

Temora Shire Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2019

"Success through determination and inspiration"

Temora Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019

"Success through determination and inspiration"

General Purpose Financial Statements

for the year ended 30 June 2019

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Overview

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

105 Loftus Street
Temora NSW 2666

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

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

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

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

Temora Shire Council

General Purpose Financial Statements

for the year ended 30 June 2019

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

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

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

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

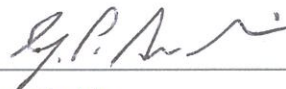
- present fairly the Council's operating result and financial position for the year
- accord with Council's accounting and other records.

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

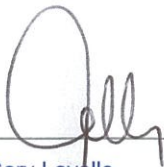
Signed in accordance with a resolution of Council made on 19 September 2019.



Rick Firman
Mayor
19 September 2019



Graham Sinclair
Councillor
19 September 2019



Gary Lavelle
General Manager
19 September 2019



Steve Firth
Responsible Accounting Officer
19 September 2019

Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018 ¹
Income from continuing operations				
<u>Revenue:</u>				
5,382	Rates and annual charges	3a	5,415	5,236
7,851	User charges and fees	3b	6,972	6,325
136	Interest and investment revenue	3c	244	194
845	Other revenues	3d	1,082	1,044
6,587	Grants and contributions provided for operating purposes	3e,3f	7,626	9,197
3,241	Grants and contributions provided for capital purposes	3e,3f	3,275	3,438
<u>Other income:</u>				
–	Net gains from the disposal of assets	5	–	157
–	Net share of interests in joint ventures and associates using the equity method	14	9	7
24,042	Total income from continuing operations		24,623	25,598
Expenses from continuing operations				
6,711	Employee benefits and on-costs	4a	8,530	7,542
67	Borrowing costs	4b	64	23
6,610	Materials and contracts	4c	5,507	6,277
4,707	Depreciation and amortisation	4d	5,014	4,260
2,633	Other expenses	4e	2,361	2,199
15	Net losses from the disposal of assets	5	45	–
20,743	Total expenses from continuing operations		21,521	20,301
3,299	Operating result from continuing operations		3,102	5,297
3,299	Net operating result for the year		3,102	5,297
3,299	Net operating result attributable to council		3,102	5,297
58	Net operating result for the year before grants and contributions provided for capital purposes		(173)	1,859

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

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

Statement of Comprehensive Income

for the year ended 30 June 2019

\$ '000	Notes	2019	2018 ¹
Net operating result for the year (as per Income Statement)		3,102	5,297
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9(a)	370	(2,598)
Impairment (loss) reversal relating to IPP&E	9(a)	1,496	770
Other comprehensive income – joint ventures and associates	14	–	179
Total items which will not be reclassified subsequently to the operating result		1,866	(1,649)
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Other movements		–	57
Total items which will be reclassified subsequently to the operating result when specific conditions are met		–	57
Total other comprehensive income for the year		1,866	(1,592)
Total comprehensive income for the year		4,968	3,705
Total comprehensive income attributable to Council		4,968	3,705

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

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

Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	2018 ¹
ASSETS			
Current assets			
Cash and cash equivalent assets	6(a)	972	1,210
Investments	6(b)	8,708	6,639
Receivables	7	3,117	3,573
Inventories	8a	1,828	1,463
Other	8b	64	145
Total current assets		<u>14,689</u>	<u>13,030</u>
Non-current assets			
Receivables	7	5	18
Infrastructure, property, plant and equipment	9(a)	209,093	204,579
Investments accounted for using the equity method	14	195	186
Total non-current assets		<u>209,293</u>	<u>204,783</u>
TOTAL ASSETS		<u>223,982</u>	<u>217,813</u>
LIABILITIES			
Current liabilities			
Payables	10	1,701	1,989
Income received in advance	10	306	474
Borrowings	10	229	313
Provisions	11	4,219	4,116
Total current liabilities		<u>6,455</u>	<u>6,892</u>
Non-current liabilities			
Payables	10	1	1
Borrowings	10	1,605	–
Provisions	11	61	28
Total non-current liabilities		<u>1,667</u>	<u>29</u>
TOTAL LIABILITIES		<u>8,122</u>	<u>6,921</u>
Net assets		<u>215,860</u>	<u>210,892</u>
EQUITY			
Accumulated surplus	12a	89,345	86,243
Revaluation reserves	12a	126,515	124,649
Council equity interest		<u>215,860</u>	<u>210,892</u>
Total equity		<u>215,860</u>	<u>210,892</u>

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

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

Statement of Changes in Equity
for the year ended 30 June 2019

\$ '000	Notes	2019			2018 ¹		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		86,243	124,649	210,892	78,820	126,477	205,297
Correction of prior period errors	12b	–	–	–	1,890	–	1,890
Restated opening balance		86,243	124,649	210,892	80,710	126,477	207,187
Net operating result for the year		3,102	–	3,102	5,297	–	5,297
Restated net operating result for the period		3,102	–	3,102	5,297	–	5,297
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	9(a)	–	370	370	–	(2,598)	(2,598)
– Impairment (loss) reversal relating to IPP&E	9(a)	–	1,496	1,496	–	770	770
– Joint ventures and associates	14	–	–	–	179	–	179
– Other reserves movements		–	–	–	57	–	57
Other comprehensive income		–	1,866	1,866	236	(1,828)	(1,592)
Total comprehensive income		3,102	1,866	4,968	5,533	(1,828)	3,705
Equity – balance at end of the reporting period		89,345	126,515	215,860	86,243	124,649	210,892

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

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

Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
Cash flows from operating activities				
<u>Receipts</u>				
5,375	Rates and annual charges		5,386	5,130
7,482	User charges and fees		7,499	6,549
151	Investment and interest revenue received		212	183
9,687	Grants and contributions		11,314	11,414
–	Bonds, deposits and retention amounts received		5	–
696	Other		1,314	1,180
<u>Payments</u>				
(6,702)	Employee benefits and on-costs		(8,259)	(7,367)
(6,311)	Materials and contracts		(6,556)	(6,712)
(74)	Borrowing costs		(56)	(27)
–	Bonds, deposits and retention amounts refunded		–	(5)
(2,631)	Other		(2,626)	(2,419)
7,673	Net cash provided (or used in) operating activities	13b	8,233	7,926
Cash flows from investing activities				
<u>Receipts</u>				
1,961	Sale of investment securities		2,011	3,041
–	Sale of real estate assets		420	280
–	Sale of infrastructure, property, plant and equipment		296	376
8	Deferred debtors receipts		16	20
<u>Payments</u>				
(1,000)	Purchase of investment securities		(4,080)	(3,030)
(9,075)	Purchase of infrastructure, property, plant and equipment		(8,233)	(7,492)
(90)	Purchase of real estate assets		(422)	(1,071)
(8,196)	Net cash provided (or used in) investing activities		(9,992)	(7,876)
Cash flows from financing activities				
<u>Receipts</u>				
–	Proceeds from borrowings and advances		2,001	–
<u>Payments</u>				
(537)	Repayment of borrowings and advances		(480)	(295)
(537)	Net cash flow provided (used in) financing activities		1,521	(295)
(1,060)	Net increase/(decrease) in cash and cash equivalents		(238)	(245)
1,514	Plus: cash and cash equivalents – beginning of year	13a	1,210	1,455
454	Cash and cash equivalents – end of the year	13a	972	1,210
Additional Information:				
5,689	plus: Investments on hand – end of year	6(b)	8,708	6,639
6,143	Total cash, cash equivalents and investments		9,680	7,849

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

Notes to the Financial Statements

for the year ended 30 June 2019

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 18 October 2019. Council has the power to amend and reissue these financial statements.

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

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

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

Council is a not for-profit entity.

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

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

- Income statement
- Statement of cash flows
- Material budget variations

and are clearly marked.

(a) New and amended standards adopted by Council

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

Those newly adopted standards which had an impact on reported position, performance and/or disclosures have been discussed in the Accumulated Surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors note.

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

Significant judgements in applying the council's accounting policies

(i) Impairment of receivables

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

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

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

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

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

(b) The Trust Fund

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

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

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

Goods and Services Tax (GST)

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

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

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

New accounting standards and interpretations issued not yet effective

New accounting standards and interpretations issued but not yet effective

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

As at the date of authorisation of these financial statements, Council does not consider that any of those standards are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

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

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

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Functions or activities										
Retaining our Quality of Life	6,590	6,504	7,515	6,720	(925)	(216)	1,865	2,739	113,824	113,765
Engaging & Supporting the Community	2,166	622	2,524	2,065	(358)	(1,443)	1,453	43	13,450	11,868
Building our Shire's Economy	4,129	4,900	1,906	1,939	2,223	2,961	828	909	27,571	23,874
Preserving our Beautiful Surrounds	1,035	1,022	1,922	1,939	(887)	(917)	127	183	12,600	12,580
Embracing & Developing Aviation	226	1,566	544	1,690	(318)	(124)	–	1,419	4,134	4,565
Enhancing our Agricultural Wealth	2,667	3,527	4,075	2,969	(1,408)	558	2,176	2,404	46,672	45,325
Administration & General Purpose	7,810	7,457	3,035	2,979	4,775	4,478	4,006	3,249	5,731	5,836
Total functions and activities	24,623	25,598	21,521	20,301	3,102	5,297	10,455	10,946	223,982	217,813

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

Retaining our Quality of Life

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

Engaging & Supporting the Community

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

Building our Shire's Economy

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

Preserving our Beautiful Surrounds

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

Embracing & Developing Aviation

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

Enhancing our Agricultural Wealth

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

Administration & General Purpose

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations

\$ '000	2019	2018
(a) Rates and annual charges		
Ordinary rates		
Residential	1,501	1,453
Farmland	1,855	1,821
Business	496	478
Less: pensioner rebates (mandatory)	(60)	(59)
Less: pensioner rebates (Council policy)	(49)	(48)
Rates levied to ratepayers	3,743	3,645
Pensioner rate subsidies received	58	61
Total ordinary rates	3,801	3,706
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	512	483
Stormwater management services	48	48
Sewerage services	988	933
Waste management services (non-domestic)	103	100
Less: pensioner rebates (mandatory)	(43)	(42)
Less: pensioner rebates (Council policy)	(35)	(35)
Annual charges levied	1,573	1,487
Pensioner subsidies received:		
– Sewerage	21	22
– Domestic waste management	20	21
Total annual charges	1,614	1,530
TOTAL RATES AND ANNUAL CHARGES	5,415	5,236

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

Accounting policy for rates and charges

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(b) User charges and fees		
Specific user charges		
<small>(per s.502 - specific 'actual use' charges)</small>		
Domestic waste management services	97	103
Sewerage services	21	18
Waste management services (non-domestic)	26	21
Total specific user charges	144	142
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Planning and building regulation	145	157
Private works – section 67	47	135
Section 10.7 certificates (EP&A Act)	12	13
Section 603 certificates	12	12
Total fees and charges – statutory/regulatory	216	317
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aerodrome	2	1
Caravan park	224	162
Cemeteries	91	90
Fire and emergency services levy (FESL) implementation	–	2
RMS (formerly RTA) charges (state roads not controlled by Council)	2,500	3,541
Saleyards	16	18
Swimming centres	167	153
Animal control	5	5
Cinema	120	117
Community Technology Centre – printing and laminating	3	4
Cultural Groups	4	13
Frail and aged	3,430	1,719
Sports stadium	17	13
Tourism information centre	29	27
Other	4	1
Total fees and charges – other	6,612	5,866
TOTAL USER CHARGES AND FEES	6,972	6,325

Accounting policy for user charges and fees

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(c) Interest and investment revenue (including losses)		
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	13	14
– Cash and investments	231	180
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>	<u>244</u>	<u>194</u>

Interest revenue is attributable to:

Unrestricted investments/financial assets:

Overdue rates and annual charges (general fund) 13 11

Restricted investments/funds – external:

Sewerage fund operations 34 19

Domestic waste management operations 19 11

Other externally restricted assets 40 23

Restricted investments/funds – internal:

Internally restricted assets 138 130

Total interest and investment revenue **244** **194**

Accounting policy for interest and investment revenue

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

(d) Other revenues

Rental income – other council properties	299	244
Legal fees recovery – rates and charges (extra charges)	13	11
Diesel rebate	77	92
Insurance claims recoveries	26	2
Bushfire – Hazard Reduction	7	20
Commissions and agency fees – Service NSW	137	134
Reimbursement from Service NSW – travel and training costs	10	–
Donations	12	6
Gravel royalties	3	–
Risk management bonus	91	128
Agricultural Innovation Centre revenues	301	321
Youth Activities	10	3
Other	7	11
Sale of Gravel	60	38
Sale of Advertising – Tourism Booklet	–	34
Reimbursement from RFS - NSW RFS State Championships costs	29	–
<u>TOTAL OTHER REVENUE</u>	<u>1,082</u>	<u>1,044</u>

Accounting policy for other revenue

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

Rental income is accounted for on a straight-line basis over the lease term.

