

Temora Shire Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2020

"Success through determination and inspiration"

Temora Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020

"Success through determination and inspiration"

General Purpose Financial Statements

for the year ended 30 June 2020

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Overview

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

105 Loftus Street
Temora NSW 2666

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

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

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

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

Temora Shire Council

General Purpose Financial Statements

for the year ended 30 June 2020

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

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

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

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

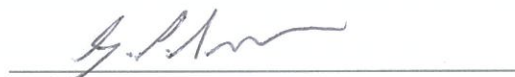
- present fairly the Council's operating result and financial position for the year
- accord with Council's accounting and other records.

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

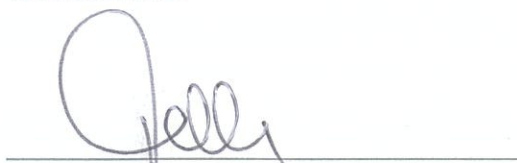
Signed in accordance with a resolution of Council made on 15 October 2020.



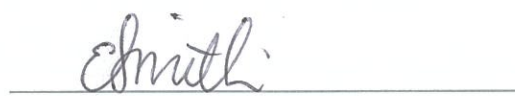
Rick Firman
Mayor
15 October 2020



Graham Sinclair
Councillor
15 October 2020



Gary Lavelle
General Manager
15 October 2020



Elizabeth Smith
Responsible Accounting Officer
15 October 2020

Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
	Income from continuing operations			
5,664	Rates and annual charges	3a	5,627	5,415
7,142	User charges and fees	3b	8,964	6,972
976	Other revenues	3c	676	1,082
6,980	Grants and contributions provided for operating purposes	3d,3e	7,125	7,626
8,025	Grants and contributions provided for capital purposes	3d,3e	4,891	3,275
179	Interest and investment income	4	222	244
77	Net gains from the disposal of assets	6	121	–
–	Rental income	12c	282	–
–	Net share of interests in joint ventures and associates using the equity method	17	3	9
29,043	Total income from continuing operations		27,911	24,623
	Expenses from continuing operations			
7,556	Employee benefits and on-costs	5a	8,411	8,530
54	Borrowing costs	5b	55	64
5,222	Materials and contracts	5c	5,671	5,507
5,055	Depreciation and amortisation	5d	5,476	5,014
2,822	Other expenses	5e	2,946	2,361
–	Net losses from the disposal of assets	6	–	45
20,709	Total expenses from continuing operations		22,559	21,521
8,334	Operating result from continuing operations		5,352	3,102
8,334	Net operating result for the year		5,352	3,102
8,334	Net operating result attributable to council		5,352	3,102
309	Net operating result for the year before grants and contributions provided for capital purposes		461	(173)

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
Net operating result for the year (as per Income Statement)		5,352	3,102
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10(a)	16,486	370
Impairment (loss) reversal / (Revaluation decrement) relating to IPP&E	10(a)	—	1,496
Other comprehensive income – joint ventures and associates	17	6	—
Total items which will not be reclassified subsequently to the operating result		16,492	1,866
Total other comprehensive income for the year		16,492	1,866
Total comprehensive income for the year		21,844	4,968
 Total comprehensive income attributable to Council		 21,844	 4,968

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	2019
ASSETS			
Current assets			
Cash and cash equivalents	7(a)	1,622	972
Investments	7(b)	12,122	8,708
Receivables	8	3,657	3,117
Inventories	9a	1,636	1,828
Contract assets	11a	29	—
Other	9b	109	64
Total current assets		19,175	14,689
Non-current assets			
Receivables	8	—	5
Infrastructure, property, plant and equipment	10(a)	229,070	209,093
Investments accounted for using the equity method	17	204	195
Total non-current assets		229,274	209,293
Total assets		248,449	223,982
LIABILITIES			
Current liabilities			
Payables	13	2,410	1,701
Income received in advance	13	—	306
Contract liabilities	11b	2,020	—
Borrowings	13	355	229
Provisions	14	3,975	4,219
Total current liabilities		8,760	6,455
Non-current liabilities			
Payables	13	—	1
Borrowings	13	2,249	1,605
Provisions	14	54	61
Total non-current liabilities		2,303	1,667
Total liabilities		11,063	8,122
Net assets		237,386	215,860
EQUITY			
Accumulated surplus	15	94,385	89,345
Revaluation reserves	15	143,001	126,515
Council equity interest		237,386	215,860
Total equity		237,386	215,860

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

Statement of Changes in Equity

for the year ended 30 June 2020

\$ '000	Notes	as at 30/06/20			as at 30/06/19		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		89,345	126,515	215,860	86,243	124,649	210,892
Changes due to AASB 1058 and AASB 15 adoption	15	(318)	–	(318)	–	–	–
Changes due to AASB 16 adoption	15	–	–	–	–	–	–
Restated opening balance		89,027	126,515	215,542	86,243	124,649	210,892
Net operating result for the year		5,352	–	5,352	3,102	–	3,102
Restated net operating result for the period		5,352	–	5,352	3,102	–	3,102
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	10(a)	–	16,486	16,486	–	370	370
– Impairment (loss) reversal / (Revaluation decrement) relating to IPP&E	10(a)	–	–	–	–	1,496	1,496
– Joint ventures and associates	17	6	–	6	–	–	–
Other comprehensive income		6	16,486	16,492	–	1,866	1,866
Total comprehensive income		5,358	16,486	21,844	3,102	1,866	4,968
Equity – balance at end of the reporting period		94,385	143,001	237,386	89,345	126,515	215,860

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Cash flows from operating activities				
Receipts:				
5,654	Rates and annual charges		5,627	5,386
7,226	User charges and fees		10,248	7,499
171	Investment and interest revenue received		236	212
14,686	Grants and contributions		12,141	11,314
–	Bonds, deposits and retention amounts received		5	5
957	Other		2,169	1,314
Payments:				
(7,548)	Employee benefits and on-costs		(8,669)	(8,259)
(5,306)	Materials and contracts		(4,865)	(6,556)
(48)	Borrowing costs		(54)	(56)
(2,822)	Other		(4,628)	(2,626)
12,970	Net cash provided (or used in) operating activities	16b	12,210	8,233
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		3,079	2,011
278	Sale of real estate assets		266	420
138	Sale of infrastructure, property, plant and equipment		132	296
8	Deferred debtors receipts		11	16
Payments:				
–	Purchase of investment securities		(6,493)	(4,080)
(12,955)	Purchase of infrastructure, property, plant and equipment		(9,129)	(8,233)
(100)	Purchase of real estate assets		(29)	(422)
–	Deferred debtors and advances made		(167)	–
(12,631)	Net cash provided (or used in) investing activities		(12,330)	(9,992)
Cash flows from financing activities				
Receipts:				
700	Proceeds from borrowings and advances		1,000	2,001
Payments:				
(229)	Repayment of borrowings and advances		(230)	(480)
471	Net cash flow provided (used in) financing activities		770	1,521
810	Net increase/(decrease) in cash and cash equivalents		650	(238)
2,638	Plus: cash and cash equivalents – beginning of year	16a	972	1,210
3,448	Cash and cash equivalents – end of the year	16a	1,622	972
6,639	plus: Investments on hand – end of year	7(b)	12,122	8,708
10,087	Total cash, cash equivalents and investments		13,744	9,680

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

Notes to the Financial Statements

for the year ended 30 June 2020

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 15 October 2020. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

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

Council is a not for-profit entity.

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

(a) Historical cost convention

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

(b) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

The resulting accounting estimates will, by definition, seldom equal the related actual results.

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Infrastructure, property, plant and equipment note.
- (ii) employee benefit provisions – refer Provisions note.

Covid 19 Impacts

Covid 19 caused some disruption to council's business practices with several staff working remotely for approximately 8 weeks during the financial year. Whilst this caused minor inconvenience it did not result in significant additional cost. Some costs have been incurred for additional equipment and cleaning.

Council provided rent relief to two lessee's of Council owned properties, based on evaluation of requests received, to compensate for lost income due to the compulsory lockdown. There was also a reduction in income attributed to Covid-19 lockdowns in relation to the Town Hall, Theatre, Caravan Parks, Sports Stadium, Indoor Swimming Pool and the Tourist Information Centre. These amounts were immaterial individually & collectively.

Council received additional grant income to support Council through the Covid-19 Pandemic. During 2019/20 these additional grants totalled \$21,000.

Overall the financial impact has not been significant, although it is anticipated to increase in future years.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

Council is of the view that physical non-current assets will not experience substantial declines in value due to covid. Fair value for the majority of Council's non-current assets is determined by replacement cost where there is no anticipated material change in value due to covid.

Significant judgements in applying the council's accounting policies

(i) Impairment of receivables

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

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General purpose operations
- Sewerage service
- Pinnacle Community Services (Home & Community Care)
- Temora Agricultural Innovation Centre

Due to their immaterial value and nature, the following Committees, Entities and Operations have been excluded from consolidation:

- Springdale Progress Association
- Arianah Park Swimming Pool Committee
- Temora & District Sports Council
- Temora's Own Arts & Crafts
- Temora Rural Museum
- Lake Centenary Management Committee
- Temora Arts Council
- Mary Gilmore Music Festival

(b) The Trust Fund

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

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

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

Goods and Services Tax (GST)

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

Volunteer services

Whilst Council has an extensive network of volunteers across a broad section of Council functions, Council would not purchase the services if they were not provided voluntarily and Council is unable to reliably measure the value of these services. Consequently the value of volunteer services has not been recognised in these financial statements.

New accounting standards and interpretations issued not yet effective

New accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations (ie. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for 30 June 2020 reporting period.

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

As at the date of authorisation of these financial statements, Council does not consider that any of these new (and still to be applied) standards and interpretations are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

New accounting standards adopted during the year

During the year, Council adopted all accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from 1 July 2020.

Those newly adopted standards which had an impact on Council's reported financial position, performance and/or associated financial statement disclosures are further discussed in the Accumulated Surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors note.

Notes to the Financial Statements
for the year ended 30 June 2020

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Functions or activities										
Retaining our Quality of Life	6,534	6,590	8,236	7,515	(1,702)	(925)	1,357	1,865	137,672	113,824
Engaging & Supporting the Community	1,461	2,166	2,497	2,524	(1,036)	(358)	718	1,453	15,282	13,450
Building our Shire's Economy	6,668	4,129	4,887	1,906	1,781	2,223	1,897	828	28,521	27,571
Preserving our Beautiful Surrounds	1,422	1,035	1,858	1,922	(436)	(887)	410	127	11,061	12,600
Embracing & Developing Aviation	1,506	226	322	544	1,184	(318)	1,399	–	4,743	4,134
Enhancing our Agricultural Wealth	2,386	2,667	2,156	4,075	230	(1,408)	2,164	2,176	46,884	46,672
Administration & General Purpose	7,934	7,810	2,603	3,035	5,331	4,775	3,648	4,006	4,286	5,731
Total functions and activities	27,911	24,623	22,559	21,521	5,352	3,102	11,593	10,455	248,449	223,982

Notes to the Financial Statements

for the year ended 30 June 2020

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:

Retaining our Quality of Life

Strategic objectives are to ensure there is a continuum of housing and care facilities for the aged; improve public transport to regional centres; encourage the provision of educational opportunities including post school education; support and develop the provision of health services; support village life; provision of child care services to meet the needs of the community; ensure there is a continuum of housing and care facilities for the disabled; provide a safe and supportive living environment for our residents; provide services required for excellent liveability in a rural community.

Engaging & Supporting the Community

Strategic objectives are the provision of sports facilities that are well maintained, planned and meet the expectations of the community; provision and support of arts and cultural activities; encourage a welcoming, inclusive and tolerant community that welcomes new residents from all backgrounds; support volunteers within the community; support and develop the Youth of our community; maintain regular communication with residents.

Building our Shire's Economy

Strategic objectives are to improve telecommunications within the Shire; seek affordable housing options for all residents; provide adequate parking to meet the needs of shire residents; ensure accommodation in Temora Shire meets standards in terms of quality and quantity; strengthen the Temora Shire economy; support tourism, acknowledging the value it brings to the Temora Shire economy.

Preserving our Beautiful Surrounds

Strategic objectives are to provide a network of heavy vehicle routes that meet the needs of industry and residents; introduce environmentally, socially and economically responsible waste policies; improve drainage within the Shire area; ensure local planning instruments meet the needs of the community; ensure an aesthetically pleasing environment.

Embracing & Developing Aviation

Strategic objectives are to optimise telecommunications at Temora Airport; retain and develop facilities at Temora Airport; ensure land use plans are developed to protect the future use of the airport; provide a clear direction for the current use and future direction of the Temora Airport.

Enhancing our Agricultural Wealth

Strategic objectives are to maintain infrastructure to support agriculture; optimise the opportunities to develop agricultural industry; commitment to the support of agriculture in Temora Shire; develop a strategy to cope with the consolidation of farming enterprises.

Administration & General Purpose

Includes items of an administrative nature or general purpose which do not fall under any of the six Integrated Planning & Reporting themes detailed above.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations

\$ '000	AASB	2020	2019
(a) Rates and annual charges			
Ordinary rates			
Residential	1058 (1)	1,553	1,501
Farmland	1058 (1)	1,905	1,855
Business	1058 (1)	508	496
Less: pensioner rebates (mandatory)	1058 (1)	(61)	(60)
Less: pensioner rebates (Council policy)	1058 (1)	(50)	(49)
Rates levied to ratepayers		3,855	3,743
Pensioner rate subsidies received	1058 (1)	61	58
Total ordinary rates		3,916	3,801
Annual charges			
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services	1058 (1)	543	512
Stormwater management services	1058 (1)	49	48
Sewerage services	1058 (1)	1,044	988
Waste management services (non-domestic)	1058 (1)	111	103
Less: pensioner rebates (mandatory)	1058 (1)	(45)	(43)
Less: pensioner rebates (Council policy)	1058 (1)	(36)	(35)
Annual charges levied		1,666	1,573
Pensioner subsidies received:			
– Sewerage	1058 (1)	23	21
– Domestic waste management	1058 (1)	22	20
Total annual charges		1,711	1,614
TOTAL RATES AND ANNUAL CHARGES		5,627	5,415

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

- 15 (1)** indicates income recognised under AASB 15 “at a point in time”,
- 15 (2)** indicates income recognised under AASB 15 “over time”,
- 1058 (1)** indicates income recognised under AASB 1058 “at a point in time”, while
- 1058 (2)** indicates income recognised under AASB 1058 “over time”.

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

Accounting policy for rates and charges

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts which is the beginning of the rating period to which they relate.

Prepaid rates are recognised as a financial liability until the beginning of the rating period.

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

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates and are in substance a rates payment.

2019 accounting policy

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
(b) User charges and fees			
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Domestic waste management services	15 (1)	94	97
Sewerage services	15 (1)	17	21
Waste management services (non-domestic)	15 (1)	47	26
Total specific user charges		158	144
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Planning and building regulation	15 (1)	133	145
Private works – section 67	15 (1)	62	47
Section 10.7 certificates (EP&A Act)	15 (1)	12	12
Section 603 certificates	15 (1)	13	12
Total fees and charges – statutory/regulatory		220	216
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome	15 (1)	30	2
Caravan park	15 (1)	108	224
Cemeteries	15 (1)	108	91
RMS (formerly RTA) charges (state roads not controlled by Council)	15 (1)	4,276	2,500
Saleyards	15 (1)	–	16
Swimming centres	15 (1)	160	167
Animal control	15 (1)	3	5
Cinema	15 (1)	94	120
Community Technology Centre – printing and laminating	15 (1)	2	3
Cultural Groups	15 (1)	2	4
Frail and aged	15 (1)	3,777	3,430
Sports stadium	15 (1)	8	17
Tourism information centre	15 (1)	15	29
Other		3	4
Total fees and charges – other		8,586	6,612
TOTAL USER CHARGES AND FEES		8,964	6,972

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

15 (1) indicates income recognised under AASB 15 “at a point in time”,

15 (2) indicates income recognised under AASB 15 “over time”,

1058 (1) indicates income recognised under AASB 1058 “at a point in time”, while

1058 (2) indicates income recognised under AASB 1058 “over time”.

