

Temora Shire Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2021

"Success through determination and inspiration"

Temora Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2021

"Success through determination and inspiration"

Temora Shire Council

General Purpose Financial Statements

for the year ended 30 June 2021

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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 B1-2.

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 2021

Statement by Councillors and Management

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

The attached general purpose financial statements have been prepared in accordance with:

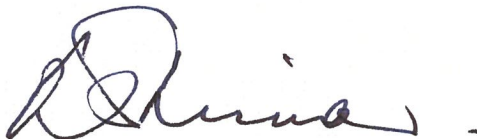
- the *Local Government Act 1993* and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the Local Government Code of Accounting Practice and Financial Reporting.

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

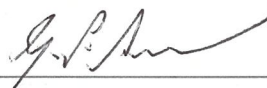
- present fairly the Council's operating result and financial position for the year
- accord with Council's accounting and other records.

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 16 September 2021.



Rick Firman
Mayor
16 September 2021



Graham Sinclair
Councillor
16 September 2021



Gary Lavelle
General Manager
16 September 2021



Elizabeth Smith
Responsible Accounting Officer
16 September 2021

Temora Shire Council

Income Statement

for the year ended 30 June 2021

Original unaudited budget 2021	\$ '000			Actual 2021	Actual 2020
			Notes		
		Income from continuing operations			
5,844		Rates and annual charges	B2-1	5,807	5,627
8,346		User charges and fees	B2-2	10,267	8,964
635		Other revenue	B2-3	996	676
8,753		Grants and contributions provided for operating purposes	B2-4	7,590	7,125
5,683		Grants and contributions provided for capital purposes	B2-4	7,713	4,891
193		Interest and investment income	B2-5	144	222
255		Other income	B2-6	279	285
124		Net gains from the disposal of assets	B4-1	558	121
<u>29,833</u>		Total income from continuing operations		<u>33,354</u>	<u>27,911</u>
		Expenses from continuing operations			
8,774		Employee benefits and on-costs	B3-1	9,058	8,411
8,611		Materials and services	B3-2	9,171	8,037
63		Borrowing costs	B3-3	59	55
5,506		Depreciation, amortisation and impairment for non-financial assets	B3-4	5,987	5,476
608		Other expenses	B3-5	722	580
<u>23,562</u>		Total expenses from continuing operations		<u>24,997</u>	<u>22,559</u>
<u>6,271</u>		Operating result from continuing operations		<u>8,357</u>	<u>5,352</u>
<u>6,271</u>		Net operating result for the year attributable to Council		<u>8,357</u>	<u>5,352</u>
		Net operating result for the year before grants and contributions provided for capital purposes			
<u>588</u>				<u>644</u>	<u>461</u>

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

Temora Shire Council

Statement of Comprehensive Income

for the year ended 30 June 2021

\$ '000	Notes	2021	2020
Net operating result for the year – from Income Statement		8,357	5,352
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	864	16,486
Impairment (loss) reversal / (revaluation decrement) relating to infrastructure, property, plant and equipment	C1-7	(640)	–
Other comprehensive income – joint ventures and associates	D2-1	–	6
Total items which will not be reclassified subsequently to the operating result		224	16,492
Total other comprehensive income for the year		224	16,492
Total comprehensive income for the year attributable to Council		8,581	21,844

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

Temora Shire Council

Statement of Financial Position

as at 30 June 2021

\$ '000	Notes	2021	2020
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	2,779	1,622
Investments	C1-2	11,140	12,122
Receivables	C1-4	4,245	3,657
Inventories	C1-5	977	1,636
Contract assets and contract cost assets	C1-6	–	29
Other		160	109
Total current assets		<u>19,301</u>	<u>19,175</u>
Non-current assets			
Investments	C1-2	2,500	–
Infrastructure, property, plant and equipment	C1-7	235,060	229,070
Investments accounted for using the equity method	D2-1	209	204
Total non-current assets		<u>237,769</u>	<u>229,274</u>
Total assets		<u>257,070</u>	<u>248,449</u>
LIABILITIES			
Current liabilities			
Payables	C3-1	2,809	2,410
Contract liabilities	C3-2	2,160	2,020
Borrowings	C3-3	364	355
Employee benefit provisions	C3-4	3,816	3,975
Total current liabilities		<u>9,149</u>	<u>8,760</u>
Non-current liabilities			
Borrowings	C3-3	1,885	2,249
Employee benefit provisions	C3-4	69	54
Total non-current liabilities		<u>1,954</u>	<u>2,303</u>
Total liabilities		<u>11,103</u>	<u>11,063</u>
Net assets		<u>245,967</u>	<u>237,386</u>
EQUITY			
Accumulated surplus	C4-1	102,742	94,385
IPPE revaluation reserve	C4-1	143,225	143,001
Council equity interest		<u>245,967</u>	<u>237,386</u>
Total equity		<u>245,967</u>	<u>237,386</u>

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

Temora Shire Council

Statement of Changes in Equity

for the year ended 30 June 2021

\$ '000	Notes	as at 30/06/21			as at 30/06/20		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
Opening balance at 1 July		94,385	143,001	237,386	89,345	126,515	215,860
Changes due to AASB 1058 and AASB 15 adoption		–	–	–	(318)	–	(318)
Restated opening balance		94,385	143,001	237,386	89,027	126,515	215,542
Net operating result for the year		8,357	–	8,357	5,352	–	5,352
Restated net operating result for the period		8,357	–	8,357	5,352	–	5,352
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	–	864	864	–	16,486	16,486
Impairment (loss) reversal / (revaluation decrement) relating to infrastructure, property, plant and equipment	C1-7	–	(640)	(640)	–	–	–
Joint ventures and associates	D2-1	–	–	–	6	–	6
Other comprehensive income		–	224	224	6	16,486	16,492
Total comprehensive income		8,357	224	8,581	5,358	16,486	21,844
Closing balance at 30 June		102,742	143,225	245,967	94,385	143,001	237,386

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

Temora Shire Council

Statement of Cash Flows

for the year ended 30 June 2021

Original unaudited budget 2021	\$ '000	Notes	Actual 2021	Actual 2020
Cash flows from operating activities				
<i>Receipts:</i>				
5,838	Rates and annual charges		5,859	5,627
8,204	User charges and fees		10,972	10,248
191	Investment and interest revenue received		179	236
14,477	Grants and contributions		14,695	12,141
–	Bonds, deposits and retention amounts received		10	5
901	Other		2,350	2,169
<i>Payments:</i>				
(8,749)	Employee benefits and on-costs		(9,162)	(8,669)
(8,482)	Materials and services		(11,164)	(7,231)
(55)	Borrowing costs		(61)	(54)
(608)	Other		(821)	(2,262)
11,717	Net cash flows from operating activities	G1-1	12,857	12,210
Cash flows from investing activities				
<i>Receipts:</i>				
600	Sale of investment securities		–	3,079
375	Sale of real estate assets		1,081	266
145	Sale of infrastructure, property, plant and equipment		653	132
357	Deferred debtors receipts		172	11
<i>Payments:</i>				
–	Purchase of investment securities		–	(6,493)
–	Acquisition of term deposits		(1,518)	–
(11,145)	Purchase of infrastructure, property, plant and equipment		(11,590)	(9,129)
(1,257)	Purchase of real estate assets		(143)	(29)
(350)	Deferred debtors and advances made		–	(167)
(11,275)	Net cash flows from investing activities		(11,345)	(12,330)
Cash flows from financing activities				
<i>Receipts:</i>				
1,000	Proceeds from borrowings		–	1,000
<i>Payments:</i>				
(325)	Repayment of borrowings		(355)	(230)
675	Net cash flows from financing activities		(355)	770
1,117	Net change in cash and cash equivalents		1,157	650
2,719	Cash and cash equivalents at beginning of year		1,622	972
3,836	Cash and cash equivalents at end of year	C1-1	2,779	1,622
7,819	plus: Investments on hand at end of year	C1-2	13,640	12,122
11,655	Total cash, cash equivalents and investments		16,419	13,744

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

Temora Shire Council

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Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 16 September 2021. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993* (Act) and *Local Government (General) Regulation 2005* (Regulation), 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.

Historical cost convention

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

Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

Covid 19 Impacts

Covid-19 caused some disruption to council's business practices throughout the 2021 financial year. All staff returned to their respective offices after restrictions were eased, as working from home was no longer required. Council continued to incur costs in relation to cleaning, sanitation and PPE.

While restrictions eased during the early stages of the 2021 financial year, social distancing requirements and maximum capacity limits meant that a number of our facilities were not operating at full capacity for much of the 2021 financial year. The most severely impacted facilities were the Town Hall Theatre and the Temora Memorial Town Hall. These amounts were immaterial individually & collectively.

Council received additional grant income to support Council and economic recovery. The funding programs included Local Roads & Community Infrastructure, Boosting Apprenticeship Commencements and Supporting Apprentices and Trainees wage subsidy. During 2020/21 these additional grants totalled \$1.21 million.

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

A1-1 Basis of preparation (continued)

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

Significant judgements in applying the Council's accounting policies

(i) Impairment of receivables

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

Monies and other assets received by Council

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

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.

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

A1-1 Basis of preparation (continued)

Volunteer services

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

New accounting standards and interpretations issued not yet effective

New accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations (ie. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for 30 June 2021 reporting period.

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

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

New accounting standards adopted during the year

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

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

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

B Financial Performance

B1 Functions or activities

B1-1 Functions or activities – income, expenses and assets

Income, expenses and assets have been directly attributed to the following functions or activities. Details of those functions or activities are provided in Note B1-2.

\$ '000	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Functions or activities										
Retaining our Quality of Life	8,348	6,534	10,145	8,236	(1,797)	(1,702)	1,538	1,454	139,497	137,672
Engaging & Supporting the Community	1,253	1,461	2,698	2,497	(1,445)	(1,036)	699	887	15,678	15,282
Building our Shire's Economy	6,550	6,668	5,295	4,887	1,255	1,781	1,744	1,924	28,459	28,521
Preserving our Beautiful Surrounds	1,315	1,422	1,886	1,858	(571)	(436)	356	540	13,208	11,061
Embracing & Developing Aviation	1,442	1,506	384	322	1,058	1,184	1,297	1,399	6,148	4,743
Enhancing our Agricultural Wealth	5,157	2,386	2,225	2,156	2,932	230	4,477	2,164	49,454	46,884
Administration & General Purpose	9,289	7,934	2,364	2,603	6,925	5,331	5,192	3,648	4,626	4,286
Total functions and activities	33,354	27,911	24,997	22,559	8,357	5,352	15,303	12,016	257,070	248,449

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

B1-2 Components of functions or activities

Details relating to the Council's functions or activities as reported in B1-1 are as follows:

Retaining our Quality of Life

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

Engaging & Supporting the Community

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

Building our Shire's Economy

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

Preserving our Beautiful Surrounds

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

Embracing & Developing Aviation

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

Enhancing our Agricultural Wealth

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

Administration & General Purpose

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

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	2021	2020
Ordinary rates		
Residential	1,611	1,553
Farmland	1,945	1,905
Business	516	508
Less: pensioner rebates (mandatory)	(59)	(61)
Less: pensioner rebates (Council policy)	(49)	(50)
Rates levied to ratepayers	3,964	3,855
Pensioner rate subsidies received	60	61
Total ordinary rates	4,024	3,916
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	555	543
Stormwater management services	49	49
Sewerage services	1,097	1,044
Waste management services (non-domestic)	119	111
Less: pensioner rebates (mandatory)	(45)	(45)
Less: pensioner rebates (Council policy)	(37)	(36)
Annual charges levied	1,738	1,666
Pensioner subsidies received:		
– Sewerage	23	23
– Domestic waste management	22	22
Total annual charges	1,783	1,711
Total rates and annual charges	5,807	5,627

Council has used 2019 year valuations provided by the NSW Valuer General in calculating its rates.

Accounting policy

Rates and annual charges are recognised as revenue at the beginning of the rating period to which they relate. Prepaid rates are recognised as a financial liability until the beginning of the rating period.

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

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates and are recognised within the underlying revenue item based on their substance.

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

B2-2 User charges and fees

\$ '000	Timing	2021	2020
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Domestic waste management services	2	108	94
Sewerage services	2	17	17
Waste management services (non-domestic)	2	50	47
Total specific user charges		175	158
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Planning and building regulation	2	253	133
Private works – section 67	2	162	62
Section 10.7 certificates (EP&A Act)	2	13	12
Section 603 certificates	2	20	13
Total fees and charges – statutory/regulatory		448	220
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome	2	41	30
Caravan park	2	158	108
Cemeteries	2	107	108
Transport for NSW works (state roads not controlled by Council)	2	3,576	4,276
Swimming centres	2	199	160
Animal control	2	3	3
Cinema	2	56	94
Community Technology Centre – printing and laminating	2	3	2
Cultural Groups	2	3	2
Frail and aged	2	5,467	3,777
Sports stadium	2	12	8
Tourism information centre	2	17	15
Other		2	3
Total fees and charges – other		9,644	8,586
Total user charges and fees		10,267	8,964
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time (1)		–	–
User charges and fees recognised at a point in time (2)		10,267	8,964
Total user charges and fees		10,267	8,964

Accounting policy

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

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

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

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

B2-3 Other revenue

\$ '000	Timing	2021	2020
Legal fees recovery – rates and charges (extra charges)	2	4	5
Diesel rebate	2	105	84
Insurance claims recoveries	2	–	13
Commissions and agency fees – Service NSW	2	143	128
Reimbursement from Service NSW – travel and training costs	2	–	1
Donations	2	47	103
Gravel royalties	2	3	1
Risk management bonus	2	33	48
Agricultural Innovation Centre revenues	2	623	164
Youth Activities	2	1	–
Other	2	3	18
Sale of Gravel	2	34	109
Reimbursement from RFS	2	–	2
Total other revenue		996	676

Timing of revenue recognition for other revenue

Other revenue recognised over time (1)	–	–
Other revenue recognised at a point in time (2)	996	676
Total other revenue	996	676

Accounting policy for other revenue

Where the revenue is earned for the provision of specified goods / services under an enforceable contract, revenue is recognised when or as the obligations are satisfied.

