



Tweed Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017



TWEED
SHIRE COUNCIL

Tweed Shire Council

General Purpose Financial Statements for the year ended 30 June 2017

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Overview

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

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

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

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

- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by the Council on 26 October 2017. Council has the power to amend and reissue these financial statements.

Tweed Shire Council

General Purpose Financial Statements for the year ended 30 June 2017

Understanding Council's financial statements

Introduction

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

What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2017.

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

About the Councillor/Management Statement

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

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

Summarises Council's financial performance for the year, listing all income and expenses.

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

Council's annual financial statements are required to be audited by the 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.

Tweed Shire Council

General Purpose Financial Statements for the year ended 30 June 2017

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

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

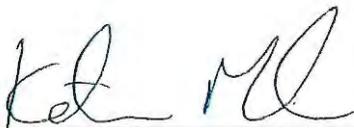
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and professional pronouncements, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

Signed in accordance with a resolution of Council made on 26 October 2017.



Katie Milne
Mayor



Reece Byrnes
Councillor



Troy Green
General manager



Michael Chorlton
Responsible accounting officer

Tweed Shire Council

Income Statement

for the year ended 30 June 2017

Budget ¹ 2017	\$ '000	Notes	Actual 2017	Actual 2016
Income from continuing operations				
Revenue:				
103,614	Rates and annual charges	3a	104,966	100,450
44,047	User charges and fees	3b	48,726	45,634
9,922	Interest and investment revenue	3c	9,524	8,666
1,986	Other revenues	3d	8,077	2,910
20,358	Grants and contributions provided for operating purposes	3e,f	26,370	21,261
15,369	Grants and contributions provided for capital purposes	3e,f	32,422	23,166
<u>195,296</u>	Total income from continuing operations		<u>230,085</u>	<u>202,087</u>
Expenses from continuing operations				
57,662	Employee benefits and on-costs	4a	53,883	53,162
12,551	Borrowing costs	4b	12,960	13,400
48,525	Materials and contracts	4c	50,580	41,953
43,227	Depreciation and amortisation	4d	43,607	41,135
15,611	Other expenses	4e	13,989	12,830
–	Net losses from the disposal of assets	5	11,627	8,282
<u>177,576</u>	Total expenses from continuing operations		<u>186,646</u>	<u>170,762</u>
<u>17,720</u>	Operating result from continuing operations		<u>43,439</u>	<u>31,325</u>
<u>17,720</u>	Net operating result for the year		<u>43,439</u>	<u>31,325</u>
17,720	Net operating result attributable to Council		<u>43,439</u>	<u>31,325</u>
<u>2,351</u>	Net operating result for the year before grants and contributions provided for capital purposes		<u>11,017</u>	<u>8,159</u>

¹ Original budget as approved by Council – refer Note 16

Tweed Shire Council

Statement of Comprehensive Income
for the year ended 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
Net operating result for the year (as per Income Statement)		43,439	31,325
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	88,582	2,247
Total items which will not be reclassified subsequently to the operating result		88,582	2,247
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the year		88,582	2,247
Total comprehensive income for the year		132,021	33,572
Total comprehensive income attributable to Council		132,021	33,572

Tweed Shire Council

Statement of Financial Position
as at 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
ASSETS			
Current assets			
Cash and cash equivalents	6a	9,567	9,530
Investments	6b	155,398	123,689
Receivables	7	20,793	13,604
Inventories	8	912	931
Other	8	708	711
Total current assets		187,378	148,465
Non-current assets			
Investments	6b	140,867	136,520
Receivables	7	93	100
Infrastructure, property, plant and equipment	9	2,953,491	2,864,745
Intangible assets	25	722	415
Total non-current assets		3,095,173	3,001,780
TOTAL ASSETS		3,282,551	3,150,245
LIABILITIES			
Current liabilities			
Payables	10	15,426	10,436
Income received in advance	10	4,666	4,468
Borrowings	10	8,130	7,681
Provisions	10	21,805	20,495
Total current liabilities		50,027	43,080
Non-current liabilities			
Payables	10	559	543
Borrowings	10	164,113	170,689
Provisions	10	4,868	4,970
Total non-current liabilities		169,540	176,202
TOTAL LIABILITIES		219,567	219,282
Net assets		3,062,984	2,930,963
EQUITY			
Retained earnings	20	1,394,439	1,350,980
Revaluation reserves	20	1,668,545	1,579,983
Council equity interest		3,062,984	2,930,963
Total equity		3,062,984	2,930,963

Tweed Shire Council

Statement of Changes in Equity

for the year ended 30 June 2017

\$ '000	Notes	2017				Total equity	2016				Total equity
		Retained earnings	Asset revaluation reserve (Refer 20b)	Council interest	Non-controlling interest		Retained earnings	Asset revaluation reserve (Refer 20b)	Council interest	Non-controlling interest	
Opening balance (as per last year's audited accounts)		1,350,980	1,579,983	2,930,963	–	2,930,963	1,318,584	1,577,863	2,896,447	–	2,896,447
a. Correction of prior period errors	20 (c)	–	–	–	–	–	944	–	944	–	944
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–	–	–	–	–	–
Revised opening balance		1,350,980	1,579,983	2,930,963	–	2,930,963	1,319,528	1,577,863	2,897,391	–	2,897,391
c. Net operating result for the year		43,439	–	43,439	–	43,439	31,325	–	31,325	–	31,325
d. Other comprehensive income											
– Revaluations: IPP&E asset revaluation rsv	20b (ii)	–	88,582	88,582	–	88,582	–	2,247	2,247	–	2,247
Other comprehensive income		–	88,582	88,582	–	88,582	–	2,247	2,247	–	2,247
Total comprehensive income (c&d)		43,439	88,582	132,021	–	132,021	31,325	2,247	33,572	–	33,572
e. Distributions to/(contributions from) non-controlling interests		–	–	–	–	–	–	–	–	–	–
f. Transfers between equity		20	(20)	–	–	–	127	(127)	–	–	–
Equity – balance at end of the reporting period		1,394,439	1,668,545	3,062,984	–	3,062,984	1,350,980	1,579,983	2,930,963	–	2,930,963

This statement should be read in conjunction with the accompanying notes.

Tweed Shire Council

Statement of Cash Flows

for the year ended 30 June 2017

Budget 2017	\$ '000	Notes	Actual 2017	Actual 2016
Cash flows from operating activities				
Receipts:				
103,268	Rates and annual charges		105,154	100,790
43,715	User charges and fees		50,590	46,708
9,706	Investment and interest revenue received		8,458	8,930
35,904	Grants and contributions		48,966	41,440
–	Bonds, deposits and retention amounts received		252	259
2,060	Other		9,115	6,597
Payments:				
(56,148)	Employee benefits and on-costs		(54,319)	(51,773)
(50,244)	Materials and contracts		(53,107)	(46,500)
(12,563)	Borrowing costs		(12,539)	(12,935)
(15,611)	Other		(13,221)	(13,753)
60,087	Net cash provided (or used in) operating activities	11b	89,349	79,763
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		75,507	67,332
1,457	Sale of infrastructure, property, plant and equipment		1,136	2,919
–	Deferred debtors receipts		10	–
Payments:				
(9,617)	Purchase of investment securities		(111,122)	(103,961)
(40,875)	Purchase of infrastructure, property, plant and equipment		(48,286)	(41,580)
–	Deferred debtors and advances made		–	(18)
(49,035)	Net cash provided (or used in) investing activities		(82,755)	(75,308)
Cash flows from financing activities				
Receipts:				
1,976	Proceeds from borrowings and advances		1,976	1,976
Payments:				
(8,047)	Repayment of borrowings and advances		(8,533)	(8,418)
(6,071)	Net cash flow provided (used in) financing activities		(6,557)	(6,442)
4,981	Net increase/(decrease) in cash and cash equivalents		37	(1,987)
5,537	Plus: cash and cash equivalents – beginning of year	11a	9,530	11,517
10,518	Cash and cash equivalents – end of the year	11a	9,567	9,530
Additional Information:				
	plus: Investments on hand – end of year	6b	296,265	260,209
	Total cash, cash equivalents and investments		305,832	269,739

Please refer to Note 11 for additional cash flow information

Tweed Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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n/a – not applicable

Tweed Shire Council

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

Note 1. Summary of significant accounting policies

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

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

The Local Government Reporting Entity

For the period 1 July 2016 to 30 June 2017 Tweed Shire Council had its principal business office at the Murwillumbah Civic Centre, Tumbulgum Road, Murwillumbah NSW 2484. Tweed Shire Council is empowered by the Local Government Act 1993 and its Charter is specified in Section 8 of that Act.

A description of the nature of the Council's operations and its principal activities are provided in Note 2(b) of these financial statements. Tweed Shire Council is classified as a "Not for Profit" entity as defined by the Australian Accounting Standards.

The General Purpose Financial Statements incorporate the assets and liabilities of all entities controlled by Council (the parent entity) and the results of all controlled entities and the results of all controlled entities and/or jointly controlled operations for the financial period ended 30 June 2017. They include the consolidated fund and other entities through which Council controls resources to carry on its functions. In the process of reporting Council as a single unit, all transactions and balances between activities (for example, loans and transfers) have been eliminated.

(a) Basis of preparation

(i) Background

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

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

- Council is a not for profit entity for the purpose of preparing these financial statements.

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

Due to AASB being sector neutral, some standards either:

- have local Australian content and prescription that is specific to the Not for Profit sector (including Local Government) which are not in compliance with IFRS, or
- specifically exclude application by Not for Profit entities.

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

Under the Local Government Act 1993 (as amended) (LGA), Regulation and Local Government Code of Accounting Practice and Financial Reporting, it should be noted that Councils in New South Wales only have a requirement to comply with AASBs.

(iii) New and amended standards adopted by Council

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

(iv) Early adoption of standards

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

(v) Basis of Accounting

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

- certain financial assets and liabilities at fair value through profit and loss and available for sale financial assets that are all valued at fair value,
- the write down of any asset on the basis of impairment (if warranted), and

Tweed Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

- certain classes of non-current assets (e.g. Infrastructure, Property, Plant and Equipment and investment Property) that are accounted for at fair value.

The accrual basis of accounting has also been applied in the preparation of these financial statements.

(vi) Changes in Accounting Policies

Council's accounting policies have been consistently applied to all the years presented, unless otherwise stated [refer Note 20 (d)]

(vii) Critical Accounting Estimates and Assumptions and Judgements

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

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

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

Council makes critical accounting estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

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

- Estimated fair values of Infrastructure, Property, Plant and Equipment.
- Estimated tip remediation provisions.

Critical judgements in applying Council's accounting policies

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

- Council has used significant judgement in determining the useful lives of assets and the associated consumption (depreciation expense).

(b) Revenue recognition

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

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

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

Revenue is measured on major income categories as follows:

(i) Rates, annual charges, grants and contributions

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

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

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

Impairment on receivables is only provided where the value of the property is less than the debt outstanding. An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.

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

Tweed Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Revenue from contributions is recognised when the Council either obtains control of the contribution or the right to receive it and:

- (1) it is probable that the economic benefits comprising the contribution will flow to the Council and
- (2) the amount of the contribution can be measured reliably

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

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

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

The Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of S94 of the EPA Act 1979.

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

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

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

(ii) User charges, Fees and Other Income

User charges, fees and other income are recognised as revenue when the service has been provided, the

payment is received, or when the penalty has been applied, whichever first occurs.

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

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

(iii) Disposal of infrastructure, Property, Plant and Equipment

The disposal of an asset is determined when control of the asset has irrevocably passed to the buyer, or the asset is scrapped.

(iv) Interest, Rents and Other income

Interest, rents and other income are recorded when the payment is due, the value of the payment is notified or the payment is received, whichever occurs first.

Interest income from cash and investments is accounted for using the effective interest rate at the date that interest is earned in accordance with AASB 139.

(c) Principles of consolidation

These financial statements incorporate:

- (i) the assets and liabilities of Council and any entities or operations that it controls as at 30 June 2017 and
- (ii) all the related operating results for the financial year ended the 30 June 2017.

The financial statements also include Council's share of the assets, liabilities, income and expenses of any Jointly Controlled Operations under the appropriate headings.

In the process of reporting on council's activities as a single unit, all inter-entity year end balances and reporting period transactions have been eliminated in full between Council and its controlled entities.

(i) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the Local Government Act 1993 (as amended), all

Tweed Shire Council

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

Note 1. Summary of significant accounting policies (continued)

money and property received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

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

The following entities have been included as part of the Consolidated Fund:

General Purpose Operations
Water Supply
Sewerage Service
Tweed Coast Holiday Parks

Council does not have any minority interest in other entities.

(ii) The Trust Fund

In accordance with the provisions of Section 411 of the Local Government Act 1993 (as amended) (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 statements.

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

(iii) Joint Ventures

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

Generally, these types of operations and entities could range from 100% ownership and control through to lower levels of ownership and control via co-operative arrangements with other Councils, bodies and other outside organisations.

Section 358 of *the Local Government Act 1993* (as amended) restricts councils in forming or participating in the formation of a corporation or other entity without first obtaining the consent of the Minister for Local Government. The restriction also extends to acquiring a controlling interest in a corporation or other entity.

An entity for the purpose of section 358 of the Act means any partnership, trust, joint venture, syndicate or other body (whether or not incorporated). It does not include any such entity that is of a class prescribed by the Local Government (General) Regulation 2005 as not being within this definition. To date, the Regulation has not prescribed such a class.

It should be noted that the restrictions on the formation of corporations and other entities does not prevent a council from being a member of a co-operative society or a company limited by guarantee and licensed not to use the word "limited" in its name.

DLG Circular 07-49

At present Council has an interest in the following entities:-

Richmond Tweed Regional Library (RTRL)

The Richmond-Tweed Regional Library was established in January 1971, when Lismore City Council and Ballina Shire Council signed an agreement to develop a joint free public library service. They were quickly joined by Byron Shire Council and Tweed Shire Council, and the Richmond-Tweed Regional Library Service was created.

Currently the Regional Library serves a rapidly growing regional population of approximately 208,000, over 50% of whom are registered library members. Lismore City Council is the 'Executive Council' of the Richmond Tweed Regional Library.

Richmond Tweed Regional Library is not a separate legal entity and as such all financial reporting is consolidated in the Financial Statements prepared by Lismore City Council.

Tweed Shire Council

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

Note 1. Summary of significant accounting policies (continued)

Rous County Council (RCC)

The former Far North Coast County Council, trading as Far North Coast Weeds (FNCW), worked with a wide range of stakeholders to combat the spread of noxious weeds in the Northern Rivers region of NSW.

The Council was dissolved on 1 July, 2016 arising from the amalgamation with Rous County Council. Tweed Shire Council has entered into a service level agreement with Rous County Council to ensure ongoing provision of noxious weeds services within the Tweed Shire.

North East Weight of Loads Group (NEWLOG)

The aims and objectives of NEWLOG are to preserve the road system asset and promote road safety, by encouraging heavy vehicles to comply with weight regulations on local and classified roads.

The member Councils are Tweed, Byron, Ballina, Kyogle, Richmond Valley, Lismore City, Clarence Valley and Tenterfield Council and the Group is administered by Ballina Shire Council.

NEWLOG is a cooperative activity that relies on income from contributions from member Councils, a contribution from NSW Roads and Maritime Services and income from fines.

Arrangements - Control and Influence

Associated Entities and Joint Venture Entities

Arrangements in the form of a separate entity that deploys the resources of the operation itself; under 'associated entities', a party significantly influences the operations but does not control them, whilst for joint venture entities; a party jointly controls the operations with other parties.

Joint Venture Operations

Arrangements that do not comprise an actual individual entity which can deploy the resources of the individual participants; under joint venture operations, a party jointly controls the operations with the other parties involved.

Accounting Treatment

The accounting and reporting for the various entities, operations and arrangements varies in accordance with accounting standards, depending on the level of (i) interest and (ii) control and the type (form) of entity/operation and the overall materiality to Council's operations.

Joint Venture Entities

Equity Method - an interest in a jointly controlled entity is initially recorded at cost and adjusted thereafter for the post-acquisition change in the venturer's share of net assets of the jointly controlled entity. The profit or loss of the venturer includes the venturer's share of the profit or loss of the jointly controlled entity.

Joint Venture Operations

Proportionate consolidation - a venturer's share of each of the assets, liabilities, income and expenses of a jointly controlled entity is combined line by line with similar items in the venturer's financial statements or reported as separate line items in the venturer's financial statements.

Associated Entities

Equity Method - an interest in an associated entity is initially recorded at cost and adjusted thereafter for the post-acquisition change in the venturer's share of net assets of the jointly controlled entity. The profit or loss of the venturer includes the venturer's share of the profit or loss of the jointly controlled entity.

Additional Information

Note 19 provides more information in relation to Joint Venture Entities, Associated Entities and Joint Venture Operations where applicable.

(d) Leases

All Leases entered into by Council are reviewed and classified on inception date as either a Finance Lease or an Operating Lease.

Finance Leases

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

Tweed Shire Council

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

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

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

Operating Leases

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

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

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

(e) Impairment of assets

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

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

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely

independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(f) Cash and cash equivalents

For Statement of Cash Flow presentation purposes, cash and cash equivalents 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;
- bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position but are incorporated into cash and Cash Equivalents for presentation of the Cash Flow Statement.

(g) Investments and other financial assets

Council (in accordance with AASB139) classifies its financial assets into one of the following categories for measurement purposes:

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

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

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

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

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

Tweed Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

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

(ii) Loans and receivables

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

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

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

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

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

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

(iii) Held-to-maturity investments

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

In contrast to the "Loans and Receivables" classification, these investments are generally quoted in an active market.

If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

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

(iv) Available-for-sale financial assets

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

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

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

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

Financial Assets – Reclassification

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

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

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

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

Tweed Shire Council

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

Note 1. Summary of significant accounting policies (continued)

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

General Accounting and Measurement of Financial Instruments:

(i) Initial Recognition

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

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

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

(ii) Subsequent measurement

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

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

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

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

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

Impairment

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

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

If there is evidence of impairment for any of Council's financial assets carried at amortised cost (e.g. loans and receivables), the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

As a practical expedient, Council may measure impairment on the basis of an instrument's fair value using an observable market price.

(iii) Types of Investments

Council has an approved Investment Policy in order to undertake its investment of money in accordance with Section 625 of the Local Government Act 1993 (as amended) and Clause 212 of the Local Government (General) Regulation 2005.

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

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

Tweed Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(h) Fair value estimation

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

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

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

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

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

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

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

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

(i) Receivables

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

Receivables (excluding Rates and Annual Charges) are generally due for settlement no more than 30 days from the date of recognition.

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

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

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

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

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

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

(j) Inventories

Raw Materials and Stores, Work in Progress and Finished Goods

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

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

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

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

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

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

Tweed Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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.

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

The use of an asset over its service life requires the injection of both capital funds to prolong its use and maintenance expenditure to keep the asset in working order.

As a general guide, repair and maintenance of an asset is an expense of one accounting period, whereas a capital expenditure changes or replaces the service potential of the asset and is expensed over the useful remaining life of the asset.

Maintenance Expenditure on an asset

Expenditure on assets should be treated as maintenance expenditure in the following circumstances:

- It is part of an ongoing, regular or rotational maintenance, repairs and maintenance program.
- It will not significantly increase the service potential or useful life of the asset.
- It relates to repair of localised problems such as subsidence, breaking up, etc.
- The basic qualities of the asset are not being upgraded.
- Whilst relating to the acquisition or upgrading of an asset, it is not material to the total value of the relevant nature / type asset category

Capital Expenditure on an asset

Expenditure on assets should be classified as capital expenditure in the following circumstances, provided it is material to the total value of the relevant nature/type asset category:

- It is expected to significantly increase the practical capacity or useful life of the asset.
- It is an upgrading of the basic qualities of the asset.
- It is a renewal of an existing asset, which had reached the point of being unserviceable.
- It is reconstruction of an asset, which was destroyed.

Initial Recognition and Capitalisation of Costs

On initial recognition, an asset's cost is measured at its fair value.

Expenditure that is directly attributable to the acquisition should be capitalised when:-

- It is probable that future (i.e. beyond the current financial year) economic benefits associated with the item will flow to Council; and
- The cost of the item can be measured reliably, and this amount (excluding any refundable taxes i.e. GST etc.) is equal to or greater than the asset capitalisation thresholds stated below.

An assessment of control of the asset is required where it is uncertain as to whether the future economic benefit associated with the item will flow to the entity (Council).

The following test is applied:

1. Council can deny or regulate access of others to the asset; and
2. The asset is held to meet the objectives of Council; and
3. Council enjoys the majority of risks and benefits relating to the asset.

