

Temora Shire Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2023

"Success through determination and inspiration"

Temora Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2023

"Success through determination and inspiration"

Temora Shire Council

General Purpose Financial Statements

for the year ended 30 June 2023

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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

Consolidated Financial Statements

for the year ended 30 June 2023

Statement by Councillors and Management

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

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

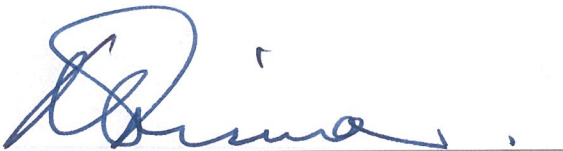
- the *Local Government Act 1993* and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the Local Government Code of Accounting Practice and Financial Reporting.

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

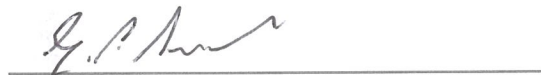
- present fairly the Council's operating result and financial position for the year
- accord with Council's accounting and other records.

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 21 September 2023.



Rick Firman
Mayor
21 September 2023



Graham Sinclair
Councillor
21 September 2023



Melissa Boxall
General Manager
21 September 2023



Elizabeth Smith
Responsible Accounting Officer
21 September 2023

Temora Shire Council

Income Statement

for the year ended 30 June 2023

Original unaudited budget 2023	\$ '000	Notes	Actual 2023	Restated Actual 2022
	Income from continuing operations			
6,307	Rates and annual charges	B2-1	6,302	6,088
10,057	User charges and fees	B2-2	12,412	12,574
704	Other revenues	B2-3	479	364
7,641	Grants and contributions provided for operating purposes	B2-4	11,967	8,177
4,761	Grants and contributions provided for capital purposes	B2-4	4,854	7,940
116	Interest and investment income	B2-5	512	168
–	Other income	B2-6	315	270
52	Net gain from the disposal of assets	B4-1	19	–
29,638	Total income from continuing operations		36,860	35,581
	Expenses from continuing operations			
9,575	Employee benefits and on-costs	B3-1	11,373	9,980
8,704	Materials and services	B3-2	11,020	9,437
81	Borrowing costs	B3-3	79	62
6,581	Depreciation, amortisation and impairment of non-financial assets	B3-4	7,163	6,412
660	Other expenses	B3-5	746	586
–	Net loss from the disposal of assets	B4-1	–	31
25,601	Total expenses from continuing operations		30,381	26,508
4,037	Operating result from continuing operations		6,479	9,073
4,037	Net operating result for the year attributable to Council		6,479	9,073
(724)	Net operating result for the year before grants and contributions provided for capital purposes		1,625	1,133

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 2023

\$ '000	Notes	2023	Restated 2022
Net operating result for the year – from Income Statement		6,479	9,073
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	47,415	43,633
Impairment (loss) reversal / (revaluation decrement) relating to infrastructure, property, plant and equipment	C1-7	(5,086)	(1,257)
Total items which will not be reclassified subsequently to the operating result		42,329	42,376
Total other comprehensive income for the year		42,329	42,376
Total comprehensive income for the year attributable to Council		48,808	51,449

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 2023

\$ '000	Notes	2023	Restated 2022	Restated 1 July 2021
ASSETS				
Current assets				
Cash and cash equivalents	C1-1	3,647	4,823	2,779
Investments	C1-2	13,636	9,604	11,140
Receivables	C1-4	3,544	4,268	4,245
Inventories	C1-5	1,038	1,773	977
Contract assets and contract cost assets	C1-6	130	656	–
Other	C1-8	248	251	160
Total current assets		22,243	21,375	19,301
Non-current assets				
Investments	C1-2	10,143	5,542	2,500
Receivables	C1-4	839	345	–
Infrastructure, property, plant and equipment (IPPE)	C1-7	326,620	283,171	236,861
Investments accounted for using the equity method	D2-1,D2-3	217	217	209
Total non-current assets		337,819	289,275	239,570
Total assets		360,062	310,650	258,871
LIABILITIES				
Current liabilities				
Payables	C3-1	1,763	2,036	2,809
Contract liabilities	C3-2	3,606	2,349	2,160
Borrowings	C3-3	429	417	364
Employee benefit provisions	C3-4	3,933	3,906	3,816
Total current liabilities		9,731	8,708	9,149
Non-current liabilities				
Borrowings	C3-3	2,238	2,667	1,885
Employee benefit provisions	C3-4	66	56	69
Total non-current liabilities		2,304	2,723	1,954
Total liabilities		12,035	11,431	11,103
Net assets		348,027	299,219	247,768
EQUITY				
Accumulated surplus	C4-1	118,976	112,497	103,422
IPPE revaluation reserve	C4-1	229,051	186,722	144,346
Total equity		348,027	299,219	247,768

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 2023

	Notes	2023			2022		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus Restated	IPPE revaluation reserve Restated	Total equity Restated
\$ '000							
Opening balance at 1 July		112,497	186,722	299,219	103,424	143,225	246,649
Correction of prior period errors	G4-1	–	–	–	–	1,121	1,121
Restated opening balance		112,497	186,722	299,219	103,424	144,346	247,770
Net operating result for the year		6,479	–	6,479	9,119	–	9,119
Correction of prior period errors	G4-1	–	–	–	(46)	–	(46)
Restated net operating result for the period		6,479	–	6,479	9,073	–	9,073
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	–	47,415	47,415	–	43,633	43,633
Impairment (loss) reversal / (revaluation decrement) relating to infrastructure, property, plant and equipment	C1-7	–	(5,086)	(5,086)	–	(1,257)	(1,257)
Other comprehensive income		–	42,329	42,329	–	42,376	42,376
Total comprehensive income		6,479	42,329	48,808	9,073	42,376	51,449
Closing balance at 30 June		118,976	229,051	348,027	112,497	186,722	299,219