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

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

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

B2-4 Grants and contributions

\$ '000	Timing	Operating 2021	Operating 2020	Capital 2021	Capital 2020
General purpose grants and non-developer contributions (untied)					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	2	1,188	1,113	–	–
Financial assistance – local roads component	2	709	649	–	–
Payment in advance - future year allocation					
Financial assistance – general component	2	1,270	1,215	–	–
Financial assistance – local roads component	2	762	653	–	–
Amount recognised as income during current year		3,929	3,630	–	–
Special purpose grants and non-developer contributions (tied)					
Cash contributions					
Previously specific grants:					
Pensioners' rates subsidies:					
Aerodrome Upgrades	1	–	–	1,297	1,399
Aged Services	2	798	822	–	–
Bundawarrah Centre	1	–	–	7	3
Bushfire and emergency services	2	300	315	–	–
Companion Animals	2	–	4	–	–
Crown Lands Plans of Management	2	41	9	–	–
Disability Services	2	25	29	–	–
Drought Communities Program - Community Projects	1	66	381	–	–
Drought Communities Program - Council Projects	1	–	52	805	698
Economic development	1	–	20	–	–
Employment and training programs	2	207	8	–	–
Environmental Protection	2	–	1	–	–
Everyone Can Play	1	–	–	7	7
Flood Study Grant	2	55	43	–	–
Heritage and cultural	2	36	12	–	–
Library	2	76	77	17	–
Local Roads & Community Infrastructure Funding	1	–	–	1,015	–
Other specific grants	2	–	1	–	–
Noxious weeds	2	53	53	–	–
RFS Community Engagement Centre	2	7	–	–	–
Road Safety Officer	2	96	41	–	–
Street lighting	2	41	41	–	–
Stronger Country Communities Fund - Ariaiah Park Pool/Skate Park	1	–	–	100	33
Stronger Country Communities Fund – Ariaiah Park Rec Ground Toilet Upgrade	1	–	–	–	5
Stronger Country Communities Fund - Coolamon St Central Island Upgrade	1	–	–	17	28
Stronger Country Communities Fund - Lake Centenary Play Equipment	1	–	–	3	121
Stronger Country Communities Fund - Gloucester Park Play Equipment	1	–	–	86	68
Stronger Country Communities Fund - Di Boom Netball Complex Resurfacing	1	–	–	–	76

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

B2-4 Grants and contributions (continued)

\$ '000	Timing	Operating 2021	Operating 2020	Capital 2021	Capital 2020
Stronger Country Communities Fund - Nixon Park Upgrades	1	–	–	124	265
Stronger Country Communities Fund - Temora Golf Club Irrigation	1	–	39	–	–
Stronger Country Communities Fund - Temora Town Entrance Beautification	1	–	105	–	–
Stronger Country Communities Fund – Town Hall Upgrade	1	–	–	–	198
Stronger Country Communities Fund - Waterslide		–	–	400	–
Transport (flood damage)	2	117	–	–	–
Transport (fixing country roads)	1	–	–	2,403	926
Transport (regional roads block grant)	2	274	122	440	592
Transport (repair program)	2	–	–	135	130
Transport (roads to recovery)	2	1,239	1,239	–	–
Transport (fixing local roads)		–	–	718	–
Kerb and gutter		–	–	24	–
Youth services	2	20	–	–	–
Previously contributions:					
Other contributions		–	–	1	–
Emergency Services Levy	2	136	54	–	–
Drainage	2	–	5	–	–
Economic Development	1	25	18	–	–
Footpath contributions	2	–	4	–	25
Temora West Sports Ground Amenities - Temora United Soccer Club	1	–	–	3	–
Nixon Park	1	–	–	–	90
Ariah Park Skate Park Upgrade - Ariah Park School	1	–	–	–	1
Medical Complex - Solar Panels	2	–	–	–	14
CMCA - Ariah Park Sewer Dump Point	1	–	–	–	9
CMCA - Free Camp Establishment - Pinney Park	1	–	–	–	7
Di Boom Netball Complex Resurfacing	1	–	–	–	78
Quota - Flying Fox	1	–	–	–	2
Planning	1	49	–	–	–
Ariah Park Pool	1	–	–	20	–
Total special purpose grants and non-developer contributions – cash		3,661	3,495	7,622	4,775
Total special purpose grants and non-developer contributions (tied)		3,661	3,495	7,622	4,775
Total grants and non-developer contributions		7,590	7,125	7,622	4,775
Comprising:					
– Commonwealth funding		6,259	5,302	3,124	2,002
– State funding		1,326	1,737	4,450	2,449
– Other funding		5	86	48	324
		7,590	7,125	7,622	4,775

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

B2-4 Grants and contributions (continued)

Developer contributions

\$ '000	Notes	Timing	Operating 2021	Operating 2020	Capital 2021	Capital 2020
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):	G3					
Cash contributions						
S 7.12 – fixed development consent levies		2	–	–	91	116
Total developer contributions – cash			–	–	91	116
Total developer contributions			–	–	91	116
Total contributions			–	–	91	116
Total grants and contributions			7,590	7,125	7,713	4,891

Timing of revenue recognition for grants and contributions

Grants and contributions recognised over time (1)	–	–	–	–
Grants and contributions recognised at a point in time (2)	7,590	7,125	7,713	4,891
Total grants and contributions	7,590	7,125	7,713	4,891

Unspent grants and contributions

Certain grants and contributions are obtained by Council on the condition they be spent in a specified manner or in a future period but which are not yet spent in accordance with those conditions are as follows:

\$ '000	Operating 2021	Operating 2020	Capital 2021	Capital 2020
Unspent grants and contributions				
Unspent funds at 1 July	1,985	1,495	–	–
Add: Funds received and not recognised as revenue in the current year	1,170	1,667	–	–
Less: Funds received in prior year but revenue recognised and funds spent in current year	(1,035)	(1,177)	–	–
Unspent funds at 30 June	2,120	1,985	–	–
Contributions				
Add: contributions received and not recognised as revenue in the current year	37	–	–	–
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	–	–	–	–
Unspent contributions at 30 June	37	–	–	–

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

B2-4 Grants and contributions (continued)

Accounting policy

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.

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

B2-5 Interest and investment income

\$ '000	2021	2020
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	7	12
– Cash and investments	137	210
Total interest and investment income (losses)	144	222
Interest and investment income is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	5	12
Restricted investments/funds – external:		
Sewerage fund operations	23	34
Domestic waste management operations	8	21
Other externally restricted assets	22	36
Restricted investments/funds – internal:		
Internally restricted assets	86	119
Total interest and investment income	144	222

Accounting policy

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

B2-6 Other income

\$ '000	Notes	2021	2020
Rental income			
Other lease income			
Room/Facility Hire		219	221
Leaseback fees - council vehicles		32	39
Aerodrome Hangars		9	8
Sporting Grounds		10	9
Vacant Land		4	5
Total Other lease income		274	282
Total rental income	C2-2	274	282
Net share of interests in joint ventures and associates using the equity method			
Joint ventures		5	3
Total net share of interests in joint ventures and associates using the equity method	D2-1	5	3
Total other income		279	285

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2021	2020
Salaries and wages	8,106	7,341
Employee termination costs	11	–
Employee leave entitlements (ELE)	799	885
ELE on-costs	14	(10)
Superannuation	877	832
Workers' compensation insurance	167	134
Fringe benefit tax (FBT)	51	60
Training costs (other than salaries and wages)	105	80
Staff uniforms and safety clothing	22	16
Total employee costs	10,152	9,338
Less: capitalised costs	(1,094)	(927)
Total employee costs expensed	9,058	8,411
Number of 'full-time equivalent' employees (FTE) at year end	119	112

Accounting policy

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.

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

B3-2 Materials and services

\$ '000	Notes	2021	2020
Previously other expenses:			
Raw materials and consumables		9,817	6,735
Contractor and consultancy costs		7,636	6,011
Audit Fees	F2-1	34	30
Councillor and Mayoral fees and associated expenses	F1-2	145	151
Advertising		39	63
Bank charges		25	25
Cleaning		175	166
Electricity and heating		231	277
Insurance		463	410
Office expenses (including computer expenses)		355	499
Postage & Freight		78	54
Printing and stationery		52	55
Street lighting		101	147
Subscriptions and publications		57	82
Telephone and communications		106	111
Valuation fees		30	29
Conferences		2	7
Water		102	159
Legal expenses:			
– Legal expenses: debt recovery		3	3
– Legal expenses: other		28	16
Expenses from short-term leases		21	25
Expenses from leases of low value assets		48	51
Expenses from Peppercorn leases		2	1
Variable lease expense relating to usage		7	3
Total materials and services		19,557	15,110
Less: capitalised costs		(10,386)	(7,073)
Total materials and services		9,171	8,037

Accounting policy

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

B3-3 Borrowing costs

\$ '000	2021	2020
(i) Interest bearing liability costs		
Interest on loans	59	55
Total interest bearing liability costs	59	55
Total interest bearing liability costs expensed	59	55
Total borrowing costs expensed	59	55

Accounting policy

Borrowing costs are expensed when incurred.

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

B3-4 Depreciation, amortisation and impairment of non-financial assets

\$ '000	Notes	2021	2020
Depreciation and amortisation			
Plant and equipment		727	761
Office equipment		61	46
Furniture and fittings		35	32
Land improvements (depreciable)		6	27
Infrastructure:	C1-7		
– Buildings – non-specialised		307	296
– Buildings – specialised		789	723
– Other structures		126	96
– Roads (incl Kerb & Gutter)		2,795	2,511
– Bridges		185	115
– Footpaths		90	108
– Stormwater drainage		118	125
– Sewerage network		189	231
– Swimming pools		56	56
– Other open space/recreational assets		206	95
– Other infrastructure		150	53
Leasehold improvements		36	29
Other assets:			
– Other		111	172
Total gross depreciation and amortisation costs		<u>5,987</u>	<u>5,476</u>
Total depreciation and amortisation costs		<u>5,987</u>	<u>5,476</u>
Impairment / revaluation decrement of IPPE			
Infrastructure:	C1-7		
– Roads (incl Kerb & Gutter)		640	–
Total gross IPPE impairment / revaluation decrement costs		<u>640</u>	<u>–</u>
Amounts taken through revaluation reserve	C1-7	(640)	–
Total IPPE impairment / revaluation decrement costs charged to Income Statement		<u>–</u>	<u>–</u>
Total depreciation, amortisation and impairment for non-financial assets		<u>5,987</u>	<u>5,476</u>

Accounting policy

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 not tested for impairment since 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.

Intangible assets 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 non-financial 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

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

B3-4 Depreciation, amortisation and impairment of non-financial assets (continued)

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).

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.

B3-5 Other expenses

\$ '000	Notes	2021	2020
Impairment of receivables			
Other		2	9
Total impairment of receivables	C1-4	2	9
Other			
Contributions/levies to other levels of government			
– Bushfire fighting fund		433	303
– Emergency services levy (includes FRNSW, SES, and RFS levies)		12	10
– NSW fire brigade levy		42	37
Donations, contributions and assistance to other organisations (Section 356)		233	221
Total other		720	571
Total other expenses		722	580

Accounting policy

Other expenses are recorded on an accruals basis when Council has an obligation for the expenses.

Impairment expenses are recognised when identified.

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

B4 Gains or losses

B4-1 Gain or loss from the disposal, replacement and de-recognition of assets

\$ '000	Notes	2021	2020
Gain (or loss) on disposal of property (excl. investment property)			
Proceeds from disposal – property		332	7
Less: carrying amount of property assets sold/written off		(333)	(10)
Gain (or loss) on disposal		(1)	(3)
Gain (or loss) on disposal of plant and equipment			
	C1-7		
Proceeds from disposal – plant and equipment		321	125
Less: carrying amount of plant and equipment assets sold/written off		(140)	(76)
Gain (or loss) on disposal		181	49
Gain (or loss) on disposal of real estate assets held for sale			
	C1-5		
Proceeds from disposal – real estate assets		1,081	266
Less: carrying amount of real estate assets sold/written off		(703)	(191)
Gain (or loss) on disposal		378	75
Gain (or loss) on disposal of investments			
	C1-2		
Proceeds from disposal/redemptions/maturities – investments		1,518	3,079
Less: carrying amount of investments sold/redeemed/matured		(1,518)	(3,079)
Gain (or loss) on disposal		–	–
Net gain (or loss) on disposal of assets		558	121

Accounting policy

Gains and losses on disposals are determined by comparing proceeds with carrying amount. 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.

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 18/06/2020 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

While these General Purpose Financial Statements include the original budget adopted by Council, the Act requires Council to review its financial budget on a quarterly basis, so it is able to manage the variation between actuals and budget that invariably occur during the year.