Accounting policy for user charges and fees

Revenue arising from user charges and fees is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods / services being provided.

The performance obligation relates to the specific services which are provided to the customers and generally the payment terms are within 30 days of the provision of the service or in some cases such as caravan parks, the customer is required to pay on arrival. There is no material obligation for Council in relation to refunds or returns.

Where an upfront fee is charged such as membership fees for the leisure centre the fee is recognised on a straight-line basis over the expected life of the membership.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

Licences granted by Council are all either short-term or low value and all revenue from licences is recognised at the time that the licence is granted rather than the term of the licence.

2019 accounting policy

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

\$ '000	AASB	2020	2019
(c) Other revenues			
Rental income – other council properties (2019 only)		–	299
Legal fees recovery – rates and charges (extra charges)		5	13
Diesel rebate	1058 (1)	84	77
Insurance claims recoveries	1058 (1)	13	26
Bushfire – Hazard Reduction	1058 (1)	–	7
Commissions and agency fees – Service NSW	15 (1)	128	137
Reimbursement from Service NSW – travel and training costs	1058 (1)	1	10
Donations	1058 (1)	103	12
Gravel royalties	1058 (1)	1	3
Risk management bonus	1058 (1)	48	91
Agricultural Innovation Centre revenues	1058 (1)	164	301
Youth Activities	1058 (1)	–	10
Other	1058 (1)	18	7
Sale of Gravel	15 (1)	109	60
Reimbursement from RFS	1058 (1)	2	29
TOTAL OTHER REVENUE		676	1,082

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

15 (1) indicates income recognised under AASB 15 “at a point in time”,

15 (2) indicates income recognised under AASB 15 “over time”,

1058 (1) indicates income recognised under AASB 1058 “at a point in time”, while

1058 (2) indicates income recognised under AASB 1058 “over time”.

Accounting policy for other revenue

Where the revenue relates to a contract with customer, the revenue is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods / services being provided.

Where the revenue relates to a contract which is not enforceable or does not contain sufficiently specific performance obligations then revenue is recognised when an unconditional right to a receivable arises or the cash is received, which is earlier.

2019 accounting policy:

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

Parking fees and fines are recognised as revenue when the service has been provided, or when the penalty has been applied, whichever occurs first.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(d) Grants					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	1058 (1)	1,113	1,169	–	–
Financial assistance – local roads component	1058 (1)	649	701	–	–
Payment in advance - future year allocation					
Financial assistance – general component	1058 (1)	1,215	1,211	–	–
Financial assistance – local roads component	1058 (1)	653	727	–	–
Total general purpose		3,630	3,808	–	–
Specific purpose					
Aerodrome Upgrades	1058 (2)	–	–	1,399	–
Aged Services	15 (1)	822	842	–	–
Bundawarra Centre	1058 (2)	–	–	3	–
Bushfire and emergency services	1058 (1)	315	311	–	–
Companion Animals		4	–	–	–
Crown Lands Plans of Management	1058 (1)	9	–	–	–
Disability Services	15 (1)	29	33	–	–
Drought Communities Program - Community Projects	15 (2)	381	–	–	–
Drought Communities Program - Council Projects	1058 (2)	52	–	698	–
Economic development	15 (2)	20	–	–	–
Employment and training programs	1058 (1)	8	12	–	–
Environmental Protection	1058 (1)	1	–	–	–
Everyone Can Play	1058 (2)	–	–	7	–
Flood Study Grant	1058 (1)	43	34	–	–
Heritage and cultural	1058 (1)	12	16	–	–
Innovation Fund – Online Internal Audit Portal		–	–	–	186
Library	1058 (1)	77	31	–	–
LIRS subsidy	1058 (1)	–	6	–	–
Nixon Park Play Equipment		–	–	–	48
Other		1	4	–	–
Noxious weeds	1058 (1)	53	52	–	–
Pedestrian Access Mobility Plan (PAMP) Works	1058 (1)	–	4	–	9
RFS Community Engagement Centre		–	3	–	–
Road Safety Officer	1058 (1)	41	73	–	–
Street lighting	1058 (1)	41	41	–	–
Stronger Country Communities Fund - Arian Park Pool/Skate Park	1058 (2)	–	–	33	–
Stronger Country Communities Fund – Arian Park Rec Ground Toilet Upgrade	1058 (2)	–	–	5	160
Stronger Country Communities Fund - Coolamon St Central Island Upgrade	1058 (2)	–	–	28	5
Stronger Country Communities Fund - Lake Centenary Play Equipment	1058 (2)	–	–	121	17
Stronger Country Communities Fund - Gloucester Park Play Equipment	1058 (2)	–	–	68	–
Stronger Country Communities Fund - Di Boom Netball Complex Resurfacing	1058 (2)	–	–	76	2
Stronger Country Communities Fund - Nixon Park Upgrades	1058 (2)	–	–	265	59
Stronger Country Communities Fund - Temora Golf Club Irrigation	15 (2)	39	14	–	–

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
Stronger Country Communities Fund - Temora Recreation Centre Amenities Upgrade	1058 (2)	—	—	—	234
Stronger Country Communities Fund - Temora Tennis Courts - Resurfacing	1058 (2)	—	—	—	79
Stronger Country Communities Fund - Temora Town Entrance Beautification	15 (2)	105	16	—	—
Stronger Country Communities Fund - Temora West Sports Ground - Amenities Block Rebuild	1058 (2)	—	—	—	60
Stronger Country Communities Fund – Town Hall Upgrade	1058 (2)	—	—	198	786
Temora Agricultural Innovation Centre (TAIC) - Machinery Shed		—	—	—	199
Transport (fixing country roads)	1058 (2)	—	—	926	303
Transport (flood damage)	1058 (1)	—	1,336	—	—
Transport (kerb and gutter)	1058 (1)	—	—	—	4
Transport (other roads and bridges funding)	1058 (1)	—	—	—	196
Transport (regional roads block grant)	1058 (1)	122	197	592	503
Transport (repair program)	1058 (1)	—	—	130	128
Transport (roads to recovery)	1058 (1)	1,239	641	—	—
Youth services	1058 (1)	—	3	—	—
Total specific purpose		3,414	3,669	4,549	2,978
Total grants		7,044	7,477	4,549	2,978
Grant revenue is attributable to:					
– Commonwealth funding		5,302	5,342	2,002	210
– State funding		1,737	2,135	2,449	2,768
– Other funding		5	—	98	—
		7,044	7,477	4,549	2,978

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

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1058 (1) indicates income recognised under AASB 1058 “at a point in time”, while

1058 (2) indicates income recognised under AASB 1058 “over time”.

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(e) Contributions						
Developer contributions:						
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 7.12 – fixed development consent levies		1058 (1)	—	—	116	30
Total developer contributions – cash			—	—	116	30
Total developer contributions	24		—	—	116	30

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
Other contributions:						
Cash contributions						
Emergency Services Levy		15 (1)	54	—	—	—
Drainage		15 (1)	5	—	—	—
Heritage/cultural			—	1	—	6
Economic Development		15 (2)	18	58	—	—
FBT contributions			—	41	—	—
Footpath contributions		1058 (1)	4	—	25	19
Nixon Park		1058 (2)	—	—	90	—
TAIC – Machinery Shed, Offices, Labs – GRDC			—	—	—	123
Temora Swimming Club - New Pool Blanket			—	—	—	13
Temora West Sports Ground Amenities - Temora United Soccer Club		1058 (2)	—	—	—	106
Ariah Park Skate Park Upgrade - Ariah Park School		1058 (2)	—	—	1	—
LCMC - Contribution to Works			—	29	—	—
Other Councils - Contribution to Internal Audit			—	20	—	—
Medical Complex - Solar Panels		1058 (1)	—	—	14	—
CMCA - Ariah Park Sewer Dump Point		1058 (2)	—	—	9	—
CMCA - Free Camp Establishment - Pinney Park		1058 (2)	—	—	7	—
Di Boom Netball Complex Resurfacing		1058 (2)	—	—	78	—
Quota - Flying Fox		1058 (2)	—	—	2	—
Total other contributions – cash			81	149	226	267
Total other contributions			81	149	226	267
Total contributions			81	149	342	297
TOTAL GRANTS AND CONTRIBUTIONS			7,125	7,626	4,891	3,275

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

15 (1) indicates income recognised under AASB 15 “at a point in time”,

15 (2) indicates income recognised under AASB 15 “over time”,

1058 (1) indicates income recognised under AASB 1058 “at a point in time”, while

1058 (2) indicates income recognised under AASB 1058 “over time”.

Accounting policy for grants and contributions

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

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

Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of section 7.12 of the *Environmental Planning and Assessment Act 1979*.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

While Council generally incorporates these amounts as part of a Development Consents Order, such developer contributions are only recognised as income upon 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.

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

\$ '000	2020	2019
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(f) Unspent grants and contributions – external restrictions

Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions.

Operating grants

Unexpended at the close of the previous reporting period	1,495	779
Add: operating grants recognised as income in the current period but not yet spent (2019 only)	–	1,495
Add: operating grants received for the provision of goods and services in a future period	1,667	–
Less: operating grants recognised in a previous reporting period now spent (2019 only)	–	(779)
Less: operating grants received in a previous reporting period now spent and recognised as income	(1,177)	–
Unexpended and held as externally restricted assets (operating grants)	1,985	1,495

Capital grants

Less: capital grants received in a previous reporting period now spent and recognised as income	–	–
Unexpended and held as externally restricted assets (capital grants)	–	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4. Interest and investment income

\$ '000	2020	2019
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	12	13
– Cash and investments	210	231
Total Interest and investment income	222	244
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	12	13
Restricted investments/funds – external:		
Sewerage fund operations	34	34
Domestic waste management operations	21	19
Other externally restricted assets	36	40
Restricted investments/funds – internal:		
Internally restricted assets	119	138
Total interest and investment revenue	222	244

Accounting policy for interest and investment revenue

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations

\$ '000	2020	2019
(a) Employee benefits and on-costs		
Salaries and wages	7,341	7,105
Employee leave entitlements (ELE)	885	1,244
ELE on-costs	(10)	(96)
Superannuation	832	822
Workers' compensation insurance	134	86
Fringe benefit tax (FBT)	60	72
Training costs (other than salaries and wages)	80	109
Staff uniforms and safety clothing	16	16
Total employee costs	9,338	9,358
Less: capitalised costs	(927)	(828)
TOTAL EMPLOYEE COSTS EXPENSED	8,411	8,530
Number of 'full-time equivalent' employees (FTE) at year end	112	114

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

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

\$ '000	2020	2019
(b) Borrowing costs		
(i) Interest bearing liability costs		
Interest on loans	55	64
Total interest bearing liability costs	55	64
Total interest bearing liability costs expensed	55	64
TOTAL BORROWING COSTS EXPENSED	55	64

Accounting policy for borrowing costs

Borrowing costs are expensed when incurred.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(c) Materials and contracts		
Raw materials and consumables	6,604	6,967
Contractor and consultancy costs	6,011	5,619
Auditors remuneration ²	30	29
Legal expenses:		
– Legal expenses: debt recovery	3	13
– Legal expenses: other	16	10
Expenses from short-term leases (2020 only)	25	–
Expenses from leases of low value assets (2020 only)	51	–
Expenses from Peppercorn leases (2020 only)	1	–
Variable lease expense relating to usage (2020 only)	3	–
Operating leases expense (2019 only):		
– Operating lease rentals: minimum lease payments ¹	–	75
Total materials and contracts	12,744	12,713
Less: capitalised costs	(7,073)	(7,206)
TOTAL MATERIALS AND CONTRACTS	5,671	5,507

Accounting policy for materials and contracts

Expenses are recorded on an accruals basis as the council receives the goods or services.

Operating leases (2019 only)

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

1. Operating lease payments are attributable to:

Buildings	–	25
Photocopiers	–	50
	–	75

2. Auditor remuneration

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

Auditors of the Council - NSW Auditor-General:

(i) Audit and other assurance services

Audit and review of financial statements	29	28
Remuneration for audit and other assurance services	29	28

Total Auditor-General remuneration

	29	28
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Non NSW Auditor-General audit firms

(i) Audit and other assurance services

Other audit and assurance services – Grant Acquittals	1	1
Remuneration for audit and other assurance services	1	1

Total remuneration of non NSW Auditor-General audit firms

	1	1
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Total Auditor remuneration

	30	29
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Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
(d) Depreciation, amortisation and impairment of non-financial assets			
Depreciation and amortisation			
Plant and equipment		761	801
Office equipment		46	34
Furniture and fittings		32	30
Land improvements (depreciable)		27	28
Infrastructure:	10(a)		
– Buildings – non-specialised		296	288
– Buildings – specialised		723	620
– Other structures		96	95
– Roads (incl Kerb & Gutter)		2,511	2,243
– Bridges		115	97
– Footpaths		108	105
– Stormwater drainage		125	142
– Sewerage network		231	258
– Swimming pools		56	55
– Other open space/recreational assets		95	83
– Other infrastructure		53	25
Leasehold improvements		29	28
Other assets:			
– Library books		–	1
– Other		172	148
Total gross depreciation and amortisation costs		5,476	5,081
Less: capitalised costs		–	(67)
Total depreciation and amortisation costs		5,476	5,014
Impairment / revaluation decrement of IPP&E			
Infrastructure:	10(a)		
– Roads (incl Kerb & Gutter)		–	(1,496)
Total gross IPP&E impairment / revaluation decrement costs / (reversals)		–	(1,496)
Amounts taken through revaluation reserve	10(a)	–	1,496
Total IPP&E impairment / revaluation decrement costs / (reversals) charged to Income Statement		–	–
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS		5,476	5,014

Accounting policy for depreciation, amortisation and impairment expenses of non-financial assets

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in the Infrastructure, Property, Plant & Equipment Note and the Intangible Assets Note.