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 2023

Original unaudited budget 2023	\$ '000	Notes	Actual 2023	Actual 2022
Cash flows from operating activities				
Receipts:				
6,306	Rates and annual charges		6,271	6,095
10,092	User charges and fees		15,419	10,604
107	Interest received		388	126
12,404	Grants and contributions		18,027	18,232
–	Bonds, deposits and retentions received		–	50
668	Other		1,091	2,382
Payments:				
(9,570)	Payments to employees		(11,646)	(9,868)
(8,615)	Payments for materials and services		(12,092)	(12,400)
(84)	Borrowing costs		(81)	(62)
(654)	Bonds, deposits and retentions refunded		(11)	–
–	Other		(977)	(469)
10,654	Net cash flows from operating activities	G1-1	16,389	14,690
Cash flows from investing activities				
Receipts:				
–	Sale of real estate assets		350	–
173	Proceeds from sale of IPPE		477	116
Payments:				
(3,000)	Acquisition of term deposits		(8,633)	(1,506)
(10,542)	Payments for IPPE		(8,636)	(11,374)
(185)	Purchase of real estate assets		(132)	(27)
–	Deferred debtors and advances made		(574)	(690)
(13,554)	Net cash flows from investing activities		(17,148)	(13,481)
Cash flows from financing activities				
Receipts:				
–	Proceeds from borrowings		–	1,210
Payments:				
(418)	Repayment of borrowings		(417)	(375)
(418)	Net cash flows from financing activities		(417)	835
(3,318)	Net change in cash and cash equivalents		(1,176)	2,044
4,190	Cash and cash equivalents at beginning of year		4,823	2,779
872	Cash and cash equivalents at end of year	C1-1	3,647	4,823
16,140	plus: Investments on hand at end of year	C1-2	23,779	15,146
17,012	Total cash, cash equivalents and investments		27,426	19,969

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 2023

A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 21 September 2023. 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 2021* (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.

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:

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2023

A1-1 Basis of preparation (continued)

-
- General purpose operations
 - Sewerage service
 - Pinnacle Community Services
 - Temora Agricultural Innovation Centre

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.

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 but 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 the 30 June 2023 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 for the first time at 30 June 2023.

Those newly adopted standards which had a material impact on Council's reported financial position, performance and/or associated financial statement disclosures are further discussed in the Changes in Accounting Policy Note.

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2023

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.

	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2023	2022	2023	2022 Restated	2023	2022 Restated	2023	2022	2023	2022 Restated
\$ '000										
Functions or activities										
Building a Strong Local Economy	12,469	5,511	10,590	5,045	1,879	466	6,771	843	130,574	30,526
Embracing & Developing Aviation	–	2,332	–	335	–	1,997	–	2,161	–	21,466
Engaging & Supporting the Community	–	1,567	–	2,716	–	(1,149)	–	1,009	–	21,236
Enhancing our Agricultural Wealth	–	2,780	–	3,048	–	(268)	–	2,787	–	54,795
Enhancing our Quality of Life	12,091	10,973	15,060	10,638	(2,969)	335	2,991	2,412	204,996	162,651
Enjoying our Beautiful Environment	1,378	1,465	1,878	1,942	(500)	(477)	173	321	18,963	13,655
Providing Local Leadership	140	–	613	–	(473)	–	132	–	22	–
Administration & General Purpose	10,782	10,953	2,240	2,783	8,542	8,170	6,754	6,584	5,507	5,244
Other	–	–	–	1	–	(1)	–	–	–	1,077
Total functions and activities	36,860	35,581	30,381	26,508	6,479	9,073	16,821	16,117	360,062	310,650

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2023

B1-2 Components of functions or activities

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

Enhancing our Quality of Life

Strategic objectives are to have a community with appropriate services and care for our ageing population and people with disability; a community with opportunities to be healthy; a community with services and facilities for our children and young people; a community that offers opportunities for sport and recreation; a community that enjoys arts and cultural activities and events; and a community that is safe and inclusive and looks after people who are experiencing disadvantage.

Providing Local Leadership

Strategic objectives are to have a community with strong local leadership; a community that acknowledges and celebrates its heritage and diversity; a community that is supported by our volunteers; a community that speaks up and advocates for itself; and a community that is well informed through engagement and communication.

Building a Strong Local Economy

Strategic objectives are to have a community with a variety of thriving businesses and industries; a community with opportunities for local employment; a community with opportunities for local education; a community with good access to a range of appropriate and affordable housing; a community with a strong agricultural sector; a community that celebrates and benefits from its aviation history and facilities; a community that benefits from tourism; and a community with a transport network that enables economic and social outcomes.

Enjoying our Beautiful Environment

Strategic objectives are to have a community that is liveable and provides for enjoyable town and village life; a community that enjoys appropriate urban infrastructure; a community that strives to minimise its environmental impacts; a community that enjoys a variety of open spaces for leisure; and a community that sustainably plans for its future.

Administration & General Purpose

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

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2023

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	2023	2022
Ordinary rates		
Residential	1,706	1,665
Farmland	2,023	1,983
Business	540	533
Less: pensioner rebates (mandatory)	(55)	(56)
Less: pensioner rebates (Council policy)	(45)	(46)
Rates levied to ratepayers	4,169	4,079
Pensioner rate subsidies received	55	56
Total ordinary rates	4,224	4,135
Annual charges (pursuant to s496, 496A, 496B, 501 & 611)		
Domestic waste management services	647	609
Stormwater management services	49	49
Sewerage services	1,289	1,208
Waste management services (non-domestic)	129	122
Less: pensioner rebates (mandatory)	(43)	(43)
Less: pensioner rebates (Council policy)	(35)	(35)
Annual charges levied	2,036	1,910
Pensioner annual charges subsidies received:		
– Sewerage	21	21
– Domestic waste management	21	22
Total annual charges	2,078	1,953
Total rates and annual charges	6,302	6,088