Material variations of more than 10% between original budget and actual results or where the variance is considered material by nature are explained below.

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

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
REVENUES				
Rates and annual charges	5,844	5,807	(37)	(1)% U
User charges and fees	8,346	10,267	1,921	23% F
User fees & charges for frail and aged were \$1.179m over budget. Council's estimate is very conservative given the unpredictable nature of packaged funding arrangements such as NDIS and Home Care. Other favourable variations include private works (\$57k), caravan parks (\$43k), swimming centres (\$38k) and cemeteries (\$35k) and building and planning regulation (\$125k).				
User fees and charges for the cinema were \$70k below budget. Maximum capacity restrictions due to Covid-19 were the main cause of this variation.				
Other revenues	635	996	361	57% F
Revenue from the Agricultural Innovation Centre were \$272k over budget due to a successful harvest and the implications of a new partnership agreement taking effect. Council was also in receipt of donations (\$47k) and a risk management bonus (\$33k) which were unbudgeted.				
Operating grants and contributions	8,753	7,590	(1,163)	(13)% U
At time of budget preparation Drought Communities Funding was classified as operating, however \$805k was classified as capital in accordance with how the funds were spent. Similarly, at time of budget preparation Council's entire Regional Roads program allocation of \$1.238m was classified as operating. In 2021 \$575k was classified as capital in accordance with how the funds were spent.				
Capital grants and contributions	5,683	7,713	2,030	36% F
Grants for aerodrome upgrades were budgeted in 2020FY with works being carried out over multiple financial years. Drought Communities Funding of \$805k and Local Roads & Community Infrastructure funding of \$1,015k were received unbudgeted. Fixing Country Roads funding of \$2.403m was received being \$661k more than anticipated. At the time of budget preparation Council's entire regional roads program allocation was classified as operating due to the uncertainty regarding the allocation of expenditure. In 2021 \$575k was classified as capital.				
Partially offsetting these favourable variances, \$1.231m grant for airport upgrades was not forthcoming, while Fixing Local Roads funding was \$308k less than budget forecasts. The library infrastructure grant of \$189k was received, however only \$17k was spent at year end.				
Interest and investment revenue	193	144	(49)	(25)% U
Interest revenues are lower than anticipated due to the significant fall in interest rates.				
Net gains from disposal of assets	124	558	434	350% F
Council forecast the sale of four parcels of land at the airpark estate, but actually sold nine. Council also sold its industrial				

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

B5-1 Material budget variations (continued)

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
land, and two residential properties which were not included in the budget forecasts.				
Other income	255	279	24	9% F
EXPENSES				
Employee benefits and on-costs	8,774	9,058	(284)	(3)% U
Materials and services	8,611	9,171	(560)	(7)% U
Borrowing costs	63	59	4	6% F
Depreciation, amortisation and impairment of non-financial assets	5,506	5,987	(481)	(9)% U
The impact on depreciation following the revaluation of assets was not adequately budgeted.				
Other expenses	608	722	(114)	(19)% U
This variation is due to the increase in the Emergency Services Levy.				
STATEMENT OF CASH FLOWS				
Cash flows from operating activities	11,717	12,857	1,140	10% F
Income exceeded budget.				
Cash flows from investing activities	(11,275)	(11,345)	(70)	1% U
Cash flows from financing activities	675	(355)	(1,030)	(153)% U
Council's 2021 budget included the draw down of a loan for the supported independent living house. However, this occurred late in the 2020 financial year.				

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

\$ '000	2021	2020
Cash and cash equivalents		
Cash on hand and at bank	2,779	1,619
Cash-equivalent assets		
– Deposits at call	–	3
Total cash and cash equivalents	<u>2,779</u>	<u>1,622</u>

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	2,779	1,622
Balance as per the Statement of Cash Flows	<u>2,779</u>	<u>1,622</u>

Accounting policy

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.

C1-2 Financial investments

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Debt securities at amortised cost				
Long term deposits	11,140	2,500	12,122	–
Total	<u>11,140</u>	<u>2,500</u>	<u>12,122</u>	<u>–</u>
Total financial investments	<u>11,140</u>	<u>2,500</u>	<u>12,122</u>	<u>–</u>
Total cash assets, cash equivalents and investments	<u>13,919</u>	<u>2,500</u>	<u>13,744</u>	<u>–</u>

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

C1-2 Financial investments (continued)

Accounting policy

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

Council's financial assets measured at amortised cost comprise trade and other receivables, term deposits and cash and cash equivalents in the Statement of Financial Position. Term deposits with an initial term of more than 3 months are classified as investments rather than cash and cash equivalents.

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.

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

C1-3 Restricted cash, cash equivalents and investments

\$ '000	2021		2020	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	13,919	2,500	13,744	–
attributable to:				
External restrictions	3,224	2,500	5,170	–
Internal restrictions	10,475	–	8,104	–
Unrestricted	220	–	470	–
	13,919	2,500	13,744	–

\$ '000	2021	2020
---------	------	------

Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended grants – general fund	2,120	1,985
External restrictions – included in liabilities	2,120	1,985

External restrictions – other

External restrictions included in cash, cash equivalents and investments above comprise:

Developer contributions – general	187	96
Sewer fund	2,370	2,085
Stormwater management	220	181
Domestic waste management	827	823
External restrictions – other	3,604	3,185
Total external restrictions	5,724	5,170

Internal restrictions

Council has internally restricted cash, cash equivalents and investments as follows:

Plant and vehicle replacement	449	447
Infrastructure replacement	1,063	854
Employees leave entitlement	1,767	1,379
Carry over works	589	521
355 Committees Unexpended Funds	59	52
Airside Maintenance	68	34
Computer Upgrade	185	213
Financial Assistance Grants Received in Advance	2,032	1,868
Gravel royalty	557	307
Industrial development	338	198
Izumizaki donation	2	2
Local roads reserve	8	417
Medical complex	20	18
Other Equipment Reserve	50	35
Other Waste Management	442	440
Pinnacle unrestricted reserves	2,316	818
Roads reserve	500	500
Other	30	1
Total internal restrictions	10,475	8,104
Total restrictions	16,199	13,274

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

C1-3 Restricted cash, cash equivalents and investments (continued)

Internal restrictions over cash, cash equivalents and investments are those assets restricted only by a resolution of the elected Council.

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

C1-4 Receivables

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Purpose				
Rates and annual charges	191	–	219	–
Interest and extra charges	9	–	10	–
User charges and fees	632	–	599	–
Accrued revenues				
– Interest on investments	33	–	67	–
– Other income accruals	377	–	118	–
Deferred debtors	–	–	172	–
Government grants and subsidies	2,816	–	2,334	–
Net GST receivable	163	–	135	–
Other debtors	38	–	15	–
Total	4,259	–	3,669	–
Less: provision of impairment				
User charges and fees	(14)	–	(12)	–
Total provision for impairment – receivables	(14)	–	(12)	–
Total net receivables	4,245	–	3,657	–
Externally restricted receivables				
Sewerage services				
– Rates and availability charges	51	–	53	–
– Other	2,481	–	1,899	–
Domestic waste management	32	–	36	–
Total external restrictions	2,564	–	1,988	–
Unrestricted receivables	1,681	–	1,669	–
Total net receivables	4,245	–	3,657	–

\$ '000	2021	2020
Movement in provision for impairment of receivables		
Balance at the beginning of the year	12	3
+ new provisions recognised during the year	2	9
Balance at the end of the year	14	12

Accounting policy

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.

Impairment

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

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, and when estimating ECL, the Council considers reasonable and supportable information that is relevant and available without undue

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

C1-4 Receivables (continued)

cost or effort. This includes both quantitative and qualitative information and analysis based on Council's historical experience and informed credit assessment, and including forward-looking information.

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

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

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

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

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

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

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

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

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

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

Rates and annual charges outstanding are secured against the property.

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

C1-5 Inventories

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
(i) Inventories at cost				
Real estate for resale	616	–	1,176	–
Stores and materials	361	–	460	–
Total inventories at cost	977	–	1,636	–
Total inventories	977	–	1,636	–

Externally restricted assets

There are no restrictions applicable to the above assets.

(i) Other disclosures

\$ '000	Notes	2021 Current	2021 Non-current	2020 Current	2020 Non-current
(a) Details for real estate development					
Residential		616	–	1,064	–
Industrial/commercial		–	–	112	–
Total real estate for resale		616	–	1,176	–
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition & development costs		616	–	1,176	–
Total costs		616	–	1,176	–
Total real estate for resale		616	–	1,176	–
Movements:					
Real estate assets at beginning of the year		1,176	–	1,338	–
– Purchases and other costs		143	–	29	–
– WDV of sales (expense)	B4-1	(703)	–	(191)	–
Total real estate for resale		616	–	1,176	–

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

C1-5 Inventories (continued)

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

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

\$ '000	2021	2020
Real estate for resale	616	847
	616	847

Accounting policy

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

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.

C1-6 Contract assets and Contract cost assets

\$ '000	Notes	2021	2020
Contract assets	C1-6	–	29
Total contract assets and contract cost assets		–	29

Contract assets

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Other Grants	–	–	29	–
Total contract assets	–	–	29	–

Accounting policy

Contract assets

Contract assets represent Councils right to payment in exchange for goods or services the Council has transferred to a customer when that right is conditional on something other than the passage of time.

Contract assets arise when the amounts billed to customers are based on the achievement of various milestones established in the contract and therefore the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer. Once an invoice or payment claim is raised or the relevant milestone is reached, Council recognises a receivable.

Impairment of contract assets is assessed using the simplified expected credit loss model where lifetime credit losses are recognised on initial recognition.

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

C1-7 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period								At 30 June 2021		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in equity)	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000														
Capital work in progress	845	–	845	187	26	–	–	–	(816)	–	–	242	–	242
Plant and equipment	9,514	(4,965)	4,549	1,067	1	(215)	(727)	–	1	5	–	9,692	(5,011)	4,681
Office equipment	492	(292)	200	22	39	–	(61)	–	–	–	–	553	(353)	200
Furniture and fittings	381	(248)	133	31	21	–	(35)	–	2	–	–	435	(283)	152
Land:														
– Operational land	3,019	–	3,019	–	–	(167)	–	–	–	–	–	2,852	–	2,852
– Community land	2,911	–	2,911	–	–	–	–	–	–	–	760	3,671	–	3,671
Land improvements – depreciable	776	(236)	540	6	29	(13)	(6)	–	–	(498)	–	80	(22)	58
Infrastructure:														
– Buildings – non-specialised	14,175	(7,740)	6,435	16	404	(71)	(307)	–	229	35	–	14,622	(7,881)	6,741
– Buildings – specialised	29,671	(13,311)	16,360	483	22	–	(789)	–	149	34	–	30,370	(14,111)	16,259
– Other structures	2,194	(1,074)	1,120	–	42	(2)	(126)	–	3	111	–	2,357	(1,209)	1,148
– Roads	154,728	(68,854)	85,874	5,734	115	–	(2,795)	(640)	23	–	–	160,600	(72,289)	88,311
– Bridges	18,453	(4,668)	13,785	–	122	–	(185)	–	–	–	–	18,574	(4,852)	13,722
– Footpaths	6,706	(1,796)	4,910	44	26	–	(90)	–	–	–	–	6,776	(1,886)	4,890
– Bulk earthworks (non-depreciable)	61,275	–	61,275	–	–	–	–	–	–	–	–	61,275	–	61,275
– Stormwater drainage	11,449	(5,002)	6,447	1	655	–	(118)	–	402	–	–	12,507	(5,120)	7,387
– Sewerage network	20,278	(8,274)	12,004	85	160	–	(189)	–	–	(641)	104	19,437	(7,914)	11,523
– Swimming pools	2,196	(1,116)	1,080	–	–	–	(56)	–	–	–	–	2,196	(1,172)	1,024
– Other open space/recreational assets	2,001	(740)	1,261	422	586	–	(206)	–	–	1,082	–	4,863	(1,718)	3,145
– Other infrastructure	5,084	(652)	4,432	1,765	59	–	(150)	–	7	721	–	7,946	(1,112)	6,834
Leasehold improvements	440	(130)	310	–	–	–	(36)	–	–	6	–	548	(268)	280
Other assets:														
– Library books	61	(22)	39	–	–	–	–	–	–	(39)	–	–	–	–
– Other	2,528	(987)	1,541	14	45	(8)	(111)	–	–	(816)	–	1,205	(540)	665
Total infrastructure, property, plant and equipment	349,177	(120,107)	229,070	9,877	2,352	(476)	(5,987)	(640)	–	–	864	360,801	(125,741)	235,060

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

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

C1-7 Infrastructure, property, plant and equipment (continued)