Impairment of non-financial assets

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

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

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

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

\$ '000	2020	2019
(e) Other expenses		
Advertising	63	62
Bad and doubtful debts	9	–
Bank charges	25	26
Cleaning	166	149
Conferences	7	5
Contributions/levies to other levels of government		
– Bushfire fighting fund	303	241
– Emergency services levy (includes FRNSW, SES, and RFS levies)	10	8
– NSW fire brigade levy	37	34
Councillor expenses – mayoral fee	19	17
Councillor expenses – councillors' fees	98	82
Councillors' expenses (incl. mayor) – other (excluding fees above)	34	38
Donations, contributions and assistance to other organisations (Section 356)	221	198
Electricity and heating	277	283
Insurance	410	387
Office expenses (including computer expenses)	499	219
Postage & Freight	54	47
Printing and stationery	55	58
Street lighting	147	166
Subscriptions and publications	82	57
Telephone and communications	111	105
Valuation fees	29	32
Water	159	146
Other	131	1
Total other expenses	2,946	2,361
TOTAL OTHER EXPENSES	2,946	2,361

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6. Gain or loss from disposal of assets

\$ '000	Notes	2020	2019
Property (excl. investment property)			
Proceeds from disposal – property		7	28
Less: carrying amount of property assets sold/written off		(10)	(216)
Net gain/(loss) on disposal		(3)	(188)
Plant and equipment			
	10(a)		
Proceeds from disposal – plant and equipment		125	268
Less: carrying amount of plant and equipment assets sold/written off		(76)	(251)
Net gain/(loss) on disposal		49	17
Real estate assets held for sale			
	9		
Proceeds from disposal – real estate assets		266	420
Less: carrying amount of real estate assets sold/written off		(191)	(294)
Net gain/(loss) on disposal		75	126
Investments			
	7(b)		
Proceeds from disposal/redemptions/maturities – investments		3,079	2,011
Less: carrying amount of investments sold/redeemed/matured		(3,079)	(2,011)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		121	(45)

Accounting policy for disposal of assets

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(a). Cash and cash equivalents

\$ '000	2020	2019
Cash and cash equivalents		
Cash on hand and at bank	1,619	457
Cash-equivalent assets		
– Deposits at call	3	3
– Short-term deposits	–	512
Total cash and cash equivalents	1,622	972

Accounting policy for cash and cash equivalents

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

Note 7(b). Investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Investments				
b. 'Financial assets at amortised cost'	12,122	–	8,708	–
Total Investments	12,122	–	8,708	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	13,744	–	9,680	–
Financial assets at amortised cost				
Long term deposits	12,122	–	8,708	–
Total	12,122	–	8,708	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(b). Investments (continued)

Accounting policy for investments

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(c). Restricted cash, cash equivalents and investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Total cash, cash equivalents and investments	13,744	—	9,680	—
attributable to:				
External restrictions	5,170	—	4,010	—
Internal restrictions	8,104	—	5,668	—
Unrestricted	470	—	2	—
	13,744	—	9,680	—

\$ '000	2020	2019
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended grants – general fund (2020 only)	1,985	—
Specific purpose unexpended grants – water fund (2020 only)	—	—
Specific purpose unexpended grants – sewer fund (2020 only)	—	—
External restrictions – included in liabilities	1,985	—

External restrictions – other

Developer contributions – general	96	25
Specific purpose unexpended grants (recognised as revenue) – general fund	—	1,495
Sewerage services	2,085	1,555
Stormwater management	181	139
Domestic waste management	823	796
External restrictions – other	3,185	4,010

Total external restrictions

	5,170	4,010
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Internal restrictions

Plant and vehicle replacement	447	206
Infrastructure replacement	854	494
Employees leave entitlement	1,379	325
Carry over works	521	1,012
355 Committees Unexpended Funds	52	—
Airside Maintenance	34	—
Computer Upgrade	213	217
Financial Assistance Grants Received in Advance	1,868	1,938
Gravel royalty	307	306
Industrial development	198	198
Izumizaki donation	2	2
Local roads reserve	417	204
Medical complex	18	40
Other Equipment Reserve	35	—
Other Waste Management	440	173
Pinnacle Unexpended Funds	818	—
Roads reserve	500	553
Other	1	—
Total internal restrictions	8,104	5,668

TOTAL RESTRICTIONS

	13,274	9,678
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Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Purpose				
Rates and annual charges	219	—	210	—
Interest and extra charges	10	—	18	—
User charges and fees	599	—	852	—
Accrued revenues				
– Interest on investments	67	—	73	—
– Other income accruals	118	—	253	—
Deferred debtors	172	—	11	5
Government grants and subsidies	2,334	—	1,526	—
Net GST receivable	135	—	141	—
Other debtors	15	—	36	—
Total	3,669	—	3,120	5
Less: provision of impairment				
User charges and fees	(12)	—	(3)	—
Total provision for impairment – receivables	(12)	—	(3)	—
TOTAL NET RECEIVABLES	3,657	—	3,117	5

Externally restricted receivables

Sewerage services

– Rates and availability charges	53	—	49	—
– Other	1,899	—	797	—

Domestic waste management

	36	—	37	—
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Total external restrictions

	1,988	—	883	—
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Unrestricted receivables

	1,669	—	2,234	5
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TOTAL NET RECEIVABLES

	3,657	—	3,117	5
--	-------	---	-------	---

\$ '000	2020	2019
Movement in provision for impairment of receivables		
Balance at the beginning of the year	3	3
+ new provisions recognised during the year	9	—
Balance at the end of the year	12	3

Accounting policy for receivables

Recognition and measurement

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables (continued)

Impairment

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

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

When considering the ECL for rates debtors, Council takes into account that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold. For non-rates debtors, Council uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

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

- the other party is unlikely to pay its credit obligations to the Council in full, without recourse by the Council to actions such as realising security (if any is held) or
- the financial assets (for non-rates debtors) are more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the entity in accordance with the contract, and the cash flows expected to be received. This is applied using a probability weighted approach.

On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

Council uses the simplified approach for trade receivables where the expected lifetime credit losses are recognised on day 1.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

None of the receivables that have been written off are subject to enforcement activity.

Where the Council renegotiates the terms of receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

Rates and annual charges outstanding are secured against the property.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Inventories				
(i) Inventories at cost				
Real estate for resale	1,176	—	1,338	—
Stores and materials	460	—	490	—
Total inventories at cost	1,636	—	1,828	—
TOTAL INVENTORIES	1,636	—	1,828	—

(b) Other assets

Prepayments	108	—	63	—
Other	1	—	1	—
TOTAL OTHER ASSETS	109	—	64	—

Externally restricted assets

There are no restrictions applicable to the above assets.

(i) Other disclosures

\$ '000	Notes	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Details for real estate development					
Residential		1,064	—	1,226	—
Industrial/commercial		112	—	112	—
Total real estate for resale		1,176	—	1,338	—

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

Represented by:

Acquisition & development costs	1,176	—	1,338	—
Total costs	1,176	—	1,338	—
Total real estate for resale	1,176	—	1,338	—

Movements:

Real estate assets at beginning of the year	1,338	—	1,210	—
– Purchases and other costs	29	—	422	—
– WDV of sales (expense)	(191)	—	(294)	—
Total real estate for resale	1,176	—	1,338	—

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets (continued)

(b) Current assets not anticipated to be settled within the next 12 months

The following inventories and other assets, even though classified as current are not expected to be recovered in the next 12 months;

\$ '000	2020	2019
Real estate for resale	847	1,138
	<u>847</u>	<u>1,138</u>

Accounting policy for inventories and other assets

Raw materials and stores, work in progress and finished goods

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

Land held for resale/capitalisation of borrowing costs

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

Notes to the Financial Statements
for the year ended 30 June 2020

Note 10(a). Infrastructure, property, plant and equipment

	as at 30/06/19			Asset movements during the reporting period									as at 30/06/20		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Other movements (Assets Written Off)	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000															
Capital work in progress	995	–	995	570	244	–	–	(865)	–	(99)	–	–	845	–	845
Plant and equipment	8,911	(4,452)	4,459	860	65	(74)	(761)	–	–	–	–	–	9,514	(4,965)	4,549
Office equipment	518	(396)	122	44	80	–	(46)	–	–	–	–	–	492	(292)	200
Furniture and fittings	361	(216)	145	4	16	–	(32)	–	–	–	–	–	381	(248)	133
Land:															
– Operational land	2,950	–	2,950	–	74	(5)	–	–	–	–	–	–	3,019	–	3,019
– Community land	2,911	–	2,911	–	–	–	–	–	–	–	–	–	2,911	–	2,911
Land improvements – depreciable	571	(208)	363	194	8	–	(27)	2	–	–	–	–	776	(236)	540
Infrastructure:															
– Buildings – non-specialised	13,738	(7,452)	6,286	–	445	–	(296)	–	–	–	–	–	14,175	(7,740)	6,435
– Buildings – specialised	27,896	(12,588)	15,308	824	129	–	(723)	822	–	–	–	–	29,671	(13,311)	16,360
– Other structures	2,160	(968)	1,192	–	14	–	(96)	–	10	–	–	–	2,194	(1,074)	1,120
– Roads	144,396	(59,560)	84,836	1,200	1,752	(5)	(2,511)	2	–	–	–	600	154,728	(68,854)	85,874
– Bridges	9,658	(2,156)	7,502	–	–	–	(115)	–	1,827	–	–	4,571	18,453	(4,668)	13,785
– Footpaths	4,992	(1,543)	3,449	–	307	–	(108)	–	(194)	–	–	1,456	6,706	(1,796)	4,910
– Bulk earthworks (non-depreciable)	51,007	–	51,007	–	–	–	–	–	–	–	–	10,268	61,275	–	61,275
– Stormwater drainage	14,338	(5,533)	8,805	29	96	–	(125)	1	(1,837)	–	(522)	–	11,449	(5,002)	6,447
– Sewerage network	21,187	(8,040)	13,147	20	36	(2)	(231)	–	(1,079)	–	–	113	20,278	(8,274)	12,004
– Swimming pools	2,183	(1,060)	1,123	13	–	–	(56)	–	–	–	–	–	2,196	(1,116)	1,080
– Other open space/recreational assets	1,687	(645)	1,042	153	159	–	(95)	2	–	–	–	–	2,001	(740)	1,261
– Other infrastructure	1,984	(521)	1,463	1,575	138	–	(53)	36	1,273	–	–	–	5,084	(652)	4,432
Leasehold improvements	428	(101)	327	–	12	–	(29)	–	–	–	–	–	440	(130)	310
Other assets:															
– Library books	61	(21)	40	–	–	–	(1)	–	–	–	–	–	61	(22)	39
– Other	2,437	(816)	1,621	20	71	–	(171)	–	–	–	–	–	2,528	(987)	1,541
Total Infrastructure, property, plant and equipment	315,369	(106,276)	209,093	5,506	3,646	(86)	(5,476)	–	–	(99)	(522)	17,008	349,177	(120,107)	229,070

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

Notes to the Financial Statements
for the year ended 30 June 2020

Note 10(a). Infrastructure, property, plant and equipment (continued)

	as at 30/06/18			Asset movements during the reporting period								as at 30/06/19		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment reversal (recognised in equity)	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000														
Capital work in progress	216	–	216	944	–	–	–	–	(165)	–	–	995	–	995
Plant and equipment	8,931	(4,279)	4,652	854	5	(251)	(801)	–	–	–	–	8,911	(4,452)	4,459
Office equipment	473	(362)	111	39	6	–	(34)	–	–	–	–	518	(396)	122
Furniture and fittings	348	(185)	163	1	11	–	(30)	–	–	–	–	361	(216)	145
Land:														
– Operational land	2,793	–	2,793	–	176	(19)	–	–	–	–	–	2,950	–	2,950
– Community land	2,748	–	2,748	–	–	–	–	–	–	–	163	2,911	–	2,911
Land improvements – depreciable	566	(180)	386	5	–	–	(28)	–	–	–	–	571	(208)	363
Infrastructure:														
– Buildings – non-specialised	13,553	(7,164)	6,389	185	–	–	(288)	–	–	–	–	13,738	(7,452)	6,286
– Buildings – specialised	24,779	(11,899)	12,880	1,049	1,605	(39)	(620)	–	141	292	–	27,896	(12,588)	15,308
– Other structures	2,350	(992)	1,358	41	–	(112)	(95)	–	–	–	–	2,160	(968)	1,192
– Roads	140,968	(57,316)	83,652	1,920	11	–	(2,243)	1,496	–	–	–	144,396	(59,560)	84,836
– Bridges	9,658	(2,059)	7,599	–	–	–	(97)	–	–	–	–	9,658	(2,156)	7,502
– Footpaths	4,834	(1,438)	3,396	–	158	–	(105)	–	–	–	–	4,992	(1,543)	3,449
– Bulk earthworks (non-depreciable)	51,007	–	51,007	–	–	–	–	–	–	–	–	51,007	–	51,007
– Stormwater drainage	13,839	(5,391)	8,448	495	–	–	(142)	–	4	–	–	14,338	(5,533)	8,805
– Sewerage network	20,671	(7,655)	13,016	122	60	–	(258)	–	–	–	207	21,187	(8,040)	13,147
– Swimming pools	2,183	(1,005)	1,178	–	–	–	(55)	–	–	–	–	2,183	(1,060)	1,123
– Other open space/recreational assets	1,574	(596)	978	80	112	(46)	(83)	–	1	–	–	1,687	(645)	1,042
– Other infrastructure	1,865	(496)	1,369	50	69	–	(25)	–	–	–	–	1,984	(521)	1,463
Leasehold improvements	973	(327)	646	1	–	–	(28)	–	–	(292)	–	428	(101)	327
Other assets:														
– Library books	61	(20)	41	–	–	–	(1)	–	–	–	–	61	(21)	40
– Other	2,222	(669)	1,553	74	123	–	(148)	–	19	–	–	2,437	(816)	1,621
Total Infrastructure, property, plant and equipment	306,612	(102,033)	204,579	5,860	2,336	(467)	(5,081)	1,496	–	–	370	315,369	(106,276)	209,093

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10(a). Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

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

Sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Crown Lands and Water (CLAW).

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

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

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	10 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 15
Computer equipment	4 to 7		
Vehicles	5 to 10	Buildings	
Heavy plant/road making equipment	5 to 10	Buildings: all	40 to 100
Minor plant and equipment	2 to 10		
		Other infrastructure assets	
Sewer assets		Bulk earthworks	Infinite
Earth Lagoons and reservoirs	200	Swimming pools	50 to 60
Sewer Reticulation Pipes	70 to 120	Other open space/recreational assets	10 to 50
Sewer Maintenance Shafts	150		
Sewer Reticulation Connections	100	Transportation assets	
Pump Stations Structural	100	Sealed roads: surface	18 to 20
Effluent Reticulation Pipes	80	Sealed roads: structure	100
Irrigation Network Structural	40	Unsealed roads: structure	100
Internal Roads	20	Unsealed roads: surface	15 to 40
Mechanical	20 to 30	Bridge: concrete	100
Electrical - 3 phase power	100	Bridge: other	100
Electrical - Other	20	Road pavements	20 to 100
		Kerb, gutter and footpaths	50 to 100
Stormwater assets			
Drains	100		
Culverts	100		

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

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

Land under roads

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10(a). Infrastructure, property, plant and equipment (continued)

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

Crown reserves

Crown reserves under Council's care and control are recognised as assets of the council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

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

Rural Fire Service assets

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

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

Note 10(b). Externally restricted infrastructure, property, plant and equipment

\$ '000	as at 30/06/20			as at 30/06/19		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Sewerage services						
Plant and equipment	197	56	141	109	44	65
Land						
Infrastructure	20,278	8,274	12,004	21,187	8,040	13,147
Total sewerage services	20,475	8,330	12,145	21,296	8,084	13,212
Domestic waste management						
Plant and equipment	223	152	71	252	164	88
Land						
– Operational land	130	–	130	167	–	167
– Improvements – depreciable	37	8	29	47	10	37
Buildings	83	29	54	104	34	70
Other structures	59	33	26	81	42	39
Other assets	35	32	3	43	38	5
Total DWM	567	254	313	694	288	406
TOTAL RESTRICTED IPP&E	21,042	8,584	12,458	21,990	8,372	13,618

Note 10(c). Infrastructure, property, plant and equipment – current year impairments

\$ '000	Notes	2020	2019
(iv) Reversals of impairment losses previously recognised direct to equity (ARR):			
– Road Assets previously impaired and reversed		–	1,496
Total impairment reversals		–	1,496
IMPAIRMENT OF ASSETS – DIRECT to EQUITY (ARR)		–	1,496

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Contract assets and liabilities

\$ '000		2020 Current	2020 Non-current
(a) Contract assets			
Other Grants		29	—
Total Contract assets		29	—

\$ '000	Notes	2020 Current	2020 Non-current
(b) Contract liabilities			
Grants and contributions received in advance:			
Unexpended capital grants (to construct Council controlled assets)	(i)	430	—
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	454	—
Total grants received in advance		884	—
User fees and charges received in advance:			
Homecare Packages	(iii)	1,136	—
Total user fees and charges received in advance		1,136	—
Total contract liabilities		2,020	—

Notes

(i) Council has received funding to construct/upgrade assets including sporting facilities, library and other infrastructure. The funds received are under an enforceable contract which require Council to construct/upgrade an identified asset which will be under Council's control on completion. The revenue is recognised as Council constructs the asset and the contract liability reflects the funding received which cannot yet be recognised as revenue. The revenue is expected to be recognised in the next 12 months.