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 2023

B2-2 User charges and fees

\$ '000	Timing	2023	2022
Specific user charges (per s502 - specific 'actual use' charges)			
Domestic waste management services	2	131	129
Sewerage services	2	15	13
Waste management services (non-domestic)	2	49	47
Total specific user charges		195	189
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s608)			
Planning and building regulation	2	156	192
Private works – section 67	2	70	68
Section 10.7 certificates (EP&A Act)	2	13	14
Section 603 certificates	2	15	18
Total fees and charges – statutory/regulatory		254	292
(ii) Fees and charges – other (incl. general user charges (per s608))			
Aerodrome	2	85	57
Caravan park	2	125	157
Cemeteries	2	94	87
Transport for NSW works (state roads not controlled by Council)	2	4,023	4,345
Swimming centres	2	181	174
Animal control	2	2	5
Art Centre	2	1	–
Cinema	2	93	89
Community Technology Centre – printing and laminating	2	4	2
Frail and aged	2	7,313	7,152
Sports stadium	2	13	10
Tourism information centre	2	16	13
Other	2	13	2
Total fees and charges – other		11,963	12,093
Total other user charges and fees		12,217	12,385
Total user charges and fees		12,412	12,574
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)		12,412	12,574
Total user charges and fees		12,412	12,574

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 2023

B2-3 Other revenues

\$ '000	Timing	2023	2022
Legal fees recovery – rates and charges (extra charges)	2	10	14
Diesel rebate	2	79	71
Insurance claims recoveries	2	60	40
Commissions and agency fees – Service NSW	2	144	144
Reimbursement from Service NSW – travel and training costs	2	2	10
Donations	2	6	3
Gravel royalties	2	7	4
Risk management bonus	2	34	30
Agricultural Innovation Centre revenues	2	–	5
Youth Activities	2	8	2
Other	2	28	2
Sale of Gravel	2	101	39
Total other revenue		479	364

Timing of revenue recognition for other revenue

Other revenue recognised over time (1)	–	–
Other revenue recognised at a point in time (2)	479	364
Total other revenue	479	364

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 2023

B2-4 Grants and contributions

\$ '000	Timing	Operating 2023	Operating 2022	Capital 2023	Capital 2022
General purpose grants and non-developer contributions (untied)					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	2	811	1,247	–	–
Financial assistance – local roads component	2	506	748	–	–
Payment in advance - future year allocation					
Financial assistance – general component	2	3,035	2,027	–	–
Financial assistance – local roads component	2	1,656	1,041	–	–
Amount recognised as income during current year		6,008	5,063	–	–
Special purpose grants and non-developer contributions (tied)					
Aerodrome Upgrades	1	–	–	509	2,149
Aged Services	2	896	875	–	–
Bob Aldridge Park	1	–	–	311	–
Bundawarra Centre	1	56	18	–	1
Bushfire and emergency services	2	307	307	–	–
Crown Lands Plans of Management	2	–	7	–	–
Economic development	1	–	14	–	–
Employment and training programs	2	99	143	–	–
Flood Study Grant	2	54	25	–	–
Heritage and cultural	2	26	22	–	75
Library	2	62	70	55	375
Local Roads & Community Infrastructure Funding	1	6	–	639	1,333
Pedestrian Access Mobility Plan (PAMP) Works	2	–	–	55	36
Noxious weeds	2	53	83	–	–
RFS Community Engagement Centre	2	–	2	–	–
Road Safety Officer	2	120	105	–	–
Street lighting	2	42	165	–	–
Stronger Country Communities Funding	1	–	–	316	143
Transport (flood damage)	2	140	113	–	–
Transport (fixing country roads)	1	–	–	1,387	1,207
Transport (regional roads block grant)	2	156	285	572	429
Transport (repair program)	2	–	–	134	110
Transport (roads to recovery)	2	832	826	–	–
Transport (fixing local roads)	2	–	–	374	1,034
Health and safety	1	7	–	–	–
Recreation and culture	2	3	–	–	–
Kerb and gutter	2	–	–	–	12
Other Councils – ELEs transferred	2	6	–	–	–
Youth services	2	41	4	–	–
Summer Nights Funding	1	–	15	–	–
Art Centre	1	15	1	–	19
Australia Day Community Grant	1	20	18	–	–
Economic Development	1	1	–	–	–
Driver Reviver Upgrade - Springdale	2	–	–	(2)	38
Community Events Program	1	236	1	–	–
Emergency Services Levy	2	133	14	–	–
Other grants and contributions	2	10	–	–	–

continued on next page ...

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2023

B2-4 Grants and contributions (continued)

\$ '000	Timing	Operating 2023	Operating 2022	Capital 2023	Capital 2022
Lake Centenary - Contribution to Works	2	—	—	—	75
Footpath contributions	2	—	—	60	18
Nixon Park - Netball Court Upgrades - Club contributions	1	—	—	93	—
Planning	1	5	1	—	—
Swimming Pool Upgrade	2	—	—	227	792
Integrated Water Cycle Management Plan	1	156	—	—	—
Resilience Project	1	42	—	—	—
Railway Precinct Master Plan	2	4	—	—	—
Recreation Centre	2	—	—	6	—
Regional Local Roads Repair Program	2	2,431	—	—	—
Total special purpose grants and non-developer contributions (tied)		5,959	3,114	4,736	7,846
Total grants and non-developer contributions		11,967	8,177	4,736	7,846
Comprising:					
– Commonwealth funding		6,821	6,764	509	3,481
– State funding		4,362	1,322	3,401	4,221
– Other funding		784	91	826	144
		11,967	8,177	4,736	7,846

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2023

B2-4 Grants and contributions (continued)

Developer contributions

\$ '000	Notes	Timing	Operating 2023	Operating 2022	Capital 2023	Capital 2022
Developer contributions:						
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 7.12 – fixed development consent levies		2	–	–	118	94
Total developer contributions – cash			–	–	118	94
Total developer contributions			–	–	118	94
Total contributions			–	–	118	94
Total grants and contributions			11,967	8,177	4,854	7,940
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)			11,967	8,177	4,854	7,940
Total grants and contributions			11,967	8,177	4,854	7,940

