>				
—	Purchase of investment securities		—	(2,000)
(13,160)	Purchase of infrastructure, property, plant and equipment		(20,933)	(14,424)
(149)	Purchase of intangible assets		(137)	(90)
—	Deferred debtors and advances made		(7)	—
(11,073)	<b>Net cash provided (or used in) investing activities</b>		(16,953)	(14,513)
<b>Cash flows from financing activities</b>				
<b>Receipts</b>				
600	Proceeds from borrowings and advances		3,051	3,450
<b>Payments</b>				
(578)	Repayment of borrowings and advances		(593)	(448)
22	<b>Net cash flow provided (used in) financing activities</b>		2,458	3,002
(2,424)	<b>Net increase/(decrease) in cash and cash equivalents</b>		267	3,182
15,527	Plus: cash and cash equivalents – beginning of year	15a	17,002	13,820
13,103	<b>Cash and cash equivalents – end of the year</b>	15a	17,269	17,002
Additional Information:				
—	plus: Investments on hand – end of year	6(b)	1,000	2,000
13,103	<b>Total cash, cash equivalents and investments</b>		18,269	19,002

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

## Notes to the Financial Statements

for the year ended 30 June 2019

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## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 25 September 2019. Council has the power to amend and reissue these financial statements.

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

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (NSW)* and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting.

Council is a not for-profit entity.

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

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts. Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

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

and are clearly marked.

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

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

Those newly adopted standards which had an impact on reported position, performance and/or disclosures have been discussed in Note 14.

#### (b) Historical cost convention

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

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

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

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

#### Critical accounting estimates and assumptions

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

- estimated fair values of investment properties – refer Note 10
- estimated fair values of infrastructure, property, plant and equipment – refer Note 9
- estimated tip remediation provisions – refer Note 13
- employee benefit provisions – refer Note 13.

#### Significant judgements in applying the council's accounting policies

- Impairment of receivables

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

**Notes to the Financial Statements**

for the year ended 30 June 2019

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

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**Monies and other assets received by Council****(a) The Consolidated Fund**

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

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

- General purpose operations
- Tenterfield Water service
- Tenterfield Sewerage service
- 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 Cenenary Steering Committee; and
- Disability, Inclusion and Access Advisory Committee.

**(b) The Trust Fund**

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

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

**Goods and Services Tax (GST)**

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

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities 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****New accounting standards and interpretations issued but not yet effective**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods (and which have not been early adopted by Council).

Council's assessment of these new standards and interpretations (where they have been deemed as having a material impact on Council's future financial performance, financial position and cash flows) are set out below.

## Notes to the Financial Statements

for the year ended 30 June 2019

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

#### **AASB 16 Leases**

##### *Nature of change in accounting policy*

AASB 16 will result in most of the operating leases of the council being brought onto the statement of financial position. There are limited exceptions relating to short-term leases and low-value assets which may remain off the balance sheet.

The calculation of the lease liability will take into account appropriate discount rates, assumptions about the lease term, and increases in lease payments. A corresponding right to use assets will be recognised, which will be amortised over the term of the lease. Rent expense will no longer be shown. The profit and loss impact of the leases will be through amortisation and interest charges.

##### *Effective date*

Annual reporting periods beginning on or after 1 January 2019; i.e. councils' financial statements for year ended 30 June 2020.

##### *Expected impact on council financial statements*

Council reviewed each of the leases in place along with other contracts which can be potentially treated as leases under new AASB 16. As a result of this review, council calculated the impact of adoption AASB 16 as follows:

- Office equipment: council will bring to account office equipment currently accounted for as operating leases. This will result in a non-current right-of-use asset and recognition of a lease liability which will be separated into a current and non-current component. The total estimated value of the right of use asset and lease liability to be recognised at the transition date equals to \$60 thousand. Accordingly, rental expense will decrease and interest and depreciation will increase.

Council's activities as a lessor are not material and hence Council does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

#### **AASB 15 Revenue from Contracts with Customers and associated amending standards**

AASB15 introduces a five-step process for revenue recognition, with the core principle of the new standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

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

Based on comprehensive analysis of council's income streams, AASB15 is expected to have a material impact in the next financial year. Council will have to recognise \$776 thousand of liability on transition date. The liability represents amount of unsatisfied performance obligation as at 30 June 2019 for uncompleted grant. The full amount of grant income was recognised in the current financial year as required under existing AASB 1004 *Contributions*. However, in the next financial year this grant will be accounted for under AASB 15 with income recognised when performance obligation is satisfied. This liability will be settled through recognition of income once performance obligation is satisfied in 2020 financial year. As a result, council will have to recognise income for the same amount in 2020 financial year.

#### **AASB 1058 Income of NFP Entities**

AASB 1058 supersedes all the income recognition requirements relating to councils, previously in AASB 1004 *Contributions*. Under AASB 1058 the future timing of income recognition will depend on whether the transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service) related to an asset (such as cash or another asset) received by an entity.

AASB 1058 also applies when a council receives volunteer services or enters into other transactions in which the consideration to acquire an asset is significantly less than the fair value of the asset, and where the council's objective is principally to enable the asset to further the council's objectives.

Upon initial recognition of the asset, this standard requires council to consider whether any other financial statement elements (called 'related amounts') should be recognised in accordance with the applicable accounting standard, such as:

- (a) contributions by owners
- (b) revenue, or a contract liability arising from a contract with a customer



## Notes to the Financial Statements

for the year ended 30 June 2019

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

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- (c) a lease liability
- (d) a financial instrument, or
- (e) a provision.

If the transaction is a transfer of a financial asset to enable council to acquire or construct a recognisable non-financial asset to be controlled by council (i.e. an in-substance acquisition of a non-financial asset), the council recognises a liability for the excess of the fair value of the transfer over any related amounts recognised. Council will then recognise income as it satisfies its obligations under the transfer similarly to income recognition in relation to performance obligations under AASB 15.

If the transaction does not enable council to acquire or construct a recognisable non-financial asset to be controlled by council, then any excess of the initial carrying amount of the recognised asset over the related amounts is recognised as income.

Following a comprehensive review of all existing and future council's income streams, council expects a significant impact on financial reporting in the next financial year. Based on our review, council will have to recognise \$660 thousand of liability on transition date. The liability represents amount of unsatisfied performance obligation as at 30 June 2019 for uncompleted grants. The grant income was recognised in the current financial year as required under existing AASB 1004 *Contributions*. However, in the next financial year these grants will be accounted for under AASB 1058 with income recognised when performance obligation is satisfied. This liability will be settled through recognition of income once performance obligation is satisfied in 2020 financial year. As a result, council will have to recognise income for the same amount in 2020 financial year.

#### **AASB 2018-8 Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities**

This Standard provides a temporary option for not-for-profit entities to not apply the fair value initial measurement requirements for right-of-use assets arising under leases with significantly below market terms and conditions, principally to enable the entity to further its objectives (for example, concessionary or peppercorn leases).

The Standard requires an entity that elects to apply the option (i.e. measures a class or classes of such right-of-use assets at cost rather than fair value) to include additional disclosures in the financial statements to ensure users understand the effects on the financial position, financial performance and cash flows of the entity arising from these leases

The specific impacts of AASB2018-8 for Council are expected to be not material.

Council has not applied any pronouncements before its operative date in the annual reporting period beginning 1 July 2018.

## Notes to the Financial Statements

for the year ended 30 June 2019

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

Income, expenses and assets have been directly attributed to the following functions or activities. Details of those functions or activities are provided in Note 2(b).

	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>Functions or activities</b>										
Civic Office	—	—	321	(281)	(321)	—	—	583	262	
Organisation and Leadership	—	—	324	(369)	(324)	—	—	—	151	
Community Development	36	21	118	(30)	(97)	36	21	354	354	
Economic Growth and Tourism	148	105	488	(380)	(383)	125	30	1,559	1,926	
Theatre and Museum Complex	267	345	360	(113)	(15)	118	43	2,009	2,950	
Finance and Technology	9,771	9,257	994	8,401	8,263	4,949	4,668	14,000	15,342	
Corporate and Governance	12	—	34	(382)	(34)	—	—	—	—	
Workforce Development	150	296	834	56	(538)	23	11	—	—	
Library Services	41	42	467	(420)	(425)	35	35	223	234	
Emergency Services	614	161	579	(242)	(418)	611	148	493	435	
Asset Management and Resourcing	7	16	521	(657)	(505)	—	—	3,104	3,317	
Commercial Works	208	134	109	(18)	25	—	—	—	300	
Environmental Management	888	73	298	569	(225)	884	36	21	23	
Planning and Regulation	676	394	148	393	246	302	13	344	341	
Plant, Fleet and Equipment	71	294	(383)	511	677	—	32	5,095	5,085	
Buildings and Amenities	1,102	61	918	(47)	(857)	477	—	10,013	9,297	
Livestock Saleyards	406	189	210	167	(21)	191	—	1,624	1,790	
Parks, Gardens and Open Space	339	402	820	(873)	(418)	253	—	8,612	8,491	
Swimming Complex	1	32	232	(236)	(200)	1	—	1,417	1,278	
Stormwater and Drainage	64	70	136	(70)	(66)	—	—	4,811	4,390	
Transport Network	11,787	5,754	6,892	4,033	(1,138)	6,091	2,910	355,258	295,497	
Sewerage Services	2,253	2,680	1,667	460	1,013	—	—	25,315	25,246	
Waste Management	2,496	2,258	1,567	108	691	18	—	7,138	3,310	
Water Supply	2,259	4,900	2,115	(310)	2,785	25	2,226	28,149	24,996	
<b>Total functions and activities</b>	<b>33,596</b>	<b>27,484</b>	<b>19,769</b>	<b>10,270</b>	<b>7,715</b>	<b>14,139</b>	<b>10,173</b>	<b>470,122</b>	<b>405,015</b>	

(1) Please refer to Note 14 for details of prior period adjustments

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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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).

#### **Commercial Works**

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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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.

## Notes to the Financial Statements

for the year ended 30 June 2019

**Note 3. Income from continuing operations**

\$ '000	2019	2018
<b>(a) Rates and annual charges</b>		
<b>Ordinary rates</b>		
Residential	2,044	1,938
Farmland	2,200	2,136
Mining	10	10
Business	284	272
Less: pensioner rebates (mandatory)	(138)	(135)
<b>Rates levied to ratepayers</b>	<b>4,400</b>	<b>4,221</b>
Pensioner rate subsidies received	78	73
<b>Total ordinary rates</b>	<b>4,478</b>	<b>4,294</b>
<b>Annual charges</b>		
<small>(pursuant to s.496, s.496A, s.496B, s.501 &amp; s.611)</small>		
Domestic waste management services	904	811
Stormwater management services	62	63
Water supply services	973	879
Sewerage services	2,041	1,863
Waste management services (non-domestic)	1,287	1,182
Less: pensioner rebates (mandatory)	(215)	(200)
Trade waste	10	9
<b>Annual charges levied</b>	<b>5,062</b>	<b>4,607</b>
Pensioner subsidies received:		
– Water	31	28
– Sewerage	28	26
– Domestic waste management	60	54
<b>Total annual charges</b>	<b>5,181</b>	<b>4,715</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>	<b>9,659</b>	<b>9,009</b>

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

**Accounting policy for rates and charges**

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019	2018
<b>(b) User charges and fees</b>		
<b>Specific user charges</b>		
<small>(per s.502 - specific 'actual use' charges)</small>		
Water supply services	1,112	1,079
Sewerage services	142	124
Waste management services (non-domestic)	228	218
Trade waste	24	30
<b>Total specific user charges</b>	<b>1,506</b>	<b>1,451</b>
<b>Other user charges and fees</b>		
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>		
Inspection services	18	14
Planning and building regulation	281	214
Private works – section 67	208	134
Section 10.7 certificates (EP&A Act)	4	4
Section 603 certificates	20	23
Companion animals	3	16
Local government and health act fees	–	10
<b>Total fees and charges – statutory/regulatory</b>	<b>534</b>	<b>415</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>		
Cemeteries	82	118
Saleyards	215	189
Swimming centres	–	32
Tourism	20	26
Administration on grant works	10	206
Cinema	89	67
Library	6	6
Museum and theatre	49	40
Service installation	32	19
Trade waste	2	3
Other	61	17
<b>Total fees and charges – other</b>	<b>566</b>	<b>723</b>
<b>TOTAL USER CHARGES AND FEES</b>	<b>2,606</b>	<b>2,589</b>

**Accounting policy for user charges and fees**

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019	2018
<b>(c) Interest and investment revenue (including losses)</b>		
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	61	44
– Cash and investments	348	380
<b>TOTAL INTEREST AND INVESTMENT REVENUE</b>	<b>409</b>	<b>424</b>
<b>Interest revenue is attributable to:</b>		
<b>Unrestricted investments/financial assets:</b>		
Overdue rates and annual charges (general fund)	61	44
General Council cash and investments	335	316
<b>Restricted investments/funds – external:</b>		
Development contributions		
– Section 7.11	–	5
Water fund operations	11	23
Sewerage fund operations	2	36
<b>Total interest and investment revenue</b>	<b>409</b>	<b>424</b>

**Accounting policy for interest and investment revenue**

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

\$ '000	Notes	2019	2018
<b>(d) Other revenues</b>			
Rental income – investment property	10	17	35
Rental income – other council properties		111	75
Commissions and agency fees		2	3
Diesel rebate		71	59
Recycling income (non-domestic)		40	40
Insurance rebates		28	67
Sale of surplus material		7	13
Other		131	84
Net effect from de-recognition of remediation provisions		–	148
Initial recognition of assets		–	1,898
<b>TOTAL OTHER REVENUE</b>		<b>407</b>	<b>2,422</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 revenue is recorded when the payment is due, the value of the payment is notified, or the payment is received, whichever occurs first.

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018 <small>Restated, 1</small>
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
<b>Current year allocation</b>				
Financial assistance – general component	1,606	1,442	–	–
Financial assistance – local roads component	824	809	–	–
<b>Payment in advance - future year allocation</b>				
Financial assistance – general component	1,665	1,479	–	–
Financial assistance – local roads component	855	831	–	–
<b>Total general purpose</b>	<b>4,950</b>	<b>4,561</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Water supplies	25	–	–	2,226
Bushfire and emergency services	413	152	198	–
Economic development	125	30	–	–
Employment and training programs	23	11	–	–
Heritage and cultural	126	22	925	33
Library	28	35	7	–
LIRS subsidy	26	45	–	–
Noxious weeds	884	36	–	–
Street lighting	33	32	–	–
Transport (roads to recovery)	1,693	877	–	–
Transport (other roads and bridges funding)	817	–	3,513	2,092
Community development	35	21	–	–
Town planning	56	–	53	–
Saleyards	–	–	191	–
Waste Management	–	–	18	–
<b>Total specific purpose</b>	<b>4,284</b>	<b>1,261</b>	<b>4,905</b>	<b>4,351</b>
<b>Total grants</b>	<b>9,234</b>	<b>5,822</b>	<b>4,905</b>	<b>4,351</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	6,643	5,438	–	–
– State funding	2,591	384	4,905	4,350
– Other funding	–	–	–	1
	<b>9,234</b>	<b>5,822</b>	<b>4,905</b>	<b>4,351</b>

(1) Please refer to Note 14 for details of prior period adjustments.



## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018 <sup>Restated, 1</sup>
<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		–	–	79	156
S 64 - water supply contributions		–	–	20	–
S 64 - sewerage service contributions		–	–	22	–
<b>Total developer contributions – cash</b>		<b>–</b>	<b>–</b>	<b>121</b>	<b>156</b>
<b>Total developer contributions</b>	24	<b>–</b>	<b>–</b>	<b>121</b>	<b>156</b>
<b>Other contributions:</b>					
<b>Cash contributions</b>					
Other councils – joint works/services		94	97	–	–
RMS contributions (regional roads, block grant) <sup>2</sup>		1,574	1,530	4,413	1,036
Tourism		–	6	–	–
FBT contributions		50	19	–	–
Solid waste management		4	3	–	–
<b>Total other contributions – cash</b>		<b>1,722</b>	<b>1,655</b>	<b>4,413</b>	<b>1,036</b>
<b>Total other contributions</b>		<b>1,722</b>	<b>1,655</b>	<b>4,413</b>	<b>1,036</b>
<b>Total contributions</b>		<b>1,722</b>	<b>1,655</b>	<b>4,534</b>	<b>1,192</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>		<b>10,956</b>	<b>7,477</b>	<b>9,439</b>	<b>5,543</b>

**Accounting policy for grants and contributions**

Income from grants and contributions is recognised upon their receipt or control over funding or right to receive funding is obtained. Income is recognised at fair value of the granted asset.

Where grants or contributions recognised as income during the financial year were obtained on condition that they be expended in a particular manner, or used over a particular period, and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed in Note 3 (g).

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.

(1) Please refer to Note 14 for details of prior period adjustments.

(2) In 2018 supplementary Block Grant income in amount of \$120,000 was reclassified from capital to operating.

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019	2018
<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	2,151	1,975
<b>Add:</b> capital grants recognised in the current period but not yet spent	2,073	351
<b>Less:</b> capital grants recognised in a previous reporting period now spent	(1,391)	(175)
<b>Unexpended and held as restricted assets</b>	<b>2,833</b>	<b>2,151</b>

## Note 4. Expenses from continuing operations

\$ '000	2019	2018
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	6,810	5,421
Travel expenses	17	15
Employee leave entitlements (ELE)	1,302	947
Superannuation	771	694
Workers' compensation insurance	138	193
Fringe benefit tax (FBT)	14	22
Recruitment of senior staff	2	58
Training costs (other than salaries and wages)	184	209
Other	97	4
<b>Total employee costs</b>	<b>9,335</b>	<b>7,563</b>
Less: capitalised costs	(1,091)	(959)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>8,244</b>	<b>6,604</b>

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

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

*Retirement benefit obligations*

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

*Superannuation plans*

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Notes	2019	2018
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on loans		398	301
<b>Total interest bearing liability costs expensed</b>		<b>398</b>	<b>301</b>
<b>(ii) Other borrowing costs</b>			
Fair value adjustments on recognition of advances and deferred debtors			
– Remediation liabilities	13	64	22
<b>Total other borrowing costs</b>		<b>64</b>	<b>22</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>462</b>	<b>323</b>

**Accounting policy for borrowing costs**

Borrowing costs are expensed.

\$ '000	2019	2018
<b>(c) Materials and contracts</b>		
Raw materials and consumables	2,849	1,854
Contractor and consultancy costs	3,424	2,526
Auditors remuneration <sup>1</sup>	48	47
<b>Legal expenses:</b>		
– Legal expenses: planning and development	–	13
– Legal expenses: other	26	33
<b>Operating leases:</b>		
– Operating lease rentals: minimum lease payments <sup>2</sup>	19	19
<b>Total materials and contracts</b>	<b>6,366</b>	<b>4,492</b>
<b>TOTAL MATERIALS AND CONTRACTS</b>	<b>6,366</b>	<b>4,492</b>

**1. Auditor remuneration**

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

**Auditors of the Council - NSW Auditor-General:****(i) Audit and other assurance services**

Audit and review of financial statements	48	47
<b>Remuneration for audit and other assurance services</b>	<b>48</b>	<b>47</b>
<b>Total Auditor-General remuneration</b>	<b>48</b>	<b>47</b>
<b>Total Auditor remuneration</b>	<b>48</b>	<b>47</b>

**Accounting policy for operating leases**

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

**2. Operating lease payments are attributable to:**

Office equipment	19	19
	<b>19</b>	<b>19</b>

continued on next page ...

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Notes	2019	2018 <small>Restated, 1</small>
<b>(d) Depreciation, amortisation and impairment of intangible assets and IPP&amp;E</b>			
<b>Depreciation and amortisation</b>			
Plant and equipment		547	592
Office equipment		22	14
Furniture and fittings		6	9
Land improvements (depreciable)		36	36
<b>Infrastructure:</b>			
– Buildings		946	794
– Other structures		124	103
– Roads		2,378	2,536
– Bridges		731	863
– Footpaths		41	41
– Stormwater drainage		109	113
– Water supply network		607	590
– Sewerage network		469	457
– Swimming pools		21	21
– Other open space/recreational assets		108	59
<b>Other assets:</b>			
– Library books		29	28
<b>Reinstatement, rehabilitation and restoration assets:</b>			
– Tip assets	9(a), 13	526	10
– Quarry assets	9(a), 13	22	14
Intangible assets	11	45	29
<b>Total gross depreciation and amortisation costs</b>		<b>6,767</b>	<b>6,309</b>
Less: capitalised costs		(143)	(237)
<b>Total depreciation and amortisation costs</b>		<b>6,624</b>	<b>6,072</b>
<b>Impairment / revaluation decrement of IPP&amp;E</b>			
Plant and equipment		–	357
<b>Infrastructure:</b>			
– Roads		–	(2,877)
– Bridges		–	228
<b>Total gross IPP&amp;E impairment / revaluation decrement costs / (reversals)</b>		<b>–</b>	<b>(2,292)</b>
Amounts taken through revaluation reserve		–	2,649
<b>Total IPP&amp;E impairment / revaluation decrement costs / (reversals) charged to Income Statement</b>		<b>–</b>	<b>357</b>
<b><u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&amp;E</u></b>		<b><u>6,624</u></b>	<b><u>6,429</u></b>

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

**Note 4. Expenses from continuing operations (continued)****Impairment of non-financial assets**

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

Intangible assets that have an indefinite useful life, or are not yet available for use, are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets that do not meet the criteria above are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

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

(1) Please refer to Note 14 for details of prior period adjustments

\$ '000	2019	2018
<b>(e) Other expenses</b>		
Advertising	71	78
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	290	301
Councillor expenses – mayoral fee	26	25
Councillor expenses – councillors' fees	119	114
Councillors' expenses (incl. mayor) – other (excluding fees above)	70	42
Donations, contributions and assistance to other organisations (Section 356)	41	39
Election expenses	–	2
Electricity and heating	272	287
Insurance	418	386
Street lighting	159	182
Telephone and communications	132	124
Other	32	3
<b>Total other expenses</b>	<b>1,630</b>	<b>1,583</b>
<b>TOTAL OTHER EXPENSES</b>	<b>1,630</b>	<b>1,583</b>

**Accounting policy for other expenses**

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 5. Gains or losses from the disposal, replacement and de-recognition of assets

\$ '000	Notes	2019	2018
<b>Plant and equipment</b>	9(a)		
Proceeds from disposal – plant and equipment		2,311	1,939
Less: carrying amount of plant and equipment assets sold/written off		(2,481)	(2,155)
<b>Net gain/(loss) on disposal</b>		<b>(170)</b>	<b>(216)</b>
<b>Infrastructure</b>	9(a)		
Less: carrying amount of infrastructure assets sold/written off		(223)	(127)
<b>Net gain/(loss) on disposal</b>		<b>(223)</b>	<b>(127)</b>
<b>Real estate assets held for sale</b>	8		
Proceeds from disposal – real estate assets		–	60
Less: carrying amount of real estate assets sold/written off		–	(55)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>5</b>
<b>Investment properties</b>	10		
Proceeds from disposal – investment property		813	–
Less: carrying amount of investment property sold/written off		(300)	–
<b>Net gain/(loss) on disposal</b>		<b>513</b>	<b>–</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>120</b>	<b>(338)</b>

**Accounting policy for disposal of assets**

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

*Non-infrastructure 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 de-recognised.

*Infrastructure assets*

It is not common for infrastructure assets to be sold. De-recognition of carrying value of infrastructure assets usually occurs in cases of replacement or when they are no longer serviceable. Physical replacement of infrastructure assets result in loss from disposal of replaced assets through profit and loss account. Renewal works which represent reversal of consumed service potential add up to the carrying value of the asset.

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

\$ '000	2019	2018
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	7,936	1,559
Cash-equivalent assets		
– Deposits at call	9,333	15,443
<b>Total cash and cash equivalents</b>	<b>17,269</b>	<b>17,002</b>

**Accounting policy for cash and cash equivalents**

For Statement of Cash Flow presentation purposes, cash and cash equivalents include: 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.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 6(b). Investments

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
<b>Investments</b>				
b. 'Financial assets at amortised cost' / 'held to maturity' (2018)	1,000	–	2,000	–
<b>Total Investments</b>	<b>1,000</b>	<b>–</b>	<b>2,000</b>	<b>–</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>	<b>18,269</b>	<b>–</b>	<b>19,002</b>	<b>–</b>
<b>Financial assets at amortised cost / held to maturity (2018)</b>				
Deposits at call more than 3 months maturity	1,000	–	2,000	–
<b>Total</b>	<b>1,000</b>	<b>–</b>	<b>2,000</b>	<b>–</b>

**Accounting policy for investments****Accounting policy under AASB 9 – applicable from 1 July 2018**

Financial instruments are recognised initially on the date that the Council becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

**Financial assets**

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

**Classification**

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

- amortised cost
- fair value through profit and loss (FVTPL)
- fair value through other comprehensive income – equity instrument (FVOCI-equity)

Financial assets are not reclassified subsequent to their initial recognition.

As at 30 June 2019 council did not have any investments at FVTPL or FVOCI-equity recognised.

**Amortised cost**

Assets measured at amortised cost are financial assets where:

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

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

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

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

**Accounting policy under AASB 139 – applicable for 2018 comparatives only****Classification**

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 6(b). Investments (continued)

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#### **(b) Held to maturity investments**

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

#### **(c) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which 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.

#### **Recognition and de-recognition**

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

#### **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.



## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
<b>Total cash, cash equivalents and investments</b>	<b>18,269</b>	<b>–</b>	<b>19,002</b>	<b>–</b>
<b>attributable to:</b>				
External restrictions	9,918	–	7,877	–
Internal restrictions	8,170	–	10,950	–
Unrestricted	181	–	175	–
	<b>18,269</b>	<b>–</b>	<b>19,002</b>	<b>–</b>

\$ '000	2019	2018
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## Details of restrictions

**External restrictions – included in liabilities**

NWPS advance	181	181
Unspent LIRS Loan Funds	92	–

**External restrictions – included in liabilities**

	<b>273</b>	<b>181</b>
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**External restrictions – other**

Developer contributions – general	89	651
RMS contributions	–	564
Specific purpose unexpended grants	2,833	242
Water supplies	2,191	2,222
Sewerage services	2,788	2,384
Domestic waste management	501	474
Stormwater management	549	465
Bruxner Way widening (RMS)	694	694

**External restrictions – other**

	<b>9,645</b>	<b>7,696</b>
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**Total external restrictions**

	<b>9,918</b>	<b>7,877</b>
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**Internal restrictions**

Plant and vehicle replacement	2,946	3,542
Employees leave entitlement	594	300
Capital commitments	861	762
Grant funding for general purposes	200	–
Gravel quarry rehabilitation	233	233
International town partnerships	10	10
Land and buildings	–	51
Local main street	–	31
Office equipment	–	200
Roads and bridges	550	158
Special projects	1,606	912
Operating Commitments	221	1,300
Carry forward bridges from 2017/18	–	400
Carry forward projects from 2017/18	–	2,859
Carry forward projects from 2018/19	882	–
Historical Reserves	67	192

**Total internal restrictions**

	<b>8,170</b>	<b>10,950</b>
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**TOTAL RESTRICTIONS**

	<b>18,088</b>	<b>18,827</b>
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## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 7. Receivables

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Purpose</b>				
Rates and annual charges	658	–	548	–
Interest and extra charges	120	–	125	–
User charges and fees	630	–	657	–
Private works	633	–	147	–
Accrued revenues				
– Interest on investments	69	–	46	–
Accrued grants income	2,183	–	484	–
Government grants and subsidies	18	–	18	–
Net GST receivable	384	–	258	–
Contribution to operating costs	103	–	97	–
Other debtors	16	–	17	–
<b>Total</b>	<b>4,814</b>	<b>–</b>	<b>2,397</b>	<b>–</b>
<b>Less: provision of 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>4,759</b>	<b>–</b>	<b>2,342</b>	<b>–</b>

**Externally restricted receivables****Water supply**

– Specific purpose grants	1	–	1	–
– Rates and availability charges	69	–	61	–
– Other	656	–	677	–

**Sewerage services**

– Specific purpose grants	1	–	1	–
– Rates and availability charges	140	–	123	–
– Other	82	–	84	–

**Domestic waste management**

	224	–	189	–
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**Stormwater management**

	6	–	6	–
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**Total external restrictions**

	<b>1,179</b>	<b>–</b>	<b>1,142</b>	<b>–</b>
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**Unrestricted receivables**

	<b>3,580</b>	<b>–</b>	<b>1,200</b>	<b>–</b>
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**TOTAL NET RECEIVABLES**

	<b>4,759</b>	<b>–</b>	<b>2,342</b>	<b>–</b>
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\$ '000	2019	2018
<b>Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year (calculated in accordance with AASB 139)	55	55
<b>Balance at the end of the period</b>	<b>55</b>	<b>55</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 7. Receivables (continued)

#### Accounting policy for receivables

##### Recognition and measurement

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

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

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

##### Impairment

##### Accounting policy under AASB 9 applicable from 1 July 2018

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

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

When considering the ECL for rates debtors, Council takes into account that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold. For non-rates debtors, Council uses the presumption that an asset which is more than 60 days past due has seen a significant increase in credit risk.

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

- the other party is unlikely to pay its credit obligations to the Council in full, without recourse by the Council to actions such as realising security (if any is held) or
- the financial assets (for non-rates debtors) are more than 60 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the entity in accordance with the contract, and the cash flows expected to be received. This is applied using a provision matrix ("loss rate") approach.