(ii) The contract liability relates to grants received prior to the revenue recognition criteria in AASB 15 being satisfied since the performance obligations are ongoing.

(iii) The contract liability relates to user fees received for various Pinnacle Homecare Package clients. The funds received are recorded as a contract liability on receipt and recognised as revenue as the packages are provided.

Significant changes in contract assets and liabilities

The contract liabilities have arisen on adoption of AASB 15 and AASB 1058. Previously income received in advance was recognised for reciprocal contracts. The increase in a contract liability is primarily due to grants in the scope of AASB 15 and capital grants received by Council to acquire or construct assets which will be under Council's control. Previously, revenue was recognised on receipt of the funds.

Accounting policy for contract assets and liabilities

Where the amounts billed to customers are based on the achievement of various milestones established in the contract, the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer.

When a performance obligation is satisfied by transferring a promised good or service to the customer before the customer pays consideration or before the payment is due, Council presents the work in progress as a contract asset, unless the rights to that amount of consideration are unconditional, in which case Council recognises a receivable.

When an amount of consideration is received from a customer / fund provider prior to Council transferring a good or service to the customer, Council presents the funds which exceed revenue recognised as a contract liability.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Leases

The Council has applied AASB 16 using the modified retrospective (cumulative catch-up) method and therefore the comparative information has not been restated and continues to be reported under AASB 117 and related Interpretations.

Council has leases over a range of assets including land and buildings and IT equipment. Information relating to the leases in place and associated balances and transactions is provided below.

Terms and conditions of leases

Office and IT equipment

Leases for office and IT equipment are considered low value assets. The leases are for between 3 and 5 years with no renewal option, the payments are fixed, however some of the leases include variable payments based on usage.

Council does not believe that any of the leases in place are material from a statement of financial position or performance perspective.

\$ '000	2020
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(a) Income Statement

The amounts recognised in the Income Statement relating to leases where Council is a lessee are shown below:

Variable lease payments based on usage not included in the measurement of lease liabilities	3
Expenses relating to short-term leases	25
Expenses relating to low-value leases	51
Expenses relating to Peppercorn leases	1
	80

(b) Statement of Cash Flows

Total cash outflow for leases	81
	81

Leases at significantly below market value – concessionary / peppercorn leases

Council has a number of leases at significantly below market for land and buildings which are used for:

- Youth Programs
- RV Motorhome Free Camp
- Tourism

The leases are generally between 7 and 10 years and require payments of less than \$1,000 per year. The use of the right-to-use asset is restricted by the lessors to specified community services which Council must provide, these services are detailed in the leases.

Council does not believe that any of the leases in place are material from a statement of financial position or performance perspective.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Leases (continued)

Accounting policy

Accounting policies under AASB 16 – applicable from 1 July 2019

At inception of a contract, Council assesses whether a lease exists – i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration?

Council has elected not to separate non-lease components from lease components for any class of asset and has accounted for payments as a single component.

At the lease commencement, Council recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where Council believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises: the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration, less any lease incentives. The right-of-use is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of asset accounting policy.

The lease liability is initially recognised at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Council's incremental borrowing rate for a similar term with similar security is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is re-measured when there is a lease modification, or change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI).

Where the lease liability is re-measured, the right-of-use asset is adjusted to reflect the re-measurement.

Exceptions to lease accounting

Council has applied the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. Council recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

Leases at significantly below market value / concessionary leases

Council has elected to measure the right of use asset arising from the concessionary leases at cost which is based on the associated lease liability at initial recognition.

Accounting policy under AASB 117 and associated Accounting Interpretations (2019 only)

Refer to Expenses from Continuing Operations - Materials & Contracts Note and Payables & Borrowings Note.

(c) Operating leases

Council leases out a number of properties and /or plant and equipment to businesses and community groups. These leases have been classified as operating leases for financial reporting purposes and the assets are included as IPP&E (refer in this note part (v) below) in the Statement of Financial Position.

The amounts recognised in the Income Statement relating to operating leases where Council is a lessor are shown below:

\$ '000	2020
(i) Operating lease income	
Room/Facility Hire	221
Leaseback fees - council vehicles	39
Aerodrome Hangars	8
Sporting Grounds	9
Vacant Land	5
Total income relating to operating leases	282

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Leases (continued)

\$ '000	2020
(iv) Maturity analysis of contractual lease income	
Maturity analysis of future lease income receivable showing the undiscounted lease payments to be received after reporting date for operating leases:	
< 1 year	204
1–2 years	207
2–3 years	149
3–4 years	140
4–5 years	141
> 5 years	141
Total undiscounted contractual lease income receivable	982

Accounting policy

When Council is a lessor, the lease is classified as either an operating or finance lease at inception date, based on whether substantially all of the risks and rewards incidental to ownership of the asset have been transferred to the lessee. If the risks and rewards have been transferred then the lease is classified as a finance lease, otherwise it is an operating lease.

When Council has a sub-lease over an asset and is the intermediate lessor then the head lease and sub-lease are accounted for separately. The classification of the sub-lease is based on the right-of-use asset which arises from the head lease rather than the useful life of the underlying asset.

If the lease contains lease and non-lease components then the non-lease components are accounted for in accordance with AASB 15 *Revenue from Contracts with Customers*.

The lease income is recognised on a straight-line basis over the lease term.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Payables				
Prepaid rates	84	—	75	—
Goods and services – operating expenditure	1,826	—	1,050	—
Goods and services – capital expenditure	—	—	76	—
Accrued expenses:				
– Borrowings	13	—	12	—
– Salaries and wages	279	—	285	1
– Other expenditure accruals	18	—	18	—
Security bonds, deposits and retentions	190	—	185	—
Total payables	2,410	—	1,701	1
Income received in advance (2019 only)				
Payments received in advance	—	—	306	—
Total income received in advance	—	—	306	—
Borrowings				
Loans – secured	355	2,249	229	1,605
Total borrowings	355	2,249	229	1,605
TOTAL PAYABLES AND BORROWINGS	2,765	2,249	2,236	1,606

(a) Payables and borrowings relating to restricted assets

There are no restricted assets (external or internal) applicable to the above payables and borrowings

(b) Changes in liabilities arising from financing activities

\$ '000	as at 30/06/19		Non-cash changes				as at 30/06/20	
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance	
Loans – secured	1,834	770	—	—	—	—	2,604	
TOTAL	1,834	770	—	—	—	—	2,604	

\$ '000	as at 30/06/18		Non-cash changes				as at 30/06/19	
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movement		Closing balance	
Loans – secured	313	1,521	—	—	—		1,834	
TOTAL	313	1,521	—	—	—		1,834	

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Payables and borrowings (continued)

\$ '000	2020	2019
(c) Financing arrangements		
(i) Unrestricted access was available at balance date to the following lines of credit:		
Bank overdraft facilities ¹	200	200
Credit cards/purchase cards	30	30
Total financing arrangements	230	230
Drawn facilities as at balance date:		
– Credit cards/purchase cards	8	9
Total drawn financing arrangements	8	9
Undrawn facilities as at balance date:		
– Bank overdraft facilities	200	200
– Credit cards/purchase cards	22	21
Total undrawn financing arrangements	222	221

Additional financing arrangements information

Breaches and defaults

During the current and prior year, there were no defaults or breaches on any of the loans.

Security over loans

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

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

Accounting policy for payables and borrowings

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

The financial liabilities of the Council comprise trade payables and bank loans.

Payables

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

Borrowings

Borrowings are carried at their principal amounts, which represents the present value of future cash flows associated with servicing the debt.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Provisions				
Employee benefits				
Annual leave	1,008	–	981	–
Sick leave	1,172	–	1,366	–
Long service leave	1,795	54	1,872	61
Sub-total – aggregate employee benefits	3,975	54	4,219	61
TOTAL PROVISIONS	3,975	54	4,219	61

(a) Provisions relating to restricted assets

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

\$ '000	2020	2019
---------	------	------

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

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

Provisions – employees benefits	3,202	2,977
	3,202	2,977

(c) Description of and movements in provisions

	ELE provisions			
\$ '000	Annual leave	Sick leave	Long service leave	Total
2020				
At beginning of year	981	1,366	1,933	4,280
Additional provisions	484	217	230	931
Amounts used (payments)	(455)	(402)	(278)	(1,135)
Other	(2)	(9)	(36)	(47)
Total ELE provisions at end of year	1,008	1,172	1,849	4,029
2019				
At beginning of year	994	1,359	1,791	4,144
Additional provisions	470	309	253	1,032
Amounts used (payments)	(488)	(376)	(225)	(1,089)
Remeasurement effects	5	74	114	193
Total ELE provisions at end of year	981	1,366	1,933	4,280

Accounting policy for provisions

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Provisions (continued)

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.

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

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

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

Restoration

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

Council has undertaken a review of the work required to restore the quarries and tips within its area. Due to the current working methods being carried out at the sites, restoration costs are negligible and are unable to be accurately identified. Due to the small cost involved, it has been classified as immaterial and has not been recognised in the financial statements.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

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

During the year ended 30 June 2020, the Council has adopted AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-profit Entities* and AASB 16 *Leases* using the modified retrospective (cumulative catch-up) method and therefore the comparative information for the year ended 30 June 2019 has not been restated and continues to comply with AASB 111 *Construction Contracts*, AASB 117 *Leases*, AASB 118 *Revenue*, AASB 1004 *Contributions* and associated Accounting Interpretations.

All adjustments on adoption of AASB 15 and AASB 1058 have been taken to retained earnings at 1 July 2019.

The impacts of adopting these standards and associated transition disclosures are provided below:

(ii) AASB 15 and AASB 1058

The following approach has been applied on transition to AASB 15 and AASB 1058:

- Council has not adopted the completed contract expedient and therefore has not excluded revenue which was fully recognised in previous years in accordance with the former accounting standards and pronouncements
- Council has retrospectively restated contracts for modifications that occurred before 1 July 2019 unless such contract modification were minor.

Transfer of control to a customer – over time or at a point in time

AASB 15 has specific criteria regarding whether control is transferred over time or at a point in time. The entity has reviewed its contracts and concluded that the criteria for recognition over time is not met in some circumstances. In such cases, revenue and related production costs will be recognised at the delivery of each separate performance obligation instead of over the contract using a single margin.

Principal v agent

Prior to adoption of AASB 15, the Council had assessed that they were a principal in transactions where another party was involved in providing the goods or services including pass-through grants.

Under AASB 15, the indicators of a principal have changed and there are now a number of performance obligations within grant agreements where the Council is acting as an agent since the only obligation is to transfer the funds to a third party. The result is that Council can only recognise the “commission” to which they are entitled rather than the gross revenue and expenses. There is no change to reported profit.

Prepaid rates

Under AASB 1004, rates were recorded as revenue at the earliest of receipt of the funds from the ratepayer and the beginning of the rating period. Under AASB 1058, prepaid rates are recognised as a financial liability until the beginning of the rating period.

Grants – operating

Under AASB 1004, most grant income was recognised as revenue on receipt. Under AASB 15, where an agreement is enforceable and contains sufficiently specific performance obligations, the revenue is either recognised over time as the work is performed, or recognised at the point in time that the control of the services passes to the customer.

Grants – capital

Under AASB 1004, most grant monies were recorded as revenue on receipt. Under AASB 1058, where Council has received assets (including cash) to acquire or construct a non-financial asset, the asset is to be controlled by Council and the contract is enforceable, then the asset is recognised as a contract liability on receipt and recorded as revenue as the performance obligation to acquire or construct the asset is completed.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

Changes in presentation

In addition to the above changes in accounting policies, the Council has also amended the presentation of certain items to align them with the requirements of AASB 15 and AASB 1058:

- Additional line items for contract liabilities has been created.

\$ '000	Balance at 1 July 2019
Opening contract balances at 1 July 2019	
Contract liabilities	
– Under AASB 1058	318
Total Contract liabilities	318

Comparison of financial statement line items under AASB 15 compared to previous standards for the current year

The following tables show the impact of adopting AASB 15 and AASB 1058 on the Council's financial statements for the year ended 30 June 2020.

Statement of Financial Position

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Carrying amount under previous revenue standards
Current assets				
Cash and cash equivalents	1,622	–	–	1,622
Investments	12,122	–	–	12,122
Receivables	3,657	438	–	4,095
Inventories	1,636	–	–	1,636
Contract assets	29	(438)	–	(409)
Other	109	–	–	109
Total current assets	19,175	–	–	19,175
Current liabilities				
Payables	2,410	–	–	2,410
Contract liabilities	2,020	–	(2,020)	–
Borrowings	355	–	–	355
Provisions	3,975	–	–	3,975
Total current liabilities	8,760	–	(2,020)	6,740

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Carrying amount under previous revenue standards
Non-current assets				
Infrastructure, property, plant and equipment	229,070	—	—	229,070
Investments accounted for using equity method	204	—	—	204
Total non-current assets	229,274	—	—	229,274
Non-current liabilities				
Borrowings	2,249	—	—	2,249
Provisions	54	—	—	54
Total Non-current liabilities	2,303	—	—	2,303
Net assets	237,386	—	2,020	239,406
Equity				
Accumulated surplus	94,385	—	2,020	96,405
Revaluation reserves	143,001	—	—	143,001
Council equity interest	237,386	—	2,020	239,406
Total equity	237,386	—	2,020	239,406

Funds under AASB 15 and AASB 1058 which have been received prior to the satisfaction of the performance obligation

Income Statement

\$ '000	Income Statement and comprehen- sive income under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Income Statement and comprehen- sive income under previous revenue standards
Income from continuing operations				
Rates and annual charges	5,627	—	—	5,627
User charges and fees	8,964	—	1,136	10,100
Other revenues	676	—	—	676
Grants and contributions provided for operating purposes	7,125	—	454	7,579
Grants and contributions provided for capital purposes	4,891	—	430	5,321
Interest and investment income	222	—	—	222
Net gains from the disposal of assets	121	—	—	121
Rental income	282	—	—	282
Net share of interests in joint ventures and associates using the equity method	3	—	—	3
Total Income from continuing operations	27,911	—	2,020	29,931

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

Expenses from continuing operations

Employee benefits and on-costs	8,411	–	–	8,411
Borrowing costs	55	–	–	55
Materials and contracts	5,671	–	–	5,671
Depreciation and amortisation	5,476	–	–	5,476
Other expenses	2,946	–	–	2,946
Total Expenses from continuing operations	22,559	–	–	22,559

Total Operating result from continuing operations

	5,352	–	2,020	7,372
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Net operating result for the year

	5,352	–	2,020	7,372
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Total comprehensive income

	21,844	–	2,020	23,864
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Difference in revenue between recognition on receipt under the old standards and as/when performance obligations are met under the new standards

Adjustments to the current year figures for the year ended 30 June 2020

Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Contract assets	–	–	–
Total assets	223,982	–	223,982
Contract liabilities	–	318	318
Total liabilities	8,122	318	8,440
Accumulated surplus	89,345	(318)	89,027
Total equity	215,860	(318)	215,542

(iii) AASB 16 Leases

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

Council as a lessee

Under AASB 117, Council assessed whether leases were operating or finance leases, based on its assessment of whether the significant risks and rewards of ownership had been transferred to Council or remained with the lessor. Under AASB 16, there is no differentiation between finance and operating leases for the lessee and therefore all leases which meet the definition of a lease are recognised on the statement of financial position (except for short-term leases and leases of low-value assets).

Council has used the exception to lease accounting for short-term leases and leases of low-value assets, and the lease expense relating to these leases is recognised in the Income Statement on a straight-line basis.