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 2023	Operating 2022	Capital 2023	Capital 2022
Unspent grants and contributions				
Unspent funds at 1 July	746	894	1,600	1,226
Add: Funds received and not recognised as revenue in the current year	753	443	1,537	986
Less: Funds received in prior year but revenue recognised and funds spent in current year	(398)	(591)	(667)	(612)
Unspent funds at 30 June	1,101	746	2,470	1,600
Contributions				
Unspent funds at 1 July	–	37	–	–
Add: contributions received and not recognised as revenue in the current year	34	–	–	–
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	–	(37)	–	–
Unspent contributions at 30 June	34	–	–	–

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2023

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 2023

B2-5 Interest and investment income

\$ '000	2023	2022
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	13	11
– Cash and investments	499	157
Total interest and investment income (losses)	512	168

Accounting policy

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

B2-6 Other income

\$ '000	Notes	2023	2022
Rental income			
Other lease income			
Room/Facility Hire		234	204
Leaseback fees - council vehicles		29	27
Aerodrome Hangars		25	14
Sporting Grounds		14	12
Vacant Land		5	5
Caravan Park		8	–
Total other lease income		315	262
Total rental income	C2-2	315	262
Net share of interests in joint ventures and associates using the equity method			
Joint ventures		–	8
Total net share of interests in joint ventures and associates using the equity method	D2-1,D2-3	–	8
Total other income		315	270

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2023

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2023	2022
Salaries and wages	9,285	8,626
Employee termination costs	4	–
Employee leave entitlements (ELE)	1,262	897
ELE on-costs	20	30
Superannuation	1,046	951
Workers' compensation insurance	276	216
Fringe benefit tax (FBT)	65	36
Training costs (other than salaries and wages)	119	104
Staff uniforms and safety clothing	24	19
Other	28	–
Total employee costs	12,129	10,879
Less: capitalised costs	(756)	(899)
Total employee costs expensed	11,373	9,980
Number of 'full-time equivalent' employees (FTE) at year end	133	126

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 2023

B3-2 Materials and services

\$ '000	Notes	2023	2022
Raw materials and consumables		7,968	9,066
Contractor costs		8,123	8,465
Audit Fees	F2-1	48	40
Councillor and Mayoral fees and associated expenses	F1-2	184	162
Advertising		53	51
Bank charges		14	31
Cleaning		192	171
Election expenses		–	73
Electricity and heating		235	237
Insurance		582	485
Office expenses (including computer expenses)		458	385
Postage & Freight		63	60
Printing and stationery		72	64
Street lighting		79	76
Subscriptions and publications		64	58
Telephone and communications		92	96
Valuation fees		32	30
Other expenses		1	1
Conferences		1	–
Water		94	97
Legal expenses:			
– Legal expenses: debt recovery		8	14
– Legal expenses: other		35	33
Expenses from short-term leases		7	6
Expenses from leases of low value assets		45	37
Expenses from Peppercorn leases		1	1
Variable lease expense relating to usage		18	10
Total materials and services		18,469	19,749
Less: capitalised costs		(7,449)	(10,312)
Total materials and services		11,020	9,437

Accounting policy

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

B3-3 Borrowing costs

\$ '000	2023	2022
(i) Interest bearing liability costs		
Interest on loans	79	62
Total interest bearing liability costs	79	62
Total interest bearing liability costs expensed	79	62
Total borrowing costs expensed	79	62

Accounting policy

Borrowing costs are expensed when incurred.

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2023

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

\$ '000	Notes	2023	2022
Depreciation and amortisation			
Plant and equipment		521	700
Office equipment		66	65
Furniture and fittings		22	32
Land improvements (depreciable)		7	7
Infrastructure:	C1-7		
– Buildings – non-specialised		358	309
– Buildings – specialised		852	814
– Other structures		111	117
– Roads (incl Kerb & Gutter)		3,618	3,161
– Bridges		217	196
– Footpaths		102	90
– Stormwater drainage		128	117
– Sewerage network		318	199
– Swimming pools		128	56
– Other open space/recreational assets		261	300
– Other infrastructure		333	119
Leasehold improvements		34	30
Other assets:			
– Other		87	100
Total gross depreciation and amortisation costs		7,163	6,412
Total depreciation and amortisation costs		7,163	6,412
Impairment / revaluation decrement of IPPE			
Infrastructure:	C1-7		
– Roads (incl Kerb & Gutter)		5,086	1,257
Total gross IPPE impairment / revaluation decrement costs		5,086	1,257
Amounts taken through revaluation reserve	C1-7	(5,086)	(1,257)
Total IPPE impairment / revaluation decrement costs charged to Income Statement		–	–
Total depreciation, amortisation and impairment for non-financial assets		7,163	6,412

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 2023

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	2023	2022
Impairment of receivables			
User charges and fees		7	5
Other		–	3
Total impairment of receivables	C1-4	7	8
Other			
Contributions/levies to other levels of government			
– Emergency services levy (includes FRNSW, SES, and RFS levies)		482	364
Donations, contributions and assistance to other organisations (Section 356)		257	214
Total other		739	578
Total other expenses		746	586

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 2023

B4 Gains or losses

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

\$ '000	Notes	2023	2022
Gain (or loss) on disposal of property (excl. investment property)			
Proceeds from disposal – property		–	13
Gain (or loss) on disposal		–	13
Gain (or loss) on disposal of plant and equipment			
	C1-7		
Proceeds from disposal – plant and equipment		477	103
Less: carrying amount of plant and equipment assets sold/written off		(498)	(147)
Gain (or loss) on disposal		(21)	(44)
Gain (or loss) on disposal of real estate assets held for sale			
	C1-5		
Proceeds from disposal – real estate assets		350	–
Less: carrying amount of real estate assets sold/written off		(310)	–
Gain (or loss) on disposal		40	–
Gain (or loss) on disposal of investments			
	C1-2		
Proceeds from disposal/redemptions/maturities – investments		8,633	1,506
Less: carrying amount of investments sold/redeemed/matured		(8,633)	(1,506)
Gain (or loss) on disposal		–	–
Net gain (or loss) from disposal of assets		19	(31)

