



# Tweed Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

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# 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

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### Introduction

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

### What you will find in the statements

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

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Katie Milne  
Mayor

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Reece Byrnes  
Councillor

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Troy Green  
General manager

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Michael Chorlton  
Responsible accounting officer

## Tweed Shire Council

## Income Statement

for the year ended 30 June 2017

Budget <sup>1</sup> 2017	\$ '000	Notes	Actual 2017	Actual 2016
<b>Income from continuing operations</b>				
<b>Revenue:</b>				
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
<b>195,296</b>	<b>Total income from continuing operations</b>		<b>230,085</b>	<b>202,087</b>
<b>Expenses from continuing operations</b>				
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
<b>177,576</b>	<b>Total expenses from continuing operations</b>		<b>186,646</b>	<b>170,762</b>
<b>17,720</b>	<b>Operating result from continuing operations</b>		<b>43,439</b>	<b>31,325</b>
<b>17,720</b>	<b>Net operating result for the year</b>		<b>43,439</b>	<b>31,325</b>
17,720	Net operating result attributable to Council		43,439	31,325
<b>2,351</b>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>11,017</b>	<b>8,159</b>

<sup>1</sup> 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
<b>Net operating result for the year</b> (as per Income Statement)		<b>43,439</b>	<b>31,325</b>
<b>Other comprehensive income:</b>			
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
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>88,582</b>	<b>2,247</b>
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
<b>Total other comprehensive income for the year</b>		<b>88,582</b>	<b>2,247</b>
<b>Total comprehensive income for the year</b>		<b>132,021</b>	<b>33,572</b>
<b>Total comprehensive income attributable to Council</b>		<b>132,021</b>	<b>33,572</b>

## Tweed Shire Council

## Statement of Financial Position

as at 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
<b>ASSETS</b>			
<b>Current assets</b>			
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
<b>Total current assets</b>		<b>187,378</b>	<b>148,465</b>
<b>Non-current assets</b>			
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
<b>Total non-current assets</b>		<b>3,095,173</b>	<b>3,001,780</b>
<b>TOTAL ASSETS</b>		<b>3,282,551</b>	<b>3,150,245</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
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
<b>Total current liabilities</b>		<b>50,027</b>	<b>43,080</b>
<b>Non-current liabilities</b>			
Payables	10	559	543
Borrowings	10	164,113	170,689
Provisions	10	4,868	4,970
<b>Total non-current liabilities</b>		<b>169,540</b>	<b>176,202</b>
<b>TOTAL LIABILITIES</b>		<b>219,567</b>	<b>219,282</b>
<b>Net assets</b>		<b>3,062,984</b>	<b>2,930,963</b>
<b>EQUITY</b>			
Retained earnings	20	1,394,439	1,350,980
Revaluation reserves	20	1,668,545	1,579,983
<b>Council equity interest</b>		<b>3,062,984</b>	<b>2,930,963</b>
<b>Total equity</b>		<b>3,062,984</b>	<b>2,930,963</b>

## Tweed Shire Council

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

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



## Tweed Shire Council

## Statement of Cash Flows

for the year ended 30 June 2017

Budget 2017	\$ '000	Notes	Actual 2017	Actual 2016
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
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
<b>Payments:</b>				
(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)
<u>60,087</u>	<b>Net cash provided (or used in) operating activities</b>	11b	<u>89,349</u>	<u>79,763</u>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
–	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	–
<b>Payments:</b>				
(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)
<u>(49,035)</u>	<b>Net cash provided (or used in) investing activities</b>		<u>(82,755)</u>	<u>(75,308)</u>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
1,976	Proceeds from borrowings and advances		1,976	1,976
<b>Payments:</b>				
(8,047)	Repayment of borrowings and advances		(8,533)	(8,418)
<u>(6,071)</u>	<b>Net cash flow provided (used in) financing activities</b>		<u>(6,557)</u>	<u>(6,442)</u>
4,981	<b>Net increase/(decrease) in cash and cash equivalents</b>		37	(1,987)
5,537	Plus: <b>cash and cash equivalents – beginning of year</b>	11a	9,530	11,517
<u>10,518</u>	<b>Cash and cash equivalents – end of the year</b>	11a	<u>9,567</u>	<u>9,530</u>
Additional Information:				
	plus: <b>Investments on hand – end of year</b>	6b	296,265	260,209
	<b>Total cash, cash equivalents and investments</b>		<u>305,832</u>	<u>269,739</u>

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
<b>Total functions and activities</b>	<b>126,524</b>	<b>154,470</b>	<b>133,581</b>	<b>177,576</b>	<b>186,646</b>	<b>170,762</b>	<b>(51,052)</b>	<b>(32,176)</b>	<b>(37,181)</b>	<b>16,595</b>	<b>12,242</b>	<b>3,282,551</b>	<b>3,150,245</b>
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	–	–	–	–	–	–	–	–	–
General purpose income <sup>1</sup>	68,772	75,615	68,506	–	–	–	68,772	75,615	68,506	16,019	10,404	–	–
<b>Operating result from continuing operations</b>	<b>195,296</b>	<b>230,085</b>	<b>202,087</b>	<b>177,576</b>	<b>186,646</b>	<b>170,762</b>	<b>17,720</b>	<b>43,439</b>	<b>31,325</b>	<b>32,614</b>	<b>22,646</b>	<b>3,282,551</b>	<b>3,150,245</b>

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
<b>(a) Rates and annual charges</b>			
<b>Ordinary rates</b>			
Residential		47,812	46,609
Farmland		2,994	2,958
Business		4,921	4,902
<b>Total ordinary rates</b>		<b>55,727</b>	<b>54,469</b>
<b>Special rates</b>			
Koala beach		80	79
Cobaki Lakes		555	–
<b>Total special rates</b>		<b>635</b>	<b>79</b>
<b>Annual charges</b> (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
<b>Total annual charges</b>		<b>48,604</b>	<b>45,902</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>104,966</b>	<b>100,450</b>

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>(b) User charges and fees</b>			
<b>Specific user charges</b> (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
<b>Total user charges</b>		<b>30,222</b>	<b>26,368</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
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
<b>Total fees and charges – statutory/regulatory</b>		<b>3,821</b>	<b>4,023</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Aerodrome		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
<b>Total fees and charges – other</b>		<b>14,683</b>	<b>15,243</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>48,726</b>	<b>45,634</b>