##### Accounting policy under AASB 139 – applicable for 2018 comparatives only

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

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that the 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 60 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

Rates and annual charges outstanding are secured against the property.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 8. Inventories and other assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Inventories</b>				
<b>(i) Inventories at cost</b>				
Real estate for resale	395	-	395	-
Stores and materials	352	-	252	-
<b>Total inventories at cost</b>	<b>747</b>	<b>-</b>	<b>647</b>	<b>-</b>
<b>TOTAL INVENTORIES</b>	<b>747</b>	<b>-</b>	<b>647</b>	<b>-</b>

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Total externally restricted assets</b>	-	-	-	-
<b>Total internally restricted assets</b>	-	-	-	-
<b>Total unrestricted assets</b>	<b>747</b>	<b>-</b>	<b>647</b>	<b>-</b>
<b>TOTAL INVENTORIES AND OTHER ASSETS</b>	<b>747</b>	<b>-</b>	<b>647</b>	<b>-</b>

**(i) Other disclosures**

\$ '000	Notes	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>(a) Details for real estate development</b>					
Residential		395	-	395	-
<b>Total real estate for resale</b>		<b>395</b>	<b>-</b>	<b>395</b>	<b>-</b>
(Valued at the lower of cost and net realisable value)					
<b>Represented by:</b>					
Acquisition costs		395	-	110	-
Development costs		-	-	285	-
<b>Total costs</b>		<b>395</b>	<b>-</b>	<b>395</b>	<b>-</b>
<b>Total real estate for resale</b>		<b>395</b>	<b>-</b>	<b>395</b>	<b>-</b>
<b>Movements:</b>					
Real estate assets at beginning of the year		395	-	450	-
- WDV of sales (expense)	5	-	-	(55)	-
<b>Total real estate for resale</b>		<b>395</b>	<b>-</b>	<b>395</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;

\$ '000	2019	2018
Real estate for resale	300	300
	<b>300</b>	<b>300</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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#### **Accounting policy for inventories and other assets**

##### **Raw materials and stores, work in progress and finished goods**

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

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

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

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

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

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

	Asset movements during the reporting period										as at 30/06/2019			
	\$ '000	Net carrying amount	Accumulated depreciation	Net carrying amount	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation surplus/deficit by ASBR	Revaluation surplus/deficit by ASBR	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	7,980	—	—	7,980	407	—	—	(7,971)	—	—	—	416	—	416
Plant and equipment	12,519	(5,904)	6,615	6,615	3,343	(2,481)	(547)	—	—	—	13,171	(6,135)	7,036	
Office equipment	446	(282)	164	175	—	—	(22)	—	—	—	622	(304)	318	
Furniture and fittings	145	(122)	23	3	—	—	(6)	—	—	—	148	(126)	20	
<b>Land:</b>														
— Crown land - managed by council	1,088	—	1,088	—	—	—	—	—	54	—	1,202	—	1,202	
— Crown land - devolved to council	2,504	—	2,504	—	—	—	—	—	—	—	2,504	—	2,504	
— Operational land	3,485	—	3,485	—	—	—	—	(54)	—	—	3,441	—	3,441	
— Community land	1,414	—	1,414	—	—	—	—	—	—	—	1,414	—	1,414	
— Land under roads (post 30/6/08)	10	—	10	—	—	—	—	—	—	—	10	—	10	
Land improvements - depreciable	1,089	(306)	783	282	—	—	(36)	—	—	—	1,371	(342)	1,029	
<b>Infrastructure:</b>														
— Buildings	37,687	(19,962)	17,725	246	178	(36)	(946)	—	—	—	37,953	(20,786)	17,167	
— Other structures	3,339	(1,079)	2,260	58	—	—	(124)	—	—	—	3,397	(1,203)	2,194	
— Roads	164,558	(46,472)	118,086	204	10,897	—	(2,378)	(221)	(508)	86,732	260,413	(47,502)	212,911	
— Bridges	71,323	(29,781)	41,542	617	1,247	(144)	(731)	221	—	5,305	89,913	(41,757)	48,056	
— Footpaths	3,311	(1,253)	2,058	49	—	—	(41)	—	—	378	3,276	(833)	2,443	
— Bulk earthworks (non-depreciable)	131,495	—	131,495	—	—	—	—	—	(40,114)	—	91,380	—	91,380	
— Stormwater drainage	9,114	(4,724)	4,390	—	—	—	(109)	—	(384)	—	8,355	(4,458)	3,897	
— Water supply network	46,542	(32,339)	14,203	1,996	245	(25)	(607)	7,971	—	217	57,471	(33,472)	23,999	
— Sewerage network	32,507	(10,770)	21,737	106	298	—	(469)	—	(144)	338	33,210	(11,344)	21,866	
— Swimming pools	1,164	(257)	907	—	—	—	(21)	—	—	—	1,164	(277)	887	
— Other open space/recreational assets	2,086	(463)	1,623	9	126	(18)	(108)	—	—	—	2,191	(556)	1,633	
<b>Other assets:</b>														
— Library books	913	(760)	153	17	—	—	(29)	—	—	—	930	(789)	141	
<b>Reinstatement, rehabilitation and restoration assets (refer Note 14):</b>														
— Tip assets	2,830	(750)	2,080	—	—	—	(526)	348	—	—	3,176	(1,275)	1,903	
— Quarry assets	104	—	104	—	—	—	(22)	21	—	—	125	(22)	103	
<b>Total infrastructure, property, plant and equipment</b>	537,663	(155,224)	382,439	4,277	16,434	(2,704)	(6,722)	359	(41,150)	93,031	617,155	(171,185)	445,970	

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

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

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

Notes	Asset movements during the reporting period											Net carrying amount					
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions (invoiced)	Additions (new assets)	Reinstatement costs for impaired assets	Carrying value at disposal	Depreciation expense	Impairment loss / (reversal) decrements (recognised in P&L)	Impairment loss / (reversal) decrements (recognised in P&L)	Adjustments and transfers		Other movements (Found Assets at PV through P&L)	Other movements (Found Assets at PV through P&L)	Revaluation increments / (decreases)	Gross carrying amount	Accumulated depreciation
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)	-	-	-	-	-	12,519	(5,904)	6,615
Office equipment	390	(268)	122	-	57	-	(14)	(14)	-	-	-	-	-	-	446	(282)	164
Furniture and fittings	145	(113)	32	-	-	-	-	(9)	-	-	-	-	-	-	145	(122)	23
<b>Land:</b>																	
- Operational land	3,023	-	3,023	-	-	-	-	-	-	-	-	-	-	-	3,495	-	3,495
- Community land	1,228	-	1,228	-	-	-	-	-	-	-	-	186	-	-	1,414	-	1,414
- Crown land - managed by council	1,088	-	1,088	-	-	-	-	-	-	-	-	-	-	-	1,088	-	1,088
- Crown land - devolved to council	2,504	-	2,504	-	-	-	-	-	-	-	-	-	-	-	2,504	-	2,504
- 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	161,175	(68,641)	102,534	3,384	-	620	-	(2,596)	-	2,877	225	-	10,982	164,558	(46,472)	118,086	
- 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)	-	-	-	-	287	46,542	(32,339)	14,203	
- Sewerage network	31,607	(10,115)	21,492	313	-	-	(53)	(457)	-	-	-	-	440	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 14):</b>																	
- Tip assets	868	(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 equipment</b>	516,431	(162,284)	354,147	7,416	6,627	620	(2,283)	(6,280)	(357)	(228)	1,932	1,898	16,071	537,663	(155,224)	382,439	

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

**Accounting policy for infrastructure, property, plant and equipment**

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

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Department of Industry (DoI) – Water.

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

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

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

Land is not depreciated. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Council will obtain ownership at the end of the lease term. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

<b>Plant and equipment</b>	Years	<b>Water and sewer assets</b>	Years
Office equipment	10	Water - Mains	80 to 90
Office furniture	10 to 20	Water - Pumping Stations	30 to 80
Computer equipment	4	Water Dam	100
Plants - Light vehicles	1	Water - Reservoirs	40 to 80
Plants - Heavy plant/road making equipment	10	Water - Treatment Works	30 to 80
Other plant and equipment	10	Sewerage - Ancilliary	30 to 50
		Sewerage - Pumping Stations	30
		Sewerage - Treatment Works	30 to 70
		Sewerage - Mains	80 to 90
<b>Transportation assets</b>		<b>Stormwater assets</b>	
Sealed roads: surface	30	Drains	80
Sealed roads: pavement base	50		
Sealed roads: pavement sub-base	Infinite		
Unsealed roads surface:			
- depreciable component	25		
- non-depreciable component	Infinite	<b>Buildings</b>	
Bulk earthworks	Infinite	Buildings	15 to 75
Bridge: concrete	100		
Bridge: timber	80	<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 2019 only vehicle assets had residual values.

**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.



## Notes to the Financial Statements

for the year ended 30 June 2019

**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.

**Rural Fire Service assets**

Under Section 119 of the *Rural Fire Services Act 1997 (NSW)*, "all firefighting 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 firefighting equipment has been purchased or constructed".

Council did not recognise Rural Fire Services Assets, including 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	2019	2018
<b>(i) Impairment losses recognised in the Income Statement:</b>			
Impairment of plants based on condition assessment		–	(357)
<b>Total impairment losses</b>		<b>–</b>	<b>(357)</b>
<b>IMPAIRMENT OF ASSETS – GAINS/(LOSSES) in P/L</b>	4d	<b>–</b>	<b>(357)</b>
<b>(iii) Impairment losses recognised direct to equity (ARR):</b>			
Bridge impairment		–	(228)
<b>Total impairment losses</b>		<b>–</b>	<b>(228)</b>
<b>(iv) Reversals of impairment losses previously recognised direct to equity (ARR):</b>			
Reassessed impairment figure for the March 2017 flood event		–	2,877
<b>Total impairment reversals</b>		<b>–</b>	<b>2,877</b>
<b>IMPAIRMENT OF ASSETS – DIRECT to EQUITY (ARR)</b>		<b>–</b>	<b>2,649</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 10. Investment property

\$ '000	2019	2018
<b>(a) Investment property at fair value</b>		
<b>Investment property on hand</b>	–	300
<b>Reconciliation of annual movement:</b>		
<b>Opening balance</b>	300	280
– Disposals during year	(300)	–
– Net gain/(loss) from fair value adjustments	–	20
<b>CLOSING BALANCE – INVESTMENT PROPERTY</b>	<b>–</b>	<b>300</b>

**(b) Valuation basis**

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

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

Property was sold during 2019 financial year.

**(c) Contractual obligations at reporting date**

Refer to Note 18 for disclosures relating to any capital and service obligations that have been contracted.

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

The investment properties 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
<b>Total minimum lease payments receivable</b>	<b>–</b>	<b>19</b>

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

<b>Rental income from investment property:</b>		
– Minimum lease payments	17	35
<b>Direct operating expenses on investment property:</b>		
– that generated rental income	(3)	(5)
<b>Net revenue contribution from investment property</b>	<b>14</b>	<b>30</b>
plus:		
<b>Fair value movement for year</b>	<b>–</b>	<b>20</b>
<b>Total income attributable to investment property</b>	<b>14</b>	<b>50</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 11. Intangible assets

\$ '000	2019	2018
<b>Intangible assets are as follows:</b>		
<b>Opening values at 1 July</b>		
Gross book value	413	323
Accumulated amortisation	(128)	(99)
<b>Net book value – opening balance</b>	<b>285</b>	<b>224</b>
<b>Movements for the year</b>		
– Purchases	136	90
– Amortisation charges	(45)	(29)
<b>Closing values at 30 June</b>		
Gross book value	550	413
Accumulated amortisation	(173)	(128)
<b>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</b>	<b>377</b>	<b>285</b>
<b>The net book value of intangible assets represents:</b>		
– Software	377	285
	<b>377</b>	<b>285</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 five to ten 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.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 12. Payables and borrowings

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Payables</b>				
Goods and services	1,524	–	1,649	–
Accrued expenses:				
– Borrowings	49	–	47	–
– Salaries and wages	322	–	244	–
Advances	189	–	186	–
Security bonds, deposits and retentions	119	–	112	–
Other	40	–	–	–
<b>Total payables</b>	<b>2,243</b>	<b>–</b>	<b>2,238</b>	<b>–</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	822	9,233	593	7,004
<b>Total borrowings</b>	<b>822</b>	<b>9,233</b>	<b>593</b>	<b>7,004</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>3,065</b>	<b>9,233</b>	<b>2,831</b>	<b>7,004</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 20.

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>(a) Payables and borrowings relating to restricted assets</b>				
<b>Externally restricted assets</b>				
Water	419	6,351	1,024	3,627
Sewer	109	1,849	118	1,929
Domestic waste management	544	–	29	675
Payables and borrowings relating to externally restricted assets	1,072	8,200	1,171	6,231
<b>Total payables and borrowings relating to restricted assets</b>	<b>1,072</b>	<b>8,200</b>	<b>1,171</b>	<b>6,231</b>
<b>Total payables and borrowings relating to unrestricted assets</b>	<b>1,993</b>	<b>1,033</b>	<b>1,660</b>	<b>773</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>3,065</b>	<b>9,233</b>	<b>2,831</b>	<b>7,004</b>

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

\$ '000	as at 30/6/2018					as at 30/6/2019	
	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance	
Loans – secured	7,597	2,458	–	–	–	10,055	
<b>TOTAL</b>	<b>7,597</b>	<b>2,458</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>10,055</b>	

continued on next page ...

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## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 12. Payables and borrowings (continued)

\$ '000	as at 30/6/2017		Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	as at 30/6/2018	
	Opening Balance	Cash flows				Closing balance	
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	2019	2018
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**(c) Financing arrangements****(i) Unrestricted access was available at balance date to the following lines of credit:**

Credit cards/purchase cards	50	38
<b>Total financing arrangements</b>	<b>50</b>	<b>38</b>

**Undrawn facilities as at balance date:**

– Credit cards/purchase cards	20	38
<b>Total undrawn financing arrangements</b>	<b>20</b>	<b>38</b>

**Accounting policy for payables and borrowings**

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

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

**Payables**

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

**Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective-interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent that 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.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 13. Provisions

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Provisions</b>				
<b>Employee benefits</b>				
Annual leave	656	–	611	–
Long service leave	1,056	–	1,071	–
<b>Sub-total – aggregate employee benefits</b>	<b>1,712</b>	<b>–</b>	<b>1,002</b>	<b>–</b>
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	124	3,421	61	3,052
<b>Sub-total – asset remediation/restoration</b>	<b>124</b>	<b>3,421</b>	<b>61</b>	<b>3,052</b>
<b>Other provisions</b>				
Workers compensation	31	–	–	–
<b>Sub-total – other provisions</b>	<b>31</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>TOTAL PROVISIONS</b>	<b>1,867</b>	<b>3,421</b>	<b>1,743</b>	<b>3,052</b>

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

<b>Total provisions relating to restricted assets</b>	–	–	–	–
<b>Total provisions relating to unrestricted assets</b>	<b>1,867</b>	<b>3,421</b>	<b>1,743</b>	<b>3,052</b>
<b>TOTAL PROVISIONS</b>	<b>1,867</b>	<b>3,421</b>	<b>1,743</b>	<b>3,052</b>

\$ '000	2019	2018
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**(b) Current provisions not anticipated to be settled within the next twelve months**

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

Provisions – employees benefits	944	871
	<b>944</b>	<b>871</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 13. Provisions (continued)

**(c) Description of and movements in provisions**

\$ '000	ELE provisions		
	Annual leave	Long service leave	Total
<b>2019</b>			
At beginning of year	611	1,071	1,682
Additional provisions	526	292	818
Amounts used (payments)	(481)	(307)	(788)
Total ELE provisions at end of period	656	1,056	1,712
<b>2018</b>			
At beginning of year	670	1,366	2,036
Additional provisions	309	268	577
Amounts used (payments)	(368)	(563)	(931)
Total ELE provisions at end of period	611	1,071	1,682

\$ '000	Other provisions		
	Workers compensation	Asset remediation	Total
<b>2019</b>			
At beginning of year	–	3,113	3,113
<b>Changes to provision:</b>			
Revised cost, life and discount rate	–	368	368
Additional provisions	31	–	31
Unwinding of discount	–	64	64
Total other provisions at end of period	31	3,545	3,576
<b>2018</b>			
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)
Total other provisions at end of period	–	3,113	3,113

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

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

**Accounting policy for provisions**

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 13. Provisions (continued)

#### Employee benefits

##### Short-term obligations

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

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

The liability for long-service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

##### On-costs

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

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

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

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

##### Restoration

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

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

##### Rehabilitation

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

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

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

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new restoration techniques, or experience at other locations. The expected timing of expenditure can also change, for example in response to changes in quarry reserves



## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 13. Provisions (continued)

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

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

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

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

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

##### **Nature of prior-period error**

###### **Crown land**

###### *Crown land managed by council*

Council acts as a trust manager of the crown reserve trusts. 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 reserves are dedicated. Starting 1 July 2019 council will become manager of these reserves which will be classified as community land under Local Government Act 1993 (NSW).