The initial cost of an asset should include the following items:

- Any directly attributable costs associated with bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by Council including; initial delivery and handling costs; costs of site preparation; installation and assembly costs.

Tweed Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

- Purchase price, including import duties, professional fees and non-refundable purchase taxes, after deducting trade discounts and rebates.
- The cost of employees/contract staff including: design, survey, project management, supervision, and construction staff and their associated on-costs, set each financial year, to recover workers compensation, superannuation, leave entitlements and training expenses.
- Fleet/plant hire costs (predominately internal hire rates set by the Manager Infrastructure Delivery)
- Initial estimate of costs of decommissioning, dismantling and removing the item and restoring the site on which it is located, where the Council is under an obligation to do so and the amount can be reliably measured (i.e. make good).

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

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

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

Capitalisation Procedures

During the budget process, project expenditure is identified and classified as a capital or operating item on the general ledger. Capital or operating employee/plant costs are collected through weekly timesheet allocations, whilst other costs are primarily captured using the purchasing system.

At year end all project expenditures with substantial transactions are re-evaluated to assess whether they remain a capital or operating expense. These identified capital project expenditures can include the design and survey costs of future, yet to be constructed assets.

Asset capitalisation is finalised upon the commissioning of the asset. Capital costs incurred prior to commissioning, in prior financial periods, are held in the Works In Progress (WIP) accounts.

Assets are separated into component parts, where practical, as each major part may have a different useful life and require a different depreciation rate.

Subsequent costs

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

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

Categories of assets

Council will categorise Infrastructure, Property, Plant and Equipment into the following asset classes as required by the Local Government Code of Accounting Practice and Financial Reporting;

- Plant and Equipment (as approximated by depreciated historical cost)
- Office Equipment (as approximated by depreciated historical cost)
- Furniture and Fittings (as approximated by depreciated historical cost)
- Operational Land (external valuation)
- Community Land (Valuer Generals valuation) includes Council administered Crown land.
- Land under roads (englobo valuation – refer Note 1 (m))
- Buildings – Specialised / Non Specialised (external valuation)
- Other Structures (as approximated by depreciated historical cost)

Tweed Shire Council

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

Note 1. Summary of significant accounting policies (continued)

- Investment Properties (external valuation)
- Infrastructure Assets include roads, bridges, footpaths, bulk earthworks, stormwater drainage, water supply and sewerage networks, swimming pools, open space/recreation assets and other infrastructure (internal/external valuation)
- Other Assets (internal/external valuation)
- Reinstatement, Rehabilitation and Restoration Assets includes tip and quarry assets (internal valuation)

Asset Revaluations (including Indexation)

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

In accounting for Asset Revaluations relating to Infrastructure, Property, Plant and Equipment:

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

Water and sewerage network assets, transport and drainage assets and building assets are indexed annually between full revaluations in accordance with the latest indices provided in the NSW Department of Primary Industries, Office of Water - Rates Reference Manual and to the Australian Bureau of Statistics – 3101 PPI - Road and Bridge Construction NSW and 3020 PPI Non-residential Building Construction NSW Cost Indexes.

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

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

Capitalisation Thresholds

Items of Infrastructure, Property, Plant and Equipment are not capitalised unless their cost of acquisition exceeds the following;

Land	
- Council land	100% Capitalised
- Open space	100% Capitalised
- Land under roads	100% Capitalised

Plant and Equipment	
- Office furniture	> \$5,000
- Office equipment	> \$5,000
- Other plant and equipment	> \$2,000

Buildings	
- Construction/extensions	> \$5,000
- Renovations	> \$5,000

Other Infrastructure Assets	
- Other structures	> \$5,000
- Open space/recreational	> \$5,000
- Swimming pools	> \$5,000

Water and Sewer Assets	
- Reticulation extensions	> \$5,000
- Other	> \$5,000

Stormwater Assets	
- Drains and culverts	> \$5,000
- Other	> \$5,000

Transport Assets	
- Road construction and reconstruct	> \$5,000
- Reseal/resheet and major repairs:	> \$5,000
- Bridge construction and reconstruct	> \$5,000
- Footpath construction	> \$5,000

Depreciation

Depreciation on Council's infrastructure, property, plant and equipment assets is calculated using the straight line method. The exception being building assets, in which case Council uses consumption based depreciation and transport assets and water/sewerage above ground assets, in which case Council uses condition based depreciation in order to allocate an assets cost (net of residual values) over its estimated useful life.

Land is not depreciated.

Tweed Shire Council

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

Note 1. Summary of significant accounting policies (continued)

Estimated useful lives for Council's Infrastructure, Property, Plant and Equipment include:

Plant and Equipment	
- Office equipment	3 - 10 years
- Office furniture	4 - 20 years
- Vehicles	2.5 years
- Road making equipment	5 - 10 years
- Other plant and equipment	5 - 10 years
Buildings (components)	
- Buildings: floor	60 to 130 years
- Buildings: envelope	45 to 125 year
- Buildings: roof	40 to 90 years
Stormwater Drainage	
- Drains	100 years
- Culverts	75 years
Transportation Assets	
- Sealed roads surface	20 - 30 years
- Concrete/paved road	80 years
- Road pavement - gravel	10 years
- Road pavement - sealed	60 - 100 years
- Road pavement sub-base	180 - 300 years
- Bridge concrete	80 - 100 years
- Bridges other	30 - 100 years
- Footpaths	30 - 60 years
- Kerb and guttering	80 years
- Traffic facilities	20 - 80 years
Water and Sewer Assets	
- Dams and reservoirs	100 years
- Pipes - PVC and other	70 years
- Pumps and telemetry	20 years
Other Infrastructure Assets	
- Bulk earthworks	Infinite
- Flood control structures	80 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount – refer Note 1(t) on Asset Impairment.

Disposal and De-recognition

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

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

(l) Land

Land (other than Land under Roads) is in accordance with Part 2 of Chapter 6 of the Local Government Act 1993 (as amended) classified as either Operational or Community.

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

(m) 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 to recognise land under roads in accordance with AASB 1051. Council uses the englobo valuation method for land under roads. This requires the calculation of an average site value (SV) of the Council area on a dollar per square metre basis. The site value is "the value of the underlying land assuming that any existing improvements have not been made. It also assumes that the land is not encumbered by any lease, mortgage or other charge." - Australian Property Institute, 2004. Adjustment factors for 65% and 25% respectively have been applied for englobo value and access and carriageway rights and infrastructure.

(n) Intangible Assets**IT Development and Software**

Costs incurred in developing products or systems and costs incurred in acquiring software and licences 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. No direct payroll and payroll

Tweed Shire Council

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

Note 1. Summary of significant accounting policies (continued)

related costs of employees' time are capitalised to these projects.

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

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

(o) Crown Reserves

Crown Reserves under Council's care and control are recognised as assets of the Council within the Note 9 Community Land category.

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

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

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

(p) Rural Fire Service assets

Under section 119 of the Rural Fires Act 1997, *"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"*.

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

Until resolved, Council will continue to account for these assets as it has been doing in previous years, that is, not to include the fire-fighting equipment.

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

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

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

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

Costs are estimated on the basis of a closure plan.

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

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

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

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

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

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

Tweed Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each Statement of Financial Position 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 Statement of Financial Position date. These costs are charged to the Income Statement.

(r) Non-Current Assets (or Disposal Groups) "Held for Sale" and Discontinued Operations

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of either (i) their carrying amount or (ii) fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The exception to this is plant and motor vehicles which are turned over on a regular basis. Plant and motor vehicles are retained in Non-Current Assets under the classification of Infrastructure, Property, Plant and Equipment - unless the assets are to be traded in after 30 June and the replacement assets were already purchased and accounted for as at 30 June.

For any assets or disposal groups classified as Non-Current Assets "held for sale", an impairment loss is recognised at any time when the assets carrying value is greater than its fair value less costs to sell. Non-current assets "held for sale" are not depreciated or amortised while they are classified as "held for sale".

Non-current assets classified as "held for sale" are presented separately from the other assets in the Statement of Financial Position.

A discontinued operation is a component of Council that has been disposed of or is classified as "held for sale" and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a

line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

The results of discontinued operations are presented separately on the face of the Income Statement.

(s) Impairment of Infrastructure, Property, Plant and Equipment Assets

All Council's Infrastructure, Property, Plant and Equipment are subject to an annual assessment of impairment.

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

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

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

For non-cash generating assets of Council such as infrastructure assets that would be replaced if the Council was deprived of it, then depreciated replacement cost is used as value in use, otherwise value in use is estimated by using a discounted cash flow model.

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

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

(t) Payables

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

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

Tweed Shire Council

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

Note 1. Summary of significant accounting policies (continued)

(u) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

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

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.

(v) Borrowing costs

Borrowing costs are expensed over the life of the loan.

(w) Provisions

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

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

Provisions are not recognised for future operating losses.

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

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

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

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

Claims made on Council which are indemnified by Council's Insurers are not provided for. Any costs payable by Council on resolution of the claim are written off through the Income Statement at that time.

(x) Employee benefits

(i) Short-term obligations

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

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

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

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

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

Wages and salaries, annual leave and vesting sick leave are all classified as Current Liabilities.

(ii) Other long-term employee benefit obligations

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

Tweed Shire Council

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

Note 1. Summary of significant accounting policies (continued)

period) are recognised in the provision for employee benefits.

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

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

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

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

(iii) Retirement benefit obligations

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

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

Defined Benefit Plans

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

The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is

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

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

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

This Scheme has been deemed to be a "multi-employer fund" for the purposes of AASB 119 Employee Benefits.

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

The last valuation of the Scheme was performed by Mr Richard Boyfield FIAA of Mercer Actuaries on 2 December 2016 for the period ended 30 June, 2016

However the position is monitored annually and the Actuary has estimated that as at 30 June 2017 the prior period deficit still exists.

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

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

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of Superannuation Expenses at Note 4(a) for the year ended 30 June 2017 was \$1,550,055.63.

The amount of additional contributions included in the total employer contribution advised above is \$651,045.69.

Tweed Shire Council

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

Note 1. Summary of significant accounting policies (continued)

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$320,350.00 at 30 June 2017.

For this reason, no liability for the deficiency has been recognised in these financial statements. Council has, however, disclosed a contingent liability in Note 18 to reflect the possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

Defined Contribution Plans

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

(iv) Employee Benefit On-Costs

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

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain leave liabilities accrued as at 30 June, 2017.

(y) Self-insurance

Council does not self-insure.

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

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

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

Exceptions

In the case of liabilities where Council does not have the unconditional right to defer settlement beyond 12 months (such as vested long service leave), the

liability is classified as current even if not expected to be settled within the next 12 months.

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

(aa) Taxes

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

However, where Council does not pay taxes which are generally paid by private sector business, such as Income Tax, these equivalent tax payments are applied to all Council nominated business activities and reflected in the Special Purpose Financial Reports.

The Council is also exempt from Capital Gains Tax.

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

Goods and Services Tax (GST)

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

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

Receivables and payables within the Statement of Financial Position are stated inclusive of any applicable GST.

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

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

Investing and Financing cash flows are treated on a net basis (where recoverable from the ATO), i.e. they are exclusive of GST. Instead, the GST component

Tweed Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

of investing and financing activity cash flows which are recoverable from or payable to the ATO are classified as operating cash flows.

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

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

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

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

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

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

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

- AASB 9 Financial Instruments (December 2009)
- AASB 15 Revenue from Contracts with Customers
- AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)
- AASB 2014-1 Amendments to Australian Accounting Standards (Part E)
- AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) AASB 1057 Application of Australian Accounting Standards
- AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15
- AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions
- AASB 2016-6 Amendments to Australian Accounting Standards - Applying AASB 9

Financial Instruments with AASB 4 Insurance Contracts

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

- AASB 16 Leases
- AASB 16 Leases (Appendix D)
- AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities
- AASB 1058 Income of Not-for-Profit Entities

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

(cc) Rounding of amounts

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

(dd) Comparative figures

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

(ee) Disclaimer

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

Tweed Shire Council

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

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current & non-current)	
	Original budget	Actual	Actual	Original budget	Actual	Actual	Original budget	Actual	Actual	Actual	Actual	Actual	Actual
	2017	2017	2016	2017	2017	2016	2017	2017	2016	2017	2016	2017	2016
Governance	–	5	2	3,655	3,767	2,959	(3,655)	(3,762)	(2,957)	–	–	–	–
Administration	1,473	8,129	2,534	20,994	22,192	16,358	(19,521)	(14,063)	(13,824)	70	47	279,928	240,915
Public order and safety	1,104	903	969	3,589	3,679	3,596	(2,485)	(2,776)	(2,627)	218	213	7,451	7,087
Health	374	507	427	1,895	1,745	1,972	(1,521)	(1,238)	(1,545)	47	–	168	159
Environment	20,201	26,781	23,455	26,270	29,219	24,315	(6,069)	(2,438)	(860)	1,800	1,735	229,016	212,192
Community services and education	1,605	1,500	1,471	2,997	2,942	2,413	(1,392)	(1,442)	(942)	1,379	1,401	5,143	4,949
Housing and community amenities	1,817	2,189	2,080	7,150	8,222	7,333	(5,333)	(6,033)	(5,253)	166	167	49,898	50,018
Water supplies	37,783	36,559	30,988	24,879	23,537	23,166	12,904	13,022	7,822	379	382	603,261	545,220
Sewerage services	36,682	38,550	37,814	25,251	28,471	29,532	11,431	10,079	8,282	366	368	676,383	682,443
Recreation and culture	2,919	12,100	7,141	21,524	21,267	20,978	(18,605)	(9,167)	(13,837)	4,779	1,032	368,445	359,992
Mining, manufacturing and construction	1,804	1,983	2,207	2,103	2,040	1,997	(299)	(57)	210	–	–	2,804	2,595
Transport and communication	11,433	16,533	14,941	28,928	31,146	26,858	(17,495)	(14,613)	(11,917)	7,391	6,897	942,041	919,432
Economic affairs	9,329	8,731	9,552	8,341	8,419	9,285	988	312	267	–	–	118,013	125,243
Total functions and activities	126,524	154,470	133,581	177,576	186,646	170,762	(51,052)	(32,176)	(37,181)	16,595	12,242	3,282,551	3,150,245
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	–	–	–	–	–	–	–	–	–
General purpose income ¹	68,772	75,615	68,506	–	–	–	68,772	75,615	68,506	16,019	10,404	–	–
Operating result from continuing operations	195,296	230,085	202,087	177,576	186,646	170,762	17,720	43,439	31,325	32,614	22,646	3,282,551	3,150,245

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

Tweed Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

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

GOVERNANCE

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

ADMINISTRATION

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

PUBLIC ORDER AND SAFETY

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

HEALTH

Includes immunisation, food control, health centres.

ENVIRONMENT

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

COMMUNITY SERVICES AND EDUCATION

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

HOUSING AND COMMUNITY AMENITIES

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

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION AND CULTURE

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

MINING, MANUFACTURING AND CONSTRUCTION

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

TRANSPORT AND COMMUNICATION

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

ECONOMIC AFFAIRS

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

Tweed Shire Council

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

Note 3. Income from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
(a) Rates and annual charges			
Ordinary rates			
Residential		47,812	46,609
Farmland		2,994	2,958
Business		4,921	4,902
Total ordinary rates		55,727	54,469
Special rates			
Koala beach		80	79
Cobaki Lakes		555	–
Total special rates		635	79
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		12,793	11,975
Water supply services		5,520	4,901
Sewerage services		27,541	26,447
Waste management services (non-domestic)		2,750	2,579
Total annual charges		48,604	45,902
TOTAL RATES AND ANNUAL CHARGES		104,966	100,450

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

Tweed Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(b) User charges and fees			
Specific user charges (per s.502 – specific 'actual use' charges)			
Domestic waste management services		2,069	2,004
Water supply services		21,726	19,437
Sewerage services		3,296	2,787
Waste management services (non-domestic)		3,131	2,140
Total user charges		30,222	26,368
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Animal control		119	123
Building		1,653	1,834
Health approvals		768	660
Private works – section 67		67	93
Section 603 certificates		225	229
Town planning		989	1,084
Total fees and charges – statutory/regulatory		3,821	4,023
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aérodrome		35	61
Beach vehicles		20	20
Caravan park		8,508	9,565
Cemeteries		895	792
Leaseback fees – Council vehicles		469	460
Library and art gallery		436	660
Parking fees		9	8
Parks and gardens		106	94
Pools		1,617	1,575
Sewer/drainage		334	366
Sportsgrounds		76	72
Tweed laboratory		479	441
Water connection fees		355	414
Other		1,344	715
Total fees and charges – other		14,683	15,243
TOTAL USER CHARGES AND FEES		48,726	45,634

Tweed Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		437	493
– Interest earned on investments (interest and coupon payment income)		8,622	8,284
– Interest on deferred debtors		24	24
Fair value adjustments			
– Fair valuation movements in investments (at fair value or held for trading)		441	(135)
TOTAL INTEREST AND INVESTMENT REVENUE		9,524	8,666
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		242	286
General Council cash and investments		3,049	2,636
Restricted investments/funds – external:			
Development contributions			
– Section 94		1,051	992
– Section 64		32	73
Water fund operations		1,981	1,333
Sewerage fund operations		2,197	2,161
Domestic waste management operations		394	474
Restricted investments/funds – internal:			
<i>Internally restricted assets</i>		578	711
Total interest and investment revenue recognised		9,524	8,666
(d) Other revenues			
Rental income – other council properties		902	912
Fines – parking		276	462
Fines – other		193	115
Legal fees recovery – rates and charges (extra charges)		392	518
Legal fees recovery – other		13	44
Insurance claim recoveries		5,432	–
Tweed coast holiday parks other income		285	242
<i>Other</i>		584	617
TOTAL OTHER REVENUE		8,077	2,910

Tweed Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
(e) Grants				
General purpose (untied)				
Financial assistance – general component	11,034	6,849	–	–
Financial assistance – local roads component	4,020	2,644	–	–
Pensioners' rates subsidies – general component	965	911	–	–
Total general purpose	16,019	10,404	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	379	382	–	–
– Sewerage	366	368	–	–
– Domestic waste management	218	281	–	–
Art gallery	100	100	4	–
Bushfire and emergency services	171	213	17	–
Community service	1,341	1,280	–	–
Cycleways/walkways	–	–	74	285
Environment (incl. coastal/estuary management)	481	1,173	4,395	–
Library	257	247	–	200
LIRS subsidy	127	131	–	–
Other waste and sustainability improvement	807	217	–	–
Pedestrian facilities	–	–	20	–
Positions funded by other govt. dept	82	186	–	–
Recreation and culture	–	–	–	415
Street lighting	152	152	–	–
Transport (other roads and bridges funding)	2,970	3,632	4,329	2,844
Other	43	18	262	118
Total specific purpose	7,494	8,380	9,101	3,862
Total grants	23,513	18,784	9,101	3,862
Grant revenue is attributable to:				
– Commonwealth funding	15,054	13,806	4,249	3,204
– State funding	8,459	4,978	4,852	658
	23,513	18,784	9,101	3,862

Tweed Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
S 94 – contributions towards amenities/services	–	–	8,610	5,889
S 64 – water supply contributions	–	–	5,447	3,409
S 64 – sewerage service contributions	–	–	2,881	2,132
Water S 64 – in kind	–	–	445	449
Sewerage S 64 – in kind	–	–	1,446	3,159
Total developer contributions	17	–	18,829	15,038
Other contributions:				
Art gallery	–	–	409	346
Community services	40	9	–	–
Dedications (other than by s94) – drainage	–	–	1,437	993
Dedications (other than by s94) – land	–	–	–	375
Dedications (other than by s94) – land under roads	–	–	13	34
Dedications (other than by s94) – open space	–	–	450	289
Dedications (other than by s94) – roads	–	–	1,038	1,526
Environment	227	–	–	–
Govt subsidy	–	18	–	–
Roads	–	–	874	122
RMS contributions (regional roads, block grant)	2,192	2,150	205	581
Sewerage (excl. section 64 contributions)	220	184	–	–
Other	178	116	66	–
Total other contributions	2,857	2,477	4,492	4,266
Total contributions	2,857	2,477	23,321	19,304
TOTAL GRANTS AND CONTRIBUTIONS	26,370	21,261	32,422	23,166

Tweed Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	Actual 2017	Actual 2016
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Unexpended at the close of the previous reporting period	40,046	34,395
Add: grants and contributions recognised in the current period but not yet spent:	4,541	7,755
Less: grants and contributions recognised in a previous reporting period now spent:	(2,850)	(2,104)
Net increase (decrease) in restricted assets during the period	1,691	5,651
Unexpended and held as restricted assets	41,737	40,046
Comprising:		
– Specific purpose unexpended grants	3,255	4,845
– Developer contributions	36,111	32,748
– Other contributions	2,371	2,453
	41,737	40,046

