

Temora Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

“Success through determination and inspiration”



Temora Shire Council

General Purpose Financial Statements

for the year ended 30 June 2016

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Overview

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

Council's Statutory Charter is detailed in Paragraph 8 of the LGA and includes giving Council;

- the ability to provide goods, services and facilities, and to carry out activities appropriate to the current and future needs of the local community and of the wider public,
- the responsibility for administering regulatory requirements under the LGA and
- a role in the management, improvement and development of the resources in the area.

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

- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by the Council on 13 October 2016. Council has the power to amend and reissue these financial statements.
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Temora Shire Council

General Purpose Financial Statements

for the year ended 30 June 2016

Statement by Councillors and Management

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 22 September 2016.



Rick Firman
Mayor



Graham Sinclair
Councillor



Gary Lavelle
General Manager



Steve Firth
Responsible Accounting Officer

Temora Shire Council

Income Statement

for the year ended 30 June 2016

Budget ¹			Actual	Actual
2016	\$ '000	Notes	2016	2015
	Income from continuing operations			
	<i>Revenue:</i>			
4,729	Rates and annual charges	3a	4,666	4,493
2,748	User charges and fees	3b	3,897	3,212
233	Interest and investment revenue	3c	161	138
814	Other revenues	3d	905	1,031
6,621	Grants and contributions provided for operating purposes	3e,f	7,092	6,228
584	Grants and contributions provided for capital purposes	3e,f	1,536	1,414
	<i>Other income:</i>			
254	Net gains from the disposal of assets	5	–	–
15,983	Total income from continuing operations		18,257	16,516
	Expenses from continuing operations			
4,988	Employee benefits and on-costs	4a	6,654	6,822
57	Borrowing costs	4b	54	68
3,275	Materials and contracts	4c	3,700	3,167
3,648	Depreciation and amortisation	4d	3,851	3,579
2,263	Other expenses	4e	2,132	1,998
–	Net losses from the disposal of assets	5	90	80
14,231	Total expenses from continuing operations		16,481	15,714
1,752	Operating result from continuing operations		1,776	802
1,752	Net operating result for the year		1,776	802
1,752	Net operating result attributable to Council		1,776	802
–	Net operating result attributable to non-controlling interests		–	–
1,168	Net operating result for the year before grants and contributions provided for capital purposes		240	(612)

¹ Original budget as approved by Council – refer Note 16

Temora Shire Council

Statement of Comprehensive Income for the year ended 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
Net operating result for the year (as per Income Statement)		1,776	802
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	207	(20,802)
Total items which will not be reclassified subsequently to the operating result		207	(20,802)
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the year		207	(20,802)
Total comprehensive income for the year		1,983	(20,000)
Total comprehensive income attributable to Council		1,983	(20,000)
Total comprehensive income attributable to non-controlling interests		–	–

Temora Shire Council

Statement of Financial Position
as at 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
ASSETS			
Current assets			
Cash and cash equivalents	6a	867	2,166
Investments	6b	4,101	2,008
Receivables	7	1,247	1,688
Inventories	8	490	699
Other	8	84	42
Total current assets		6,789	6,603
Non-current assets			
Receivables	7	37	30
Infrastructure, property, plant and equipment	9	200,842	199,387
Total non-current assets		200,879	199,417
TOTAL ASSETS		207,668	206,020
LIABILITIES			
Current liabilities			
Payables	10	1,251	1,316
Borrowings	10	280	265
Provisions	10	4,139	4,125
Total current liabilities		5,670	5,706
Non-current liabilities			
Payables	10	1	3
Borrowings	10	609	888
Provisions	10	28	46
Total non-current liabilities		638	937
TOTAL LIABILITIES		6,308	6,643
Net assets		201,360	199,377
EQUITY			
Retained earnings	20	73,336	71,560
Revaluation reserves	20	128,024	127,817
Council equity interest		201,360	199,377
Total equity		201,360	199,377

Temora Shire Council

Statement of Changes in Equity

for the year ended 30 June 2016

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling Interest	Total equity
2016						
Opening balance (as per last year's audited accounts)		71,560	127,817	199,377	–	199,377
a. Correction of prior period errors	20 (c)	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
Revised opening balance (as at 1/7/15)		71,560	127,817	199,377	–	199,377
c. Net operating result for the year		1,776	–	1,776	–	1,776
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsv	20b (ii)	–	207	207	–	207
Other comprehensive income		–	207	207	–	207
Total comprehensive income (c&d)		1,776	207	1,983	–	1,983
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
Equity – balance at end of the reporting period		73,336	128,024	201,360	–	201,360

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council interest	Non-controlling Interest	Total Equity
2015						
Opening balance (as per last year's audited accounts)		70,758	148,619	219,377	–	219,377
a. Correction of prior period errors	20 (c)	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
Revised opening balance (as at 1/7/14)		70,758	148,619	219,377	–	219,377
c. Net operating result for the year		802	–	802	–	802
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsv	20b (ii)	–	(20,802)	(20,802)	–	(20,802)
Other comprehensive income		–	(20,802)	(20,802)	–	(20,802)
Total comprehensive income (c&d)		802	(20,802)	(20,000)	–	(20,000)
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
Equity – balance at end of the reporting period		71,560	127,817	199,377	–	199,377

Temora Shire Council

Statement of Cash Flows

for the year ended 30 June 2016

Budget 2016	\$ '000	Notes	Actual 2016	Actual 2015
Cash flows from operating activities				
Receipts:				
4,723	Rates and annual charges		4,672	4,546
2,727	User charges and fees		4,322	3,392
219	Investment and interest revenue received		155	155
7,184	Grants and contributions		8,838	8,984
–	Bonds, deposits and retention amounts received		11	9
3,208	Other		1,145	1,279
Payments:				
(4,988)	Employee benefits and on-costs		(6,653)	(6,581)
(5,563)	Materials and contracts		(4,212)	(4,026)
(59)	Borrowing costs		(58)	(71)
(2,362)	Other		(2,447)	(2,182)
5,089	Net cash provided (or used in) operating activities	11b	5,773	5,505
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		2,008	2,569
320	Sale of real estate assets		511	14
191	Sale of infrastructure, property, plant and equipment		678	528
11	Deferred debtors receipts		23	9
Payments:				
–	Purchase of investment securities		(4,101)	(2,008)
(4,139)	Purchase of infrastructure, property, plant and equipment		(5,924)	(5,334)
–	Purchase of real estate assets		(3)	(219)
(3,617)	Net cash provided (or used in) investing activities		(6,808)	(4,441)
Cash flows from financing activities				
Receipts:				
Nil				
Payments:				
(266)	Repayment of borrowings and advances		(264)	(252)
(266)	Net cash flow provided (used in) financing activities		(264)	(252)
1,206	Net increase/(decrease) in cash and cash equivalents		(1,299)	812
721	Plus: cash and cash equivalents – beginning of year	11a	2,166	1,354
1,927	Cash and cash equivalents – end of the year	11a	867	2,166
Additional Information:				
	plus: Investments on hand – end of year	6b	4,101	2,008
Total cash, cash equivalents and investments			4,968	4,174

Please refer to Note 11 for additional cash flow information

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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n/a – not applicable

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies

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

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

(a) Basis of preparation

(i) Background

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

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

For the purpose of preparing these financial statements, Council has been deemed to be a not-for-profit entity.

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

Because AASBs are sector neutral, some standards either:

- (a) have local Australian content and prescription that is specific to the not-for-profit sector (including local government) which are not in compliance with IFRSs, or
- (b) specifically exclude application by not-for-profit entities.

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

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

(iii) New and amended standards adopted by Council

There have been no new accounting standards adopted in this year's financial statements which have had any material impact on reported financial position, performance or cash flows.

(iv) Early adoption of accounting standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2015, except for AASB2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities, which has reduced the fair value disclosures for Level 3 assets.

For summary information relating to the effects of standards with future operative dates refer further to paragraph (ab).

(v) Basis of accounting

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

- (i) certain financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets, which are all valued at fair value,
- (ii) the write down of any asset on the basis of impairment (if warranted), and
- (iii) certain classes of non-current assets (eg. infrastructure, property, plant and equipment and investment property) that are accounted for at fair valuation.

The accrual basis of accounting has also been applied in their preparation.

(vi) Changes in accounting policies

Council's accounting policies have been consistently applied to all the years presented, unless otherwise stated.

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

There have also been no changes in accounting policies when compared with previous financial statements unless otherwise stated [refer Note 20 (d)].

(vii) Critical accounting estimates

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

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

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

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 the estimated fair values of infrastructure, property, plant and equipment

(b) Revenue recognition

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

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

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

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

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

Revenue from contributions is recognised when the Council either obtains control of the contribution or the right to receive it, **(i)** it is probable that the economic benefits comprising the contribution will flow to the Council and **(ii)** the amount of the contribution can be measured reliably.

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

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

User charges, fees and other Income

User charges, fees and other income are recognised as revenue when the service has been provided, the payment is received, or when the penalty has been applied, whichever first occurs.

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

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

Sale of infrastructure, property, plant and equipment

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

Interest and rents

Interest and rents are recognised as revenue on a proportional basis when the payment is due, the value of the payment is notified or the payment is received, whichever occurs first.

Other Income

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

(c) Principles of consolidation

These consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

(i) The Consolidated Fund

In accordance with the provisions of section 409(1) of the LGA 1993, 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.

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

The following entities have been included as part of the consolidated fund:

- *General Purpose Operations*
- *Sewerage service*
- *Pinnacle Services (Home & Community Care)*
- *Temora Agricultural Innovation Centre*

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

- *Springdale Progress Association*
- *Temora Aquatic Club*
- *Ariah Park Swimming Pool Committee*
- *Temora & District Sport and Recreation Centre*
- *Temora's Own Arts and Crafts*
- *Temora Rural Museum*
- *Lake Centenary Management Committee*
- *Temora Arts Council*

The (i) total income and expenditure from continuing operations and (ii) net assets held by these excluded committees and operations is as follows:

Total income from continuing operations	\$31,400
Total expenditure from continuing operations	\$30,000
Total net assets held (i.e. equity)	\$40,000

Note:

Where actual figures are not known, best estimates have been applied.

(ii) The trust fund

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

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

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

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

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(iii) Interests in other entities

Subsidiaries

Council has no interest in any subsidiaries.

Joint arrangements

Council has no interest in any joint arrangements.

Associates

Council has no interest in any associates.

County councils

Council is a member of the following County Council (which is a body corporate under the Local Government Act);

- **Goldenfields Water County Council**
Local Water Authority
Comprising nine Constituent Councils

The governing body of each County Council is responsible for managing its own affairs.

Council is of the opinion that it neither controls nor significantly influences the above County Council and accordingly this entity has not been consolidated or otherwise included within these financial statements.

Unconsolidated structured entities

Council has no interest in any unconsolidated structured entities.

(d) Leases

All leases entered into by Council are reviewed and classified on inception date as either a finance lease or an operating lease.

Finance leases

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

Council does not have any Finance Leases as at 30th June 2016.

Operating Leases

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

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

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

(e) Cash and Cash Equivalents

For Statement of Cash Flows (and Statement of Financial Position) presentation purposes, cash and cash equivalents includes;

- cash on hand,
- deposits held **at call** with financial institutions,
- other short-term, highly liquid investments **with original maturities of three months or less** that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value, and
- bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet but are incorporated into cash and cash equivalents for presentation of the Cash Flow Statement.

(f) Investments and other financial assets

Council (in accordance with AASB 139) classifies each of its investments into one of the following categories for measurement purposes:

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

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

Council has not classified any financial assets as held for trading.

(ii) Loans and receivables

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

Council has not classified any financial assets as loans or receivables.

(iii) Held-to-maturity investments

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

In contrast to the 'loans and receivables' classification, these investments are generally quoted in an active market.

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

(iv) Available-for-sale financial assets

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

Council has not classified any financial assets as available-for-sale.

General accounting and measurement of financial instruments:

(i) Initial recognition

Investments are initially recognised (and measured) at fair value.

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

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

(ii) Subsequent measurement

Held-to-maturity investments are carried at amortised cost using the effective interest method.

Impairment

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

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

The review conducted as at 30th June 2016 found that there was no evidence of impairment for any of Council's financial assets.

(iii) Types of investments

Council has an approved Investment Policy in order to invest in accordance with (and to comply with) section 625 of the *Local Government Act* and s212 of the LG (General) Regulation 2005.

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

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

(g) Fair value estimation – financial instruments

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

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

(h) Receivables

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

Receivables (excluding rates and annual charges) are generally due for settlement no more than 30 days from the date of recognition.

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

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

(i) Inventories

(i) Raw materials and stores, work in progress and finished goods

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

Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed

overhead expenditure, the latter being allocated on the basis of normal operating capacity.

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

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

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

(ii) Land held for resale

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.

(j) Infrastructure, property, plant and equipment (I,PP&E)

Acquisition of assets

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

At balance date, the following classes of I,PP&E were stated at their fair value:

- **Sewerage Network** (Internal Valuation)
- **Operational Land** (External Valuation)
- **Buildings – Specialised/Non Specialised** (External Valuation)
- **Plant and Equipment** (as approximated by depreciated historical cost)
- **Roads Assets incl. roads, bridges & footpaths** (Internal Valuation)
- **Drainage Assets** (Internal Valuation)
- **Bulk Earthworks** (Internal Valuation)
- **Community Land** (External Valuation)

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

- **Land Improvements**
(as approximated by depreciated historical cost)

asset, with all other decreases charged to the Income Statement.

- **Other Structures**
(as approximated by depreciated historical cost)

Sewerage network assets are indexed annually between full revaluations in accordance with the latest indices provided in the NSW Office of Water – Rates Reference Manual.

- **Other Assets**
(as approximated by depreciated historical cost)

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

Initial recognition

On initial recognition, an asset's cost is measured at its fair value, plus all expenditure that is directly attributable to the acquisition.

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

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

Full revaluations are undertaken for all assets on a 5-year cycle.

Subsequent costs

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

Capitalisation thresholds

Items of infrastructure, property, plant and equipment are not capitalised unless their cost of acquisition exceeds the following;

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

Land	
- Operational Land	100% Capitalised
- Community Land	100% Capitalised
- land under roads (purchases after 30/6/08)	100% Capitalised

Asset revaluations (including indexation)

In accounting for asset revaluations relating to infrastructure, property, plant and equipment:

- increases in the combined carrying amounts of asset classes arising on revaluation are credited to the asset revaluation reserve,
- to the extent that a net asset class increase reverses a decrease previously recognised via the profit or loss, the increase is first recognised in profit or loss,
- net decreases that reverse previous increases of the same asset class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the

Plant and Equipment	
Office Furniture	> \$1,000
Office Equipment	> \$1,000
Other Plant and Equipment	> \$1,000

Buildings and Land Improvements	
Park Furniture and Equipment	> \$2,000
Building	
- construction/extensions	100% Capitalised
- renovations	> \$10,000
Other Structures	> \$2,000

Sewer Assets	
Reticulation extensions	> \$5,000
Other	> \$5,000

Stormwater Assets	
Drains and Culverts	> \$5,000
Other	> \$5,000

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

Transport Assets

Road construction and reconstruction	> \$10,000
Reseal/Re-sheet and major repairs:	> \$10,000
Bridge construction and reconstruction	> \$10,000

- Unsealed Roads: Structure	100 years
- Unsealed Roads: Surface	15 - 40 years
- Bridge: Concrete	100 years
- Bridge: Other	100 years

Other Infrastructure Assets

Swimming Pools	> \$10,000
Other Open Space/Recreational Assets	> \$10,000

- Road Pavements	20 - 100 years
- Kerb, Gutter and Paths	50 - 100 years

Other Infrastructure	> \$10,000
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Sewer Assets

- Dams and reservoirs	80 to 120 years
- Reticulation pipes: PVC	78 years
- Pumps and telemetry	5 to 15 years

Depreciation

Depreciation on Council's infrastructure, property, plant and equipment assets is calculated using the straight-line method in order to allocate an asset's cost (net of residual values) over its estimated useful life.

Included in Council's depreciation expense is \$224,848 depreciation on Regional Roads. Council does however note that all maintenance and construction costs for Regional Roads are fully grant funded.

Land is not depreciated.