## 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>(c) Interest and investment revenue (including losses)</b>			
<b>Interest</b>			
– 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
<b>Fair value adjustments</b>			
– Fair valuation movements in investments (at fair value or held for trading)		441	(135)
<b>TOTAL INTEREST AND INVESTMENT REVENUE</b>		<b>9,524</b>	<b>8,666</b>
<b>Interest revenue is attributable to:</b>			
<b>Unrestricted investments/financial assets:</b>			
Overdue rates and annual charges (general fund)		242	286
General Council cash and investments		3,049	2,636
<b>Restricted investments/funds – external:</b>			
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
<b>Restricted investments/funds – internal:</b>			
Internally restricted assets		578	711
<b>Total interest and investment revenue recognised</b>		<b>9,524</b>	<b>8,666</b>
<b>(d) Other revenues</b>			
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
Other		584	617
<b>TOTAL OTHER REVENUE</b>		<b>8,077</b>	<b>2,910</b>

## 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
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
Financial assistance – general component	11,034	6,849	–	–
Financial assistance – local roads component	4,020	2,644	–	–
Pensioners' rates subsidies – general component	965	911	–	–
<b>Total general purpose</b>	<b>16,019</b>	<b>10,404</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
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
<b>Total specific purpose</b>	<b>7,494</b>	<b>8,380</b>	<b>9,101</b>	<b>3,862</b>
<b>Total grants</b>	<b>23,513</b>	<b>18,784</b>	<b>9,101</b>	<b>3,862</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	15,054	13,806	4,249	3,204
– State funding	8,459	4,978	4,852	658
	<b>23,513</b>	<b>18,784</b>	<b>9,101</b>	<b>3,862</b>

## 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
<b>(f) Contributions</b>				
<b>Developer contributions:</b>				
<b>(s93 &amp; s94 – EP&amp;A Act, s64 of the LGA):</b>				
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
<b>Total developer contributions</b>	<b>–</b>	<b>–</b>	<b>18,829</b>	<b>15,038</b>
	17			
<b>Other contributions:</b>				
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	–
<b>Total other contributions</b>	<b>2,857</b>	<b>2,477</b>	<b>4,492</b>	<b>4,266</b>
<b>Total contributions</b>	<b>2,857</b>	<b>2,477</b>	<b>23,321</b>	<b>19,304</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>	<b>26,370</b>	<b>21,261</b>	<b>32,422</b>	<b>23,166</b>

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

## 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
<b>(a) Employee benefits and on-costs</b>			
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
<b>Total employee costs</b>		<b>59,572</b>	<b>59,639</b>
Less: capitalised costs		(5,689)	(6,477)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>53,883</b>	<b>53,162</b>
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on overdraft		1	2
Interest on loans		12,497	12,914
Other debts		20	–
<b>Total interest bearing liability costs expensed</b>		<b>12,518</b>	<b>12,916</b>
<b>(ii) Other borrowing costs</b>			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	26	12	(35)
Interest applicable on interest free (and favourable) loans to Council		430	519
<b>Total other borrowing costs</b>		<b>442</b>	<b>484</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>12,960</b>	<b>13,400</b>

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

## 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
<b>(d) Depreciation, amortisation and impairment</b>			
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
<b>Total depreciation and amortisation costs</b>		<b>43,607</b>	<b>41,135</b>
<b>Impairment</b>			
Nil			
<b><u>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</u></b>		<b><u>43,607</u></b>	<b><u>41,135</u></b>
<b>(e) Other expenses</b>			
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	–
<b><u>TOTAL OTHER EXPENSES</u></b>		<b><u>13,989</u></b>	<b><u>12,830</u></b>



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

## 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
<b>Cash and cash equivalents (Note 6a)</b>					
Cash on hand and at bank		428	–	941	–
Cash-equivalent assets <sup>1</sup>					
– Deposits at call		9,139	–	8,589	–
<b>Total cash and cash equivalents</b>		<b>9,567</b>	<b>–</b>	<b>9,530</b>	<b>–</b>
<b>Investments (Note 6b)</b>					
– 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
<b>Total investments</b>		<b>155,398</b>	<b>140,867</b>	<b>123,689</b>	<b>136,520</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>		<b>164,965</b>	<b>140,867</b>	<b>133,219</b>	<b>136,520</b>

<sup>1</sup> 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:**

<b>Cash and cash equivalents</b>					
a. 'At fair value through the profit and loss'		<b>9,567</b>	<b>–</b>	<b>9,530</b>	<b>–</b>
<b>Investments</b>					
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
<b>Investments</b>		<b>155,398</b>	<b>140,867</b>	<b>123,689</b>	<b>136,520</b>

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
<b>Total cash, cash equivalents and investments</b>	<b>164,965</b>	<b>140,867</b>	<b>133,219</b>	<b>136,520</b>
<b>attributable to:</b>				
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	–
	<b>164,965</b>	<b>140,867</b>	<b>133,219</b>	<b>136,520</b>

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing 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
<b>External restrictions – included in liabilities</b>	<b>8,161</b>	<b>307</b>	<b>(18)</b>	<b>8,450</b>

**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
<b>External restrictions – other</b>	<b>179,731</b>	<b>60,473</b>	<b>(38,078)</b>	<b>202,126</b>
<b>Total external restrictions</b>	<b>187,892</b>	<b>60,780</b>	<b>(38,096)</b>	<b>210,576</b>

**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
<b>Internal restrictions</b>				
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
<b>Total internal restrictions</b>	<b>72,248</b>	<b>71,991</b>	<b>(59,223)</b>	<b>85,016</b>
<b>TOTAL RESTRICTIONS</b>	<b>260,140</b>	<b>132,771</b>	<b>(97,319)</b>	<b>295,592</b>

## 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
<b>Purpose</b>					
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	–	–	–
<b>Total</b>		<b>20,973</b>	<b>93</b>	<b>13,775</b>	<b>100</b>
<b>Less: provision for impairment</b>					
Doubtful debts		(180)	–	(171)	–
<b>Total provision for impairment – receivables</b>		<b>(180)</b>	<b>–</b>	<b>(171)</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>		<b>20,793</b>	<b>93</b>	<b>13,604</b>	<b>100</b>
<b>Externally restricted receivables</b>					
<b>Water supply</b>					
– Specific purpose grants		3	–	2	–
– Rates and availability charges		235	–	239	–
– Other		3,474	–	3,077	–
<b>Sewerage services</b>					
– Specific purpose grants		2	–	2	–
– Rates and availability charges		1,135	–	1,153	–
– Other		1,249	–	1,077	–
<b>Domestic waste management</b>		<b>485</b>	<b>–</b>	<b>473</b>	<b>–</b>
Tweed Coast Holiday Parks		116	–	213	–
<b>Total external restrictions</b>		<b>6,699</b>	<b>–</b>	<b>6,236</b>	<b>–</b>
<b>Internally restricted receivables</b>					
Nil					
<b>Unrestricted receivables</b>		<b>14,094</b>	<b>93</b>	<b>7,368</b>	<b>100</b>
<b>TOTAL NET RECEIVABLES</b>		<b>20,793</b>	<b>93</b>	<b>13,604</b>	<b>100</b>