Tweed Shire Council

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

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
(a) Employee benefits and on-costs			
Salaries and wages		45,923	44,563
Travel expenses		86	77
Employee leave entitlements (ELE)		6,598	8,226
Superannuation		4,956	4,685
Workers' compensation insurance		273	521
Fringe benefit tax (FBT)		217	217
Payroll tax		1,025	1,004
Training costs (other than salaries and wages)		291	194
Other		203	152
Total employee costs		59,572	59,639
Less: capitalised costs		(5,689)	(6,477)
TOTAL EMPLOYEE COSTS EXPENSED		53,883	53,162
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on overdraft		1	2
Interest on loans		12,497	12,914
Other debts		20	-
Total interest bearing liability costs expensed		12,518	12,916
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	26	12	(35)
<i>Interest applicable on interest free (and favourable) loans to Council</i>		430	519
Total other borrowing costs		442	484
TOTAL BORROWING COSTS EXPENSED		12,960	13,400

Tweed Shire Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Materials and contracts			
Raw materials and consumables		48,761	40,744
Auditors remuneration ⁽¹⁾		118	113
Legal expenses:			
– Legal expenses: planning and development		809	371
– Legal expenses: other		143	179
Operating leases:			
– Operating lease rentals: minimum lease payments ⁽²⁾		749	546
TOTAL MATERIALS AND CONTRACTS		50,580	41,953
1. Auditor remuneration			
a. During the year, the following fees were incurred for services provided by the Auditor-General:			
(i) Audit and other assurance services			
– Audit and review of financial statements: Auditor-General		84	–
Remuneration for audit and other assurance services		84	–
Total Auditor-General remuneration		84	–
b. During the year, the following fees were incurred for services provided by other audit firms:			
(i) Audit and other assurance services			
– Audit and review of financial statements:		28	97
Remuneration for audit and other assurance services		28	97
(ii) Other non-assurance services			
– Other services		6	16
Remuneration for other services		6	16
Total fees paid or payable to other audit firms		34	113
Total Auditor remuneration		118	113
2. Operating lease payments are attributable to:			
Computers		749	541
Other		–	5
		749	546

Tweed Shire Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(d) Depreciation, amortisation and impairment			
Plant and equipment		2,934	2,835
Office equipment		173	158
Furniture and fittings		119	122
Infrastructure:			
– Buildings		1,809	1,759
– Other structures		15	17
– Roads		12,111	11,943
– Bridges		2,199	2,147
– Footpaths		666	507
– Stormwater drainage		2,455	2,413
– Water supply network		7,273	6,471
– Sewerage network		11,175	10,595
– Swimming pools		303	245
– Other open space/recreational assets		1,497	1,445
– Other infrastructure		494	385
Asset reinstatement costs	9 & 26	268	15
Intangible assets	25	116	78
Total depreciation and amortisation costs		43,607	41,135
Impairment			
Nil			
<u>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</u>		<u>43,607</u>	<u>41,135</u>
(e) Other expenses			
Bad and doubtful debts		9	(30)
Caretakers remuneration – holiday parks		1,832	1,862
Contributions/levies to other levels of government			
– Department of Lands levy – holiday parks		407	425
– Emergency services levy (includes FRNSW, SES, and RFS levies)		787	717
– Waste levy		1,102	423
Councillor expenses – mayoral fee		39	40
Councillors' expenses (incl. mayor)		33	29
Councillor expenses – councillors' fees		126	110
Donations, contributions and assistance to other organisations (Section 356)		2,569	2,646
Electricity and heating		3,893	3,694
Insurance		1,715	1,622
Street lighting		996	839
Telephone and communications		468	453
Other		13	–
<u>TOTAL OTHER EXPENSES</u>		<u>13,989</u>	<u>12,830</u>

Tweed Shire Council

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

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 2017	Actual 2016
Property (excl. investment property)			
Proceeds from disposal – property		6	925
Less: carrying amount of property assets sold/written off		<u>(628)</u>	<u>(1,148)</u>
Net gain/(loss) on disposal		<u>(622)</u>	<u>(223)</u>
Plant and equipment			
Proceeds from disposal – plant and equipment		1,130	1,994
Less: carrying amount of plant and equipment assets sold/written off		<u>(6,099)</u>	<u>(2,519)</u>
Net gain/(loss) on disposal		<u>(4,969)</u>	<u>(525)</u>
Infrastructure			
Less: carrying amount of infrastructure assets sold/written off		<u>(6,036)</u>	<u>(7,534)</u>
Net gain/(loss) on disposal		<u>(6,036)</u>	<u>(7,534)</u>
Financial assets*			
Proceeds from disposal/redemptions/maturities – financial assets		75,507	67,332
Less: carrying amount of financial assets sold/redeemed/matured		<u>(75,507)</u>	<u>(67,332)</u>
Net gain/(loss) on disposal		<u>-</u>	<u>-</u>
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		<u>(11,627)</u>	<u>(8,282)</u>

Tweed Shire Council

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

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

\$ '000	Notes	2017	2017	2016	2016
		Actual Current	Actual Non-current	Actual Current	Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		428	–	941	–
Cash-equivalent assets ¹					
– Deposits at call		9,139	–	8,589	–
Total cash and cash equivalents		9,567	–	9,530	–
Investments (Note 6b)					
– Long term deposits		140,420	94,000	115,035	71,000
– Floating rate notes and fixed rate bonds		14,978	46,867	8,654	65,520
Total investments		155,398	140,867	123,689	136,520
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		164,965	140,867	133,219	136,520

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

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

Cash and cash equivalents

a. 'At fair value through the profit and loss'	9,567	–	9,530	–
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Investments

a. 'At fair value through the profit and loss'				
– 'Held for trading'	14,978	46,867	8,654	65,520
b. 'Held to maturity'	140,420	94,000	115,035	71,000
Investments	155,398	140,867	123,689	136,520

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

Tweed Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	2017	2017	2016	2016
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	164,965	140,867	133,219	136,520
attributable to:				
External restrictions (refer below)	82,612	127,964	65,863	122,029
Internal restrictions (refer below)	72,113	12,903	57,757	14,491
Unrestricted	10,240	–	9,599	–
	164,965	140,867	133,219	136,520

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

Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended loans – sewer (A)	6,208	–	(18)	6,190
Other – security deposits	1,953	307	–	2,260
External restrictions – included in liabilities	8,161	307	(18)	8,450

External restrictions – other

Developer contributions – general (D)	31,047	18,020	(12,956)	36,111
Developer contributions – water fund (D)	1,701	–	(1,701)	–
Specific purpose unexpended grants (F)	4,846	–	(1,591)	3,255
Specific purpose contributions	2,453	11,497	(11,579)	2,371
Water supplies (G)	2,454	795	–	3,249
Water supplies – asset replacement (G)	39,461	13,033	(2,873)	49,621
Sewerage services (G)	4,841	–	(1,653)	3,188
Sewerage services – Banora point laboratory (G)	613	144	–	757
Sewerage services – asset replacement (G)	58,154	16,462	(3,966)	70,650
Domestic waste management (G)	14,912	442	–	15,354
Caravan park cash assets	19,035	–	(1,705)	17,330
Special rate – koala beach	214	80	(54)	240
External restrictions – other	179,731	60,473	(38,078)	202,126
Total external restrictions	187,892	60,780	(38,096)	210,576

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

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

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

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

Tweed Shire Council

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

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

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Employees leave entitlement	12,703	200	–	12,903
Carry over works	11,397	11,316	(14,439)	8,274
Access funding	198	28	(47)	179
Agenda 21	58	(58)	–	–
Art gallery construction	117	39	–	156
Asset management reserve – infrastructure	4,331	15,344	(100)	19,575
Beach vehicle licence income	260	21	(24)	257
Car parking	537	(537)	–	–
Catchment water quality	563	210	(216)	557
Cemeteries perpetual maintenance	430	(430)	–	–
Civic centre asset management	301	(279)	(22)	–
Coastal management planning	34	(34)	–	–
Community facilities	5,748	6,262	(547)	11,463
Environmental enforcement levy	–	208	(208)	–
Frangela park maintenance	41	(40)	(1)	–
Haulage fees	323	(323)	–	–
Land development	515	143	(83)	575
Land sales – cemetery asset management	51	(51)	–	–
Murwillumbah community centre	6	(6)	–	–
Museum asset management	65	(65)	–	–
Museum donations	32	6	–	38
Non-DWM management	9,345	7,045	(4,756)	11,634
Opportunity/matching grants	35	(35)	–	–
Plant operations	6,028	4,863	(6,794)	4,097
Revolving energy fund	280	–	–	280
Road land sale	35	5	–	40
SES vehicle replacement	141	–	(141)	–
7 year plan	4,828	9,194	(11,494)	2,528
Sewerage management facilities	8	(8)	–	–
Software and equipment – asset management	2,983	449	(71)	3,361
Sports fields – asset management	1	(1)	–	–
Swimming pools asset management	53	(53)	–	–
Unexpended grants	3,344	15,054	(14,638)	3,760
Unexpended loans	7,445	1,976	(5,642)	3,779
Waterways asset management	7	(7)	–	–
Workers comp. cont. reserve	5	(5)	–	–
Voluntary Planning Agreements	–	1,560	–	1,560
Total internal restrictions	72,248	71,991	(59,223)	85,016
TOTAL RESTRICTIONS	260,140	132,771	(97,319)	295,592

Tweed Shire Council

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

Note 7. Receivables

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
Purpose					
Rates and annual charges		4,163	–	4,351	–
Interest and extra charges		654	–	532	–
User charges and fees		4,192	–	5,067	–
Accrued revenues					
– Interest on investments		2,996	–	2,491	–
– Other income accruals		2,830	–	–	–
Deferred debtors		–	93	3	100
Government grants and subsidies		5,119	–	603	–
Net GST receivable		1,017	–	728	–
Other debtors		2	–	–	–
Total		20,973	93	13,775	100
Less: provision for impairment					
Doubtful debts		(180)	–	(171)	–
Total provision for impairment – receivables		(180)	–	(171)	–
TOTAL NET RECEIVABLES		20,793	93	13,604	100
Externally restricted receivables					
Water supply					
– Specific purpose grants		3	–	2	–
– Rates and availability charges		235	–	239	–
– Other		3,474	–	3,077	–
Sewerage services					
– Specific purpose grants		2	–	2	–
– Rates and availability charges		1,135	–	1,153	–
– Other		1,249	–	1,077	–
Domestic waste management		485	–	473	–
Tweed Coast Holiday Parks		116	–	213	–
Total external restrictions		6,699	–	6,236	–
Internally restricted receivables					
Nil					
Unrestricted receivables		14,094	93	7,368	100
TOTAL NET RECEIVABLES		20,793	93	13,604	100

Tweed Shire Council

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

Note 8. Inventories and other assets

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
(a) Inventories					
(i) Inventories at cost					
Stores and materials		912	–	931	–
Total inventories at cost		912	–	931	–
(ii) Inventories at net realisable value (NRV)					
Nil					
TOTAL INVENTORIES		912	–	931	–
(b) Other assets					
Prepayments		708	–	711	–
TOTAL OTHER ASSETS		708	–	711	–
Externally restricted assets					
Water					
Prepayments		32	–	19	–
Total water		32	–	19	–
Sewerage					
Prepayments		31	–	17	–
Total sewerage		31	–	17	–
Tweed Coast Holiday Parks					
Prepayments		146	–	142	–
Total other		146	–	142	–
Total externally restricted assets		209	–	178	–
Total internally restricted assets		–	–	–	–
Total unrestricted assets		1,411	–	1,464	–
TOTAL INVENTORIES AND OTHER ASSETS		1,620	–	1,642	–

Other disclosures**Inventory write downs**

There were no amounts recognised as an expense relating to the write down of inventory balances held during the year.

Refer to Note 27. Fair value measurement for information regarding the fair value of other assets held.

Tweed Shire Council

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

Note 9a. Infrastructure, property, plant and equipment

Asset class \$ '000	as at 30/6/2016			Asset movements during the reporting period								as at 30/6/2017		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions * renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	11,106	–	11,106	6,056	10,450	–	–	(9,834)	(949)	–	–	16,829	–	16,829
Plant and equipment	35,476	13,697	21,779	–	7,227	(5,802)	(2,934)	1,994	–	–	–	34,735	12,471	22,264
Office equipment	1,732	1,265	467	–	105	–	(173)	–	–	–	–	1,825	1,426	399
Furniture and fittings	2,648	1,938	710	–	80	–	(119)	–	–	–	–	2,727	2,056	671
Land:														
– Operational land	485,137	–	485,137	–	2,649	–	–	12	(21)	–	29,028	516,805	–	516,805
– Community land	106,830	–	106,830	–	–	–	–	–	–	(1,623)	–	105,207	–	105,207
– Land under roads (pre 1/7/08)	44,222	–	44,222	–	–	–	–	–	–	–	–	44,222	–	44,222
– Land under roads (post 30/6/08)	688	–	688	–	40	–	–	–	21	(21)	–	728	–	728
Infrastructure:														
– Buildings	161,089	19,285	141,804	411	2,780	(796)	(1,809)	1,860	–	–	7,387	172,376	20,739	151,637
– Other structures	695	325	370	–	–	–	(15)	–	–	–	–	355	–	355
– Roads	679,671	168,257	511,414	7,592	1,944	(2,467)	(12,111)	3,044	–	–	9,494	697,066	178,156	518,910
– Bridges	186,666	27,208	159,458	2,570	863	(659)	(2,199)	222	–	–	2,644	192,447	29,548	162,899
– Footpaths	37,911	6,965	30,946	898	301	(396)	(666)	273	–	–	1,839	40,921	7,726	33,195
– Bulk earthworks (non-depreciable)	144,337	–	144,337	826	114	(278)	–	143	–	–	2,615	147,757	–	147,757
– Stormwater drainage	226,462	74,155	152,307	2,591	1,437	(203)	(2,455)	404	–	–	2,542	234,271	77,648	156,623
– Water supply network	632,287	173,231	459,056	1,231	1,395	(1,221)	(7,273)	175	–	–	47,407	597,577	96,807	500,770
– Sewerage network	778,911	225,230	553,681	1,074	1,901	(809)	(11,175)	1,684	–	(13,251)	–	677,441	144,336	533,105
– Swimming pools	5,263	1,957	3,306	–	–	(3)	(303)	–	–	–	–	5,240	2,240	3,000
– Other open space/recreational assets	34,565	8,840	25,725	421	378	(129)	(1,497)	23	–	–	–	35,126	10,205	24,921
– Other infrastructure	11,681	5,653	6,028	47	–	–	(494)	–	–	–	–	11,595	6,014	5,581
Other assets:														
– Artworks	5,327	–	5,327	443	–	–	–	–	–	–	521	6,291	–	6,291
Reinstatement, rehabilitation and restoration assets (refer Note 26):														
– Tip assets	687	643	44	–	1,543	–	(265)	–	–	–	–	2,406	1,084	1,322
– Quarry assets	177	174	3	–	–	–	(3)	–	–	–	–	–	–	–
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	3,593,568	728,823	2,864,745	24,160	33,207	(12,763)	(43,491)	–	(949)	(14,895)	103,477	3,543,947	590,456	2,953,491

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

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

Tweed Shire Council

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

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

\$ '000	Actual 2017			Actual 2016		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
WIP	926	–	926	664	–	664
Plant and equipment	203	109	94	175	83	92
Office equipment	9	2	7	9	–	9
Furniture and fittings	20	20	–	20	20	–
Land						
– Operational land	41,204	–	41,204	36,413	–	36,413
– Community land	82	–	82	82	–	82
Buildings	4,465	935	3,530	2,645	696	1,949
Infrastructure	596,851	96,807	500,044	631,935	173,230	458,705
Other assets	785	25	760	353	–	353
Total water supply	644,545	97,898	546,647	672,296	174,029	498,267
Sewerage services						
WIP	2,219	–	2,219	2,571	–	2,571
Plant and equipment	1,128	778	350	1,300	933	367
Office equipment	47	32	15	47	28	19
Furniture and fittings	92	88	4	92	87	5
Land						
– Operational land	50,882	–	50,882	47,452	–	47,452
– Community land	220	–	220	220	–	220
Buildings	6,953	566	6,387	6,560	497	6,063
Infrastructure	677,441	144,337	533,104	778,911	225,230	553,681
Total sewerage services	738,982	145,801	593,181	837,153	226,775	610,378
Domestic waste management						
Plant and equipment	54	40	14	51	39	12
Office equipment	27	27	–	28	28	–
Furniture and fittings	198	142	56	198	142	56
Land						
– Operational land	3,059	–	3,059	3,059	–	3,059
Buildings	1,034	300	734	987	300	687
Infrastructure	66	66	–	66	66	–
Total DWM	4,438	575	3,863	4,389	575	3,814
Other restricted assets						
– Capital WIP	849	–	849	2,025	–	2,025
– Plant & Equipment	4,865	628	4,237	2,890	570	2,320
– Office Equipment	62	55	7	62	48	14
– Operational Land	94,927	–	94,927	85,984	–	85,984
Buildings	14,180	1,468	12,712	13,760	2,227	11,533
Swimming Pools	269	205	64	269	191	78
Total other restrictions	115,152	2,356	112,796	104,990	3,036	101,954
TOTAL RESTRICTED I,PP&E	1,503,117	246,630	1,256,487	1,618,828	404,415	1,214,413

Tweed Shire Council

Notes to the Financial Statements
for the year ended 30 June 2017Note 9c. Infrastructure, property, plant and equipment – current year
impairments

\$ '000

Council has recognised no impairment losses during the reporting period nor reversed any prior period losses.

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
Payables					
Goods and services – operating expenditure		8,066	–	6,101	–
Goods and services – capital expenditure		5,116	–	2,393	–
Accrued expenses:					
– Borrowings		424	–	445	–
– Other expenditure accruals		119	–	32	–
Security bonds, deposits and retentions		1,701	559	1,465	543
Total payables		15,426	559	10,436	543
Income received in advance					
Payments received in advance		4,666	–	4,468	–
Total income received in advance		4,666	–	4,468	–
Borrowings					
Loans – secured ¹		8,130	164,113	7,681	170,689
Total borrowings		8,130	164,113	7,681	170,689
Provisions					
Employee benefits:					
Annual leave		4,726	–	4,783	–
Sick leave		3,655	2,119	2,024	3,761
Long service leave		13,424	332	13,688	346
Sub-total – aggregate employee benefits		21,805	2,451	20,495	4,107
Asset remediation/restoration (future works) ²⁶		–	2,417	–	863
Total provisions		21,805	4,868	20,495	4,970
TOTAL PAYABLES, BORROWINGS AND PROVISIONS					
		50,027	169,540	43,080	176,202

Tweed Shire Council

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

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

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
(i) Liabilities relating to restricted assets					
Externally restricted assets					
Water		1,926	60,749	1,753	62,196
Sewer		2,811	27,105	3,206	29,545
Other -		2,260	-	1,953	-
Other – holiday parks		2,163	-	2,703	416
Liabilities relating to externally restricted assets		9,160	87,854	9,615	92,157
Internally restricted assets					
Nil					
Total liabilities relating to restricted assets		9,160	87,854	9,615	92,157
Total liabilities relating to unrestricted assets		40,867	81,686	33,465	84,045
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		50,027	169,540	43,080	176,202

¹ Loans are secured over the general rating income of Council
Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 15.