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 2023

B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 16 June 2022 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	2023 Budget	2023 Actual	2023 ----- Variance -----	
Revenues				
Rates and annual charges	6,307	6,302	(5)	0% U
User charges and fees	10,057	12,412	2,355	23% F
Revenues from Council's aged and disability services were higher than anticipated.				
Other revenues	704	479	(225)	(32)% U
Rental income of \$260k was incorrectly budgeted as Other Revenue rather than Other Income.				
Operating grants and contributions	7,641	11,967	4,326	57% F
FAGS in advance payment was 100% of the 2023/24 allocation. Council also recieved \$2.4m in Regional & Local Roads Repair Program funding.				
Capital grants and contributions	4,761	4,854	93	2% F
Interest and investment revenue	116	512	396	341% F
Interest revenue is higher than budget as a result of interest rates rising unexpectedly.				
Net gains from disposal of assets	52	19	(33)	(63)% U
Surplus on sale of plant was higher than anticipated, however several assets were scrapped/written off during the year resulting in an unfavourable budget variance.				
Other income	—	315	315	∞ F
Rental income of \$260k was incorrectly budgeted as Other Revenue rather than Other Income.				
Expenses				
Employee benefits and on-costs	9,575	11,373	(1,798)	(19)% U
Growth in Council's aged and disability services has seen employee costs increase in excess of budget. Also contributing to the increase in employee costs over budget is the cost of overtime and the use of casual employees to upscale to meet grant program deadlines.				
Materials and services	8,704	11,020	(2,316)	(27)% U
Similar to employee benefits and oncosts, Council's aged and disability services branch has experienced significant growth contributing to the cost of materials and services being higher than forecast. Also the use of contractors to deliver Council				

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2023

B5-1 Material budget variations (continued)

\$ '000	2023 Budget	2023 Actual	2023 ----- Variance -----	
works in order to meet grant program deadlines has seen an increase in the cost of materials and services. At the same time grant funding, including natural disaster support funding, is at an all-time high. Further, overarching these factors is the significant inflationary impact of the last year.				
Borrowing costs	81	79	2	2% F
Depreciation, amortisation and impairment of non-financial assets	6,581	7,163	(582)	(9)% U
Depreciation on roads, aerodrome and swimming pool along with other infrastructure were in excess of budget.				
Other expenses	660	746	(86)	(13)% U
The Emergency Services Levy was higher than forecast, however the additional cost was offset by a state government subsidy.				
Net losses from disposal of assets	—	—	—	∞ F
Statement of cash flows				
Cash flows from operating activities	10,654	16,389	5,735	54% F
Grant funds received were higher than forecast.				
Cash flows from investing activities	(13,554)	(17,148)	(3,594)	27% U
This variance is due to the receipt of grant funds in excess of budget and consequently higher capital expenditure than forecast. Further the advance payment of the FAGs allocation contributed to higher than forecast level of term deposit purchases.				
Cash flows from financing activities	(418)	(417)	1	0% F

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2023

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

\$ '000	2023	2022
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Cash assets

Cash on hand and at bank

	3,647	4,823
--	-------	-------

Total cash and cash equivalents	3,647	4,823
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Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position

	3,647	4,823
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Balance as per the Statement of Cash Flows	3,647	4,823
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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

	2023	2023	2022	2022
\$ '000	Current	Non-current	Current	Non-current

Debt securities at amortised cost

Long term deposits

	13,636	10,143	9,604	5,542
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Total	13,636	10,143	9,604	5,542
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Total financial investments	13,636	10,143	9,604	5,542
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Total cash assets, cash equivalents and investments

	17,283	10,143	14,427	5,542
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Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2023

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

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 2023

C1-3 Restricted and allocated cash, cash equivalents and investments

\$ '000	2023	2022
(a) Externally restricted cash, cash equivalents and investments		
Total cash, cash equivalents and investments	27,426	19,969
Less: Externally restricted cash, cash equivalents and investments	(8,616)	(6,676)
Cash, cash equivalents and investments not subject to external restrictions	18,810	13,293
External restrictions		
External restrictions – included in liabilities		
External restrictions included in cash, cash equivalents and investments above comprise:		
Specific purpose unexpended grants – general fund	3,059	2,346
External restrictions – included in liabilities	3,059	2,346
External restrictions – other		
External restrictions included in cash, cash equivalents and investments above comprise:		
Developer contributions – general	264	276
Sewer fund	3,641	2,747
Stormwater management	351	251
Domestic waste management	1,301	1,056
External restrictions – other	5,557	4,330
Total external restrictions	8,616	6,676

Cash, cash equivalents and investments subject to external restrictions are those which are only available for specific use by Council due to a restriction placed by legislation or third-party contractual agreement.

\$ '000	2023	2022
(b) Internal allocations		
Cash, cash equivalents and investments not subject to external restrictions	18,810	13,293
Less: Internally restricted cash, cash equivalents and investments	(18,275)	(12,491)
Unrestricted and unallocated cash, cash equivalents and investments	535	802

Internal allocations

At 30 June, Council has internally allocated funds to the following:

Plant and vehicle replacement	500	500
Infrastructure replacement	1,512	1,285
Employees leave entitlement	1,978	2,200
Carry over works	1,494	665
355 Committees Unexpended Funds	57	59
Airside Maintenance	114	103
Computer Upgrade	235	197
Financial Assistance Grants Received in Advance	3,035	2,027
Gravel royalty	1,005	759

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2023

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

\$ '000	2023	2022
Industrial development	338	338
Izumizaki donation	2	2
Local roads reserve	1,588	1,060
Medical complex	5	21
Other Equipment Reserve	80	65
Other Waste Management	696	567
Pinnacle Internal Restricted reserves	3,100	1,824
Roads reserve	565	500
Other	12	13
Temora Agricultural Innovation Centre maintenance reserve	10	11
Olympic Pool Upgrade	–	295
Regional Local Roads Repair Program	1,949	–
Total internal allocations	18,275	12,491

Cash, cash equivalents and investments not subject to external restrictions may be internally allocated by resolution or policy of the elected Council.