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

**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	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
<b>\$ '000</b>														
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
<b>Land:</b>														
– 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
<b>Infrastructure:</b>														
– 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
<b>Other assets:</b>														
– Artworks	5,327	–	5,327	443	–	–	–	–	–	–	521	6,291	–	6,291
<b>Reinstatement, rehabilitation and restoration assets (refer Note 26):</b>														
– Tip assets	687	643	44	–	1,543	–	(265)	–	–	–	–	2,406	1,084	1,322
– Quarry assets	177	174	3	–	–	–	(3)	–	–	–	–	–	–	–
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>3,593,568</b>	<b>728,823</b>	<b>2,864,745</b>	<b>24,160</b>	<b>33,207</b>	<b>(12,763)</b>	<b>(43,491)</b>	<b>–</b>	<b>(949)</b>	<b>(14,895)</b>	<b>103,477</b>	<b>3,543,947</b>	<b>590,456</b>	<b>2,953,491</b>

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



## Tweed Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 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
<b>Payables</b>					
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
<b>Total payables</b>		<b>15,426</b>	<b>559</b>	<b>10,436</b>	<b>543</b>
<b>Income received in advance</b>					
Payments received in advance		4,666	–	4,468	–
<b>Total income received in advance</b>		<b>4,666</b>	<b>–</b>	<b>4,468</b>	<b>–</b>
<b>Borrowings</b>					
Loans – secured <sup>1</sup>		8,130	164,113	7,681	170,689
<b>Total borrowings</b>		<b>8,130</b>	<b>164,113</b>	<b>7,681</b>	<b>170,689</b>
<b>Provisions</b>					
<b>Employee benefits:</b>					
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		<b>21,805</b>	<b>2,451</b>	<b>20,495</b>	<b>4,107</b>
Asset remediation/restoration (future works)	26	–	2,417	–	863
<b>Total provisions</b>		<b>21,805</b>	<b>4,868</b>	<b>20,495</b>	<b>4,970</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>		<b>50,027</b>	<b>169,540</b>	<b>43,080</b>	<b>176,202</b>

## 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
<b>(i) Liabilities relating to restricted assets</b>					
<b>Externally restricted assets</b>					
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		<u>9,160</u>	<u>87,854</u>	<u>9,615</u>	<u>92,157</u>
<b>Internally restricted assets</b>					
Nil					
<b>Total liabilities relating to restricted assets</b>		<u>9,160</u>	<u>87,854</u>	<u>9,615</u>	<u>92,157</u>
<b>Total liabilities relating to unrestricted assets</b>		<u>40,867</u>	<u>81,686</u>	<u>33,465</u>	<u>84,045</u>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>		<u><u>50,027</u></u>	<u><u>169,540</u></u>	<u><u>43,080</u></u>	<u><u>176,202</u></u>

<sup>1</sup> Loans are secured over the general rating income of Council

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 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
	<u><b>13,083</b></u>	<u><b>13,155</b></u>

## Note 10b. Description of and movements in provisions

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

- 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
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	9,567	9,530
Less bank overdraft	10	–	–
<b>Balance as per the Statement of Cash Flows</b>		<b>9,567</b>	<b>9,530</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>43,439</b>	<b>31,325</b>
<b>Adjust for non-cash items:</b>			
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)
<b>Losses/(gains) recognised on fair value re-measurements through the P&amp;L:</b>			
– 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)
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
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	–
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>89,349</b>	<b>79,763</b>

## 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
<b>(c) Non-cash investing and financing activities</b>			
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	–
<b>Total non-cash investing and financing activities</b>		<b>5,832</b>	<b>7,171</b>
<b>(d) Financing arrangements</b>			
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>			
Bank overdraft facilities <sup>(1)</sup>		1,000	1,000
Credit cards/purchase cards		300	300
<b>Total financing arrangements</b>		<b>1,300</b>	<b>1,300</b>
<b>Amounts utilised as at balance date:</b>			
– Credit cards/purchase cards		25	20
<b>Total financing arrangements utilised</b>		<b>25</b>	<b>20</b>

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
<b>(a) Capital commitments (exclusive of GST)</b>			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
<b>Property, plant and equipment</b>			
Buildings		1,789	278
Plant and equipment		128	10
Other		12,879	137
<b>Total commitments</b>		<b>14,796</b>	<b>425</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		14,766	425
Later than one year and not later than 5 years		30	–
Later than 5 years		–	–
<b>Total payable</b>		<b>14,796</b>	<b>425</b>
<b>Sources for funding of capital commitments:</b>			
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
<b>Total sources of funding</b>		<b>14,796</b>	<b>425</b>
<b>(b) Finance lease commitments</b>			
Nil			
<b>(c) Operating lease commitments (non-cancellable)</b>			
<b>a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:</b>			
Within the next year		342	350
Later than one year and not later than 5 years		431	302
Later than 5 years		–	–
<b>Total non-cancellable operating lease commitments</b>		<b>773</b>	<b>652</b>
<b>Conditions relating to operating leases:</b>			
– All operating lease agreements are secured only against the leased asset.			
– No lease agreements impose any financial restrictions on Council regarding future debt etc.			

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

## Notes

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

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

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

<sup>(3)</sup> Refer to Note 10(a).

<sup>(4)</sup> 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

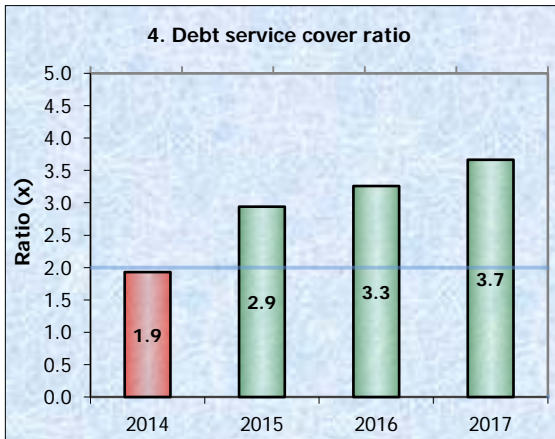
### Note 13a(ii). Local government industry indicators – graphs (consolidated)