Practical expedients used on transition

AASB 16 includes a number of practical expedients which can be used on transition. Council has used the following expedients:

- Contracts which had previously been assessed as not containing leases under AASB 117 were not re-assessed on transition to AASB 16.
- Lease liabilities have been discounted using the Council's incremental borrowing rate at 1 July 2019.
- Right-of-use assets at 1 July 2019 have been measured at an amount equal to the lease liability adjustment by the any prepaid or accrued lease payments.
- A single discount rate was applied to all leases with similar characteristics.
- The right-of-use asset was adjusted by the existing onerous lease provision (where relevant) at 30 June 2019 rather than perform impairment testing of the right-of-use asset.
- Excluded leases with an expiry date prior to 30 June 2020 from the Statement of Financial Position, and lease expenses for these leases have been recorded on a straight-line basis over the remaining term.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Financial statement impact of adoption of AASB 16

Council has made no adjustment for leases as at 1 July 2019 as the commitments are for copiers which are low value assets.

\$ '000	Notes	Balance at 1 July 2019
Operating lease commitments at 30 June 2019 per Council financial statements		135

Reconciliation of lease liabilities recognised on adoption of AASB 16 Leases

Operating lease commitments discounted using the incremental borrowing rate at 1 July 2019	135
Less:	
Leases for low-value assets included in commitments note	(135)
Lease liabilities recognised at 1 July 2019	—

Council as a lessor

For the arrangements where Council is a lessor, there are no significant accounting policy changes on adoption of AASB 16 except for sub-leases, which have now been classified in relation to the right-of-use asset under the head lease rather than the underlying asset.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Statement of cash flow information

\$ '000	Notes	2020	2019
(a) Reconciliation of cash and cash equivalents			
Total cash and cash equivalents per Statement of Financial Position	7(a)	1,622	972
Balance as per the Statement of Cash Flows		1,622	972
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		5,352	3,102
Adjust for non-cash items:			
Depreciation and amortisation		5,476	5,014
Net losses/(gains) on disposal of assets		(121)	45
Adoption of AASB 15/1058		(318)	–
Share of net (profits)/losses of associates/joint ventures using the equity method		(3)	(9)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(388)	453
Increase/(decrease) in provision for impairment of receivables		9	–
Decrease/(increase) in inventories		30	(237)
Decrease/(increase) in other current assets		(45)	81
Decrease/(increase) in contract assets		(29)	–
Increase/(decrease) in payables		776	(168)
Increase/(decrease) in accrued interest payable		1	8
Increase/(decrease) in other accrued expenses payable		(7)	(29)
Increase/(decrease) in other liabilities		(292)	(163)
Increase/(decrease) in contract liabilities		2,020	–
Increase/(decrease) in provision for employee benefits		(251)	136
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		12,210	8,233

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Interests in other entities

\$ '000	Council's share of net income		Council's share of net assets	
	2020	2019	2020	2019
Joint ventures	3	9	204	195
Total	3	9	204	195

Joint arrangements

(i) Joint ventures

Council has incorporated the following joint ventures into its consolidated financial statements.

(a) Net carrying amounts – Council's share

\$ '000	Nature of relationship	Measurement method	2020	2019
Riverina Regional Library	Joint venture		204	195
Total carrying amounts – material joint ventures			204	195

(b) Details

Principal activity		Place of business
Riverina Regional Library	Provision of library services	Riverina

(c) Relevant interests and fair values

\$ '000	Interest in outputs		Interest in ownership		Proportion of voting power	
	2020	2019	2020	2019	2020	2019
Riverina Regional Library	4.5%	4.4%	4.5%	4.4%	4.5%	4.4%

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Interests in other entities (continued)

(d) Summarised financial information for joint ventures

\$ '000	Riverina Regional Library	
	2020	2019
Statement of financial position		
Current assets		
Cash and cash equivalents	2,866	2,651
Other current assets	31	26
Non-current assets	2,641	2,742
Current liabilities		
Current financial liabilities (excluding trade and other payables and provisions)	981	939
Non-current liabilities		
Non-current financial liabilities (excluding trade and other payables and provisions)	4	3
Net assets	4,553	4,477
Reconciliation of the carrying amount		
Opening net assets (1 July)	4,477	4,253
Profit/(loss) for the period	76	224
Closing net assets	4,553	4,477
Council's share of net assets (%)	4.5%	4.4%
Council's share of net assets (\$)	204	195
Statement of comprehensive income		
Income	3,054	2,954
Interest income	29	26
Interest expense	(13)	(10)
Depreciation and amortisation	(853)	(828)
Other expenses	(2,141)	(1,918)
Profit/(loss) from continuing operations	76	224
Profit/(loss) for the period	76	224
Total comprehensive income	76	224
Share of income – Council (%)	4.5%	4.4%
Profit/(loss) – Council (\$)	3	9
Total comprehensive income – Council (\$)	3	9
Summarised Statement of cash flows		
Cash flows from operating activities	1,013	1,137
Cash flows from investing activities	(798)	(760)
Net increase (decrease) in cash and cash equivalents	215	377

(i) County Councils

Council is a member of the Goldenfields Water County Council, a body corporate under the Local Government Act 1993 (NSW) as a Local Water Authority. Council is one of seven constituent members and does not control nor significantly influence the county council. Accordingly, the County Council has not been consolidated or otherwise included within these financial statements.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Commitments

\$ '000	2020	2019
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(a) Capital commitments (exclusive of GST)

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

Property, plant and equipment

Land and Buildings	585	192
Total commitments	585	192

These expenditures are payable as follows:

Within the next year	585	192
Total payable	585	192

Sources for funding of capital commitments:

Grants	207	192
Unexpended loans	378	—
Total sources of funding	585	192

Details of capital commitments

Construction of the Supported Independent Living House and upgrade works at the Temora Recreation Centre were incomplete at 30 June 2020. These amount represents the balance of unperformed works.

\$ '000	2020	2019
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(b) Non-cancellable operating lease commitments (2019 only)

a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:

Within the next year	—	45
Later than one year and not later than 5 years	—	90
Total non-cancellable operating lease commitments	—	135

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

Refer to Note 15 for information relating to leases for 2020.

The operating lease is in place for Photocopiers and is for a 60 month term. Contingent rentals may be payable depending on the condition of items or usage during the lease term.

Conditions relating to finance and operating leases:

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named The Local Government Superannuation Scheme – Pool B (the Scheme) which is a defined benefit plan that has been deemed to be a 'multi-employer fund' for purposes of AASB119 Employee Benefits for the following reasons:

- Assets are not segregated within the sub-group according to the employees of each sponsoring employer.
- The contribution rates have been the same for all sponsoring employers. That is, contribution rates have not varied for each sponsoring employer according to the experience relating to the employees of that sponsoring employer.
- Benefits for employees of all sponsoring employers are determined according to the same formulae and without regard to the sponsoring employer.
- The same actuarial assumptions are currently used in respect of the employees of each sponsoring employer.

Given the factors above, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers, and hence shares in the associated gains and losses (to the extent that they are not borne by members).

Description of the funding arrangements.

Pooled Employers are required to pay future service employer contributions and past service employer contributions to the Fund.

The future service employer contributions were determined using the new entrant rate method under which a contribution rate sufficient to fund the total benefits over the working life-time of a typical new entrant is calculated. The current future service employer contribution rates are::

Division B	1.9 times member contributions for non-180 Point Members; Nil for 180 Point Members*
Division C	2.5% salaries
Division D	1.64 times member contributions

* For 180 Point Members, Employers are required to contribute 7% of salaries to these members' accumulation accounts, which are paid in addition to members' defined benefits.

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40.0 million for 1 July 2019 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

The adequacy of contributions is assessed at each triennial actuarial investigation and monitored annually between triennials.

Description of the extent to which Council can be liable to the plan for other Council's obligations under the terms and conditions of the multi-employer plan

As stated above, each sponsoring employer (Council) is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses.

However, there is no relief under the Fund's trust deed for employers to walk away from their defined benefit obligations. Under limited circumstances, an employer may withdraw from the plan when there are no active members, on full payment of outstanding additional contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the Council.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Contingencies (continued)

There are no specific provisions under the Fund's trust deed dealing with deficits or surplus on wind-up.

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2020 was \$142,317. The last valuation of the Scheme was performed by Richard Boyd FIAA as at 30 June 2019.

The amount of additional contributions included in the total employer contribution advised above is \$95,000. Council's expected contribution to the plan for the next annual reporting period is \$130,269.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2020 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	1,695.2	
Past Service Liabilities	1,773.2	95.6%
Vested Benefits	1,757.5	96.5%

* excluding member accounts and reserves in both assets and liabilities.

Council's participation in the Scheme compared with other entities is about 0.25% based on Council's current level of annual additional contributions against total contributions.

Council's share of that deficiency cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils. For this reason, no liability for the deficiency has been recognised in Council's accounts. Council has a possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

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

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

* Plus promotional increases

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group.

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Contingencies (continued)

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

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Fencing of Quarries

Council leases various gravel quarries throughout the Shire. Recent changes to the Mining Act mean that Council will now be required to fence off these quarries to restrict access in an attempt to limit Council's possible liabilities.

Council's solicitor has compiled an agreement between Council and the landowners setting out the requirements and possible responsibilities of each party. These agreements have not yet been ratified by all landowners.

These future liabilities have not been brought to account because:

- Council is yet to decide which quarries it will actually fence off, as it is considering closing a number of the least used sites. Restoration costs on these sites would be negligible.
- Preliminary engineering estimates of the individual amounts required to undertake the fencing works have not yet been made due to the variations between each site's size, distance from access point etc.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Financial risk management

Risk management

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

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

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

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

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

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.

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

The risks associated with the instruments held are:

- **Price Risk** - the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.

- **Interest Rate Risk** - the risk that movements in interest rates could affect returns and income.

- **Liquidity Risk** - the risk that Council will not be able to pay its debts as and when they fall due.

- **Credit Risk** - the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council - be it of a capital or income nature.

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

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 market 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Financial risk management (continued)

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2020				
Possible impact of a 1% movement in interest rates	137	137	(137)	(137)
2019				
Possible impact of a 1% movement in interest rates	97	97	(97)	(97)

(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 the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures.

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

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

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable in the financial statements.

Council makes suitable provision for doubtful receivables as required.

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

Credit risk profile

Receivables – rates and annual charges

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.

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2020						
Gross carrying amount	–	183	22	13	1	219
2019						
Gross carrying amount	–	168	25	17	–	210

Receivables - non-rates and annual charges

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Financial risk management (continued)

The loss allowance provision as at 30 June 2020 is determined as follows. The expected credit losses incorporate forward-looking information.

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2020						
Gross carrying amount	3,140	136	52	2	120	3,450
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	10.00%	0.35%
ECL provision	—	—	—	—	12	12
2019						
Gross carrying amount	2,425	165	19	35	271	2,915
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	1.10%	0.10%
ECL provision	—	—	—	—	3	3

(c) Liquidity risk

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

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

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

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

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

The contractual undiscounted cash outflows of Council's payables and borrowings are set out in the table below:

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2020							
Trade/other payables	0.00%	190	2,136	—	—	2,326	2,326
Loans and advances	2.47%	—	355	1,121	1,128	2,604	2,604
Total financial liabilities		190	2,491	1,121	1,128	4,930	4,930
2019							
Trade/other payables	0.00%	185	1,442	—	—	1,627	1,627
Loans and advances	3.10%	—	229	991	614	1,834	1,834
Total financial liabilities		185	1,671	991	614	3,461	3,461

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Material budget variations

Council's original financial budget for 19/20 was adopted by the Council on 20/06/2019 and is unaudited.

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

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

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

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

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
REVENUES				
Rates and annual charges	5,664	5,627	(37)	(1)% U
User charges and fees	7,142	8,964	1,822	26% F
While revenues from a number of facilities (including the caravan park, cinema, sports stadium & tourist information centre) were down as a result of Covid-19, this decrease is more than offset by the variation in RMCC Single invitation contract and Frail & Aged revenue. RMCC revenue was up \$836k on budget. Fees & Charges in relation to Frail & Aged were also up \$693k on budget.				
Other revenues	976	676	(300)	(31)% U
Budgeted rental income of \$235k is now classified as lease income as a result of the changes in accounting standards. Revenues from the Agricultural Innovation Centre were also down \$151k on budget, primarily as a result of the severe drought. Council was fortunate to receive a number of donations and bequests this year which partially offset the above negative variations.				
Operating grants and contributions	6,980	7,125	145	2% F
Capital grants and contributions	8,025	4,891	(3,134)	(39)% U
Council's budget included \$5.3m for Aerodrome upgrades. Works completed and income recognised for 2020 were only \$1.4m. Council had included \$90k in the budget for Library upgrades. Funding for this project was announced late in 2020 with the project to be completed during 2021. There were also some variations on budget in relation to the timing of expenditure and therefore income recognition for Stronger Country Communities Fund projects. This resulted in approximately \$170k less income than budgeted in 2020, but this is purely a timing issue.				
Partially offsetting these unfavourable variances are the fact that at the time of budget preparation, our entire regional roads allocation is classified as operating due to the uncertainty regarding the allocation of expenditure. In 2020 \$722k was classified as capital. Drought Communities Funding was received unbudgeted in 2020. \$601k of DCP funding was classified as capital.				
Interest and investment revenue	179	222	43	24% F
Council takes a very conservative approach to budgeting for interest revenues and reserves have continued to increase.				
Net gains from disposal of assets	77	121	44	57% F
Proceeds on Sale of Plant were higher than anticipated.				
Rental income	–	282	282	∞ F
The budget amount for this item is included in the budget for Other Revenues in accordance with previous accounting standards.				

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Material budget variations (continued)

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
Joint ventures and associates – net profits	–	3	3	∞ F
This amount relates to Council's interest in the Riverina Regional Library and was not budgeted.				

EXPENSES

Employee benefits and on-costs	7,556	8,411	(855)	(11)%	U
This variation can be attributed to differing budget allocations between salaries & wages and materials & contracts.					
Borrowing costs	54	55	(1)	(2)%	U
Materials and contracts	5,222	5,671	(449)	(9)%	U
Depreciation and amortisation	5,055	5,476	(421)	(8)%	U
Other expenses	2,822	2,946	(124)	(4)%	U
Net losses from disposal of assets	–	–	–	∞	F

STATEMENT OF CASH FLOWS

Cash flows from operating activities	12,970	12,210	(760)	(6)%	U
Cash flows from investing activities	(12,631)	(12,330)	301	(2)%	F
Cash flows from financing activities	471	770	299	63%	F
Council had budgeted to draw down a \$700k loan for the construction of a Supported Independent Living House, however the minimum amount permitted to be borrowed from T-Corp is \$1m.					