Miscellaneous sales are recognised when physical possession has transferred to the customer which is deemed to be the point of transfer of risks and rewards.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

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

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	1,169	1,037	–	–
Financial assistance – local roads component	701	592	–	–
Payment in advance - future year allocation				
Financial assistance – general component	1,211	1,069	–	–
Financial assistance – local roads component	727	608	–	–
Total general purpose	3,808	3,306	–	–
Specific purpose				
Bushfire and Emergency Services	311	311	–	–
Economic Development	–	5	–	–
Employment and Training Programs	12	8	–	–
Environmental Protection	–	43	–	–
Heritage and Cultural	16	23	–	32
Library	31	35	–	–
LIRS subsidy	6	20	–	–
Noxious Weeds	52	51	–	–
Street lighting	41	40	–	–
Transport (roads to recovery)	641	1,010	–	–
Transport (flood damage)	1,336	1,394	–	–
Transport (regional roads block grant)	197	145	503	542
Transport (repair program)	–	–	128	125
Transport (fixing country roads)	–	–	303	–
Transport (other roads and bridges funding)	–	–	196	959
Transport (kerb and gutter)	–	–	4	22
Pedestrian Access Mobility Plan (PAMP) Works	4	–	9	–
Cycleways	–	–	–	76
Road Safety Officer	73	86	–	–
Safer Streets Program – CBD & Lake CCTV Project	–	–	–	11
Flood Study Grant	34	14	–	–
Aged Services	842	845	–	–
Disability Services	33	354	–	–
Other	4	1	–	–
Youth services	3	1	–	–
Innovation Fund – Online Internal Audit Portal	–	–	186	2
Lake Centenary Precinct Grant – DPI	–	–	–	10
Hillview Park Toilet Block – FACS	–	–	–	22
Nixon Park Lighting	–	–	–	10
Nixon Park Play Equipment	–	–	48	1
Temora Agricultural Innovation Centre (TAIC) - Machinery Shed	–	–	199	–
RFS Community Engagement Centre	3	5	–	–
Aerodrome – Flood Damage Remediation	–	1,419	–	–
Stronger Country Communities Fund – Aria Park Rec Ground Toilet Upgrade	–	–	160	2
Stronger Country Communities Fund – Town Hall Upgrade	–	–	786	16

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018
Stronger Country Communities Fund - Temora Town Entrance Beautification	16	–	–	–
Stronger Country Communities Fund - Lake Centenary Play Equipment	–	–	17	–
Stronger Country Communities Fund - Temora Golf Club Irrigation	14	–	–	–
Stronger Country Communities Fund - Coolamon St Central Island Upgrade	–	–	5	–
Stronger Country Communities Fund - Temora Recreation Centre Amenities Upgrade	–	–	234	–
Stronger Country Communities Fund - Di Boom Netball Complex Resurfacing	–	–	2	–
Stronger Country Communities Fund - Temora West Sports Ground - Amenities Block Rebuild	–	–	60	–
Stronger Country Communities Fund - Temora Tennis Courts - Resurfacing	–	–	79	–
Stronger Country Communities Fund - Nixon Park Upgrades	–	–	59	–
Total specific purpose	3,669	5,810	2,978	1,830
Total grants	7,477	9,116	2,978	1,830
Grant revenue is attributable to:				
– Commonwealth funding	5,342	5,162	210	11
– State funding	2,135	3,954	2,768	1,809
– Other funding	–	–	–	10
	7,477	9,116	2,978	1,830

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018
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(f) Contributions

**Developer contributions:
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):**

Cash contributions

S 7.12 – fixed development consent levies	–	–	30	–
Total developer contributions – cash	–	–	30	–
Total developer contributions	21	–	30	–

Other contributions:

Cash contributions

Heritage/cultural	1	–	6	–
Economic Development	58	8	–	–
FBT contributions	38	32	–	–
Footpath contributions	–	–	19	16
Other Councils – ELEs transferred	–	9	–	–
Travel Contributions	3	4	–	–
GWCC Employment Subsidy	–	13	–	–
Sewer/Effluent – Fountain Repairs	–	5	–	–
Heated Pool Contribution – Temora Hospital	–	10	–	–
Aerodrome Rural Fire Tanks – RFS	–	–	–	17
Ariah Park Cemetery Toilet Block	–	–	–	9

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018
TAIC – Machinery Shed, Offices, Labs – GRDC		–	–	123	774
TAIC – Sewerage Overflow Dam – GRDC		–	–	–	782
Lake Centenary BBQ Contribution		–	–	–	10
Temora Swimming Club - New Pool Blanket		–	–	13	–
LCMC - Contribution to Works		29	–	–	–
Temora West Sports Ground Amenities - Temora United Soccer Club		–	–	106	–
Other Councils - Contribution to Internal Audit		20	–	–	–
Total other contributions – cash		149	81	267	1,608
Total other contributions		149	81	267	1,608
Total contributions		149	81	297	1,608
TOTAL GRANTS AND CONTRIBUTIONS		7,626	9,197	3,275	3,438

Accounting policy for grants and contributions

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

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

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

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

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

\$ '000	2019	2018
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(g) Unspent grants and contributions

Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:

Operating grants

Unexpended at the close of the previous reporting period	779	862
Add: operating grants recognised in the current period but not yet spent	1,495	779
Less: operating grants recognised in a previous reporting period now spent	(779)	(862)
Unexpended and held as restricted assets (operating grants)	1,495	779

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations

\$ '000	2019	2018
(a) Employee benefits and on-costs		
Salaries and wages	7,105	6,409
Employee termination costs	–	67
Travel expenses	–	3
Employee leave entitlements (ELE)	1,244	909
ELE on-costs	(96)	3
Superannuation	822	745
Workers' compensation insurance	86	264
Fringe benefit tax (FBT)	72	82
Training costs (other than salaries and wages)	109	64
Staff uniforms and safety clothing	16	18
Total employee costs	9,358	8,564
Less: capitalised costs	(828)	(1,022)
TOTAL EMPLOYEE COSTS EXPENSED	8,530	7,542
Number of 'full-time equivalent' employees (FTE) at year end	114	109

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

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

(b) Borrowing costs

(i) Interest bearing liability costs

Interest on loans	64	23
Total interest bearing liability costs expensed	64	23
TOTAL BORROWING COSTS EXPENSED	64	23

Accounting policy for borrowing costs

Borrowing costs are expensed when incurred.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(c) Materials and contracts		
Raw materials and consumables	6,967	6,683
Contractor and consultancy costs	5,619	6,760
Auditors remuneration ²	29	27
Legal expenses:		
– Legal expenses: debt recovery	13	11
– Legal expenses: other	10	3
Operating leases:		
– Operating lease rentals: minimum lease payments ¹	75	182
Total materials and contracts	<u>12,713</u>	<u>13,666</u>
Less: capitalised costs	(7,206)	(7,389)
TOTAL MATERIALS AND CONTRACTS	<u>5,507</u>	<u>6,277</u>

Accounting policy for operating leases

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

1. Operating lease payments are attributable to:

Buildings	25	127
Photocopiers	50	55
	<u>75</u>	<u>182</u>

2. Auditor remuneration

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

Auditors of the Council - NSW Auditor-General:

(i) Audit and other assurance services

Audit and review of financial statements	28	25
Remuneration for audit and other assurance services	<u>28</u>	<u>25</u>
Total Auditor-General remuneration	<u>28</u>	<u>25</u>

Non NSW Auditor-General audit firms

(i) Audit and other assurance services

Other audit and assurance services – Grant Acquittals	1	2
Remuneration for audit and other assurance services	<u>1</u>	<u>2</u>
Total remuneration of non NSW Auditor-General audit firms	<u>1</u>	<u>2</u>
Total Auditor remuneration	<u>29</u>	<u>27</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(d) Depreciation, amortisation and impairment of intangible assets and IPP&E		
Depreciation and amortisation		
Plant and equipment	801	768
Office equipment	34	29
Furniture and fittings	30	30
Land improvements (depreciable)	28	28
Infrastructure:		
– Buildings – non-specialised	288	222
– Buildings – specialised	620	236
– Other structures	95	69
– Roads (incl k&g)	2,243	2,114
– Bridges	97	97
– Footpaths	105	97
– Stormwater drainage	142	135
– Sewerage network	258	273
– Swimming pools	55	42
– Other open space/recreational assets	83	40
– Other infrastructure	25	17
Leasehold improvements	28	55
Other assets:		
– Library books	1	1
– Other	148	120
Total gross depreciation and amortisation costs	5,081	4,373
Less: capitalised costs	(67)	(113)
Total depreciation and amortisation costs	5,014	4,260
Impairment / revaluation decrement of IPP&E		
Infrastructure:		
– Roads (incl k&g)	(1,496)	(770)
Total gross IPP&E impairment / revaluation decrement costs / (reversals)	(1,496)	(770)
Amounts taken through revaluation reserve	1,496	770
Total IPP&E impairment / revaluation decrement costs / (reversals) charged to Income Statement	–	–
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E	5,014	4,260

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

Depreciation and amortisation

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

Impairment of non-financial assets

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

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

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

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

\$ '000	2019	2018
(e) Other expenses		
Advertising	62	80
Bad and doubtful debts	–	11
Bank charges	26	25
Cleaning	149	115
Conferences	5	8
Contributions/levies to other levels of government		
– Bushfire fighting fund	241	224
– Emergency services levy (includes FRNSW, SES, and RFS levies)	8	10
– NSW Fire Brigade Levy	34	34
Councillor expenses – Mayoral Fee	17	16
Councillor expenses – Councillors' Fees	82	80
Councillors' expenses (incl. mayor) – other (excluding fees above)	38	27
Donations, contributions and assistance to other organisations (Section 356)	198	174
Electricity and heating	283	271
Insurance	387	321
Office expenses (including computer expenses)	219	152
Postage & Freight	47	54
Printing and stationery	58	56
Street lighting	166	147
Subscriptions and publications	57	97
Telephone and communications	105	143
Valuation fees	32	32
Water	146	122
Other	1	–
Total other expenses	2,361	2,199
TOTAL OTHER EXPENSES	2,361	2,199

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Notes	2019	2018
Property (excl. investment property)			
Proceeds from disposal – property		28	–
Less: carrying amount of property assets sold/written off		(216)	–
Net gain/(loss) on disposal		(188)	–
Plant and equipment			
	9(a)		
Proceeds from disposal – plant and equipment		268	376
Less: carrying amount of plant and equipment assets sold/written off		(251)	(314)
Net gain/(loss) on disposal		17	62
Real estate assets held for sale			
	8		
Proceeds from disposal – real estate assets		420	280
Less: carrying amount of real estate assets sold/written off		(294)	(185)
Net gain/(loss) on disposal		126	95
Investments			
	6(b)		
Proceeds from disposal/redemptions/maturities – investments		2,011	1,515
Less: carrying amount of investments sold/redeemed/matured		(2,011)	(1,515)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(45)	157

Accounting policy for disposal of assets

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(a). Cash and cash equivalent assets