<p><b>1. Operating performance ratio</b></p> <p>Benchmark: <span style="color: blue;">———</span> Minimum <math>\geq 0.00\%</math> Source for benchmark: Code of Accounting Practice and Financial Reporting #25</p>	<p><b>Purpose of operating performance ratio</b></p> <p>This ratio measures Council's achievement of containing operating expenditure within operating revenue.</p>	<p><b>Commentary on 2016/17 result</b></p> <p><b>2016/17 ratio 11.26%</b></p> <p>Abnormal revenue items - insurance claim recoveries and prepaid financial assistance grant - have improved this ratio</p>
<p><b>2. Own source operating revenue ratio</b></p> <p>Benchmark: <span style="color: blue;">———</span> Minimum <math>\geq 60.00\%</math> Source for benchmark: Code of Accounting Practice and Financial Reporting #25</p>	<p><b>Purpose of own source operating revenue ratio</b></p> <p>This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.</p>	<p><b>Commentary on 2016/17 result</b></p> <p><b>2016/17 ratio 74.40%</b></p> <p>Remains at an acceptable ratio</p>
<p><b>3. Unrestricted current ratio</b></p> <p>Benchmark: <span style="color: blue;">———</span> Minimum <math>\geq 1.50</math> Source for benchmark: Code of Accounting Practice and Financial Reporting #25</p>	<p><b>Purpose of unrestricted current ratio</b></p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p><b>Commentary on 2016/17 result</b></p> <p><b>2016/17 ratio 3.52x</b></p> <p>Remains at an acceptable ratio</p>

# Tweed Shire Council

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

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



**Purpose of debt service cover ratio**

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

**Commentary on 2016/17 result**

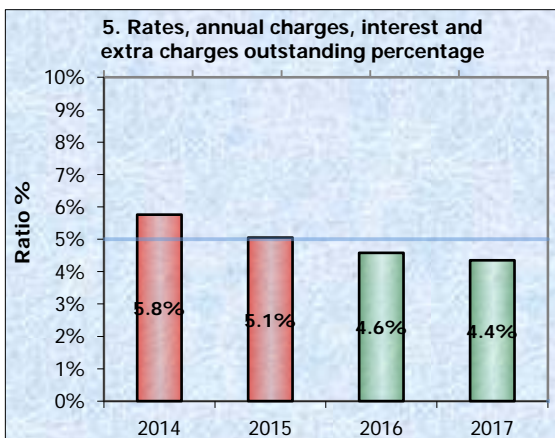
**2016/17 ratio 3.66x**

Higher revenues and stable debt service costs have improved this ratio

Benchmark: Minimum >=2.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark  
 Ratio is outside benchmark



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

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

**Commentary on 2016/17 result**

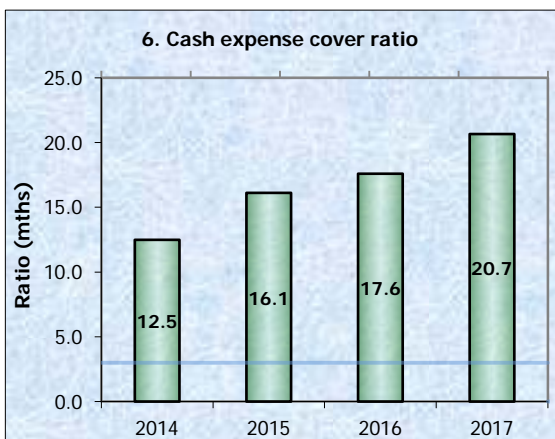
**2016/17 ratio 4.35%**

Rigorous debt recovery actions continue to improve this indicator

Benchmark: Maximum <5.00%

Source for Benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio is within Benchmark  
 Ratio is outside Benchmark



**Purpose of cash expense cover ratio**

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

**Commentary on 2016/17 result**

**2016/17 ratio 20.66 mths**

Remains at an acceptable ratio

Benchmark: Minimum >=3.00

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

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

## Notes

<sup>(1) - (4)</sup> Refer to Notes at Note 13a(i) above.<sup>(5)</sup> 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 <sup>5</sup>		Water indicators		Sewer indicators		Benchmark
	2017	2016	2017	2016	2017	2016	
<b>Local government industry indicators – by fund (continued)</b>							
<b>4. Debt service cover ratio</b>							
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation							
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>4.82x</b>	4.58x	<b>2.40x</b>	1.90x	<b>2.79x</b>	2.35x	>2x
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>							
Rates, annual and extra charges outstanding	<b>4.34%</b>	4.57%	<b>4.45%</b>	4.76%	<b>4.37%</b>	4.57%	< 5% Metro <10% Rural
Rates, annual and extra charges collectible							
<b>6. Cash expense cover ratio</b>							
Current year's cash and cash equivalents plus all term deposits							
Payments from cash flow of operating and financing activities	<b>13.57 months</b>	10.19 months	<b>31.72 months</b>	28.79 months	<b>40.56 months</b>	37.60 months	> 3 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
<b>Financial assets</b>				
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
<b>Total financial assets</b>	<b>326,718</b>	<b>283,443</b>	<b>326,718</b>	<b>283,443</b>
<b>Financial liabilities</b>				
Payables	11,319	10,979	11,319	10,979
Loans/advances	172,243	178,370	213,837	225,135
<b>Total financial liabilities</b>	<b>183,562</b>	<b>189,349</b>	<b>225,156</b>	<b>236,114</b>

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
<b>2017</b>				
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)
<b>2016</b>				
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
<b>(i) Ageing of receivables – %</b>					
Current (not yet overdue)		0%	95%	0%	81%
Overdue		100%	5%	100%	19%
		<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>(ii) Ageing of receivables – value</b>					
		Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
<b>Rates and annual charges</b>	<b>Other receivables</b>				
Current	Current	–	16,837	–	7,695
< 1 year overdue	0 – 30 days overdue	2,744	–	2,899	–
1 – 2 years overdue	31 – 60 days overdue	672	58	737	460
2 – 5 years overdue	61 – 90 days overdue	620	29	602	147
> 5 years overdue	> 91 days overdue	127	(21)	113	1,222
		<b>4,163</b>	<b>16,903</b>	<b>4,351</b>	<b>9,524</b>
<b>(iii) Movement in provision for impairment of receivables</b>					
				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)
<b>Balance at the end of the year</b>				<b>180</b>	<b>171</b>

## 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		
<b>2017</b>									
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
<b>Total financial liabilities</b>	<b>2,260</b>	<b>34,304</b>	<b>20,404</b>	<b>20,238</b>	<b>18,314</b>	<b>18,228</b>	<b>197,061</b>	<b>310,809</b>	<b>188,228</b>
<b>2016</b>									
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
<b>Total financial liabilities</b>	<b>2,008</b>	<b>29,623</b>	<b>20,511</b>	<b>20,335</b>	<b>20,165</b>	<b>20,162</b>	<b>231,153</b>	<b>343,957</b>	<b>189,349</b>