Estimated useful lives for Council's I,PP&E include:

Plant and Equipment

- Office Equipment	5 to 10 years
- Office furniture	10 to 20 years
- Computer Equipment	4 to 7 years
- Vehicles	5 to 10 years
- Heavy Plant/Road Making equip.	5 to 10 years
- Other plant and equipment	10 years

Other Equipment

- Playground equipment	10 to 15 years
- Benches, seats etc.	10 to 15 years

Buildings

- Buildings: All	40 to 100 years
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Stormwater Drainage

- Drains	100 years
- Culverts	100 years

Transportation Assets

- Sealed Roads: Surface	18 - 20 years
- Sealed Roads: Structure	100 years

Other Infrastructure Assets

- Bulk earthworks	Infinite
- Swimming Pools	50 - 60 years
- Other Open Space/ Recreational Assets	10 - 50 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount – refer Note 1 (s) on asset impairment.

Disposal and derecognition

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

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

Residual/Preserved Values

Council has adopted residual values for items of Heavy Plant & Road Making Equipment. These residual values approximate the anticipated proceeds on disposal of the item.

Council also recognises a 30% preserved value on road pavements.

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(k) Land

Land (other than land under roads) is in accordance with Part 2 of Chapter 6 of the *Local Government Act (1993)* classified as either operational or community.

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

(l) 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 acquired after 1 July 2008 is recognised in accordance with AASB 116 – Property, Plant and Equipment.

(m) Intangible assets

Council has not classified any assets as intangible.

(n) 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.

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

(o) Rural fire service assets

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

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

Until such time as discussions on this matter have concluded and the legislation changed, Council will continue to account for these assets as it has been doing in previous years, which is to exclude the assets, their values and depreciation charges from these financial statements.

(p) Investment property

Investment property comprises land and/or buildings that are principally held for long-term rental yields, capital gains or both, that is not occupied by Council.

Council does not hold any investment properties as at 30th June 2016.

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

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

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.

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(r) Non-current assets (or disposal groups) 'held for sale' and discontinued operations

As at 30th June 2016, Temora Shire Council did not have any non-current assets held for sale as their carrying amount will principally be recovered through their continuing use.

(s) Impairment of assets

All Council's I,PP&E is subject to an annual assessment of impairment.

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

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

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

Where an asset is not held principally for cash-generating purposes (for example infrastructure assets) and would be replaced if the Council was deprived of it, then depreciated replacement cost is used as value in use, otherwise value in use is estimated by using a discounted cash flow model.

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

A review conducted as at 30th June 2016 found that no assets held by Council were impaired.

(t) Payables

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

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

(u) 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 the Council has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(v) Borrowing costs

Borrowing costs are expensed

(w) Provisions

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

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

Provisions are not recognised for future operating losses.

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

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

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

The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

The increase in the provision due to the passage of time is recognised as interest expense.

(x) Employee benefits

(i) Short-term obligations

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

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

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

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

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

Wages and salaries, annual leave and vesting sick leave are all classified as current liabilities.

(ii) Other long-term obligations

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

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

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

Expected future payments are then discounted using market yields at the reporting date based on national government bonds with terms to maturity and

currency that match as closely as possible the estimated future cash outflows.

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

(iii) Retirement benefit obligations

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

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

Defined benefit plans

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

The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

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

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

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

This scheme has been deemed to be a 'multi-employer fund' for the purposes of AASB 119.

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

The last valuation of the scheme was performed by Richard Boyfield (FIAA) on 24/02/2016 and covers the period ended 30/06/2015.

However the position is monitored annually and the actuary has estimated that as at 30 June 2016 the prior period deficit still exists.

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

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2016 was \$ 222,853.66.

The amount of additional contributions included in the total employer contribution advised above is \$149,016.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$ 187,631.34 as at 30 June 2016.

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 these financial statements.

Council has, however, disclosed a contingent liability in Note 18 to reflect the possible obligation that may arise should the scheme require immediate payment to correct the deficiency.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense as they become payable.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iv) Employee benefit on-costs

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

These amounts include superannuation and workers compensation expenses which will be payable upon the future payment of certain leave liabilities accrued as at 30/06/16.

(y) Self-insurance

Council does not self-insure.

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

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

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

Exceptions

In the case of liabilities where Council does not have the unconditional right to defer settlement beyond 12 months (such as vested long service leave), the liability is classified as current even if it is not expected to be settled within the next 12 months.

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

(aa) Taxes

The Council is exempt from both Commonwealth Income Tax and Capital Gains Tax.

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

Goods and Services Tax (GST)

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

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

Receivables and payables within the Balance Sheet are stated inclusive of any applicable GST.

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

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

Investing and financing cash flows are treated on a net basis (where recoverable from the ATO), i.e. they are exclusive of GST. Instead, the GST component of investing and financing activity cash flows that are recoverable from or payable to the ATO are classified as operating cash flows.

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

(ab) New accounting standards and Interpretations issued (not yet effective)

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2016.

Council has not adopted any of these standards early.

Apart from the AASB disclosures below, there are no other standards that are 'not yet effective' that are expected to have a material impact on Council in the

current or future reporting periods and on foreseeable future transactions.

Council's assessment of the impact of upcoming new standards and interpretations that are likely to have an effect are set out below.

AASB 9 – Financial Instruments

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and has an effective date for reporting periods beginning on or after 1 January 2018 (and must be applied retrospectively).

The overriding impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets and financial liabilities.

These requirements are designed to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.

Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories:

- fair value, and
- amortised cost (where financial assets will only be able to be measured at amortised cost when very specific conditions are met).

Council is yet to undertake a detailed assessment of the impact of AASB 9.

AASB 15 – Revenue from Contracts with Customers and associated amending standards

AASB 15 will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

AASB 15 will introduce a 5-step process for revenue recognition with the core principle of the new standard being that entities recognise revenue so as to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

The changes in revenue recognition requirements in AASB 15 may cause changes to accounting policies

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

relating to the timing and amount of revenue recorded in the financial statements, as well as additional disclosures.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2018.

Council is yet to undertake a detailed assessment of the impact of AASB 15.

AASB ED 260 Income of Not-for-Profit Entities

The AASB previously issued exposure draft AASB ED 260 on Income of Not-for-Profit Entities in April 2015.

The exposure draft proposed specific not-for-profit entity requirements and guidance when applying the principles of AASB 15 to income from certain transactions.

Much of the material in AASB 1004 is expected to be replaced by material included in AASB ED 260.

Specific revenue items that may considerably change are Grants and Contributions.

The most likely financial statement impact is the deferred recognition of Grants and Contributions (i.e. recognition as unearned revenue [liability]) until Council has met the associated performance obligation/s relating to the Grants or Contribution.

At this stage there is no specific date of release for a standard, nor a date of applicability.

AASB16 – Leases

AASB 116 Leases replaces AASB 117 Leases and some associated lease-related Interpretations.

AASB 16 introduces a single lease accounting model (for lessees) that will require all leases to be accounted for on the balance sheet (ie. recognition of both a right-of-use asset and a corresponding lease) for all leases with a term of more than 12 months unless the underlying assets are determined to be of 'low value'. There will also be detailed disclosure requirements for all lessees.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2019.

Council is yet to undertake a detailed assessment of the accounting impacts from AASB 16. However, based on preliminary assessments, impacts from the first time adoption of the standard are likely to include:

- a significant increase in lease assets and financial liabilities recognised on the balance sheet,
- a reduction in reported equity as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities,
- lower operating cash outflows and higher financing cash flows in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities.

AASB2015-6 – Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities

From 1 July 2016, AASB 124 Related Party Disclosures will apply to Council.

This means that Council will be required to disclose information about related parties and Council transactions with those related parties.

Related parties will more than likely include the Mayor, Councillors and certain Council staff. In addition, the close family members of those people and any organisations that they control or are associated with will be classified as related parties (and fall under the related party reporting requirements).

(ac) Rounding of amounts

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

(ad) Comparative figures

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

Temora Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(ae) Disclaimer

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

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current & non-current)	
	Original budget	Actual	Actual	Original budget	Actual	Actual	Original budget	Actual	Actual	Actual	Actual	Actual	Actual
	2016	2016	2015	2016	2016	2015	2016	2016	2015	2016	2015	2016	2015
Governance	270	45	21	496	948	992	(226)	(903)	(971)	27	56	7,383	237
Administration	–	–	15	–	429	967	–	(429)	(952)	–	–	4,834	4,890
Public order and safety	331	282	685	873	845	813	(542)	(563)	(128)	301	495	449	872
Health	54	4	4	290	83	92	(236)	(79)	(88)	–	50	2,581	2,649
Environment	–	657	605	–	1,059	890	–	(402)	(285)	–	15	–	–
Community services and education	1,713	2,078	2,061	2,133	2,193	2,196	(420)	(115)	(135)	1,321	1,443	4,141	5,006
Housing and community amenities	688	156	199	1,251	503	507	(563)	(347)	(308)	21	133	8,411	8,412
Sewerage services	799	862	749	712	684	593	87	178	156	24	26	11,301	12,318
Recreation and culture	461	481	498	2,335	2,214	2,132	(1,874)	(1,733)	(1,634)	98	47	12,414	12,281
Agriculture	–	306	324	–	452	361	–	(146)	(37)	–	–	–	–
Mining, manufacturing and construction	48	121	68	188	202	197	(140)	(81)	(129)	–	–	–	–
Transport and communication	2,551	5,772	3,956	4,263	5,678	5,054	(1,712)	94	(1,098)	3,459	1,810	153,079	155,115
Economic affairs	873	743	661	1,690	1,191	920	(817)	(448)	(259)	93	52	3,075	4,240
Total functions and activities	7,788	11,507	9,846	14,231	16,481	15,714	(6,443)	(4,974)	(5,868)	5,344	4,127	207,668	206,020
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	–	–	–	–	–	–	–	–	–
General purpose income ¹	8,195	6,750	6,670	–	–	–	8,195	6,750	6,670	3,168	3,192	–	–
Operating result from continuing operations	15,983	18,257	16,516	14,231	16,481	15,714	1,752	1,776	802	8,512	7,319	207,668	206,020

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

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

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

GOVERNANCE

Costs relating to the Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of council and policy making committees, area representation and public disclosure and compliance.

ADMINISTRATION

Corporate Support and Other Support Services (not otherwise attributed to the listed functions / activities).

PUBLIC ORDER AND SAFETY

Fire protection, animal control, enforcement of local government regulations, emergency services, other.

HEALTH

Inspection, immunisations, food control, health centres, other, administration.

ENVIRONMENT

Noxious plants and insect/vermin control, other environmental protection, solid waste management, street cleaning, drainage, stormwater management.

COMMUNITY SERVICES AND EDUCATION

Administration, family day care, child care, youth services, other family and children, aged and disabled, other community services, education.

HOUSING AND COMMUNITY AMENITIES

Housing, town planning, street lighting, other sanitation and garbage, public cemeteries, public conveniences, other community amenities.

SEWERAGE SERVICES

RECREATION AND CULTURE

Public libraries, museums, community centres, public halls, other cultural services, swimming pools, sporting grounds, parks and gardens (lakes), other sport and recreation.

AGRICULTURE

Temora Agricultural Innovation Centre

MINING, MANUFACTURING AND CONSTRUCTION

Building control, quarries & pits, other.

TRANSPORT AND COMMUNICATION

Urban roads, sealed rural roads, unsealed rural roads, bridges, footpaths, aerodromes, parking areas, bus shelters and services, RMS works, other.

ECONOMIC AFFAIRS

Camping areas, caravan parks, tourism and area promotion, industrial development promotion, saleyards and markets, real estate development, other business undertakings.

Temora Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 3. Income from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
(a) Rates and annual charges			
Ordinary rates			
Residential		1,273	1,228
Farmland		1,763	1,721
Business		457	445
Total ordinary rates		3,493	3,394
Special rates			
Nil			
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		390	365
Sewerage services		692	646
Waste management services (non-domestic)		91	88
Total annual charges		1,173	1,099
TOTAL RATES AND ANNUAL CHARGES		4,666	4,493

Council has used 2012 year valuations provided by the NSW Valuer General in calculating its rates.

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(b) User charges and fees			
Specific user charges (per s.502 – specific 'actual use' charges)			
Domestic waste management services		67	73
Sewerage services		16	14
Waste management services (non-domestic)		29	31
Total user charges		112	118
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Planning and building regulation		121	113
Private works – section 67		54	94
Section 149 certificates (EPA Act)		10	15
Section 603 certificates		13	15
Total fees and charges – statutory/regulatory		198	237
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome		2	5
Animal control		4	5
Caravan park		205	141
Cemeteries		77	67
Cinema		133	125
CTC – printing and laminating		5	4
Frail and aged		741	606
RMS (formerly RTA) charges (state roads not controlled by Council)		2,210	1,664
Saleyards		23	43
Sports stadium		14	12
Swimming centres		149	158
Tourism information centre		22	24
Other		2	3
Total fees and charges – other		3,587	2,857
TOTAL USER CHARGES AND FEES		3,897	3,212

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		11	15
– Interest earned on investments (interest and coupon payment income)		150	123
TOTAL INTEREST AND INVESTMENT REVENUE		161	138
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		9	13
Restricted investments/funds – external:			
Sewerage fund operations		34	27
Domestic waste management operations		13	11
Other externally restricted assets		25	16
Restricted investments/funds – internal:			
Internally restricted assets		80	71
Total interest and investment revenue recognised		161	138
(d) Other revenues			
Rental income – other council properties		182	225
Legal fees recovery – rates and charges (extra charges)		21	16
Bushfire – purchase local items		25	27
Bushfire – reimburseable items		–	80
Commissions and agency fees – Service NSW		145	131
Contribution for wages		24	24
Diesel rebate		57	64
Donations		4	1
Gravel royalties		31	4
Insurance claim recoveries		21	62
Risk management bonus		84	53
Research station revenues		288	306
Sale of advertising – tourism booklet		–	32
Cultural Events		8	–
Other		15	6
TOTAL OTHER REVENUE		905	1,031

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
(e) Grants				
General purpose (untied)				
Financial assistance – general component	1,973	1,971	–	–
Financial assistance – local roads component	1,130	1,152	–	–
Pensioners' rates subsidies – general component	65	69	–	–
Total general purpose	3,168	3,192	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Sewerage	24	26	–	–
– Domestic waste management	21	22	–	–
Bushfire and emergency services	252	495	–	–
Cycleways	–	–	217	76
Employment and training programs	13	33	–	–
Environmental protection	–	15	–	–
Heritage and cultural	14	8	50	100
Home and community care services	1,242	1,408	–	–
Library	29	31	–	16
LIRS subsidy	43	52	–	–
Noxious weeds	49	50	–	–
PAMPs works	–	–	40	20
Road safety officer	83	87	–	–
Street lighting	40	40	–	–
Town planning	–	25	–	–
Transport (flood damage local roads)	–	–	–	16
Transport (flood damage state roads)	–	–	–	1
Transport (roads to recovery)	1,552	445	–	–
Transport (other roads and bridges funding)	–	–	–	384
Transport (repair program)	11	121	–	–
Transport (Fixing Country Roads)	126	4	526	7
Transport (Regional Roads block grant)	331	136	507	474
Youth services	1	2	78	33
Transport (Kerb & Gutter)	–	–	6	–
Smarter Safety	13	–	–	–
Fitness Trail to Lake Centenary	–	–	20	–
Army Huts Refurbishment - Bob Aldridge	–	–	5	–
Medical Imaging - Electrical Transformer Upgrade	–	–	50	–
Other	1	–	–	–
Total specific purpose	3,845	3,000	1,499	1,127
Total grants	7,013	6,192	1,499	1,127
Grant revenue is attributable to:				
– State funding	7,013	6,192	1,499	1,127
	7,013	6,192	1,499	1,127

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
Nil				
Other contributions:				
Contributions for aerodrome fuel facility cover	–	–	–	78
Contributions for Taxiways	–	–	25	–
Economic development	7	8	–	–
FBT contributions	31	21	–	–
Footpath contributions	7	–	–	9
Heritage/cultural	–	–	3	–
Kerb and gutter	2	–	–	15
Lions Park – Lions Club Contribution	–	–	5	5
Other councils – joint works/services	–	–	–	178
Sewerage (excl. section 64 contributions)	–	–	–	2
Travel contributions	7	7	–	–
Aussie Rules Netball Courts Seating contribution	–	–	4	–
GWCC Employment Subsidy	25	–	–	–
Total other contributions	79	36	37	287
Total contributions	79	36	37	287
TOTAL GRANTS AND CONTRIBUTIONS	7,092	6,228	1,536	1,414