###### *Crown land devolved to council*

Crown land "devolved to council" is under care, management and control of the Minister based on the Crown Land Management Act 2016. However, council retains "operational control" of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which land is dedicated.

Council recognised abovementioned crown land managed by council and land devolved to council on a retrospective basis by restating the balances at the beginning of the earliest period presented (1 July 2017) and taking the adjustment through the revaluation reserve at that date. Fair value of the land was determined using the Valuer General valuation from the 2017 financial year.

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

###### **Roads**

Council has corrected the fair value of roads assets on the value of culverts on Bruxner Way. The culverts were not recognised at the time Bruxner Way was granted to Council in 2010.

The error identified above has been corrected by restating the balances at the beginning of the earliest period presented (1 July 2017) and taking the adjustment through to accumulated surplus at that date.

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

## Notes to the Financial Statements

for the year ended 30 June 2019

**Note 14. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)****Accrued grants income**

Council did not accrue grant income for works done, but the claims for which have not been processed by the end of 30 June 2018.

Australian Accounting Standard AASB 1004 *Contributions* requires grant income to be recognised at the earliest of receipt or when right or control over funding is obtained. Council obtains control or right for costs reimbursement in full amount for works done even though the formal claim is submitted after the end of reporting period.

The error identified above has been corrected by restating the balances at 30 June 2018 and taking the adjustment through the operating result at that date.

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

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

\$ '000	Original Balance 1 July, 2017	Impact Increase/ (decrease)	Restated Balance 1 July, 2017
Infrastructure, property, plant and equipment	346,537	7,610	354,147
<b>Total assets</b>	<b>366,068</b>	<b>7,610</b>	<b>373,678</b>
<b>Total liabilities</b>	<b>9,728</b>	<b>–</b>	<b>9,728</b>
Accumulated Surplus (culverts on regional roads)	127,286	4,018	131,304
Revaluation Reserves (Crown land)	229,054	3,592	232,646
<b>Total equity</b>	<b>356,340</b>	<b>7,610</b>	<b>363,950</b>

**Adjustments to the comparative figures for the year ended 30 June 2018****Statement of Financial Position**

\$ '000	Original Balance 30 June, 2018	Impact Increase/ (decrease)	Restated Balance 30 June, 2018
Infrastructure, property, plant and equipment	374,894	7,546	382,440
Receivables	1,858	484	2,342
<b>Total assets</b>	<b>396,985</b>	<b>8,030</b>	<b>405,015</b>
<b>Total liabilities</b>	<b>14,630</b>	<b>–</b>	<b>14,630</b>
Accumulated Surplus (culverts on regional roads)	134,580	3,954	138,534
Revaluation Reserves (Crown land)	247,775	3,592	251,367
Accumulated Surplus (grants income)	–	484	484
<b>Total equity</b>	<b>382,355</b>	<b>8,030</b>	<b>390,385</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

**Note 14. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)****Income Statement**

\$ '000	Original Balance 30 June, 2018	Impact Increase/ (decrease)	Restated Balance 30 June, 2018
Grants and contributions provided for capital purposes	5,178	484	5,662
<b>Total income from continuing operations</b>	<b>27,000</b>	<b>484</b>	<b>27,484</b>
Depreciation and amortisation	6,008	64	6,072
<b>Total expenses from continuing operations</b>	<b>19,705</b>	<b>64</b>	<b>19,769</b>
<b>Net operating result for the year</b>	<b>7,295</b>	<b>420</b>	<b>7,715</b>

**Statement of Comprehensive Income**

\$ '000	Original Balance 30 June, 2018	Impact Increase/ (decrease)	Restated Balance 30 June, 2018
<b>Net operating result for the year</b>	<b>7,295</b>	<b>420</b>	<b>7,715</b>
<b>Total comprehensive income for the year</b>	<b>7,295</b>	<b>420</b>	<b>7,715</b>

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

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

The Council has adopted AASB 9 Financial Instruments for the first time in the current year with a date of initial adoption of 1 July 2018. As part of the adoption of AASB 9, the Council adopted consequential amendments to other accounting standards arising from the issue of AASB 9 as follows:

- AASB 101 Presentation of Financial Statements requires the impairment of financial assets to be presented in a separate line item in the income statement. In prior year, this information was presented as part of other expenses.
- AASB 7 Financial Instruments: Disclosures requires amended disclosures due to changes arising from AASB 9. These disclosures have been provided for the current year.

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

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

**Classification of financial assets**

The financial assets of Council have been reclassified into measured at amortised cost category on adoption of AASB 9, based primarily on the business model in which a financial asset is managed and its contractual cash flow characteristics.

**Impairment of financial assets**

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

## Notes to the Financial Statements

for the year ended 30 June 2019

**Note 14. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)****Transition adjustments**

Application of the new expected credit loss model to impairment of trade receivables under AASB 9 did not result in a materially different amount of bad debt provision for trade receivables on transition date at 1 July 2018. Council, therefore, decided not to recognise extra amounts of bad debt provision on transition.

The table below illustrates the classification and measurement of financial assets and liabilities under AASB 9 and AASB 139 at 1 July 2018.

\$ '000	Classific- ation under AASB 139	Classific- ation under AASB 9	Carrying amount under AASB 139	Reclassi- fication	Remeasu- rements	Carrying amount under AASB 9
<b>Financial assets</b>						
Cash and cash equivalents	Held to maturity	Amortised cost	17,002	–	–	17,002
Investments	Held to maturity	Amortised cost	2,000	–	–	2,000
Trade and other receivables	Loans and receivables	Amortised cost	2,342	–	–	2,342
<b>Total financial assets under AASB 9 at 1 July 2018</b>			<b>21,344</b>	<b>–</b>	<b>–</b>	<b>21,344</b>
<b>Financial liabilities</b>						
Payables	Amortised cost	Amortised cost	2,238	–	–	2,238
Borrowings	Amortised cost	Amortised cost	7,597	–	–	7,597
<b>Total financial liabilities under AASB 9 at 1 July 2018</b>			<b>9,835</b>	<b>–</b>	<b>–</b>	<b>9,835</b>

**Notes to the table above****Reclassification from 'held to maturity' to 'amortised cost'**

Term deposits that would previously have been classified as 'held to maturity' are now classified at 'amortised cost'. Council intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. There was no difference between the previous carrying amount and the revised carrying amount of these assets.

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Notes	2019	2018
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6(a)	17,269	17,002
<b>Balance as per the Statement of Cash Flows</b>		<b>17,269</b>	<b>17,002</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		10,270	7,715
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		6,624	6,072
Net losses/(gains) on disposal of assets		(120)	338
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		64	22
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		(718)	2,196
Decrease/(increase) in inventories		(100)	(35)
Decrease/(increase) in accrued grants income		(1,692)	–
Increase/(decrease) in payables		(125)	372
Increase/(decrease) in accrued interest payable		2	12
Increase/(decrease) in other accrued expenses payable		78	(55)
Increase/(decrease) in other liabilities		50	14
Increase/(decrease) in provision for employee benefits		30	(354)
Increase/(decrease) in other provisions		399	1,889
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>14,762</b>	<b>14,693</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 16. Interests in other entities

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#### Subsidiaries, joint arrangements and associates not recognised

##### **New England Joint Organisation (NEJO)**

The NEJO was established on 11 May 2018 and is a separately constituted entity pursuant to Part 7 (Sections 400O to 400ZH) of the Local Government Act (NSW) 1993, as amended, and the Local Government (General) Regulation 2008.

The principle purpose of the NEJO is to establish strategic regional priorities and to provide regional leadership to the geographical area for which it serves, and to identify and take up opportunities for intergovernmental cooperation on matters relating to the joint organisation area.

NEJO comprises of seven voting member councils: Armidale Regional Council, Glen Innes Severn Council, Inverell Shire Council, Moree Plains Shire Council, Narrabri Shire Council, Tenterfield Shire Council and Uralla Shire Council.

The Board of NEJO consists of:

- The Mayors of each Member Council, who are entitled to one (1) vote at Meetings;
- A non-voting representative of the NSW Government, who is the Regional Director of the Department of Premier and Cabinet.

The Chairperson is to be elected by the voting representatives of the Board from one (1) of the Mayoral representatives. Chairperson does not have a casting vote.

A decision of the Board is supported by a majority at which a quorum is present is a decision of NEJO.

Tenterfield Shire Council, as a member of the NEJO, has a one seventh voting right in respect to the decisions of the Board. Considering the fact that decision making is based on majority votes, council does not have control, joint control or significant influence over relevant activities of the organisation.

In accordance with the Charter each member of the NEJO contributes annual fees towards the operation of the joint organisation. In 2018/2019 the contribution made by Tenterfield Shire Council was \$5,000. For the period ended 30 June 2019 NEJO's net operating result was equalled to \$272,563.

##### **North East Weight of Loads Group (NEWLG)**

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 \$28,222. in 2018/19.

For the period ended 30 June 2019 NEWLG's net operating loss was equalled to \$21,174.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 17. Commitments

\$ '000	2019	2018
<b>(a) Capital commitments (exclusive of GST)</b>		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
<b>Property, plant and equipment</b>		
Water Supply	33	30
Plant and equipment	–	211
Intangibles	23	44
Sewer Network	49	326
Roads	177	151
Parks	92	–
Buildings	299	–
Other	188	–
<b>Total commitments</b>	<b>861</b>	<b>762</b>
<b>These expenditures are payable as follows:</b>		
Within the next year	861	762
<b>Total payable</b>	<b>861</b>	<b>762</b>
<b>Sources for funding of capital commitments:</b>		
Unrestricted general funds	–	44
Future grants and contributions	313	151
Externally restricted reserves	82	356
Internally restricted reserves	466	211
<b>Total sources of funding</b>	<b>861</b>	<b>762</b>

**(b) Operating lease commitments (non-cancellable)****a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:**

Within the next year	20	13
Later than one year and not later than 5 years	54	45
<b>Total non-cancellable operating lease commitments</b>	<b>74</b>	<b>58</b>

**b. Non-cancellable operating leases include the following assets:**

Photocopiers at the Shire Office and Library all under 48 month leases terms. Digital Scanner in Shire Office under a 60 month lease term.

Contingent rentals may be payable depending on the condition of items or usage during the lease term.

**Conditions relating to finance and operating leases:**

- All finance agreements are secured only against the leased asset.
- No lease agreements impose any financial restrictions on Council regarding future debt etc.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 17. Commitments (continued)

\$ '000	2019	2018
<b>(c) Investment property commitments</b>		
Non-capital expenditure on investment properties committed for at the reporting date but not recognised in the financial statements as liabilities:		
Contractual obligations – other	–	1
<b>Total commitments</b>	<b>–</b>	<b>1</b>
<b>These expenditures are payable as follows:</b>		
Within the next year	–	1
<b>Total payable</b>	<b>–</b>	<b>1</b>

**(d) Investment in joint operations – commitments**

For capital commitments and other commitments relating to investments in joint operations, refer to Note 17 (c)

## Note 18. Contingencies and other assets/liabilities 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 party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named The Local Government Superannuation Scheme – Pool B (the Scheme) which is a defined benefit plan that has been deemed to be a 'multi-employer fund' for purposes of AASB119 *Employee Benefits*.

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 the 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 Scheme was performed by Mr Richard Boyfield, FIAA on 31 December 2018, and covers the period ended 30 June 2018.

Based on a Past Service Liabilities methodology the share of the Fund's surplus that can be attributed to the council is 0.20%.

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

Investment return	5.75% per annum
Salary inflation *	3.5% per annum
Increase in CPI	2.5% per annum

\* Plus promotional increases

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.



## Notes to the Financial Statements

for the year ended 30 June 2019

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2019 was \$ 138,022,70. Council's expected contribution to the plan for the next annual reporting period is \$156,765.48.

#### (ii) Statewide Limited

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

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

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

#### (iii) StateCover Limited

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

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

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

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

#### (iv) Other guarantees

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

## 2. Other liabilities

#### (i) Third party claims

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

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

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

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

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

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

## ASSETS NOT RECOGNISED

#### (i) Land under roads

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

## Notes to the Financial Statements

for the year ended 30 June 2019

**Note 18. Contingencies and other assets/liabilities not recognised (continued)****(ii) Infringement notices/fines**

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

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

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

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

**Note 19. Financial risk management****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.

The fair value of Council's financial assets and financial liabilities approximates their carrying amount.

\$ '000	Carrying value 2019	Carrying value 2018 <small>Restated, 1</small>	Fair value 2019	Fair value 2018 <small>Restated, 1</small>
<b>Financial assets</b>				
<b>Measured at amortised cost</b>				
Cash and cash equivalents	17,269	17,002	17,269	17,002
Receivables	4,759	2,342	4,759	2,342
Investments				
– 'Financial assets at amortised cost' / 'held to maturity' (2018)	1,000	2,000	1,000	2,000
<b>Total financial assets</b>	<b>23,028</b>	<b>21,344</b>	<b>23,028</b>	<b>21,344</b>
<b>Financial liabilities</b>				
Payables	2,243	2,238	2,243	2,238
Loans/advances	10,055	7,597	10,055	7,597
<b>Total financial liabilities</b>	<b>12,298</b>	<b>9,835</b>	<b>12,298</b>	<b>9,835</b>

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 Minister's investment order 625. This policy is regularly reviewed by Council and its staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance as required by Local Government regulations.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Financial risk management (continued)

The risks associated with the instruments held are:

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

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

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

(1) Please refer to Note 14 for details of prior period adjustments

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

The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2019</b>				
Possible impact of a 1% movement in interest rates	103	103	(103)	(103)
<b>2018</b>				
Possible impact of a 1% movement in interest rates	190	190	(190)	(190)

## (b) Credit risk

Council's receivables for the purposes of credit risk exposure comprise two categories:

1) Category 1: rates and annual charges (including interests on outstanding rates); statutory entitlements (GST receivable); government grants and subsidies; accrued grants income; and interest on investments.