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement

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

	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobserv-able inputs	
2020					
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/2020	—	—	4,549	4,549
Office equipment	30/06/2020	—	—	200	200
Furniture and fittings	30/06/2020	—	—	133	133
Operational land	30/06/2018	—	3,019	—	3,019
Community land	30/06/2017	—	—	2,911	2,911
Land improvements	30/06/2017	—	—	540	540
Buildings – non-specialised	30/06/2018	—	6,435	—	6,435
Buildings – specialised	30/06/2018	—	—	16,360	16,360
Leasehold improvements	30/06/2017	—	—	310	310
Other structures	30/06/2018	—	—	1,120	1,120
Roads	30/06/2020	—	—	85,874	85,874
Bridges	30/06/2020	—	—	13,785	13,785
Footpaths	30/06/2020	—	—	4,910	4,910
Bulk earthworks (roads)	30/06/2020	—	—	61,275	61,275
Stormwater drainage	30/06/2020	—	—	6,447	6,447
Sewerage network	30/06/2017	—	—	12,004	12,004
Swimming pools	30/06/2018	—	—	1,080	1,080
Other open space/recreational assets	30/06/2018	—	—	1,261	1,261
Other Infrastructure	30/06/2017	—	—	4,432	4,432
Library books	30/06/2020	—	—	39	39
Other	30/06/2020	—	—	1,541	1,541
Total infrastructure, property, plant and equipment		—	9,454	218,771	228,225

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

2019	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobserv-able inputs	
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/19	—	—	4,459	4,459
Office equipment	30/06/19	—	—	122	122
Furniture and fittings	30/06/19	—	—	146	146
Operational land	30/06/18	—	2,950	—	2,950
Community land	30/06/17	—	—	2,911	2,911
Land improvements	30/06/17	—	—	363	363
Buildings – non-specialised	30/06/18	—	6,286	—	6,286
Buildings – specialised	30/06/18	—	—	15,308	15,308
Leasehold improvements	30/06/17	—	—	328	328
Other structures	30/06/18	—	—	1,192	1,192
Roads	30/06/15	—	—	84,836	84,836
Bridges	30/06/15	—	—	7,502	7,502
Footpaths	30/06/15	—	—	3,448	3,448
Bulk earthworks (roads)	30/06/15	—	—	51,007	51,007
Stormwater drainage	30/06/15	—	—	8,805	8,805
Sewerage network	30/06/17	—	—	13,148	13,148
Swimming pools	30/06/18	—	—	1,123	1,123
Other open space/recreational assets	30/06/18	—	—	1,042	1,042
Other Infrastructure	30/06/17	—	—	1,463	1,463
Library books	30/06/19	—	—	40	40
Other	30/06/19	—	—	1,620	1,620
Total infrastructure, property, plant and equipment		—	9,236	198,863	208,099

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

(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.

(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 (ie. level 1 inputs) Council instead utilises a spread of both observable inputs (level 2 inputs) and unobservable inputs (level 3 inputs).

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

Infrastructure, property, plant and equipment (IPP&E)

Roads Infrastructure

This asset class comprises the road surface and pavement, bridges, drainage, kerb & gutter and footpaths. The cost approach was adopted to value these assets based on assessments and calculations from a condition assessment done in-house as part of the valuation project undertaken in 2020. Assets have been componentised and a full review of condition, useful lives and unit rates was undertaken.

Key inputs such as estimated pattern of consumption, asset condition and useful life required extensive professional judgement and impact significantly on the final determination of fair value.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

Stormwater Drainage Infrastructure

This asset class comprises the pits, pipes, open channels and headwalls.

The cost approach was adopted to value these assets based on assessments and calculations from a condition assessment done in-house as part of the valuation project undertaken in 2020. A full review of useful lives and unit rates was undertaken. Key inputs such as estimated pattern of consumption, asset condition and useful life required extensive professional judgement and impact significantly on the final determination of fair value.

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

Sewerage Infrastructure

This asset class comprises the treatment works, pumping station, sewerage mains and effluent reuse.

The cost approach was adopted to value these assets based on assessments and calculations from condition assessments done in-house as part of the valuation project undertaken in 2017. Assets have been componentised and a full review of condition, useful lives and unit rates was undertaken.

Key inputs such as estimated pattern of consumption, asset condition and useful life required extensive professional judgement and impact significantly on the final determination of fair value.

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

Community Land

This asset class comprises all of Council's land classified as Community Land under the NSW Local Government Act 1993. Council has used the Valuer General's Unimproved Capital Land Value (UCV) as the fair value. There has been no change in the valuation process during the period.

Operational Land

This asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993. Council engaged AssetVal Pty Ltd to value all of its operational land with an effective date of 30 June 2018.

Buildings – Specialised

This asset class comprises all of Council's specialised buildings.

Council engaged AssetVal Pty Ltd to value all of its buildings with an effective date of 30 June 2018. The cost approach was adopted to estimate the fair value of these assets using the depreciated replacement cost allowing for professional fees, demolition, removal of debris and escalation in costs.

Inputs such as estimates of residual value and pattern of consumption required extensive professional judgement and impacted significantly on the final determination of fair value.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

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

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

\$ '000	Level 3 Fair Value Assets
2019	
Opening balance	195,181
Purchases (GBV)	7,057
Disposals (WDV)	(448)
Depreciation and impairment	(4,793)
FV gains – other comprehensive income	370
Impairment Loss recognised in Equity	1,496
Closing balance	198,863
2020	
Opening balance	198,863
Purchases (GBV)	8,683
Disposals (WDV)	(81)
Depreciation and impairment	(5,180)
FV gains – other comprehensive income	16,486
Closing balance	218,771

b. Information relating to the transfers into and out of the level 3 fair valuation hierarchy (as disclosed in the table above) includes:

During the year, there were no transfers into or out of the Level 3 Fair Valuation Hierarchy.

c. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various level 3 asset class fair values.

\$ '000	Fair value (30/6/20)	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment			
Plant & Equipment	4,549	Valued at Cost	Cost per unit, useful life, residual value, condition of asset
Office Equipment	200	Valued at Cost	Cost per unit, useful life, residual value, condition of asset
Furniture & Fittings	133	Valued at Cost	Cost per unit, useful life, residual value, condition of asset
Community Land	2,911	Based on Valuer General Valuation	Cost per sq metre, Valuer General's valuation
Land Improvements	540	Valued at Cost	Cost per unit, pattern of consumption, useful life, asset condition
Buildings – Specialised	16,360	External Valuation using cost approach	Cost per sq metre, pattern of consumption, condition assessment, useful life
Leasehold Improvements	310	Valued at Cost	Cost per sq metre, pattern of consumption, condition assessment, term of lease
Other Structures	1,120	External Valuation using cost approach	Cost per unit, useful life, condition of asset

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

\$ '000	Fair value (30/6/20)	Valuation technique/s	Unobservable inputs
Roads	85,874	Internal Valuation using cost approach	Unit rates, useful life, pattern of consumption, condition assessment
Bridges	13,785	Internal Valuation using cost approach	Unit rates, useful life, dimensions & specifications, pattern of consumption, components, condition assessment
Footpaths	4,910	Internal Valuation using cost approach	Unit rates, useful life, pattern of consumption, components, condition assessment
Bulk Earthworks (Roads)	61,275	Internal Valuation using cost approach	Cost per sq metre
Stormwater Drainage	6,447	Internal Valuation using cost approach	Cost per unit/metre
Sewerage Network	12,004	Internal Valuation using cost approach	Unit rates, useful life, pattern of consumption, components, condition assessment
Swimming Pools	1,080	External Valuation using cost approach	Cost per unit
Other Open Space/Recreational Assets	1,261	External Valuation using cost approach	Unit rates, pattern of consumption, components, useful life, asset condition
Other Infrastructure	4,398	Valued at Cost	Unit rates, useful life, pattern of consumption, condition assessment
Library Books	–	Valued at Cost	Unit Costs
Other	1,580	Valued at Cost	Unit Costs

d. The valuation process for level 3 fair value measurements

The inputs used for applying the Cost Approach to the valuation process were:

- pattern of consumption
- residual value (where appropriate)
- asset condition
- unit rates
- useful lives

When necessary Council has engaged external consultants with specific expertise to work in conjunction with Council staff to establish the fair value of the assets based on the above inputs.

(5) Highest and best use

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Related party disclosures

(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:

\$ '000	2020	2019
Compensation:		
Short-term benefits	1,211	1,115
Post-employment benefits	86	86
Other long-term benefits	28	33
Total	1,325	1,234

(b) Other transactions with KMP and their related parties

Pre-amble

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	Ref	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
\$ '000						
2020						
Employee expenses for close family members of KMP	1	286	–	NSW Local Govt State Award	–	–
Catering Supplies	3	1	–	7 day terms on invoices	–	–
Plumbing Services	3	65	–	7 day terms on invoices	–	–
Uniform Purchases	2	4	–	7 day terms on invoices	–	–
Laundry Services	2	7	–	7 day terms on invoices	–	–
Real Estate Services	4	59	–	7 day terms on invoices	–	–
Building Services	3	69	–	7 day terms on invoices	–	–
Electrical Services	3	12	–	7 day terms on invoices	–	–
Fees & Charges charged to entities who influence or are influenced by KMP	5	3	–	7 day terms on invoices	–	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Related party disclosures (continued)

Nature of the transaction	Ref	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
\$ '000						
2019						
Employee expenses for close family members of KMP	1	435	–	NSW Local Govt State Award	–	–
Catering Supplies	3	1	–	7 day terms on invoices	–	–
Plumbing Services	3	9	–	7 day terms on invoices	–	–
Uniform Purchases	2	4	–	7 day terms on invoices	–	–
Laundry Services	2	9	–	7 day terms on invoices	–	–
Real Estate Services	4	18	–	7 day terms on invoices	–	–
Building Services	3	270	–	7 day terms on invoices	–	–
Electrical Services	3	68	–	7 day terms on invoices	–	–

1 All close family members of KMP were employed through an arm's length process. They are paid in accordance with the Award for the job they perform. Council employs 180 staff, of which only 6 are close family members of KMP.

2 Council purchased the following materials and services from entities that are controlled by KMP. All purchases were at arm's length and were in the normal course of Council operations. Amounts were billed based on normal rates for such services/supplies and were due and payable under normal payment terms following Council's procurement processes.

- Work Uniforms
- Laundry Services

3 Council purchased the following materials and services from entities that are controlled by a related party of a KMP. All purchases were at arm's length and were in the normal course of Council operations. Amounts were billed based on normal rates for such services/supplies and were due and payable under normal payment terms following Council's procurement processes.

- Plumbing Services
- Electrical Services
- Building Services
- Catering Supplies

4 Council engages the services of a local real estate agency, of which one of the principals is a related party of a KMP. All real estate listings were at arm's length and in the normal course of Council operations. Commission is deducted from the property sale proceeds at a rate of 3% of the sale price. All properties listed for sale are also listed with another reputable real estate agent in the area on the same terms and conditions. Council also rents a residential premises and this real estate agency is the managing agent for this property.

5 The fees & charges charged to entities controlled by KMP or entities that are controlled by a related party of a KMP were in accordance with the schedule of fees and charges adopted by Council. The total disclosed includes:
- Development Application fees received from two related parties of KMPs. The development applications were assessed and approved in accordance with Council's normal terms and conditions. The KMPs did not participate in any decisions related to the applications.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Statement of developer contributions

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

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

Summary of contributions and levies

	as at 30/06/19	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	Cumulative internal borrowings due/(payable)
\$ '000	Opening Balance	Cash	Non-cash				Held as restricted asset	
S7.12 levies – under a plan	25	116	–	–	(45)	–	96	–
Total S7.11 and S7.12 revenue under plans	25	116	–	–	(45)	–	96	–
Total contributions	25	116	–	–	(45)	–	96	–

S7.12 Levies – under a plan

S7.12 (former S94A) Contributions Plan 2018

Roads	21	33	–	–	–	–	54	–
Open space	4	83	–	–	(45)	–	42	–
Total	25	116	–	–	(45)	–	96	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Result by fund

\$ '000	General ¹ 2020	Sewer 2020
Income Statement by fund		
Income from continuing operations		
Rates and annual charges	4,579	1,048
User charges and fees	8,904	60
Interest and investment revenue	186	36
Other revenues	664	12
Grants and contributions provided for operating purposes	7,102	23
Grants and contributions provided for capital purposes	4,891	–
Net gains from disposal of assets	121	–
Rental income	282	–
Share of interests in joint ventures and associates using the equity method	3	–
Total income from continuing operations	26,732	1,179
Expenses from continuing operations		
Employee benefits and on-costs	8,201	210
Borrowing costs	55	–
Materials and contracts	5,534	137
Depreciation and amortisation	5,234	242
Other expenses	2,766	180
Total expenses from continuing operations	21,790	769
Operating result from continuing operations	4,942	410
Net operating result for the year	4,942	410
Net operating result attributable to each council fund	4,942	410
Net operating result for the year before grants and contributions provided for capital purposes	51	410

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Result by fund (continued)

\$ '000	General ¹ 2020	Sewer 2020
Statement of Financial Position by fund		
ASSETS		
Current assets		
Cash and cash equivalents	(463)	2,085
Investments	12,122	–
Receivables	1,705	1,952
Inventories	1,636	–
Contract assets	29	–
Other	109	–
Total current assets	15,138	4,037
Non-current assets		
Infrastructure, property, plant and equipment	216,924	12,146
Investments accounted for using the equity method	204	–
Total non-current assets	217,128	12,146
TOTAL ASSETS	232,266	16,183
LIABILITIES		
Current liabilities		
Payables	2,410	–
Contract liabilities	2,020	–
Borrowings	355	–
Provisions	3,975	–
Total current liabilities	8,760	–
Non-current liabilities		
Borrowings	2,249	–
Provisions	54	–
Total non-current liabilities	2,303	–
TOTAL LIABILITIES	11,063	–
Net assets	221,203	16,183
EQUITY		
Accumulated surplus	85,235	9,150
Revaluation reserves	135,968	7,033
Council equity interest	221,203	16,183
Total equity	221,203	16,183

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Amounts 2020	Indicator 2020	Prior periods 20192018		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1, 2}	337	1.47%	(0.64)%	7.71%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	22,896				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	15,771	56.76%	55.71%	49.91%	>60.00%
Total continuing operating revenue ¹	27,787				
3. Unrestricted current ratio					
Current assets less all external restrictions	11,170	3.13x	2.49x	2.17x	>1.50x
Current liabilities less specific purpose liabilities	3,573				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	5,868	20.59x	9.08x	18.80x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	285				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	229	3.90%	4.04%	3.68%	<10.00%
Rates, annual and extra charges collectible	5,872				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	13,744	8.94	6.46	5.60	>3.00
Monthly payments from cash flow of operating and financing activities	1,537	mths	mths	mths	mths

(1) Excludes fair value increments on investment properties, reversal of revaluation decrements, reversal of impairment losses on receivables, net gain on sale of assets and net share of interests in joint ventures and associates using the equity method and includes pensioner rate subsidies

(2) Excludes impairment/revaluation decrements of IPPE, fair value decrements on investment properties, net loss on disposal of assets and net loss on share of interests in joint ventures and associates using the equity method

Notes to the Financial Statements
for the year ended 30 June 2020

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

\$ '000	General Indicators ³		Sewer Indicators		Benchmark
	2020	2019	2020	2019	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(0.34)%	(2.65)%	34.78%	35.31%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹					
2. Own source operating revenue ratio					
Total continuing operating revenue excluding capital grants and contributions ¹	54.93%	53.68%	98.05%	98.14%	>60.00%
Total continuing operating revenue ¹					
3. Unrestricted current ratio					
Current assets less all external restrictions	3.13x	2.49x	∞	∞	>1.50x
Current liabilities less specific purpose liabilities					
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	18.30x	7.86x	∞	∞	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)					
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	4.75%	4.91%	0.00%	0.00%	<10.00%
Rates, annual and extra charges collectible					
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	7.58 mths	5.42 mths	∞	∞	>3.00 mths
Payments from cash flow of operating and financing activities					

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

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

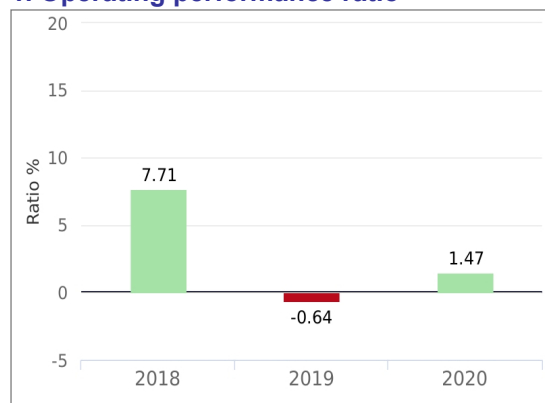
End of audited financial statements

Notes to the Financial Statements

for the year ended 30 June 2020

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

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2019/20 result

2019/20 ratio 1.47%

Council has achieved a small operating surplus this year. Increased depreciation costs as a result of the ongoing asset revaluation cycle continue to put pressure on Council's operating result.