\$ '000	2019	2018
Cash and cash equivalents		
Cash on hand and at bank	457	1,206
Cash-equivalent assets		
– Deposits at call	3	4
– Short-term deposits	512	–
Total cash and cash equivalents	<u>972</u>	<u>1,210</u>

Accounting policy for cash and cash equivalents

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

Note 6(b). Investments

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Investments				
b. 'Financial assets at amortised cost' / 'held to maturity' (2018)	8,708	–	6,639	–
Total Investments	<u>8,708</u>	<u>–</u>	<u>6,639</u>	<u>–</u>
<u>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</u>	<u>9,680</u>	<u>–</u>	<u>7,849</u>	<u>–</u>
Financial assets at amortised cost / held to maturity (2018)				
Long term deposits	8,708	–	6,639	–
Total	<u>8,708</u>	<u>–</u>	<u>6,639</u>	<u>–</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

Accounting policy for investments

Accounting policy under AASB 9 – applicable from 1 July 2018

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

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

Accounting policy under AASB 139 – applicable for 2018 comparatives only

Classification

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

(b) Held to maturity investments

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

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value. Investments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Total cash, cash equivalents and investments	9,680	–	7,849	–
attributable to:				
External restrictions	4,010	–	2,711	–
Internal restrictions	5,668	–	4,863	–
Unrestricted	2	–	275	–
	<u>9,680</u>	<u>–</u>	<u>7,849</u>	<u>–</u>

\$ '000	2019	2018
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Details of restrictions

External restrictions – other

Developer contributions – general	25	–
Specific purpose unexpended grants	1,495	779
Sewerage services	1,555	1,084
Domestic waste management	796	742
Stormwater management	139	106

External restrictions – other

<u>4,010</u>	<u>2,711</u>
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Total external restrictions

<u>4,010</u>	<u>2,711</u>
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Internal restrictions

Plant and vehicle replacement	206	262
Infrastructure replacement	494	761
Employees leave entitlement	325	358
Carry over works	1,012	290
Gravel royalty	306	610
Industrial development	198	198
Izumizaki donation	2	2
Medical complex	40	38
Roads reserve	553	292
Local roads reserve	204	375
Financial Assistance Grants Received in Advance	1,938	1,677
Other Waste Management	173	–
Computer Upgrade	217	–

Total internal restrictions

<u>5,668</u>	<u>4,863</u>
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TOTAL RESTRICTIONS

<u>9,678</u>	<u>7,574</u>
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Notes to the Financial Statements
for the year ended 30 June 2019

Note 7. Receivables

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Purpose				
Rates and annual charges	210	–	181	–
Interest and extra charges	18	–	16	–
User charges and fees	852	–	1,225	–
Capital debtors (being sale of assets)				
– Contributions for Assets	–	–	128	–
Accrued revenues				
– Interest on investments	73	–	43	–
– Other income accruals	253	–	107	–
Deferred debtors	11	5	14	18
Government grants and subsidies	1,526	–	1,811	–
Net GST receivable	141	–	29	–
Other debtors	36	–	22	–
Total	3,120	5	3,576	18
Less: provision of impairment				
User charges and fees	(3)	–	(3)	–
Total provision for impairment – receivables	(3)	–	(3)	–
TOTAL NET RECEIVABLES	3,117	5	3,573	18
Externally restricted receivables				
Sewerage services				
– Rates and availability charges	49	–	39	–
– Other	797	–	791	–
Domestic waste management	37	–	29	–
Total external restrictions	883	–	859	–
Internally restricted receivables				
- ELE Reserve – Runway Remediation	–	–	1,419	–
Internally restricted receivables	–	–	1,419	–
Unrestricted receivables	2,234	5	1,295	18
TOTAL NET RECEIVABLES	3,117	5	3,573	18

\$ '000	2019	2018
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	3	4
– amounts already provided for and written off this year	–	(1)
Balance at the end of the period	3	3

Accounting policy for receivables

Recognition and measurement

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

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

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

Impairment

Accounting policy under AASB 9 applicable from 1 July 2018

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

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

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

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

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

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

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

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

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

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

Accounting policy under AASB 139 – applicable for 2018 comparatives only

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

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

Rates and annual charges outstanding are secured against the property.

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

Note 8. Inventories and other assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Inventories				
(i) Inventories at cost				
Real estate for resale	1,338	–	1,210	–
Stores and materials	490	–	253	–
Total inventories at cost	1,828	–	1,463	–
<u>TOTAL INVENTORIES</u>	<u>1,828</u>	<u>–</u>	<u>1,463</u>	<u>–</u>
(b) Other assets				
Prepayments	63	–	144	–
Other	1	–	1	–
<u>TOTAL OTHER ASSETS</u>	<u>64</u>	<u>–</u>	<u>145</u>	<u>–</u>

Externally restricted assets

There are no restrictions applicable to the above assets.

(i) Other disclosures

\$ '000	Notes	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Details for real estate development					
Residential		1,226	–	1,098	–
Industrial/commercial		112	–	112	–
Total real estate for resale		1,338	–	1,210	–
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition & development costs		1,338	–	1,210	–
Total costs		1,338	–	1,210	–
Total real estate for resale		1,338	–	1,210	–
Movements:					
Real estate assets at beginning of the year		1,210	–	324	–
– Purchases and other costs		422	–	1,071	–
– WDV of sales (expense)	5	(294)	–	(185)	–
Total real estate for resale		1,338	–	1,210	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets (continued)

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

\$ '000	2019	2018
(b) Current assets not anticipated to be settled within the next 12 months		
Real estate for resale	1,138	982
	<u>1,138</u>	<u>982</u>

Accounting policy for inventories and other assets**Raw materials and stores, work in progress and finished goods**

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

Land held for resale/capitalisation of borrowing costs

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

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

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

	as at 30/6/2018			Asset movements during the reporting period								as at 30/6/2019		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment reversal (recognised in equity)	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000														
Capital work in progress	216	–	216	944	–	–	–	–	(165)	–	–	995	–	995
Plant and equipment	8,931	(4,279)	4,652	854	5	(251)	(801)	–	–	–	–	8,911	(4,452)	4,459
Office equipment	473	(362)	111	39	6	–	(34)	–	–	–	–	518	(396)	122
Furniture and fittings	348	(185)	163	1	11	–	(30)	–	–	–	–	361	(216)	145
Land:														
– Operational land	2,793	–	2,793	–	176	(19)	–	–	–	–	–	2,950	–	2,950
– Community land	2,748	–	2,748	–	–	–	–	–	–	–	163	2,911	–	2,911
Land improvements – depreciable	566	(180)	386	5	–	–	(28)	–	–	–	–	571	(208)	363
Infrastructure:														
– Buildings – non-specialised	13,553	(7,164)	6,389	185	–	–	(288)	–	–	–	–	13,738	(7,452)	6,286
– Buildings – specialised	24,779	(11,899)	12,880	1,049	1,605	(39)	(620)	–	141	292	–	27,896	(12,588)	15,308
– Other structures	2,350	(992)	1,358	41	–	(112)	(95)	–	–	–	–	2,160	(968)	1,192
– Roads	140,968	(57,316)	83,652	1,920	11	–	(2,243)	1,496	–	–	–	144,396	(59,560)	84,836
– Bridges	9,658	(2,059)	7,599	–	–	–	(97)	–	–	–	–	9,658	(2,156)	7,502
– Footpaths	4,834	(1,438)	3,396	–	158	–	(105)	–	–	–	–	4,992	(1,543)	3,449
– Bulk earthworks (non-depreciable)	51,007	–	51,007	–	–	–	–	–	–	–	–	51,007	–	51,007
– Stormwater drainage	13,839	(5,391)	8,448	495	–	–	(142)	–	4	–	–	14,338	(5,533)	8,805
– Sewerage network	20,671	(7,655)	13,016	122	60	–	(258)	–	–	–	207	21,187	(8,040)	13,147
– Swimming pools	2,183	(1,005)	1,178	–	–	–	(55)	–	–	–	–	2,183	(1,060)	1,123
– Other open space/recreational assets	1,574	(596)	978	80	112	(46)	(83)	–	1	–	–	1,687	(645)	1,042
– Other infrastructure	1,865	(496)	1,369	50	69	–	(25)	–	–	–	–	1,984	(521)	1,463
Leasehold improvements	973	(327)	646	1	–	–	(28)	–	–	(292)	–	428	(101)	327
Other assets:														
– Library books	61	(20)	41	–	–	–	(1)	–	–	–	–	61	(21)	40
– Other	2,222	(669)	1,553	74	123	–	(148)	–	19	–	–	2,437	(816)	1,621
Total Infrastructure, property, plant and equipment	306,612	(102,033)	204,579	5,860	2,336	(467)	(5,081)	1,496	–	–	370	315,369	(106,276)	209,093

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

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

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

	as at 30/6/2017			Asset movements during the reporting period									as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment reversal (recognised in equity)	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000															
Capital work in progress	689	–	689	79	136	–	–	–	(688)	–	–	–	216	–	216
Plant and equipment	8,769	(4,219)	4,550	1,218	–	(314)	(768)	–	3	(37)	–	–	8,931	(4,279)	4,652
Office equipment	445	(332)	113	25	–	–	(29)	–	2	–	–	–	473	(362)	111
Furniture and fittings	406	(158)	248	–	–	–	(30)	–	–	(55)	–	–	348	(185)	163
Land:															
– Operational land	3,434	–	3,434	–	–	–	–	–	–	–	(641)	–	2,793	–	2,793
– Community land	2,748	–	2,748	–	–	–	–	–	–	–	–	–	2,748	–	2,748
Land improvements – depreciable	573	(151)	422	–	–	–	(28)	–	–	(8)	–	–	566	(180)	386
Infrastructure:															
– Buildings – non-specialised	13,624	(4,995)	8,629	283	–	–	(222)	–	4	604	(2,909)	–	13,553	(7,164)	6,389
– Buildings – specialised	17,306	(4,422)	12,884	573	4	–	(236)	–	12	–	(357)	–	24,779	(11,899)	12,880
– Other structures	1,189	(435)	754	44	89	–	(69)	–	8	302	–	230	2,350	(992)	1,358
– Roads	137,741	(55,202)	82,539	2,241	32	–	(2,114)	770	184	–	–	–	140,968	(57,316)	83,652
– Bridges	9,658	(1,963)	7,695	–	–	–	(97)	–	–	–	–	–	9,658	(2,059)	7,599
– Footpaths	4,606	(1,341)	3,265	–	228	–	(97)	–	–	–	–	–	4,834	(1,438)	3,396
– Bulk earthworks (non-depreciable)	51,007	–	51,007	–	–	–	–	–	–	–	–	–	51,007	–	51,007
– Stormwater drainage	12,622	(5,256)	7,366	753	–	–	(135)	–	464	–	–	–	13,839	(5,391)	8,448
– Sewerage network	19,239	(7,226)	12,013	6	1,012	–	(273)	–	11	–	–	247	20,671	(7,655)	13,016
– Swimming pools	2,603	(1,528)	1,075	–	–	–	(42)	–	–	–	–	144	2,183	(1,005)	1,178
– Other open space/recreational assets	587	(309)	278	51	–	–	(40)	–	–	1	–	688	1,574	(596)	978
– Other infrastructure	113	–	113	409	152	–	(17)	–	–	712	–	–	1,865	(496)	1,369
Leasehold improvements	958	(272)	686	–	15	–	(55)	–	–	–	–	–	973	(327)	646
Other assets:															
– Library books	61	(19)	42	–	–	–	(1)	–	–	–	–	–	61	(20)	41
– Other	4,119	(1,157)	2,962	207	23	–	(120)	–	–	(1,519)	–	–	2,222	(669)	1,553
Total Infrastructure, property, plant and equipment	292,497	(88,985)	203,512	5,889	1,691	(314)	(4,373)	770	–	–	(3,907)	1,309	306,612	(102,033)	204,579