\$ '000	Actual 2016	Actual 2015
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(g) Restrictions relating to grants and contributions**Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:**

Unexpended at the close of the previous reporting period	691	703
Add: grants and contributions recognised in the current period but not yet spent:	865	691
Less: grants and contributions recognised in a previous reporting period now spent:	(691)	(703)
Net increase (decrease) in restricted assets during the period	174	(12)
Unexpended and held as restricted assets	865	691
Comprising:		
– Specific purpose unexpended grants	865	691
	865	691

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
(a) Employee benefits and on-costs			
Salaries and wages		5,468	5,289
Travel expenses		1	–
Employee leave entitlements (ELE)		910	986
ELE on-costs		(84)	111
Superannuation – defined contribution plans		505	404
Superannuation – defined benefit plans		255	267
Workers' compensation insurance		297	399
Fringe benefit tax (FBT)		124	123
Training costs (other than salaries and wages)		64	86
Staff uniforms and safety clothing		18	18
Total employee costs		7,558	7,683
Less: capitalised costs		(904)	(861)
TOTAL EMPLOYEE COSTS EXPENSED		6,654	6,822
Number of 'full-time equivalent' employees (FTE) at year end		80	83
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		54	68
Total interest bearing liability costs expensed		54	68
(ii) Other borrowing costs			
Nil			
TOTAL BORROWING COSTS EXPENSED		54	68
(c) Materials and contracts			
Raw materials and consumables		4,377	4,629
Contractor and consultancy costs		3,335	2,598
Auditors remuneration ⁽¹⁾		23	20
Legal expenses:			
– Legal expenses: debt recovery		21	16
– Legal expenses: other		2	19
Operating leases:			
– Operating lease rentals: minimum lease payments ⁽²⁾		59	41
Total materials and contracts		7,817	7,323
Less: capitalised costs		(4,117)	(4,156)
TOTAL MATERIALS AND CONTRACTS		3,700	3,167

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Materials and contracts (continued)			
1. Auditor remuneration			
During the year, the following fees were incurred for services provided by the Council's Auditor:			
Audit and other assurance services			
– Audit and review of financial statements: Council's Auditor		23	20
Remuneration for audit and other assurance services		23	20
Total Auditor remuneration		23	20
2. Operating lease payments are attributable to:			
Photocopiers		59	41
		59	41

\$ '000	Notes	Impairment costs		Depreciation/amortisation	
		Actual 2016	Actual 2015	Actual 2016	Actual 2015
(d) Depreciation, amortisation and impairment					
Plant and equipment		–	–	686	679
Office equipment		–	–	77	85
Furniture and fittings		–	–	24	23
Land improvements (depreciable)		–	–	25	24
Infrastructure:					
– Buildings – non-specialised		–	–	200	160
– Buildings – specialised		–	–	235	203
– Other structures		–	–	40	36
– Roads (incl K&G)		–	–	1,919	1,761
– Bridges		–	–	93	131
– Footpaths		–	–	79	65
– Stormwater drainage		–	–	120	66
– Sewerage network		–	–	204	206
– Swimming pools		–	–	29	42
– Other open space/recreational assets		–	–	31	31
Leasehold improvements		–	–	46	30
Other assets					
– Library books		–	–	1	1
– Other		–	–	118	114
Total depreciation and impairment costs		–	–	3,927	3,657
Less: capitalised costs		–	–	(76)	(78)
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		–	–	3,851	3,579

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(e) Other expenses			
Other expenses for the year include the following:			
Advertising		58	58
Bad and doubtful debts		38	2
Bank charges		23	22
Cleaning		111	107
Conferences		11	11
Contributions/levies to other levels of government			
– Bushfire Fighting Fund		217	223
– Emergency Services levy (includes FRNSW, SES, and RFS levies)		11	9
– NSW Fire Brigade levy		32	31
Councillor expenses – mayoral fee		15	15
Councillor expenses – councillors' fees		76	74
Councillors' expenses (incl. mayor) – other (excluding fees above)		21	24
Donations, contributions and assistance to other organisations (Section 356)		173	141
Electricity and heating		247	298
Insurance		318	314
Office expenses (including computer expenses)		189	165
Postage		31	24
Printing and stationery		53	68
Street lighting		106	108
Subscriptions and publications		32	31
Telephone and communications		168	127
Valuation fees		32	31
Water		170	116
Total other expenses		2,132	1,999
Less: capitalised costs		–	(1)
TOTAL OTHER EXPENSES		2,132	1,998

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 2016	Actual 2015
Property (excl. investment property)			
Proceeds from disposal – property		350	334
Less: carrying amount of property assets sold/written off		(399)	(306)
Net gain/(loss) on disposal		(49)	28
Plant and equipment			
Proceeds from disposal – plant and equipment		328	194
Less: carrying amount of plant and equipment assets sold/written off		(275)	(164)
Net gain/(loss) on disposal		53	30
Infrastructure			
Less: carrying amount of infrastructure assets sold/written off		(7)	(208)
Net gain/(loss) on disposal		(7)	(208)
Real estate assets held for sale			
Proceeds from disposal – real estate assets		286	239
Less: carrying amount of real estate assets sold/written off		(207)	(169)
Net gain/(loss) on disposal		79	70
Financial assets			
Proceeds from disposal/redemptions/maturities – financial assets		2,008	2,569
Less: carrying amount of financial assets sold/redeemed/matured		(2,008)	(2,569)
Net gain/(loss) on disposal		-	-
Other Assets			
Less: carrying amount of Other Assets assets sold/written off		(166)	-
Net gain/(loss) on disposal		(166)	-
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(90)	(80)

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	2016	2016	2015	2015
		Actual Current	Actual Non-current	Actual Current	Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		361	–	502	–
Cash-equivalent assets ¹					
– Deposits at call		3	–	1,108	–
– Short-term deposits		503	–	556	–
Total cash and cash equivalents		867	–	2,166	–
Investments (Note 6b)					
– Long term deposits		4,101	–	2,008	–
Total investments		4,101	–	2,008	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		4,968	–	4,174	–

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

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

Cash and cash equivalents

a. 'At fair value through the profit and loss'		867	–	2,166	–
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Investments

a. 'Held to maturity'	6(b-i)	4,101	–	2,008	–
Investments		4,101	–	2,008	–

Note 6(b-i)

Reconciliation of investments classified as 'held to maturity'

Balance at the beginning of the year		2,008	–	2,569	–
Additions		4,101	–	2,008	–
Disposals (sales and redemptions)		(2,008)	–	(2,569)	–
Balance at end of year		4,101	–	2,008	–

Comprising:

– Long term deposits		4,101	–	2,008	–
Total		4,101	–	2,008	–

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

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	2016	2016	2015	2015
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	4,968	–	4,174	–
attributable to:				
External restrictions (refer below)	1,940	–	1,991	–
Internal restrictions (refer below)	3,028	–	2,183	–
Unrestricted	–	–	–	–
	4,968	–	4,174	–

2016 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
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Details of restrictions

External restrictions – included in liabilities

Nil

External restrictions – other

Specific purpose unexpended grants (A)	691	174	–	865
Sewerage services (B)	930	–	(343)	587
Domestic waste management (B)	370	118	–	488
External restrictions – other	1,991	292	(343)	1,940
Total external restrictions	1,991	292	(343)	1,940

Internal restrictions

Plant and vehicle replacement	–	491	–	491
Infrastructure replacement	–	250	–	250
Employees leave entitlement	888	316	–	1,204
Carry over works	735	–	(376)	359
Capital expenditure from reserves	100	–	(100)	–
Gravel royalty	168	159	–	327
Industrial development	200	–	(1)	199
Izumizaki donation	2	–	–	2
Medical complex	25	7	–	32
State roads maintenance	65	99	–	164
Total internal restrictions	2,183	1,322	(477)	3,028
TOTAL RESTRICTIONS	4,174	1,614	(820)	4,968

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

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

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 7. Receivables

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
Purpose					
Rates and annual charges		139	–	145	–
Interest and extra charges		13	–	24	–
User charges and fees		325	–	388	–
Capital debtors (being sale of assets)					
– Sale of land		–	–	225	–
Accrued revenues					
– Interest on investments		33	–	16	–
– Other income accruals		112	–	283	–
Deferred debtors		11	37	41	30
Government grants and subsidies		523	–	473	–
Net GST receivable		78	–	78	–
Other debtors		17	–	19	–
Total		1,251	37	1,692	30
Less: provision for impairment					
User charges and fees		(4)	–	(4)	–
Total provision for impairment – receivables		(4)	–	(4)	–
<u>TOTAL NET RECEIVABLES</u>		<u>1,247</u>	<u>37</u>	<u>1,688</u>	<u>30</u>
Externally restricted receivables					
Sewerage services					
– Rates and availability charges		29	–	30	–
– Other		741	–	711	–
Domestic waste management		22	–	21	–
Total external restrictions		792	–	762	–
Internally restricted receivables					
Nil					
Unrestricted receivables		455	37	926	30
<u>TOTAL NET RECEIVABLES</u>		<u>1,247</u>	<u>37</u>	<u>1,688</u>	<u>30</u>

Notes on debtors above:

- (i) Rates and annual charges outstanding are secured against the property.
- (ii) Interest was charged on overdue rates and charges at 8.50% (2015 8.50%).
Generally all other receivables are non-interest bearing.
- (iii) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 8. Inventories and other assets

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
(a) Inventories					
(i) Inventories at cost					
Real estate for resale (refer below)		316	–	520	–
Stores and materials		174	–	179	–
Total inventories at cost		490	–	699	–
TOTAL INVENTORIES		490	–	699	–
(b) Other assets					
Prepayments		84	–	42	–
TOTAL OTHER ASSETS		84	–	42	–
Externally restricted assets					
There are no restrictions applicable to the above assets.					
Other disclosures					
(a) Details for real estate development					
Residential		204	–	408	–
Industrial/commercial		112	–	112	–
Total real estate for resale		316	–	520	–
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition costs and development costs		316	–	520	–
Total costs		316	–	520	–
Total real estate for resale		316	–	520	–
Movements:					
Real estate assets at beginning of the year		520	–	470	–
– Purchases and other costs		3	–	219	–
– WDV of sales (expense)	5	(207)	–	(169)	–
Total real estate for resale		316	–	520	–

(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;

	2016	2015
Real estate for resale	–	320
	–	320

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

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 9a. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2015					Asset movements during the reporting period							as at 30/6/2016				
	At cost	At fair value	Accumulated		Carrying value	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	At cost	At fair value	Accumulated		Carrying value
			depreciation	impairment											depreciation	impairment	
Capital work in progress	462	–	–	–	462	9	495	–	–	(400)	–	–	566	–	–	–	566
Plant and equipment	–	8,113	3,709	–	4,404	506	181	(264)	(686)	–	10	–	–	8,161	4,010	–	4,151
Office equipment	–	1,250	1,018	–	232	24	14	–	(77)	–	–	–	–	1,288	1,095	–	193
Furniture and fittings	–	254	112	–	142	–	6	–	(24)	–	–	–	–	259	135	–	124
Land:																	
– Operational land	–	2,915	–	–	2,915	1	–	(86)	–	–	442	–	–	3,272	–	–	3,272
– Community land	–	1,307	–	–	1,307	–	–	–	–	–	(442)	42	–	907	–	–	907
Land improvements – depreciable	–	541	110	–	431	4	–	(7)	(25)	–	–	–	–	527	124	–	403
Infrastructure:																	
– Buildings – non-specialised	–	13,369	4,813	–	8,556	3	4	(324)	(200)	–	–	–	–	13,016	4,977	–	8,039
– Buildings – specialised	–	16,751	3,969	–	12,782	162	22	–	(235)	21	12	–	–	16,956	4,192	–	12,764
– Other structures	–	1,053	353	–	700	2	113	–	(40)	9	–	–	–	1,177	393	–	784
– Roads	–	135,571	51,274	–	84,297	2,105	90	–	(1,919)	28	–	–	–	137,794	53,193	–	84,601
– Bridges	–	9,213	1,773	–	7,440	–	215	–	(93)	230	–	–	–	9,658	1,866	–	7,792
– Footpaths	–	3,796	1,173	–	2,623	–	471	–	(79)	–	–	–	–	4,267	1,252	–	3,015
– Bulk earthworks (non-depreciable)	–	51,007	–	–	51,007	–	–	–	–	–	–	–	–	51,007	–	–	51,007
– Stormwater drainage	–	11,672	5,010	–	6,662	535	67	–	(120)	–	–	–	–	12,274	5,130	–	7,144
– Sewerage network	–	18,722	8,078	–	10,644	573	29	–	(204)	–	(10)	165	–	19,599	8,402	–	11,197
– Swimming pools	–	2,603	1,445	–	1,158	–	–	–	(29)	–	(12)	–	–	2,603	1,486	–	1,117
– Other open space/recreational assets	–	526	239	–	287	–	–	(2)	(31)	–	–	–	–	525	271	–	254
Leasehold improvements	–	629	171	–	458	–	217	–	(46)	112	–	–	–	958	217	–	741
Other assets:																	
– Library books	–	61	15	–	46	–	–	–	(1)	(2)	–	–	–	61	18	–	43
– Other	–	3,869	1,035	–	2,834	58	118	(166)	(118)	2	–	–	–	3,750	1,022	–	2,728
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	462	283,222	84,297	–	199,387	3,982	2,042	(849)	(3,927)	–	–	207	566	288,059	87,783	–	200,842

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

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

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Actual				Actual			
	2016				2015			
Class of asset	At cost	At fair value	A/Dep & impairm't	Carrying value	At cost	At fair value	A/Dep & impairm't	Carrying value
Sewerage services								
WIP	4	–	–	4	–	3	–	3
Plant and equipment	–	109	12	97	–	14	4	10
Other structures	–	5	–	5	–	–	–	–
Infrastructure	–	19,600	8,402	11,198	–	18,708	8,074	10,634
Total sewerage services	4	19,714	8,414	11,304	–	18,725	8,078	10,647
Domestic waste management								
Plant and equipment	–	274	93	181	–	274	65	209
Land								
– Operational land	–	24	–	24	–	24	–	24
– Improvements - depreciable	–	46	7	39	–	46	6	40
Buildings	–	4	2	2	–	4	2	2
Other structures	–	10	4	6	–	9	3	6
Other assets	–	43	34	9	–	28	28	–
Total DWM	–	401	140	261	–	385	104	281
TOTAL RESTRICTED I,PP&E	4	20,115	8,554	11,565	–	19,110	8,182	10,928

Note 9c. Infrastructure, property, plant and equipment – current year impairments

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

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
Payables					
Goods and services – operating expenditure		666	–	714	–
Goods and services – capital expenditure		165	–	143	–
Payments received in advance		36	–	–	–
Accrued expenses:					
– Borrowings		11	–	15	–
– Salaries and wages		43	–	–	–
– Other expenditure accruals		205	1	330	3
Security bonds, deposits and retentions		125	–	114	–
Total payables		1,251	1	1,316	3
Borrowings					
Loans – secured ¹		280	609	265	888
Total borrowings		280	609	265	888
Provisions					
Employee benefits:					
Annual leave		985	–	883	–
Sick leave		1,381	–	1,563	–
Long service leave		1,773	28	1,679	46
Total provisions		4,139	28	4,125	46
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		5,670	638	5,706	937
(i) Liabilities relating to restricted assets					
		2016		2015	
		Current	Non-current	Current	Non-current
Externally restricted assets					
Domestic waste management		–	–	7	–
Liabilities relating to externally restricted assets		–	–	7	–
Internally restricted assets					
Nil					
Total liabilities relating to restricted assets		–	–	7	–
Total liabilities relating to unrestricted assets		5,670	638	5,699	937
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		5,670	638	5,706	937

¹ Loans are secured over the general rating income of Council

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 15.