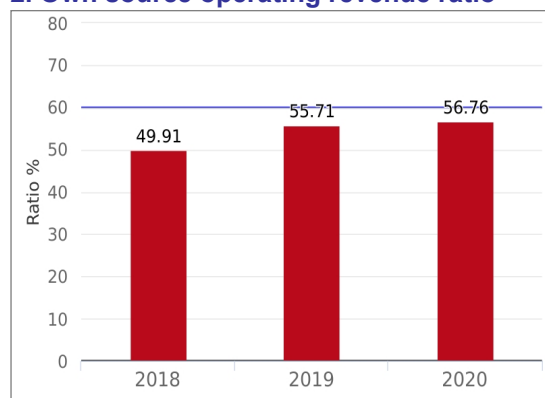
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2019/20 result

2019/20 ratio 56.76%

Grants & Contributions continue to represent a significant portion of Council's income, which inhibits Council's ability to achieve the 60% Own Source Revenue benchmark.

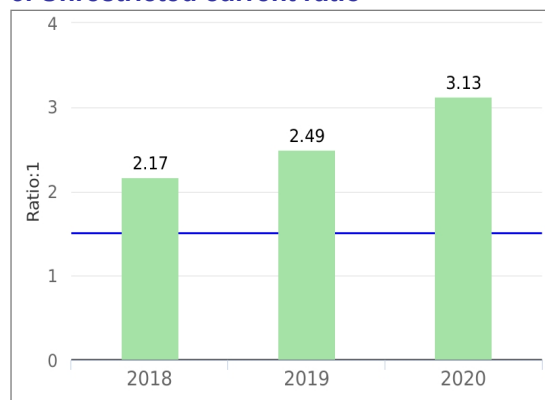
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2019/20 result

2019/20 ratio 3.13x

This ratio is a reflection of Council's sound financial position.

Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark

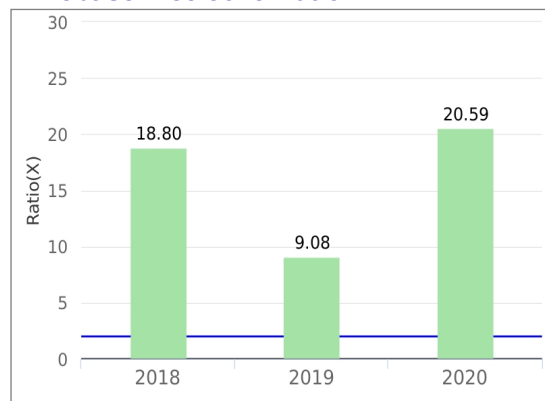
Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2020

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

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 20.59x

Council's borrowings increased this year with Council drawing down a loan to fund the construction of a Supported Independent Living House. Council also had an existing loan for the purchase of the works depot.

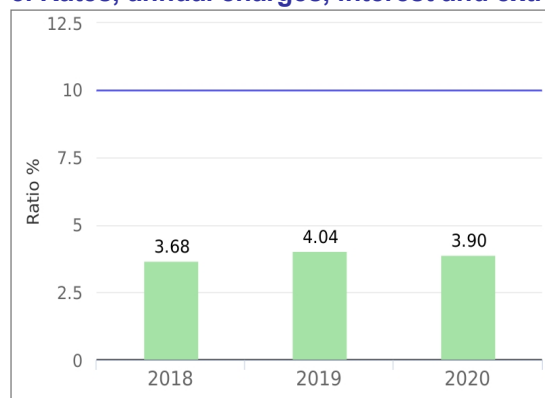
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark

Ratio is outside benchmark

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



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

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

Commentary on 2019/20 result

2019/20 ratio 3.90%

Council continues to perform extremely well in this area.

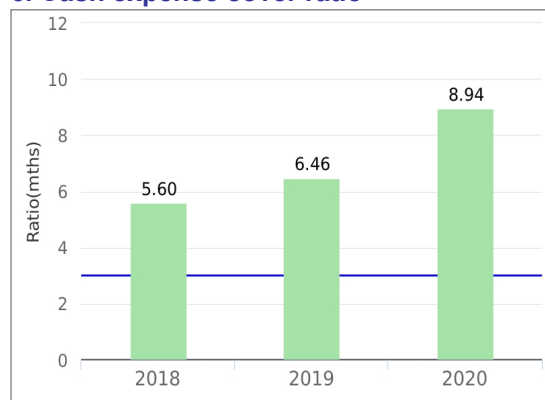
Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 8.94 mths

Council continues to work on building up its cash reserves.

Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark

Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27. Council information and contact details

Principal place of business:

105 Loftus Street
Temora NSW 2666

Contact details

Mailing Address:

PO Box 262
TEMORA NSW 2666

Telephone: 02 6980 1100

Facsimile: 02 6980 1138

Opening hours:

8:00am - 4:30pm
Monday to Friday

Internet: www.temora.nsw.gov.au

Email: temshire@temora.nsw.gov.au

Officers

General Manager

Gary Lavelle

Responsible Accounting Officer

Elizabeth Smith

Public Officer

Elizabeth Smith

Auditors

Audit Office of New South Wales
Level 15, 1 Margaret Street
SYDNEY NSW 2001

Elected members

Mayor

Rick Firman

Councillors

Nigel Judd
Claire McLaren
Max Oliver
Lindy Reinhold
Graham Sinclair
Dennis Sleigh
Kenneth Smith
Dale Wiencke

Other information

ABN: 55 048 860 109



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Temora Shire Council

To the Councillors of Temora Shire Council

Opinion

I have audited the accompanying financial statements of Temora Shire Council (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2020, the Statement of Financial Position as at 30 June 2020, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been prepared, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2020, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

The Council's annual report for the year ended 30 June 2020 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

In preparing the financial statements, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements.

Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 21 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Nathan Carter
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

10 November 2020
SYDNEY



Cr Rick Firman (OAM)
Mayor
Temora Shire Council
105 Loftus Street
TEMORA NSW 2666

Contact: Nathan Carter
Phone no: (02) 9275 7349
Our ref: D2025579/1793

10 November 2020

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2020
Temora Shire Council**

I have audited the general purpose financial statements (GPFS) of the Temora Shire Council (the Council) for the year ended 30 June 2020 as required by section 415 of the *Local Government Act 1993* (the Act).

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

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2020 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

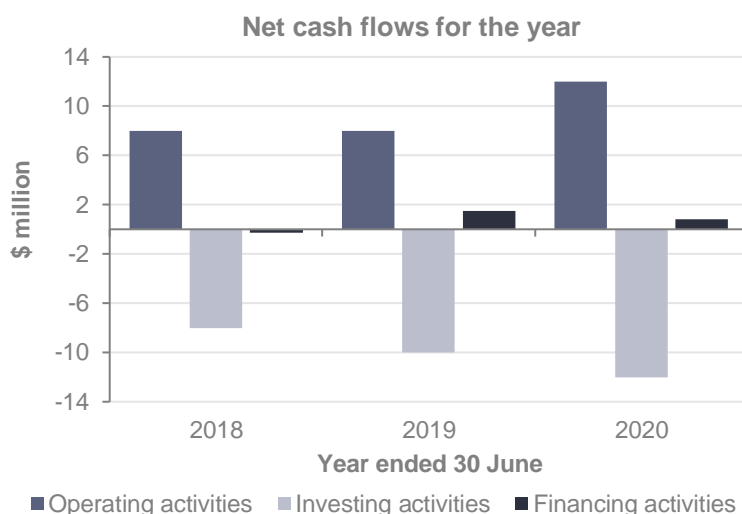
	2020	2019	Variance
	\$m	\$m	%
Rates and annual charges revenue	5.6	5.4	↑ 3.7
User charges and fees	9.0	7.0	↑ 28.6
Grants and contributions revenue	12.0	10.9	↑ 10.1
Operating result from continuing operations	5.4	3.1	↑ 74.2
Net operating result before capital grants and contributions	0.5	(0.2)	↑ 350

Council's operating result was a surplus of \$5.4 million (\$3.1 million surplus for the year ended 30 June 2019). The net operating result before capital grants and contributions was a surplus of \$0.5 million (\$0.2 million deficit for the year ended 30 June 2019). These movements are largely attributable to an increase in user fees and charges for frail and aged care fees and Roads and Maritime Services charges due to the Bull Plains project works in 2020. In addition, Council also recognised an additional \$1.4 million of capital grant funding for the aerodrome project in 2019-20 in comparison to the 2018-19 year.

Rates and annual charges revenue was \$5.6 million (\$5.4 million for the year ended 30 June 2019). The increase of \$0.2 million (3.7%) is consistent with a modest increase in the number of rateable properties in the Shire, as well as a 2.7% rate-cap increase.

STATEMENT OF CASH FLOWS

- Council's cash and cash equivalents were \$1.6 million as at 30 June 2020 (\$1 million as at 30 June 2019). There was a net increase in cash and cash equivalents of \$0.7 million for the year ended 30 June 2020.
- Net cash provided by operating activities increased by \$4 million. This is mainly due to an increase in receipts from user charges and fees of \$2.7 million and a decrease in payments for materials and contracts of \$1.7 million.
- Net cash used in investing activities increased by \$2.3 million. This is mainly due to the increase in the net purchase of investment securities of \$1.4 million and an increase in purchases of infrastructure, property, plant and equipment of \$0.9 million.
- Net cash provided in financing activities decreased by \$0.8 million, mainly due to a decrease of \$1 million in proceeds from borrowings compared to the previous year.



FINANCIAL POSITION

Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	5.2	4.0	<ul style="list-style-type: none"> Externally restricted cash and investments are restricted in their use by externally imposed requirements. The increase of \$1.2 million is primarily due to an increase in specific purpose unexpended grants and sewerage services restrictions. Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. The increase of \$2.4 million is primarily due to additional amounts set aside to manage employee leave entitlements and unexpended pinnacle funding. There was a minor increase in the unrestricted cash and investments balance consistent with the overall increase in funds held by Council.
Internal restrictions	8.1	5.7	
Unrestricted	0.5	0.0	
Cash and investments	13.8	9.7	

Debt

Council took out a new \$1 million loan during the year. The Council has total borrowings of \$2.6 million at 30 June 2020. The new debt in 2020 was used to fund the construction of a supported independent living home.

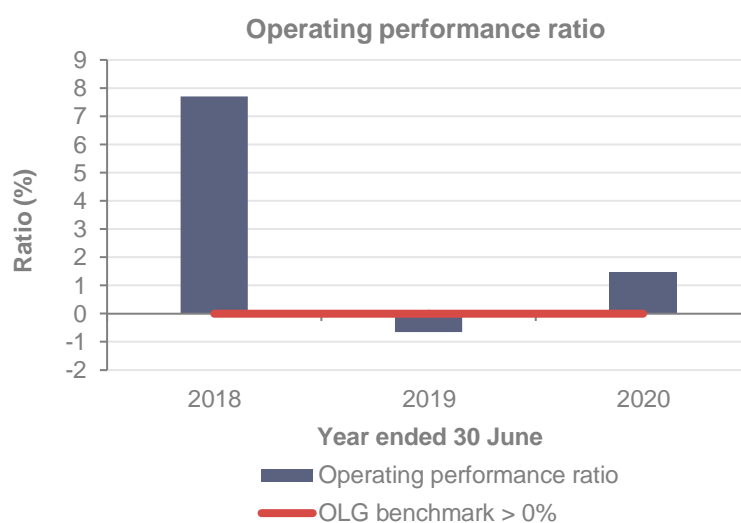
PERFORMANCE

Performance measures

The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Industry and Environment.

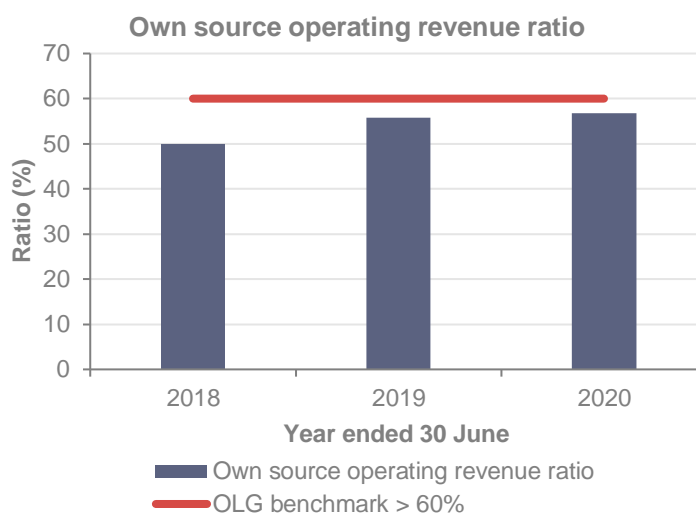
Operating performance ratio

- The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.
- The Council exceeded the OLG benchmark for the current reporting period.
- The operating performance ratio increased to 1.47% (2019: (0.64)%) due to the increase in operating revenue from rates and annual charges and user charges and fees, which is explained in the 'Income Statement' commentary above.



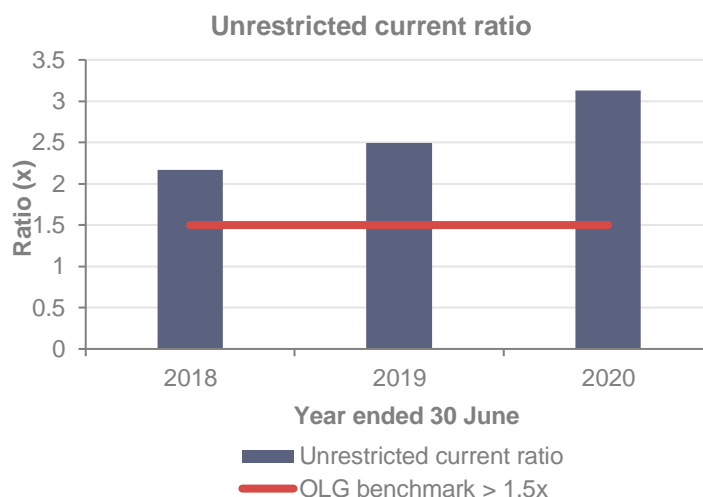
Own source operating revenue ratio

- 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.
- The Council did not meet the OLG benchmark for the current reporting period.



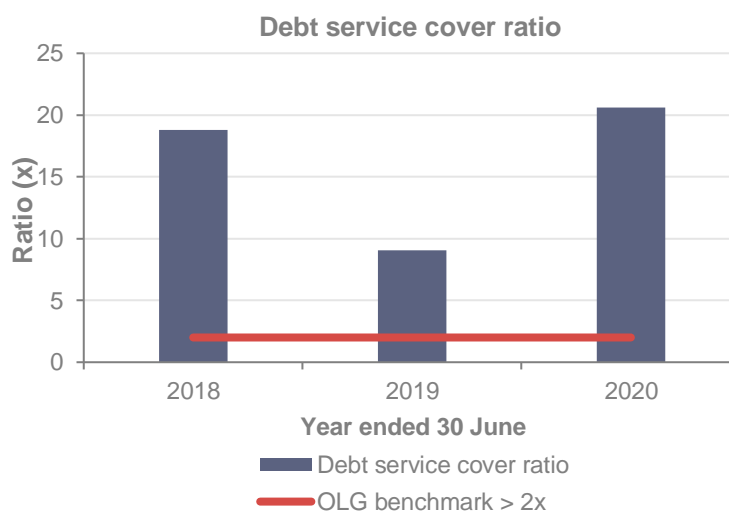
Unrestricted current ratio

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



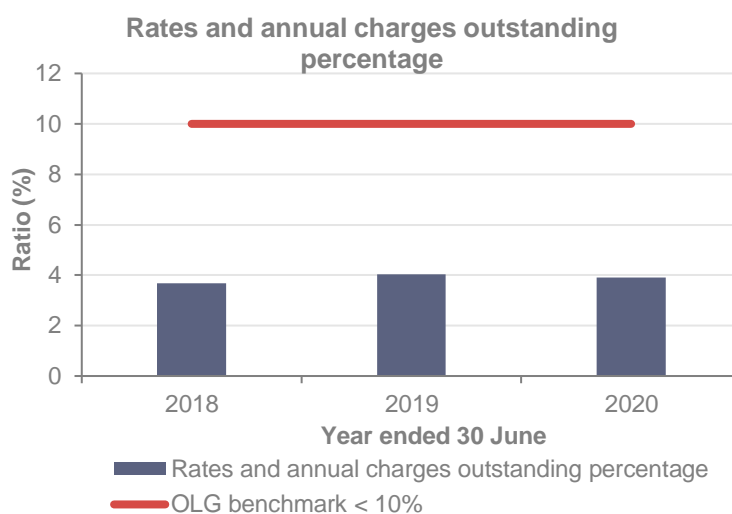
Debt service cover ratio

- 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 2.0 times.
- The Council exceeded the OLG benchmark for the current reporting period.