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

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

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

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

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

Land under roads

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

Crown reserves

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

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

Rural Fire Service assets

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

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

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

\$ '000	2019			2018		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Sewerage services						
Plant and equipment	109	44	65	109	33	76
Land						
Infrastructure	21,187	8,040	13,147	20,672	7,655	13,017
Total sewerage services	21,296	8,084	13,212	20,781	7,688	13,093
Domestic waste management						
Plant and equipment	252	164	88	277	150	127
Land						
– Operational land	167	–	167	167	–	167
– Improvements – depreciable	47	10	37	47	9	38
Buildings	104	34	70	104	31	73
Other structures	81	42	39	74	35	39
Other assets	43	38	5	44	37	7
Total DWM	694	288	406	713	262	451
TOTAL RESTRICTED I,PP&E	21,990	8,372	13,618	21,494	7,950	13,544

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

\$ '000	Notes	2019	2018
(iv) Reversals of impairment losses previously recognised direct to equity (ARR):			
– Road Assets previously impaired and reversed		1,496	770
Total impairment reversals		1,496	770
IMPAIRMENT OF ASSETS – DIRECT to EQUITY (ARR)		1,496	770

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Payables and borrowings

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Payables				
Goods and services – operating expenditure	1,124	–	1,292	–
Goods and services – capital expenditure	77	–	181	–
Accrued expenses:				
– Borrowings	12	–	4	–
– Salaries and wages	285	1	130	–
– Other expenditure accruals	18	–	202	1
Security bonds, deposits and retentions	185	–	180	–
Total payables	1,701	1	1,989	1
Income received in advance				
Payments received in advance	306	–	474	–
Total income received in advance	306	–	474	–
Borrowings				
Loans – secured	229	1,605	313	–
Total borrowings	229	1,605	313	–
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>2,236</u>	<u>1,606</u>	<u>2,776</u>	<u>1</u>

(a) Payables and borrowings relating to restricted assets

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

(b) Changes in liabilities arising from financing activities

\$ '000	as at 30/6/2018					as at 30/6/2019
	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	313	1,521	–	–	–	1,834
TOTAL	313	1,521	–	–	–	1,834

\$ '000	as at 30/6/2017					as at 30/6/2018
	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	608	(295)	–	–	–	313
TOTAL	608	(295)	–	–	–	313

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Payables and borrowings (continued)

\$ '000	2019	2018
(c) Financing arrangements		
(i) Unrestricted access was available at balance date to the following lines of credit:		
Bank overdraft facilities ¹	200	200
Credit cards/purchase cards	30	30
Total financing arrangements	230	230
Drawn facilities as at balance date:		
– Credit cards/purchase cards	9	5
Total drawn financing arrangements	9	5
Undrawn facilities as at balance date:		
– Bank overdraft facilities	200	200
– Credit cards/purchase cards	21	25
Total undrawn financing arrangements	221	225

Additional financing arrangements information

Breaches and defaults

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

Security over loans

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

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

Accounting policy for payables and borrowings

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

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

Payables

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

Borrowings

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

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

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

Note 11. Provisions

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Provisions				
Employee benefits				
Annual leave	981	–	994	–
Sick leave	1,366	–	1,359	–
Long service leave	1,872	61	1,763	28
Sub-total – aggregate employee benefits	4,219	61	4,116	28
TOTAL PROVISIONS	4,219	61	4,116	28

(a) Provisions relating to restricted assets

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

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

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

Provisions – employees benefits	2,977	2,985
	<u>2,977</u>	<u>2,985</u>

(c) Description of and movements in provisions

\$ '000	ELE provisions			Total
	Annual leave	Sick leave	Long service leave	
2019				
At beginning of year	994	1,359	1,791	4,144
Additional provisions	470	309	253	1,032
Amounts used (payments)	(488)	(376)	(225)	(1,089)
Remeasurement effects	5	74	114	193
Total ELE provisions at end of period	981	1,366	1,933	4,280
2018				
At beginning of year	892	1,325	1,760	3,977
Additional provisions	453	178	227	858
Amounts used (payments)	(371)	(144)	(206)	(721)
Remeasurement effects	20	–	10	30
Total ELE provisions at end of period	994	1,359	1,791	4,144

Accounting policy for provisions

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Provisions (continued)

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

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

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

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

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

Restoration

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

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

Nature of prior-period error

Council has brought to account several parcels of Crown Land which have been identified to be under the care and control of Council.

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

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

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

Statement of Financial Position

\$ '000	Original Balance 1 July, 2017	Impact Increase/ (decrease)	Restated Balance 1 July, 2017
IPP&E - Community Land	907	1,841	2,748
IPP&E - Operational Land	3,385	49	3,434
Total assets	211,755	1,890	213,645
Total liabilities	6,458	–	6,458
Accumulated Surplus	78,820	1,890	80,710
Total equity	205,297	1,890	207,187

Adjustments to the comparative figures for the year ended 30 June 2018

Statement of Financial Position

\$ '000	Original Balance 30 June, 2018	Impact Increase/ (decrease)	Restated Balance 30 June, 2018
IPP&E - Community Land	907	1,841	2,748
IPP&E - Operational Land	2,744	49	2,793
Total assets	215,923	1,890	217,813
Total liabilities	6,921	–	6,921
Accumulated Surplus	84,353	1,890	86,243
Total equity	209,002	1,890	210,892

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

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

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

The Council has adopted AASB 9 Financial Instruments for the first time in the current year with a date of initial adoption of 1 July 2017. As part of the adoption of AASB 9, the Council adopted consequential amendments to other accounting standards arising from the issue of AASB 9 as follows:

– AASB 101 Presentation of Financial Statements requires the impairment of financial assets to be presented in a separate line item in the income statement. In prior year, this information was presented as part of other expenses.

– AASB 7 Financial Instruments: Requires amended disclosures due to changes arising from AASB 9. These disclosures have been provided for the current year.

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

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

Classification of financial assets

The financial assets of Council have been reclassified into one of the following categories on adoption of AASB 9, based primarily on the business model in which a financial asset is managed and its contractual cash flow characteristics are:

- measured at amortised cost
- fair value through profit or loss
- fair value through other comprehensive income – equity instruments

Measurement of equity instruments

All equity instruments of the Council are measured at fair value under AASB 9 whereas there was a cost exception under AASB 139 that allowed certain unlisted investments to be carried at amortised cost in the absence of a reliable measurement of fair value. Any difference in the previous carrying amount and the fair value is recognised in the opening retained earnings (or other component of equity, as appropriate) at 1 July 2018.

Equity instruments are no longer subject to impairment testing and therefore all movements on equity instruments, classified as fair value through other comprehensive income, are taken to the relevant reserve.

Impairment of financial assets

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

Transition adjustments

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

\$ '000	Classific- ation under AASB 139	Classific- ation under AASB 9	Carrying amount under AASB 139	Reclassi- fication	Remeasu- rements	Carrying amount under AASB 9
Financial assets						
Investments	Held to Maturity Investments	Financial Assets at Amortised Cost	8,708	-	-	8,708
Total financial assets under AASB 9 at 1 July 2018			8,708	-	-	8,708

Notes to the table above

Reclassification from 'held to maturity' to 'amortised cost'

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Statement of cash flows - additional information

\$ '000	Notes	2019	2018
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6(a)	972	1,210
Balance as per the Statement of Cash Flows		972	1,210
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		3,102	5,297
Adjust for non-cash items:			
Depreciation and amortisation		5,014	4,260
Net losses/(gains) on disposal of assets		45	(157)
Share of net (profits)/losses of associates/joint ventures using the equity method		(9)	(7)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		453	(2,324)
Increase/(decrease) in provision for impairment of receivables		-	(1)
Decrease/(increase) in inventories		(237)	55
Decrease/(increase) in other current assets		81	(35)
Increase/(decrease) in payables		(168)	173
Increase/(decrease) in accrued interest payable		8	(4)
Increase/(decrease) in other accrued expenses payable		(29)	48
Increase/(decrease) in other liabilities		(163)	454
Increase/(decrease) in provision for employee benefits		136	167
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		8,233	7,926

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Interests in other entities

\$ '000	Council's share of net income		Council's share of net assets	
	2019	2018	2019	2018
Joint ventures	9	7	195	186
Total	9	7	195	186

Joint arrangements

(i) Joint ventures

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

(a) Net carrying amounts – Council's share

\$ '000	Nature of relationship	Measurement method	2019	2018
Riverina Regional Library	Joint venture		195	186
Total carrying amounts – material joint ventures			195	186

(b) Details

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

(c) Relevant interests and fair values

\$ '000	Interest in outputs		Interest in ownership		Proportion of voting power	
	2019	2018	2019	2018	2019	2018
Riverina Regional Library	4.4%	4.0%	4.4%	4.0%	4.4%	4.0%

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Interests in other entities (continued)

\$ '000	Riverina Regional Library	
	2019	2018
(d) Summarised financial information for joint ventures		
Statement of financial position		
Current assets		
Cash and cash equivalents	2,651	2,275
Other current assets	26	17
Non-current assets	2,742	2,816
Current liabilities		
Current financial liabilities (excluding trade and other payables and provisions)	939	853
Non-current liabilities		
Non-current financial liabilities (excluding trade and other payables and provisions)	3	2
Net assets	4,477	4,253
Reconciliation of the carrying amount		
Opening net assets (1 July)	4,253	4,101
Profit/(loss) for the period	224	152
Closing net assets	4,477	4,253
Council's share of net assets (%)	4.4%	4.4%
Council's share of net assets (\$)	195	186
Statement of comprehensive income		
Income	2,954	2,876
Interest income	26	25
Depreciation and amortisation	(828)	(781)
Interest expense	(10)	(8)
Other expenses	(1,918)	(1,960)
Profit/(loss) from continuing operations	224	152
Profit/(loss) for the period	224	152
Total comprehensive income	224	152
Share of income – Council (%)	4.4%	4.4%
Profit/(loss) – Council (\$)	9	7
Total comprehensive income – Council (\$)	9	7
Summarised Statement of cash flows		
Cash flows from operating activities	1,137	753
Cash flows from investing activities	(760)	(736)
Net increase (decrease) in cash and cash equivalents	377	17

(i) County Councils

Council is a member of the Goldenfields Water County Council, a body corporate under the Local Government Act 1993 (NSW) as a Local Water Authority. Council is one of seven constituent members and does not significantly influence the county council. Accordingly, the County Council has not been consolidated or otherwise included within these financial statements.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Commitments

\$ '000	2019	2018
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(a) Capital commitments (exclusive of GST)

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

Property, plant and equipment

Land and Buildings	192	1,842
Total commitments	192	1,842

These expenditures are payable as follows:

Within the next year	192	1,842
Total payable	192	1,842

Sources for funding of capital commitments:

Grants	192	–
Internally restricted reserves	–	342
New loans (to be raised)	–	1,500
Total sources of funding	192	1,842

Details of capital commitments

Refurbishment of the Temora Memorial Town Hall was incomplete at 30 June 2019. This amount represents the balance of uninvoiced works.

(b) Operating lease commitments (non-cancellable)

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

Within the next year	45	45
Later than one year and not later than 5 years	90	135
Total non-cancellable operating lease commitments	135	180

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 finance and operating leases:

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Contingencies and other assets/liabilities not recognised

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

LIABILITIES NOT RECOGNISED**1. Guarantees****(i) Defined benefit superannuation contribution plans**

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

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

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

Description of the funding arrangements.

Pooled employers are required to pay standard employer contributions and additional lump sum contributions to the fund.

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

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

The additional lump sum contribution for each pooled employer is a share of the total additional contributions of \$40 million per annum from 1 July 2018 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2018.

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Contingencies and other assets/liabilities not recognised (continued)

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2019 was \$112,070.56. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 31 December 2018, and covers the period ended 30 June 2018.

The amount of additional contributions included in the total employer contribution advised above is \$81,000. Council's expected contribution to the plan for the next annual reporting period is \$128,818.04.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2019 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	1,798.7	
Past Service Liabilities	1,784.2	100.8%
Vested Benefits	1,792.0	100.4%

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

Council's participation in the Scheme compared with other entities is about 0.24% based on Council's current level of annual additional contributions against total contributions.