2) Category 2: user charges and fees; private works; other debtors.

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

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

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

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.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Financial risk management (continued)

## Credit risk profile

## Receivables – Category 1

*Rates and annual charges (including interest on overdue rates debtors)*

Credit risk on rates and annual charges is minimised by the ability of Council to recover these debts as a secured charge over the land; 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 payment.

*Government grants, subsidies, accrued grants income and GST receivable*

Credit risk on this type of debtors is negligible due to allocation of the funds to the council for the whole period of fund agreements, absence of evidence of default of the Australian Government in the past, currently and in the future and timely payments made by the government.

*Interest on investments*

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
<b>2019</b>						
Gross carrying amount	2,655	777	–	–	–	3,432
<b>2018</b>						
Gross carrying amount	806	445	106	121	–	1,478

## Receivables - Category 2

Council applies the simplified approach for Category 2 debtors to provide for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision. To measure the expected credit losses, Category 2 debtors have been grouped based on shared credit risk characteristics and the days past due.

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
<b>2019</b>						
Gross carrying amount	1,324	23	35	–	–	1,382
Expected loss rate (%)	3.50%	10.00%	15.00%	0.00%	0.00%	3.90%
<b>ECL provision</b>	<b>46</b>	<b>2</b>	<b>5</b>	<b>–</b>	<b>–</b>	<b>53</b>
<b>2018</b>						
Gross carrying amount	863	8	2	45	–	918
Expected loss rate (%)	0.60%	10.00%	15.00%	100.00%	0.00%	5.59%
<b>ECL provision</b>	<b>5</b>	<b>1</b>	<b>–</b>	<b>45</b>	<b>–</b>	<b>51</b>

## (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.

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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

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

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk through diversification of borrowing types, maturities and interest rate structures. The finance team regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in: ≤ 1 Year	1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
<b>2019</b>							
Trade/other payables	0.00%	119	2,124	–	–	2,243	2,243
Loans and advances	5.89%	–	1,184	3,612	9,393	14,189	10,055
<b>Total financial liabilities</b>		<b>119</b>	<b>3,308</b>	<b>3,612</b>	<b>9,393</b>	<b>16,432</b>	<b>12,298</b>
<b>2018</b>							
Trade/other payables	0.00%	112	2,126	–	–	2,238	2,238
Loans and advances	6.00%	–	988	3,468	7,647	12,103	7,597
<b>Total financial liabilities</b>		<b>112</b>	<b>3,114</b>	<b>3,468</b>	<b>7,647</b>	<b>14,341</b>	<b>9,835</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 20. Material budget variations

Council's original financial budget for 18/19 was adopted by the Council on 23/05/2019 and is unaudited.

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

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

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

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

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----		
<b>REVENUES</b>					
<b>Rates and annual charges</b>	9,334	9,659	325	3%	<b>F</b>
<b>User charges and fees</b>	3,482	2,606	(876)	(25)%	<b>U</b>
There was lower than budgeted income across a number of areas including inspection fees, swimming pool income (due to new contract arrangements), lower Waste Management Facility income (tip fees) and administration overheads.					
<b>Interest and investment revenue</b>	335	409	74	22%	<b>F</b>
<b>Other revenues</b>	901	407	(494)	(55)%	<b>U</b>
Lower than budgeted due to the accounting treatment for the sale of Council's investment property which was recognised as a gain on sale.					
<b>Operating grants and contributions</b>	7,513	10,956	3,443	46%	<b>F</b>
Due to Council being successful in obtaining additional grants for operating purposes in 2018/19 particularly for Stronger Country Communities and Drought related activities.					
<b>Capital grants and contributions</b>	4,653	9,439	4,786	103%	<b>F</b>
Due to Council being successful in obtaining additional grants for capital purposes in 2018/19, particularly bridges related grant funding.					
<b>Net gains from disposal of assets</b>	-	120	120	∞	<b>F</b>
Net effect from gain on sale of investment property (\$513 thousand) and loss from sale and write-off of infrastructure, property, plant and equipment (\$393 thousand). This was not included in to the original budget.					

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 20. Material budget variations

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
<b>EXPENSES</b>				
<b>Employee benefits and on-costs</b>	5,983	8,244	(2,261)	(38)% U
Mainly due to the filling of long term vacancies; the completion of the change management process initiated by the Chief Executive Officer which resulted in additional positions and other structural changes, including an unexpected vacancy to a Senior Officers Remuneration Tribunal (SORT) position; the filling of positions funded/part funded by other sources of income, additional redundancy and leave payments, the award pay increase and additional wage accruals due to the timing of the last pay period.				
<b>Borrowing costs</b>	462	462	-	0% F
<b>Materials and contracts</b>	6,071	6,366	(295)	(5)% U
Mainly due to additional maintenance costs in the water fund and transport department.				
<b>Depreciation and amortisation</b>	6,460	6,624	(164)	(3)% U
<b>Other expenses</b>	1,705	1,630	75	4% F
<b>Net losses from disposal of assets</b>	260	-	260	100% F
The budgeted figure for loss from sale of plants was higher than actual loss of \$170 thousand. This was netted off with the gain from sale of investment property.				
<b>Revaluation decrement / impairment of IPP&amp;E</b>	-	-	-	∞ F
<b>STATEMENT OF CASH FLOWS</b>				
<b>Net cash provided from (used in) operating activities</b>	8,627	14,762	6,135	71% F
Due to additional grant income.				
<b>Net cash provided from (used in) investing activities</b>	(11,073)	(16,953)	(5,880)	53% U
Due to additional Capital outlays from grant funding.				
<b>Net cash provided from (used in) financing activities</b>	22	2,458	2,436	11,073% F
Due to a loan being taken out for the Dam Wall that had been expected to have been taken out in 2017/18.				

## Notes to the Financial Statements

for the year ended 30 June 2019

## 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

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

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

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

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

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

## (1) Assets and liabilities that have been measured and recognised at fair values

2019	Notes	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>Infrastructure, property, plant and equipment</b>	9(a)					
Plant and equipment		30/06/18	–	–	7,036	7,036
Office equipment		30/06/16	–	–	318	318
Furniture and fittings		30/06/16	–	–	20	20
Crown land		30/06/18	–	–	3,706	3,706
Land – operational		30/06/18	–	–	3,441	3,441
Land – community		30/06/16	–	–	1,414	1,414
Land under roads		30/06/14	–	–	10	10
Land improvements – depreciated		30/06/16	–	–	1,029	1,029
Buildings		30/06/18	–	–	17,167	17,167
Other structures		30/06/16	–	–	2,194	2,194
Roads		30/06/19	–	–	212,911	212,911
Bulk earthworks		30/06/19	–	–	91,380	91,380
Footpaths		30/06/19	–	–	2,443	2,443
Bridges		30/06/19	–	–	48,056	48,056
Stormwater assets		30/06/19	–	–	3,897	3,897
Water supply assets		30/06/17	–	–	23,999	23,999
Sewerage network		30/06/17	–	–	21,866	21,866
Swimming pools		30/06/17	–	–	887	887
Open space and recreation		30/06/16	–	–	1,633	1,633
Library books		30/06/16	–	–	141	141
Tip assets		30/06/18	–	–	1,902	1,902
Quarry assets		30/06/18	–	–	103	103
<b>Total infrastructure, property, plant and equipment</b>			–	–	<b>445,553</b>	<b>445,553</b>



## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 21. Fair Value Measurement (continued)

2018	Notes	Date of latest valuation	Fair value measurement hierarchy			Total	Restated, 1
			Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs		
<b>Investment property</b>	10						
Service station		30/06/18	–	–	300		300
<b>Total investment property</b>			–	–	300		300
<b>Infrastructure, property, plant and equipment</b>	9(a)						
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
Crown land		30/06/18	–	–	3,592		3,592
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	–	–	118,086		118,086
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>			–	–	374,459		374,459

(1) Please refer to Note 14 for prior period adjustments

Note that capital WIP is not included above since it is carried at cost.

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

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

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

### Investment property

The investment property was included in Level 2 of the hierarchy and represented service station. The fair value was 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.

Council sold the service station during 2019 financial year.

**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 21. Fair Value Measurement (continued)****Infrastructure, property, plant and equipment (IPP&E)****Crown Land**

All valuations of Crown Land are based upon the land valuations issued by the Value - General. Crown Land was valued using the 1 July 2017 VG valuation data. There has been no change to the valuation process during the reporting period.

**Community Land**

All valuations of Community Land are based upon the land valuations issued by the Value - General. Community Land was valued at as 30 June 2016. There has been no change to the valuation process during the reporting period.

**Operational Land**

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

**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 supply 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**

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 21. Fair Value Measurement (continued)

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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 of replacement cost was undertaken on 30 June 2019 by AssetVal Pty Ltd. Further adjustments were then applied based on the condition of the assets using internal inspection data.

#### **Remediation Assets for Tips and Quarries**

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.

#### **(3) Highest and best use**

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

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

**Note 22. Related Party Transactions**

**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:

\$ '000	2019	2018
<b>Compensation:</b>		
Short-term benefits	1,088	752
Post-employment benefits	66	55
<b>Total</b>	<b>1,154</b>	<b>807</b>

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

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

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

Note 24. Statement of developer contributions

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

	as at 30/6/2018		as at 30/6/2019				Cumulative internal borrowings due/(payable)	
	Opening Balance	Contributions received during the year	Cash	Non-cash	Interest earned in year	Expenditure during year and transfers to unrestricted		Internal borrowing (to)/from
Drainage	3	2	-	-	-	(3)	-	2
Roads	529	57	-	-	-	(556)	-	30
Parking	4	-	-	-	-	(4)	-	-
Open space	3	1	-	-	-	(3)	-	1
Community facilities	31	4	-	-	-	(32)	-	3
Other	12	2	-	-	-	(13)	-	1
Emergency services	25	5	-	-	-	(27)	-	3
Waste management	43	8	-	-	-	(44)	-	7
<b>S7.11 contributions – under a plan</b>	<b>650</b>	<b>79</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(682)</b>	<b>-</b>	<b>47</b>
<b>S7.12 levies – under a plan</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2)</b>	<b>-</b>	<b>-</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>651</b>	<b>80</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(684)</b>	<b>-</b>	<b>47</b>
S64 contributions	-	42	-	-	-	-	-	42
<b>Total contributions</b>	<b>651</b>	<b>122</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(684)</b>	<b>-</b>	<b>89</b>

(1) Council has been able to unrestrict \$651,000 which represent projects completed but for which cash had not been unrestricted

S7.11 Contributions – under a plan

CONTRIBUTION PLAN NUMBER 1999

Roads	195	-	-	-	-	(195)	-	-
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Notes to the Financial Statements  
for the year ended 30 June 2019

Note 24. Statement of developer contributions (continued)

	as at 30/6/2018		Contributions received during the year			Interest earned in year	Expenditure during year and transfers to unrestricted	Internal borrowing (-)/from	as at 30/6/2019	
	Opening Balance		Cash	Non-cash	Held as restricted asset				Cumulative internal borrowings due/(payable)	
\$ '000										
Parking	4	-	-	-	-	(4)	-	-	-	-
Community facilities	19	-	-	-	-	(19)	-	-	-	-
<b>Total</b>	<b>218</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(218)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CONTRIBUTION PLAN NUMBER 2013</b>										
Drainage	3	2	-	-	-	(3)	-	-	2	-
Roads	334	57	-	-	-	(361)	-	-	30	-
Open space	3	1	-	-	-	(3)	-	-	1	-
Community facilities	12	4	-	-	-	(13)	-	-	3	-
Emergency services	25	5	-	-	-	(27)	-	-	3	-
Waste management	43	8	-	-	-	(44)	-	-	7	-
Other	12	2	-	-	-	(13)	-	-	1	-
<b>Total</b>	<b>432</b>	<b>79</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(464)</b>	<b>-</b>	<b>-</b>	<b>47</b>	<b>-</b>

S7.12 Levies – under a plan

CONTRIBUTION PLAN NUMBER 2013

Roads	1	1	-	-	-	(2)	-	-	-	-
<b>Total</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	General <sup>1</sup> 2019	Water 2019	Sewer 2019
<b>Income Statement by fund</b>			
<b>Income from continuing operations</b>			
Rates and annual charges	6,742	917	2,000
User charges and fees	1,237	1,181	188
Interest and investment revenue	396	11	2
Other revenues	389	5	13
Grants and contributions provided for operating purposes	10,803	125	28
Grants and contributions provided for capital purposes	9,397	20	22
<b>Other income</b>			
Net gains from disposal of assets	120	-	-
<b>Total income from continuing operations</b>	<b>29,084</b>	<b>2,259</b>	<b>2,253</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	7,055	755	434
Borrowing costs	148	159	155
Materials and contracts	4,848	878	640
Depreciation and amortisation	5,510	630	484
Other expenses	1,480	71	79
Net losses from the disposal of assets	(25)	25	-
<b>Total expenses from continuing operations</b>	<b>19,016</b>	<b>2,518</b>	<b>1,792</b>
<b>Operating result from continuing operations</b>	<b>10,068</b>	<b>(259)</b>	<b>461</b>
<b>Net operating result for the year</b>	<b>10,068</b>	<b>(259)</b>	<b>461</b>
<b>Net operating result attributable to each council fund</b>	10,068	(259)	461
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	671	(279)	439

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	General <sup>1</sup> 2019	Water 2019	Sewer 2019
<b>Statement of Financial Position by fund</b>			
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	13,510	2,191	1,568
Investments	(220)	—	1,220
Receivables	3,810	726	223
Inventories	747	—	—
<b>Total current assets</b>	<b>17,847</b>	<b>2,917</b>	<b>3,011</b>
<b>Non-current assets</b>			
Infrastructure, property, plant and equipment	398,139	25,219	22,612
Intangible assets	377	—	—
<b>Total non-current assets</b>	<b>398,516</b>	<b>25,219</b>	<b>22,612</b>
<b>TOTAL ASSETS</b>	<b>416,363</b>	<b>28,136</b>	<b>25,623</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	2,127	87	29
Income received in advance	(5)	5	—
Borrowings	415	327	80
Provisions	1,867	—	—
<b>Total current liabilities</b>	<b>4,404</b>	<b>419</b>	<b>109</b>
<b>Non-current liabilities</b>			
Borrowings	1,033	6,351	1,849
Provisions	3,421	—	—
<b>Total non-current liabilities</b>	<b>4,454</b>	<b>6,351</b>	<b>1,849</b>
<b>TOTAL LIABILITIES</b>	<b>8,858</b>	<b>6,770</b>	<b>1,958</b>
<b>Net assets</b>	<b>407,505</b>	<b>21,366</b>	<b>23,665</b>
<b>EQUITY</b>			
Accumulated surplus	127,851	10,179	11,259
Revaluation reserves	279,654	11,187	12,406
<b>Council equity interest</b>	<b>407,505</b>	<b>21,366</b>	<b>23,665</b>
<b>Total equity</b>	<b>407,505</b>	<b>21,366</b>	<b>23,665</b>

NB. All amounts disclosed above are gross – that is, they include internal charges and recoveries made between the funds. Assets and liabilities shown in the water and sewer columns are restricted for use for these activities.