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Actual 2016	Actual 2015
---------	----------------	----------------

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

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

Provisions – employees benefits	3,404	3,615
	<u>3,404</u>	<u>3,615</u>

Note 10b. Description of and movements in provisions

Class of provision	2015		2016			
	Opening balance as at 1/7/15	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	Closing balance as at 30/6/16
Annual leave	883	397	(338)	43	–	985
Sick leave	1,563	167	(400)	51	–	1,381
Long service leave	1,725	146	(157)	87	–	1,801
TOTAL	4,171	710	(895)	181	–	4,167

- a. Employees leave entitlements and on-costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2016	Actual 2015
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	867	2,166
Balance as per the Statement of Cash Flows		867	2,166
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		1,776	802
Adjust for non-cash items:			
Depreciation and amortisation		3,851	3,579
Net losses/(gains) on disposal of assets		90	80
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		186	856
Increase/(decrease) in provision for doubtful debts		–	(6)
Decrease/(increase) in inventories		5	11
Decrease/(increase) in other assets		(42)	15
Increase/(decrease) in payables		(48)	(258)
Increase/(decrease) in accrued interest payable		(4)	(3)
Increase/(decrease) in other accrued expenses payable		(84)	150
Increase/(decrease) in other liabilities		47	(17)
Increase/(decrease) in employee leave entitlements		(4)	296
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		5,773	5,505
(c) Non-cash investing and financing activities			
Nil			
(d) 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
Amounts utilised as at balance date:			
– Credit cards/purchase cards		6	16
Total financing arrangements utilised		6	16

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

(ii) Secured loan liabilities

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

Temora Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2016	Actual 2015
(a) Capital commitments (exclusive of GST)			
Nil			
(b) Finance lease commitments			
Nil			
(c) Operating lease commitments (non-cancellable)			
a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:			
Within the next year		51	56
Later than one year and not later than 5 years		75	126
Later than 5 years		–	–
Total non-cancellable operating lease commitments		126	182

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

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 operating leases:

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

(d) Investment property commitments

Nil

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Amounts 2016	Indicator 2016	Prior periods	
			2015	2014
Local government industry indicators – consolidated				
1. Operating performance ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>330</u>	1.97%	-3.52%	-9.18%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>16,721</u>			
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>9,629</u>	52.74%	53.73%	62.31%
Total continuing operating revenue ⁽¹⁾	<u>18,257</u>			
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	<u>4,057</u>	1.79x	1.69x	1.80x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>2,266</u>			
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>4,235</u>	13.32x	9.73x	6.01x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>318</u>			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	<u>152</u>	3.12%	3.56%	4.88%
Rates, annual and extra charges collectible	<u>4,867</u>			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	<u>4,968</u>	4.37 mths	3.8 mths	3.2 mths
Payments from cash flow of operating and financing activities	<u>1,136</u>			

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

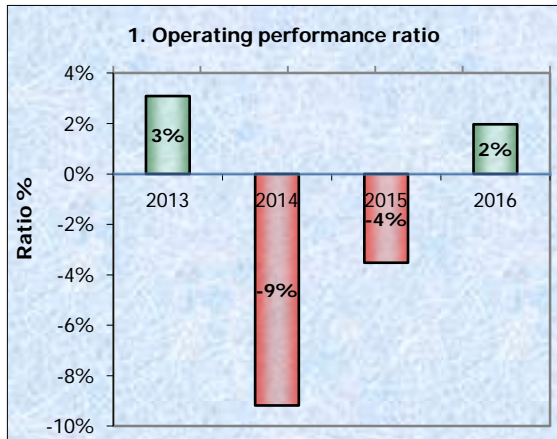
⁽³⁾ Refer to Note 10(a).

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

Temora Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

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



Purpose of operating performance ratio

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

Commentary on 2015/16 result

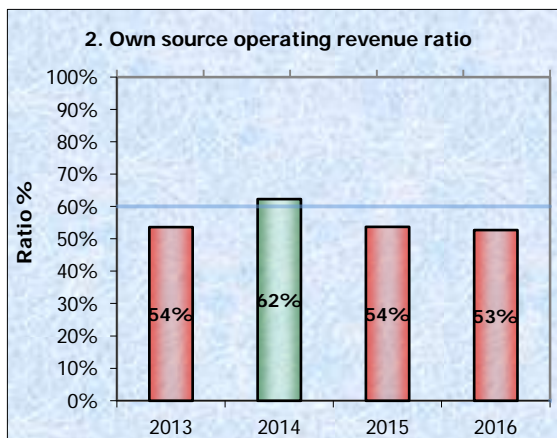
2015/16 ratio 1.97%

Council's operating performance has improved on last year, largely due to an increased Roads to Recovery allocation. Asset revaluation increments continue to result in increased depreciation expense.

Benchmark: — Minimum $\geq 0.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of own source operating revenue ratio

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

Commentary on 2015/16 result

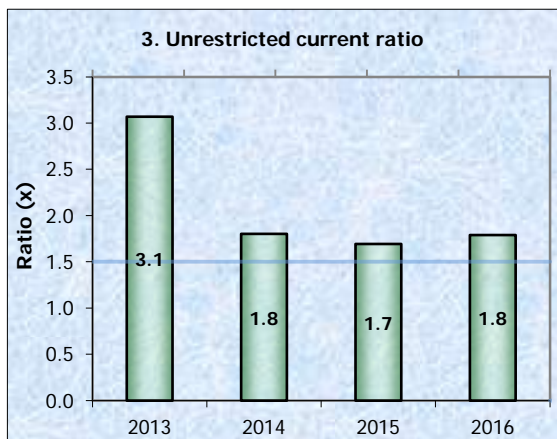
2015/16 ratio 52.74%

Grants and contributions continue to represent a significant portion of Council's income. 2016 saw a significant increase in the Roads to Recovery allocation.

Benchmark: — Minimum $\geq 60.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of unrestricted current ratio

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

Commentary on 2015/16 result

2015/16 ratio 1.79x

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

Benchmark: — Minimum ≥ 1.50

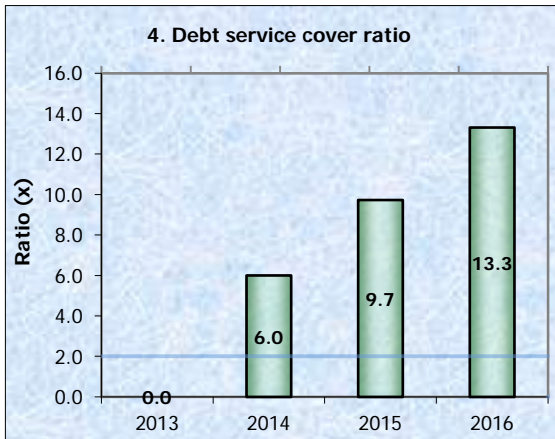
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark
 Ratio is outside benchmark

Temora Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

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



Purpose of debt service cover ratio

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

Commentary on 2015/16 result

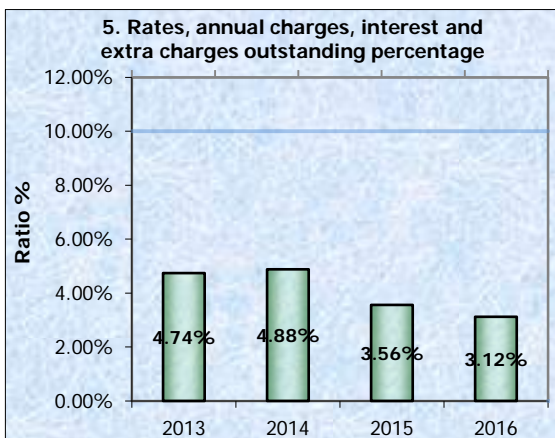
2015/16 ratio 13.32x

Council only has one loan which was taken out to partially finance the construction of a new medical complex.

Benchmark: Minimum ≥ 2.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of rates and annual charges outstanding ratio

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

Commentary on 2015/16 result

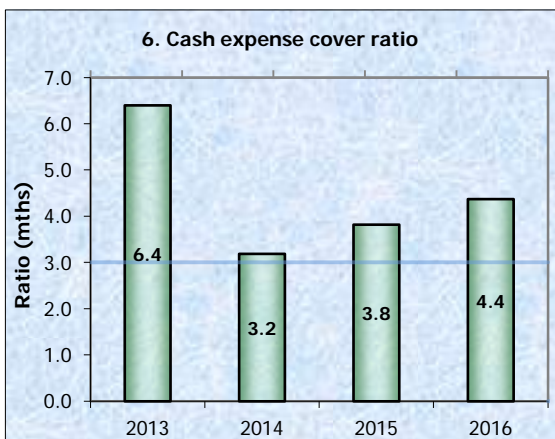
2015/16 ratio 3.12%

Council has again improved its rates outstanding percentage through a continued focus in this area.

Benchmark: Maximum $< 10.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio is within Benchmark
 Ratio is outside Benchmark



Purpose of cash expense cover ratio

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

Commentary on 2015/16 result

2015/16 ratio 4.37 mths

Council plans to build up its cash reserves over the coming years.

Benchmark: Minimum ≥ 3.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark
 Ratio is outside benchmark

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Sewer 2016	General ⁵ 2016
Local government industry indicators – by fund		
1. Operating performance ratio		
<u>Total continuing operating revenue⁽¹⁾ excluding capital grants and contributions less operating expenses</u>	20.53%	0.96%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	prior period: 23.68%	-5.00%
2. Own source operating revenue ratio		
<u>Total continuing operating revenue⁽¹⁾ excluding all grants and contributions</u>	94.32%	50.68%
Total continuing operating revenue ⁽¹⁾	prior period: 96.53%	51.62%
3. Unrestricted current ratio		
<u>Current assets less all external restrictions⁽²⁾</u>	No liabilities	1.79x
Current liabilities less specific purpose liabilities ^(3, 4)	prior period: No liabilities	1.69x
4. Debt service cover ratio		
<u>Operating result⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation</u>	0.00	12.10x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	prior period: 0.00x	8.52x
5. Rates, annual charges, interest and extra charges outstanding percentage		
<u>Rates, annual and extra charges outstanding</u>	4.01%	2.97%
Rates, annual and extra charges collectible	prior period: 4.43%	3.42%
6. Cash expense cover ratio		
<u>Current year's cash and cash equivalents plus all term deposits</u> x12	0.00	3.86 mths
Payments from cash flow of operating and financing activities	prior period: 0.00 mths	2.97 mths

Notes

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

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

Temora Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 14. Investment properties

\$ '000

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

Note 15. Financial risk management

Risk management

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

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

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

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

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

	Carrying value		Fair value	
	2016	2015	2016	2015
Financial assets				
Cash and cash equivalents	867	2,166	867	2,166
Investments				
– 'Held to maturity'	4,101	2,008	4,101	2,008
Receivables	1,284	1,718	1,284	1,718
Total financial assets	6,252	5,892	6,252	5,892
Financial liabilities				
Payables	1,216	1,319	1,216	1,319
Loans/advances	889	1,153	889	1,153
Total financial liabilities	2,105	2,472	2,105	2,472

Fair value is determined as follows:

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

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

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 15. Financial risk management (continued)

\$ '000

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

Council's finance area manages the cash and Investments portfolio.

Council has an investment policy which complies with the *Local Government Act 1993* and Minister's investment order. This policy is regularly reviewed by Council and it's staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

The risks associated with the investments held are:

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2016				
Possible impact of a 1% movement in interest rates	50	50	(50)	(50)
2015				
Possible impact of a 1% movement in interest rates	42	42	(42)	(42)

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures.

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

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

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.

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

	2016 Rates and annual charges	2016 Other receivables	2015 Rates and annual charges	2015 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	0%	81%	0%	78%
Overdue	100%	19%	100%	22%
	100%	100%	100%	100%

(ii) Ageing of receivables – value

Rates and annual charges	Other receivables	2016 Rates and annual charges	2016 Other receivables	2015 Rates and annual charges	2015 Other receivables
Current	Current	–	935	–	1,235
< 1 year overdue	0 – 30 days overdue	72	6	75	33
1 – 2 years overdue	30 – 60 days overdue	45	5	44	74
2 – 5 years overdue	60 – 90 days overdue	21	2	16	21
> 5 years overdue	> 90 days overdue	1	201	10	214
		139	1,149	145	1,577

(iii) Movement in provision for impairment of receivables

	2016	2015
Balance at the beginning of the year	4	10
+ new provisions recognised during the year	–	1
– amounts already provided for and written off this year	–	(7)
Balance at the end of the year	4	4

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2016									
Trade/other payables	125	1,091	–	–	–	–	–	1,216	1,216
Loans and advances	–	280	296	313	–	–	–	889	889
Total financial liabilities	125	1,371	296	313	–	–	–	2,105	2,105
2015									
Trade/other payables	114	1,205	–	–	–	–	–	1,319	1,319
Loans and advances	–	265	280	296	312	–	–	1,153	1,153
Total financial liabilities	114	1,470	280	296	312	–	–	2,472	2,472

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

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

	2016		2015	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	1,216	0.00%	1,319	0.00%
Loans and advances – fixed interest rate	889	5.40%	1,153	5.40%
	<u>2,105</u>		<u>2,472</u>	

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 16. Material budget variations

\$ '000

Council's original financial budget for 15/16 was adopted by the Council on 18 June 2015.

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

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

Note that for variations* of budget to actual :

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

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

\$ '000	2016 Budget	2016 Actual	2016 ----- Variance* -----	
REVENUES				
Rates and annual charges	4,729	4,666	(63)	(1%) U
User charges and fees	2,748	3,897	1,149	42% F
RMS State Roads charges were \$900k higher than anticipated at the time of budget preparation. Caravan Park charges were \$87k higher than anticipated, partially as a result of hire fees during Warbirds Downunder flying display.				
Interest and investment revenue	233	161	(72)	(31%) U
This variance is due to the low level of reserves, combined with low interest rates.				
Other revenues	814	905	91	11% F
Council received \$27k as a reimbursement of wages for a seconded employee. A Risk Management bonus of \$84k was unbudgeted, as were \$21k of insurance claim recoveries.				
Operating grants and contributions	6,621	7,092	471	7% F
Capital grants and contributions	584	1,536	952	163% F
At budget preparation time all Regional Roads funding is classified as operating due to the uncertainty regarding the allocation of expenditure. \$507k was classified as capital in this years' financial statements. Fixing Country Roads funding was received during the year, the receipt of which was not anticipated at budget preparation time. \$526k of the \$652k total was classified as capital income.				
Net gains from disposal of assets	254	–	(254)	(100%) U
Gains on sale of Aviation Estate properties were approximately \$100k less than anticipated. Other assets with a written down value of \$173k were also written off, which was not included in budget estimates.				

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 16. Material budget variations (continued)

\$ '000	2016 Budget	2016 Actual	2016 ----- Variance* -----		
EXPENSES					
Employee benefits and on-costs	4,988	6,654	(1,666)	(33%)	U
This variation is largely the result of differing budget allocations.					
Borrowing costs	57	54	3	5%	F
Materials and contracts	3,275	3,700	(425)	(13%)	U
This variation can be attributed to the increase in works undertaken for the RMS on State Roads.					
Depreciation and amortisation	3,648	3,851	(203)	(6%)	U
Other expenses	2,263	2,132	131	6%	F
Net losses from disposal of assets	–	90	(90)	0%	U
Gains on sale of Aviation Estate properties were approximately \$100k less than anticipated. Other assets with a written down value of \$173k were also written off, which was not included in budget estimates.					

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 17. Statement of Developer Contributions

\$ '000

Council currently has no S94 Developer Contribution Plans or S94 Funds on hand from prior years.

Note 18. Contingencies and other assets/liabilities not recognised

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

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

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other liabilities

(i) Third party claims

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

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

(ii) 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.

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 & including 30/6/08.

Note 19. Interests in other entities

Council has no interest in any controlled entities, joint arrangements or associates.

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		71,560	70,758
a. Net operating result for the year		1,776	802
Balance at end of the reporting period		73,336	71,560
(b) Revaluation reserves			
(i) Reserves are represented by:			
– Infrastructure, property, plant and equipment revaluation reserve		128,024	127,817
Total		128,024	127,817
(ii) Reconciliation of movements in reserves:			
Infrastructure, property, plant and equipment revaluation reserve			
– Opening balance		127,817	148,619
– Revaluations for the year	9(a)	207	(20,802)
– Balance at end of year		128,024	127,817
TOTAL VALUE OF RESERVES		128,024	127,817

(iii) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

(c) Correction of error/s relating to a previous reporting period

Council made no correction of errors during the current reporting period.

(d) Voluntary changes in accounting policies

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

(e) Changes in accounting estimates

Council made no changes in accounting estimates during the year.