By aggregated asset class	At 1 July 2019			Asset movements during the reporting period								At 30 June 2020		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Other movements (Assets Written Off)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000														
Capital work in progress	995	–	995	570	244	–	–	(865)	–	(99)	–	845	–	845
Plant and equipment	8,911	(4,452)	4,459	860	65	(74)	(761)	–	–	–	–	9,514	(4,965)	4,549
Office equipment	518	(396)	122	44	80	–	(46)	–	–	–	–	492	(292)	200
Furniture and fittings	361	(216)	145	4	16	–	(32)	–	–	–	–	381	(248)	133
Land:														
– Operational land	2,950	–	2,950	–	74	(5)	–	–	–	–	–	3,019	–	3,019
– Community land	2,911	–	2,911	–	–	–	–	–	–	–	–	2,911	–	2,911
Land improvements – depreciable	571	(208)	363	194	8	–	(27)	2	–	–	–	776	(236)	540
Infrastructure:														
– Buildings – non-specialised	13,738	(7,452)	6,286	–	445	–	(296)	–	–	–	–	14,175	(7,740)	6,435
– Buildings – specialised	27,896	(12,588)	15,308	824	129	–	(723)	822	–	–	–	29,671	(13,311)	16,360
– Other structures	2,160	(968)	1,192	–	14	–	(96)	–	10	–	–	2,194	(1,074)	1,120
– Roads	144,396	(59,560)	84,836	1,200	1,752	(5)	(2,511)	2	–	–	600	154,728	(68,854)	85,874
– Bridges	9,658	(2,156)	7,502	–	–	–	(115)	–	1,827	–	4,571	18,453	(4,668)	13,785
– Footpaths	4,992	(1,543)	3,449	–	307	–	(108)	–	(194)	–	1,456	6,706	(1,796)	4,910
– Bulk earthworks (non-depreciable)	51,007	–	51,007	–	–	–	–	–	–	–	10,268	61,275	–	61,275
– Stormwater drainage	14,338	(5,533)	8,805	29	96	–	(125)	1	(1,837)	–	–	11,449	(5,002)	6,447
– Sewerage network	21,187	(8,040)	13,147	20	36	(2)	(231)	–	(1,079)	–	113	20,278	(8,274)	12,004
– Swimming pools	2,183	(1,060)	1,123	13	–	–	(56)	–	–	–	–	2,196	(1,116)	1,080
– Other open space/recreational assets	1,687	(645)	1,042	153	159	–	(95)	2	–	–	–	2,001	(740)	1,261
– Other infrastructure	1,984	(521)	1,463	1,575	138	–	(53)	36	1,273	–	–	5,084	(652)	4,432
Leasehold improvements	428	(101)	327	–	12	–	(29)	–	–	–	–	440	(130)	310
Other assets:														
– Library books	61	(21)	40	–	–	–	(1)	–	–	–	–	61	(22)	39
– Other	2,437	(816)	1,621	20	71	–	(171)	–	–	–	–	2,528	(987)	1,541
Total infrastructure, property, plant and equipment	315,369	(106,276)	209,093	5,506	3,646	(86)	(5,476)	–	–	(99)	17,008	349,177	(120,107)	229,070

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

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

C1-7 Infrastructure, property, plant and equipment (continued)

Accounting policy

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. Land under roads acquired after 1 July 2008 is recognised in accordance with the IPPE accounting policy.

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

C1-7 Infrastructure, property, plant and equipment (continued)

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".

Council's accounting position on the recognition of Rural Fire Service assets is that Council does not control these assets.

These assets are therefore not recognised in Council's Balance Sheet. 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.

Externally restricted infrastructure, property, plant and equipment

\$ '000	as at 30/06/21			as at 30/06/20		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Sewerage services						
WIP	1	–	1	–	–	–
Plant and equipment	197	76	121	197	56	141
Land						
Infrastructure	19,437	7,914	11,523	20,278	8,274	12,004
Total sewerage services	19,635	7,990	11,645	20,475	8,330	12,145
Domestic waste management						
Plant and equipment	243	23	220	223	152	71
Land						
– Operational land	131	–	131	130	–	130
– Improvements – depreciable	–	–	–	37	8	29
Buildings	83	31	52	83	29	54
Other structures	79	42	37	59	33	26
Infrastructure	37	9	28	–	–	–
Other assets	12	10	2	35	32	3
Total domestic waste management	585	115	470	567	254	313
Total restricted infrastructure, property, plant and equipment	20,220	8,105	12,115	21,042	8,584	12,458

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

Infrastructure, property, plant and equipment – current year impairments

\$ '000	Notes	2021	2020
(i) Impairment losses recognised in the Income Statement:			
– Details of each impaired asset incl. circumstances of impairment		–	–
Total impairment losses		–	–
Impairment of assets – gains/(losses) in P/L			
	B3-4	–	–
(iii) Impairment losses recognised direct to equity (ARR):			
– Road assets were impaired as a result of flood damage		(640)	–
Total impairment losses		(640)	–
Impairment of assets – direct to equity (ARR)		(640)	–

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

C2 Leasing activities

C2-1 Council as a lessee

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

Terms and conditions of leases

Office and IT equipment

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

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

(a) Income Statement

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

\$ '000	2021	2020
Variable lease payments based on usage not included in the measurement of lease liabilities	7	3
Expenses relating to short-term leases	21	25
Expenses relating to low-value leases	48	51
Expenses relating to Peppercorn leases	2	1
	78	80

(b) Statement of Cash Flows

Total cash outflow for leases	82	81
	82	81

(c) Leases at significantly below market value – concessionary / peppercorn leases

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

- Youth Programs
- RV Motorhome Free Camp
- Tourism

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

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

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

C2-1 Council as a lessee (continued)

Accounting policy

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

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

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

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

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

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

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

Exceptions to lease accounting

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

Leases at significantly below market value / Concessionary leases

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

C2-2 Council as a lessor

Operating leases

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

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

\$ '000	2021	2020
(i) Assets held as investment property		
The amounts recognised in the Income Statement relating to operating leases where Council is a lessor are shown below		
(ii) Assets held as property, plant and equipment		
Lease income (excluding variable lease payments not dependent on an index or rate)	274	282
Total income relating to operating leases for Council assets	274	282

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

C2-2 Council as a lessor (continued)

\$ '000	2021	2020
(iii) Maturity analysis of undiscounted lease payments to be received after reporting date for all operating leases:		
Maturity analysis of future lease income receivable showing the undiscounted lease payments to be received after reporting date for operating leases:		
< 1 year	178	204
1–2 years	151	207
2–3 years	140	149
3–4 years	141	140
4–5 years	141	141
> 5 years	141	141
Total undiscounted lease payments to be received	892	982

Accounting policy

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

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

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

The lease income is recognised on a straight-line basis over the lease term for an operating lease and as finance income using amortised cost basis for finance leases.

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

C3 Liabilities of Council

C3-1 Payables

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Payables				
Prepaid rates	108	–	84	–
Goods and services – operating expenditure	1,160	–	1,507	–
Goods and services – capital expenditure	955	–	319	–
Accrued expenses:				
– Borrowings	11	–	13	–
– Salaries and wages	347	–	279	–
– Other expenditure accruals	28	–	18	–
Security bonds, deposits and retentions	200	–	190	–
Total payables	2,809	–	2,410	–
Total payables	2,809	–	2,410	–

Payables relating to restricted assets

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

Accounting policy

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

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

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

C3-2 Contract Liabilities

\$ '000	Notes	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	634	–	430	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	35	–	454	–
Unexpended capital contributions (to construct Council controlled assets)	(i)	37	–	–	–
Total grants received in advance		706	–	884	–
User fees and charges received in advance:					
Other		2	–	–	–
Homecare Packages	(iii)	1,452	–	1,136	–
Total user fees and charges received in advance		1,454	–	1,136	–
Total contract liabilities		2,160	–	2,020	–

Notes

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

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

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

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Unspent grants held as contract liabilities (excl. Water & Sewer)	2,120	–	1,985	–
Contract liabilities relating to externally restricted assets	2,120	–	1,985	–
Total contract liabilities relating to restricted assets	2,120	–	1,985	–
Total contract liabilities relating to unrestricted assets	40	–	35	–

Significant changes in contract liabilities

The increase in Contract Liability is primarily due to grants in the scope of AASB 15 and Capital grants received by Council to acquire or construct assets which will be under Council's control.

Accounting policy

Contract liabilities are recorded when consideration is received from a customer / fund provider prior to Council transferring a good or service to the customer. Council presents the funds which exceed revenue recognised as a contract liability.

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

C3-3 Borrowings

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Loans – secured	364	1,885	355	2,249
Total borrowings	364	1,885	355	2,249

(a) Changes in liabilities arising from financing activities

\$ '000	2020		Non-cash movements				2021
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	2,604	(355)	–	–	–	–	2,249
Total liabilities from financing activities	2,604	(355)	–	–	–	–	2,249

\$ '000	2019		Non-cash movements				2020
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	1,834	770	–	–	–	–	2,604
Total liabilities from financing activities	1,834	770	–	–	–	–	2,604

(b) Financing arrangements

\$ '000	2021	2020
Total facilities		
Bank overdraft facilities ¹	200	200
Credit cards/purchase cards	30	30
Total financing arrangements	230	230
Drawn facilities		
– Credit cards/purchase cards	7	8
Total drawn financing arrangements	7	8
Undrawn facilities		
– Bank overdraft facilities	200	200
– Credit cards/purchase cards	23	22
Total undrawn financing arrangements	223	222

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.

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

C3-3 Borrowings (continued)

Accounting policy

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.

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

C3-4 Employee benefit provisions

\$ '000	2021		2020	
	Current	Non-current	Current	Non-current
Annual leave	1,098	–	1,008	–
Sick leave	945	–	1,172	–
Long service leave	1,773	69	1,795	54
Total employee benefit provisions	3,816	69	3,975	54

Employee benefit provisions relating to restricted assets

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

Current employee benefit provisions not anticipated to be settled within the next twelve months

\$ '000	2021	2020
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	3,066	3,202
	3,066	3,202

Description of and movements in provisions

\$ '000	ELE provisions			
	Annual leave	Sick leave	Long service leave	Total
2021				
At beginning of year	1,008	1,172	1,849	4,029
Additional provisions	479	157	169	805
Amounts used (payments)	(415)	(340)	(171)	(926)
Other	26	(44)	(5)	(23)
Total ELE provisions at end of year	1,098	945	1,842	3,885
2020				
At beginning of year	981	1,366	1,933	4,280
Additional provisions	484	217	230	931
Amounts used (payments)	(455)	(402)	(278)	(1,135)
Other	(2)	(9)	(36)	(47)
Total ELE provisions at end of year	1,008	1,172	1,849	4,029

Accounting policy

Employee benefit provisions are presented as current liabilities in the Statement of Financial Position if 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 and therefore all annual leave and vested long service leave (or that which vests within 12 months) is presented as current.

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.

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

C3-4 Employee benefit provisions (continued)

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 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.

C3-5 Provisions

Description of and movements in provisions

Accounting policy

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.

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 a borrowing cost.

Asset remediation – 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. It is estimated that with the continuation of current practices the expected timing of remediation is in excess of 40 years. Due to the small cost involved and the estimated timeframe for remediation, it has been classified as immaterial and has not been recognised in the financial statements.

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

C4 Reserves

C4-1 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.

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

D Council structure

D1 Results by fund

General fund refers to all Council activities other than water and sewer. All amounts disclosed in this note are gross i.e. inclusive of internal charges and recoveries made between the funds. Assets and liabilities shown in the water and sewer columns are restricted for use for these activities.

D1-1 Income Statement by fund

\$ '000	General ¹ 2021	Sewer 2021
Income from continuing operations		
Rates and annual charges	4,709	1,098
User charges and fees	10,215	52
Interest and investment revenue	121	23
Other revenues	988	8
Grants and contributions provided for operating purposes	7,567	23
Grants and contributions provided for capital purposes	7,713	–
Net gains from disposal of assets	558	–
Other income	279	–
Total income from continuing operations	32,150	1,204
Expenses from continuing operations		
Employee benefits and on-costs	8,868	190
Materials and services	8,627	544
Borrowing costs	59	–
Depreciation, amortisation and impairment of non-financial assets	5,778	209
Other expenses	722	–
Total expenses from continuing operations	24,054	943
Operating result from continuing operations	8,096	261
Net operating result for the year	8,096	261
Net operating result attributable to each council fund	8,096	261
Net operating result for the year before grants and contributions provided for capital purposes	383	261

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

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

D1-2 Statement of Financial Position by fund

\$ '000	General ¹ 2021	Sewer 2021
ASSETS		
Current assets		
Cash and cash equivalents	409	2,370
Investments	11,140	–
Receivables	1,713	2,532
Inventories	977	–
Other	160	–
Total current assets	14,399	4,902
Non-current assets		
Investments	2,500	–
Infrastructure, property, plant and equipment	223,415	11,645
Investments accounted for using the equity method	209	–
Total non-current assets	226,124	11,645
TOTAL ASSETS	240,523	16,547
LIABILITIES		
Current liabilities		
Payables	2,809	–
Contract liabilities	2,160	–
Borrowings	364	–
Employee benefit provision	3,816	–
Total current liabilities	9,149	–
Non-current liabilities		
Borrowings	1,885	–
Employee benefit provision	69	–
Total non-current liabilities	1,954	–
TOTAL LIABILITIES	11,103	–
Net assets	229,420	16,547
EQUITY		
Accumulated surplus	93,332	9,410
Revaluation reserves	136,088	7,137
Council equity interest	229,420	16,547
Total equity	229,420	16,547

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

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

D2 Interests in other entities

\$ '000	Council's share of net assets	
	2021	2020
Council's share of net assets		
Net share of interests in joint ventures and associates using the equity method – assets		
Joint ventures	209	204
Total net share of interests in joint ventures and associates using the equity method – assets	209	204
Total Council's share of net assets	209	204

D2-1 Interests in joint arrangements

Net carrying amounts – Council's share

\$ '000	Nature of relationship	Place of business	Interest in ownership		2021	2020
			2021	2020		
Riverina Regional Library	Joint venture	Riverina	4.5%	4.5%	209	204
Total carrying amounts – material joint ventures					209	204