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



## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Amounts	Indicator	Prior periods		Benchmark
	2019	2019	2018 Restated, 3	2017	
<b>1. Operating performance ratio</b>					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<u>711</u>	<b>2.96%</b>	12.99%	15.71%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<u>24,037</u>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	<u>12,884</u>	<b>38.49%</b>	51.93%	45.28%	>60.00%
Total continuing operating revenue <sup>1</sup>	<u>33,476</u>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions	<u>12,378</u>	<b>4.24x</b>	5.00x	4.47x	>1.50x
Current liabilities less specific purpose liabilities	<u>2,916</u>				
<b>4. Debt service cover ratio</b>					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<u>7,797</u>	<b>7.39x</b>	11.99x	11.76x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>1,055</u>				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<u>778</u>	<b>7.63%</b>	7.12%	6.75%	<10.00%
Rates, annual and extra charges collectible	<u>10,196</u>				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<u>17,269</u>	<b>12.26 mths</b>	15.08 mths	12.60 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	<u>1,409</u>				

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

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

(3) Please refer to Note 14 for prior period adjustments

# Tenterfield Shire Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

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

	General Indicators <sup>3</sup>		Water Indicators		Sewer Indicators		Benchmark
	2019	2018 revised <sup>4</sup>	2019	2018	2019	2018	
<b>\$ '000</b>							
<b>1. Operating performance ratio</b>							
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	2.82%	7.74%	(12.46)%	20.69%	19.68%	37.76%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>							
<b>2. Own source operating revenue ratio</b>							
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	29.58%	45.57%	93.58%	52.01%	97.78%	99.03%	>60.00%
Total continuing operating revenue <sup>1</sup>							
<b>3. Unrestricted current ratio</b>							
Current assets less all external restrictions	4.24x	5.00x	6.96x	2.89x	27.62x	21.97x	>1.50x
Current liabilities less specific purpose liabilities							
<b>4. Debt service cover ratio</b>							
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	8.38x	12.61x	3.21x	35.76x	6.95x	7.14x	>2.00x
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	10.69%	7.19%	0.00%	7.38%	0.00%	6.74%	<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	9.59	11.44	∞	∞	∞	∞	>3.00
Payments from cash flow of operating and financing activities	mths	mths					mths

(1) - (2) Refer to Notes at Note 28a above.

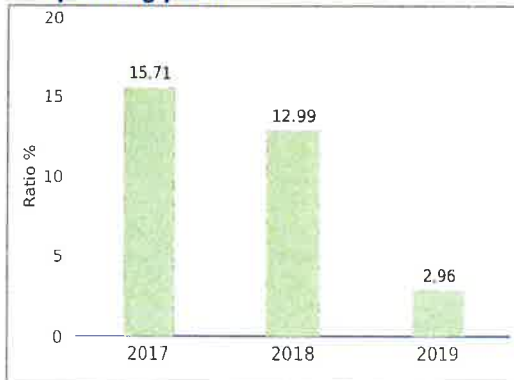
(3) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

(4) Please refer to Note 14 for prior period adjustments

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

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

1. Operating performance ratio



**Purpose of operating performance ratio**

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

**Commentary on 2018/19 result**

**2018/19 ratio 2.96%**

The 2017/18 result included income from found assets hence the lower result in 2018/19 where no income from found assets has been included.

Benchmark: — > 0.00%

Ratio achieves benchmark

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

Ratio is outside benchmark

2. Own source operating revenue ratio



**Purpose of own source operating revenue ratio**

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

**Commentary on 2018/19 result**

**2018/19 ratio 38.49%**

Due to the efforts of Council to attract external grant funding for Bridges and other major infrastructure projects, this ratio worsened. Council believes that the benefit to the community from attracting these grants outweighs any concern about the lowering of this ratio.

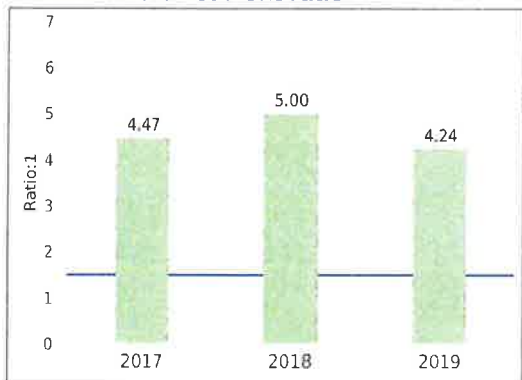
Benchmark: — > 60.00%

Ratio achieves benchmark

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

Ratio is outside benchmark

3. Unrestricted current ratio



**Purpose of unrestricted current ratio**

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

**Commentary on 2018/19 result**

**2018/19 ratio 4.24x**

No significant variance.

Benchmark: — > 1.50x

Ratio achieves benchmark

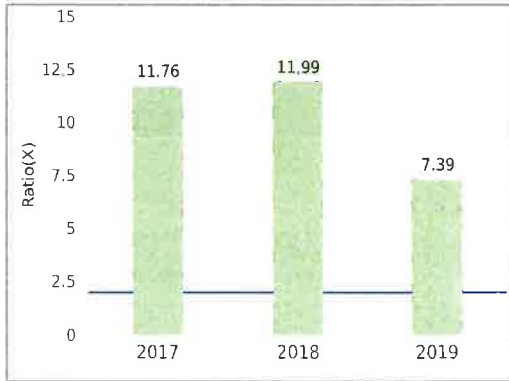
Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

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

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

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2018/19 result

2018/19 ratio 7.39x

The change reflects the additional loan taken out in 2018/19 in relation to the Tenterfield Dam Wall project.

Benchmark: — > 2.00x

Ratio achieves benchmark

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

Ratio is outside benchmark

5. Rates, annual charges, interest and extra charges outstanding percentage



Purpose of rates, annual charges, interest and extra charges outstanding

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

Commentary on 2018/19 result

2018/19 ratio 7.63%

No significant variance.

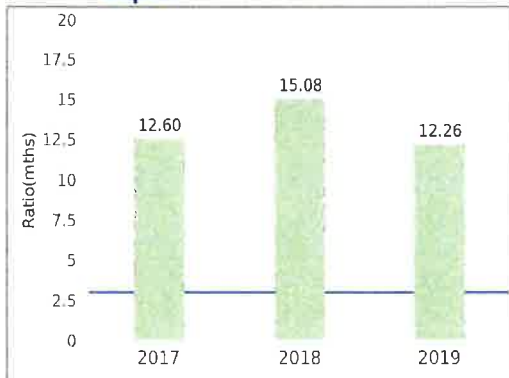
Benchmark: — < 10.00%

Ratio achieves benchmark

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

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2018/19 result

2018/19 ratio 12.26 mths

This ration continues to remain very favourable.

Benchmark: — > 3.00mths

Ratio achieves benchmark

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

Ratio is outside benchmark

## Notes to the Financial Statements

for the year ended 30 June 2019

### 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:**

9:00am - 4:30pm  
Monday to Friday

**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**

**Chief Executive**

Terry Dodds

**Responsible Accounting Officer**

Paul Della

**Public Officer**

Kylie Smith

**Auditors**

Audit Office of New South Wales  
GPO Box 12  
SYDNEY NSW 2001

**Elected members**

**Mayor**

Peter Petty

**Councillors**

Greg Sauer (Deputy Mayor)

Gary Verri

Bronwyn Petrie

John Macnish

Brian Murray

Tom Peters

Don Forbes

Robert Rogan

Michael Petrie

**Other information**

**ABN:** 85 010 810 083



**INDEPENDENT AUDITOR'S REPORT**  
**Report on the general purpose financial statements**  
**Tenterfield Shire Council**

To the Councillors of Tenterfield Shire Council

**Opinion**

I have audited the accompanying financial statements of Tenterfield Shire Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
  - have been presented, in all material respects, in accordance with the requirements of this Division
  - are consistent with the Council's accounting records
  - present fairly, in all material respects, the financial position of the Council as at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

**Basis for Opinion**

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

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

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

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

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

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

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

### **Other Information**

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

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

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

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

I have nothing to report in this regard.

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

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

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

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

My objectives are to:

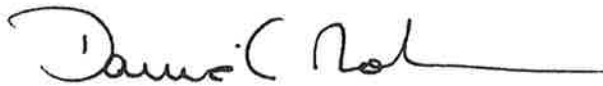
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](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 - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



David Nolan  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

22 October 2019  
SYDNEY





Mr Peter Petty  
Mayor  
Tenterfield Shire Council  
PO Box 214  
TENTERFIELD NSW 2340

Contact: David Nolan  
Phone no: 02 9275 7377  
Our ref: D1925014/1794

22 October 2019

Dear Mayor Petty

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

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

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

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

**SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS**

I identified the following significant audit issues and observations during my audit of the Council's financial statements. These issues and observations were addressed as part of my audit.





The following significant matter came to our attention during the audit.

During the asset revaluation process for the 30 June 2019 year, Council found \$4.0 million of culverts and \$3.6 million of crown land not previously capitalised. Given the significant value of the assets Council decided to adjust the prior period results and provide suitable disclosure of the correction in accordance with AASB 108 Accounting policies, changes in accounting estimates and errors. Council as part of the restatement process recognised \$0.5 million of income in the 2018 financial year for works carried out for grant funded projects for which monies had not yet been received in accordance with AASB 1004 Contributions.

We have reviewed the documentation, treatment and reasons for the capitalisation of the culverts, crown reserves and accrued income and are satisfied the disclosure and the valuation in the financial statements for the year ended 30 June 2019 is materially correct.

## INCOME STATEMENT

### Operating result

	2019	2018 <small>Restated</small>	Variance
	\$m	\$m	%
Rates and annual charges revenue	9.7	9.0	 8
Grants and contributions revenue	20.4	13.0	 57
Operating result for the year	10.3	7.7	 34
Net operating result before capital grants and contributions	0.8	2.2	 64

Council's operating result (\$10.3 million including the effect of depreciation and amortisation expense of \$6.6 million) was \$2.6 million higher than the 2017–18 result. This was mainly due to the increase in grants and contributions received of \$7.4 million offset by a decrease in other revenues of \$2.0 million and increases of \$1.6 million in employee benefits expense and \$1.9 million in materials and contracts.

The net operating result before capital grants and contributions (\$0.8 million) was \$1.3 million lower than the 2017–18 result. This is mainly due to increases in employee benefits expense and materials and contracts.

Rates and annual charges revenue (\$9.7 million) increased by \$0.7 million (8 per cent) in 2018–2019. This was due to rate peg increases along with Council increases in annual charges to cover increases in underlying costs for water, sewer and domestic waste operations.

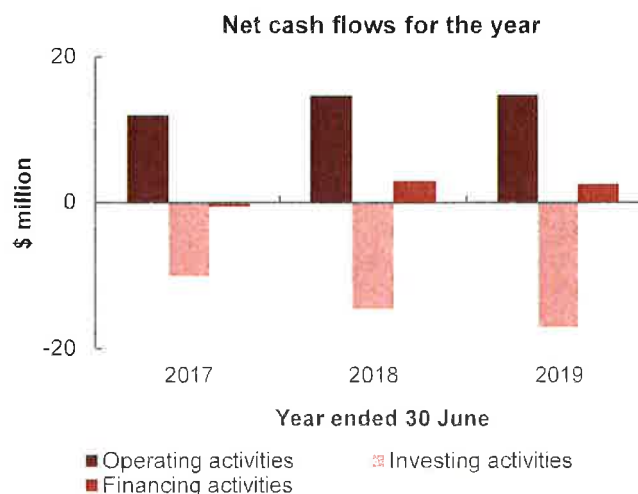
Grants and contributions revenue (\$20.4 million) increased by \$7.4 million (57 per cent) in 2018–2019 mainly due to the following one off grants:

- National Disaster Relief and Recovery Arrangements funding of \$3.2 million
- Increase in Roads to Recovery funding allocation of \$0.8 million
- Drought Community Program Funding of \$0.7 million
- Roads and Maritime Services funding for renewal of Mt Lindsay Road of \$3.8 million

## STATEMENT OF CASH FLOWS

Cash flows from operating activities were consistent with prior periods.

Cash flows used in investing activities increased by \$2.5 million to fund major grant funded and other capital expenditure in the 2019.



## FINANCIAL POSITION

### Cash and investments

Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	9.9	7.8	<ul style="list-style-type: none"> <li>• External restrictions increased due to specific purpose grant funding received and unspent at year end (increase of \$2.6 million).</li> <li>• Major external cash restrictions include water, sewer and domestic waste operations reserves as well specific purpose unexpended grant funding.</li> <li>• Internal restrictions decreased due to Council utilising reserved cash for capital works.</li> <li>• Major internal restrictions related to reserves to fund future capital works and plant replacements.</li> </ul>
Internal restrictions	8.2	11.0	
Unrestricted	0.2	0.2	
<b>Cash and investments</b>	<b>18.3</b>	<b>19</b>	

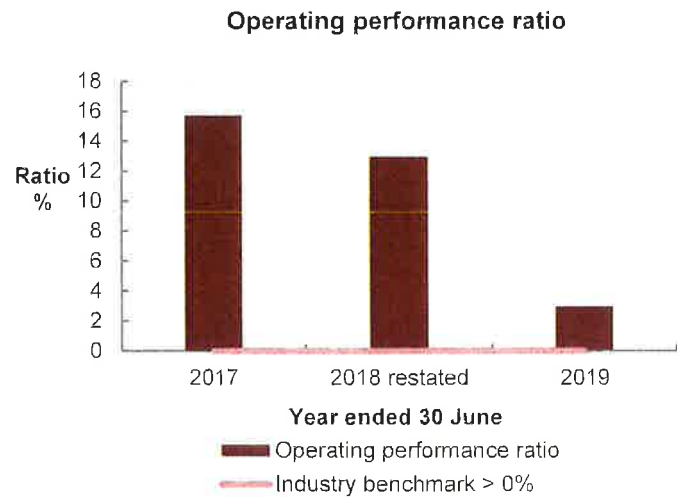
## PERFORMANCE

### Operating performance ratio

The operating performance ratio is lower than the 2017–18 financial year. Council has received significantly more grants and contributions in 2018–19 for specific purposes some of which was expended on maintenance. Furthermore, Council has undertaken a council wide corporate restructure resulting in previously vacant positions being filled and a number of new positions created this has increased employee benefits expenditure.

Notwithstanding, Council continues to maintain strong operating surpluses to exceed the benchmark set by the OLG.