Temora Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 21. Financial result and financial position by fund

Income Statement by fund \$ '000	Actual 2016	Actual 2016
	Sewer	General¹
Continuing operations		
Income from continuing operations		
Rates and annual charges	721	3,945
User charges and fees	49	3,848
Interest and investment revenue	34	127
Other revenues	9	896
Grants and contributions provided for operating purposes	49	7,043
Grants and contributions provided for capital purposes	–	1,536
Total income from continuing operations	862	17,395
Expenses from continuing operations		
Employee benefits and on-costs	199	6,455
Borrowing costs	–	54
Materials and contracts	225	3,475
Depreciation and amortisation	211	3,640
Other expenses	50	2,082
Net losses from the disposal of assets	–	90
Total expenses from continuing operations	685	15,796
Operating result from continuing operations	177	1,599
Discontinued operations		
Net profit/(loss) from discontinued operations	–	–
Net operating result for the year	177	1,599
Net operating result attributable to each council fund	177	1,599
Net operating result attributable to non-controlling interests	–	–
Net operating result for the year before grants and contributions provided for capital purposes	177	63

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

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

Temora Shire Council

Notes to the Financial Statements

as at 30 June 2016

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

Statement of Financial Position by fund \$ '000	Actual 2016	Actual 2016
ASSETS	Sewer	General¹
Current assets		
Cash and cash equivalents	587	280
Investments	–	4,101
Receivables	770	477
Inventories	–	490
Other	–	84
Total current assets	1,357	5,432
Non-current assets		
Investments	–	–
Receivables	–	37
Inventories	–	–
Infrastructure, property, plant and equipment	11,305	189,537
Investments accounted for using the equity method	–	–
Investment property	–	–
Intangible assets	–	–
Total non-current assets	11,305	189,574
TOTAL ASSETS	12,662	195,006
LIABILITIES		
Current liabilities		
Payables	–	1,251
Borrowings	–	280
Provisions	–	4,139
Total current liabilities	–	5,670
Non-current liabilities		
Payables	–	1
Borrowings	–	609
Provisions	–	28
Total non-current liabilities	–	638
TOTAL LIABILITIES	–	6,308
Net assets	12,662	188,698
EQUITY		
Retained earnings	6,894	66,442
Revaluation reserves	5,768	122,256
Total equity	12,662	188,698

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

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

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000

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

Note 23. Events occurring after the reporting date

Events that occur between the end of the reporting period (30 June 2016) and the date when the financial statements are 'authorised for issue' have been taken into account in preparing these statements.

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

Accordingly, the 'authorised for issue' date is 13/10/16.

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

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

These financial statements (and the figures therein) incorporate all 'adjusting events' that provided evidence of conditions that existed at 30 June 2016.

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

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 30 June 2016 and which are only indicative of conditions that arose after 30 June 2016.

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

Note 24. Discontinued operations

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

Note 25. Intangible assets

Intangible assets represent identifiable non-monetary assets without physical substance.

Council is unaware of any control over intangible assets that warrant recognition in the financial statements, including either internally generated and developed assets or purchased assets.

Note 26. Reinstatement, rehabilitation and restoration liabilities

Council has no outstanding obligations to make, restore, rehabilitate or reinstate any of its assets/operations.

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement

\$ '000

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

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

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

The objective of using a valuation technique is to estimate the price at which an orderly transaction to sell or to transfer the liability would take place between market participants at the measurement date under current market conditions. Three widely used valuation techniques are the market approach, the cost approach and the income approach. Temora Shire Council use valuation techniques consistent with one or more of those approaches to measure fair value.

Cost Approach - A valuation technique that reflects the amount that would be required to replace the service capacity of an asset (current replacement cost).

Income Approach - Valuation technique that converts future amounts (cash inflows/outflows) to signal current (ie discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about these future amounts.

Market Approach - A valuation technique that uses prices and other relevant information generated by the market transactions involving identical or comparable (similar) assets, liabilities or a group of assets and liabilities such as a business.

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

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

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

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

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

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

2016	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Financial assets					
Investments					
– "Held to maturity"	30/06/16	–	4,101	–	4,101
Receivables	30/06/16	–	1,288	–	1,288
Total financial assets		–	5,389	–	5,389
Financial liabilities					
Payables	30/06/16	–	1,252	–	1,252
Loans/advances	30/06/16	–	889	–	889
Total financial liabilities		–	2,141	–	2,141

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

2016	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Work in progress	30/06/16	—	566	—	566
Plant and equipment	30/06/16	—	—	4,151	4,151
Office equipment	30/06/16	—	—	193	193
Furniture and fittings	30/06/16	—	—	124	124
Operational land	30/06/13	—	3,272	—	3,272
Community land	30/06/12	—	—	907	907
Land improvements	30/06/16	—	—	403	403
Buildings – non-specialised	30/06/13	—	8,039	—	8,039
Buildings – specialised	30/06/13	—	—	12,764	12,764
Leasehold improvements	30/06/16	—	—	741	741
Other structures	30/06/13	—	—	784	784
Roads	30/06/15	—	—	84,601	84,601
Bridges	30/06/15	—	—	7,792	7,792
Footpaths	30/06/15	—	—	3,015	3,015
Bulk earthworks (roads)	30/06/15	—	—	51,007	51,007
Stormwater drainage	30/06/15	—	—	7,144	7,144
Sewerage network	30/06/15	—	—	11,197	11,197
Swimming pools	30/06/13	—	—	1,117	1,117
Other open space/recreational assets	30/06/13	—	—	254	254
Library books	30/06/16	—	—	43	43
Other	30/06/16	—	—	2,728	2,728
Total infrastructure, property, plant and equipment		—	11,877	188,965	200,842

2015	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Financial assets					
Investments					
– "Held to maturity"	30/06/15	—	2,008	—	2,008
Receivables	30/06/15	—	1,722	—	1,722
Total financial assets		—	3,730	—	3,730
Financial liabilities					
Payables	30/06/15	—	1,319	—	1,319
Loans/advances	30/06/15	—	1,153	—	1,153
Total financial liabilities		—	2,472	—	2,472

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

2015	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Work in progress	30/06/15	—	462	—	462
Plant and equipment	30/06/15	—	—	4,404	4,404
Office equipment	30/06/15	—	—	232	232
Furniture and fittings	30/06/15	—	—	142	142
Operational land	30/06/13	—	2,915	—	2,915
Community land	30/06/12	—	—	1,307	1,307
Land improvements	30/06/15	—	—	431	431
Buildings – non-specialised	30/06/13	—	8,556	—	8,556
Buildings – specialised	30/06/13	—	—	12,782	12,782
Leasehold improvements	30/06/15	—	—	458	458
Other structures	30/06/13	—	—	700	700
Roads	30/06/15	—	—	84,297	84,297
Bridges	30/06/15	—	—	7,440	7,440
Footpaths	30/06/15	—	—	2,623	2,623
Bulk earthworks (roads)	30/06/15	—	—	51,007	51,007
Stormwater drainage	30/06/15	—	—	6,662	6,662
Sewerage network	30/06/15	—	—	10,644	10,644
Swimming pools	30/06/13	—	—	1,158	1,158
Other open space/recreational assets	30/06/13	—	—	287	287
Library books	30/06/15	—	—	46	46
Other	30/06/15	—	—	2,834	2,834
Total infrastructure, property, plant and equipment		—	11,933	187,454	199,387

(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.

Temora Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

(3) Reconciliation of Movements

a. The following table presents the changes in Level 3 Fair Value Assets.

Opening balance 1 July 2014	206,886
Purchases (GBV)	4,533
Disposals (WDV)	(394)
Depreciation and impairment	(3,498)
FV gains – other comprehensive income	(20,802)
Transfers	<u>729</u>
Closing balance – 30/06/2015	<u>187,454</u>
Purchases (GBV)	5,512
Disposals (WDV)	(439)
Depreciation and impairment	(3,727)
FV gains – other comprehensive income	207
Transfers	<u>(42)</u>
Closing balance – 30/06/2016	<u>188,965</u>

Further details for the individual asset classes are available in Note 9a

b. Information relating to the transfers into and out of the Level 3 Fair Valuation hierarchy (as disclosed in the Table above) includes:

Not applicable

Temora Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 28. Financial review

\$ '000

Key financial figures of Council over the past 5 years

Financial performance figures	2016	2015	2014	2013	2012
Inflows:					
Rates and annual charges revenue	4,666	4,493	4,316	4,144	3,966
User charges revenue	3,897	3,212	5,114	4,318	3,793
Interest and investment revenue (losses)	161	138	208	199	250
Grants income – operating and capital	8,512	7,319	5,852	8,067	7,344
Total income from continuing operations	18,257	16,516	17,064	17,523	16,387
Sale proceeds from I,PP&E	1,189	542	854	389	578
New loan borrowings and advances	–	–	–	1,643	–
Outflows:					
Employee benefits and on-cost expenses	6,654	6,822	6,250	5,468	5,828
Borrowing costs	54	68	103	–	1
Materials and contracts expenses	3,700	3,167	4,767	5,548	5,180
Total expenses from continuing operations	16,481	15,714	16,591	16,212	15,745
Total cash purchases of I,PP&E	5,924	5,334	6,244	5,336	4,461
Total loan repayments (incl. finance leases)	264	252	238	–	12
Operating surplus/(deficit) (excl. capital income)	240	(612)	(1,116)	523	(178)
Financial position figures	2016	2015	2014	2013	2012
Current assets	6,789	6,603	6,956	9,523	8,281
Current liabilities	5,670	5,706	5,804	6,041	5,223
Net current assets	1,119	897	1,152	3,482	3,058
Available working capital (Unrestricted net current assets)	(233)	(3)	1,210	504	383
Cash and investments – unrestricted	–	–	2	2	–
Cash and investments – internal restrictions	3,028	2,183	2,154	4,973	2,652
Cash and investments – total	4,968	4,174	3,923	6,920	4,714
Total borrowings outstanding (Loans, advances and finance leases)	889	1,153	1,405	1,643	–
Total value of I,PP&E (excl. land and earthworks)	233,439	228,455	270,455	265,181	255,899
Total accumulated depreciation	87,783	84,297	117,384	114,904	110,242
Indicative remaining useful life (as a % of GBV)	62%	63%	57%	57%	57%

Source: published audited financial statements of Council (current year and prior year)

Temora Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 29. 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

Opening hours:

8am to 4.30pm
Monday to Friday

Telephone: 02 6980 1100

Facsimile: 02 6980 1138

Internet: www.temora.nsw.gov.au

Email: temshire@temora.nsw.gov.au

Officers**GENERAL MANAGER**

Gary Lavelle

RESPONSIBLE ACCOUNTING OFFICER

Steve Firth

PUBLIC OFFICER

Steve Firth

AUDITORS

Auswild & Co.
4 Dugan Street
DEAKIN ACT 2600
Ph: 02 6281 3360

Elected members**MAYOR**

Rick Firman

COUNCILLORS

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

Other information

ABN: 55 048 860 109



Independent auditor's report to the Councillors of the Temora Shire Council and the Chief Executive Officer of the Office of Local Government

We have audited the accompanying general purpose financial report of the Temora Shire Council, which comprises the Statement by Councillors and Management, Statement of Financial Position as at 30th June, 2016, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes.

Councils' Responsibility for the Financial Report

The Council is responsible for the preparation and presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Local Government Act 1993*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that it is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial report.

Our audit responsibility does not extend to the original budget information included in the Income Statement, Statement of Cash Flows, Note 2(a) and the budget variation explanations disclosed in Note 16. Nor does our responsibility extend to the projected future developer contributions and costs disclosed in Note 17 and the additional information disclosed in Note 28. Accordingly, no opinion is expressed on these matters. In addition, our audit did not include an analysis of the prudence of business decisions made by Council or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

Auditor's Opinion

In our opinion,

- (a) 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; and
- (b) The general purpose financial report
 - (i) has been prepared in accordance with the requirements of this Division;
 - (ii) is consistent with the Council's accounting records;
 - (iii) presents fairly the Council's financial position, the results of its operations and its cash flows; and
 - (iv) is in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia.
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial report that have come to light during the course of the audit.

AUSWILD & CO.



G.J. BRADLEY
Principal
Registered Auditor No: 1249

CANBERRA
13th October, 2016

TEMORA SHIRE COUNCIL

REPORT ON THE
CONDUCT OF THE AUDIT

2016



13th October, 2016

Councillor Rick Firman
Mayor
Temora Shire Council
P.O. Box 262
TEMORA. N.S.W. 2666

Dear Cr Firman,

Having completed an audit examination of the books of account and associated records of the Temora Shire Council for the twelve months period ended 30th June 2016 we have pleasure in submitting our report on the conduct of the audit in accordance with Section 417 (3) of the Local Government Act 1993.

BACKGROUND

Council is required to prepare two sets of financial statements for audit each year, these being:

General Purpose Financial Statements

These financial statements present the actual financial position and performance of the Council. Council has prepared the general purpose financial statements in accordance with:

- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board,
- the Local Government Act 1993 and Regulations and
- the Local Government Code of Accounting Practice and Financial Reporting (the Code).

For the purpose of preparing these financial statements Council has been deemed to be a not-for-profit entity.

These financial statements have been prepared in much the same manner as those of the previous year.

Special Purpose Financial Statements

These financial statements have been prepared in accordance with the requirements of the National Competition Policy which requires separate financial statements for each declared business activity. Council's declared business activities for the 2016 financial year were:

- Sewer Fund Operations

The principle differences between the general purpose financial statements and the special purpose financial statements are that:

- certain taxes and other costs that would apply if these business activities were operating in the commercial sector have been imputed in the special purpose financial statements (ie income tax and land tax),
- the special purpose financial statements contain additional disclosures such as council subsidies, return on investments and dividends paid.

These financial statements have been prepared in much the same manner as those of the previous year.

Auditor's Responsibility

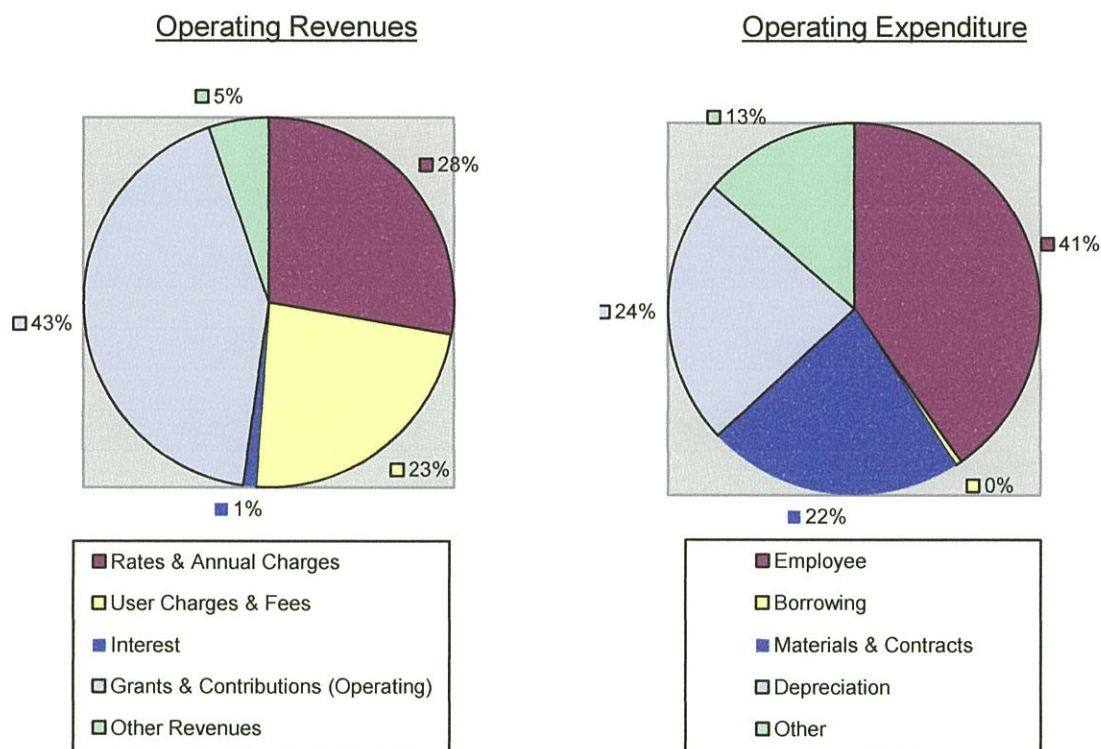
As part of our role as auditor of Council, Section 415 (3) of the *Local Government Act 1993* and the *Local Government (General) Regulation* requires us to consider and provide comment on the material items affecting the general purpose financial statements and other matters pertinent to the audit. The following section of this report provides an understanding of Council's financial position as at 30 June 2016, its performance for the year then ended its cash flows and other material financial matters.