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%
	<b>188,228</b>		<b>189,349</b>	

## 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* -----		
<b>REVENUES</b>					
<b>Rates and annual charges</b>	<b>103,614</b>	<b>104,966</b>	<b>1,352</b>	1%	<b>F</b>
<b>User charges and fees</b>	<b>44,047</b>	<b>48,726</b>	<b>4,679</b>	11%	<b>F</b>
Major contributor was Sewer usage charges and waste dumping fees					
<b>Interest and investment revenue</b>	<b>9,922</b>	<b>9,524</b>	<b>(398)</b>	(4%)	<b>U</b>
<b>Other revenues</b>	<b>1,986</b>	<b>8,077</b>	<b>6,091</b>	307%	<b>F</b>
Insurance claim recoveries resulting from the March 2017 flood amounted to \$5.4 million					
<b>Operating grants and contributions</b>	<b>20,358</b>	<b>26,370</b>	<b>6,012</b>	30%	<b>F</b>
2017/18 Financial Assistance grants paid in advance					
<b>Capital grants and contributions</b>	<b>15,369</b>	<b>32,422</b>	<b>17,053</b>	111%	<b>F</b>
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* -----		
<b>EXPENSES</b>					
Employee benefits and on-costs	57,662	53,883	3,779	7%	<b>F</b>
Borrowing costs	12,551	12,960	(409)	(3%)	<b>U</b>
Materials and contracts	48,525	50,580	(2,055)	(4%)	<b>U</b>
Depreciation and amortisation	43,227	43,607	(380)	(1%)	<b>U</b>
Other expenses	15,611	13,989	1,622	10%	<b>F</b>
Substantial savings were achieved for electricity, insurance and telephone expenses					
Net losses from disposal of assets	-	11,627	(11,627)	0%	<b>U</b>
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%	<b>F</b>
Grants and contributions receipts exceeded budget expectations.					
Cash flows from investing activities	(49,035)	(82,755)	(33,720)	68.8%	<b>U</b>
Purchase of investment securities exceeded budget expectations.					
Cash flows from financing activities	(6,071)	(6,557)	(486)	8.0%	<b>U</b>



## 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	–
<b>S94 contributions – under a plan</b>	<b>30,237</b>	<b>8,610</b>	<b>–</b>	<b>1,026</b>	<b>(4,597)</b>	<b>–</b>	<b>35,276</b>	<b>–</b>
<b>Total S94 revenue under plans</b>	<b>30,237</b>	<b>8,610</b>	<b>–</b>	<b>1,026</b>	<b>(4,597)</b>	<b>–</b>	<b>35,276</b>	<b>–</b>
S94 not under plans	810	–	–	25	–	–	835	–
S64 contributions	1,701	8,327	1,892	32	(9,778)	(282)	–	–
<b>Total contributions</b>	<b>32,748</b>	<b>16,937</b>	<b>1,892</b>	<b>1,083</b>	<b>(14,375)</b>	<b>(282)</b>	<b>36,111</b>	<b>–</b>

## 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	–
<b>Total</b>	<b>4,449</b>	<b>26</b>	<b>–</b>	<b>141</b>	<b>(1)</b>	<b>–</b>	<b>4,615</b>	<b>–</b>

## 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	–
<b>Total</b>	<b>633</b>	<b>–</b>	<b>–</b>	<b>20</b>	<b>–</b>	<b>–</b>	<b>653</b>	<b>–</b>

## 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	–
<b>Total</b>	<b>2</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2</b>	<b>–</b>

## 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	–
<b>Total</b>	<b>13,469</b>	<b>4,055</b>	<b>–</b>	<b>455</b>	<b>(1,804)</b>	<b>–</b>	<b>16,175</b>	<b>–</b>

## 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	–
<b>Total</b>	<b>445</b>	<b>148</b>	<b>–</b>	<b>16</b>	<b>(38)</b>	<b>–</b>	<b>571</b>	<b>–</b>

## 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	–
<b>Total</b>	<b>199</b>	<b>4</b>	<b>–</b>	<b>6</b>	<b>–</b>	<b>–</b>	<b>209</b>	<b>–</b>

## 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	–
<b>Total</b>	<b>540</b>	<b>374</b>	<b>–</b>	<b>27</b>	<b>(19)</b>	<b>–</b>	<b>922</b>	<b>–</b>

## 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	–
<b>Total</b>	<b>2,151</b>	<b>316</b>	<b>–</b>	<b>66</b>	<b>(1,310)</b>	<b>–</b>	<b>1,223</b>	<b>–</b>

## 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	–
<b>Total</b>	<b>103</b>	<b>23</b>	<b>–</b>	<b>3</b>	<b>(1)</b>	<b>–</b>	<b>128</b>	<b>–</b>

## 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	–
<b>Total</b>	<b>88</b>	<b>45</b>	<b>–</b>	<b>4</b>	<b>(2)</b>	<b>–</b>	<b>135</b>	<b>–</b>

## 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	–
<b>Total</b>	<b>95</b>	<b>–</b>	<b>–</b>	<b>3</b>	<b>–</b>	<b>–</b>	<b>98</b>	<b>–</b>

## 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	–
<b>Total</b>	<b>1,337</b>	<b>393</b>	<b>–</b>	<b>49</b>	<b>(20)</b>	<b>–</b>	<b>1,759</b>	<b>–</b>

## 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	–
<b>Total</b>	<b>95</b>	<b>7</b>	<b>–</b>	<b>3</b>	<b>(2)</b>	<b>–</b>	<b>103</b>	<b>–</b>

## 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	–
<b>Total</b>	<b>1,107</b>	<b>708</b>	<b>–</b>	<b>45</b>	<b>(448)</b>	<b>–</b>	<b>1,412</b>	<b>–</b>

## 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	–
<b>Total</b>	<b>755</b>	<b>166</b>	<b>–</b>	<b>26</b>	<b>(8)</b>	<b>–</b>	<b>939</b>	<b>–</b>

## 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	–
<b>Total</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1</b>	<b>–</b>

## 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	–
<b>Total</b>	<b>34</b>	<b>–</b>	<b>–</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>35</b>	<b>–</b>

## 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	–
<b>Total</b>	<b>337</b>	<b>146</b>	<b>–</b>	<b>8</b>	<b>(229)</b>	<b>–</b>	<b>262</b>	<b>–</b>