Riverina Regional Library

Material joint ventures

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

Details

	Principal activity	Measurement method
Riverina Regional Library	Provision of library services	

Relevant interests and fair values

	Interest in outputs		Proportion of voting power	
	2021	2020	2021	2020
Riverina Regional Library	4.5%	4.5%	4.5%	4.5%

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

D2-1 Interests in joint arrangements (continued)

Summarised financial information for joint ventures

\$ '000	Riverina Regional Library	
	2021	2020
Statement of financial position		
Current assets		
Cash and cash equivalents	3,163	2,866
Other current assets	21	31
Non-current assets		
	2,586	2,641
Current liabilities		
Current financial liabilities (excluding trade and other payables and provisions)	1,093	981
Non-current liabilities		
Non-current financial liabilities (excluding trade and other payables and provisions)	2	4
Net assets	4,675	4,553
Statement of comprehensive income		
Income	3,188	3,054
Interest income	18	29
Interest expense	(8)	(13)
Depreciation and amortisation	(901)	(853)
Other expenses	(2,175)	(2,141)
Profit/(loss) from continuing operations	122	76
Profit/(loss) for the period	122	76
Total comprehensive income	122	76
Share of income – Council (%)	4.5%	4.5%
Profit/(loss) – Council (\$)	5	3
Total comprehensive income – Council (\$)	5	3
Summarised Statement of cash flows		
Cash flows from operating activities	1,144	1,013
Cash flows from investing activities	(847)	(798)
Net increase (decrease) in cash and cash equivalents	297	215
Reconciliation of the carrying amount		
Opening net assets (1 July)	4,553	4,477
Profit/(loss) for the period	122	76
Closing net assets	4,675	4,553
Council's share of net assets (%)	4.5%	4.5%
Council's share of net assets (\$)	209	204

County Councils

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

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

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

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

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

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

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

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

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

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

The risks associated with the instruments held are:

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

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

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

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

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

Fair value is determined as follows:

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

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

E1-1 Risks relating to financial instruments held (continued)

(a) Market risk – interest rate and price risk

\$ '000	2021	2020
<p>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.</p>		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	164	137

(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
2021						
Gross carrying amount	–	142	26	18	5	191
2020						
Gross carrying amount	–	183	22	13	1	219

Receivables - non-rates and annual charges and contract assets

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

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

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

E1-1 Risks relating to financial instruments held (continued)

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2021						
Gross carrying amount	3,770	30	173	4	91	4,068
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	15.00%	0.34%
ECL provision	–	–	–	–	14	14
2020						
Gross carrying amount	3,140	136	52	2	120	3,450
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	10.00%	0.35%
ECL provision	–	–	–	–	12	12

(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		
2021							
Trade/other payables	0.00%	200	2,502	–	–	2,702	2,701
Loans and advances	2.45%	–	364	1,278	607	2,249	2,249
Total financial liabilities		200	2,866	1,278	607	4,951	4,950
2020							
Trade/other payables	0.00%	190	2,136	–	–	2,326	2,326
Loans and advances	2.47%	–	355	1,121	1,128	2,604	2,604
Total financial liabilities		190	2,491	1,121	1,128	4,930	4,930

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

E2-1 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).

\$ '000	Notes	Fair value measurement hierarchy								
		Date of latest valuation		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total		
		2021	2020	2021	2020	2021	2020	2021	2020	
Infrastructure, property, plant and equipment	C1-7									
Plant and equipment	30/06/2021	30/06/2020	–	–	4,681	4,549	4,681	4,549		
Office equipment	30/06/2021	30/06/2020	–	–	200	200	200	200		
Furniture and fittings	30/06/2021	30/06/2020	–	–	152	133	152	133		
Operational land	30/06/2018	30/06/2018	2,852	3,019	–	–	2,852	3,019		
Community land	30/06/2021	30/06/2017	–	–	3,671	2,911	3,671	2,911		
Land improvements	30/06/2021	30/06/2017	–	–	58	540	58	540		
Buildings – non-specialised	30/06/2018	30/06/2018	6,741	6,435	–	–	6,741	6,435		
Buildings – specialised	30/06/2018	30/06/2018	–	–	16,259	16,360	16,259	16,360		
Leasehold improvements	30/06/2021	30/06/2017	–	–	280	310	280	310		
Other structures	30/06/2018	30/06/2018	–	–	1,148	1,120	1,148	1,120		
Roads	30/06/2020	30/06/2020	–	–	88,311	85,874	88,311	85,874		
Bridges	30/06/2020	30/06/2020	–	–	13,722	13,785	13,722	13,785		
Footpaths	30/06/2020	30/06/2020	–	–	4,890	4,910	4,890	4,910		
Bulk earthworks (roads)	30/06/2020	30/06/2020	–	–	61,275	61,275	61,275	61,275		
Stormwater drainage	30/06/2020	30/06/2020	–	–	7,387	6,447	7,387	6,447		
Sewerage network	30/06/2017	30/06/2017	–	–	11,523	12,004	11,523	12,004		
Swimming pools	30/06/2018	30/06/2018	–	–	1,024	1,080	1,024	1,080		
Other open space/recreational assets	30/06/2018	30/06/2018	–	–	3,145	1,261	3,145	1,261		
Other Infrastructure	30/06/2017	30/06/2017	–	–	6,834	4,432	6,834	4,432		
Library books	30/06/2021	30/06/2020	–	–	–	39	–	39		
Other	30/06/2021	30/06/2020	–	–	665	1,541	665	1,541		
Total infrastructure, property, plant and equipment					9,593	9,454	225,225	218,771	234,818	228,225

Transfers between level 1 and level 2 fair value hierarchies

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

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

E2-1 Fair value measurement (continued)

Valuation techniques

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 (IPPE)

Roads Infrastructure

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

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

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

Stormwater Drainage Infrastructure

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

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

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

Sewerage Infrastructure

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

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

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

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

Community Land

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

Operational Land

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

Buildings – Specialised

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

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

E2-1 Fair value measurement (continued)

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.

Fair value measurements using significant unobservable inputs (level 3)

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.

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 (30/6/21) 2021	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment			
Plant & Equipment	4,681	Valued at Cost	Cost per unit, useful life, residual value, condition of asset
Office Equipment	200	Valued at Cost	Cost per unit, useful life, residual value, condition of asset
Furniture & Fittings	152	Valued at Cost	Cost per unit, useful life, residual value, condition of asset
Community Land	3,671	Based on Valuer General Valuation	Cost per sq metre, Valuer General's valuation
Land Improvements	58	Valued at Cost	Cost per unit, pattern of consumption, useful life, asset condition
Buildings – Specialised	16,259	External Valuation using cost approach	Cost per sq metre, pattern of consumption, condition assessment, useful life
Leasehold Improvements	280	Valued at Cost	Cost per sq metre, pattern of consumption, condition assessment, term of lease
Other Structures	1,148	External Valuation using cost approach	Cost per unit, useful life, condition of asset
Roads	88,311	Internal Valuation using cost approach	Unit rates, useful life, pattern of consumption, condition assessment
Bridges	13,722	Internal Valuation using cost approach	Unit rates, useful life, dimensions & specifications, pattern of consumption, components, condition assessment

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

E2-1 Fair value measurement (continued)

\$ '000	Fair value (30/6/21) 2021	Valuation technique/s	Unobservable inputs
Footpaths	4,890	Internal Valuation using cost approach	Unit rates, useful life, pattern of consumption, components, condition assessment
Bulk Earthworks (Roads)	61,275	Internal Valuation using cost approach	Cost per sq metre
Stormwater Drainage	7,387	Internal Valuation using cost approach	Cost per unit/metre
Sewerage Network	11,523	Internal Valuation using cost approach	Unit rates, useful life, pattern of consumption, components, condition assessment
Swimming Pools	1,024	External Valuation using cost approach	Cost per unit
Other Open Space/Recreational Assets	3,145	External Valuation using cost approach	Unit rates, pattern of consumption, components, useful life, asset condition
Other Infrastructure	6,834	Valued at Cost	Unit rates, useful life, pattern of consumption, condition assessment
Library Books	–	Valued at Cost	Unit Costs
Other	665	Valued at Cost	Unit Costs

A reconciliation of the movements in recurring fair value measurements allocated to Level 3 of the hierarchy is provided below:

\$ '000	Level 3 Fair Value Assets	
	2021	2020
Opening balance	218,771	198,863
Total gains or losses for the period		
Recognised in other comprehensive income – revaluation surplus	224	16,486
Other movements		
Purchases (GBV)	12,183	8,683
Disposals (WDV)	(238)	(81)
Depreciation and impairment	(5,680)	(5,180)
Transfers	(35)	–
Closing balance	225,225	218,771

Information relating to the transfers into and out of the level 3 fair valuation hierarchy includes:

During the year, \$34,579 was transferred from Other Assets to Buildings - Specialised. These assets were predominantly solar installations on buildings.

Highest and best use

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

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

E3-1 Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

Description of the funding arrangements.

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

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

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

* For 180 Point Members, Employers are required to contribute 7% of salaries for the year ending 30 June 2021 (increasing to 7.5% in line with the increase in the Superannuation Guarantee) to these members' accumulation accounts, which are paid in addition to members' defined benefits.

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

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

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

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

However, there is no relief under the Fund's trust deed for employers to walk away from their defined benefit obligations. Under limited circumstances, an employer may withdraw from the plan when there are no active members, on full payment

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

E3-1 Contingencies (continued)

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.

There is no provision for allocation of any surplus which may be present at the date of withdrawal of an employer.

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 2021 was \$120,214.35. The last valuation of the Scheme was performed by fund actuary Richard Boyd FIAA as at 30 June 2020.

The amount of additional contributions included in the total employer contribution advised above is \$99,000. Council's expected contribution to the plan for the next annual reporting period is \$101,632.20.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2021 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	2,620.5	
Past Service Liabilities	2,445.6	107.2%
Vested Benefits	2,468.7	106.2%

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

The share of any funding surplus or deficit that can be attributed to Council is 0.22%.

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.

Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all relevant information has been received by the Fund's actuary, the final end of year review, which will be a triennial actuarial investigation, will be completed by December 2021.

(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.

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

E3-1 Contingencies (continued)

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

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

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

(iv) Other guarantees

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

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.

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

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	2021	2020
Compensation:		
Short-term benefits	910	1,211
Post-employment benefits	82	86
Other long-term benefits	31	28
Total	1,023	1,325

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		Transactions	Outstanding		Impairment	
\$ '000	Ref	during the year	balances	Terms and conditions	provision on	Impairment
			including		outstanding	expense
			commitments		balances	
2021						
Employee expenses for close family members of KMP	1	210	–	NSW Local Govt State Award	–	–
Catering Supplies	3	1	–	7 day terms on invoices	–	–
Plumbing Services	3	–	–	7 day terms on invoices	–	–
Uniform Purchases	2	4	–	7 day terms on invoices	–	–
Laundry Services	2	–	–	7 day terms on invoices	–	–
Real Estate Services	4	16	–	7 day terms on invoices	–	–

continued on next page ...

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

F1-1 Key management personnel (KMP) (continued)

Nature of the transaction			Outstanding balances including commitments	Terms and conditions	Impairment provision on outstanding balances	Impairment expense
\$ '000	Ref	Transactions during the year				
Building Services	3	122	–	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	10	–	7 day terms on invoices	–	–
2020						
Employee expenses for close family members of KMP	1	286	–	NSW Local Govt State Award	–	–
Catering Supplies	3	1	–	7 day terms on invoices	–	–
Plumbing Services	3	65	–	7 day terms on invoices	–	–
Uniform Purchases	2	4	–	7 day terms on invoices	–	–
Laundry Services	2	7	–	7 day terms on invoices	–	–
Real Estate Services	4	59	–	7 day terms on invoices	–	–
Building Services	3	69	–	7 day terms on invoices	–	–
Electrical Services	3	12	–	7 day terms on invoices	–	–
Fees & Charges charged to entities who influence or are influenced by KMP	5	3	–	7 day terms on invoices	–	–

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

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

- Work Uniforms
- Laundry Services

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

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

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

continued on next page ...

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

F1-1 Key management personnel (KMP) (continued)

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

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

F1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2021	2020
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	19	19
Councillors' fees	98	98
Other Councillors' expenses (including Mayor)	28	34
Total	145	151

F2 Other relationships

F2-1 Audit fees

\$ '000	2021	2020
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	31	29
Remuneration for audit and other assurance services	31	29
Total Auditor-General remuneration	31	29
Non NSW Auditor-General audit firms		
(i) Audit and other assurance services		
Other audit and assurance services – Grant Acquittals	3	1
Remuneration for audit and other assurance services	3	1
Total remuneration of non NSW Auditor-General audit firms	3	1
Total audit fees	34	30

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

G Other matters

G1-1 Statement of Cash Flows information

Reconciliation of net operating result to cash provided from operating activities

\$ '000	2021	2020
Net operating result from Income Statement	8,357	5,352
Adjust for non-cash items:		
Depreciation and amortisation	5,987	5,476
Net losses/(gains) on disposal of assets	(558)	(121)
Adoption of AASB 15/1058	–	(318)
Share of net (profits)/losses of associates/joint ventures using the equity method	(5)	(3)
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables	(762)	(388)
Increase/(decrease) in provision for impairment of receivables	2	9
Decrease/(increase) in inventories	99	30
Decrease/(increase) in other current assets	(51)	(45)
Decrease/(increase) in contract assets	29	(29)
Increase/(decrease) in payables	(347)	776
Increase/(decrease) in accrued interest payable	(2)	1
Increase/(decrease) in other accrued expenses payable	78	(7)
Increase/(decrease) in other liabilities	34	(292)
Increase/(decrease) in contract liabilities	140	2,020
Increase/(decrease) in provision for employee benefits	(144)	(251)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows	12,857	12,210

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

G2-1 Commitments

Capital commitments (exclusive of GST)

\$ '000	2021	2020
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Land and Buildings	433	585
Plant and equipment	360	–
Total commitments	793	585
These expenditures are payable as follows:		
Within the next year	793	585
Total payable	793	585
Sources for funding of capital commitments:		
Grants	433	207
Unexpended loans	360	378
Total sources of funding	793	585

Details of capital commitments

Commitments for Buildings is comprised of the unperformed works in relation to the construction of the outdoor reading room at the Library and the construction of the Temora Arts Complex. Commitments for Plant & Equipment related to the purchase of an item of heavy machinery.