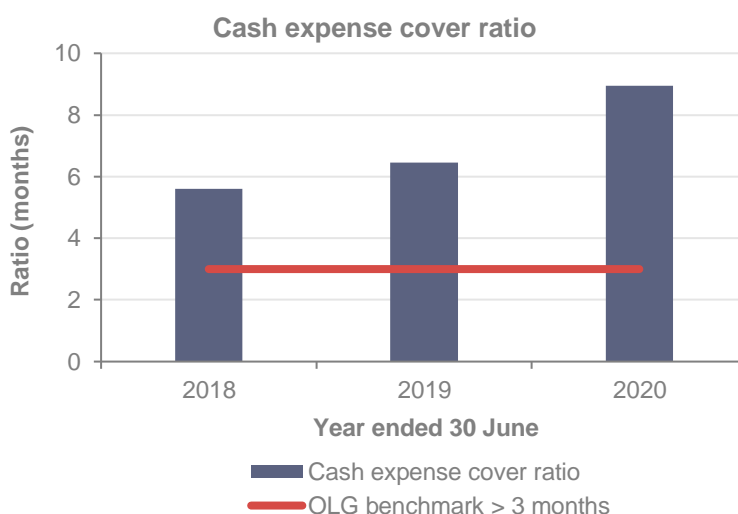
Rates and annual charges outstanding percentage

- The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural Councils.
- The Council exceeded the OLG benchmark for the current reporting period.



Cash expense cover ratio

- 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.
- The Council exceeded the OLG benchmark for the current reporting period.
- The Council's cash expense cover ratio has increased from prior year due to the increase in cash and investments held.



Infrastructure, property, plant and equipment renewals

The Council has renewed \$5.5 million of infrastructure, property, plant and equipment assets in the 2019-20 financial year, compared to \$5.9 million of assets in the 2018-19 financial year.

OTHER MATTERS

Impact of new accounting standards

AASB 15 'Revenue from Contracts with Customers' and AASB 1058 'Income for Not-for-Profit Entities'

The Council adopted the new accounting standards AASB 15 'Contracts with Customers' and AASB 1058 'Income of Not-for-Profit Entities' (collectively referred to as the Revenue Standards) for the first time in their 2019–20 financial statements.

AASB 15 introduces a new approach to recognising revenue based on the principle that revenue is recognised when control of a good or service transfers to a customer. AASB 15 impacts the timing and amount of revenue recorded in a councils' financial statements, particularly for grant revenue. AASB 15 also increases the amount of disclosures required.

AASB 1058 prescribes how not-for-profit entities account for transactions conducted on non-commercial terms and the receipt of volunteer services. AASB 1058 impacts the timing and amount of income recorded in a councils' financial statements, particularly for grant income and rates which are paid before the commencement of the rating period.

The Council recognised a \$0.3 million adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards.

The Council disclosed the impact of adopting the new Revenue Standards in Note 15.

AASB 16 'Leases'

The Council adopted the new accounting standard AASB 16 'Leases' for the first time in their 2019–20 financial statements.

AASB 16 changes the way lessees treat operating leases for financial reporting. With a few exceptions, operating leases will now be recorded in the Statement of Financial Position as a right-of-use asset, with a corresponding lease liability.

AASB 16 results in lessees recording more assets and liabilities in the Statement of Financial Position and changes the timing and pattern of expenses recorded in the Income Statement.

The Council did not recognise right-of-use assets and lease liabilities at 1 July 2019 on adoption of AASB 16, as its leases were low value or short term.

The Council disclosed the impact of adopting AASB 16 in Note 15.

Legislative compliance

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

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



Nathan Carter
Director, Financial Audit Services

cc: Mr Gary Lavelle, General Manager
Mr Elizabeth Smith, Director Administration & Finance
Mr Peter Veneris, Audit, Risk & Improvement Committee Chair

Temora Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020

"Success through determination and inspiration"

Special Purpose Financial Statements

for the year ended 30 June 2020

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Background

- i. These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
- ii. The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.

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

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

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

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

Temora Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2020

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

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

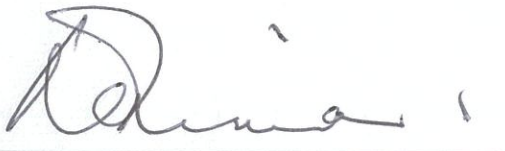
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,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

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

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

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

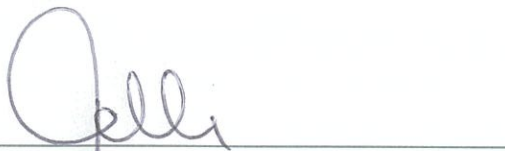
Signed in accordance with a resolution of Council made on 15 October 2020.



Rick Firman
Mayor
15 October 2020



Graham Sinclair
Councillor
15 October 2020



Gary Lavelle
General Manager
15 October 2020



Elizabeth Smith
Responsible Accounting Officer
15 October 2020

Income Statement – Sewerage Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
Income from continuing operations		
Access charges	1,048	995
User charges	60	64
Interest	36	34
Grants and contributions provided for non-capital purposes	23	21
Other income	12	13
Total income from continuing operations	1,179	1,127
Expenses from continuing operations		
Employee benefits and on-costs	210	197
Materials and contracts	137	182
Depreciation, amortisation and impairment	242	269
Other expenses	180	81
Total expenses from continuing operations	769	729
Surplus (deficit) from continuing operations before capital amounts	410	398
Surplus (deficit) from continuing operations after capital amounts	410	398
Surplus (deficit) from all operations before tax	410	398
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(113)	(109)
SURPLUS (DEFICIT) AFTER TAX	297	289
Plus accumulated surplus	8,740	8,275
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	113	109
Closing accumulated surplus	9,150	8,673
Return on capital %	3.4%	3.0%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	297	289
Surplus for dividend calculation purposes	297	289
Potential dividend calculated from surplus	149	144

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2020

\$ '000	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	2,085	1,555
Receivables	1,952	846
Total current assets	4,037	2,401
Non-current assets		
Infrastructure, property, plant and equipment	12,146	13,212
Total non-current assets	12,146	13,212
TOTAL ASSETS	16,183	15,613
NET ASSETS	16,183	15,613
EQUITY		
Accumulated surplus	9,150	8,673
Revaluation reserves	7,033	6,940
TOTAL EQUITY	16,183	15,613

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

Note 1. Significant Accounting Policies

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

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

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

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 2093 (NSW), the *Local Government (General) Regulation 2005*, and the Local Government Code of Accounting Practice and Financial Reporting.

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

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

National Competition Policy

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

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

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

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

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

Declared business activities

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

Category 1

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

Council has no Category 1 business activities.

Category 2

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

Sewerage Service

Comprising the whole of the sewerage reticulation and treatment operations and net assets servicing the Shire of Temora.

Monetary amounts

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

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

Notes to the Special Purpose Financial Statements for the year ended 30 June 2020

Note 1. Significant Accounting Policies (continued)

(i) Taxation equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – 27.5%

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

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

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

Income tax

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

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

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

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

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

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

(ii) Subsidies

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

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

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

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

Notes to the Special Purpose Financial Statements for the year ended 30 June 2020

Note 1. Significant Accounting Policies (continued)

(iv) Dividends

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

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

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

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2020 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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



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

To the Councillors of Temora Shire Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Temora Shire Council's (the Council) Declared Business Activity, which comprise the Statement by Councillors and Management, the Income Statement of the Declared Business Activity for the year ended 30 June 2020, the Statement of Financial Position of the Declared Business Activity as at 30 June 2020 and Note 1 Significant accounting policies for the Business Activity declared by Council.

The Declared Business Activity of the Council is the Sewerage Business Activity.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activity as at 30 June 2020, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting – update number 28 (LG Code).

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2020 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and Special Schedule 'Permissible income for general rates'. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

In preparing the financial statements, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or

in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

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



Nathan Carter
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

10 November 2020
SYDNEY

Temora Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2020

"Success through determination and inspiration"

Special Schedules

for the year ended 30 June 2020

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Special Schedules

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Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2019/20
Notional general income calculation ¹			
Last year notional general income yield	a	4,042	3,913
Plus or minus adjustments ²	b	3	17
Notional general income	c = a + b	4,045	3,930
Permissible income calculation			
Or rate peg percentage	e	2.60%	2.70%
Or plus rate peg amount	i = e x (c + g)	105	106
Sub-total	k = (c + g + h + i + j)	4,150	4,036
Plus (or minus) last year's carry forward total	l	(5)	1
Sub-total	n = (l + m)	(5)	1
Total permissible income	o = k + n	4,145	4,037
Less notional general income yield	p	4,141	4,042
Catch-up or (excess) result	q = o - p	4	(5)
Carry forward to next year ⁶	t = q + r - s	4	(5)

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule - Permissible income for general rates

Temora Shire Council

To the Councillors of Temora Shire Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Temora Shire Council (the Council) for the year ending 30 June 2021.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting – update number 28 (LG Code), and is in accordance with the books and records of the Council.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2020 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and Special Schedule 'Report on infrastructure assets' as at 30 June 2020.

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

In preparing the Schedule, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

The scope of my audit does not include, nor provide assurance:

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



Nathan Carter
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

10 November 2020
SYDNEY

Report on Infrastructure Assets
as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance ^a	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
(a) Report on Infrastructure Assets - Values												
Buildings	Other	—	—	460	553	22,795	43,846	34.0%	33.0%	33.0%	0.0%	0.0%
	Sub-total	—	—	460	553	22,795	43,846	34.0%	33.0%	33.0%	0.0%	0.0%
Other structures	Other structures	—	—	—	—	1,120	2,194	47.0%	19.0%	34.0%	0.0%	0.0%
	Sub-total	—	—	—	—	1,120	2,194	47.0%	19.0%	34.0%	0.0%	0.0%
Roads	Regional Roads	—	—	95	122	13,839	23,149	6.0%	27.0%	66.0%	1.0%	0.0%
	Urban Sealed Roads	418	860	230	220	21,578	39,388	10.0%	19.0%	68.0%	3.0%	0.0%
	Urban Unsealed Roads	162	324	35	16	372	930	5.0%	1.0%	55.0%	28.0%	11.0%
	Bridges	—	—	5	—	13,785	18,453	68.0%	18.0%	14.0%	0.0%	0.0%
	Rural Sealed Roads	759	1,615	304	314	29,477	53,931	5.0%	16.0%	73.0%	4.0%	2.0%
	Rural Unsealed Roads	1,907	3,814	851	740	13,114	22,902	13.0%	23.0%	45.0%	19.0%	0.0%
	Footpaths	672	672	26	24	4,910	6,706	48.0%	10.0%	29.0%	13.0%	0.0%
	Bulk earthworks	—	—	—	—	61,276	61,276	0.0%	100.0%	0.0%	0.0%	0.0%
	Kerb & Gutter	2,599	2,599	61	44	7,493	14,427	7.0%	18.0%	55.0%	16.0%	4.0%
	Sub-total	6,517	9,884	1,607	1,480	165,844	241,162	11.5%	39.6%	43.4%	4.7%	0.7%
Sewerage network	Sewerage Reticulation Network	343	343	164	94	9,128	14,854	8.0%	50.0%	35.0%	5.0%	2.0%
	Sewerage Reticulation Pump Stations	—	—	16	38	333	723	18.0%	24.0%	12.0%	46.0%	0.0%
	Sewerage Treatment Plant	225	225	151	98	639	1,129	0.0%	47.0%	48.0%	5.0%	0.0%
	Effluent Reticulation Pipes	—	—	91	82	189	265	0.0%	100.0%	0.0%	0.0%	0.0%
	Effluent Irrigation Network	8	8	—	—	572	1,097	1.0%	63.0%	31.0%	0.0%	5.0%
	Effluent Infrastructure – Storage	—	—	—	—	622	1,358	0.0%	6.0%	86.0%	0.0%	8.0%
	Effluent Infrastructure – Pump Stations	58	58	—	—	521	852	38.0%	29.0%	21.0%	3.0%	9.0%
	Sub-total	634	634	422	312	12,004	20,278	8.2%	46.4%	37.1%	5.7%	2.6%
Stormwater drainage	Other	—	—	19	17	6,447	11,449	1.0%	30.0%	61.0%	8.0%	0.0%
	Sub-total	—	—	19	17	6,447	11,449	1.0%	30.0%	61.0%	8.0%	0.0%

Report on Infrastructure Assets - Values (continued)

as at 30 June 2020

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2019/20 Required maintenance ^a	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	1	2	3	4	5
Open space / recreational assets	Swimming pools	—	—	119	106	1,080	2,196	57.0%	29.0%	13.0%	1.0%	0.0%
	Open Space Assets	—	—	—	—	1,261	2,001	15.0%	55.0%	30.0%	0.0%	0.0%
	Sub-total	—	—	119	106	2,341	4,197	37.0%	41.4%	21.1%	0.5%	0.0%
Other infrastructure assets	Other Infrastructure	—	—	—	—	4,432	5,084	77.0%	23.0%	0.0%	0.0%	0.0%
	Sub-total	—	—	—	—	4,432	5,084	77.0%	23.0%	0.0%	0.0%	0.0%
TOTAL - ALL ASSETS		7,151	10,518	2,627	2,468	214,983	328,210	15.5%	38.4%	41.2%	4.1%	0.7%

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

Infrastructure asset condition assessment 'key'

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

Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	Amounts 2020	Indicator 2020	Prior periods 20192018		Benchmark
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	3,814	86.50%	156.74%	169.52%	>=100.00%
Depreciation, amortisation and impairment	4,409				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	7,151	3.33%	3.56%	2.50%	<2.00%
Net carrying amount of infrastructure assets	214,983				
Asset maintenance ratio					
Actual asset maintenance	2,468	93.95%	144.43%	115.08%	>100.00%
Required asset maintenance	2,627				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	10,518	3.20%	3.52%	2.35%	
Gross replacement cost	328,210				

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

(1) Excludes Work In Progress (WIP)

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

Report on Infrastructure Assets (continued)
as at 30 June 2020

\$ '000	General fund		Sewer fund		Benchmark
	2020	2019	2020	2019	
Infrastructure asset performance indicators (by fund)					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²					
Depreciation, amortisation and impairment	90.81%	169.25%	8.66%	47.29%	>=100.00%
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard					
Net carrying amount of infrastructure assets	3.21%	3.49%	5.28%	4.55%	<2.00%
Asset maintenance ratio					
Actual asset maintenance					
Required asset maintenance	97.78%	158.12%	73.93%	78.64%	>100.00%
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council					
Gross replacement cost	3.21%	3.58%	3.13%	2.83%	

(1) Excludes Work In Progress (WIP)

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