(ii) Current liabilities not anticipated to be settled within the next twelve months

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

	2017	2016
Provisions – employees benefits	12,783	12,855
Payables – security bonds, deposits and retentions	300	300
	13,083	13,155

Note 10b. Description of and movements in provisions

Class of provision	2016	2017			Unused amounts reversed	Closing balance as at 30/6/17
	Opening balance as at 1/7/16	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting		
Annual leave	4,783	3,610	(3,667)	-	-	4,726
Sick leave	5,785	430	(441)	-	-	5,774
Long service leave	14,034	861	(1,139)	-	-	13,756
Asset remediation	863	1,554	-	-	-	2,417
TOTAL	25,465	6,455	(5,247)	-	-	26,673

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

Tweed Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2017	Actual 2016
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	9,567	9,530
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		9,567	9,530
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		43,439	31,325
Adjust for non-cash items:			
Depreciation and amortisation		43,607	41,135
Net losses/(gains) on disposal of assets		11,627	8,282
Non-cash capital grants and contributions		(5,832)	(7,171)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		(441)	135
Transfers from Work in Progress through Income Statement		–	170
Amortisation of premiums, discounts and prior period fair valuations			
– Interest exp. on interest-free loans received by Council (previously fair valued)		430	519
Unwinding of discount rates on reinstatement provisions		12	(35)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(7,201)	3,923
Increase/(decrease) in provision for doubtful debts		9	(31)
Decrease/(increase) in inventories		19	(12)
Decrease/(increase) in other assets		3	(66)
Increase/(decrease) in payables		1,965	(749)
Increase/(decrease) in accrued interest payable		(21)	(19)
Increase/(decrease) in other accrued expenses payable		87	(15)
Increase/(decrease) in other liabilities		450	887
Increase/(decrease) in employee leave entitlements		(346)	1,485
Increase/(decrease) in other provisions		1,542	–
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		89,349	79,763

Tweed Shire Council

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

Note 11. Statement of cash flows – additional information (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Non-cash investing and financing activities			
Art gallery		409	346
Development contributions – general		2,938	3,217
Development contributions – water		445	449
Development contributions – sewerage		1,446	3,159
Other non-cash items		594	–
Total non-cash investing and financing activities		5,832	7,171
(d) Financing arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank overdraft facilities ⁽¹⁾		1,000	1,000
Credit cards/purchase cards		300	300
Total financing arrangements		1,300	1,300
Amounts utilised as at balance date:			
– Credit cards/purchase cards		25	20
Total financing arrangements utilised		25	20

1. The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.
Interest rates on overdrafts are interest rates on loans and other payables are disclosed in Note 15.

(ii) Secured loan liabilities

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

Tweed Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2017	Actual 2016
(a) Capital commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, plant and equipment			
Buildings		1,789	278
Plant and equipment		128	10
Other		12,879	137
Total commitments		14,796	425
These expenditures are payable as follows:			
Within the next year		14,766	425
Later than one year and not later than 5 years		30	–
Later than 5 years		–	–
Total payable		14,796	425
Sources for funding of capital commitments:			
Unrestricted general funds		1,268	35
Future grants and contributions		8,045	2
Sect 64 and 94 funds/reserves		1,669	–
Unexpended grants		335	40
Internally restricted reserves		2,730	281
Unrestricted water funds		84	–
Unrestricted sewerage funds		665	67
Total sources of funding		14,796	425
(b) Finance lease commitments			
Nil			
(c) Operating lease commitments (non-cancellable)			
a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:			
Within the next year		342	350
Later than one year and not later than 5 years		431	302
Later than 5 years		–	–
Total non-cancellable operating lease commitments		773	652
Conditions relating to operating leases:			
– All operating lease agreements are secured only against the leased asset.			
– No lease agreements impose any financial restrictions on Council regarding future debt etc.			

Tweed Shire Council

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

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

\$ '000	Amounts 2017	Indicator 2017	Prior periods		Benchmark
			2016	2015	
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>22,203</u>	11.26%	9.26%	1.63%	>0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	197,222				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>170,852</u>	74.40%	78.03%	69.41%	>60.00%
Total continuing operating revenue ⁽¹⁾	229,644				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	<u>97,858</u>	3.52x	3.75x	3.59x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	27,784				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>78,770</u>	3.66x	3.26x	2.94x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	21,493				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	<u>4,817</u>	4.35%	4.58%	5.05%	< 5% Metro
Rates, annual and extra charges collectible	110,678				<10% Rural
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	<u>243,987</u>	20.66			
Payments from cash flow of operating and financing activities	11,810	mths	17.6 mths	16.1 mths	> 3 mths
	x12				

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

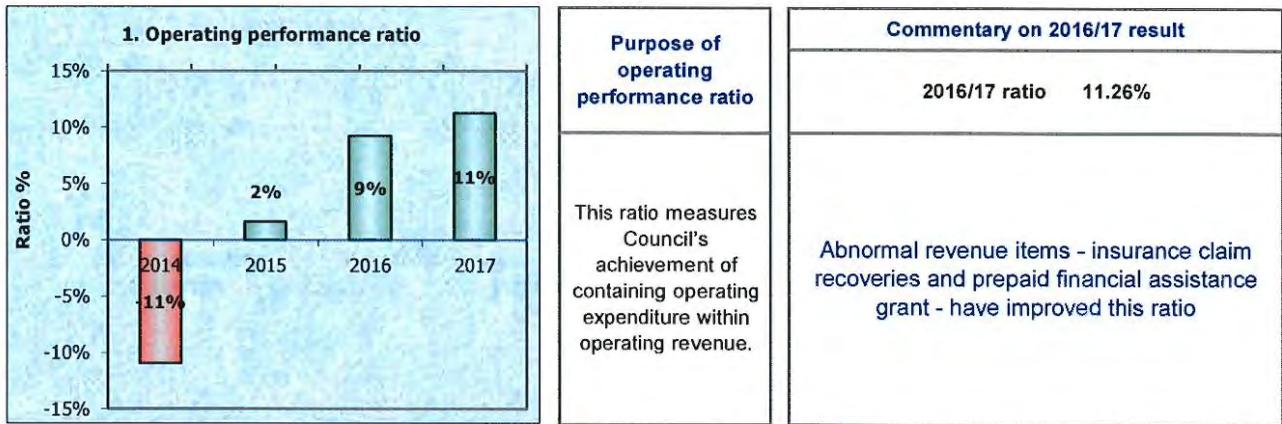
⁽³⁾ Refer to Note 10(a).

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

Tweed Shire Council

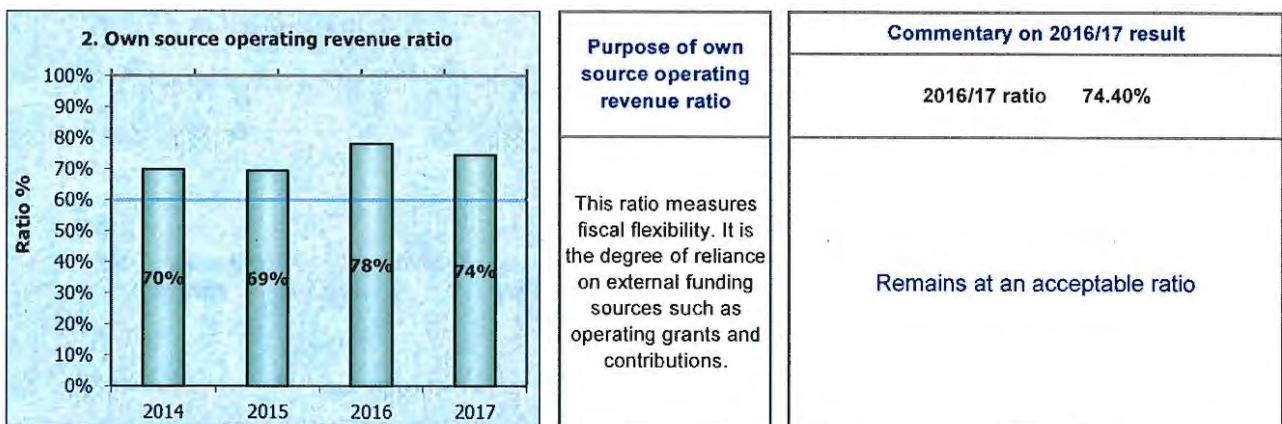
Notes to the Financial Statements
for the year ended 30 June 2017

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



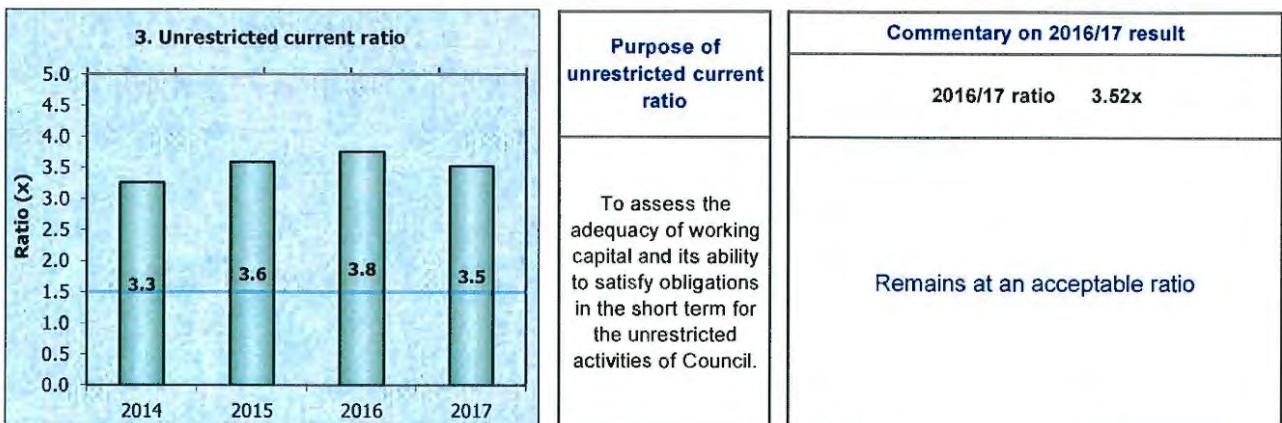
Benchmark: Minimum $\geq 0.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
 Ratio is outside benchmark



Benchmark: Minimum $\geq 60.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
 Ratio is outside benchmark



Benchmark: Minimum ≥ 1.50
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
 Ratio is outside benchmark

Tweed Shire Council

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

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

<p>4. Debt service cover ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (x)</th> </tr> </thead> <tbody> <tr> <td>2014</td> <td>1.9</td> </tr> <tr> <td>2015</td> <td>2.9</td> </tr> <tr> <td>2016</td> <td>3.3</td> </tr> <tr> <td>2017</td> <td>3.7</td> </tr> </tbody> </table> <p>Benchmark: — Minimum ≥ 2.00</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #25</p>	Year	Ratio (x)	2014	1.9	2015	2.9	2016	3.3	2017	3.7	<p>Purpose of debt service cover ratio</p> <p>This ratio measures the availability of operating cash to service debt including interest, principal and lease payments</p>	<p>Commentary on 2016/17 result</p> <p>2016/17 ratio 3.66x</p> <p>Higher revenues and stable debt service costs have improved this ratio</p>
Year	Ratio (x)											
2014	1.9											
2015	2.9											
2016	3.3											
2017	3.7											
<p>Legend: ■ Ratio achieves benchmark ■ Ratio is outside benchmark</p>												
<p>5. Rates, annual charges, interest and extra charges outstanding percentage</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2014</td> <td>5.8%</td> </tr> <tr> <td>2015</td> <td>5.1%</td> </tr> <tr> <td>2016</td> <td>4.6%</td> </tr> <tr> <td>2017</td> <td>4.4%</td> </tr> </tbody> </table> <p>Benchmark: — Maximum $< 5.00\%$</p> <p>Source for Benchmark: Code of Accounting Practice and Financial Reporting #25</p>	Year	Ratio %	2014	5.8%	2015	5.1%	2016	4.6%	2017	4.4%	<p>Purpose of rates and annual charges outstanding ratio</p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p>Commentary on 2016/17 result</p> <p>2016/17 ratio 4.35%</p> <p>Rigorous debt recovery actions continue to improve this indicator</p>
Year	Ratio %											
2014	5.8%											
2015	5.1%											
2016	4.6%											
2017	4.4%											
<p>Legend: ■ Ratio is within Benchmark ■ Ratio is outside Benchmark</p>												
<p>6. Cash expense cover ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (mths)</th> </tr> </thead> <tbody> <tr> <td>2014</td> <td>12.5</td> </tr> <tr> <td>2015</td> <td>16.1</td> </tr> <tr> <td>2016</td> <td>17.6</td> </tr> <tr> <td>2017</td> <td>20.7</td> </tr> </tbody> </table> <p>Benchmark: — Minimum ≥ 3.00</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #25</p>	Year	Ratio (mths)	2014	12.5	2015	16.1	2016	17.6	2017	20.7	<p>Purpose of cash expense cover ratio</p> <p>This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.</p>	<p>Commentary on 2016/17 result</p> <p>2016/17 ratio 20.66 mths</p> <p>Remains at an acceptable ratio</p>
Year	Ratio (mths)											
2014	12.5											
2015	16.1											
2016	17.6											
2017	20.7											
<p>Legend: ■ Ratio achieves benchmark ■ Ratio is outside benchmark</p>												

Tweed Shire Council

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

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

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2017	2016	2017	2016	2017	2016	
Local government industry indicators – by fund							
1. Operating performance ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	12.69%	10.94%	11.69%	7.85%	5.41%	4.41%	>0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
2. Own source operating revenue ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	68.86%	74.27%	83.21%	85.14%	87.88%	85.09%	>60.00%
Total continuing operating revenue ⁽¹⁾							
3. Unrestricted current ratio							
Current assets less all external restrictions ⁽²⁾	3.52x	3.75x	16.41x	16.12x	16.01x	10.87x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)							

Notes

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

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

Tweed Shire Council

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

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

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2017	2016	2017	2016	2017	2016	
Local government industry indicators – by fund (continued)							
4. Debt service cover ratio							
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	4.82x	4.58x	2.40x	1.90x	2.79x	2.35x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	4.34%	4.57%	4.45%	4.76%	4.37%	4.57%	< 5% Metro <10% Rural
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	13.57	10.19	31.72	28.79	40.56	37.60	> 3 months
Payments from cash flow of operating and financing activities	months	months	months	months	months	months	

Notes

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

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

Tweed Shire Council

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

Note 14. Investment properties

\$ '000

Council has not classified any land or buildings as 'investment properties'.

Note 15. 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.

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

	Carrying value		Fair value	
	2017	2016	2017	2016
Financial assets				
Cash and cash equivalents	9,567	9,530	9,567	9,530
Investments				
– 'Held for trading'	61,845	74,174	61,845	74,174
– 'Held to maturity'	234,420	186,035	234,420	186,035
Receivables	20,886	13,704	20,886	13,704
Total financial assets	326,718	283,443	326,718	283,443
Financial liabilities				
Payables	11,319	10,979	11,319	10,979
Loans/advances	172,243	178,370	213,837	225,135
Total financial liabilities	183,562	189,349	225,156	236,114

Fair value is determined as follows:

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

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

Tweed Shire Council

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

Note 15. Financial risk management (continued)

\$ '000

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

Council'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. This policy is regularly reviewed by Council and it's staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

The risks associated with the investments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether 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.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2017				
Possible impact of a 10% movement in market values	6,184	6,184	(6,184)	(6,184)
Possible impact of a 1% movement in interest rates	3,058	3,058	(3,058)	(3,058)
2016				
Possible impact of a 10% movement in market values	7,417	7,417	(7,417)	(7,417)
Possible impact of a 1% movement in interest rates	2,697	2,697	(2,697)	(2,697)

Tweed Shire Council

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

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

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

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

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

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

	2017	2017	2016	2016
	Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	0%	95%	0%	81%
Overdue	100%	5%	100%	19%
	100%	100%	100%	100%
(ii) Ageing of receivables – value				
Rates and annual charges	Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
Current	–	16,837	–	7,695
< 1 year overdue	2,744	–	2,899	–
1 – 2 years overdue	672	58	737	460
2 – 5 years overdue	620	29	602	147
> 5 years overdue	127	(21)	113	1,222
	4,163	16,903	4,351	9,524
(iii) Movement in provision for impairment of receivables				
			2017	2016
Balance at the beginning of the year			171	202
+ new provisions recognised during the year			15	1
– amounts already provided for and written off this year			(6)	(32)
Balance at the end of the year			180	171

Tweed Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2017									
Trade/other payables	2,260	13,725	–	–	–	–	–	15,985	15,985
Loans and advances	–	20,579	20,404	20,238	18,314	18,228	197,061	294,824	172,243
Total financial liabilities	2,260	34,304	20,404	20,238	18,314	18,228	197,061	310,809	188,228
2016									
Trade/other payables	2,008	8,971	–	–	–	–	–	10,979	10,979
Loans and advances	–	20,652	20,511	20,335	20,165	20,162	231,153	332,978	178,370
Total financial liabilities	2,008	29,623	20,511	20,335	20,165	20,162	231,153	343,957	189,349

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

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

	2017		2016	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	15,985	0.00%	10,979	0.00%
Loans and advances – fixed interest rate	145,371	6.86%	150,472	6.82%
Loans and advances – variable interest rate	26,872	8.31%	27,898	8.31%
	<u>188,228</u>		<u>189,349</u>	

Tweed Shire Council

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

Note 16. Material budget variations

\$ '000

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

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

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

Note that for variations* of budget to actual :

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

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

\$ '000	2017 Budget	2017 Actual	2017 Variance*		
REVENUES					
Rates and annual charges	103,614	104,966	1,352	1%	F
User charges and fees	44,047	48,726	4,679	11%	F
Major contributor was Sewer usage charges and waste dumping fees					
Interest and investment revenue	9,922	9,524	(398)	(4%)	U
Other revenues	1,986	8,077	6,091	307%	F
Insurance claim recoveries resulting from the March 2017 flood amounted to \$5.4 million					
Operating grants and contributions	20,358	26,370	6,012	30%	F
2017/18 Financial Assistance grants paid in advance					
Capital grants and contributions	15,369	32,422	17,053	111%	F
Non-cash contributions, representing dedicated assets, are not included in the budget.					
Black Spot road grants and grants for the Kingscliff foreshore project were not included in the budget.					

Tweed Shire Council

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

Note 16. Material budget variations (continued)

\$ '000	2017 Budget	2017 Actual	2017 ----- Variance* -----		
EXPENSES					
Employee benefits and on-costs	57,662	53,883	3,779	7%	F
Borrowing costs	12,551	12,960	(409)	(3%)	U
Materials and contracts	48,525	50,580	(2,055)	(4%)	U
Depreciation and amortisation	43,227	43,607	(380)	(1%)	U
Other expenses	15,611	13,989	1,622	10%	F
Substantial savings were achieved for electricity, insurance and telephone expenses					
Net losses from disposal of assets	-	11,627	(11,627)	0%	U
Gains and losses from asset disposals are not included in the budget					

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

Cash flows from operating activities	60,087	89,349	29,262	48.7%	F
Grants and contributions receipts exceeded budget expectations.					
Cash flows from investing activities	(49,035)	(82,755)	(33,720)	68.8%	U
Purchase of investment securities exceeded budget expectations.					
Cash flows from financing activities	(6,071)	(6,557)	(486)	8.0%	U

Tweed Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	633	199	–	25	(10)	–	847	–
Roads	13,564	4,055	–	458	(1,804)	–	16,273	–
Traffic facilities	103	23	–	3	(1)	–	128	–
Parking	1,430	67	–	46	(50)	–	1,493	–
Open space	7,951	2,541	–	273	(716)	–	10,049	–
Community facilities	4,622	815	–	152	(1,335)	–	4,254	–
Path/cycleways	445	146	–	11	(229)	–	373	–
Street trees	199	4	–	6	–	–	209	–
Other	1,290	760	–	52	(452)	–	1,650	–
S94 contributions – under a plan	30,237	8,610	–	1,026	(4,597)	–	35,276	–
Total S94 revenue under plans	30,237	8,610	–	1,026	(4,597)	–	35,276	–
S94 not under plans	810	–	–	25	–	–	835	–
S64 contributions	1,701	8,327	1,892	32	(9,778)	(282)	–	–
Total contributions	32,748	16,937	1,892	1,083	(14,375)	(282)	36,111	–

Tweed Shire Council

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

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 1

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space	4,449	26	–	141	(1)	–	4,615	–
Total	4,449	26	–	141	(1)	–	4,615	–

CONTRIBUTION PLAN NUMBER 2

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	633	–	–	20	–	–	653	–
Total	633	–	–	20	–	–	653	–

CONTRIBUTION PLAN NUMBER 3

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Community facilities	2	–	–	–	–	–	2	–
Total	2	–	–	–	–	–	2	–

Tweed Shire Council

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

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 4

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	13,469	4,055	–	455	(1,804)	–	16,175	–
Total	13,469	4,055	–	455	(1,804)	–	16,175	–

CONTRIBUTION PLAN NUMBER 5

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space	445	148	–	16	(38)	–	571	–
Total	445	148	–	16	(38)	–	571	–

CONTRIBUTION PLAN NUMBER 6

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Street trees	199	4	–	6	–	–	209	–
Total	199	4	–	6	–	–	209	–

Tweed Shire Council

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

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 7

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	–	199	–	5	(10)	–	194	–
Open space	540	175	–	22	(9)	–	728	–
Total	540	374	–	27	(19)	–	922	–

CONTRIBUTION PLAN NUMBER 11

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Community facilities (libraries)	2,151	316	–	66	(1,310)	–	1,223	–
Total	2,151	316	–	66	(1,310)	–	1,223	–