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

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

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

* Plus promotional increases

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Contingencies and other assets/liabilities not recognised (continued)

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Fencing of Quarries

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

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

These future liabilities have not been brought to account because:

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management

Risk management

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

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

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

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

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

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

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

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

The risks associated with the instruments held are:

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

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

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

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

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

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings and held-to-maturity investments** – are based upon estimated future cash flows discounted by the current 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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2019				
Possible impact of a 1% movement in interest rates	97	97	(97)	(97)
2018				
Possible impact of a 1% movement in interest rates	78	78	(78)	(78)

(b) Credit risk

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

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

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

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

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

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

Council makes suitable provision for doubtful receivables as required.

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

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2019						
Gross carrying amount	–	168	25	17	–	210
2018						
Gross carrying amount	–	73	85	17	6	181

Receivables - non-rates and annual charges

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2019						
Gross carrying amount	2,425	165	19	35	271	2,915
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	1.10%	0.10%
ECL provision	–	–	–	–	3	3
2018						
Gross carrying amount	2,964	214	1	128	106	3,413
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	2.80%	0.09%
ECL provision	–	–	–	–	3	3

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
2019							
Trade/other payables	0.00%	185	1,517	–	–	1,702	1,702
Loans and advances	3.10%	–	229	991	614	1,834	1,834
Total financial liabilities		185	1,746	991	614	3,536	3,536
2018							
Trade/other payables	0.00%	180	1,810	–	–	1,990	1,990
Loans and advances	5.40%	–	313	–	–	313	313
Total financial liabilities		180	2,123	–	–	2,303	2,303

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Material budget variations

Council's original financial budget for 18/19 was adopted by the Council on 21/06/2018 and is unaudited.

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

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

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

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

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
REVENUES				
Rates and annual charges	5,382	5,415	33	1% F
User charges and fees	7,851	6,972	(879)	(11)% U
Revenue from State Roads RMCC contract works was \$1,750k lower than budget, while revenue for Pinnacle Community Services was \$754k higher than budgeted.				
Interest and investment revenue	136	244	108	79% F
This variation is due to increased levels of reserves.				
Other revenues	845	1,082	237	28% F
Unbudgeted items included Council's insurance incentives of \$91k, insurance recoveries of \$26k, hire of aerodrome facilities \$60k and reimbursement of RFS State Championship costs of \$29k. The diesel fuel rebate was \$16k higher than budget.				
Operating grants and contributions	6,587	7,626	1,039	16% F
The most significant variation to operating grants and contributions was the advance payment of half of the 2019/20 FAGS allocation in June 2019 which resulted in a budget variation of approximately \$495k. Council also received \$1,336k in flood damage funding which was unbudgeted.				
Partially offsetting the above variations is the fact that at the time of budget preparation, our entire regional roads allocation is classified as operating due to the uncertainty regarding the allocation of expenditure. In 2019, \$503k was classified as capital.				
Capital grants and contributions	3,241	3,275	34	1% F
Net gains from disposal of assets	-	-	-	∞ F
Joint ventures and associates – net profits	-	9	9	∞ F
EXPENSES				
Employee benefits and on-costs	6,711	8,530	(1,819)	(27)% U
Employee costs in relation to Pinnacle Community Services have risen dramatically with the increase in packaged care costs and the costs of staffing our Supported Independent Living house. The variation can also be attributed to differing budget allocations between salaries & wages and materials & contracts.				
Borrowing costs	67	64	3	4% F
Materials and contracts	6,610	5,507	1,103	17% F
This variation can be attributed to the lower than anticipated works program on the State Roads RMCC contract.				
Depreciation and amortisation	4,707	5,014	(307)	(7)% U

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Material budget variations (continued)

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
Other expenses	2,633	2,361	272	10% F
Telephone, electricity and donations/contributions were less than budget.				
Net losses from disposal of assets	15	45	(30)	(200)% U
The write-off of two tennis courts which were replaced under the Stronger Country Communities Funding were unbudgeted.				

STATEMENT OF CASH FLOWS

Net cash provided from (used in) operating activities	7,673	8,233	560	7% F
While Council's employee costs were higher than expected, this was more than offset by the receipt of grant funds during the year.				
Net cash provided from (used in) investing activities	(8,196)	(9,992)	(1,796)	22% U
Council purchased more investment securities than budgeted for.				
Net cash provided from (used in) financing activities	(537)	1,521	2,058	(383)% F
Loan funds of \$2m were drawn down in July 2019. These were budgeted to be drawn down in the 2017/18 financial year.				

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

Note 19. Fair Value Measurement

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

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

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

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

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

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

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

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

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

2018	Notes	Date of latest valuation	Fair value measurement hierarchy			Total
			Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

2018	Notes	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
Infrastructure, property, plant and equipment						
Plant and equipment		30/06/18	–	–	4,652	4,652
Office equipment		30/06/18	–	–	111	111
Furniture and fittings		30/06/18	–	–	163	163
Operational land		30/06/18	–	2,744	–	2,744
Community land		30/06/16	–	–	2,748	2,748
Land improvements		30/06/17	–	–	386	386
Buildings – non-specialised		30/06/18	–	6,389	–	6,389
Buildings – specialised		30/06/18	–	–	12,880	12,880
Leasehold improvements		30/06/17	–	–	646	646
Other structures		30/06/18	–	–	1,358	1,358
Roads		30/06/15	–	–	83,652	83,652
Bridges		30/06/15	–	–	7,599	7,599
Footpaths		30/06/15	–	–	3,396	3,396
Bulk earthworks (roads)		30/06/15	–	–	51,007	51,007
Stormwater drainage		30/06/15	–	–	8,448	8,448
Sewerage network		30/06/17	–	–	13,016	13,016
Swimming pools		30/06/18	–	–	1,178	1,178
Other open space/recreational assets		30/06/18	–	–	978	978
Other Infrastructure		30/06/17	–	–	1,369	1,369
Library books		30/06/18	–	–	41	41
Other		30/06/18	–	–	1,553	1,553
Total infrastructure, property, plant and equipment			–	9,133	195,181	204,314

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

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

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

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

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

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

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

Roads Infrastructure

This asset class comprises the road surface and pavement, bridges, drainage, kerb & gutter and footpaths. The cost approach was adopted to value these assets based on assessments and calculations from a condition assessment done in-house as part of the valuation project undertaken in 2015. Assets have been componentised and a full review of condition, useful lives and unit rates was undertaken.

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

Stormwater Drainage Infrastructure

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

The cost approach was adopted to value these assets based on assessments and calculations from a condition assessment done in-house as part of the valuation project undertaken in 2015. A full review of useful lives and unit rates was undertaken. Key inputs such as estimated pattern of consumption, asset condition and useful life required extensive professional judgement and impact significantly on the final determination of fair value.

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

Sewerage Infrastructure

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

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

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

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

Community Land

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

Operational Land

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

Buildings – Specialised

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

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

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

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

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

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

\$ '000	Level 3 Fair Value Assets
2018	
Opening balance	190,760
Purchases (GBV)	7,768
Disposals (WDV)	(314)
Depreciation and impairment	(4,151)
FV gains – other comprehensive income	952
Impairment Loss recognised in Equity	770

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

\$ '000	Level 3 Fair Value Assets
Transfers	(604)
Closing balance	195,181
2019	
Opening balance	195,181
Purchases (GBV)	7,057
Disposals (WDV)	(448)
Depreciation and impairment	(4,793)
FV gains – other comprehensive income	370
Impairment Loss recognised in Equity	1,496
Closing balance	198,863

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

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

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

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

\$ '000	Fair value (30/6/19)	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment			
Plant & Equipment	4,459	Valued at Cost	Cost per unit, useful life, residual value, condition of asset
Office Equipment	122	Valued at Cost	Cost per unit, useful life, residual value, condition of asset
Furniture & Fittings	146	Valued at Cost	Cost per unit, useful life, residual value, condition of asset
Community Land	2,911	Based on Valuer General Valuation	Cost per sq metre, Valuer General's valuation
Land Improvements	363	Valued at Cost	Cost per unit, pattern of consumption, useful life, asset condition
Buildings – Specialised	15,308	External Valuation using cost approach	Cost per sq metre, pattern of consumption, condition assessment, useful life
Leasehold Improvements	327	Valued at Cost	Cost per sq metre, pattern of consumption, condition assessment, term of lease
Other Structures	1,192	External Valuation using cost approach	Cost per unit, useful life, condition of asset
Roads	84,836	Internal Valuation using cost approach	Unit rates, useful life, pattern of consumption, condition assessment
Bridges	7,502	Internal Valuation using cost approach	Unit rates, useful life, dimensions & specifications, pattern of consumption, components, condition assessment
Footpaths	3,448	Internal Valuation using cost approach	Unit rates, useful life, pattern of consumption, components, condition assessment
Bulk Earthworks (Roads)	51,007	Internal Valuation using cost approach	Cost per sq metre

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

\$ '000	Fair value (30/6/19)	Valuation technique/s	Unobservable inputs
Stormwater Drainage	8,805	Internal Valuation using cost approach	Cost per unit/metre
Sewerage Network	13,147	Internal Valuation using cost approach	Unit rates, useful life, pattern of consumption, components, condition assessment
Swimming Pools	1,123	External Valuation using cost approach	Cost per unit
Other Open Space/Recreational Assets	1,042	External Valuation using cost approach	Unit rates, pattern of consumption, components, useful life, asset condition
Other Infrastructure	1,463	Valued at Cost	Unit rates, useful life, pattern of consumption, condition assessment
Library Books	40	Valued at Cost	Unit Costs
Other	1,620	Valued at Cost	Unit Costs

d. The valuation process for level 3 fair value measurements

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

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

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

(5) Highest and best use

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

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

Note 20. Related Party Transactions

(a) Key management personnel

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

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

\$ '000	2019	2018
Compensation:		
Short-term benefits	1,115	965
Post-employment benefits	86	87
Other long-term benefits	33	30
Total	1,234	1,082

(b) Other transactions with KMP and their related parties

Pre-amble

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

Nature of the transaction	Ref	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
\$ '000						
2019						
Employee expenses for close family members of KMP	1	435	–	NSW Local Govt State Award	–	–
Catering Supplies	3	1	–	7 day terms on invoices	–	–
Plumbing Services	3	9	–	7 day terms on invoices	–	–
Uniform Purchases	2	4	–	7 day terms on invoices	–	–
Laundry Services	2	9	–	7 day terms on invoices	–	–
Real Estate Services	4	18	–	7 day terms on invoices	–	–
Building Services	3	270	–	7 day terms on invoices	–	–
Electrical Services	3	68	–	7 day terms on invoices	–	–
2018						

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

Note 20. Related Party Transactions (continued)

Nature of the transaction	Ref	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
\$ '000						
Employee expenses for close family members of KMP	1	448	–	NSW Local Govt State Award	–	–
Catering Supplies	3	–	–	7 day terms on invoices	–	–
Plumbing Services	3	82	–	7 day terms on invoices	–	–
Uniform Purchases	2	1	–	7 day terms on invoices	–	–
Laundry Services	2	9	–	7 day terms on invoices	–	–
Real Estate Services	4	–	–	7 day terms on invoices	–	–
Building Services	3	–	–	7 day terms on invoices	–	–
Electrical Services	3	–	–	7 day terms on invoices	–	–
Fees & Charges charged to entities who influence or are influenced by KMP	5	15	–		–	–

1 All close family members of KMP were employed through an arm's length process. They are paid in accordance with the Award for the job they perform. Council employs 149 staff, of which only 7 are close family members of KMP.

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

- Work Uniforms
- Laundry Services

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

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

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

5 The fees & charges charged to entities controlled by KMP or entities that are controlled by a related party of a KMP were in accordance with the schedule of fees and charges adopted by Council. The total disclosed includes:

- Development Application fees received three KMPs. The development applications were assessed and approved in accordance with Council's normal terms and conditions. The KMPs did not participate in any decisions related to the application.