## 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	–
<b>Total</b>	<b>1,430</b>	<b>67</b>	<b>–</b>	<b>46</b>	<b>(50)</b>	<b>–</b>	<b>1,493</b>	<b>–</b>

## 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	–
<b>Total</b>	<b>1,119</b>	<b>–</b>	<b>–</b>	<b>36</b>	<b>–</b>	<b>–</b>	<b>1,155</b>	<b>–</b>

## 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	–
<b>Total</b>	<b>1,250</b>	<b>1,741</b>	<b>–</b>	<b>47</b>	<b>(626)</b>	<b>–</b>	<b>2,412</b>	<b>–</b>



## 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	–
<b>Total</b>	<b>304</b>	<b>58</b>	<b>–</b>	<b>10</b>	<b>(6)</b>	<b>–</b>	<b>366</b>	<b>–</b>

## 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	–
<b>Total</b>	<b>296</b>	<b>333</b>	<b>–</b>	<b>14</b>	<b>(33)</b>	<b>–</b>	<b>610</b>	<b>–</b>

## 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)	–
<b>Total</b>	<b>(1)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(1)</b>	<b>–</b>

## 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	–
<b>Total</b>	<b>810</b>	<b>–</b>	<b>–</b>	<b>25</b>	<b>–</b>	<b>–</b>	<b>835</b>	<b>–</b>

## 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	Ownership		Voting rights	
		2017	2016	2017	2016
<b>Tweed Coast Holiday Parks</b>	Holiday parks Boyds Bay Tweed Heads South				
<b>Interests in Subsidiary</b>					
Council's interest in Subsidiary		100%	100%	100%	100%

#### Summarised financial information for the Subsidiary

	2017	2016
<b>Summarised statement of comprehensive income</b>		
Revenue	9,249	<b>10,317</b>
Expenses	(7,428)	(7,109)
<b>Profit for the period</b>	<b>1,821</b>	<b>3,208</b>
<b>Other comprehensive income:</b>		
Fair value adjustment – IPP&E	9,425	6,892
<b>Total comprehensive income <sup>(1)</sup></b>	<b>11,246</b>	<b>10,100</b>
<sup>(1)</sup> Non-controlling interest share	–	–
Dividends paid to non-controlling interests	–	–
<b>Summarised statement of financial position</b>		
Current assets	17,592	19,390
Non-current assets	112,796	101,955
<b>Total assets</b>	<b>130,388</b>	<b>121,345</b>
Current liabilities	2,545	3,144
Non-current liabilities	7	417
<b>Total liabilities</b>	<b>2,552</b>	<b>3,561</b>
<b>Net assets <sup>(2)</sup></b>	<b>127,836</b>	<b>117,784</b>
<sup>(2)</sup> Non-controlling interest share	–	–
<b>Summarised statement of cash flows</b>		
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)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(90)</b>	<b>847</b>

## 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
<b>(a) Retained earnings</b>			
<b>Movements in retained earnings were as follows:</b>			
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	127
<b>Balance at end of the reporting period</b>		<b><u>1,394,439</u></b>	<b><u>1,350,980</u></b>
<b>(b) Revaluation reserves</b>			
<b>(i) Reserves are represented by:</b>			
– Infrastructure, property, plant and equipment revaluation reserve		1,668,545	1,579,983
<b>Total</b>		<b><u>1,668,545</u></b>	<b><u>1,579,983</u></b>
<b>(ii) Reconciliation of movements in reserves:</b>			
<b>Infrastructure, property, plant and equipment revaluation reserve</b>			
– 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)
<b>– Balance at end of year</b>		<b><u>1,668,545</u></b>	<b><u>1,579,983</u></b>
<b>TOTAL VALUE OF RESERVES</b>		<b><u>1,668,545</u></b>	<b><u>1,579,983</u></b>
<b>(iii) Nature and purpose of reserves</b>			
<b>Infrastructure, property, plant and equipment revaluation reserve</b>			
– 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
<b>(c) Correction of error/s relating to a previous reporting period</b>			
<b>Correction of errors as disclosed in last year's financial statements:</b>			
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
<b>In accordance with AASB 108 – Accounting Policies, Changes in Accounting Estimates and Errors, the above prior period errors have been recognised retrospectively.</b>			
<b>These amounted to the following equity adjustments:</b>			
– Adjustments to opening equity – 1/7/15 (relating to adjustments for the 30/6/15 reporting year end and prior periods)		–	944
<b>Total prior period adjustments – prior period errors</b>		<b>–</b>	<b>944</b>

**(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
<b><u>Continuing operations</u></b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Income from continuing operations</b>			
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
<b>Total income from continuing operations</b>	<b>37,347</b>	<b>38,714</b>	<b>154,797</b>
<b>Expenses from continuing operations</b>			
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	–	–	–
<b>Total expenses from continuing operations</b>	<b>28,195</b>	<b>32,341</b>	<b>126,883</b>
<b>Operating result from continuing operations</b>	<b>9,152</b>	<b>6,373</b>	<b>27,914</b>
<b><u>Discontinued operations</u></b>			
Net profit/(loss) from discontinued operations	–	–	–
<b>Net operating result for the year</b>	<b>9,152</b>	<b>6,373</b>	<b>27,914</b>
<b>Net operating result attributable to each council fund</b>	<b>9,152</b>	<b>6,373</b>	<b>27,914</b>
<b>Net operating result attributable to non-controlling interests</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>3,260</b>	<b>2,046</b>	<b>5,711</b>

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

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



## 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
<b>ASSETS</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Current assets</b>			
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'	–	–	–
<b>Total current assets</b>	<b>31,614</b>	<b>51,202</b>	<b>104,562</b>
<b>Non-current assets</b>			
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
<b>Total non-current assets</b>	<b>571,647</b>	<b>625,181</b>	<b>1,898,345</b>
<b>TOTAL ASSETS</b>	<b>603,261</b>	<b>676,383</b>	<b>2,002,907</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	479	372	14,575
Income received in advance	–	–	4,666
Borrowings	1,447	2,439	4,244
Provisions	–	–	21,805
<b>Total current liabilities</b>	<b>1,926</b>	<b>2,811</b>	<b>45,290</b>
<b>Non-current liabilities</b>			
Payables	–	–	559
Borrowings	60,749	27,105	76,259
Provisions	–	–	4,868
<b>Total non-current liabilities</b>	<b>60,749</b>	<b>27,105</b>	<b>81,686</b>
<b>TOTAL LIABILITIES</b>	<b>62,675</b>	<b>29,916</b>	<b>126,976</b>
<b>Net assets</b>	<b>540,586</b>	<b>646,467</b>	<b>1,875,931</b>
<b>EQUITY</b>			
Retained earnings	205,400	242,560	946,479
Revaluation reserves	335,186	403,907	929,452
<b>Total equity</b>	<b>540,586</b>	<b>646,467</b>	<b>1,875,931</b>