CONTRIBUTION PLAN NUMBER 12

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Traffic facilities – bus shelters (other)	103	23	–	3	(1)	–	128	–
Total	103	23	–	3	(1)	–	128	–

Tweed Shire Council

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

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 13

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Other (cemeteries)	88	45	–	4	(2)	–	135	–
Total	88	45	–	4	(2)	–	135	–

CONTRIBUTION PLAN NUMBER 14

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads (mebbin springs)	95	–	–	3	–	–	98	–
Total	95	–	–	3	–	–	98	–

CONTRIBUTION PLAN NUMBER 15

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Community facilities	1,337	393	–	49	(20)	–	1,759	–
Total	1,337	393	–	49	(20)	–	1,759	–

Tweed Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 16

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Other (surf lifesaving)	95	7	–	3	(2)	–	103	–
Total	95	7	–	3	(2)	–	103	–

CONTRIBUTION PLAN NUMBER 18

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Other (council admin fees)	1,107	708	–	45	(448)	–	1,412	–
Total	1,107	708	–	45	(448)	–	1,412	–

CONTRIBUTION PLAN NUMBER 19

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space	(452)	60	–	(13)	(3)	–	(408)	–
Community facilities	1,099	106	–	36	(5)	–	1,236	–
Path/cycleways	108	–	–	3	–	–	111	–
Total	755	166	–	26	(8)	–	939	–

Tweed Shire Council

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

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 20

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Other	1	-	-	-	-	-	1	-
Total	1	-	-	-	-	-	1	-

CONTRIBUTION PLAN NUMBER 21

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space	1	-	-	-	-	-	1	-
Community facilities	33	-	-	1	-	-	34	-
Total	34	-	-	1	-	-	35	-

CONTRIBUTION PLAN NUMBER 22

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Path/cycleways (shire wide cycleways)	337	146	-	8	(229)	-	262	-
Total	337	146	-	8	(229)	-	262	-

Tweed Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 23

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Parking (shire wide car parking)	1,430	67	–	46	(50)	–	1,493	–
Total	1,430	67	–	46	(50)	–	1,493	–

CONTRIBUTION PLAN NUMBER 25

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space (salt open space)	1,119	–	–	36	–	–	1,155	–
Total	1,119	–	–	36	–	–	1,155	–

CONTRIBUTION PLAN NUMBER 26

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space (shirewide)	1,250	1,741	–	47	(626)	–	2,412	–
Total	1,250	1,741	–	47	(626)	–	2,412	–

Tweed Shire Council

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

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 27

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space	304	58	–	10	(6)	–	366	–
Total	304	58	–	10	(6)	–	366	–

CONTRIBUTION PLAN NUMBER 28

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space	296	333	–	14	(33)	–	610	–
Total	296	333	–	14	(33)	–	610	–

CONTRIBUTION PLAN NUMBER 10

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space	(1)	–	–	–	–	–	(1)	–
Total	(1)	–	–	–	–	–	(1)	–

Tweed Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – NOT UNDER A PLAN

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	293	–	–	9	–	–	302	–
Traffic facilities	109	–	–	3	–	–	112	–
Open space	431	–	–	13	–	–	444	–
Community facilities	(25)	–	–	–	–	–	(25)	–
Footpath	2	–	–	–	–	–	2	–
Total	810	–	–	25	–	–	835	–

Tweed Shire Council

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

Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

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

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

(ii) Other guarantees

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

2. Other liabilities

(i) S94 plans

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

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

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

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

(ii) Richmond - Tweed Regional Library

Council together with other local government authorities to operate a regional facility known as the Richmond-Tweed Regional Library.

Annually, Councils contribute to fund its activities based upon a formula. In the event that Council wishes to withdraw from the arrangement, Council will receive its attributable share of assets and liabilities.

Tweed Shire Council

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

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):**2. Other Liabilities (continued)****(iii) Legal Issues**

Council can defend actions in Land & Environment Court. It is not practical to estimate the amount, if any, for which the Council could be liable thereof.

ASSETS NOT RECOGNISED:**(i) Infringement notices/fines**

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

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

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

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

ASSETS NOT RECOGNISED (continued):**(ii) Natural disaster grant and insurance claims**

At year end there is a potential asset arising from grant applications and insurance claims arising from the March 2017 flood.

Due to the uncertainty surrounding the status, value and duration of outstanding claims, Council is unable to determine the value of outstanding income. Council's best efforts to estimate the value of the claims indicate a potential value of \$4.8 million.

Note 19. Interests in other entities

\$ '000

Controlled entities (subsidiaries)

Council has 100% controlling interest of the Tweed Coast Holiday Parks.
Refer next page for details.

Note 19(a)

Tweed Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 19. Interests in other entities (continued)

\$ '000

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

Council's consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with AASB 10.

Name of operation/entity	Principal activity
Tweed Coast Holiday Parks	Holiday parks Boyds Bay Tweed Heads South

Interests in Subsidiary	Ownership		Voting rights	
	2017	2016	2017	2016
Council's interest in Subsidiary	100%	100%	100%	100%

Summarised financial information for the Subsidiary

Summarised statement of comprehensive income	2017	2016
Revenue	9,249	10,317
Expenses	(7,428)	(7,109)
Profit for the period	1,821	3,208

Other comprehensive income:

Fair value adjustment – IPP&E	9,425	6,892
Total comprehensive income⁽¹⁾	11,246	10,100

⁽¹⁾ Non-controlling interest share

Dividends paid to non-controlling interests

Summarised statement of financial position	2017	2016
Current assets	17,592	19,390
Non-current assets	112,796	101,955
Total assets	130,388	121,345

Current liabilities	2,545	3,144
Non-current liabilities	7	417
Total liabilities	2,552	3,561

Net assets⁽²⁾	127,836	117,784
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⁽²⁾ Non-controlling interest share

Summarised statement of cash flows	2017	2016
Cash flows from operating activities	2,882	3,880
Cash flows from investing activities	(1,302)	(1,183)
Cash flows from financing activities	(1,670)	(1,850)
Net increase (decrease) in cash and cash equivalents	(90)	847

Tweed Shire Council

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

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

\$ '000	Notes	Actual 2017	Actual 2016
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		1,350,980	1,318,584
a. Correction of prior period errors	20 (c)	–	944
b. Net operating result for the year		43,439	31,325
c. Transfers between equity	20	20	127
Balance at end of the reporting period		<u>1,394,439</u>	<u>1,350,980</u>
(b) Revaluation reserves			
(i) Reserves are represented by:			
– Infrastructure, property, plant and equipment revaluation reserve		1,668,545	1,579,983
Total		<u>1,668,545</u>	<u>1,579,983</u>
(ii) Reconciliation of movements in reserves:			
Infrastructure, property, plant and equipment revaluation reserve			
– Opening balance		1,579,983	1,577,863
– Revaluations for the year	9(a)	88,582	2,247
– Transfer to retained earnings for asset disposals		(20)	(127)
– Balance at end of year		<u>1,668,545</u>	<u>1,579,983</u>
TOTAL VALUE OF RESERVES		<u>1,668,545</u>	<u>1,579,983</u>

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

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

Tweed Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
(c) Correction of error/s relating to a previous reporting period			
Correction of errors as disclosed in last year's financial statements:			
In 2016, assets were identified that were not previously included and have now been recognised for the first time			
Roads		–	387
Bridges		–	172
Buildings		–	345
Other infrastructure		–	40
In accordance with AASB 108 – Accounting Policies, Changes in Accounting Estimates and Errors, the above prior period errors have been recognised retrospectively.			
These amounted to the following equity adjustments:			
– Adjustments to opening equity – 1/7/15 (relating to adjustments for the 30/6/15 reporting year end and prior periods)		–	944
Total prior period adjustments – prior period errors		–	944

(d) Voluntary changes in accounting policies

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

Tweed Shire Council

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

Note 21. Financial result and financial position by fund

Income Statement by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
	Water	Sewer	General ¹
Continuing operations			
Income from continuing operations			
Rates and annual charges	5,547	27,759	71,960
User charges and fees	23,173	3,817	22,209
Interest and investment revenue	2,007	2,203	5,314
Other revenues	349	22	7,706
Grants and contributions provided for operating purposes	379	586	25,405
Grants and contributions provided for capital purposes	5,892	4,327	22,203
Total income from continuing operations	37,347	38,714	154,797
Expenses from continuing operations			
Employee benefits and on-costs	4,764	7,326	41,793
Borrowing costs	4,446	2,640	5,874
Materials and contracts	9,409	8,335	32,836
Depreciation and amortisation	7,338	11,299	24,970
Impairment	-	-	-
Other expenses	1,017	1,929	11,816
Net losses from the disposal of assets	1,221	812	9,594
Share of interests in joint ventures and associates using the equity method	-	-	-
Total expenses from continuing operations	28,195	32,341	126,883
Operating result from continuing operations	9,152	6,373	27,914
Discontinued operations			
Net profit/(loss) from discontinued operations	-	-	-
Net operating result for the year	9,152	6,373	27,914
Net operating result attributable to each council fund	9,152	6,373	27,914
Net operating result attributable to non-controlling interests	-	-	-
Net operating result for the year before grants and contributions provided for capital purposes	3,260	2,046	5,711

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

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

Tweed Shire Council

Notes to the Financial Statements

as at 30 June 2017

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

Statement of Financial Position by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
	Water	Sewer	General ¹
ASSETS			
Current assets			
Cash and cash equivalents	870	785	7,912
Investments	27,000	48,000	80,398
Receivables	3,712	2,387	14,694
Inventories	–	–	912
Other	32	30	646
Non-current assets classified as 'held for sale'	–	–	–
Total current assets	31,614	51,202	104,562
Non-current assets			
Investments	25,000	32,000	83,867
Receivables	–	–	93
Inventories	–	–	–
Infrastructure, property, plant and equipment	546,647	593,181	1,813,663
Investments accounted for using the equity method	–	–	–
Investment property	–	–	–
Intangible assets	–	–	722
Total non-current assets	571,647	625,181	1,898,345
TOTAL ASSETS	603,261	676,383	2,002,907
LIABILITIES			
Current liabilities			
Payables	479	372	14,575
Income received in advance	–	–	4,666
Borrowings	1,447	2,439	4,244
Provisions	–	–	21,805
Total current liabilities	1,926	2,811	45,290
Non-current liabilities			
Payables	–	–	559
Borrowings	60,749	27,105	76,259
Provisions	–	–	4,868
Total non-current liabilities	60,749	27,105	81,686
TOTAL LIABILITIES	62,675	29,916	126,976
Net assets	540,586	646,467	1,875,931
EQUITY			
Retained earnings	205,400	242,560	946,479
Revaluation reserves	335,186	403,907	929,452
Total equity	540,586	646,467	1,875,931

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

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

Tweed Shire Council

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

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

\$ '000

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

Note 23. Events occurring after the reporting date

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

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

Accordingly, the 'authorised for issue' date is 26/10/17.

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

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

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

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

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

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

Note 24. Discontinued operations

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

Tweed Shire Council

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

Note 25. Intangible assets

\$ '000	Actual 2017	Actual 2016
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
Opening values:		
Gross book value (1/7)	3,598	3,651
Accumulated amortisation (1/7)	(3,183)	(3,375)
Accumulated impairment (1/7)	–	–
Net book value – opening balance	415	276
Movements for the year		
– Purchases	383	182
– Development costs	40	35
– Amortisation charges	(116)	(78)
– Gross book value written off	(42)	(270)
– Accumulated amortisation charges written off	42	270
Closing values:		
Gross book value (30/6)	3,979	3,598
Accumulated amortisation (30/6)	(3,257)	(3,183)
Accumulated impairment (30/6)	–	–
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u> ¹	<u>722</u>	<u>415</u>

¹ The net book value of intangible assets represent:

– Software	722	415
	<u>722</u>	<u>415</u>

Tweed Shire Council

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

Note 26. Reinstatement, rehabilitation and restoration liabilities

\$ '000

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

Asset/operation	Estimated year of restoration	NPV of provision	
		2017	2016
Tips	2020	2,174	620
Quarries	2020	243	243
Balance at end of the reporting period		^{10(a)} <u>2,417</u>	<u>863</u>

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

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

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

Reconciliation of movement in provision for year:

Balance at beginning of year	863	898
Amounts capitalised to new or existing assets:		
Stotts Creeks Resource Recovery Centre	1,542	–
Amortisation of discount (<i>expensed to borrowing costs</i>)	12	(35)
Total – reinstatement, rehabilitation and restoration provision	<u>2,417</u>	<u>863</u>

Tweed Shire Council

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

Note 27. Fair value measurement

\$ '000

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

- Infrastructure, property, plant and equipment
- Financial assets and liabilities

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

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

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

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

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

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

2017	Fair value measurement hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements				
Financial assets				
Investments				
– 'Held for trading'	–	61,845	–	61,845
Total financial assets	–	61,845	–	61,845
Infrastructure, property, plant and equipment				
Operational land	–	–	516,805	516,805
Community land	–	–	105,207	105,207
Land under roads	–	–	44,950	44,950
Buildings – non-specialised	–	–	151,637	151,637
Roads (including bulk earthworks)	–	–	666,667	666,667
Bridges	–	–	162,899	162,899
Footpaths	–	–	33,195	33,195
Stormwater drainage	–	–	156,623	156,623
Water supply network	–	–	500,770	500,770
Sewerage network	–	–	533,105	533,105
Total infrastructure, property, plant and equipment	–	–	2,871,858	2,871,858

Tweed Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

2016	Fair value measurement hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements				
Financial assets				
Investments				
– 'Held for trading'	–	74,174	–	74,174
Total financial assets	–	74,174	–	74,174
Infrastructure, property, plant and equipment				
Operational land	–	–	485,137	485,137
Community land	–	–	106,830	106,830
Land under roads	–	–	44,910	44,910
Buildings – non-specialised	–	–	141,804	141,804
Roads (including bulk earthworks)	–	–	655,751	655,751
Bridges	–	–	159,458	159,458
Footpaths	–	–	30,946	30,946
Stormwater drainage	–	–	152,307	152,307
Water supply network	–	–	459,056	459,056
Sewerage network	–	–	553,681	553,681
Total infrastructure, property, plant and equipment	–	–	2,789,880	2,789,880

(2) Transfers between level 1 and level 2 fair value hierarchies

During the year, there were no transfers between level 1 and level 2 fair value hierarchies for recurring fair value measurements.

Tweed Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

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

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

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

Financial assets

Council's financial assets are held in a number of forms including cash on hand and at bank, deposits at call, term deposits, floating rate notes and fixed rate bonds. Of these, floating rate notes and fixed rate bonds are fair valued.

These investments are valued by Laminar Group Pty Ltd, using marked to market methodology. Laminar has elected to use the mid-price, that is, the price point that falls halfway between the bid and offer spread to value securities held in portfolios within the Treasury Direct system. Typically when an asset has no bid price or ask price, other level 2 inputs are used to determine the most appropriate fair value, such as quoted prices for similar assets, interest rates, yield curves and credit spreads. Appropriateness may change depending upon market conditions and asset type.

Movements in investments, including fair value movements, are reported to Council monthly.

Infrastructure, property, plant and equipment

Operational Land

Council's operational land includes all of Council's land classified as operational land under the Local Government Act 1993. Land use is extremely varied and includes Public Parks, Drainage Reserves, Sports fields, Sewer Pump Stations & Community Services.

Valuation indexation indices are applied on an annual basis only where the percentage indexation results in a material change. A comprehensive revaluation is completed every five years, the most recent one being performed for 30 June 2013 by APV Valuers and Asset Management.

Valuation indexation indices for 30 June 2017 have been sourced from Valuers General land valuation reports – 'Tweed 2016 Valuation Final Report', prepared by Valuers Australia Real Estate Advisors. Valuation changes have been applied depending on land zoning - Residential, Rural, Village, Commercial, Industrial, Infrastructure, Environmental Protection, Recreation or Waterway Recreation.

Where there is an active and liquid market, Fair Value is Market Value being highest and best use. When there is no active and liquid market, assessment is made as to whether there is alternative market evidence such as sales of dissimilar but comparable land. Where there is no observable market evidence, for example parks and reserves, Fair Value is then determined by the cost to acquire it (Current Replacement Cost) rather than what you could sell it for (Market Value).

The key unobservable input to the valuation is the rate per square metre. Influencing elements in determining a rate per square metre include market movements, location, size, shape, access, topography, exposure to traffic and facilities, condition (Impairment), use / zoning and flooding risk levels.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets, require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Tweed Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

Community Land

Council's Community Land is land owned by Council and Council Administered Crown Land (CACL). It is land intended for public access and use or where other restrictions applied to the land create some obligation to maintain public access. Many of these parcels of land have no practical use other than for parks, reserves and cemeteries. Community Land cannot be sold, cannot be leased or licensed for more than 21 years at a time and must have a plan of management for it.

A revaluation was performed for 30 June 2016, when the Valuer General issued Unimproved Capital Values (UCV) for properties with a base date of 1 July 2015. Only in a couple of instances where the Valuer has not yet provided a land value, a unit rate per square metre is applied at the same rate as a similar community land parcel within close proximity.

The key unobservable input to the valuation is the rate per square metre. Influencing elements in determining rate per square metre include market movements, location, size, shape, access, topography, exposure to traffic and facilities, condition (Impairment), use / zoning and flooding risk levels.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

Valuation techniques remained the same for this reporting period.

Land under Roads

Land under Roads is land under roadways, and road reserves, including land under footpaths, nature strips and median strips, as per AASB1051.

Land under Roads was recognised for the first time at 30 June 2011. Council elected to recognise Land under Roads acquired pre 1 July 2008 and post 30 June 2008 as per ASSB 116 - Property, Plant and Equipment. Fair Value for Land under Roads was determined using the Englobo methodology derived from the Local Government Code of Accounting Practice and Financial Reporting. This method applies the total shires road reserve in square metres to the average shires rate calculated from the latest Valuers General Unimproved Capital Values (UCV), with a 90% discount.

This asset class is categorised as Level 3 as inputs used in the valuation require significant professional judgement and are therefore unobservable.

Valuation techniques remained the same for this reporting period.

Buildings

Buildings are owned or controlled. They are componentised into Floor, Building Envelope, Floor Fit-out, Internal Screens Fit-out, Roof, Mechanical Services, Fire Services and Transportation and Security Services. Building use is extremely varied and includes civic centre administration, depot, community and cultural services such as museums, art galleries, libraries, childcare and aged care, sport and recreation clubhouse amenities and Public Amenities.

Valuation indexation indices are applied on an annual basis only where the percentage indexation results in a material change. Indexation of 5.39% was applied in 2017 (source – Producer Price Index Non-residential Building Construction New South Wales published by the Australian Bureau of Statistics). A comprehensive revaluation is completed every five years, the most recent one being performed for 30 June 2013 by a registered valuation company.

Tweed Shire Council

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

Note 27. Fair value measurement (continued)

Where there is an active and liquid market, Fair Value is Market Value being highest and best use. When there is no active and liquid market, assessment is made as to whether there is alternative market evidence; Such as sales of dissimilar but comparable buildings or if the value is driven by its cash generation, a Discounted Cash Flow (DCF) approach is used to determine its fair value. Where there is no observable market evidence, Fair Value is then determined by the cost to acquire it (Depreciated Current Replacement Cost) rather than what you could sell it for (Market Value).

This asset class is categorised as Level 3 with the key unobservable input to the valuation being the Gross Replacement Cost which is influenced by changes in construction costs. Other unobservable inputs are condition changes to any of the buildings components and hence patterns of consumption, remaining useful life and residual values. Professional judgement is required to establish the value of a building which is intrinsically linked to the value of the associated land, as combined, they represent fair value of the entire parcel.

The depreciation method used for this asset class is consumption based straight line.

Valuation techniques remained the same for this reporting period.

Roads

This asset class comprises the Road Carriageway, Car Parks, Kerb and Gutter, Retaining Walls and Traffic Facilities. The road carriageway consists of the trafficable portion of a road, between but not including the kerb and gutter. The road carriageway is componentised into surface, pavement, pavement sub base and formation and further separated into segments for inspection and valuation.

A valuation of Road assets is undertaken on a five year cycle with values indexed every other year as per the Producer Price Index – Road and Bridge Construction New South Wales published by the Australian Bureau of Statistics. Indexation of 1.65% was applied in this reporting period, 2016/17.

The valuation process commences with a condition assessment of each asset. A condition scale of 1 to 5 is assigned to each asset, with 1 representing excellent condition and 5 representing very poor condition. The condition of Tweed Shire Council's road segment asset stock is determined by visual inspection in a revaluation year, with the latest condition assessment undertaken late in 2015.