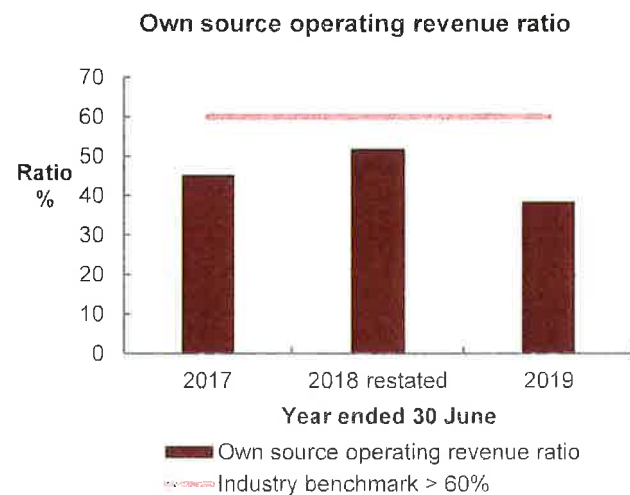
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater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



### Own source operating revenue ratio

The own source operating revenue ratio has declined compared to the 2017–18 year mainly due to the impact of increases in capital grants in the current year.

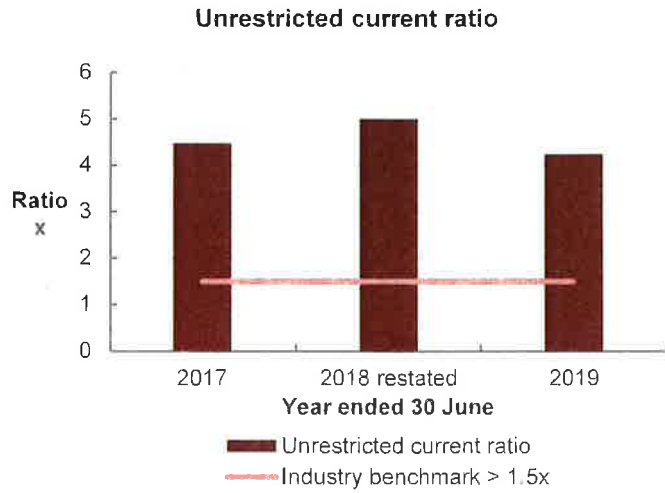
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the former OLG is greater than 60 per cent.



## Unrestricted current ratio

Council remains well above the OLG benchmark. The reduction in the unrestricted current ratio is due to Council having a large external restriction for unexpended specific purpose grants received during the year.

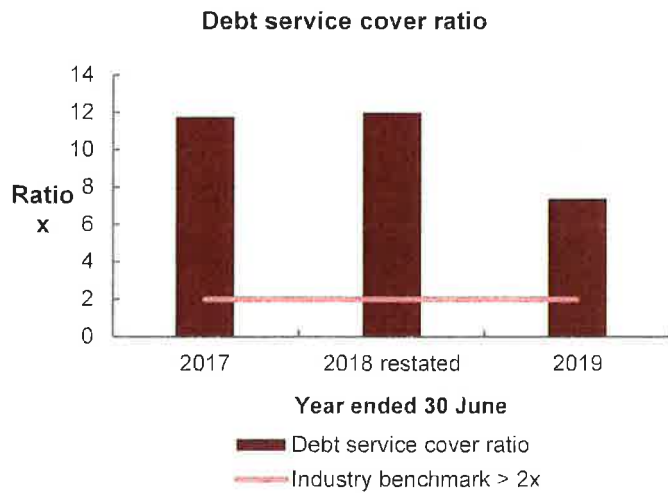
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by the former OLG is greater than 1.5 times.



## Debt service cover ratio

Council's debt service cover ratio has declined compared to previous years due to the loan taken out in 2018–19 to fund the Tenterfield Dam wall project. Notwithstanding the ratio is well above the OLG benchmark.

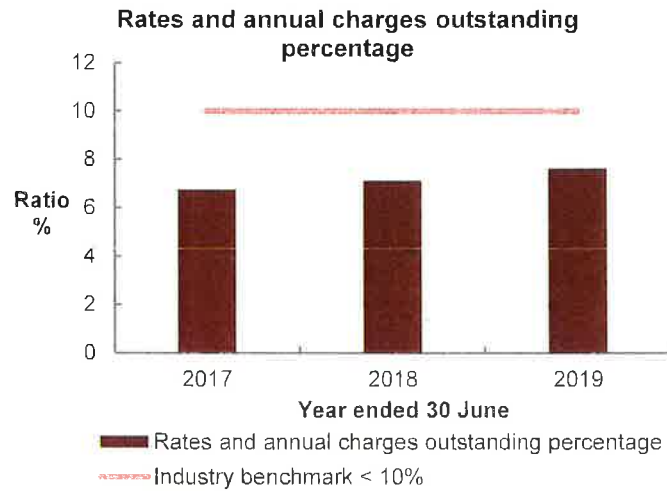
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.



## Rates and annual charges outstanding percentage

Council's rates and annual charges outstanding ratio has steadily increased over the last three years as a result of the drought conditions impacting on ratepayers ability to pay in a timely manner. The ratio remains well within the OLG benchmarks.

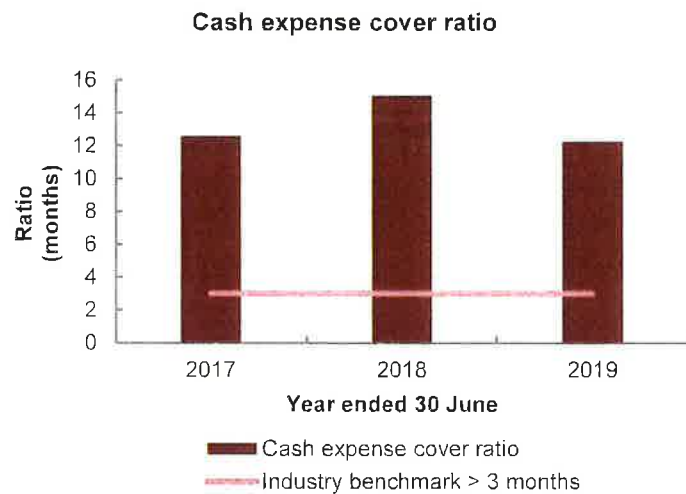
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 10 per cent for regional and rural councils.



## Cash expense cover ratio

The cash expense cover ratio has reduced compared to the 2017–18 year mainly due to Council spending more on materials and contracts and employee benefits compared to prior years but remains well above the OLG benchmark.

This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by the former OLG is greater than three months.



## Infrastructure, property, plant and equipment renewals

Council's Infrastructure, Property, Plant and Equipment (IPPE) renewal expenditure was \$16.4 million. This increased by \$9 million compared to the 2017–18 financial year. This is due to Council receiving grant funds to conduct renewals particularly on flood affected assets and Mt Lindsay Road. Renewal expenditure exceeded depreciation for the year by \$9.8 million.

## OTHER MATTERS

### New accounting standards implemented

Application period	Overview
<b>AASB 9 'Financial Instruments' and revised AASB 7 'Financial Instruments: Disclosures'</b>	
For the year ended 30 June 2019	<p>AASB 9 replaces AASB 139 'Financial Instruments: Recognition and Measurement' and changes the way financial instruments are treated for financial reporting.</p> <p>Key changes include:</p> <ul style="list-style-type: none"><li>• a simplified model for classifying and measuring financial assets</li><li>• a new method for calculating impairment</li><li>• a new type of hedge accounting that more closely aligns with risk management.</li></ul> <p>The revised AASB 7 includes new disclosures as a result of AASB 9.</p> <p>Council's disclosure of the impact of adopting AASB 9 is disclosed in Notes 6 and 7.</p>

### Legislative compliance

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

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

The Council's:

- accounting records were maintained in a manner and form that facilitated the preparation and the effective audit of the general purpose financial statements
- staff provided all accounting records and information relevant to the audit.



David Nolan  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

cc: Mr Terry Dodds, Chief Executive Officer  
Mr Geoff King, Chair Audit Risk and Improvement Committee  
Jim Betts, Secretary of the Department of Planning, Industry and Environment

# Tenterfield Shire Council

## SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2019

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*"Quality Nature, Quality Heritage and Quality Lifestyle"*





## Special Purpose Financial Statements

for the year ended 30 June 2019

Contents	Page
<b>Statement by Councillors &amp; Management</b>	<b>3</b>
<b>Special Purpose Financial Statements</b>	
Income Statement – Water Supply Business Activity	4
Income Statement – Sewerage Business Activity	5
Statement of Financial Position – Water Supply Business Activity	6
Statement of Financial Position – Sewerage Business Activity	7
<b>Note 1 – Significant Accounting Policies</b>	<b>8</b>
<b>Auditor's Report on Special Purpose Financial Statements</b>	<b>11</b>

(1) Council has been able to unrestrict \$651,000 which represent projects completed but for which cash had not been unrestricted

## 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).

## Special Purpose Financial Statements

for the year ended 30 June 2019

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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 statements:**

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


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

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



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Peter Petty  
**Mayor**  
25 September 2019



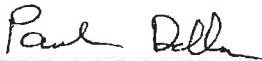
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Greg Sauer  
**Deputy Mayor**  
25 September 2019



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Terry Dodds  
**Chief Executive**  
25 September 2019



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Paul Della  
**Responsible Accounting Officer**  
25 September 2019

## Income Statement – Water Supply Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
<b>Income from continuing operations</b>		
Access charges	917	827
User charges	1,112	1,079
Fees	69	10
Interest	11	23
Grants and contributions provided for non-capital purposes	125	125
Other income	5	609
<b>Total income from continuing operations</b>	<b>2,239</b>	<b>2,673</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	755	671
Borrowing costs	159	33
Materials and contracts	878	633
Depreciation, amortisation and impairment	630	594
Water purchase charges	–	48
Loss on de-recognition of assets	25	–
Other expenses	71	141
<b>Total expenses from continuing operations</b>	<b>2,518</b>	<b>2,120</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(279)</b>	<b>553</b>
Grants and contributions provided for capital purposes	20	2,226
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(259)</b>	<b>2,779</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>(259)</b>	<b>2,779</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(152)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(259)</b>	<b>2,627</b>
<b>Plus accumulated surplus</b>	<b>10,438</b>	<b>7,659</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	–	152
<b>Return on capital %</b>	<b>(0.5)%</b>	<b>2.5%</b>
<b>Subsidy from Council</b>	<b>453</b>	<b>21</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	(259)	2,627
Less: capital grants and contributions (excluding developer contributions)	–	(2,226)
<b>Surplus for dividend calculation purposes</b>	<b>–</b>	<b>401</b>
<b>Potential dividend calculated from surplus</b>	<b>–</b>	<b>200</b>

## Income Statement – Sewerage Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
<b>Income from continuing operations</b>		
Access charges	2,000	1,825
User charges	142	124
Liquid trade waste charges	24	33
Fees	22	8
Interest	2	36
Grants and contributions provided for non-capital purposes	28	26
Other income	13	628
<b>Total income from continuing operations</b>	<b>2,231</b>	<b>2,680</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	434	482
Borrowing costs	155	160
Materials and contracts	640	437
Depreciation, amortisation and impairment	484	457
Other expenses	79	132
<b>Total expenses from continuing operations</b>	<b>1,792</b>	<b>1,668</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>439</b>	<b>1,012</b>
Grants and contributions provided for capital purposes	22	–
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>461</b>	<b>1,012</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>461</b>	<b>1,012</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(121)	(278)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>340</b>	<b>734</b>
<b>Plus accumulated surplus</b>	<b>10,798</b>	<b>9,786</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	121	278
<b>Return on capital %</b>	<b>2.6%</b>	<b>5.2%</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>–</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	340	734
<b>Surplus for dividend calculation purposes</b>	<b>340</b>	<b>734</b>
<b>Potential dividend calculated from surplus</b>	<b>170</b>	<b>367</b>

## Statement of Financial Position – Water Supply Business Activity

as at 30 June 2019

\$ '000	2019	2018
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	2,191	2,222
Receivables	726	741
<b>Total current assets</b>	<b>2,917</b>	<b>2,963</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	25,219	23,096
<b>Total non-current assets</b>	<b>25,219</b>	<b>23,096</b>
<b>TOTAL ASSETS</b>	<b>28,136</b>	<b>26,059</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	87	892
Income received in advance	5	5
Borrowings	327	127
<b>Total current liabilities</b>	<b>419</b>	<b>1,024</b>
<b>Non-current liabilities</b>		
Borrowings	6,351	3,627
<b>Total non-current liabilities</b>	<b>6,351</b>	<b>3,627</b>
<b>TOTAL LIABILITIES</b>	<b>6,770</b>	<b>4,651</b>
<b>NET ASSETS</b>	<b>21,366</b>	<b>21,408</b>
<b>EQUITY</b>		
Accumulated surplus	10,179	10,438
Revaluation reserves	11,187	10,970
<b>TOTAL EQUITY</b>	<b>21,366</b>	<b>21,408</b>

## Statement of Financial Position – Sewerage Business Activity

as at 30 June 2019

\$ '000	2019	2018 <sup>1</sup>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,568	1,884
Investments	1,220	500
Receivables	223	209
<b>Total current assets</b>	<b>3,011</b>	<b>2,593</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	22,612	22,464
<b>Total non-current assets</b>	<b>22,612</b>	<b>22,464</b>
<b>TOTAL ASSETS</b>	<b>25,623</b>	<b>25,057</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	29	44
Borrowings	80	74
<b>Total current liabilities</b>	<b>109</b>	<b>118</b>
<b>Non-current liabilities</b>		
Borrowings	1,849	1,929
<b>Total non-current liabilities</b>	<b>1,849</b>	<b>1,929</b>
<b>TOTAL LIABILITIES</b>	<b>1,958</b>	<b>2,047</b>
<b>NET ASSETS</b>	<b>23,665</b>	<b>23,010</b>
<b>EQUITY</b>		
Accumulated surplus	11,259	10,798
Revaluation reserves	12,406	12,212
<b>TOTAL EQUITY</b>	<b>23,665</b>	<b>23,010</b>

(1) Last year figures were restated on recognition of Crown land devolved to council in amount of \$5,154.

**Notes to the Special Purpose Financial Statements**

for the year ended 30 June 2019

**Note 1. Significant Accounting Policies**

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

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

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

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 1993 (NSW), the *Local Government (General) Regulation 2005*, and the Local Government Code of Accounting Practice and Financial Reporting.

The statements are prepared on an accruals basis. They are based on historic costs and do not take into account changing money values or, except where specifically stated, 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

**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 dollars and rounded to the nearest one thousand dollars.

## Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

### Note 1. Significant Accounting Policies (continued)

#### (i) Taxation equivalent charges

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

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

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

#### Notional rate applied (%)

##### Corporate income tax rate – 27.5%

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

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

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

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

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

#### Income tax

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

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

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 27.5%.

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

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

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

#### Local government rates and charges

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

#### Loan and debt guarantee fees

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



## Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

### Note 1. Significant Accounting Policies (continued)

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

#### (ii) Subsidies

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

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

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

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

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

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

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

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

The rate of return is calculated as follows:

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

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

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

#### (iv) Dividends

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

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

Each dividend must be calculated and approved in accordance with the Department of Industry – Water guidelines and must not exceed:

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2019 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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



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

To the Councillors of Tenterfield Shire Council

**Opinion**

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

The declared business activities of the Council are:

- Water Supply Business Activity
- Sewerage Business Activity.