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

Note 20. Related Party Transactions (continued)

– Development Application fees received from two related parties of KMPs. The development applications were assessed and approved in accordance with Council's normal terms and conditions. The KMPs did not participate in any decisions related to the applications.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Statement of developer contributions

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

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

Summary of contributions and levies

	as at 30/6/2018			Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000								
S7.12 levies – under a plan	–	30	–	–	(5)	–	25	–
Total S7.11 and S7.12 revenue under plans	–	30	–	–	(5)	–	25	–
Total contributions	–	30	–	–	(5)	–	25	–

S7.12 Levies – under a plan

S7.12 (former S94A) Contributions Plan 2018

Roads	–	21	–	–	–	–	21	–
Open space	–	9	–	–	(5)	–	4	–
Total	–	30	–	–	(5)	–	25	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Financial result and financial position by fund

\$ '000	General ¹ 2019	Sewer 2019
Income Statement by fund		
Income from continuing operations		
Rates and annual charges	4,420	995
User charges and fees	6,908	64
Interest and investment revenue	210	34
Other revenues	1,069	13
Grants and contributions provided for operating purposes	7,605	21
Grants and contributions provided for capital purposes	3,275	–
Other income		
Share of interests in joint ventures and associates using the equity method	9	–
Total income from continuing operations	23,496	1,127
Expenses from continuing operations		
Employee benefits and on-costs	8,333	197
Borrowing costs	64	–
Materials and contracts	5,325	182
Depreciation and amortisation	4,745	269
Other expenses	2,280	81
Net losses from the disposal of assets	45	–
Total expenses from continuing operations	20,792	729
Operating result from continuing operations	2,704	398
Net operating result for the year	2,704	398
Net operating result attributable to each council fund	2,704	398
Net operating result for the year before grants and contributions provided for capital purposes	(571)	398

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Financial result and financial position by fund (continued)

\$ '000	General ¹ 2019	Sewer 2019
Statement of Financial Position by fund		
ASSETS		
Current assets		
Cash and cash equivalents	(583)	1,555
Investments	8,708	–
Receivables	2,271	846
Inventories	1,828	–
Other	64	–
Total current assets	12,288	2,401
Non-current assets		
Receivables	5	–
Infrastructure, property, plant and equipment	195,881	13,212
Investments accounted for using the equity method	195	–
Total non-current assets	196,081	13,212
TOTAL ASSETS	208,369	15,613
LIABILITIES		
Current liabilities		
Payables	1,701	–
Income received in advance	306	–
Borrowings	229	–
Provisions	4,219	–
Total current liabilities	6,455	–
Non-current liabilities		
Payables	1	–
Borrowings	1,605	–
Provisions	61	–
Total non-current liabilities	1,667	–
TOTAL LIABILITIES	8,122	–
Net assets	200,247	15,613
EQUITY		
Accumulated surplus	80,672	8,673
Revaluation reserves	119,575	6,940
Council equity interest	200,247	15,613
Total equity	200,247	15,613

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(137)				
Total continuing operating revenue excluding capital grants and contributions ¹	21,339	(0.64)%	7.71%	14.34%	>0.00%
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	13,614				
Total continuing operating revenue ¹	24,614	55.31%	49.91%	51.92%	>60.00%
3. Unrestricted current ratio					
Current assets less all external restrictions	8,658				
Current liabilities less specific purpose liabilities	3,478	2.49x	2.17x	2.08x	>1.50x
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	4,941				
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	544	9.08x	18.80x	22.24x	>2.00x
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	228				
Rates, annual and extra charges collectible	5,539	4.12%	3.68%	3.84%	<10.00%
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	9,680				
Monthly payments from cash flow of operating and financing activities	1,498	6.46 mths	5.60 mths	6.60 mths	>3.00 mths

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

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

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

Note 23(b). Statement of performance measures – by fund

\$ '000	General Indicators ³		Sewer Indicators		Benchmark
	2019	2018	2019	2018	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}					
Total continuing operating revenue excluding capital grants and contributions ¹	(2.65)%	6.70%	35.31%	27.78%	>0.00%
2. Own source operating revenue ratio					
Total continuing operating revenue excluding capital grants and contributions ¹					
Total continuing operating revenue ¹	53.25%	49.49%	98.14%	55.37%	>60.00%
3. Unrestricted current ratio					
Current assets less all external restrictions					
Current liabilities less specific purpose liabilities	2.49x	2.17x	∞	∞	>1.50x
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹					
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	7.86x	16.99x	∞	∞	>2.00x
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding					
Rates, annual and extra charges collectible	5.02%	3.57%	0.00%	4.20%	<10.00%
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits					
Payments from cash flow of operating and financing activities	5.42 mths	4.82 mths	∞	∞	>3.00 mths

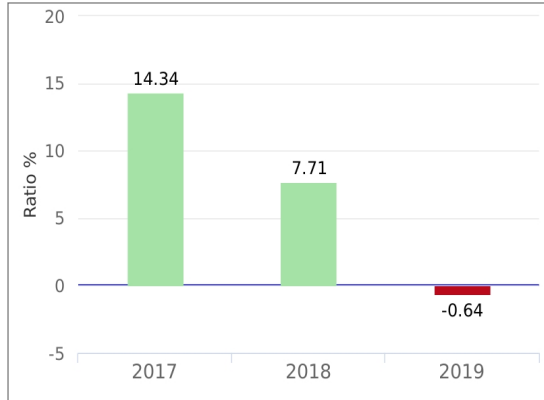
(1) - (2) Refer to Notes at Note 28a above.

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

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

Note 23(c). Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2018/19 result

2018/19 ratio (0.64)%

Council has recorded a small deficit this year, which can primarily be attributed to increased depreciation costs as a result of the ongoing asset revaluation cycle.

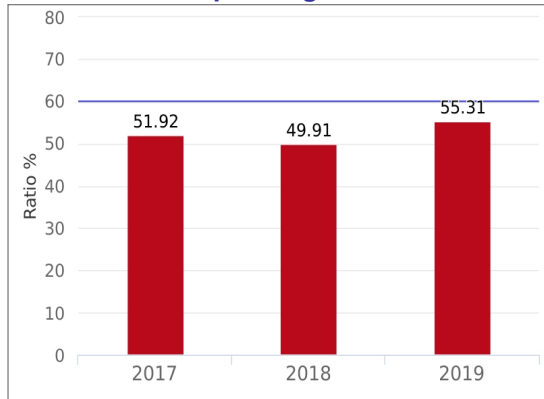
Benchmark: — > 0.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2018/19 result

2018/19 ratio 55.31%

Grants and contributions continue to represent a significant portion of Council's income, which inhibits Council's ability to achieve the 60% Own Source Revenue Ratio benchmark. The increase in Council's Own Source Revenue can be attributed to the increase in the level of income for packaged care of Pinnacle Community Services.

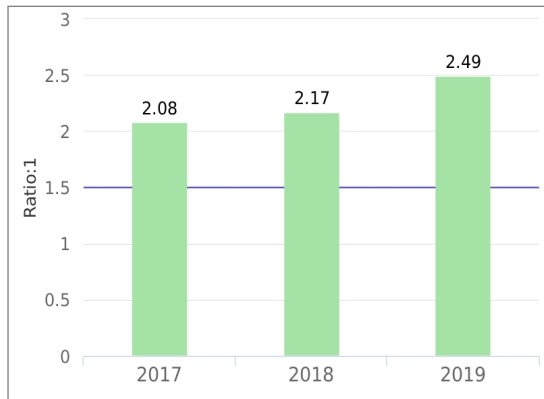
Benchmark: — > 60.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2018/19 result

2018/19 ratio 2.49x

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

Benchmark: — > 1.50x

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

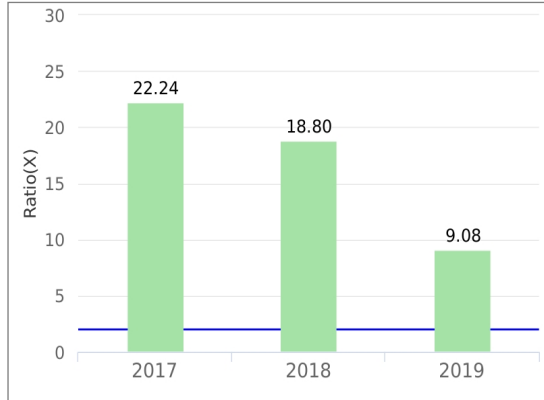
Ratio achieves benchmark

Ratio is outside benchmark

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

Note 23(c). Statement of performance measures – consolidated results (graphs)

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2018/19 result

2018/19 ratio 9.08x

Council fully repaid the loan for the Medical Complex during the year. Council now has just one loan which was taken out to fund the purchase of Council's depot, which was previously leased.

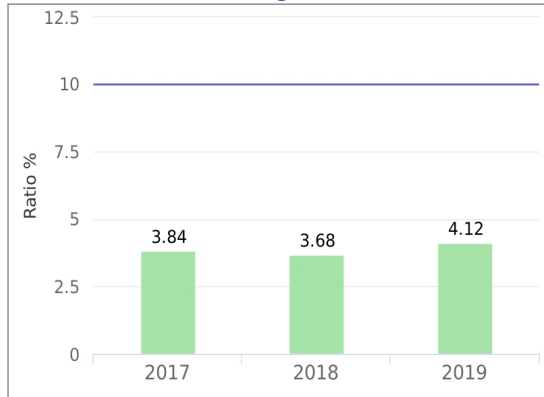
Benchmark: — > 2.00x

■ Ratio achieves benchmark

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

■ Ratio is outside benchmark

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



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

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

Commentary on 2018/19 result

2018/19 ratio 4.12%

Council continues to perform well in this area.

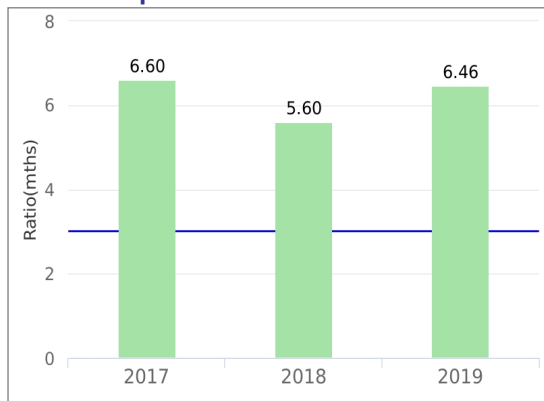
Benchmark: — < 10.00%

■ Ratio achieves benchmark

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

■ Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2018/19 result

2018/19 ratio 6.46 mths

Council continues to work on building up its cash reserves.