Valuations for this asset class were assessed and provided by a registered valuation company. Technical information for the valuation was extracted from Council's asset management system. Assets were valued using the cost approach. The unit rates are then applied to square or lineal meters as applicable to establish replacement cost at component level. The value of each component is summed to arrive at an overall fair value for an individual asset.

This asset class is categorised Level 3 as extensive professional judgment was required in applying unobservable inputs including the pattern of consumption, residual value and remaining service potential. These inputs impacted significantly on the determination of fair value.

The depreciation method used for this asset class is condition based straight-line.

Valuation techniques remained the same for this reporting period.

Bridges

Council's Bridge asset register consists of all pedestrian and vehicle access bridges. Bridge assets are componentised into significant parts with different useful lives and patterns of consumption, including the Sub Structure (abutments and foundations), Super Structure, Rails and Surface (where applicable).

Tweed Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

A valuation of Bridge assets is undertaken on a five year cycle with values indexed every other year as per the Producer Price Index – Road and Bridge Construction New South Wales published by the Australian Bureau of Statistics. Indexation of 1.65% was applied in this reporting period, 2016/17.

The valuation process commences with a condition assessment of each asset. Bridges were physically inspected to determine condition. A condition scale of 1 to 5 is assigned to each asset, with 1 representing excellent condition and 5 representing very poor condition. The data collected is used to calculate the remaining service potential of each asset with the latest condition assessment undertaken late in 2015.

Valuations for this asset class were assessed and provided by a registered valuation company. Technical information for the valuation was extracted from Council's asset management system.

Assets were valued using the cost approach. The unit rates are then applied to square or lineal meters as applicable to establish replacement cost at component level. The value of each component is summed to arrive at an overall fair value for an individual asset.

This asset class is categorised Level 3 as extensive professional judgment was required in applying unobservable inputs including the pattern of consumption, useful life, residual value and remaining life. These inputs impacted significantly on the determination of fair value.

The depreciation method used for this asset class is condition based straight-line.

Valuation techniques remained the same for this reporting period.

Footpaths

This asset class consists of footpaths on road reserves and cycle-ways on Council owned and controlled reserves. Footpaths are segmented to match the adjacent road segment. No further componentisation is undertaken.

A valuation of Footpath assets is undertaken on a five year cycle with values indexed every other year as per the Producer Price Index – Road and Bridge Construction New South Wales published by the Australian Bureau of Statistics. Indexation of 1.65% was applied in this reporting period, 2016/17.

A condition assessment was undertaken by an external provider in 2015 to determine footpath condition ratings. A condition scale of 1 to 5 is assigned to each asset, with 1 representing excellent condition and 5 representing very poor condition. Footpath unit rates were developed by a registered valuation company. Assets were valued using the cost approach.

This asset class is categorised Level 3 as extensive professional judgement based on historical information and experience was applied in determining residual values and remaining useful life. The depreciation method used for this asset class is condition based straight-line.

Valuation techniques remained the same for this reporting period

Drainage Infrastructure

This asset class consists of pits, pipes, open channels, culverts and headwalls. Pipes are segmented from node to node. No further componentisation is undertaken.

A valuation of Drainage assets is undertaken on a five year cycle with values indexed every other year as per the Producer Price Index – Road and Bridge Construction New South Wales published by the Australian Bureau of Statistics. Indexation of 1.65% was applied in this reporting period, 2016/17.

Fair Values were calculated by a registered valuation company. Assets were valued using the cost approach.

Tweed Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

This asset class is categorised Level 3 as extensive professional judgment was required in applying unobservable inputs including the pattern of consumption, useful life, residual value and remaining life. Asset conditions are assumed based on the age of the pipe with some sample testing via CCTV inspections. A condition scale of 1 to 5 is assigned to each asset, with 1 representing excellent condition and 5 representing very poor condition. The depreciation method used for this asset class is condition based straight-line.

Valuation techniques remained the same for this reporting period.

Water Supply Network

Assets within this class comprise dams, weirs, reservoirs, water treatment plant, water pumping stations and water pipelines.

This asset class is classified as being valued using Level 3 inputs.

The water supply network, was valued by APV Valuers & Asset Management for 1 July 2016. The Gross Current Replacement Value had been assessed on the basis of replacement with a new asset having similar service potential and includes allowances for installation and professional fees. The Gross Current Replacement Value costings were derived from reference to costing guides issued by the Australian Institute of Quantity Surveyors, NSW Reference Rates Manual, Rawlinson's (Australian Construction Handbook), Tweed Shire Council and APV internal database of costs. The Fair Value is the Gross Current Replacement Value less accumulated depreciation calculated to reflect the consumed or expired service potential of the asset. The depreciation of the assets was carried out by conducting a condition assessment of each asset at component level. Components have varying useful lives and consumption patterns.

These assets are indexed annually using the rate as determined by NSW DPI Water, being 1.40% for the 2016/17 reporting period.

This asset class is classified as being valued using Level 3 inputs.

Sewerage Network

Assets within this class comprise sewer treatment plants, sewer pumping stations, sewer pipelines.

This asset class is classified as being valued using Level 3 inputs.

The sewerage network, was valued by APV Valuers & Asset Management for 1 July 2016. The Gross Current Replacement Value had been assessed on the basis of replacement with a new asset having similar service potential and includes allowances for installation and professional fees. The Gross Current Replacement Value costings were derived from reference to costing guides issued by the Australian Institute of Quantity Surveyors, NSW Reference Rates Manual, Rawlinson's (Australian Construction Handbook), Tweed Shire Council and APV internal database of costs. The Fair Value is the Gross Current Replacement Value less accumulated depreciation calculated to reflect the consumed or expired service potential of the asset. The depreciation of the assets was carried out by conducting a condition assessment of each asset at component level. Components have varying useful lives and consumption patterns.

These assets are indexed annually using the rate as determined by NSW DPI Water, being 1.40% for the 2016/17 reporting period.

Tweed Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Operational land	Community land	Land under roads	Buildings non- specialised	Buildings specialised	Roads	Bridges	Footpaths	Total
Opening balance – 1/7/15	455,867	161,094	44,105	126,540	6,315	652,026	157,374	30,706	1,634,027
Transfers from/(to) another asset class	(8)	8	–	6,315	(6,315)	–	–	–	–
Purchases (GBV)	955	196	50	2,888	–	12,171	3,271	846	20,377
Disposals (WDV)	(58)	–	(1)	(196)	–	(1,425)	(320)	(338)	(2,338)
Depreciation and impairment	–	–	–	(1,759)	–	(11,943)	(2,147)	(507)	(16,356)
FV gains – other comprehensive income	28,381	(54,468)	756	4,071	–	4,558	1,108	215	(15,379)
Other movement	–	–	–	3,945	–	364	172	24	4,505
Closing balance – 30/6/16	485,137	106,830	44,910	141,804	–	655,751	159,458	30,946	1,624,836
Transfers from/(to) another asset class	(21)	–	21	–	–	–	–	–	–
Purchases (GBV)	2,661	–	40	5,051	–	13,663	3,655	1,472	26,542
Disposals (WDV)	–	–	–	(796)	–	(2,745)	(659)	(396)	(4,596)
Depreciation and impairment	–	–	–	(1,809)	–	(12,111)	(2,199)	(666)	(16,785)
FV gains – other comprehensive income	29,028	–	–	7,387	–	12,109	2,644	1,839	53,007
Other movement	–	(1,623)	(21)	–	–	–	–	–	(1,644)
Closing balance – 30/6/17	516,805	105,207	44,950	151,637	–	666,667	162,899	33,195	1,681,360

Tweed Shire Council

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

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Stormwater drainage	Water supply network	Sewerage network	Total
Opening balance – 1/7/15	150,176	455,588	549,832	1,155,596
Purchases (GBV)	3,667	5,115	9,575	18,357
Disposals (WDV)	(182)	(1,955)	(3,313)	(5,450)
Depreciation and impairment	(2,413)	(6,471)	(10,595)	(19,479)
FV gains – other comprehensive income	1,059	6,779	8,182	16,020
Closing balance – 30/6/16	152,307	459,056	553,681	1,165,044
Purchases (GBV)	4,432	2,801	4,659	11,892
Disposals (WDV)	(203)	(1,221)	(809)	(2,233)
Depreciation and impairment	(2,455)	(7,273)	(11,175)	(20,903)
FV gains – other comprehensive income	2,542	47,407	–	49,949
Other movement (details here)	–	–	(13,251)	(13,251)
Closing balance – 30/6/17	156,623	500,770	533,105	1,190,498

(5). Highest and best use

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

Tweed Shire Council

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

Note 28. Related party disclosures

\$ '000

a. Key management personnel

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

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

	Actual 2017
Compensation:	
Short-term benefits	1,626
Post-employment benefits	167
Other long-term benefits	53
Total	1,846

b. Other transactions with KMP and their related parties

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

Nature of the transaction	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
	\$'000	\$'000		\$'000	\$'000
Employee expenses relating to close family members of KMP	128	70	Local Government (State) Award		

- 1 Close family members of Council's KMP are employed by Council under the relevant pay award on an arm's length basis. There is 1 close family member of KMP currently employed by Council.

Tweed Shire Council

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

Note 29. Council information and contact details

Principal place of business:

Civic & Cultural Centre Tumbulgum Road
Murwillumbah NSW 2484

Contact details

Mailing address:

PO Box 816
Murwillumbah NSW 2484

Opening hours:

8.30 am - 4.15 pm Monday to Friday
Closed Public Holidays

Telephone: 1300 292 872

Facsimile: 02 6670 2149

Internet: www.tweed.nsw.gov.au

Email: tsc@council.nsw.gov.au

Officers

GENERAL MANAGER

Troy Green

RESPONSIBLE ACCOUNTING OFFICER

Michael Chorlton

AUDITORS

Audit Office of New South Wales
Level 15, 1 Margaret Street
Sydney NSW 2000

GPO Box 12 Sydney NSW 2001

Elected members

MAYOR

Katie Milne

COUNCILLORS

Pryce Allsop
Reece Byrnes
Chris Cherry
Ron Cooper
James Owen
Warren Polglase

Other information

ABN: 90 178 732 496



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

To the Councillors of the Tweed Shire Council

Opinion

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

In my opinion,

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

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

Basis for Opinion

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

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

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

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

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

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

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

The Councillors' Responsibility for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

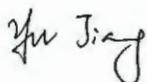
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

My opinion does *not* provide assurance:

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



Reiky Jiang
Director, Financial Audit Services

27 October 2017
SYDNEY

Ms Katie Milne
Mayor
Tweed Shire Council
PO Box 816
MURWILLUMBAH NSW 2484

Contact: Reiky Jiang
Phone no: 02 9275 7100
Our ref: D1726635/1795

27 October 2017

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2017
Tweed Shire Council**

I have audited the general purpose financial statements of the Tweed Shire Council (the Council) for the year ended 30 June 2017 as required by s415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's general purpose financial statements.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2017 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

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

INCOME STATEMENT

Operating result

	2017	2016	Variance
	\$'000	\$'000	%
Rates and annual charges revenue	104,966	100,450	4.5 ↑
Grants and contributions revenue	58,792	44,427	32.3 ↑
Operating result for the year	43,439	31,325	38.7 ↑
Net operating result before capital amounts	11,017	8,159	35.0 ↑

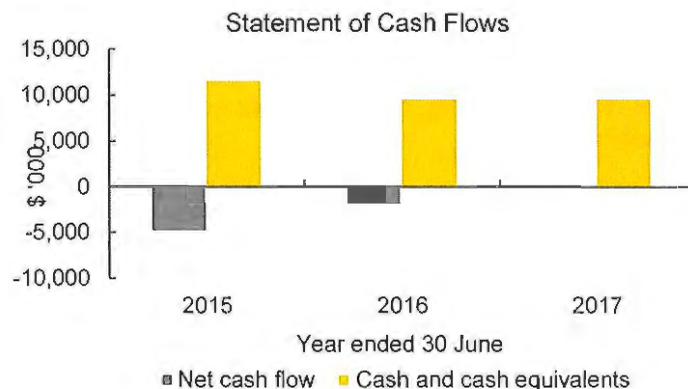
Council's consolidated operating result for the year has increased from \$31.3 million in 2015-16 to \$43.4 million for the year ended 30 June 2017. The key drivers of the increase in the operating result are:

- an increase in user charges of \$3.9 million
- the receipt of approximately \$4.3 million relating to the Kingscliff Foreshore Remediation grant; and
- the receipt of \$5.1 million of 2017/2018 grant funds in advance.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows illustrates the inflows and outflows of cash during the financial year. The adjacent graph illustrates that cash and cash equivalent assets has remained consistent with prior years. The reasons for the consistency in cash assets is as follows:

- the increase in net cash provided by operating activities is offset by the net cash used in investing and financing activities.



FINANCIAL POSITION

Cash and Investments

Restricted Cash and Investments	2017	2016	Commentary
	\$'000	\$'000	
External restrictions	210,576	187,892	<ul style="list-style-type: none"> Externally restricted cash and investments are restricted in their use by externally imposed requirements. Externally restricted balances include unexpended specific loans, developer contributions and domestic waste management charges. External restrictions for water and sewer have increased by \$22 million. Balances are Internally restricted due to Council policy or decisions for forward plans including works program. Additional funds have been allocated to the asset management reserve – infrastructure and community facilities during the year. Unrestricted balances provide liquidity for day-to-day operations. This balance has remained relatively steady.
Internal restrictions	85,016	72,248	
Unrestricted	10,240	9,599	
Cash and investments	305,832	269,739	

Debt

Council currently has secured borrowings totalling \$172.2 million with third parties:

- almost \$2.0 million in borrowings was raised during FY16/17
- Council has repaid \$8.5 million in principal during the year ended 30 June 2017.

PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 13 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's unaudited Special Schedule 7.

Operating performance ratio

Council's operating performance ratio continues to exceed the industry benchmark. The increase in the ratio in the 2016-17 financial year is largely attributable to the receipt of additional Financial Assistance Grant funds and increased user charges.

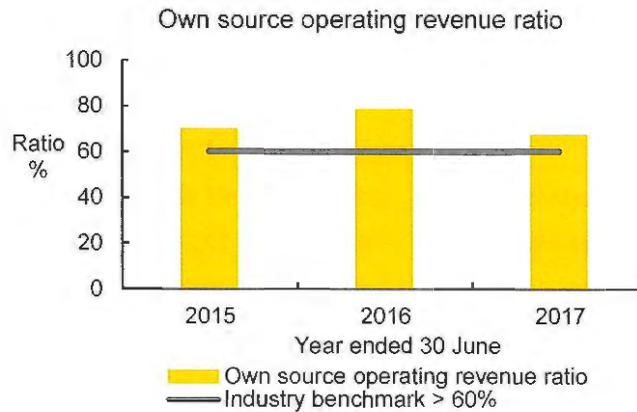
The 'operating performances ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than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



Own source operating revenue ratio

Council continues to exceed the industry benchmark which illustrates that revenue streams, such as the Tweed Coast Holiday Parks, reduce the Council's reliance on government funding.

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

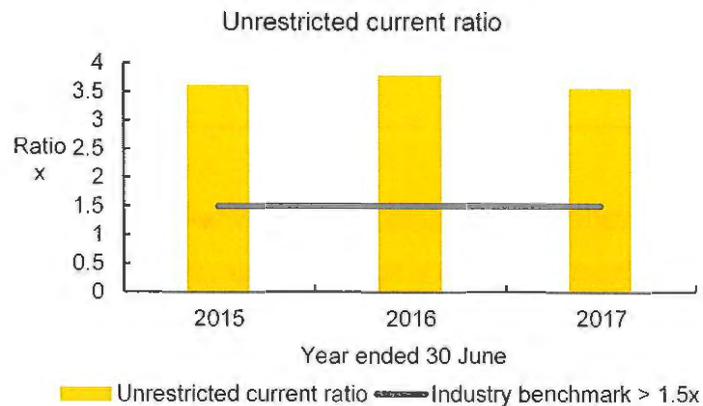


Unrestricted current ratio

This ratio indicates that Council currently has \$3.52 of unrestricted assets available to service every \$1.00 of its unrestricted current liabilities, including loan repayments and payables. The benchmark set by OLG is greater than 1.5 times.

Council's unrestricted current ratio continues to be well above the industry benchmark and largely reflects the amount of internally restricted reserves set aside for future works and other expenditure programmes.

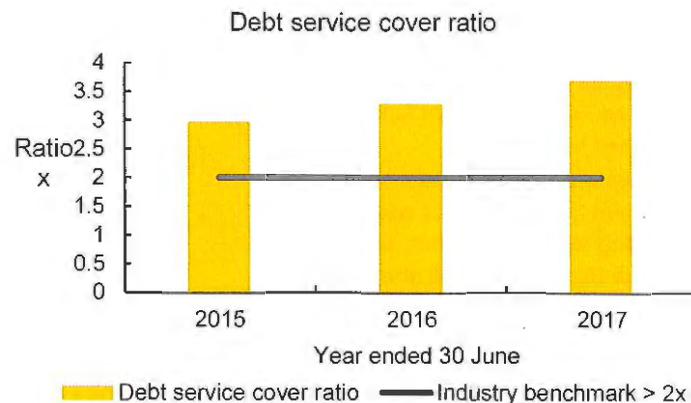
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due.



Debt service cover ratio

Council's debt service cover ratio continues to increase as debt levels fall and Council repays more principal than it takes out new borrowings.

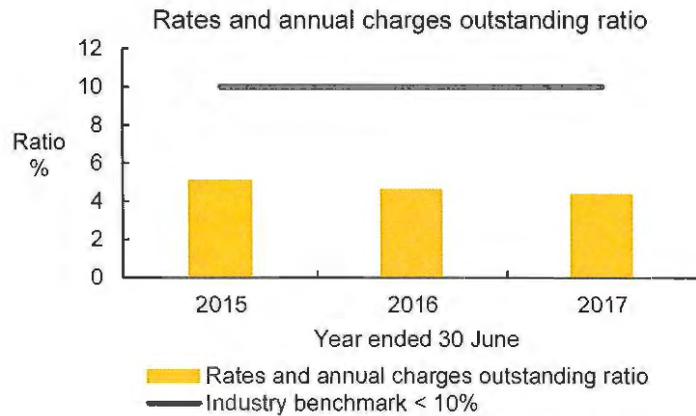
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding ratio

Council's rates and annual charges outstanding ratio continues to meet industry benchmark due to the Council's efforts to improve collection. One such program is the rates incentive draw where ratepayers who paid their 2017/2018 Council Rates in full were eligible to win one of three rates incentive prizes.

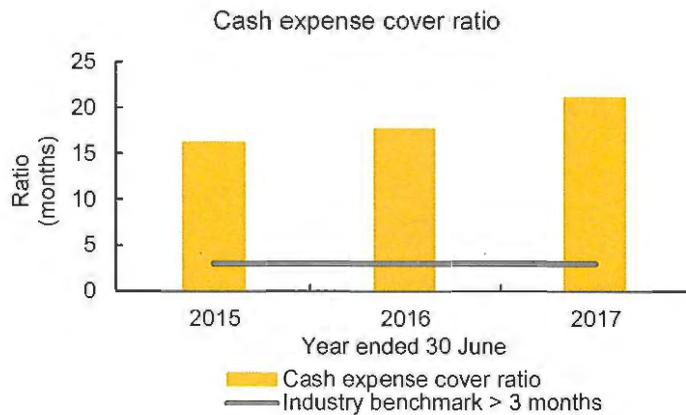
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for rural councils.



Cash expense cover ratio

Cash expense cover ratio has increased over the past three years as Council's cash and investments levels increased faster than its expenditure levels.

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 OLG is greater than three months.

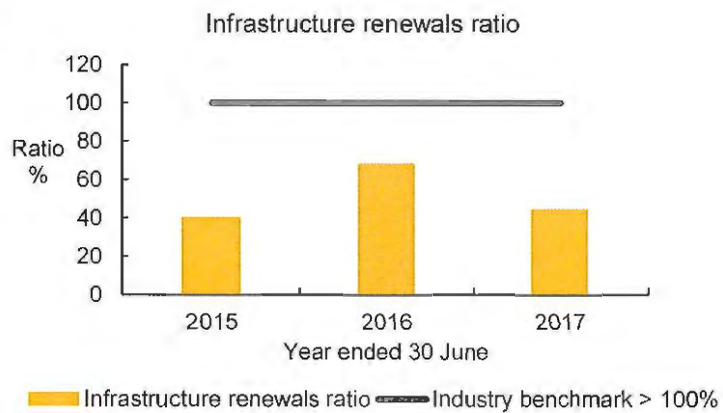


Infrastructure renewals ratio

The graph indicates that Council is not renewing existing infrastructure assets at the rate they are depreciating.