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

G3 Statement of developer contributions as at 30 June 2021

G3-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
S7.12 levies – under a plan	96	91	–	–	–	–	187	–
Total S7.11 and S7.12 revenue under plans	96	91	–	–	–	–	187	–
Total contributions	96	91	–	–	–	–	187	–

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.

S7.12 Levies – under a plan

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
S7.12 (former S94A) Contributions Plan 2018								
Drainage	–	42	–	–	–	–	42	–
Roads	54	36	–	–	–	–	90	–
Open space	42	13	–	–	–	–	55	–
Total	96	91	–	–	–	–	187	–

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

G4 Statement of performance measures

G4-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2021	Indicator 2021	Indicators 2020	Indicators 2019	Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	83	0.33%	1.51%	(0.64)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	25,078				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	17,488	53.33%	56.76%	55.71%	> 60.00%
Total continuing operating revenue ¹	32,791				
3. Unrestricted current ratio					
Current assets less all external restrictions	12,897	3.25x	3.13x	2.48x	> 1.50x
Current liabilities less specific purpose liabilities	3,963				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	6,129	14.80x	20.62x	9.08x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	414				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	200	3.31%	3.90%	4.04%	< 10.00%
Rates and annual charges collectable	6,047				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	16,419	9.14	8.94	6.46	> 3.00
Monthly payments from cash flow of operating and financing activities	1,797	mths	mths	mths	mths

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

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

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

G4-2 Statement of performance measures by fund

\$ '000	General Indicators ³		Sewer Indicators		Benchmark
	2021	2020	2021	2020	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(0.75)%	(0.29)%	21.68%	34.69%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹					
2. Own source operating revenue ratio					
Total continuing operating revenue excluding capital grants and contributions ¹	51.63%	54.93%	98.09%	98.05%	> 60.00%
Total continuing operating revenue ¹					
3. Unrestricted current ratio					
Current assets less all external restrictions	3.25x	3.13x	∞	∞	> 1.50x
Current liabilities less specific purpose liabilities					
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	13.67x	18.34x	∞	∞	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)					
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	4.04%	4.75%	0.00%	0.00%	< 10.00%
Rates and annual charges collectable					
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	7.82	7.58	∞	∞	> 3.00
Monthly payments from cash flow of operating and financing activities	mths	mths			mths

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

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

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

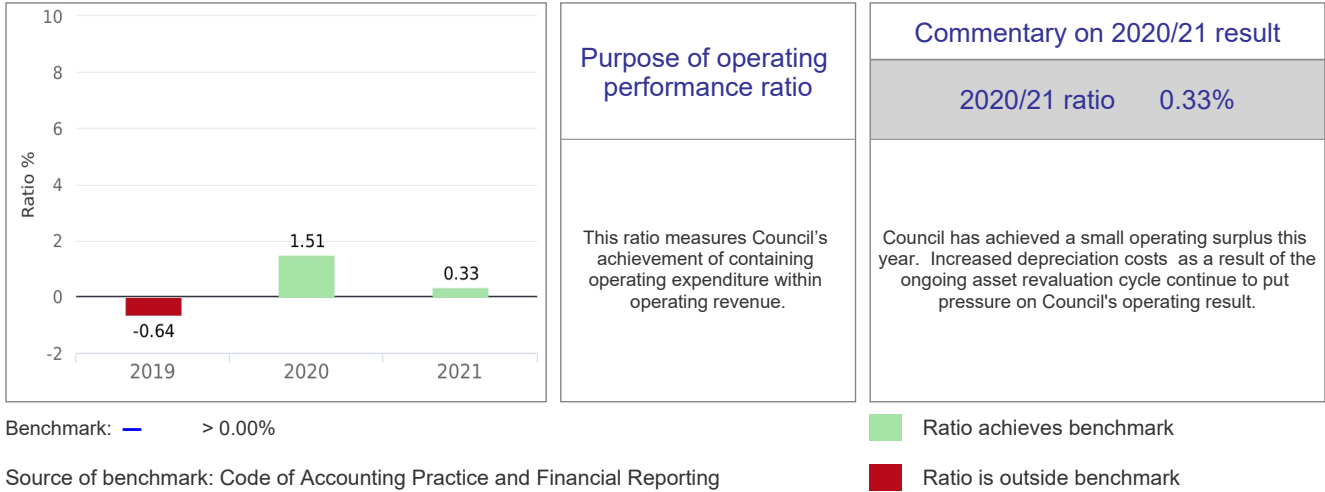
Temora Shire Council

Notes to the Financial Statements for the year ended 30 June 2021

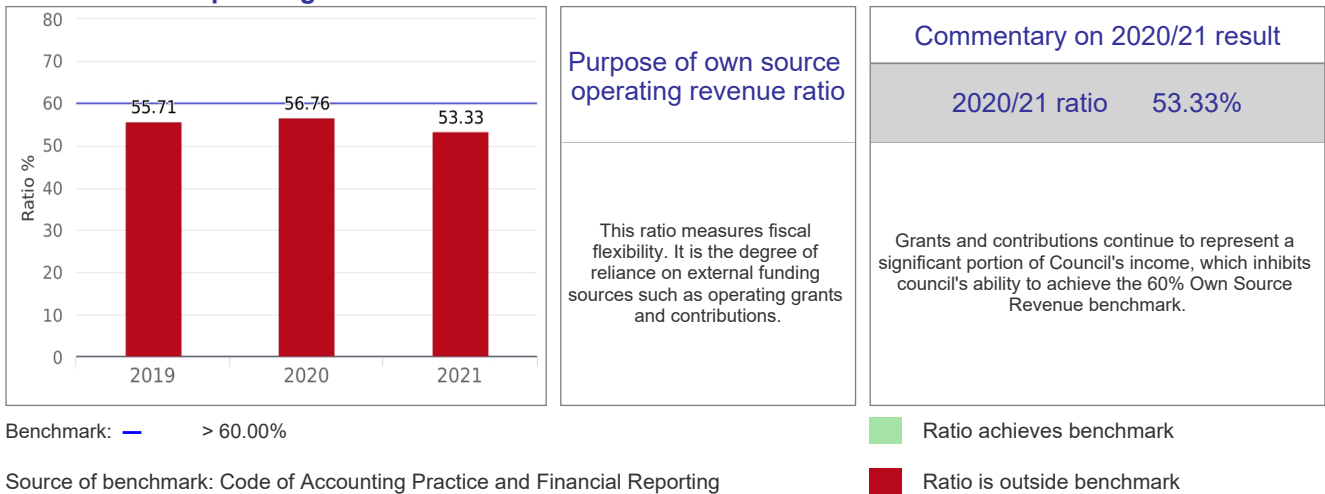
H Additional Council disclosures (unaudited)

H1-1 Statement of performance measures – consolidated results (graphs)

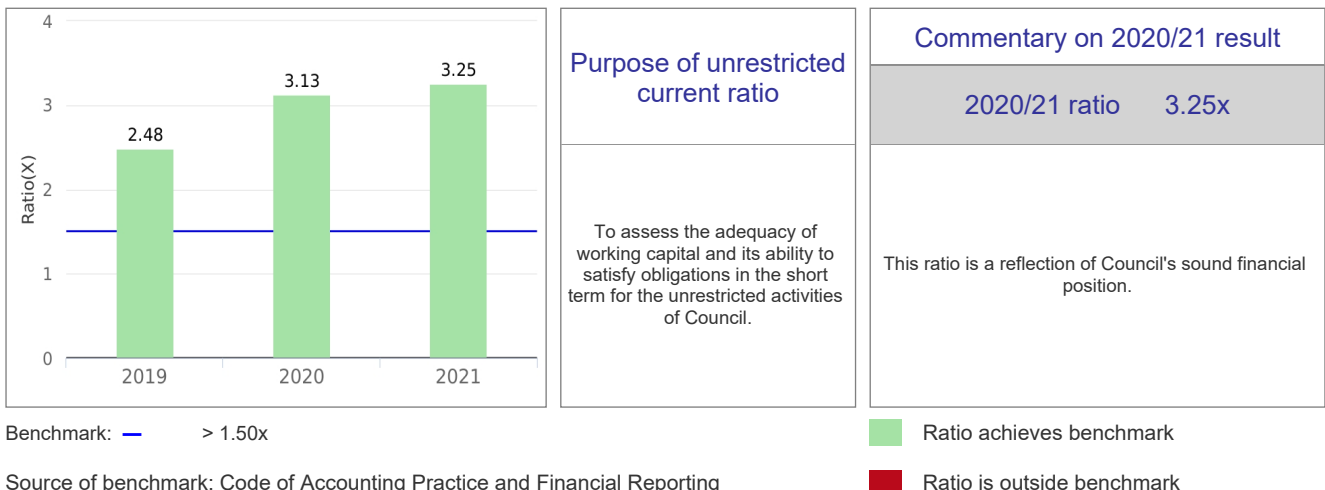
1. Operating performance ratio



2. Own source operating revenue ratio



3. Unrestricted current ratio



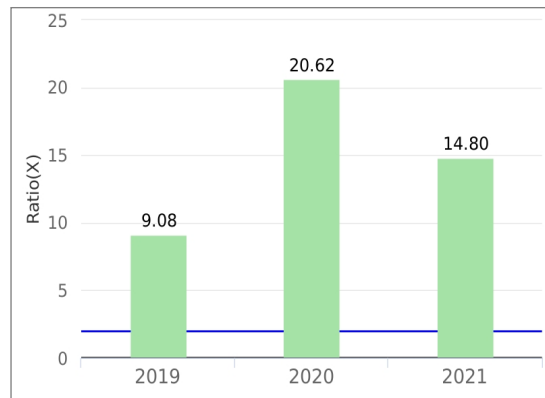
Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

H1-1 Statement of performance measures – consolidated results (graphs) (continued)

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 2020/21 result

2020/21 ratio 14.80x

Council currently has two loans. One to fund the purchase of the works depot and the other to fund the construction of a Supported Independent Living House. Council has adequate cash to service this level of debt.

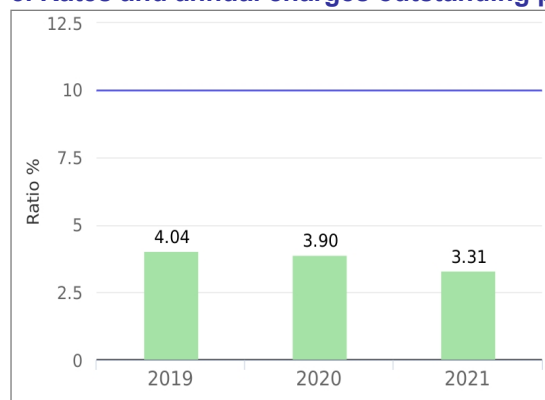
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates and annual charges outstanding percentage



Purpose of rates and annual charges outstanding percentage

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

Commentary on 2020/21 result

2020/21 ratio 3.31%

Council continues to perform extremely well in this area.

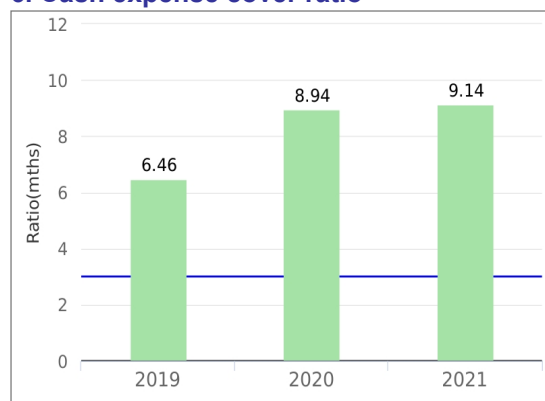
Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2020/21 result

2020/21 ratio 9.14 mths

Council continues to work on building up its cash reserves.

Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2021

H1-2 Council information and contact details

Principal place of business:

105 Loftus Street
Temora NSW 2666

Contact details

Mailing Address:

PO Box 262
TEMORA NSW 2666

Telephone: 02 6980 1100

Facsimile: 02 6980 1138

Opening hours:

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

Internet: www.temora.nsw.gov.au

Email: temshire@temora.nsw.gov.au

Officers

General Manager

Gary Lavelle

Responsible Accounting Officer

Elizabeth Smith

Public Officer

Elizabeth Smith

Auditors

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

Elected members

Mayor

Rick Firman

Councillors

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

Other information

ABN: 55 048 860 109



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

To the Councillors of the Temora Shire Council

Opinion

I have audited the accompanying financial statements of Temora Shire Council (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2021, the Statement of Financial Position as at 30 June 2021, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been prepared, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2021, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

The Council's annual report for the year ended 30 June 2021 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:


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

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

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

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

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note B5-1 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.