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

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

**Basis for Opinion**

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

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

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

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

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

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

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

## **Emphasis of Matter - Basis of Accounting**

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

## **Other Information**

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

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

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

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

I have nothing to report in this regard.

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

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

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

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

My objectives are to:

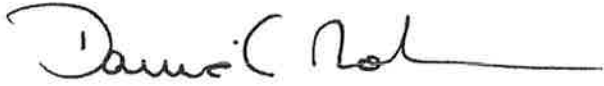
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](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
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

A handwritten signature in black ink, appearing to read "David Nolan". The signature is written in a cursive style with a long horizontal line extending to the right.

David Nolan  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

22 October 2019  
SYDNEY

# Tenterfield Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2019

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*"Quality Nature, Quality Heritage and Quality Lifestyle"*



Special Schedules

for the year ended 30 June 2019

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## Permissible income for general rates for the year ended 30 June 2019

\$ '000		Calculation 2019/20	Calculation 2018/19
<b>Notional general income calculation <sup>1</sup></b>			
Last year notional general income yield	a	4,469	4,365
Plus or minus adjustments <sup>2</sup>	b	39	(1)
<b>Notional general income</b>	<b>c = a + b</b>	<b>4,508</b>	<b>4,364</b>
<b>Permissible income calculation</b>			
Or rate peg percentage	e	2.70%	2.30%
Or plus rate peg amount	$i = e \times (c + g)$	122	100
<b>Sub-total</b>	<b>k = (c + g + h + i + j)</b>	<b>4,630</b>	<b>4,464</b>
Plus (or minus) last year's carry forward total	l	(30)	(25)
<b>Sub-total</b>	<b>n = (l + m)</b>	<b>(30)</b>	<b>(25)</b>
<b>Total permissible income</b>	<b>o = k + n</b>	<b>4,600</b>	<b>4,439</b>
Less notional general income yield	p	4,598	4,469
<b>Catch-up or (excess) result</b>	<b>q = o - p</b>	<b>2</b>	<b>(30)</b>
<b>Carry forward to next year <sup>6</sup></b>	<b>t = q + r + s</b>	<b>2</b>	<b>(30)</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.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



## INDEPENDENT AUDITOR'S REPORT

### Special Schedule - Permissible income for general rates

#### Tenterfield Shire Council

To the Councillors of Tenterfield Shire Council

### Opinion

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

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

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

### Basis for Opinion

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

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

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

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

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

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

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

### Emphasis of Matter - Basis of Accounting

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



## Other Information

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

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

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

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

I have nothing to report in this regard.

## The Councillors' Responsibilities for the Schedule

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

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

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

My objectives are to:

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

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

A description of my responsibilities for the audit of the Schedule is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar8.pdf](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.

A handwritten signature in black ink, appearing to read "David Nolan", with a long horizontal flourish extending to the right.

David Nolan  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

22 October 2019  
SYDNEY

Report on Infrastructure Assets

as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance <sup>a</sup>	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost					
		to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5	
<b>Buildings</b>	Buildings	1,748	444	1,149	1,149	17,167	37,953	0.0%	10.0%	66.0%	22.0%	2.0%	
	<b>Sub-total</b>	<b>1,748</b>	<b>444</b>	<b>1,149</b>	<b>1,149</b>	<b>17,167</b>	<b>37,953</b>	<b>0.0%</b>	<b>10.0%</b>	<b>66.0%</b>	<b>22.0%</b>	<b>2.0%</b>	
<b>Other structures</b>	Other structures	63	120	100	100	2,194	3,397	19.0%	14.0%	62.0%	2.0%	3.0%	
	<b>Sub-total</b>	<b>63</b>	<b>120</b>	<b>100</b>	<b>100</b>	<b>2,194</b>	<b>3,397</b>	<b>19.0%</b>	<b>14.0%</b>	<b>62.0%</b>	<b>2.0%</b>	<b>3.0%</b>	
<b>Roads</b>	Roads	5,168	3,755	3,619	3,620	212,911	260,413	46.0%	33.0%	13.0%	6.0%	2.0%	
	Bridges	6,457	7,625	170	170	48,056	89,813	13.0%	49.0%	11.0%	19.0%	8.0%	
	Footpaths	12	-	13	13	2,443	3,276	56.0%	38.0%	5.0%	1.0%	0.0%	
	Bulk earthworks	-	-	-	-	91,380	91,380	100.0%	0.0%	0.0%	0.0%	0.0%	
	<b>Sub-total</b>	<b>11,637</b>	<b>11,380</b>	<b>3,802</b>	<b>3,803</b>	<b>354,790</b>	<b>444,882</b>	<b>50.5%</b>	<b>29.5%</b>	<b>9.9%</b>	<b>7.4%</b>	<b>2.7%</b>	
<b>Water supply network</b>	Water supply	5,170	10,484	743	743	23,999	57,471	9.0%	4.0%	60.0%	9.0%	18.0%	
	<b>Sub-total</b>	<b>5,170</b>	<b>10,484</b>	<b>743</b>	<b>743</b>	<b>23,999</b>	<b>57,471</b>	<b>9.0%</b>	<b>4.0%</b>	<b>60.0%</b>	<b>9.0%</b>	<b>18.0%</b>	
<b>Sewerage network</b>	Sewerage network	211	-	443	443	21,866	33,210	14.0%	47.0%	36.0%	3.0%	0.0%	
	<b>Sub-total</b>	<b>211</b>	<b>-</b>	<b>443</b>	<b>443</b>	<b>21,866</b>	<b>33,210</b>	<b>14.0%</b>	<b>47.0%</b>	<b>36.0%</b>	<b>3.0%</b>	<b>0.0%</b>	
<b>Stormwater drainage</b>	Stormwater drainage	654	325	134	134	3,897	8,355	24.0%	33.0%	13.0%	26.0%	4.0%	
	<b>Sub-total</b>	<b>654</b>	<b>325</b>	<b>134</b>	<b>134</b>	<b>3,897</b>	<b>8,355</b>	<b>24.0%</b>	<b>33.0%</b>	<b>13.0%</b>	<b>26.0%</b>	<b>4.0%</b>	
<b>Open space / recreational assets</b>	Swimming pools	-	-	237	237	887	1,164	0.0%	99.0%	1.0%	0.0%	0.0%	
	Open Space & Recreation	33	-	1,212	1,212	1,633	2,191	32.0%	46.0%	16.0%	6.0%	0.0%	
	<b>Sub-total</b>	<b>33</b>	<b>-</b>	<b>1,449</b>	<b>1,449</b>	<b>2,520</b>	<b>3,355</b>	<b>20.9%</b>	<b>64.4%</b>	<b>10.8%</b>	<b>3.9%</b>	<b>0.0%</b>	
	<b>TOTAL - ALL ASSETS</b>	<b>19,516</b>	<b>22,753</b>	<b>7,820</b>	<b>7,821</b>	<b>426,433</b>	<b>588,623</b>	<b>40.4%</b>	<b>26.9%</b>	<b>20.2%</b>	<b>8.4%</b>	<b>4.1%</b>	

(a) Required maintenance is the amount identified in Council's asset management plans.  
Infrastructure asset condition assessment 'key'

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

## Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	Amounts	Indicator	Prior periods		Benchmark
	2019	2019	2018 Restated <sup>3</sup>	2017	
<b>Infrastructure asset performance indicators (consolidated) *</b>					
<b>Buildings and infrastructure renewals ratio<sup>1</sup></b>					
Asset renewals <sup>2</sup>	<b>13,091</b>	<b>236.56%</b>	159.43%	—	≥100.00%
Depreciation, amortisation and impairment	<b>5,534</b>				
<b>Infrastructure backlog ratio<sup>1</sup></b>					
Estimated cost to bring assets to a satisfactory standard	<b>19,516</b>	<b>4.58%</b>	10.73%	—	<2.00%
Net carrying amount of infrastructure assets	<b>426,433</b>				
<b>Asset maintenance ratio</b>					
Actual asset maintenance	<b>7,821</b>	<b>100.01%</b>	100.00%	—	>100.00%
Required asset maintenance	<b>7,820</b>				
<b>Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	<b>22,753</b>	<b>3.87%</b>	8.16%	—	
Gross replacement cost	<b>588,623</b>				

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

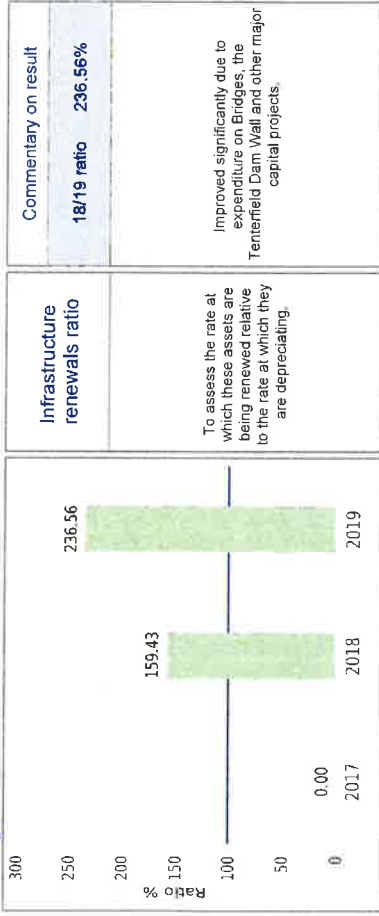
(1) Excludes Work In Progress (WIP)

(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.

(3) Please refer to Note 14 for prior period adjustments

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

**Buildings and infrastructure renewals ratio <sup>1</sup>**

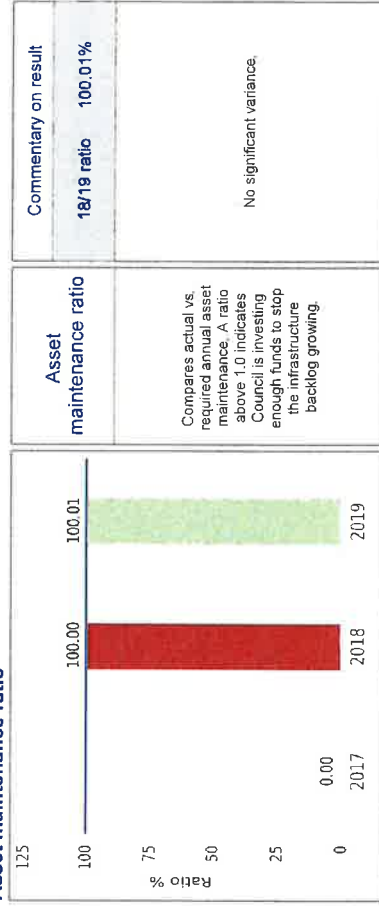


Benchmark: — >= 100.00%  
Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Commentary on result	18/19 ratio	236.56%
Improved significantly due to expenditure on Bridges, the Tenterfield Dam Wall and other major capital projects.		

Infrastructure renewals ratio	To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.
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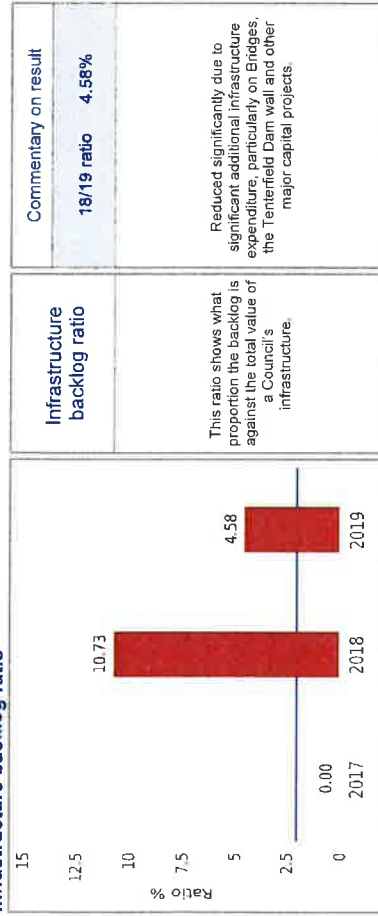
**Asset maintenance ratio**



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

Asset maintenance ratio	Commentary on result	18/19 ratio	100.01%
Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.			
No significant variance.			

**Infrastructure backlog ratio <sup>1</sup>**

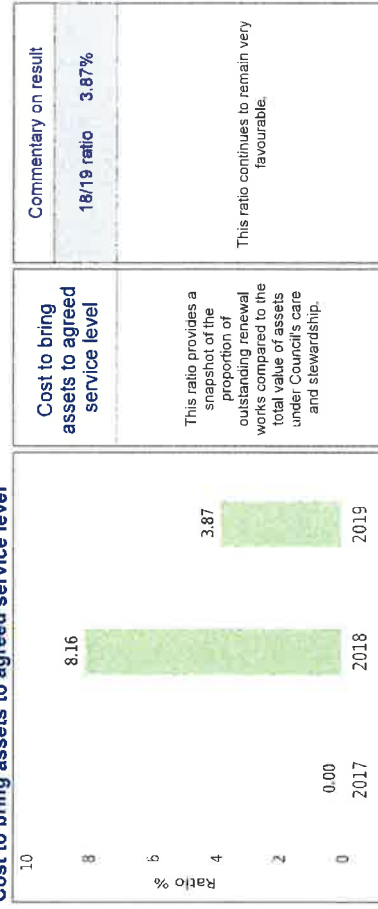


Benchmark: — < 2.00%  
Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Commentary on result	18/19 ratio	4.56%
Reduced significantly due to significant additional infrastructure expenditure, particularly on Bridges, the Tenterfield Dam wall and other major capital projects.		

Infrastructure backlog ratio	This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.
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**Cost to bring assets to agreed service level**



Benchmark: — 3.87%  
Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Cost to bring assets to agreed service level	Commentary on result	18/19 ratio	3.87%
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.			
This ratio continues to remain very favourable.			

(1) Excludes Work In Progress (WIP)

# Tenterfield Shire Council

Special Schedules 2019

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

	General fund		Water fund		Sewer fund		Benchmark
	2019	2018	2019	2018	2019	2018	
<b>\$ '000</b>							
<b>Infrastructure asset performance indicators (by fund)</b>							
<b>Buildings and infrastructure renewals ratio <sup>1</sup></b>							
Asset renewals <sup>2</sup>	281.47%	224.56%	40.36%	22.37%	63.54%	68.27%	>=100.00%
Depreciation, amortisation and impairment							
<b>Infrastructure backlog ratio <sup>1</sup></b>							
Estimated cost to bring assets to a satisfactory standard	3.71%	8.17%	21.54%	83.38%	0.96%	0.96%	<2.00%
Net carrying amount of infrastructure assets							
<b>Asset maintenance ratio</b>							
Actual asset maintenance	100.02%	100.00%	100.00%	100.00%	100.00%	100.00%	>100.00%
Required asset maintenance							
<b>Cost to bring assets to agreed service level</b>							
Estimated cost to bring assets to an agreed service level set by Council	2.46%	5.61%	18.24%	36.81%	-	-	
Gross replacement cost							

(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.