The 'infrastructure renewals ratio' assesses the rate at which these assets are being renewed against the rate at which they are depreciating. The benchmark set by OLG is greater than 100 per cent.

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



OTHER MATTERS

New accounting standards implemented

AASB 124 'Related Party Disclosures'

Effective for annual reporting periods beginning on or 1 July 2016

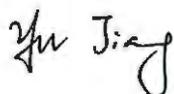
AASB 2015-6 extended the scope of AASB 124 to not-for-profit public sector entities. Council's financial statements disclosed the:

- compensation paid to their key management personnel
- nature of related party relationships
- amount and nature of related party transactions, outstanding balances and commitments and outstanding balances (including commitments).

Legislative compliance

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

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



Reiky Jiang

Director, Financial Audit Services

27 October 2017
SYDNEY

cc: Mr Colin Wight, Chair of the Audit Committee
Cr Katie Milne, Mayor
Tim Hurst, Acting Chief Executive of the Office of Local Government



Tweed Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017



TWEED
SHIRE COUNCIL

Tweed Shire Council

Special Purpose Financial Statements for the year ended 30 June 2017

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Background

(i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.

(ii) The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.

(iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include (a) those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and (b) those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).

(iv) In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must (a) adopt a corporatisation model and (b) apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).

Tweed Shire Council

Special Purpose Financial Statements for the year ended 30 June 2017

Statement by Councillors and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

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

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

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

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

Signed in accordance with a resolution of Council made on 26 October 2017.



Katie Milne
Mayor



Reece Byrnes
Councillor



Troy Green
General manager



Michael Chorlton
Responsible accounting officer

Tweed Shire Council

Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2017

\$ '000	Actual 2017	Actual 2016
Income from continuing operations		
Access charges	5,547	5,193
User charges	23,173	20,448
Fees	-	-
Interest	2,007	1,406
Grants and contributions provided for non-capital purposes	379	930
Share of profit from equity accounted investment	-	-
Other income	349	382
Total income from continuing operations	31,455	28,359
Expenses from continuing operations		
Employee benefits and on-costs	4,764	4,437
Borrowing costs	4,446	4,536
Materials and contracts	9,409	8,974
Depreciation, amortisation and impairment	7,338	6,522
Loss on sale of assets	1,221	1,955
Calculated taxation equivalents	804	710
Debt guarantee fee (if applicable)	311	318
Other expenses	1,017	954
Total expenses from continuing operations	29,310	28,406
Surplus (deficit) from continuing operations before capital amounts	2,145	(47)
Grants and contributions provided for capital purposes	5,892	3,858
Surplus (deficit) from continuing operations after capital amounts	8,037	3,811
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from all operations before tax	8,037	3,811
Less: corporate taxation equivalent (30%) (based on result before capital)	(644)	-
SURPLUS (DEFICIT) AFTER TAX	7,394	3,811
Plus opening retained profits	196,355	191,621
Plus/less: prior period adjustments	-	-
Plus adjustments for amounts unpaid:		
- Taxation equivalent payments	804	710
- Debt guarantee fees	311	318
- Corporate taxation equivalent	644	-
Less:		
- Tax equivalent dividend paid	(107)	(105)
- Surplus dividend paid	-	-
Closing retained profits	205,400	196,355
Return on capital %	1.2%	0.9%
Subsidy from Council	-	-
Calculation of dividend payable:		
Surplus (deficit) after tax	7,394	3,811
Less: capital grants and contributions (excluding developer contributions)	(445)	(449)
Surplus for dividend calculation purposes	6,949	3,362
Potential dividend calculated from surplus	3,474	1,681

Tweed Shire Council

Income Statement of Council's Sewerage Business Activity
for the year ended 30 June 2017

\$ '000	Actual 2017	Actual 2016
Income from continuing operations		
Access charges	27,759	26,644
User charges	–	–
Liquid trade waste charges	3,296	2,789
Fees	521	491
Interest	2,203	2,161
Grants and contributions provided for non-capital purposes	586	552
Other income	22	20
Total income from continuing operations	34,387	32,657
Expenses from continuing operations		
Employee benefits and on-costs	7,326	6,697
Borrowing costs	2,640	2,809
Materials and contracts	8,335	8,333
Depreciation, amortisation and impairment	11,299	10,707
Loss on sale of assets	812	3,313
Calculated taxation equivalents	999	934
Debt guarantee fee (if applicable)	151	165
Other expenses	1,929	1,736
Total expenses from continuing operations	33,491	34,694
Surplus (deficit) from continuing operations before capital amounts	896	(2,037)
Grants and contributions provided for capital purposes	4,327	5,291
Surplus (deficit) from continuing operations after capital amounts	5,223	3,254
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	5,223	3,254
Less: corporate taxation equivalent (30%) [based on result before capital]	(269)	–
SURPLUS (DEFICIT) AFTER TAX	4,954	3,254
Plus opening retained profits	236,290	232,038
Plus/less: prior period adjustments	–	–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	999	934
– Debt guarantee fees	151	165
– Corporate taxation equivalent	269	–
Less:		
– Tax equivalent dividend paid	(103)	(101)
– Surplus dividend paid	–	–
Closing retained profits	242,560	236,290
Return on capital %	0.6%	0.1%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	4,954	3,254
Less: capital grants and contributions (excluding developer contributions)	(1,446)	(3,159)
Surplus for dividend calculation purposes	3,508	95
Potential dividend calculated from surplus	1,754	48

Tweed Shire Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2017

\$ '000	Holiday Parks		Commercial Waste	
	Category 1		Category 1	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
Income from continuing operations				
Access charges	–	–	2,785	2,612
User charges	–	–	3,748	2,641
Fees	8,508	9,565	–	–
Interest	456	510	–	–
Grants and contributions provided for non-capital purposes	–	–	–	–
Profit from the sale of assets	–	–	–	–
Share of profit from equity accounted investment	–	–	–	–
Other income	285	369	9	127
Total income from continuing operations	9,249	10,444	6,542	5,380
Expenses from continuing operations				
Employee benefits and on-costs	550	885	237	511
Borrowing costs	7	49	6	(9)
Materials and contracts	2,863	2,177	3,471	3,540
Depreciation, amortisation and impairment	671	618	165	26
Loss on sale of assets	28	131	54	45
Calculated taxation equivalents	1,876	1,700	52	61
Debt guarantee fee (if applicable)	–	2	–	–
Other expenses	3,289	3,248	558	461
Total expenses from continuing operations	9,284	8,810	4,543	4,635
Surplus (deficit) from continuing operations before capital amounts	(35)	1,634	1,999	745
Grants and contributions provided for capital purposes	–	–	20	–
Surplus (deficit) from continuing operations after capital amounts	(35)	1,634	2,019	745
Surplus (deficit) from discontinued operations	–	–	–	–
Surplus (deficit) from all operations before tax	(35)	1,634	2,019	745
Less: corporate taxation equivalent (30%) [based on result before capital]	–	(490)	(600)	(224)
SURPLUS (DEFICIT) AFTER TAX	(35)	1,144	1,419	522
Plus opening retained profits	31,231	29,060	14,150	13,344
Plus/less: prior period adjustments	–	–	–	–
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	1,876	1,700	52	61
– Debt guarantee fees	–	2	–	–
– Corporate taxation equivalent	–	490	600	224
Add:				
– Subsidy paid/contribution to operations	–	–	–	–
Less:				
– TER dividend paid	–	–	–	–
– Dividend paid	(1,194)	(1,165)	–	–
Closing retained profits	31,878	31,231	16,221	14,150
Return on capital %	0.0%	1.7%	39.2%	18.0%
Subsidy from Council	2,713	529	–	–

Tweed Shire Council

Statement of Financial Position – Council's Water Supply Business Activity
as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
ASSETS		
Current assets		
Cash and cash equivalents	870	616
Investments	27,000	26,000
Receivables	3,712	3,318
Inventories	–	–
Other	32	19
Non-current assets classified as held for sale	–	–
Total current assets	31,614	29,953
Non-current assets		
Investments	25,000	17,000
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	546,647	498,267
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Total non-current assets	571,647	515,267
TOTAL ASSETS	603,261	545,220
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	479	404
Income received in advance	–	–
Borrowings	1,447	1,349
Provisions	–	–
Total current liabilities	1,926	1,753
Non-current liabilities		
Payables	–	–
Borrowings	60,749	62,196
Provisions	–	–
Total non-current liabilities	60,749	62,196
TOTAL LIABILITIES	62,675	63,949
NET ASSETS	540,586	481,271
EQUITY		
Retained earnings	205,400	196,355
Revaluation reserves	335,186	284,916
Other reserves	–	–
Council equity interest	540,586	481,271
Non-controlling equity interest	–	–
TOTAL EQUITY	540,586	481,271

Tweed Shire Council

Statement of Financial Position – Council's Sewerage Business Activity

as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
ASSETS		
Current assets		
Cash and cash equivalents	785	3,816
Investments	48,000	35,000
Receivables	2,387	2,232
Inventories	–	–
Other	30	17
Non-current assets classified as held for sale	–	–
Total current Assets	51,202	41,065
Non-current assets		
Investments	32,000	31,000
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	593,181	610,378
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Total non-current assets	625,181	641,378
TOTAL ASSETS	676,383	682,443
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	372	951
Income received in advance	–	–
Borrowings	2,439	2,255
Provisions	–	–
Total current liabilities	2,811	3,206
Non-current liabilities		
Payables	–	–
Borrowings	27,105	29,545
Provisions	–	–
Total non-current liabilities	27,105	29,545
TOTAL LIABILITIES	29,916	32,751
NET ASSETS	646,467	649,692
EQUITY		
Retained earnings	242,560	236,290
Revaluation reserves	403,907	413,402
Other reserves	–	–
Council equity interest	646,467	649,692
Non-controlling equity interest	–	–
TOTAL EQUITY	646,467	649,692

Tweed Shire Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2017

\$ '000	Holiday Parks		Commercial Waste	
	Category 1		Category 1	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
ASSETS				
Current assets				
Cash and cash equivalents	3,911	4,002	2,730	2,658
Investments	13,420	15,035	11,635	9,345
Receivables	116	213	–	–
Inventories	–	–	–	–
Other	146	142	–	–
Non-current assets classified as held for sale	–	–	–	–
Total Current Assets	17,593	19,392	14,365	12,003
Non-current assets				
Investments	–	–	–	–
Receivables	–	–	–	–
Inventories	–	–	–	–
Infrastructure, property, plant and equipment	112,796	101,955	5,111	4,089
Investments accounted for using equity method	–	–	–	–
Investment property	–	–	–	–
Total non-current assets	112,796	101,955	5,111	4,089
TOTAL ASSETS	130,389	121,347	19,476	16,092
LIABILITIES				
Current liabilities				
Bank overdraft	–	–	–	–
Payables	2,163	2,643	419	295
Income received in advance	–	–	–	–
Borrowings	–	60	–	–
Provisions	382	442	–	–
Total current liabilities	2,545	3,145	419	295
Non-current liabilities				
Payables	–	–	–	–
Borrowings	–	417	–	–
Provisions	7	–	1,087	310
Other Liabilities	–	–	–	–
Total non-current liabilities	7	417	1,087	310
TOTAL LIABILITIES	2,552	3,562	1,506	605
NET ASSETS	127,837	117,785	17,970	15,487
EQUITY				
Retained earnings	31,878	31,231	16,221	14,150
Revaluation reserves	95,959	86,554	1,749	1,337
Council equity interest	127,837	117,785	17,970	15,487
Non-controlling equity interest	–	–	–	–
TOTAL EQUITY	127,837	117,785	17,970	15,487

Tweed Shire Council

Special Purpose Financial Statements for the year ended 30 June 2017

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	10
2	Water Supply Business Best-Practice Management disclosure requirements	13
3	Sewerage Business Best-Practice Management disclosure requirements	15

Tweed Shire Council

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

Note 1. Significant accounting policies

These financial statements are Special Purpose Financial Statements (SPFS) prepared for use by Council and the New South Wales 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 SPFS 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)
- Australian Accounting Interpretations.

The disclosures in these SPFS have been prepared in accordance with

- the Local Government Act 1993 (NSW)
- the Local Government (General) Regulation
- the Local Government Code of Accounting Practice and Financial Reporting.

The statements are prepared on an accruals basis, based on historic costs and do not take into account changing money values nor current values of non-current assets (except where specifically stated).

Certain taxes and other costs (appropriately described) have been imputed for the purposes of the National Competition Policy.

National Competition Policy

Council has adopted the principle of 'competitive neutrality' in its business activities as part of the National Competition Policy that 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'.

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. 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)

- Tweed Water**
Supply of water
- Tweed Sewerage**
Sewerage Services
- Tweed Coast Holiday Parks**
Holiday/Caravan parks
- Commercial Waste**
Non-domestic waste collection and disposal

Category 2

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

Nil

Monetary amounts

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

As required by the NSW Office of Water (Department of Primary Industries) the amounts shown in Note 2 and Note 3 are disclosed in whole dollars.

Tweed Shire Council

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

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 the SPFS.

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

Notional rate applied (%)

Corporate income tax rate – 30%

Land tax – the first \$549,000 of combined land values attracts 0%. For the combined land values in excess of \$549,001 up to \$3,357,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$3,357,000 a premium marginal rate of 2.0% applies.

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

In accordance with the WaterNSW Best Practice Management of Water Supply and Sewerage 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 Best Practice Management of Water Supply and Sewerage 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 Best Practice Management of Water Supply and Sewerage 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 or loss from ordinary activities before capital amounts) as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

Income tax is only applied where a gain or (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.

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

Local government rates and charges

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

Loan and debt guarantee fees

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

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

Tweed Shire Council

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

Note 1. Significant accounting policies (continued)

(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 2.38% as at 30 June 2017.

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

(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.

The dividend must be calculated and approved in accordance with the Best Practice Management of Water Supply and Sewerage Guidelines and cannot not exceed:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2017 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the Best Practice Management of Water Supply and Sewerage Guidelines a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the WaterNSW prior to making the dividend and only after it has approved the payment.

Tweed Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2017Note 2. Water supply business
best-practice management disclosure requirements

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

2017

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	1,115,000
(ii)	Number of assessments multiplied by \$3/assessment	108,069
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	108,069
(iv)	Amounts actually paid for tax equivalents	107,418

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	3,474,250
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	972,621
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	11,151,500

2017 Surplus	6,948,500	2016 Surplus	3,362,000	2015 Surplus	841,000
		2016 Dividend	-	2015 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	972,621
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? ^a	YES

3. Required outcomes for 6 criteria

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

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

Tweed Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2017Note 2. Water supply business
best-practice management disclosure requirements (continued)

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

2017

National Water Initiative (NWI) financial performance indicators

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	35,493
NWI F4	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	76.61%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	546,545
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	14,371
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	3,801
NWI F17	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	2.52%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

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

Tweed Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2017Note 3. Sewerage business
best-practice management disclosure requirements

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

2017

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	1,150,000
(ii)	Number of assessments multiplied by \$3/assessment	103,206
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	103,206
(iv)	Amounts actually paid for tax equivalents	102,570

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	1,754,100
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	928,854
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	3,035,200

2017 Surplus	3,508,200	2016 Surplus	95,000	2015 Surplus	(568,000)
		2016 Dividend	-	2015 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	928,854
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? ^a	YES

3. Required outcomes for 4 criteria

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

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

Tweed Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2017Note 3. Sewerage business
best-practice management disclosure requirements (continued)

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

2017

National Water Initiative (NWI) financial performance indicators

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	36,591
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	592,812
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	16,778
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	3,052
NWI F18	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	1.44%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

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

NWI F3	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	70,054
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.06%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	6,853
NWI F19	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	1.96%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
NWI F21	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

Tweed Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2017Note 3. Sewerage business
best-practice management disclosure requirements (continued)

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

2017

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

NWI F22	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	-3.53%
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest Earnings before interest and tax (EBIT): Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c) Net interest: Interest expense (w4a + s4a) – interest income (w9 + s10)		7
NWI F24	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	15,106
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	745

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



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statement

Tweed Shire Council

To the Councillors of the Tweed Shire Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Tweed Shire Council's (the Council) Declared Business Activities, which comprise the statement of financial position of each Declared Business Activity as at 30 June 2017, the income statement of each Declared Business Activity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information for the Business Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council are:

- Water Supply Business Activity
- Sewerage Business Activity
- Holiday Parks Business Activity
- Commercial Waste 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 2017, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

My opinion should be read in conjunction with the rest of this report and in particular, the Emphasis of Matter referring to the basis of accounting.

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.

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 Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.

The Councillors' Responsibility 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 must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting, as it affects the Council's Declared Business Activities.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf.

The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the best practice management disclosures in Notes 2 and 3 of the financial statements
- 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.



Reiky Jiang
Director, Financial Audit Services

27 October 2017
SYDNEY



Tweed Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2017



Tweed Shire Council

Special Schedules for the year ended 30 June 2017

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Special Schedules¹		
Special Schedule 1	Net Cost of Services	2
Special Schedule 2(a)	Statement of Long Term Debt (all purposes)	4
Special Schedule 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993)	n/a
Special Schedule 3	Water Supply Operations – incl. Income Statement	5
Special Schedule 4	Water Supply – Statement of Financial Position	8
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¹ Special Schedules are not audited (with the exception of Special Schedule 8).

Background

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

Tweed Shire Council

Special Schedule 1 – Net Cost of Services
for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	3,767	5	-	(3,762)
Administration	22,192	7,410	719	(14,063)
Public order and safety				
Fire service levy, fire protection, emergency services	1,433	353	7	(1,073)
Beach control	665	24	-	(641)
Enforcement of local government regulations	1,129	276	-	(853)
Animal control	446	243	-	(203)
Other	6	-	-	(6)
Total public order and safety	3,679	896	7	(2,776)
Health	1,745	507	-	(1,238)
Environment				
Noxious plants and insect/vermin control	526	121	-	(405)
Other environmental protection	4,605	1,739	262	(2,604)
Solid waste management	18,385	22,841	66	4,522
Street cleaning	-	-	-	-
Drainage	5,703	115	1,637	(3,951)
Stormwater management	-	-	-	-
Total environment	29,219	24,816	1,965	(2,438)
Community services and education				
Administration and education	1,381	6	-	(1,375)
Social protection (welfare)	673	1,459	-	786
Aged persons and disabled	864	31	-	(833)
Children's services	24	4	-	(20)
Total community services and education	2,942	1,500	-	(1,442)
Housing and community amenities				
Public cemeteries	1,110	898	45	(167)
Public conveniences	940	-	-	(940)
Street lighting	1,006	152	-	(854)
Town planning	5,142	1,093	-	(4,049)
Other community amenities	24	1	-	(23)
Total housing and community amenities	8,222	2,144	45	(6,033)
Water supplies	23,537	30,667	5,892	13,022
Sewerage services	28,471	34,223	4,327	10,079

Tweed Shire Council

Special Schedule 1 – Net Cost of Services (continued)
for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	2,604	256	–	(2,348)
Museums	705	8	–	(697)
Art galleries	1,869	602	413	(854)
Community centres and halls	691	312	815	436
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	121	1	–	(120)
Sporting grounds and venues	1,983	424	1,829	270
Swimming pools	4,158	1,605	–	(2,553)
Parks and gardens (lakes)	7,707	188	5,562	(1,957)
Other sport and recreation	1,429	85	–	(1,344)
Total recreation and culture	21,267	3,481	8,619	(9,167)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	1,952	1,979	–	27
Other mining, manufacturing and construction	88	4	–	(84)
Total mining, manufacturing and const.	2,040	1,983	–	(57)
Transport and communication				
Urban roads (UR) – local	15,007	496	8,670	(5,841)
Urban roads – regional	32	14	20	2
Sealed rural roads (SRR) – local	3,270	2,697	152	(421)
Sealed rural roads (SRR) – regional	2,106	1,886	76	(144)
Unsealed rural roads (URR) – local	2,173	(12)	5	(2,180)
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	804	–	–	(804)
Bridges on SRR – local	3,003	(4)	13	(2,994)
Bridges on URR – local	17	–	–	(17)
Bridges on regional roads	60	(3)	–	(63)
Parking areas	225	79	–	(146)
Footpaths	1,628	4	307	(1,317)
Aerodromes	89	33	17	(39)
Other transport and communication	2,732	495	1,588	(649)
Total transport and communication	31,146	5,685	10,848	(14,613)
Economic affairs				
Camping areas and caravan parks	7,190	8,575	–	1,385
Other economic affairs	1,229	156	–	(1,073)
Total economic affairs	8,419	8,731	–	312
Totals – functions	186,646	122,048	32,422	(32,176)
General purpose revenues ⁽¹⁾		75,615		75,615
Share of interests – joint ventures and associates using the equity method	–	–	–	–
NET OPERATING RESULT ⁽²⁾	186,646	197,663	32,422	43,439

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

(2) As reported in the Income Statement

Tweed Shire Council

Special Schedule 2(a) – Statement of Long Term Debt (all purpose)

for the year ended 30 June 2017

\$'000

Classification of debt	Principal outstanding at beginning of the year			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
Loans (by source)											
Commonwealth Government	-	-	-							-	-
NSW Treasury Corporation	-	-	-							-	-
Other State Government	1,742	5,463	7,205	-	2,158	-	-	7	1,682	3,365	5,047
Public subscription	-	-	-							-	-
Financial institutions	6,370	165,929	172,299	1,976	6,375	-	-	12,490	6,782	161,118	167,900
Other	-	-	-							-	-
Total loans	8,112	171,392	179,504	1,976	8,533	-	-	12,497	8,464	164,483	172,947
Other long term debt											
Ratepayers advances	-	-	-							-	-
Government advances	-	-	-							-	-
Finance leases	-	-	-							-	-
Deferred payments	-	-	-							-	-
Total long term debt	-	-	-	-	-	-	-	-	-	-	-
Total debt	8,112	171,392	179,504	1,976	8,533	-	-	12,497	8,464	164,483	172,947

Notes: excludes (i) internal loans and (ii) principal inflows/outflows relating to loan re-financing.

This schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which are reported in the GPFS).

Tweed Shire Council

Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	4,951	4,527
b. Engineering and supervision	1,959	1,659
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	330	346
b. Maintenance expenses	99	107
– Mains		
c. Operation expenses	159	155
d. Maintenance expenses	1,236	1,099
– Reservoirs		
e. Operation expenses	183	170
f. Maintenance expenses	89	103
– Pumping stations		
g. Operation expenses (excluding energy costs)	191	160
h. Energy costs	662	617
i. Maintenance expenses	212	120
– Treatment		
j. Operation expenses (excluding chemical costs)	1,333	1,368
k. Chemical costs	854	808
l. Maintenance expenses	381	279
– Other		
m. Operation expenses	705	619
n. Maintenance expenses	972	1,493
o. Purchase of water	55	51
3. Depreciation expenses		
a. System assets	7,273	6,489
b. Plant and equipment	67	33
4. Miscellaneous expenses		
a. Interest expenses	4,445	4,536
b. Revaluation decrements	–	–
c. Other expenses	862	683
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	107	106
5. Total expenses	27,125	25,528

Tweed Shire Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
Income		
6. Residential charges		
a. Access (including rates)	4,952	4,614
b. Usage charges	16,217	14,199
7. Non-residential charges		
a. Access (including rates)	599	579
b. Usage charges	6,535	5,804
8. Extra charges	109	115
9. Interest income	1,898	1,291
10. Other income	810	827
10a. Aboriginal Communities Water and Sewerage Program	–	–
11. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	379	382
c. Other grants	–	548
12. Contributions		
a. Developer charges	5,447	3,409
b. Developer provided assets	445	449
c. Other contributions	–	–
13. Total income	<u>37,391</u>	<u>32,217</u>
14. Gain (or loss) on disposal of assets	(1,221)	(1,955)
15. Operating result	<u>9,045</u>	<u>4,734</u>
15a. Operating result (less grants for acquisition of assets)	9,045	4,734

Tweed Shire Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	547	645
b. New assets for growth	1,824	86
c. Renewals	1,402	2,397
d. Plant and equipment	28	45
17. Repayment of debt	1,349	1,258
18. Totals	<u>5,150</u>	<u>4,431</u>
Non-operating funds employed		
19. Proceeds from disposal of assets	–	–
20. Borrowing utilised	–	–
21. Totals	<u>–</u>	<u>–</u>
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	33,190	32,931
b. Residential (unoccupied, ie. vacant lot)	778	1,058
c. Non-residential (occupied)	1,863	1,661
d. Non-residential (unoccupied, ie. vacant lot)	192	156
23. Number of ETs for which developer charges were received	407 ET	263 ET
24. Total amount of pensioner rebates (actual dollars)	\$ 687,082	\$ 693,010

Tweed Shire Council

Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
25. Cash and investments			
a. Developer charges	-	-	-
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	-	-	-
e. Sinking fund	-	-	-
f. Other	27,870	25,000	52,870
26. Receivables			
a. Specific purpose grants	3	-	3
b. Rates and availability charges	235	-	235
c. User charges	3,474	-	3,474
d. Other	-	-	-
27. Inventories	-	-	-
28. Property, plant and equipment			
a. System assets	-	546,545	546,545
b. Plant and equipment	-	102	102
29. Other assets	32	-	32
30. Total assets	<u>31,614</u>	<u>571,647</u>	<u>603,261</u>
LIABILITIES			
31. Bank overdraft	-	-	-
32. Creditors	479	-	479
33. Borrowings	1,447	60,749	62,196
34. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
35. Total liabilities	<u>1,926</u>	<u>60,749</u>	<u>62,675</u>
36. NET ASSETS COMMITTED	<u>29,688</u>	<u>510,898</u>	<u>540,586</u>
EQUITY			
37. Accumulated surplus			205,400
38. Asset revaluation reserve			335,186
39. Other reserves			-
40. TOTAL EQUITY			<u>540,586</u>
Note to system assets:			
41. Current replacement cost of system assets			644,286
42. Accumulated current cost depreciation of system assets			(97,741)
43. Written down current cost of system assets			<u>546,545</u>

Tweed Shire Council

Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	3,615	3,847
b. Engineering and supervision	1,887	1,641
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	258	280
b. Maintenance expenses	1,810	1,462
– Pumping stations		
c. Operation expenses (excluding energy costs)	734	715
d. Energy costs	595	495
e. Maintenance expenses	1,685	1,740
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	1,842	1,854
g. Chemical costs	664	747
h. Energy costs	980	951
i. Effluent management	73	46
j. Biosolids management	616	759
k. Maintenance expenses	1,559	1,056
– Other		
l. Operation expenses	378	297
m. Maintenance expenses	82	102
3. Depreciation expenses		
a. System assets	11,175	10,595
b. Plant and equipment	123	112
4. Miscellaneous expenses		
a. Interest expenses	2,640	2,809
b. Revaluation decrements	–	–
c. Other expenses	809	776
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	103	101
5. Total expenses	31,628	30,385

Tweed Shire Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
Income		
6. Residential charges (including rates)	25,551	24,480
7. Non-residential charges		
a. Access (including rates)	2,219	2,172
b. Usage charges	2,219	1,993
8. Trade waste charges		
a. Annual fees	66	82
b. Usage charges	1,011	718
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
9. Extra charges	86	89
10. Interest income	2,117	2,072
11. Other income	746	685
11a. Aboriginal Communities Water and Sewerage Program	–	–
12. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	366	368
c. Other grants	–	–
13. Contributions		
a. Developer charges	2,881	2,132
b. Developer provided assets	1,446	3,159
c. Other contributions	–	–
14. Total income	38,708	37,950
15. Gain (or loss) on disposal of assets	(809)	(3,313)
16. Operating result	6,271	4,252
16a. Operating result (less grants for acquisition of assets)	6,271	4,252

Tweed Shire Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	567	538
b. New assets for growth	505	648
c. Renewals	1,916	3,971
d. Plant and equipment	64	128
18. Repayment of debt	2,686	2,605
19. Totals	<u>5,738</u>	<u>7,890</u>
Non-operating funds employed		
20. Proceeds from disposal of assets	-	-
21. Borrowing utilised	-	-
22. Totals	<u>-</u>	<u>-</u>
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	31,891	31,457
b. Residential (unoccupied, ie. vacant lot)	742	990
c. Non-residential (occupied)	1,619	1,601
d. Non-residential (unoccupied, ie. vacant lot)	150	142
24. Number of ETs for which developer charges were received	453 ET	337 ET
25. Total amount of pensioner rebates (actual dollars)	\$ 661,953	\$ 668,527

Tweed Shire Council

Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
26. Cash and investments			
a. Developer charges	-	-	-
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	6,190	-	6,190
e. Sinking fund	-	-	-
f. Other	42,595	32,000	74,595
27. Receivables			
a. Specific purpose grants	2	-	2
b. Rates and availability charges	1,135	-	1,135
c. User charges	1,249	-	1,249
d. Other	-	-	-
28. Inventories	-	-	-
29. Property, plant and equipment			
a. System assets	-	592,812	592,812
b. Plant and equipment	-	369	369
30. Other assets	31	-	31
31. Total assets	<u>51,202</u>	<u>625,181</u>	<u>676,383</u>
LIABILITIES			
32. Bank overdraft	-	-	-
33. Creditors	372	-	372
34. Borrowings	2,439	27,105	29,544
35. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
36. Total liabilities	<u>2,811</u>	<u>27,105</u>	<u>29,916</u>
37. NET ASSETS COMMITTED	<u>48,391</u>	<u>598,076</u>	<u>646,467</u>
EQUITY			
38. Accumulated surplus			242,560
39. Asset revaluation reserve			403,907
40. Other reserves			-
41. TOTAL EQUITY			<u>646,467</u>
Note to system assets:			
42. Current replacement cost of system assets			737,714
43. Accumulated current cost depreciation of system assets			(144,902)
44. Written down current cost of system assets			<u>592,812</u>

Tweed Shire Council

Notes to Special Schedules 3 and 5 for the year ended 30 June 2017

Administration ⁽¹⁾

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

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

Engineering and supervision ⁽¹⁾

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes:

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

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

Tweed Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings ^(b)	Civic Buildings/Admin	375		293	233	31,857	38,726	7%	25%	66%	0%	2%
	Community	376		156	151	17,038	19,378	27%	37%	22%	12%	2%
	Cultural			55	129	24,191	26,532	60%	19%	21%	0%	0%
	Emergency	33		23	44	3,226	3,639	8%	43%	44%	5%	0%
	Operational	498		152	192	31,615	35,112	41%	27%	19%	9%	4%
	Public Toilets	47		49	197	6,814	7,349	27%	32%	32%	8%	1%
	Recreation	225		193	225	32,597	35,786	35%	28%	33%	3%	1%
	Residential	31		48	31	4,299	5,853	7%	49%	34%	3%	7%
	Sub-total	1,585	-	969	1,202	151,637	186,555	28.7%	25.8%	32.1%	4.0%	9.4%
Other structures	Other	111		12	-	355	695	49%	3%	4%	9%	35%
	Sub-total	111	-	12	-	355	695	49.0%	3.0%	4.0%	9.0%	35.0%
Roads	Sealed roads	7,179		4,480	2,731	452,903	615,242	28%	53%	15%	4%	0%
	Unsealed roads	149		67	474	3,157	5,944	36%	18%	40%	6%	0%
	Bridges	14		205	301	162,899	192,447	82%	17%	1%		0%
	Footpaths	536		345	497	33,196	40,921	64%	7%	17%	10%	2%
	Kerb and gutter	788		267	143	46,471	57,606	73%	13%	9%	5%	0%
	Street furniture	27		12	140	9,805	11,099	91%	6%	2%	1%	0%
	Car parks	142		42	3	6,573	8,470	75%	9%	11%	5%	0%
	Bulk earthworks					147,757	147,757	100%				0%
	Sub-total	8,835	-	5,418	4,289	862,761	1,079,486	52.3%	34.4%	10.2%	3.0%	0.1%

Tweed Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost					
								1	2	3	4	5	
Water supply network	Dams/weirs	34		335	251	65,656	74,279	16%	81%	3%		0%	
	Mains	1,651		2,284	2,332	307,915	356,930	74%	19%	6%	1%	0%	
	Reservoirs	334		1,325	1,001	13,541	23,079	11%	44%	35%	9%	1%	
	Pumping station/s	321		184	239	33,713	44,462	3%	42%	41%	14%	0%	
	Treatment	216		2,860	2,557	79,218	98,100	55%	39%	5%	1%	0%	
	Other	–		–	–	727	727	100%					0%
	Sub-total	2,556	–	6,988	6,380	500,770	597,577	56.0%	32.6%	9.2%	2.2%	0.0%	
Sewerage network	Mains	3,618		1,867	2,066	312,134	376,638	66%	20%	6%	2%	6%	
	Pumping station/s	193		3,608	2,891	58,525	85,830	14%	49%	34%	3%	0%	
	Treatment	350		4,862	4,702	162,446	214,973	30%	52%	17%	1%	0%	
	Sub-total	4,161	–	10,337	9,659	533,105	677,441	48.0%	33.8%	13.0%	1.8%	3.3%	

Tweed Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage	15,403		646	1,106	156,623	234,271	28%	29%	30%	2%	11%
	Sub-total	15,403	–	646	1,106	156,623	234,271	28.0%	29.0%	30.0%	2.0%	11.0%
Open space/recreational assets	Swimming pools	169		53	50	3,001	5,240	0%	85%	15%		0%
	Recreation other structures	639		631	616	24,920	35,126	67%	11%	19%	2%	1%
	Sub-total	808	–	684	666	27,921	40,366	58.3%	20.6%	18.5%	1.7%	0.9%
Other infrastructure	Other structures	1,061		277	233	5,581	11,595	28%	10%	40%	10%	12%
	Sub-total	1,061	–	277	233	5,581	11,595	28.0%	10.0%	40.0%	10.0%	12.0%
	TOTAL – ALL ASSETS	34,520	–	25,331	23,535	2,238,753	2,827,986	48.5%	32.6%	14.0%	2.5%	2.4%

Notes:

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

Infrastructure asset condition assessment 'key'

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

Tweed Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2017

\$ '000	Amounts	Indicator	Benchmark	Prior periods	
	2017	2017		2016	2015
Infrastructure asset performance indicators * consolidated					
1. Infrastructure renewals ratio					
Asset renewals ⁽¹⁾	<u>17,661</u>	44.16%	>= 100%	67.51%	39.59%
Depreciation, amortisation and impairment	<u>39,997</u>				
2. Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	<u>34,520</u>	1.65%	< 2%	3.31%	5.21%
Net carrying amount of infrastructure assets	<u>2,090,996</u>				
3. Asset maintenance ratio					
Actual asset maintenance	<u>23,535</u>	0.93	> 1.00	1.11	0.92
Required asset maintenance	<u>25,331</u>				

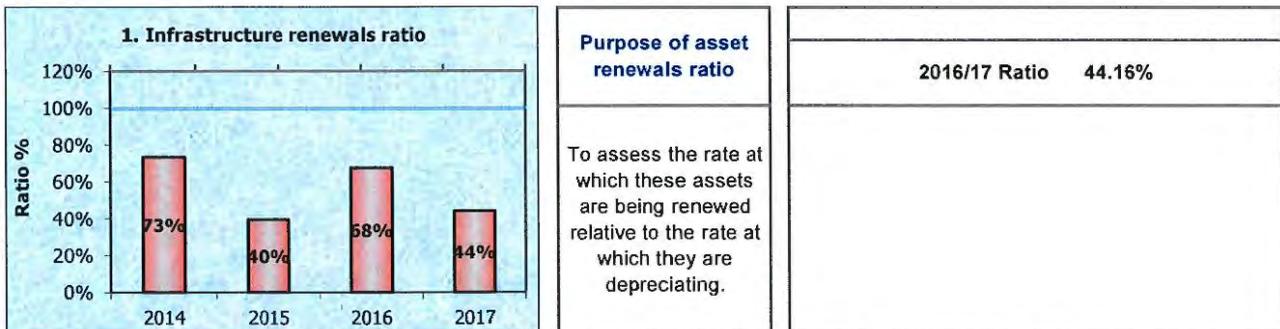
Notes

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

(1) 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.

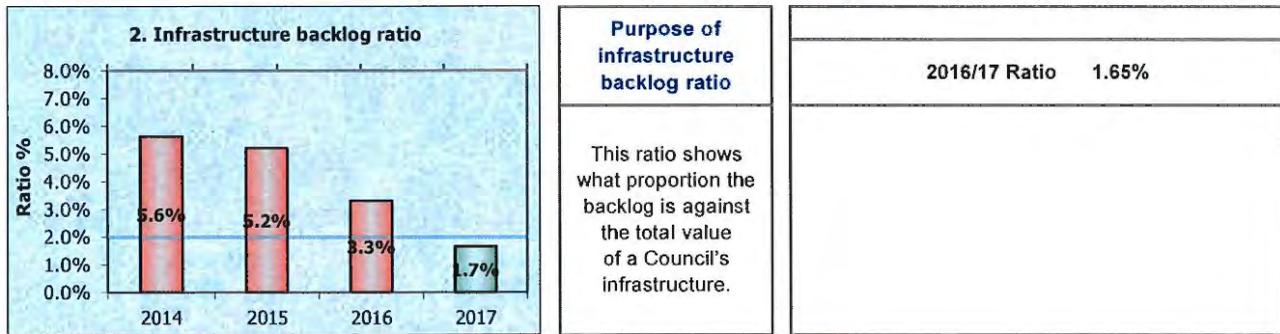
Tweed Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2017



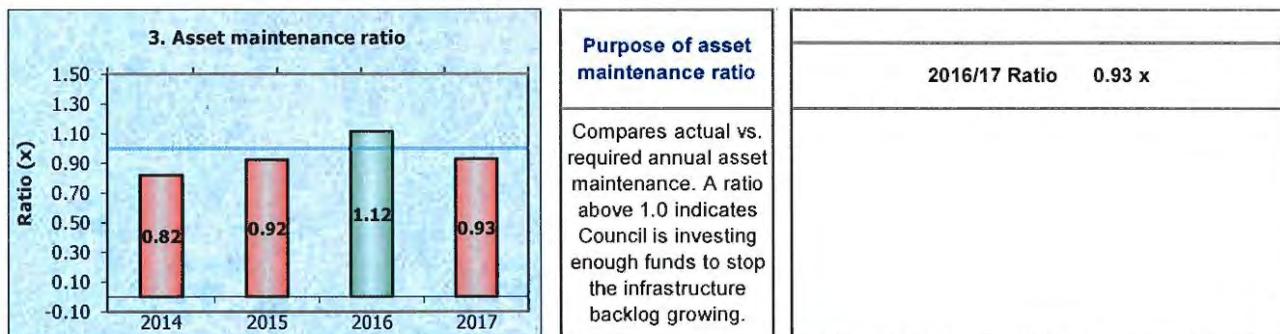
Benchmark: Minimum $\geq 100.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
 Ratio is outside benchmark



Benchmark: Maximum $< 2.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
 Ratio is outside benchmark



Benchmark: Minimum > 1.00
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
 Ratio is outside benchmark

Tweed Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2017

\$ '000	Benchmark	Water 2017	Sewer 2017	General ⁽¹⁾ 2017
Infrastructure asset performance indicators by fund				
1. Infrastructure renewals ratio				
<u>Asset renewals ⁽²⁾</u>				
Depreciation, amortisation and impairment	>= 100%	16.84%	9.58%	71.52%
	prior period:	32.66%	26.17%	99.56%
2. Infrastructure backlog ratio				
<u>Estimated cost to bring assets to a satisfactory standard</u>				
Net carrying amount of infrastructure assets	< 2%	0.51%	0.78%	2.63%
	prior period:	2.81%	5.07%	2.58%
3. Asset maintenance ratio				
<u>Actual asset maintenance</u>				
Required asset maintenance	> 1.00	0.91	0.93	0.94
	prior period:	1.23	1.13	1.03

Notes

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

(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.

Tweed Shire Council

Special Schedule 8 – Permissible Income Calculation
for the year ended 30 June 2018

\$'000		Calculation 2016/17	Calculation 2017/18
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	56,838	58,789
Plus or minus adjustments ⁽²⁾	b	368	506
Notional general income	c = (a + b)	57,206	59,295
Permissible income calculation			
Special variation percentage ⁽³⁾	d	2.77%	0.00%
Or rate peg percentage	e	0.00%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	—	—
Plus special variation amount	h = d x (c - g)	1,585	—
Or plus rate peg amount	i = c x e	—	889
Or plus Crown land adjustment and rate peg amount	j = c x f	—	—
Sub-total	k = (c + g + h + i + j)	58,791	60,184
Plus (or minus) last year's carry forward total	l	1	3
Less valuation objections claimed in the previous year	m	—	—
Sub-total	n = (l + m)	1	3
Total permissible income	o = k + n	58,792	60,187
Less notional general income yield	p	58,789	60,187
Catch-up or (excess) result	q = o - p	3	0
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	—	—
Less unused catch-up ⁽⁵⁾	s	—	—
Carry forward to next year	t = q + r - s	3	0

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 8 in the financial data return (FDR) to administer this process.