Nirupama Mani
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

21 October 2021
SYDNEY



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

Contact: Nirupama Mani
Phone no: (02) 9275 7111
Our ref: D2122470/1793

21 October 2021

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2021
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 2021 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 2021 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.

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

I identified the following significant audit issues and observations during my audit of the Council's financial statements. These issues and observations were addressed as part of my audit.

Rural fire-fighting equipment not recognised in the financial statements

Council did not record rural fire-fighting equipment in the financial statements.

Rural fire fighting equipment, specifically the red fleet vehicles, is controlled by the Council and should be recognised in their financial statements. This is supported by the requirements of the *Rural Fires Act 1997* and service agreements between councils and the RFS.

The Department of Planning, Industry and Environment (inclusive of the Office of Local Government) confirmed in the 'Report on Local Government 2020' (tabled in Parliament on 27 May 2021) their view that rural firefighting equipment is not controlled by the NSW Rural Fire Service.

INCOME STATEMENT

Operating result

	2021	2020*	Variance
	\$m	\$m	%
Rates and annual charges revenue	5.8	5.6	↑ 3.2
Grants and contributions revenue	15.3	12.0	↑ 27.4
Operating result from continuing operations	8.4	5.4	↑ 56.2
Net operating result before capital grants and contributions	0.6	0.5	↑ 39.7

The Council's operating result from continuing operations was \$8.4 million including depreciation and amortisation expense of \$5.9 million was \$3.0 million higher than the 2019–20 result. This was driven by the \$3.3 million increase in grants and contributions provided for capital purposes, which increased from \$12.0 million in 2019–20 to \$15.3 million in 2020–21.

The net operating result before capital grants and contributions of \$0.6 million was \$0.2 million higher than the 2019–20 result. The increase is due to moderate increases in rates and annual charges and user charges and fees.

Rates and annual charges revenue of \$5.8 million increased by \$0.2 million (3.2 per cent) in 2020–21 due to:

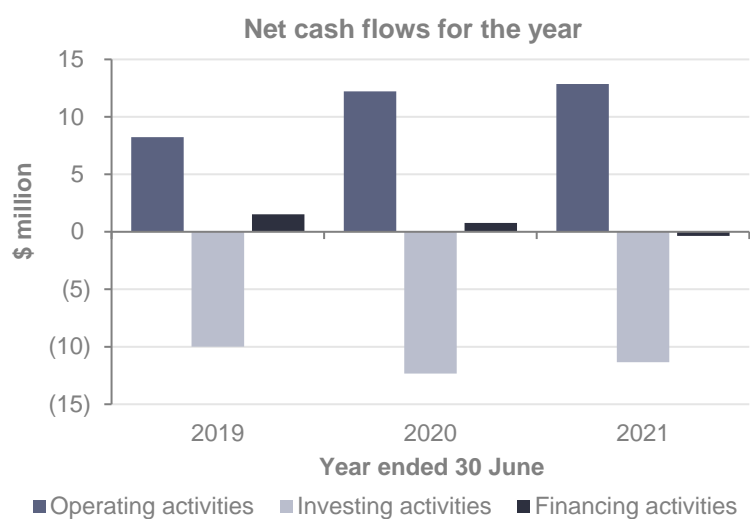
- The IPART rate peg, which increased general rates revenue by 2.6 per cent in 2020–21.
- The number of rateable properties increased from 3,736 in 2019–20 to 3,760 in 2020–21.

Grants and contributions revenue of \$15.3 million increased by \$3.3 million (27.36 per cent) in 2020–21 due to:

- \$2.4 million in Fixing Country Roads grants received in 2020–21; and
- \$1.0 million of Local Roads & Community Infrastructure Funding.

STATEMENT OF CASH FLOWS

- Council's cash and cash equivalents was \$2.78 million at 30 June 2021 (\$1.62 million at 30 June 2020). There was a net increase in cash and cash equivalents of \$1.16 million during 2020–21 financial year.
- Net cash provided by operating activities has increased by \$0.65 million. This is mainly due to the increase in cash receipts from grants and contributions of \$2.55 million.
- Net cash used in investing activities has decreased by \$0.99 million, which is driven by the sale of real estate assets and less payments for investment securities.



FINANCIAL POSITION

Cash and investments

Cash and investments	2021	2020	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	13.919	13.744	<ul style="list-style-type: none"> • Externally restricted cash and investments are restricted in their use by externally imposed requirements. This has remained stable from 2019–20 to 2020–21 financial years. • 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. Internal restrictions have increased by \$2.371 million from \$8.104 million at 30 June 2020 to \$10.475 million 30 June 2021. • Unrestricted cash and investments are \$0.220 million, which is available to provide liquidity for day-to-day operations of the Council.
Restricted cash and investments:			
• External restrictions	5.724	5.170	
• Internal restrictions	10.475	8.104	
• Unrestricted	0.220	0.470	

Debt

The Council has total borrowings of \$2.2 million at 30 June 2021. Council had cash outflows of \$0.36 million during the year. No additional loans were taken by Council during the year.

PERFORMANCE

Performance measures

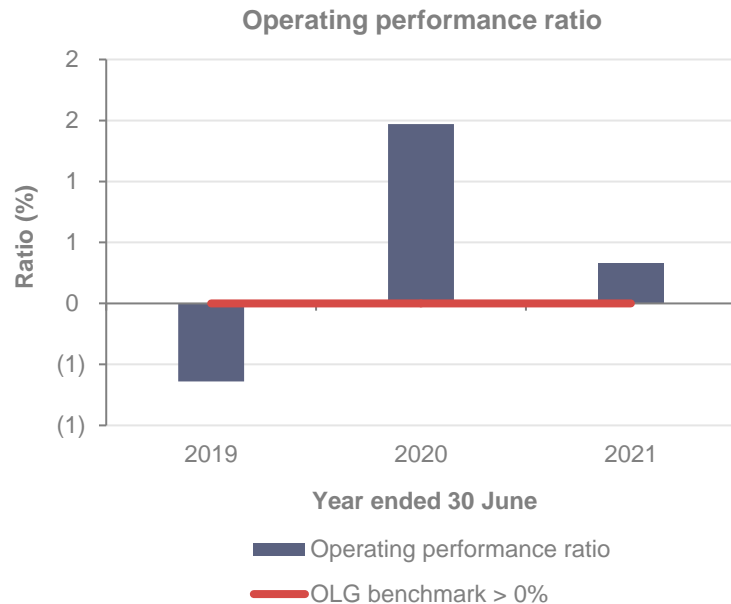
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Industry and Environment.

Operating performance ratio

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

Council exceeded the OLG benchmark for the current reporting period.

The operating performance ratio decreased to 0.33 per cent (2020: 1.51 per cent), due to increase in total expenses from continuing operations.

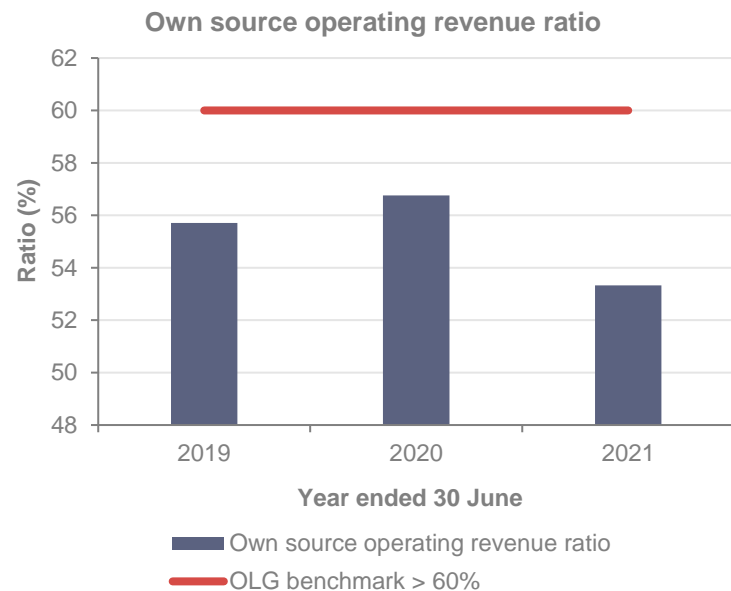


Own source operating revenue ratio

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

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

This indicates that the Council is more reliant on external funding sources, such as grants and contributions. The increased level in grants and contributions received by Council in 2021, compared to the 2020 and 2019 levels, has a direct impact on this ratio and the trend analysis.

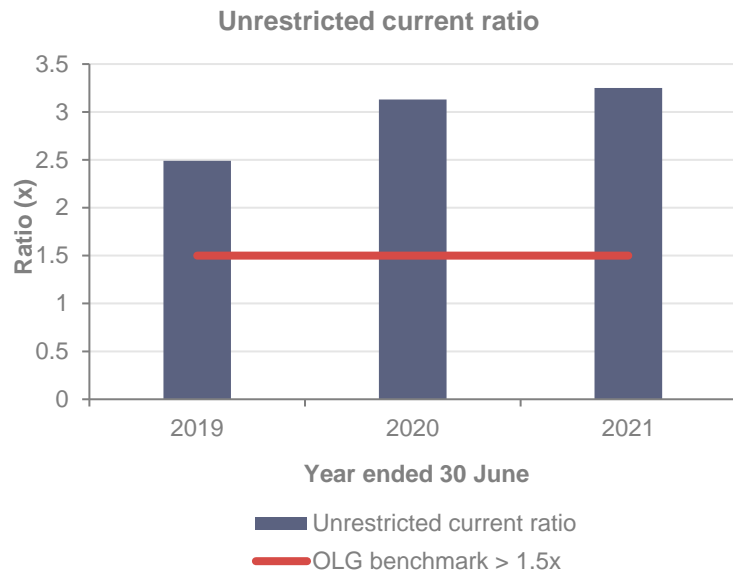


Unrestricted current ratio

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

The Council exceeded the OLG benchmark for the current reporting period.

The Council's liquidity ratio of 3.25 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.

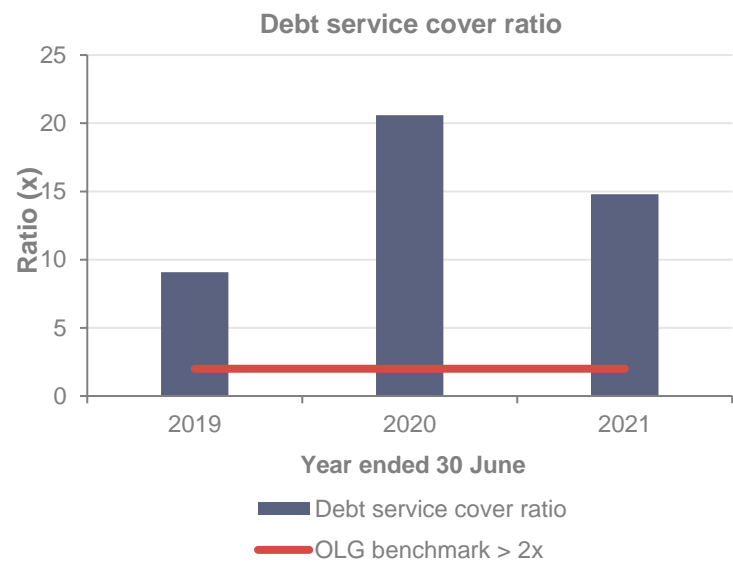


Debt service cover ratio

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

The Council exceeded the OLG benchmark for the current reporting period.

The Council's debt service cover ratio of 14.80 times is greater than the industry benchmark minimum of greater than 2 times. This indicates that the Council has sufficient operating revenue to service its debt.

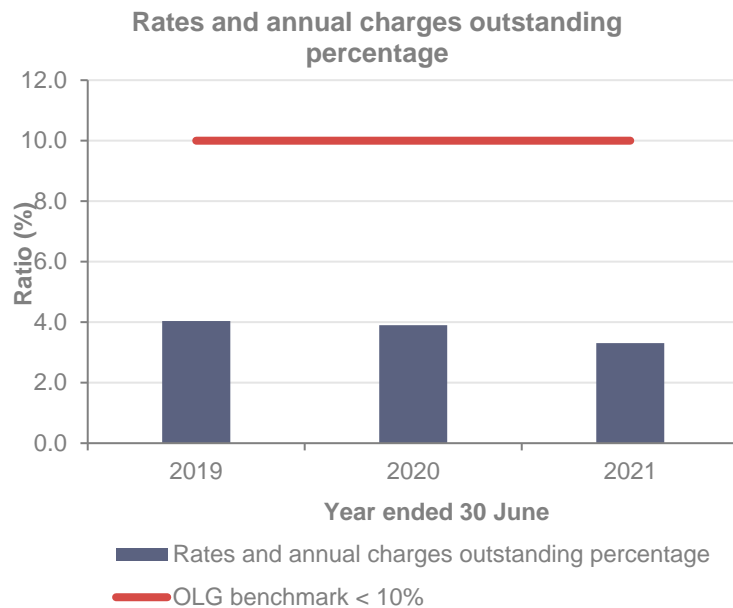


Rates and annual charges outstanding percentage

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

The Council met the OLG benchmark for the current reporting period.