Benchmark: — > 3.00mths

■ Ratio achieves benchmark

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

■ Ratio is outside benchmark

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24. Financial review

Note 25. Council information and contact details

Principal place of business:

105 Loftus Street
Temora NSW 2666

Contact details**Mailing Address:**

PO Box 262
TEMORA NSW 2666

Telephone: 02 6980 1100

Facsimile: 02 6980 1138

Opening hours:

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

Internet: www.temora.nsw.gov.au

Email: temshire@temora.nsw.gov.au

Officers**General Manager**

Gary Lavelle

Responsible Accounting Officer

Steve Firth

Public Officer

Steve Firth

Auditors

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

Elected members**Mayor**

Rick Firman

Councillors

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

Other information

ABN: 55 048 860 109



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Temora Shire Council

To the Councillors of the Temora Shire Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 18 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Min Lee
A/Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

18 October 2019
SYDNEY



Cr Rick Firman
Mayor
Temora Shire Council
PO Box 262
Temora NSW 2666

Contact: Min Lee
Phone no: (02) 9275 7151
Our ref: D1924209/1793

18 October 2019

Dear Mayor

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

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

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

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

INCOME STATEMENT

Operating result

	2019	2018	Variance
	\$m	\$m	%
Rates and annual charges revenue	5.4	5.2	3.8
Grants and contributions revenue	10.9	12.6	13.5
Operating result for the year	3.1	5.3	41.5
Net operating result before capital grants and contributions	(0.2)	1.9	110

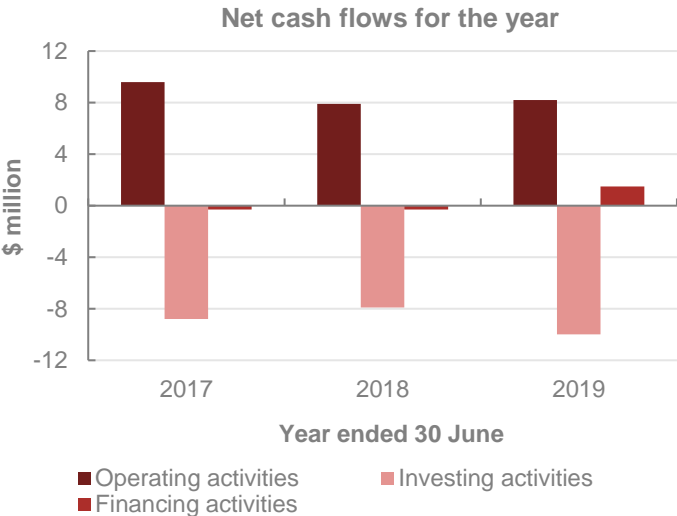
Council’s operating result was a surplus of \$3.1 million (\$5.3 million surplus for the year ended 30 June 2018). The net operating result before capital grants and contributions was a deficit of \$0.2 million (\$1.9 million surplus for the year ended 30 June 2018). These movements were mainly due to a decrease in operating grants and contributions received by Council, combined with an increase in depreciation expense after a revaluation of several asset classes in the prior year.

Rates and annual charges revenue was \$5.4 million (\$5.2 million for the year ended 30 June 2018). The increase of \$0.2 million (3.8%) is consistent with a modest increase in the number of rateable properties in the Shire, as well as a 2.3% rate-cap increase.

Grants and contributions revenue was \$10.9 million (\$12.6 million for the year ended 30 June 2018). The decrease of \$1.7 million (41.5%) is primarily due to \$1.4 million of non-recurring Aerodrome flood damage remediation funding received in the prior year and a \$0.3 million decrease in Roads to Recovery funding received in the current year.

STATEMENT OF CASH FLOWS

- Council’s cash and cash equivalents were \$1 million as at 30 June 2019 (\$1.2 million as at 30 June 2018). There was a net decrease in cash and cash equivalents of \$0.2 million for the year ended 30 June 2019.
- Net cash provided by operating activities increased by \$0.3 million. This is mainly due to a decrease in payments for materials and contracts of \$0.2 million.
- Net cash used in investing activities increased by \$2.0 million. This is mainly due to the increase in the purchase of investment securities of \$1.0 million.
- Net cash provided by financing activities increased by \$1.8 million. This is mainly due to the \$2 million loan that was taken out by Council during the year for the purchase of a depot.



FINANCIAL POSITION

Cash and investments

Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	4.0	2.7	<ul style="list-style-type: none"> Externally restricted cash and investments are restricted in their use by externally imposed requirements. The increase of \$1.3 million is primarily due to an increase in specific purpose unexpended grants and sewerage services restrictions.
Internal restrictions	5.7	4.9	
Unrestricted	0.0	0.2	
Cash and investments	9.7	7.8	<ul style="list-style-type: none"> Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. The increase of \$0.8 million is primarily due to additional amounts set aside to other waste management and computer upgrade programs combined with the Financial Assistance Grants paid in advance. There was minimal movement in the unrestricted cash and investments balance.

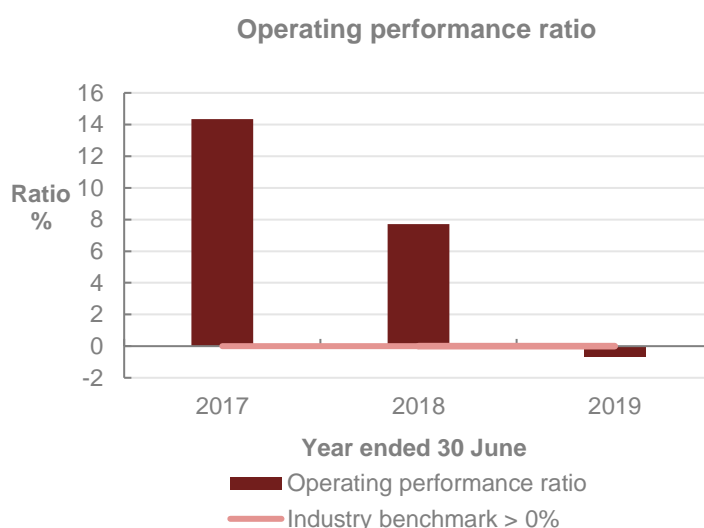
Debt

Council took out a new loan during the year, with a closing balance of \$1.8 million at 30 June 2019. This was used to fund the purchase of a Council depot during the year.

PERFORMANCE

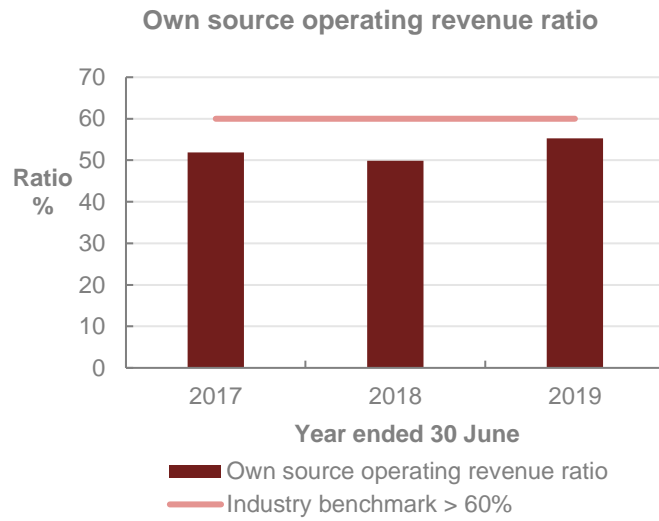
Operating performance ratio

- The operating performance ratio of negative 0.6 per cent (2018: 7.7 per cent) is below the industry benchmark of greater than 0 per cent. This indicates the Council is reliant on capital funding to cover operating expenditure.
- The operating performance ratio decreased due to the decrease in operating grants and contributions and increase in employee benefits related expenditure.
- The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government(OLG) is greater than zero per cent.



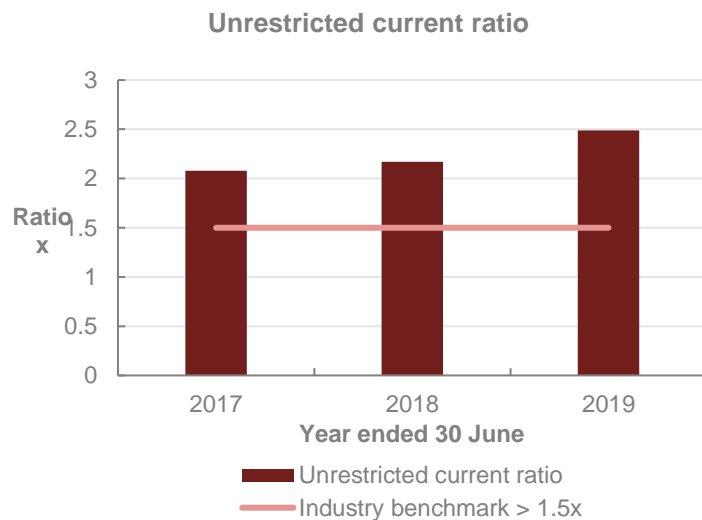
Own source operating revenue ratio

- The Council's own source operating revenue ratio of 55.3 per cent is below the industry benchmark of 60 per cent. This indicates that the Council is more reliant on external funding sources, such as grants and contributions.
- The own source operating revenue ratio has remained consistent with the result of prior years.
- The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the former OLG is greater than 60 per cent.



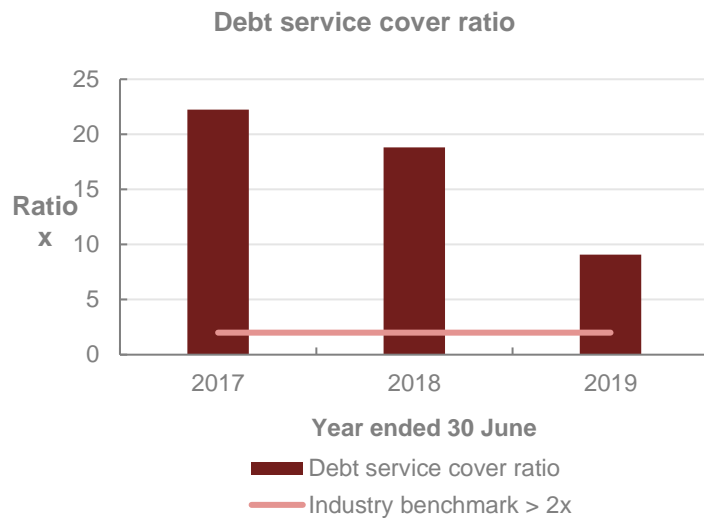
Unrestricted current ratio

- The Council's liquidity ratio of 2.5 times is greater than the industry benchmark minimum of greater than 1.5 times. This indicates that the Council has sufficient liquidity to meet its current liabilities as and when they fall due.
- The Council's unrestricted current ratio has remained steady.
- The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by the former OLG is greater than 1.5 times.



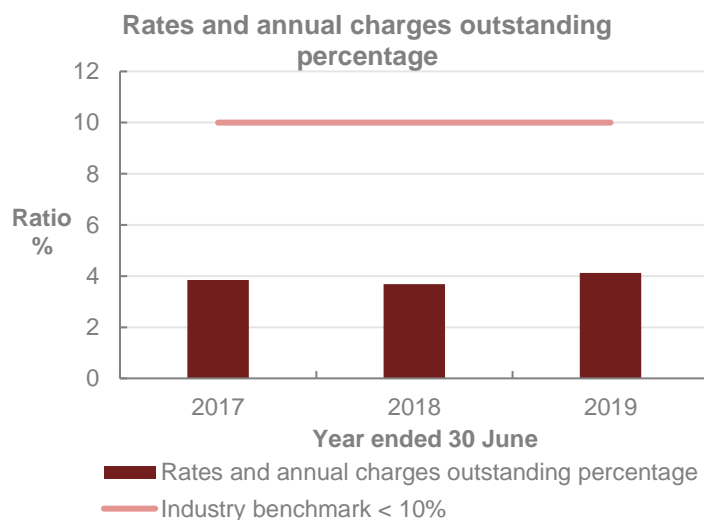
Debt service cover ratio

- The Council's debt service cover ratio of 9.1 times is greater than the industry benchmark minimum of greater than 2 times. This indicates that Council has adequate revenue to cover the principal repayments and borrowing costs.
- The decrease in this ratio from 2018 is a result of the new loan taken out by the Council in 2019.
- The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.



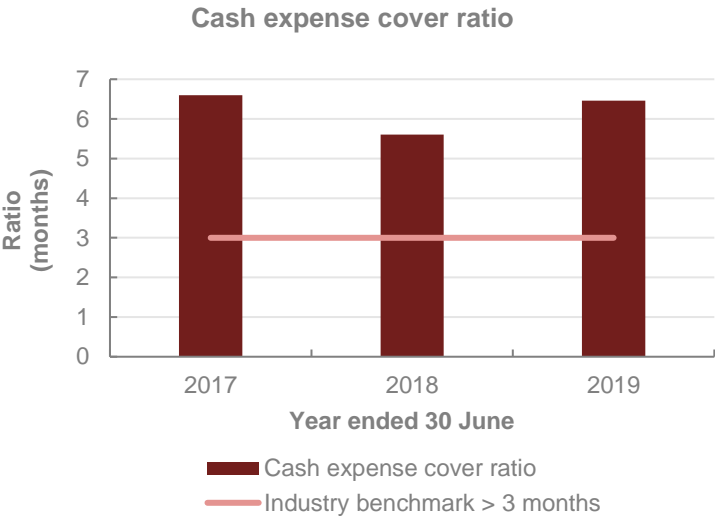
Rates and annual charges outstanding percentage

- The Council's rates and annual charges outstanding ratio of 4.1 per cent is within the industry benchmark of less than 10 per cent for regional and rural councils.
- The rates and annual charges outstanding percentage has remained relatively steady with the previous years, indicating that the Council's rate recovery measures continue to be effective in collecting and reducing outstanding debts.
- The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 10 per cent for regional and rural councils.