FINANCIAL RESULTS

Council reported an operating surplus before capital grants and contributions of \$240,000 for the year ended 30 June 2016 (2015 – deficit of \$612,000).

Excluding capital grants & contributions, operating revenues (\$16.72 million) have increased approx. 10.72% on those of the previous year (\$15.10 million) whilst during the same period operating expenses increased approximately 4.88% to \$16.48 million.

A breakdown of Council's operating revenues and expenses from continuing operations for the year is as follows:



In addition to operating revenues, Council received capital grants and contributions of \$1.54 million (2015 - \$1.41 million).

In the twelve months period to 30 June 2016, Council's operating result from continuing operations' (including capital grants and contributions) was a surplus of \$1.78 million compared with a surplus of \$802,000 in the previous year.



BUDGET COMPARISON

The net operating surplus for the year of \$1.78 million was very much in line with the original budget expectations which anticipated a surplus of \$1.75 million.

Details of material variations between the original budget and actual results are detailed in Note 16 to the General Purpose Financial Reports. In essence, the variations have been attributed to: -

Favourable Variances

- Capital grants exceeded budget expectations following the receipt of funding for Fixing Country Roads (\$126,000) which was not anticipated when the budget was prepared. We also note that there have been budget variations due to the uncertainty regarding the classification of funding ie whether of a capital or revenue nature.
- User charges were significantly greater than original budget expectations, in particular:
 - RMS charges on the State Roads (\$2.21 million) exceeded budget by \$900,000
 - Caravan Park charges (\$205,000) were \$87,000 higher than anticipated

Unfavourable Variances

- Increased RMS work on State roads has significantly increased material and contract expenses.
- Council budgeted for gains from the sale of assets however losses of \$90,000 were reported.
- Interest revenues were below budget in response to prevailing interest rates and lower reserves than anticipated.

DETAILED AUDIT OBSERVATIONS

OPERATING INCOME

Rates and Annual Charges

Revenue from rates and annual charges (excluding Council owned properties) amounted to \$4.67 million (2015 - \$4.49 million).

In setting the **ordinary rates** for the year, Council resolved to adopt the maximum increase available of 2.40%. This action together with a minimal increase in the number of assessments has resulted in revenues from ordinary rates increasing from \$3.39 million in 2014/2015 to \$3.49 million in the current year.

Council's **ordinary rating base** remained fairly stable during the twelve months period and at year end 3,811 assessments were subject to **ordinary rates**.

Council further resolved that other major charges be increased as follows:

- Sewerage annual charge increased \$15.55 to \$326.45
- Domestic waste management charges increased \$9.35 to \$196.75

Such increases have resulted in revenues as follows:

<u>Annual Charges</u>	2016	2015
	\$	\$
Sewerage	692,000	646,000
Domestic Waste	390,000	365,000
Non Domestic Waste	91,000	88,000

Rebates of \$204,000 were provided to eligible pensioners and a subsidy of \$110,000 was received from the Office of Local Government towards the cost of these rebates.

Interest and extra charges on overdue rates for the year were \$11,000 (2015 - \$15,000) and outstanding rates were subject to interest at the rate of 8.50% pa (2015 – 8.50%).

User Charges and Fees

Council derived \$112,000 from **specific user charges** (2015 - \$118,000) and a further \$3.79 million from **other user charges & fees** (2015 - \$3.09 million) imposed during the twelve months period ended 30 June 2016.

Contributing significantly to user charges and fees revenues for the year were:

RMS Charges (increased \$546,000)

Works requested by the RMS (formerly RTA) increased substantially in the current year and amounted to \$2.21 million (2014 \$1.66 million). This increase in revenue is partly attributed to works being undertaken in a neighbouring shire.

Other major revenues received from user charges and fees included:-

	2016	2015
	\$	\$
Domestic Waste Management	67,000	73,000
Frail & Aged	741,000	606,000
Planning & Building	121,000	113,000
Private Works	54,000	94,000
Cinema	133,000	125,000
Cemeteries	77,000	67,000
Caravan Park	205,000	141,000
Swimming Centre	149,000	158,000

Interest

Interest and investment revenues increased substantially in the twelve months period with income being earned as follows:

	2016	2015
	\$	\$
Overdue rates & charges	11,000	15,000
Investments	150,000	123,000
	<u>\$161,000</u>	<u>\$138,000</u>

Interest on investments for the year represented approximately 4.29% (2015 – 3.62%) of ordinary rating income which we consider to be low in comparison with most rural Councils with which we are associated.



Other Operating Income

Temora Shire Council has again received important income from a number of non-core activities. Predominantly, such income has been earned from the Research Station (\$288,000), rentals (\$182,000), and Service NSW Agency commissions (\$145,000).

Grants, Subsidies and Contributions

Operating Grants and Contributions

Operating grants and contributions amounting to \$7.09 million were received in 2015/2016 compared with \$6.23 million received in the previous year.

Council's Financial Assistance Grant (\$3.10 million) has remained relatively stable in the current year principally in response to changed criteria. We do however note that Council has received substantially higher funding in the current year from:

- Roads to Recovery Program - \$1.55 million (2015 - \$445,000)
- Fixing Country Roads Program - \$126,000 (2015 - \$4,000)
- Regional Roads Block - \$331,000 (2015 - \$136,000)

Other major specific purpose operating grants and contributions were received for Home and Community Care Services (\$1.24 million), Bushfire (\$252,000) and Roads Safety Officer (\$83,000).

Capital Grants and Contributions

Total capital grants and contributions received for the year amounted to \$1.54 million (2015 - \$1.41 million) and principally related to Cycleways funding (\$217,000), Fixing Country Roads funding (\$526,000) and Block grant (\$507,000).

In accordance with the Code of Accounting Practice, all grant and contribution monies received in 2015/2016 (both expended and unexpended) have been brought to account as income. Grants and contributions recognised as revenues in the current reporting period but not yet expended in accordance with the conditions attaching thereto amounted to \$865,000. At year end Council held unexpended grant funds amounting to \$865,000 (2015 - \$691,000) and such funds have been identified as an externally restricted asset.

OPERATING EXPENDITURE

Expenses from continuing operations (\$16.48 million) were well above both budget expectations (\$14.23 million) and those of the previous year (\$15.71 million).

Impacting significantly on operating expenses for the year were:

Employee Costs

Employee costs (\$6.65 million) were actually below those of the previous year (\$6.82 million) principally due to savings achieved in workers compensation insurance and an increase in wages and salaries charged to capital works.

At year end Council's full time equivalent employees numbered 80 (2015 – 83).

Borrowing Costs

Council took up a new loan in 2012/2013 under the NSW government's local infrastructure renewal scheme. These funds were utilized for the construction of the medical complex and subject to an interest subsidy. Interest on these loan funds amounted to \$54,000 in the current year and we note that a subsidy of \$43,000 was claimed and received in 2015/2016.

Materials and Contracts

Material and contracts expenditure (\$3.70 million) increased approximately 16.83% during the twelve months period. Such increased expenditure was mainly associated with works undertaken for the RMS on state roads.

Depreciation Expenses

Depreciation expenses (\$3.85 million) increased approx. 7.60% (\$272,000) over the twelve month period and now account for approx. 23.34% of Council's total operating expenses. In our opinion Council's depreciation expenses remain relatively low in comparison with most rural Council's with which we are associated.

Losses from the Disposal of Assets

Council reported losses of \$90,000 from the sale/disposal of its plant and equipment and real estate holdings during the year (2015 – loss \$80,000).

ASSETS

Cash & Investments

At balance date Council controlled cash and investments totalling \$4.97 million (2015 - \$4.17 million).

Council utilises its investments to cover both externally and internally imposed requirements and comprises employee entitlements (\$1.20 million), sewerage fund investments (\$587,000), unexpended grants (\$865,000), domestic waste management (\$488,000) and monies for future works.

Externally restricted investments amounted to \$1.94 million whilst Council has "earmarked" a further \$3.03 million towards the funding of its future long-term objectives.

Council's cash and investments were held as follows:-

	2016	2015
	\$	\$
General Fund	3,028,000	2,183,000
Sewerage Fund	587,000	930,000
Domestic Waste Management	488,000	370,000
Unexpended Grant Funds	<u>865,000</u>	<u>691,000</u>
	\$ 4,968,000	\$4,174,000

and comprised:

Cash on Hand and at Bank	361,000	502,000
Short Term Deposits	506,000	1,664,000
Long Term Deposits	<u>4,101,000</u>	<u>2,008,000</u>
	\$4,968,000	\$4,174,000

Debtors

Rates and Annual Charges

At balance date net outstanding rates, annual charges and interest amounted to \$152,000 (2015 - \$169,000) which represented 3.12% of total receivable (2015 – 3.56%).

The continuing improvement in the rates arrears position is noteworthy and we are pleased to again report that Council has performed very well in this area of its operations. Importantly, Council is not materially exposed to delinquent arrears with the ten highest outstanding arrears collectively amounting to \$50,500 (2015 - \$75,000). Nevertheless, we encourage Council to enforce stringent recovery action in an endeavour to maintain its very satisfactory arrears position.



Outstanding rates and annual charges have been subject to interest at the rate of 8.50% and we report that Council has determined that a provision for doubtful debts is not necessary as all arrears are secured by a charge over the land.

Property, Plant & Equipment (excluding real estate)

During the reporting period Council expended \$5.92 million (2015 - \$5.33 million) on the acquisition of assets.

The principal items being:

	2016	2015
	\$	\$
	'000's	'000's
Plant & Equipment	687	1,049
Buildings - Specialised	184	491
Roads, Bridges & Footpaths	2,881	2,724
Drainage	602	213
Sewerage Network	602	Nil

Additionally, we report that Council sold assets with a book value of \$849,000. The sale of these assets has resulted in a loss of \$169,000 being brought to account (2015 – loss of \$150,000).

Further, we report that in accordance with the requirements of the Code of Accounting Practice, Council's Sewerage assets were indexed upwards in accordance with the latest indices provided by the NSW Office of Water.

This revaluation has resulted in Council's assets being adjusted upwards by \$165,000.

The combined action of assets movements and revaluations has resulted in the written down value of property, plant and equipment increasing from \$199.39 million in 2015 to \$200.84 million as at 30 June 2016.

Major acquisitions during the year were again funded from grants, contributions and cash & investments.

Land Stock on Hand

Airport Subdivision (Residential)

During the current reporting period Council sold one lot in Stage 1 and three lots in Stage 2 which realised a profit of \$79,000.

At year end Council had available for sale 4 lots with a book value of \$204,000.

Kalms - Stockinbingal Road (Industrial)

There were no movements in the value of this land in 2015/2016 and at year end this land had a book value of \$112,000.

Provisions

At 30 June 2016 the Provision for Accrued Employee Entitlements totalled \$4.17 million.

The components of the liability are:-

	2016	2015
	\$	\$
Annual Leave	985,000	883,000
Long Service Leave	1,801,000	1,725,000
Sick Leave	1,381,000	1,563,000

The average leave entitlement per employee as at 30 June 2016 was \$52,100 (2015 - \$47,400).

At year's end Council had set aside funds amounting to \$1.20 million or 29% of the employees leave entitlement liability. Such funds have been identified as an internally restricted asset.

Loans and Debt Servicing

During the year Council repaid \$264,000 on the loan obtained from the NSW government's local infrastructure renewal scheme. Under this scheme Council receives an interest subsidy (currently 4.00%) from the state government to offset interest repayments and at year end the loan principal had been reduced to \$889,000.

SUMMARY

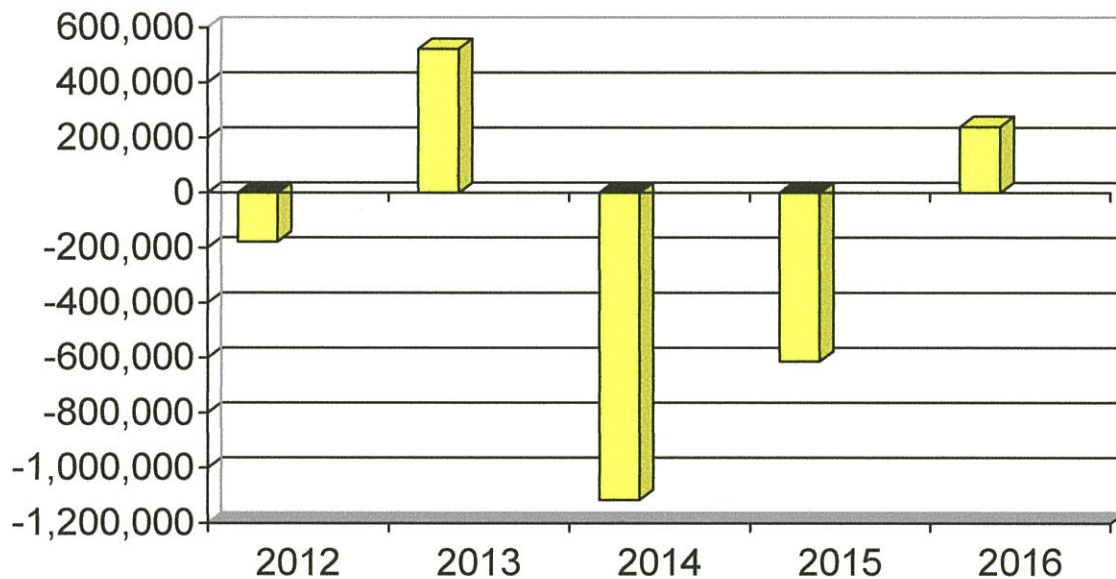
In analysing Council's financial results for the year particular attention must be given to the following:

- Operating result before capital amounts (surplus of \$240,000)
- Net increase in cash and investments held (\$794,000)
- Internal and unrestricted investments of \$3.03 million together with sewerage fund investments of \$587,000
- Performance ratios

Operating Result

Council recorded an operating surplus before capital amounts of \$240,000 for the twelve months period to 30 June 2016. This result has been reported after allowing for depreciation expenses of \$3.85 million and although below budget expectations (surplus \$1.17 million) it was well above the result of the previous year (deficit \$612,000).

Operating Surplus/Deficit before Capital Amounts



Note: The operating result for 2013 has been amended from a reported deficit of \$15,000 to a surplus of \$523,000 due to the reclassification of Roads to Recovery Grants from capital to operating income.

The contribution of the individual funds to the consolidated operating result before capital grants and contributions was as follows:

	Surplus/(Deficit)	
	2016	2015
	\$	\$
General Fund	63,000	(795,000)
Sewerage Fund	177,000	183,000
	<u>\$ 240,000</u>	<u>(\$612,000)</u>

As illustrated, this is the second consecutive year in which Council has reported an improved operating result and the first surplus achieved since 2012/2013. Importantly, we note that the operating surplus reported by Council has (unlike previous years) not been impacted by abnormal income or expenditure. Council therefore should be well pleased with the operating surplus reported in 2015/2016 and in our opinion Council has demonstrated responsible financial management, which if maintained will position Council well for the future.