\$ '000	2023	2022
(c) Unrestricted and unallocated		
Unrestricted and unallocated cash, cash equivalents and investments	535	802

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2023

C1-4 Receivables

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Rates and annual charges	227	—	179	—
Interest and extra charges	11	—	10	—
User charges and fees	1,041	—	871	—
Accrued revenues				
– Interest on investments	197	—	74	—
– Other income accruals	347	—	1,442	—
Deferred debtors	425	839	345	345
Government grants and subsidies	1,218	—	1,096	—
Net GST receivable	64	—	94	—
Other debtors	28	—	170	—
Total	3,558	839	4,281	345
Less: provision for impairment				
User charges and fees	(14)	—	(13)	—
Total provision for impairment – receivables	(14)	—	(13)	—
Total net receivables	3,544	839	4,268	345

\$ '000	2023	2022
Movement in provision for impairment of receivables		
Balance at the beginning of the year	13	14
+ new provisions recognised during the year	7	8
– amounts already provided for and written off this year	(6)	(9)
Balance at the end of the year	14	13

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 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.

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2023

C1-4 Receivables (continued)

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 2023

C1-5 Inventories

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
(i) Inventories at cost				
Real estate for resale	465	—	643	—
Stores and materials	573	—	1,130	—
Total inventories at cost	1,038	—	1,773	—
Total inventories	1,038	—	1,773	—

(i) Other disclosures

\$ '000	Notes	2023 Current	2023 Non-current	2022 Current	2022 Non-current
(a) Details for real estate development					
Residential		465	—	643	—
Total real estate for resale		465	—	643	—
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition & development costs		465	—	643	—
Total costs		465	—	643	—
Total real estate for resale		465	—	643	—
Movements:					
Real estate assets at beginning of the year		643	—	616	—
– Purchases and other costs		132	—	27	—
– WDV of sales (expense)	B4-1	(310)	—	—	—
Total real estate for resale		465	—	643	—

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2023

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	2023	2022
Real estate for resale	464	643
	464	643

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	2023 Current	2022 Current
Contract assets	130	656
Total contract assets and contract cost assets	130	656

Contract assets

Aerodrome - Building Better Regions Fund	–	611
Community Events Program	44	–
Flood Study Grant	29	45
Get Active NSW	15	–
Resilience Project	42	–
Total contract assets	130	656

Accounting policy

Contract assets

Contract assets represent Council's 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 2023

C1-7 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2022			Asset movements during the reporting period										At 30 June 2023		
	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	Other movements (Assets Written Off)	Tfrs from/(to) 'held for sale' category	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000																
Capital work in progress	3,513	—	3,513	13	40	—	—	—	(3,338)	—	—	—	—	228	—	228
Plant and equipment	10,056	(5,360)	4,696	1,018	82	(317)	(521)	—	—	—	(27)	—	—	9,940	(5,009)	4,931
Office equipment	585	(425)	160	26	2	—	(66)	—	—	—	—	—	—	613	(491)	122
Furniture and fittings	436	(315)	121	—	15	—	(22)	—	—	—	—	—	—	452	(338)	114
Land:																
– Operational land	3,564	—	3,564	—	—	(101)	—	—	—	—	—	43	11,728	15,234	—	15,234
– Community land	3,980	—	3,980	—	55	—	—	—	—	—	—	—	1,279	5,314	—	5,314
Land improvements – depreciable	80	(29)	51	—	—	—	(7)	—	—	—	—	—	—	80	(36)	44
Infrastructure:																
– Buildings – non-specialised	17,918	(9,471)	8,447	49	—	—	(358)	—	—	—	—	—	6,565	22,416	(7,713)	14,703
– Buildings – specialised	36,002	(17,453)	18,549	381	4	—	(852)	—	2	(82)	(18)	—	10,804	44,836	(16,048)	28,788
– Other structures	2,960	(1,445)	1,515	36	47	(33)	(111)	—	1	200	(1)	—	992	4,084	(1,438)	2,646
– Roads	181,851	(84,631)	97,220	2,424	1,750	—	(3,618)	(5,086)	73	—	—	—	5,890	197,089	(98,436)	98,653
– Bridges	21,952	(5,585)	16,367	—	—	—	(217)	—	—	—	—	—	955	23,249	(6,144)	17,105
– Footpaths	7,609	(2,185)	5,424	—	321	—	(102)	—	1	—	—	—	316	8,382	(2,422)	5,960
– Bulk earthworks (non-depreciable)	67,899	—	67,899	—	—	—	—	—	—	—	—	—	4,013	71,912	—	71,912
– Stormwater drainage	12,903	(5,799)	7,104	—	148	—	(128)	—	1	—	—	—	357	13,711	(6,229)	7,482
– Sewerage network	30,167	(10,937)	19,230	21	—	—	(318)	—	—	—	—	—	1,460	32,515	(12,122)	20,393
– Swimming pools	2,574	(1,439)	1,135	1,235	—	—	(128)	—	1,236	—	—	—	517	5,071	(1,076)	3,995
– Other open space/recreational assets	8,612	(3,093)	5,519	260	97	—	(261)	—	18	(446)	(1)	—	1,404	9,611	(3,021)	6,590
– Other infrastructure	20,455	(2,706)	17,749	585	40	—	(333)	—	2,006	153	—	—	1,135	24,593	(3,258)	21,335
Leasehold improvements	626	(298)	328	—	—	—	(34)	—	—	—	—	—	—	626	(332)	294
Other assets:																
– Other	1,233	(633)	600	51	37	—	(87)	—	—	176	—	—	—	1,614	(837)	777
Total infrastructure, property, plant and equipment	434,975	(151,804)	283,171	6,099	2,638	(451)	(7,163)	(5,086)	—	1	(47)	43	47,415	491,570	(164,950)	326,620