Cash expense cover ratio

- The Council's cash expense cover ratio was 6.5 months, which is above the industry benchmark of greater than three months. This indicates that Council had the capacity to cover 6.5 months of operating cash expenditure without additional cash inflows at 30 June 2019.
- The Council's cash expense cover ratio has remained relatively steady.
- This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by the former OLG is greater than three months.



Infrastructure, property, plant and equipment renewals

The Council has renewed \$5.9 million of assets in the 2018–19 financial year which is consistent with the 2017–18 financial year.

OTHER MATTERS

New accounting standards implemented

Application period	Overview
AASB 9 'Financial Instruments' and revised AASB 7 'Financial Instruments: Disclosures'	
For the year ended 30 June 2019	<ul style="list-style-type: none"> • AASB 9 replaces AASB 139 'Financial Instruments: Recognition and Measurement' and changes the way financial instruments are treated for financial reporting. • Key changes include: <ul style="list-style-type: none"> • a simplified model for classifying and measuring financial assets • a new method for calculating impairment • a new type of hedge accounting that more closely aligns with risk management. <p>The revised AASB 7 includes new disclosures as a result of AASB 9.</p> <p>Council's disclosure of the impact of adopting AASB 9 is disclosed in Note 12.</p>

Legislative compliance

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

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



Min Lee
A/Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

cc: Mr Steve Firth, Director Administration & Finance
Mr James Davis, Audit, Risk & Improvement Committee Chair

Temora Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019

"Success through determination and inspiration"

Special Purpose Financial Statements
for the year ended 30 June 2019

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Statement of Financial Position – Sewerage Business Activity	5
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Auditor's Report on Special Purpose Financial Statements	9

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 2019

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

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

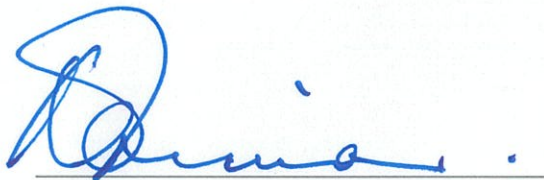
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,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

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


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

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

Signed in accordance with a resolution of Council made on 19 September 2019.



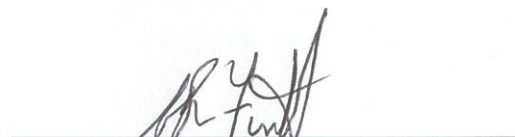
Rick Firman
Mayor
19 September 2019



Graham Sinclair
Councillor
19 September 2019



Gary Lavelle
General Manager
19 September 2019



Steve Firth
Responsible Accounting Officer
19 September 2019

Income Statement – Sewerage Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	995	925
User charges	64	56
Interest	34	19
Grants and contributions provided for non-capital purposes	21	35
Other income	13	16
Total income from continuing operations	1,127	1,051
Expenses from continuing operations		
Employee benefits and on-costs	197	194
Materials and contracts	182	215
Depreciation, amortisation and impairment	269	284
Other expenses	81	66
Total expenses from continuing operations	729	759
Surplus (deficit) from continuing operations before capital amounts	398	292
Grants and contributions provided for capital purposes	–	784
Surplus (deficit) from continuing operations after capital amounts	398	1,076
Surplus (deficit) from all operations before tax	398	1,076
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(109)	(80)
SURPLUS (DEFICIT) AFTER TAX	289	996
Plus accumulated surplus	8,275	7,199
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	109	80
Closing accumulated surplus	8,673	8,275
Return on capital %	3.0%	2.2%
Subsidy from Council	–	52
Calculation of dividend payable:		
Surplus (deficit) after tax	289	996
Less: capital grants and contributions (excluding developer contributions)	–	(784)
Surplus for dividend calculation purposes	289	212
Potential dividend calculated from surplus	144	106

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	1,555	1,084
Receivables	846	830
Total current assets	2,401	1,914
Non-current assets		
Infrastructure, property, plant and equipment	13,212	13,093
Total non-current assets	13,212	13,093
TOTAL ASSETS	15,613	15,007
NET ASSETS	15,613	15,007
EQUITY		
Accumulated surplus	8,673	8,275
Revaluation reserves	6,940	6,732
TOTAL EQUITY	15,613	15,007

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

Note 1. Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

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

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

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

Declared business activities

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

Category 1

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

Council has no Category 1 business activities.

Category 2

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

Sewerage Service

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

Monetary amounts

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

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

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

Note 1. Significant Accounting Policies (continued)

(i) Taxation equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – 27.5%

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

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

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

Income tax

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

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

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

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

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

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

(ii) Subsidies

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

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

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

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

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

Note 1. Significant Accounting Policies (continued)

(iv) Dividends

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

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

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

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

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



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Temora Shire Council

To the Councillors of the Temora Shire Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Temora Shire Council's (the Council) Declared Business Activity, Sewerage Business Activity, which comprise the Income Statement of the Sewerage Business Activity for the year ended 30 June 2019, the Statement of Financial Position of the Sewerage Business Activity as at 30 June 2019, Note 1 Significant accounting policies for the Business activity declared by Council, and the Statement by Councillors and Management.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does not provide assurance:

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

A handwritten signature in black ink, appearing to read 'SML'.

Min Lee
A/Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

18 October 2019
SYDNEY

Temora Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2019

"Success through determination and inspiration"

Special Schedules

for the year ended 30 June 2019

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

\$ '000		Calculation 2019/20	Calculation 2018/19
Notional general income calculation ¹			
Last year notional general income yield	a	3,913	3,800
Plus or minus adjustments ²	b	17	22
Notional general income	c = a + b	3,930	3,822
Permissible income calculation			
Or rate peg percentage	e	2.70%	2.30%
Or plus rate peg amount	$i = e \times (c + g)$	106	88
Sub-total	k = (c + g + h + i + j)	4,036	3,910
Plus (or minus) last year's carry forward total	l	1	4
Sub-total	n = (l + m)	1	4
Total permissible income	o = k + n	4,037	3,914
Less notional general income yield	p	4,042	3,913
Catch-up or (excess) result	q = o - p	(5)	1
Carry forward to next year ⁶	t = q + r - s	(5)	1

Notes

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



INDEPENDENT AUDITOR'S REPORT
Special Schedule - Permissible income for general rates
Temora Shire Council

To the Councillors of Temora Shire Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

My opinion does not provide assurance:

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

A handwritten signature in black ink, appearing to read 'SML'.

Min Lee
A/Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

18 October 2019
SYDNEY

Report on Infrastructure Assets
as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
Buildings	Buildings	–	–	532	555	21,594	41,634	12.0%	88.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	532	555	21,594	41,634	12.0%	88.0%	0.0%	0.0%	0.0%
Other structures	Other structures	–	–	–	–	1,192	2,160	0.0%	100.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	–	–	1,192	2,160	0.0%	100.0%	0.0%	0.0%	0.0%
Roads	Regional Roads	–	–	189	197	13,472	22,750	2.0%	48.0%	49.0%	1.0%	0.0%
	Urban Sealed Roads	530	930	224	171	19,925	36,010	4.0%	18.0%	69.0%	8.0%	1.0%
	Urban Unsealed Roads	177	354	34	29	708	1,022	4.0%	1.0%	57.0%	27.0%	11.0%
	Bridges	–	–	5	1	7,502	9,658	61.0%	23.0%	16.0%	0.0%	0.0%
	Rural Sealed Roads	763	1,916	277	369	30,128	49,618	3.0%	16.0%	76.0%	3.0%	2.0%
	Rural Unsealed Roads	1,719	3,437	829	2,209	13,489	20,867	13.0%	22.0%	45.0%	19.0%	1.0%
	Footpaths	552	552	25	32	3,448	4,992	48.0%	10.0%	31.0%	11.0%	0.0%
	Bulk Earthworks	–	–	–	–	51,007	51,007	100.0%	0.0%	0.0%	0.0%	0.0%
	Kerb & Gutter	2,617	2,617	55	26	7,066	14,068	7.0%	17.0%	55.0%	17.0%	4.0%
	Other	–	–	–	–	49	61	100.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	6,358	9,806	1,638	3,034	146,794	210,053	31.6%	16.7%	45.0%	5.6%	1.1%
Sewerage network	Other	–	–	–	–	70	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sewerage Reticulation Network	237	237	159	94	9,059	14,606	7.0%	50.0%	35.0%	5.0%	3.0%
	Sewerage Reticulation Pump Stations	–	–	15	14	224	382	24.0%	42.0%	0.0%	34.0%	0.0%
	Sewerage Treatment Plant	200	200	147	108	766	1,452	2.0%	37.0%	43.0%	18.0%	0.0%
	Effluent Reticulation Pipes	–	–	166	167	232	309	15.0%	85.0%	0.0%	0.0%	0.0%
	Effluent Irrigation Network	56	56	–	–	597	1,080	0.0%	63.0%	31.0%	0.0%	6.0%
	Effluent Infrastructure – Storage	–	–	–	–	1,597	2,355	0.0%	0.0%	91.0%	0.0%	9.0%
	Effluent Infrastructure – Pump Stations	105	105	–	–	602	930	30.0%	36.0%	22.0%	3.0%	9.0%
Sub-total	598	598	487	383	13,147	21,114	7.0%	43.9%	39.9%	5.4%	3.8%	
Stormwater drainage	Drainage Works	–	–	18	3	8,805	14,338	0.0%	0.0%	100.0%	0.0%	0.0%
	Sub-total	–	–	18	3	8,805	14,338	0.0%	0.0%	100.0%	0.0%	0.0%

Report on Infrastructure Assets - Values (continued)

as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
Open space / recreational assets	Swimming pools	–	–	152	108	1,123	2,183	15.0%	0.0%	85.0%	0.0%	0.0%
	Open Space Assets	–	–	–	–	1,042	1,687	0.0%	100.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	152	108	2,165	3,870	8.5%	43.6%	47.9%	0.0%	0.0%
Other infrastructure assets	Other Infrastructure	–	–	–	–	1,463	1,984	100.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	–	–	1,463	1,984	100.0%	0.0%	0.0%	0.0%	0.0%
TOTAL - ALL ASSETS		6,956	10,404	2,827	4,083	195,160	295,153	25.5%	28.7%	40.4%	4.4%	1.0%

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

Infrastructure asset condition assessment 'key'

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

Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	Amounts 2019	Indicator 2019	Prior periods 2018	2017	Benchmark
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	3,942	156.74%	169.52%	–	>=100.00%
Depreciation, amortisation and impairment	2,515				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	6,956	3.56%	2.50%	–	<2.00%
Net carrying amount of infrastructure assets	195,160				
Asset maintenance ratio					
Actual asset maintenance	4,083	144.43%	115.08%	–	>100.00%
Required asset maintenance	2,827				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	10,404	3.52%	2.35%	–	
Gross replacement cost	295,153				

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

(1) Excludes Work In Progress (WIP)

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

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

\$ '000	General fund		Sewer fund		Benchmark
	2019	2018	2019	2018	
Infrastructure asset performance indicators (by fund)					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²					
Depreciation, amortisation and impairment	169.25%	189.39%	47.29%	2.20%	>=100.00%
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard					
Net carrying amount of infrastructure assets	3.49%	2.34%	4.55%	4.59%	<2.00%
Asset maintenance ratio					
Actual asset maintenance					
Required asset maintenance	158.12%	119.11%	78.64%	92.95%	>100.00%
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council					
Gross replacement cost	3.58%	2.31%	2.83%	2.89%	

(1) Excludes Work In Progress (WIP)

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