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

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

## 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

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\$ '000

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

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

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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

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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:		
<b>Opening values:</b>		
Gross book value (1/7)	3,598	3,651
Accumulated amortisation (1/7)	(3,183)	(3,375)
Accumulated impairment (1/7)	–	–
<b>Net book value – opening balance</b>	<b>415</b>	<b>276</b>
<b>Movements for the year</b>		
– 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
<b>Closing values:</b>		
Gross book value (30/6)	3,979	3,598
Accumulated amortisation (30/6)	(3,257)	(3,183)
Accumulated impairment (30/6)	–	–
<b>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE <sup>1</sup></b>	<b>722</b>	<b>415</b>

<sup>1</sup> The net book value of intangible assets represent:

– Software	722	415
	<b>722</b>	<b>415</b>

## 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
<b>Balance at end of the reporting period</b>	10(a)	<b>2,417</b>	<b>863</b>

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 (expensed to borrowing costs)	12	(35)
<b>Total – reinstatement, rehabilitation and restoration provision</b>	<b>2,417</b>	<b>863</b>

## 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	
<b>Recurring fair value measurements</b>				
<b>Financial assets</b>				
Investments				
– 'Held for trading'	–	61,845	–	61,845
<b>Total financial assets</b>	<b>–</b>	<b>61,845</b>	<b>–</b>	<b>61,845</b>
<b>Infrastructure, property, plant and equipment</b>				
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
<b>Total infrastructure, property, plant and equipment</b>	<b>–</b>	<b>–</b>	<b>2,871,858</b>	<b>2,871,858</b>

## 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	
<b>Recurring fair value measurements</b>				
<b>Financial assets</b>				
Investments				
– ‘Held for trading’	–	74,174	–	74,174
<b>Total financial assets</b>	<b>–</b>	<b>74,174</b>	<b>–</b>	<b>74,174</b>
<b>Infrastructure, property, plant and equipment</b>				
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
<b>Total infrastructure, property, plant and equipment</b>	<b>–</b>	<b>–</b>	<b>2,789,880</b>	<b>2,789,880</b>

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

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

## Tweed Shire Council

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

#### Note 27. Fair value measurement (continued)

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

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

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

##### 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.

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##### 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 Englobio 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)

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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
<b>Opening balance – 1/7/15</b>	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
<b>Closing balance – 30/6/16</b>	<b>485,137</b>	<b>106,830</b>	<b>44,910</b>	<b>141,804</b>	<b>–</b>	<b>655,751</b>	<b>159,458</b>	<b>30,946</b>	<b>1,624,836</b>
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)
<b>Closing balance – 30/6/17</b>	<b>516,805</b>	<b>105,207</b>	<b>44,950</b>	<b>151,637</b>	<b>–</b>	<b>666,667</b>	<b>162,899</b>	<b>33,195</b>	<b>1,681,360</b>

## 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
<b>Opening balance – 1/7/15</b>	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
<b>Closing balance – 30/6/16</b>	<b>152,307</b>	<b>459,056</b>	<b>553,681</b>	<b>1,165,044</b>
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)
<b>Closing balance – 30/6/17</b>	<b>156,623</b>	<b>500,770</b>	<b>533,105</b>	<b>1,190,498</b>

## (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
<b>Total</b>	<b>1,846</b>

##### b. Other transactions with KMP and their related parties

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

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

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

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

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

Contact: Reiky Jiang  
Phone no: (02) 9275 7100  
Our ref:

13 October 2017

Dear Ms Milne,

**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**

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



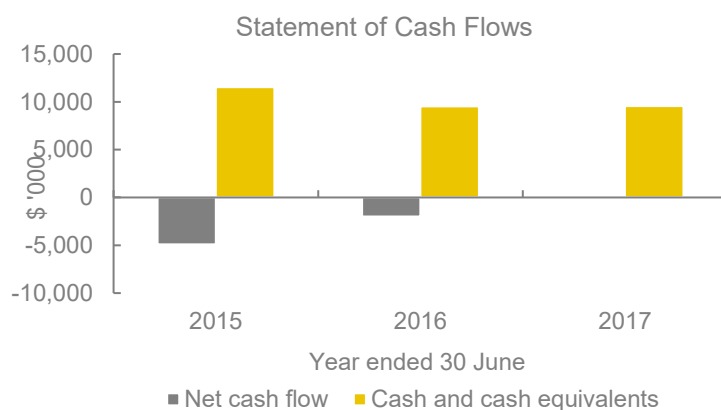
Council's consolidated operating result for the year has increased from \$31.3 million in 2015-16 to \$43.4 million for the year ended 30 June 2017. The key drivers of the increase in the operating result are:

- 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 \$'000	2016 \$'000	Commentary
External restrictions	210,576	187,892	<ul style="list-style-type: none"> <li>○ 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.</li> <li>○ 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 reserves – Infrastructure and Community facilities during the year.</li> <li>○ Unrestricted balances provide liquidity for day-to-day operations. This balance has remained relatively steady.</li> </ul>
Internal restrictions	85,016	72,248	
Unrestricted	10,240	9,599	
<b>Cash and investments</b>	<b>305,832</b>	<b>269,739</b>	

### 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.

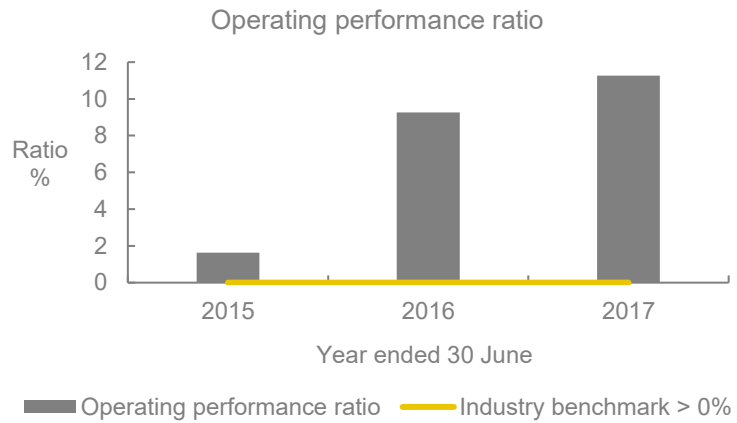
## PERFORMANCE RATIOS

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.