(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 2023

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

By aggregated asset class	At 1 July 2021			Asset movements during the reporting period									At 30 June 2022		
	Gross carrying amount Restated	Accumulated depreciation and impairment Restated	Net carrying amount Restated	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in equity)	WIP transfers	Adjustments and transfers	Other movements (Assets Written Off)	Revaluation increments to equity (ARR)	Gross carrying amount Restated	Accumulated depreciation and impairment Restated	Net carrying amount Restated
\$ '000															
Capital work in progress	242	—	242	3,449	22	—	—	—	(191)	—	(9)	—	3,513	—	3,513
Plant and equipment	9,692	(5,011)	4,681	929	—	(136)	(700)	—	—	(78)	—	—	10,056	(5,360)	4,696
Office equipment	553	(353)	200	17	—	—	(65)	—	—	8	—	—	585	(425)	160
Furniture and fittings	435	(283)	152	—	1	—	(32)	—	—	—	—	—	436	(315)	121
Land:															
– Operational land	2,883	—	2,883	—	—	—	—	—	—	—	—	681	3,564	—	3,564
– Community land	3,671	—	3,671	—	5	—	—	—	—	—	—	304	3,980	—	3,980
Land improvements – depreciable	80	(22)	58	—	—	—	(7)	—	—	—	—	—	80	(29)	51
Infrastructure:															
– Buildings – non-specialised	14,623	(7,881)	6,742	701	38	—	(309)	—	191	—	—	1,084	17,918	(9,471)	8,447
– Buildings – specialised	31,262	(14,319)	16,943	—	14	—	(814)	—	—	—	—	2,406	36,002	(17,453)	18,549
– Other structures	2,388	(1,219)	1,169	64	17	—	(117)	—	—	182	—	200	2,960	(1,445)	1,515
– Roads	160,600	(72,289)	88,311	2,035	1,802	—	(3,161)	(1,257)	—	—	—	9,490	181,851	(84,631)	97,220
– Bridges	18,574	(4,852)	13,722	417	—	—	(196)	—	—	857	—	1,567	21,952	(5,585)	16,367
– Footpaths	6,776	(1,886)	4,890	—	109	—	(90)	—	—	—	—	515	7,609	(2,185)	5,424
– Bulk earthworks (non-depreciable)	61,275	—	61,275	—	—	—	—	—	—	—	—	6,624	67,899	—	67,899
– Stormwater drainage	12,507	(5,120)	7,387	—	—	—	(117)	—	—	(857)	—	691	12,903	(5,799)	7,104
– Sewerage network	19,437	(7,914)	11,523	22	—	(9)	(199)	—	—	75	—	7,818	30,167	(10,937)	19,230
– Swimming pools	2,196	(1,172)	1,024	—	—	—	(56)	—	—	—	—	167	2,574	(1,439)	1,135
– Other open space/recreational assets	6,592	(2,382)	4,210	196	391	—	(300)	—	—	553	—	469	8,612	(3,093)	5,519
– Other infrastructure	7,946	(1,112)	6,834	149	—	—	(119)	—	—	(732)	—	11,617	20,455	(2,706)	17,749
Leasehold improvements	548	(268)	280	78	—	—	(30)	—	—	—	—	—	626	(298)	328
Other assets:															
– Other	1,205	(540)	665	—	43	—	(100)	—	—	(8)	—	—	1,233	(633)	600
Total infrastructure, property, plant and equipment	363,485	(126,623)	236,862	8,057	2,442	(145)	(6,412)	(1,257)	—	—	(9)	43,633	434,975	(151,804)	283,171

(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 2023

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 Department of Planning, Industry and Environment - Water.

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	Non-depreciable
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.

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2023

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

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.

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 Red Fleet assets including plant and vehicles.

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2023

Infrastructure, property, plant and equipment – current year impairments

\$ '000	Notes	2023	2022
(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		(5,086)	(1,297)
Total impairment losses		(5,086)	(1,297)
Impairment of assets – direct to equity (ARR)		(5,086)	(1,297)

C1-8 Other

Other assets

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Prepayments	248	–	251	–
Total other assets	248	–	251	–

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2023

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	2023	2022
Variable lease payments based on usage not included in the measurement of lease liabilities	18	10
Expenses relating to short-term leases	7	6
Expenses relating to low-value leases	45	37
Expenses relating to Peppercorn leases	1	1
	<u>71</u>	<u>54</u>

(b) Statement of Cash Flows

Total cash outflow for leases	<u>71</u>	<u>60</u>
	<u>71</u>	<u>60</u>

(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 2023

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	2023	2022
(ii) Assets held as property, plant and equipment		
Lease income (excluding variable lease payments not dependent on an index or rate)	315	262
Total income relating to operating leases for Council assets	315	262

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2023

C2-2 Council as a lessor (continued)

\$ '000	2023	2022
(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	205	173
1–2 years	179	165
2–3 years	153	151
3–4 years	150	149
4–5 years	149	149
> 5 years	149	149
Total undiscounted lease payments to be received	985	936

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 2023

C3 Liabilities of Council

C3-1 Payables

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Prepaid rates	120	—	103	—
Goods and services – operating expenditure	962	—	1,127	—
Goods and services – capital expenditure	218	—	73	—
Accrued expenses:				
– Borrowings	9	—	11	—
– Salaries and wages	147	—	415	—
– Other expenditure accruals	68	—	57	—
Security bonds, deposits and retentions	239	—	250	—
Total payables	1,763	—	2,036	—