Income and expenditure items that have materially impacted on Council's operating result for the year included:

<u>Income</u>	2016	2015	Variance
	\$	\$	\$
Rates & Annual Charges	4,666,000	4,493,000	173,000
Frail & Aged Fees	741,000	606,000	135,000
RMS Works	2,210,000	1,664,000	546,000
Research Station revenues	288,000	306,000	(18,000)
Caravan Park	205,000	141,000	64,000
Specific Purpose Operating Grants	3,845,000	3,000,000	845,000
<u>Expenses</u>			
Employee Costs	6,654,000	6,822,000	(168,000)
Materials & Contracts	3,700,000	3,167,000	533,000
Depreciation	3,851,000	3,579,000	272,000
Profit/(Loss) on Disposal of Assets	(90,000)	(80,000)	10,000



Cash Flow

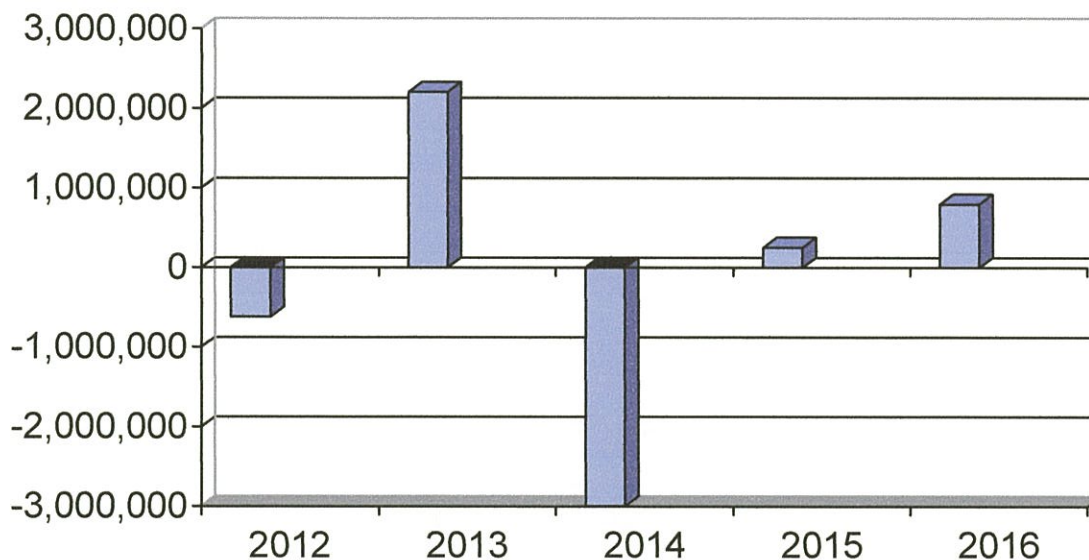
Council achieved a cash surplus of \$5.77 million (2015 – \$5.51 million) from its general operating activities which was principally utilised to purchase assets.

These actions together with the proceeds from the sale of property, plant and equipment have resulted in Council achieving a cash flow surplus, including investments of \$794,000 (2015 – surplus \$251,000).

Upon analysis the cash flow surplus can be identified as follows:

Activity	Surplus/(Deficit)	
	2016 \$	2015 \$
<u>Externally Restricted</u>		
Sewerage Fund	(343,000)	147,000
Waste Management	118,000	89,000
Unexpended Grants	174,000	(12,000)
<u>Internally Restricted and Unrestricted</u>		
General Fund	845,000	27,000

Cash Flow Surplus/(Deficit)



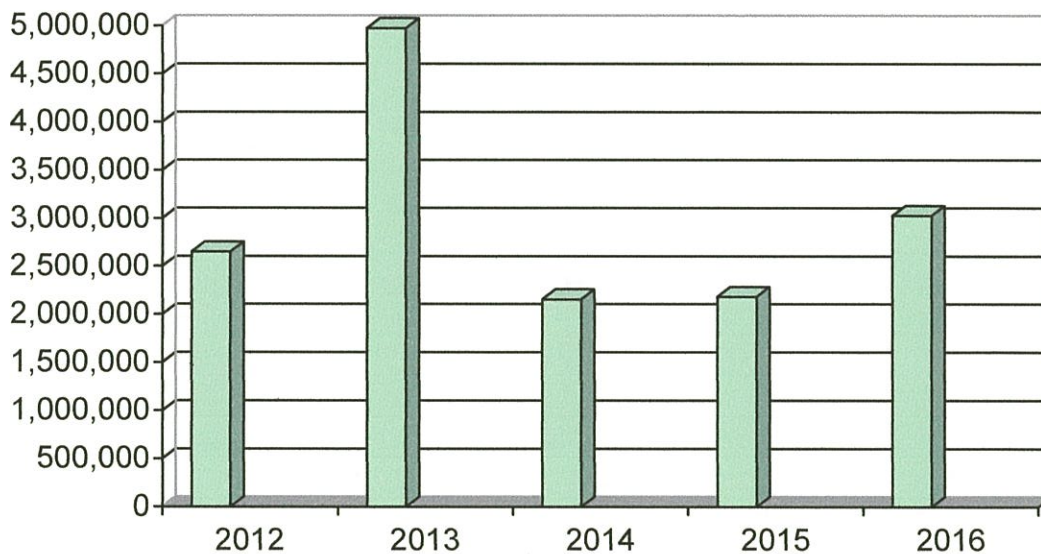
For comparative purposes, we note the following factors that have impacted on the cash flow surplus in 2015/2016.

- Capital expenditure amounted to \$5.92 million in the current year compared with \$5.33 million in 2014/2015.
- Receivables decreased \$434,000 in the twelve months period to 30th June, 2016.
- Sales of real estate assets amounted to \$286,000.

Reserves (Internally Restricted and Unrestricted Assets)

As noted previously, Council's internally restricted funds increased by \$845,000 during the twelve months period and at year end Council held internally restricted investments amounting to \$3.03 million (2015 - \$2.18 million). In addition to these funds we report that the sewerage fund held cash and investments amounting to \$587,000.

Internal and Unrestricted Reserve Funds



Although Council's reserve funds remain relatively low by industry standards we note and encourage a continuance of the upwards trend of the past two years.

Importantly, we note that in addition to these cash funds Council has available for sale approximately \$316,000 of real estate and future sales (if so earmarked) will add strength to Council's reserve funding.

Performance Ratios

Council's relatively sound financial position is again reflected in its performance ratios.

In particular, we note the improvement in the operating performance ratio (1.97%), unrestricted current ratio (1.79), cash expense ratio (4.37 months) and the rates, annual charges, interest outstanding percentage (3.12%) all of which compared favourably with the industry benchmark.

In addition to the above, a number of matters of a minor nature were discussed with the appropriate staff who have actioned or undertaken to see that appropriate action is taken with respect to each.

Council's books of account and other records appear to have been maintained in a satisfactory and up-to-date manner and the requirements of the Local Government Act and Regulations well observed.

In conclusion, we wish to acknowledge the courteous assistance and co-operation extended to us by the General Manager and staff during the conduct of the audit, from whom we have obtained all the information and explanations that we required.

Yours faithfully,
AUSWILD & CO.

per:



G.J. BRADLEY

Registered Auditor No 1249

Temora Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

“Success through determination and inspiration”



Temora Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2016

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Income Statement – Other Business Activities	n/a
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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 2016

Statement by Councillors and Management

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 22 September 2016.



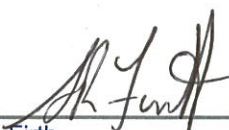
Rick Firman
Mayor



Graham Sinclair
Councillor



Gary Lavelle
General Manager



Steve Firth
Responsible Accounting Officer

Temora Shire Council

Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2016

\$ '000	Actual 2016	Actual 2015
Income from continuing operations		
Access charges	721	675
User charges	49	47
Liquid trade waste charges	–	–
Fees	–	–
Interest	34	27
Grants and contributions provided for non-capital purposes	49	26
Profit from the sale of assets	–	–
Other income	9	1
Total income from continuing operations	862	776
Expenses from continuing operations		
Employee benefits and on-costs	199	171
Borrowing costs	–	–
Materials and contracts	225	153
Depreciation and impairment	211	206
Loss on sale of assets	–	–
Calculated taxation equivalents	–	–
Debt guarantee fee (if applicable)	–	–
Other expenses	50	63
Total expenses from continuing operations	685	593
Surplus (deficit) from continuing operations before capital amounts	177	183
Grants and contributions provided for capital purposes	–	1
Surplus (deficit) from continuing operations after capital amounts	177	184
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	177	184
Less: corporate taxation equivalent (30%) [based on result before capital]	(53)	(55)
SURPLUS (DEFICIT) AFTER TAX	124	129
Plus opening retained profits	6,717	6,533
Plus/less: prior period adjustments	–	–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	–	–
– Debt guarantee fees	–	–
– Corporate taxation equivalent	53	55
Less:		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
Closing retained profits	6,894	6,717
Return on capital %	1.6%	1.7%
Subsidy from Council	68	139
Calculation of dividend payable:		
Surplus (deficit) after tax	124	129
Less: capital grants and contributions (excluding developer contributions)	–	(1)
Surplus for dividend calculation purposes	124	128
Potential dividend calculated from surplus	62	64

Temora Shire Council

Statement of Financial Position – Council's Sewerage Business Activity

as at 30 June 2016

\$ '000	Actual 2016	Actual 2015
ASSETS		
Current assets		
Cash and cash equivalents	587	930
Investments	–	–
Receivables	770	741
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
Total Current Assets	1,357	1,671
Non-current assets		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	11,305	10,649
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
Total non-current assets	11,305	10,649
TOTAL ASSETS	12,662	12,320
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	–	–
Borrowings	–	–
Provisions	–	–
Total current liabilities	–	–
Non-current liabilities		
Payables	–	–
Borrowings	–	–
Provisions	–	–
Total non-current liabilities	–	–
TOTAL LIABILITIES	–	–
NET ASSETS	12,662	12,320
EQUITY		
Retained earnings	6,894	6,717
Revaluation reserves	5,768	5,603
Council equity interest	12,662	12,320
Non-controlling equity interest	–	–
TOTAL EQUITY	12,662	12,320

Temora Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2016

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	6
2	Water Supply Business Best-Practice Management disclosure requirements	n/a
3	Sewerage Business Best-Practice Management disclosure requirements	9

Temora Shire Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

Note 1. Significant accounting policies

These financial statements are a Special Purpose Financial Statements (SPFS) prepared for use by Council and the Office of Local Government.

For the purposes of these statements, the Council is not a reporting not-for-profit entity.

The figures presented in the SPFS, unless otherwise stated, 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 the SPFS have been prepared in accordance with:

- the Local Government Act (1993) NSW;
- the Local Government (General) Regulation; and
- the Local Government Code of Accounting Practice and Financial Reporting.

The statements are also prepared on an accruals basis, based on historic costs and do not take into account changing money values nor current values of non-current assets (except where specifically stated).

Certain taxes and other costs (appropriately described) have been imputed for the purposes of the National Competition Policy.

National Competition Policy

Council has adopted the principle of 'competitive neutrality' to 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 government policy statement, *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 standards for disclosure. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, return on investments (rate of return), and dividends paid.

Declared business activities

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

Category 1

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

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 currency and rounded to the nearest thousand dollars, with the exception of some figures disclosed in Note 3 (Sewerage Best-Practice Management Disclosures).

As required by the NSW Office of Water (Department of Primary Industries) the amounts shown in Note 3 are disclosed in whole dollars.

(i) Taxation-equivalent charges

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

However, where Council is exempt from paying taxes which are generally paid by private sector businesses (such as income tax), equivalent tax payments have been applied to all Council-

Temora Shire Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

Note 1. Significant accounting policies (continued)

nominated business activities and are reflected in these financial statements.

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

Notional rate applied (%)

Corporate income tax rate – 30%

In accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from sewerage business activities.

The payment of taxation equivalent charges, referred to in the Best-Practice Management of Water Supply and Sewerage Guidelines as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

Achievement of substantial compliance against the Best-Practice Management of Water Supply and Sewerage Guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

Income tax

An income tax equivalent has been applied on the profits of each reported business activity.

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

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

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

Since this 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 Council's General Purpose Financial Statements.

The 30% rate applied is the equivalent company tax rate prevalent as at balance 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.

(iii) Dividends

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

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

The dividend, calculated and approved in accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, must not exceed either:

- (i) 50% of this surplus in any one year, or
- (ii) the number of sewerage assessments at 30 June 2016 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

Temora Shire Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

Note 1. Significant accounting policies (continued)

In accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, a Dividend Payment Form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the NSW Office of Water prior to making the dividend and only after it has approved the payment.

Temora Shire Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

Note 3. Sewerage business best-practice management disclosure requirements

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

2016

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	-
(ii)	Number of assessments multiplied by \$3/assessment	6,474
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	-
(iv)	Amounts actually paid for tax equivalents	-

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	61,950
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	64,740
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	268,800

2016 Surplus	123,900	2015 Surplus	128,100	2014 Surplus	16,800
		2015 Dividend	-	2014 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	61,950
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	-
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? ^a	YES

3. Required outcomes for 4 criteria

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

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

Temora Shire Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

Note 3. Sewerage business best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2016

National Water Initiative (NWI) financial performance indicators

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	830
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	11,208
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	473
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	702
NWI F18	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	1.29%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

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

NWI F3	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	830
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	2.89%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	702
NWI F19	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	1.29%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
NWI F21	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

Temora Shire Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

Note 3. Sewerage business best-practice management disclosure requirements (continued)

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

2016

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

NWI F22	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	-4.64%
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest Earnings before interest and tax (EBIT): 146 Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c) Net interest: - 32 Interest expense (w4a + s4a) – interest income (w9 + s10)		> 100
NWI F24	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	178
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	24

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



Independent auditor's report to the Councillors of the Temora Shire Council and the Chief Executive Officer of the Office of Local Government

We have audited the accompanying financial report, being a special purpose financial report, of the Temora Shire Council, which comprises the statement by councillors and management, statement of financial position as at 30th June, 2016, and the income statement for the year then ended, a summary of significant accounting policies and other explanatory notes.

Councils' Responsibility for the Financial Report

The council is responsible for the preparation and fair presentation of the financial report and have determined that the accounting policies described in Note 1 to the financial statements which form part of the financial report are appropriate to meet the financial requirements of National Competition Policy reporting and are appropriate to meet the needs of the council. The council's responsibility also includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that it is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. No opinion is expressed as to whether the accounting policies used, as described in Note 1, are appropriate to meet the needs of the members. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the council, as well as evaluating the overall presentation of the financial report.

The financial report has been prepared for distribution to the council and the Office of Local Government for the purpose of fulfilling council's financial reporting requirements under National Competition Policy reporting. We disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the council or the Office of Local Government or for any purpose other than that for which it was prepared.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we followed applicable independence requirements of Australian professional ethical pronouncements.

Auditor's Opinion

In our opinion, the special purpose financial report presents fairly, in all material respects the financial position of Temora Shire Council as at 30 June, 2016 and its financial performance for the year then ended in accordance with the accounting policies described in Note 1 to the financial statements.

AUSWILD & CO.



G.J. BRADLEY

Principal

Registered Auditor No: 1249

CANBERRA
13th October, 2016

Temora Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2016

“Success through determination and inspiration”



Temora Shire Council

Special Schedules for the year ended 30 June 2016

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Special Schedule 1	Net Cost of Services	2
Special Schedule 2(a)	Statement of Long Term Debt (all purposes)	4
Special Schedule 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993)	n/a
Special Schedule 3	Water Supply Operations – incl. Income Statement	n/a
Special Schedule 4	Water Supply – Statement of Financial Position	n/a
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¹ Special Schedules are not audited (with the exception of Special Schedule 8).