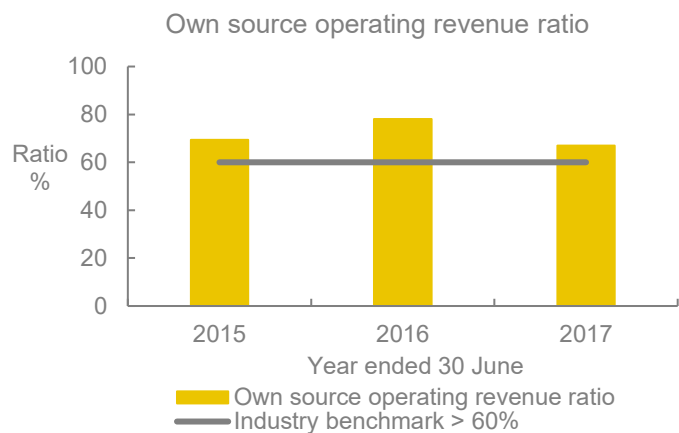
The 'operating performances ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than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

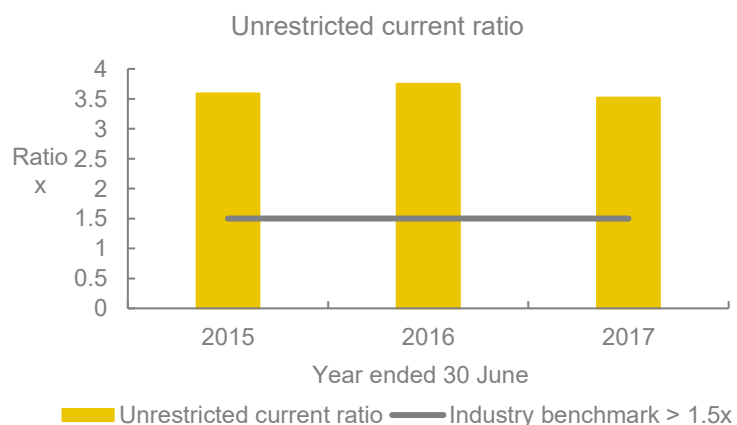
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



### 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



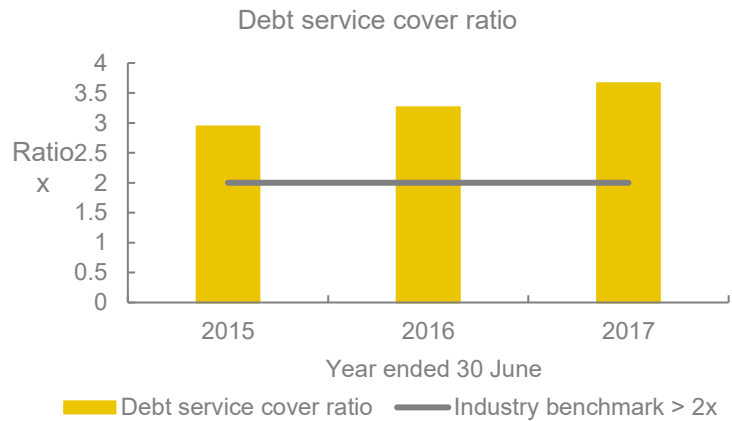
works and other expenditure programmes.

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.

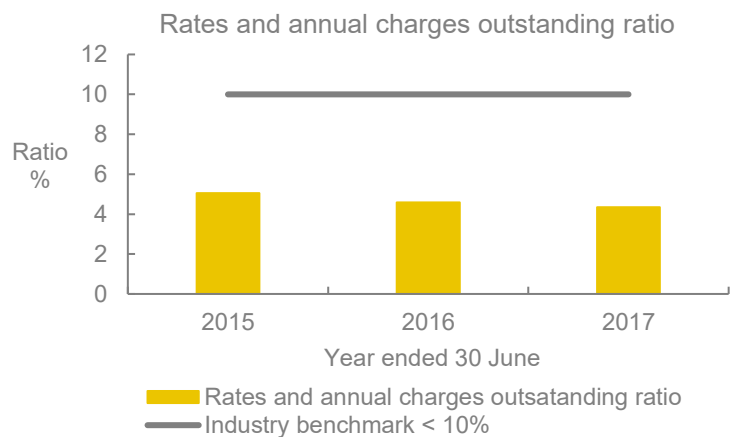
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



### 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.

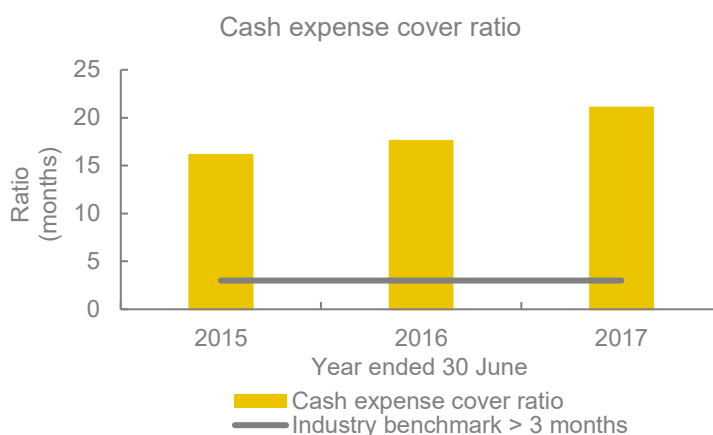
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for rural councils.



## 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.

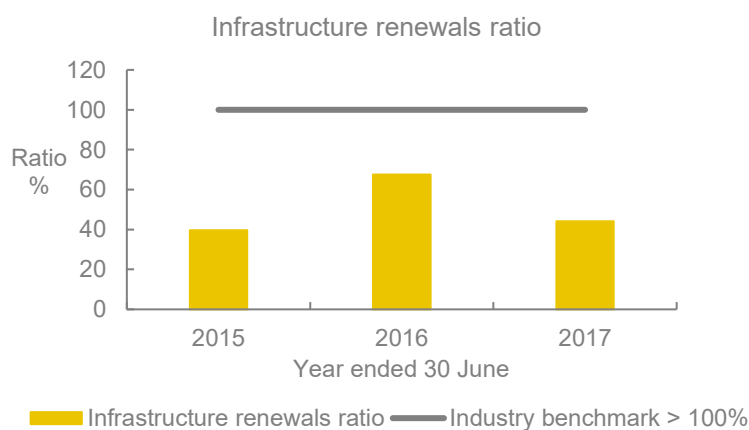


## Infrastructure renewals ratio

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

13 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

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