The Council's rates and annual charges outstanding ratio of 3.31% is within the industry benchmark of less than 10% for regional and rural councils.

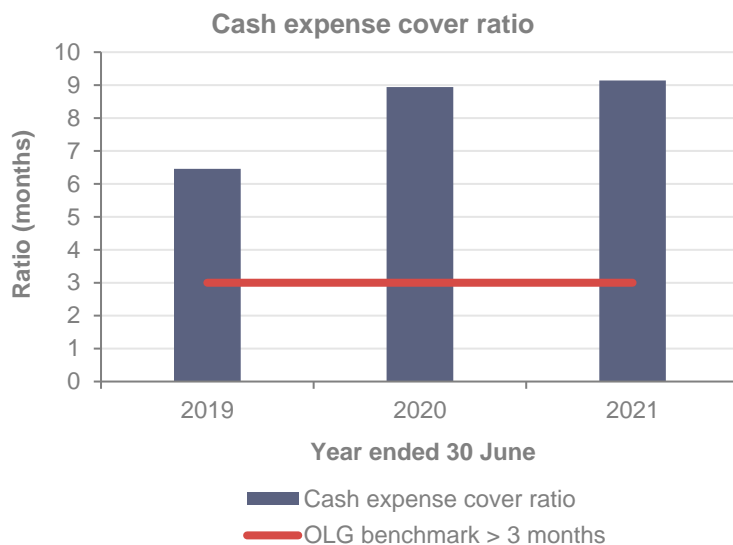


Cash expense cover ratio

This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.

The Council exceeded the OLG benchmark for the current reporting period.

The Council's cash expense cover ratio was 9.14 months, which is above the industry benchmark of greater than 3 months. This indicates that Council had the capacity to cover 9.14 months of operating cash expenditure without additional cash inflows at 30 June 2021.



Infrastructure, property, plant and equipment renewals

The Council renewed \$9.9 million of assets in the 2020–21 financial year, compared to \$5.5 million of assets in the 2019–20 financial year. The increase is primarily due to:

- \$5.7 million of direct renewals for roads;
- \$1.1 million of direct renewals for plant and equipment; and
- \$1.8 million of other infrastructure assets.

OTHER MATTERS

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.



Nirupama Mani
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

cc: Mr Gary Lavelle, General Manager
Mr Elizabeth Smith, Director Administration & Finance
Mr Peter Veneris, Audit, Risk & Improvement Committee Chair
Ms Kiersten Fishburn, Secretary of the Department of Planning, Industry and Environment

Temora Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2021

"Success through determination and inspiration"

Temora Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2021

Contents	Page
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Statement of Financial Position of sewerage business activity	5
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Auditor's Report on Special Purpose Financial Statements	8

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 2021

Statement by Councillors and Management

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:

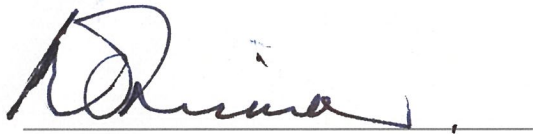
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,
- 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 sewerage business as fair and reasonable.

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

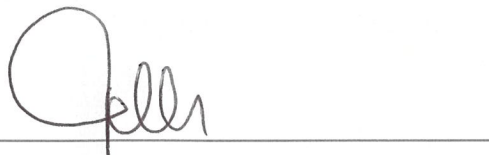
Signed in accordance with a resolution of Council made on 16 September 2021.



Rick Firman
Mayor
16 September 2021



Graham Sinclair
Councillor
16 September 2021



Gary Lavelle
General Manager
16 September 2021



Elizabeth Smith
Responsible Accounting Officer
16 September 2021

Temora Shire Council

Income Statement of sewerage business activity

for the year ended 30 June 2021

\$ '000	2021	2020
Income from continuing operations		
Access charges	1,098	1,048
User charges	52	60
Interest	23	36
Grants and contributions provided for non-capital purposes	23	23
Other income	8	12
Total income from continuing operations	1,204	1,179
Expenses from continuing operations		
Employee benefits and on-costs	190	210
Materials and services	544	318
Depreciation, amortisation and impairment	209	242
Total expenses from continuing operations	943	770
Surplus (deficit) from continuing operations before capital amounts	261	409
Surplus (deficit) from continuing operations after capital amounts	261	409
Surplus (deficit) from all operations before tax	261	409
Less: corporate taxation equivalent [based on result before capital]	(68)	(113)
Surplus (deficit) after tax	193	296
Plus accumulated surplus	9,149	8,741
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	68	113
Closing accumulated surplus	9,410	9,150
Return on capital %	2.2%	3.4%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	193	296
Surplus for dividend calculation purposes	193	296
Potential dividend calculated from surplus	97	148

Temora Shire Council

Statement of Financial Position of sewerage business activity

as at 30 June 2021

\$ '000	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	2,370	2,085
Receivables	2,532	1,952
Total current assets	4,902	4,037
Non-current assets		
Infrastructure, property, plant and equipment	11,645	12,146
Total non-current assets	11,645	12,146
Total assets	16,547	16,183
Net assets	16,547	16,183
EQUITY		
Accumulated surplus	9,410	9,150
Revaluation reserves	7,137	7,033
Total equity	16,547	16,183

Temora Shire Council

Significant Accounting Policies

for the year ended 30 June 2021

Note – 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* (Act), the *Local Government (General) Regulation 2005* (Regulation) 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, fair value 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, and returns 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.

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.

Temora Shire Council

Significant Accounting Policies

for the year ended 30 June 2021

Note – Significant Accounting Policies (continued)

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 – 26%

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 26%.

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 26% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

(i) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed. Subsidies occur where 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. The overall effect of subsidies is contained within the Income Statements of business activities.

(iii) Dividends

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

Local 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 2021 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 Statement by Councillors and Management, the Income Statement of the Declared Business Activity for the year ended 30 June 2021, the Statement of Financial Position of the Declared Business Activity as at 30 June 2021 and the Significant accounting policies note.

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 2021, and its financial performance for the year then ended, in accordance with the Australian Accounting Standards described in the Significant accounting policies note and the Local Government Code of Accounting Practice and Financial Reporting 2020–21 (LG Code).

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

Basis for Opinion

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

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

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

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

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

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as 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 the Significant accounting policies note 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 2021 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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

A handwritten signature in black ink that reads "Nirupama Mani". The signature is written in a cursive style with a small arrow pointing downwards from the end of the name.

Nirupama Mani
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

21 October 2021
SYDNEY

Temora Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2021

"Success through determination and inspiration"

Temora Shire Council

Special Schedules

for the year ended 30 June 2021

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Temora Shire Council

Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2021/22
Notional general income calculation ¹			
Last year notional general income yield	a	4,042	4,141
Plus or minus adjustments ²	b	3	20
Notional general income	c = a + b	4,045	4,161
Permissible income calculation			
Or rate peg percentage	e	2.60%	2.00%
Or plus rate peg amount	i = e x (c + g)	105	83
Sub-total	k = (c + g + h + i + j)	4,150	4,244
Plus (or minus) last year's carry forward total	l	(5)	4
Sub-total	n = (l + m)	(5)	4
Total permissible income	o = k + n	4,145	4,248
Less notional general income yield	p	4,141	4,243
Catch-up or (excess) result	q = o - p	4	5
Carry forward to next year ⁶	t = q + r - s	4	5

Notes

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



INDEPENDENT AUDITOR'S REPORT

Special Schedule – Permissible income for general rates

Temora Shire Council

To the Councillors of Temora Shire Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Temora Shire Council (the Council) for the year ending 30 June 2022.

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 2020–21 (LG Code) and is in accordance with the books and records of the Council.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2021 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 2021'.

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:


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

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

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

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

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

A handwritten signature in black ink that reads "Nirupama Mani". The signature is written in a cursive style with a small arrow pointing downwards at the end of the word "Mani".

Nirupama Mani
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

21 October 2021
SYDNEY

Temora Shire Council

Report on infrastructure assets as at 30 June 2021

Asset Class	Asset Category	Estimated cost		2020/21 Required maintenance ^a	2020/21 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	Estimated cost to bring to the agreed level of service set by Council					1	2	3	4	5	
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000						
Buildings	Other	–	–	623	598	23,000	44,993	34.0%	33.0%	33.0%	0.0%	0.0%	
	Sub-total	–	–	623	598	23,000	44,993	34.0%	33.0%	33.0%	0.0%	0.0%	
Other structures	Other structures	–	–	–	–	1,148	2,357	47.0%	19.0%	34.0%	0.0%	0.0%	
	Sub-total	–	–	–	–	1,148	2,357	47.0%	19.0%	34.0%	0.0%	0.0%	
Roads	Regional Roads	–	–	176	279	13,502	23,154	1.0%	9.0%	90.0%	0.0%	0.0%	
	Urban Sealed Roads	782	1,451	237	248	21,485	39,889	5.0%	18.0%	68.0%	9.0%	0.0%	
	Urban Unsealed Roads	155	311	36	10	533	1,076	5.0%	1.0%	56.0%	29.0%	9.0%	
	Bridges	–	–	5	5	13,722	18,574	68.0%	18.0%	14.0%	0.0%	0.0%	
	Rural Sealed Roads	1,062	1,458	294	401	32,302	57,570	7.0%	20.0%	67.0%	6.0%	0.0%	
	Rural Unsealed Roads	1,728	3,456	874	1,042	13,066	24,369	14.0%	22.0%	45.0%	19.0%	0.0%	
	Footpaths	508	508	27	26	4,890	6,776	49.0%	10.0%	29.0%	12.0%	0.0%	
	Bulk earthworks	–	–	–	–	61,275	61,275	0.0%	100.0%	0.0%	0.0%	0.0%	
	Kerb & Gutter	2,494	2,494	63	58	7,423	14,542	8.0%	17.0%	55.0%	16.0%	4.0%	
	Sub-total	6,729	9,678	1,712	2,069	168,198	247,225	10.9%	38.0%	44.8%	6.1%	0.3%	
Sewerage network	Sewerage Reticulation Network	288	288	165	108	9,098	15,001	8.0%	50.0%	35.0%	5.0%	2.0%	
	Sewerage Reticulation Pump Stations	–	–	17	16	387	798	18.0%	24.0%	12.0%	46.0%	0.0%	
	Sewerage Treatment Plant	225	225	152	93	631	1,139	0.0%	47.0%	48.0%	5.0%	0.0%	
	Effluent Reticulation Pipes	–	–	92	121	271	351	0.0%	100.0%	0.0%	0.0%	0.0%	
	Effluent Infrastructure – Storage	–	–	–	–	635	1,370	0.0%	6.0%	86.0%	0.0%	8.0%	
	Effluent Infrastructure – Pump Stations	58	58	–	–	501	777	38.0%	29.0%	21.0%	3.0%	9.0%	
	Sub-total	571	571	426	338	11,523	19,436	8.4%	45.7%	37.2%	6.2%	2.5%	
Stormwater drainage	Stormwater drainage	–	–	19	31	7,387	12,507	1.0%	30.0%	61.0%	8.0%	0.0%	
	Sub-total	–	–	19	31	7,387	12,507	1.0%	30.0%	61.0%	8.0%	0.0%	
Open space / recreational assets	Swimming pools	–	–	122	125	1,024	2,196	57.0%	29.0%	13.0%	1.0%	0.0%	
	Open Space Assets	–	–	–	–	3,145	4,863	15.0%	55.0%	30.0%	0.0%	0.0%	
	Sub-total	–	–	122	125	4,169	7,059	28.1%	46.9%	24.7%	0.3%	0.0%	

Temora Shire Council

Report on infrastructure assets as at 30 June 2021 (continued)

Asset Class	Asset Category	Estimated cost		2020/21 Required maintenance ^a	2020/21 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
Other infrastructure assets	Other Infrastructure	–	–	–	–	6,834	7,946	77.0%	23.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	–	–	6,834	7,946	77.0%	23.0%	0.0%	0.0%	0.0%
	Total – all assets	7,300	10,249	2,902	3,161	222,259	341,523	15.5%	37.2%	41.8%	5.1%	0.3%

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

Infrastructure asset condition assessment 'key'

#	Condition	Integrated planning and reporting (IP&R) description
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

Temora Shire Council

Report on infrastructure assets as at 30 June 2021

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2021	Indicator 2021	Indicators 2020	Indicators 2019	Benchmark
Buildings and infrastructure renewals ratio					
Asset renewals ¹	8,550	151.30%	86.50%	156.74%	>= 100.00%
Depreciation, amortisation and impairment	5,651				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	7,300	3.28%	3.31%	3.56%	< 2.00%
Net carrying amount of infrastructure assets	222,501				
Asset maintenance ratio					
Actual asset maintenance	3,161	108.92%	93.95%	144.42%	> 100.00%
Required asset maintenance	2,902				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	10,249	3.00%	3.20%	3.52%	
Gross replacement cost	341,523				

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

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

Temora Shire Council

Report on infrastructure assets as at 30 June 2021

Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Sewer fund		Benchmark
	2021	2020	2021	2020	
Buildings and infrastructure renewals ratio					
Asset renewals ¹					
Depreciation, amortisation and impairment	154.98%	90.81%	44.97%	8.66%	>= 100.00%
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard					
Net carrying amount of infrastructure assets	3.19%	3.20%	4.96%	5.28%	< 2.00%
Asset maintenance ratio					
Actual asset maintenance					
Required asset maintenance	114.01%	97.78%	79.34%	73.93%	> 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	3.00%	3.21%	2.94%	3.13%	

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