Background

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

Temora Shire Council

Special Schedule 1 – Net Cost of Services
for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	948	45	–	(903)
Administration	429	–	–	(429)
Public order and safety				
Fire service levy, fire protection, emergency services	639	277	–	(362)
Enforcement of local government regulations	35	–	–	(35)
Animal control	127	5	–	(122)
Other	44	–	–	(44)
Total public order and safety	845	282	–	(563)
Health	83	4	–	(79)
Environment				
Noxious plants and insect/vermin control	109	49	–	(60)
Other environmental protection	36	–	–	(36)
Solid waste management	519	608	–	89
Street cleaning	248	–	–	(248)
Drainage	–	–	–	–
Stormwater management	147	–	–	(147)
Total environment	1,059	657	–	(402)
Community services and education				
Administration and education	78	6	–	(72)
Social protection (welfare)	–	–	–	–
Aged persons and disabled	1,987	1,989	–	2
Children's services	128	5	78	(45)
Total community services and education	2,193	2,000	78	(115)
Housing and community amenities				
Public cemeteries	156	77	–	(79)
Public conveniences	80	–	–	(80)
Street lighting	113	40	–	(73)
Town planning	116	38	–	(78)
Other community amenities	38	1	–	(37)
Total housing and community amenities	503	156	–	(347)
Sewerage services	684	862	–	178

Temora Shire Council

Special Schedule 1 – Net Cost of Services (continued)
for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	317	35	–	(282)
Museums	150	7	–	(143)
Community centres and halls	114	10	–	(104)
Other cultural services	113	18	53	(42)
Sporting grounds and venues	543	32	9	(502)
Swimming pools	279	149	–	(130)
Parks and gardens (lakes)	548	2	25	(521)
Other sport and recreation	150	141	–	(9)
Total recreation and culture	2,214	394	87	(1,733)
Agriculture	452	306	–	(146)
Mining, manufacturing and construction				
Building control	195	80	–	(115)
Other mining, manufacturing and construction	7	41	–	34
Total mining, manufacturing and const.	202	121	–	(81)
Transport and communication				
Urban roads (UR) – local	820	127	526	(167)
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	815	–	–	(815)
Sealed rural roads (SRR) – regional	545	331	507	293
Unsealed rural roads (URR) – local	1,353	–	–	(1,353)
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	–	–	–	–
Bridges on SRR – local	219	–	–	(219)
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	–	–	–	–
Footpaths	130	47	–	(83)
Aerodromes	335	9	25	(301)
Other transport and communication	1,461	3,937	263	2,739
Total transport and communication	5,678	4,451	1,321	94
Economic affairs				
Camping areas and caravan parks	188	205	–	17
Other economic affairs	1,003	488	50	(465)
Total economic affairs	1,191	693	50	(448)
Totals – functions	16,481	9,971	1,536	(4,974)
General purpose revenues ⁽¹⁾		6,750		6,750
Share of interests – joint ventures and associates using the equity method	–	–		–
NET OPERATING RESULT ⁽²⁾	16,481	16,721	1,536	1,776

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges (2) As reported in the Income Statement

Temora Shire Council

Special Schedule 2(a) – Statement of Long Term Debt (all purpose)

for the year ended 30 June 2016

\$'000

Classification of debt	Principal outstanding at beginning of the year			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
Loans (by source)											
Commonwealth government	–	–	–	–	–	–	–	–	–	–	–
Treasury corporation	–	–	–	–	–	–	–	–	–	–	–
Other state government	–	–	–	–	–	–	–	–	–	–	–
Public subscription	–	–	–	–	–	–	–	–	–	–	–
Financial institutions	265	888	1,153	–	264	–	–	54	–	889	889
Other	–	–	–	–	–	–	–	–	–	–	–
Total loans	265	888	1,153	–	264	–	–	54	–	889	889
Other long term debt											
Ratepayers advances	–	–	–	–	–	–	–	–	–	–	–
Government advances	–	–	–	–	–	–	–	–	–	–	–
Finance leases	–	–	–	–	–	–	–	–	–	–	–
Deferred payments	–	–	–	–	–	–	–	–	–	–	–
Total long term debt	–	–	–	–	–	–	–	–	–	–	–
Total debt	265	888	1,153	–	264	–	–	54	–	889	889

Notes: excludes (i) internal loans and (ii) principal inflows/outflows relating to loan re-financing.

This schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which are reported in the GPFS).

Temora Shire Council

Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	43	52
b. Engineering and supervision	–	–
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	155	97
b. Maintenance expenses	–	–
– Pumping stations		
c. Operation expenses (excluding energy costs)	–	8
d. Energy costs	1	1
e. Maintenance expenses	20	–
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	–	–
g. Chemical costs	–	–
h. Energy costs	29	40
i. Effluent management	127	140
j. Biosolids management	–	–
k. Maintenance expenses	98	49
– Other		
l. Operation expenses	–	–
m. Maintenance expenses	–	–
3. Depreciation expenses		
a. System assets	204	204
b. Plant and equipment	7	2
4. Miscellaneous expenses		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	–	–
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	684	593

Temora Shire Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
Income		
6. Residential charges (including rates)	563	527
7. Non-residential charges		
a. Access (including rates)	–	–
b. Usage charges	158	148
8. Trade waste charges		
a. Annual fees	–	–
b. Usage charges	–	–
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
9. Extra charges	2	2
10. Interest income	32	25
11. Other income	58	48
11a. Aboriginal Communities Water and Sewerage Program	–	–
12. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	24	26
c. Other grants	–	–
13. Contributions		
a. Developer charges	–	–
b. Developer provided assets	–	–
c. Other contributions	25	1
14. Total income	862	777
15. Gain (or loss) on disposal of assets	–	–
16. Operating result	178	184
16a. Operating result (less grants for acquisition of assets)	178	184

Temora Shire Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	29	–
b. New assets for growth	–	–
c. Renewals	578	–
d. Plant and equipment	95	–
18. Repayment of debt	–	–
19. Totals	702	–
Non-operating funds employed		
20. Proceeds from disposal of assets	–	–
21. Borrowing utilised	–	–
22. Totals	–	–
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	1,787	1,748
b. Residential (unoccupied, ie. vacant lot)	72	111
c. Non-residential (occupied)	242	242
d. Non-residential (unoccupied, ie. vacant lot)	57	57
24. Number of ETs for which developer charges were received	– ET	– ET
25. Total amount of pensioner rebates (actual dollars)	\$ 43,830	\$ 44,868

Temora Shire Council

Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
26. Cash and investments			
a. Developer charges	-	-	-
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	-	-	-
e. Sinking fund	-	-	-
f. Other	587	-	587
27. Receivables			
a. Specific purpose grants	-	-	-
b. Rates and availability charges	29	-	29
c. User charges	-	-	-
d. Other	741	-	741
28. Inventories	-	-	-
29. Property, plant and equipment			
a. System assets	-	11,208	11,208
b. Plant and equipment	-	97	97
30. Other assets	-	-	-
31. Total assets	<u>1,357</u>	<u>11,305</u>	<u>12,662</u>
LIABILITIES			
32. Bank overdraft	-	-	-
33. Creditors	-	-	-
34. Borrowings	-	-	-
35. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
36. Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
37. NET ASSETS COMMITTED	<u>1,357</u>	<u>11,305</u>	<u>12,662</u>
EQUITY			
38. Accumulated surplus			6,894
39. Asset revaluation reserve			5,768
40. TOTAL EQUITY			<u>12,662</u>
Note to system assets:			
41. Current replacement cost of system assets			19,609
42. Accumulated current cost depreciation of system assets			(8,401)
43. Written down current cost of system assets			<u>11,208</u>

Temora Shire Council

Notes to Special Schedule 5 for the year ended 30 June 2016

Administration ⁽¹⁾

(item 1a of Special Schedule 5) comprises the following:

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

Engineering and supervision ⁽¹⁾

(item 1b of Special Schedule 5) comprises the following:

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

Operational expenses (item 2 of Special Schedule 5) comprise the day to day operational expenses excluding maintenance expenses.

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

Other expenses (item 4c of Special Schedule 5) includes all expenses not recorded elsewhere.

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

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

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

Residential charges ⁽²⁾ (item 6 of Special Schedule 5) include all income from residential charges.

Non-residential charges ⁽²⁾ (items 7a, 7b of Special Schedule 5) include all income from non-residential charges separated into 7a access charges (including rates if applicable) and 7b usage charges.

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

Other income (item 11 of Special Schedule 5) includes all income not recorded elsewhere.

Other contributions (item 13c of Special Schedule 5) including capital contributions for sewerage services received by Council under Section 565 of the *Local Government Act*.

Notes:

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

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

Temora Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance ^a	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost					
								1	2	3	4	5	
Buildings	Council Chambers / Administration Building	–	–	107	86	3,256	4,171		100%				0%
	Town Hall/Cinema	–	–	61	60	2,620	3,747		100%				0%
	Council Houses	–	–	7	6	61	346		100%				0%
	Museum	–	–	37	32	1,747	2,005		100%				0%
	Pre School	–	–	7	9	687	1,010		100%				0%
	Recreation Centre	–	–	58	63	1,762	2,100		100%				0%
	Aerodrome	–	–	166	94	1,272	1,698		100%				0%
	NRCC House	–	–	100	76	2,716	4,147		100%				0%
	Research Station	–	–	57	38	786	2,531		100%				0%
	Medical Complex	–	–	6	21	2,425	2,500	100%					0%
	Nixon Park	–	–	17	17	749	1,170		100%				0%
	Bob Aldridge Park	–	–	7	7	350	430	100%					0%
	Other	–	–	–	–	2,372	4,117		100%				0%
	Sub-total	–	–	630	509	20,803	29,972	9.8%	90.2%	0.0%	0.0%	0.0%	0.0%
Other Structures	Other structures	–	–	–	–	784	1,177		100%				0%
	Sub-total	–	–	–	–	784	1,177	0.0%	100.0%	0.0%	0.0%	0.0%	

Temora Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance ^a	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Roads	Regional Roads	–	–	101	320	12,792	21,293	10%	62%	27%	1%	0%
	Urban Roads	–	–	149	249	20,995	35,973	8%	61%	26%	5%	0%
	Rural Sealed Roads	–	–	293	272	29,493	47,147	20%	58%	19%	3%	0%
	Rural Unsealed Roads	–	–	668	775	14,055	19,533	14%	43%	39%	4%	0%
	Bulk earthworks	–	–	–	–	51,007	51,007	100%				0%
	Bridges	–	–	5	–	7,792	9,658	61%	23%	16%		0%
	Footpaths	–	–	21	49	3,015	4,267	50%	13%	26%	5%	6%
	Kerb & Gutter	–	–	26	5	7,235	13,815	9%	43%	40%	8%	0%
	Other	–	–	–	–	31	32	100%				0%
	Sub-total	–	–	1,263	1,670	146,415	202,725	38.2%	39.3%	19.7%	2.7%	0.1%
Sewerage network	Pumping Stations	–	–	10	21	136	169		100%			0%
	Pipelines	–	–	103	152	8,320	16,129			100%		0%
	Treatment Works	–	–	113	125	1,183	1,287		100%			0%
	Effluent System	–	–	203	127	1,541	1,993			100%		0%
	Other	–	–	–	–	17	22		100%			0%
Sub-total	–	–	429	425	11,197	19,600	0.0%	7.5%	92.5%	0.0%	0.0%	

Temora Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance ^a	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater Drainage	Drainage Works	–	–	21	7	7,144	12,275			100%		0%
	Sub-total	–	–	21	7	7,144	12,275	0.0%	0.0%	100.0%	0.0%	0.0%
Open space/recreational assets	Swimming pools	–	–	93	91	1,117	2,603	23%	77%			0%
	Open Space Assets	–	–	–	–	254	526		100%			0%
	Sub-total	–	–	93	91	1,371	3,129	19.4%	80.6%	0.0%	0.0%	0.0%
	TOTAL – ALL ASSETS	–	–	2,436	2,702	187,714	268,878	30.1%	41.6%	26.1%	2.1%	0.1%

Notes:

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

Infrastructure asset condition assessment 'key'

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

Temora Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2016

\$ '000	Amounts 2016	Indicator 2016	Prior periods	
			2015	2014
Infrastructure asset performance indicators * consolidated				
1. Infrastructure renewals ratio				
Asset renewals ⁽¹⁾	<u>3,380</u>	114.58%	74.01%	99.67%
Depreciation, amortisation and impairment	<u>2,950</u>			
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	<u>–</u>	0.00%	0.00%	2.97%
Carrying value of infrastructure assets	<u>137,110</u>			
3. Asset maintenance ratio				
Actual asset maintenance	<u>2,702</u>	1.11	1.07	1.00
Required asset maintenance	<u>2,436</u>			

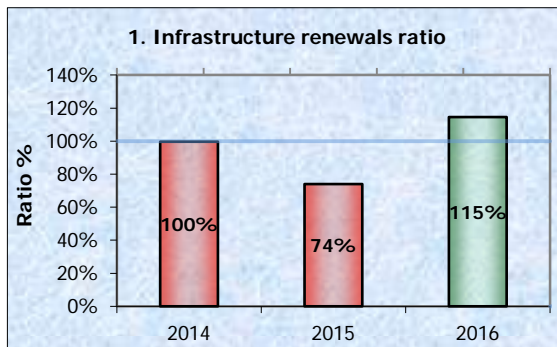
Notes

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

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

Temora Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2016



Purpose of asset renewals ratio

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

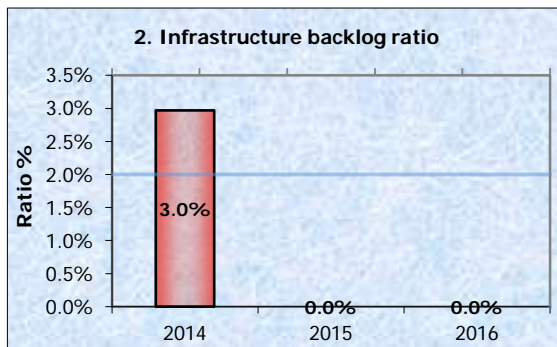
Commentary on 2015/16 result

2015/16 Ratio 114.58%

Council is committed to maintaining/improving the condition of its assets over time.

Benchmark: ——— Minimum $\geq 100.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

■ Ratio achieves benchmark
■ Ratio is outside benchmark



Purpose of infrastructure backlog ratio

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

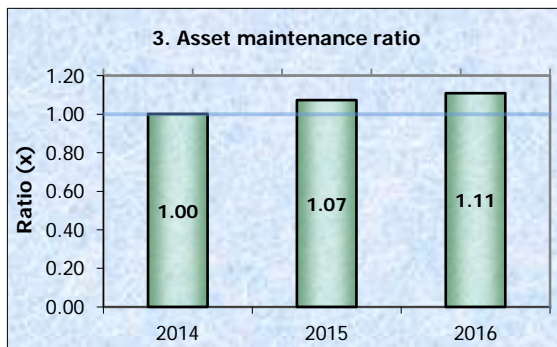
Commentary on 2015/16 result

2015/16 Ratio 0.00%

Council believes that all infrastructure assets are in a satisfactory condition.

Benchmark: ——— Maximum $< 2.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

■ Ratio achieves benchmark
■ Ratio is outside benchmark



Purpose of asset maintenance ratio

Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

Commentary on 2015/16 result

2015/16 Ratio 1.11 x

Council prides itself on its well maintained assets. Council is committed to maintaining and renewing its assets and as a result the condition of Council's assets is constantly improving.

Benchmark: ——— Minimum > 1.00
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

■ Ratio achieves benchmark
■ Ratio is outside benchmark

Temora Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2016

\$ '000	Sewer 2016	General ⁽¹⁾ 2016
Infrastructure asset performance indicators by fund		
1. Infrastructure renewals ratio		
Asset renewals ⁽²⁾	280.88%	102.22%
Depreciation, amortisation and impairment		
prior period:	0.00%	80.12%
2. Infrastructure backlog ratio		
Estimated cost to bring assets to a satisfactory standard	0.00%	0.00%
Carrying value of infrastructure assets		
prior period:	0.00%	0.00%
3. Asset maintenance ratio		
Actual asset maintenance	0.99	1.13
Required asset maintenance		
prior period:	0.79	1.16

Notes

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

Temora Shire Council

Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2017

\$'000		Calculation 2015/16	Calculation 2016/17
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	3,571	3,663
Plus or minus adjustments ⁽²⁾	b	19	17
Notional general income	c = (a + b)	3,590	3,680
Permissible income calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
Or rate peg percentage	e	2.40%	1.80%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	–	–
Or plus rate peg amount	i = c x e	86	66
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
Sub-total	k = (c + g + h + i + j)	3,676	3,746
Plus (or minus) last year's carry forward total	l	0	12
Less valuation objections claimed in the previous year	m	(1)	–
Sub-total	n = (l + m)	(1)	12
Total permissible income	o = k + n	3,675	3,758
Less notional general income yield	p	3,663	3,746
Catch-up or (excess) result	q = o – p	12	12
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	–	–
Less unused catch-up ⁽⁵⁾	s	–	–
Carry forward to next year	t = q + r – s	12	12

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 8 in the financial data return (FDR) to administer this process.

Temora Shire Council

Special Schedule 8 – Independent Auditors Report for the year ended 30 June 2017

Report on Special Schedule 8

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule 8) of Temora Shire Council for the year ending 30 June 2017.

Responsibility of Council for Special Schedule 8

The Council is responsible for the preparation and fair presentation of Special Schedule 8 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 23. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule 8 that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on Special Schedule 8 based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether Special Schedule 8 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in Special Schedule 8. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of Special Schedule 8, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of Special Schedule 8.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.

In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule 8 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

Audit opinion

In our opinion, Special Schedule 8 of Temora Shire Council for 2016/17 is properly drawn up in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

Basis of accounting

Without modifying our opinion, we advise that this schedule has been prepared for distribution to the Office of Local Government for the purposes of confirming that Council's reconciliation of Council's total permissible general income is presented fairly. As a result, the schedule may not be suitable for another purpose.

AUSWILD & CO



Graham Bradley
Principal

Dated at Canberra this 13th day of October, 2016