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 2023

C3-2 Contract Liabilities

\$ '000	Notes	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	1,894	—	988	—
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	195	—	411	—
Unexpended operating contributions (received prior to performance obligation being satisfied)	(ii)	35	—	—	—
Total grants received in advance		2,124	—	1,399	—
User fees and charges received in advance:					
Other		2	—	3	—
Homecare Packages	(iii)	1,480	—	947	—
Total user fees and charges received in advance		1,482	—	950	—
Total contract liabilities		3,606	—	2,349	—

Notes

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

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

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

Significant changes in contract 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 2023

C3-3 Borrowings

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Loans – secured	429	2,238	417	2,667
Total borrowings	429	2,238	417	2,667

(a) Changes in liabilities arising from financing activities

\$ '000	2022		Non-cash movements				2023
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	3,084	(417)	–	–	–	–	2,667
Total liabilities from financing activities	3,084	(417)	–	–	–	–	2,667

\$ '000	2021		Non-cash movements				2022
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	2,249	835	–	–	–	–	3,084
Total liabilities from financing activities	2,249	835	–	–	–	–	3,084

(b) Financing arrangements

\$ '000	2023	2022
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	10	10
Total drawn financing arrangements	10	10
Undrawn facilities		
– Bank overdraft facilities	200	200
– Credit cards/purchase cards	20	20
Total undrawn financing arrangements	220	220

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 2023

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 2023

C3-4 Employee benefit provisions

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Annual leave	1,191	–	1,191	–
Sick leave	928	–	951	–
Long service leave	1,814	66	1,764	56
Total employee benefit provisions	3,933	66	3,906	56

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	2023	2022
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	2,742	2,971
	2,742	2,971

Description of and movements in provisions

\$ '000	ELE provisions			
	Annual leave	Sick leave	Long service leave	Total
2023				
At beginning of year	1,191	951	1,820	3,962
Additional provisions	570	343	276	1,189
Amounts used (payments)	(596)	(388)	(240)	(1,224)
Other - Remeasurement	26	22	24	72
Total ELE provisions at end of year	1,191	928	1,880	3,999
2022				
At beginning of year	1,098	945	1,842	3,885
Additional provisions	541	303	245	1,089
Amounts used (payments)	(435)	(254)	(116)	(805)
Other - Remeasurement	(13)	(43)	(151)	(207)
Total ELE provisions at end of year	1,191	951	1,820	3,962

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 2023

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 2023

C4 Reserves

C4-1 Nature and purpose of reserves

IPPE 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 2023

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 2023	Sewer 2023
Income from continuing operations		
Rates and annual charges	5,004	1,298
User charges and fees	12,383	29
Interest and investment revenue	448	64
Other revenues	462	17
Grants and contributions provided for operating purposes	11,790	177
Grants and contributions provided for capital purposes	4,854	—
Net gains from disposal of assets	19	—
Other income	315	—
Total income from continuing operations	35,275	1,585
Expenses from continuing operations		
Employee benefits and on-costs	11,206	167
Materials and services	10,540	480
Borrowing costs	79	—
Depreciation, amortisation and impairment of non-financial assets	6,838	325
Other expenses	746	—
Total expenses from continuing operations	29,409	972
Operating result from continuing operations	5,866	613
Net operating result for the year	5,866	613
Net operating result attributable to each council fund	5,866	613
Net operating result for the year before grants and contributions provided for capital purposes	1,012	613

(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 2023

D1-2 Statement of Financial Position by fund

\$ '000	General ¹ 2023	Sewer 2023
ASSETS		
Current assets		
Cash and cash equivalents	3,477	170
Investments	10,165	3,471
Receivables	566	2,978
Inventories	1,038	—
Contract assets and contract cost assets	130	—
Other	248	—
Total current assets	15,624	6,619
Non-current assets		
Investments	10,143	—
Receivables	839	—
Infrastructure, property, plant and equipment	306,200	20,420
Investments accounted for using the equity method	217	—
Total non-current assets	317,399	20,420
Total assets	333,023	27,039
LIABILITIES		
Current liabilities		
Payables	1,763	—
Contract liabilities	3,606	—
Borrowings	429	—
Employee benefit provision	3,933	—
Total current liabilities	9,731	—
Non-current liabilities		
Borrowings	2,238	—
Employee benefit provision	66	—
Total non-current liabilities	2,304	—
Total liabilities	12,035	—
Net assets	320,988	27,039
EQUITY		
Accumulated surplus	108,352	10,624
Revaluation reserves	212,636	16,415
Total equity	320,988	27,039

(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 2023

D2 Interests in other entities

\$ '000	Council's share of net assets	
	2023	2022
Council's share of net assets		
Net share of interests in joint ventures and associates using the equity method – assets		
Joint ventures	217	217
Total net share of interests in joint ventures and associates using the equity method – assets	217	217
Total Council's share of net assets	217	217

D2-1 Interests in joint arrangements

Net carrying amounts – Council's share

\$ '000	Place of business	Nature of relationship	Interest in ownership			
			2023	2022	2023	2022
Riverina Regional Library	Riverina	Joint venture	4.5%	4.5%	217	217
Total carrying amounts – material joint ventures					217	217

Riverina Regional Library

There is ongoing arbitration between Wagga Wagga City Council (previous member) and the remaining Riverina Regional Library Councils.

Material joint ventures

Council has incorporated the following joint ventures into its 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	
	2023	2022	2023	2022
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 2023

D2-1 Interests in joint arrangements (continued)

Summarised financial information for joint ventures

\$ '000	Riverina Regional Library	
	2023	2022
Statement of financial position		
Current assets		
Cash and cash equivalents	3,249	3,249
Other current assets	27	27
Non-current assets	2,479	2,479
Current liabilities		
Current financial liabilities (excluding trade and other payables and provisions)	899	899
Non-current liabilities		
Non-current financial liabilities (excluding trade and other payables and provisions)	4	4
Net assets	4,852	4,852
Statement of comprehensive income		
Income	–	3,142
Interest income	–	26
Interest expense	–	(2)
Depreciation and amortisation	–	(925)
Other expenses	–	(2,064)
Profit/(loss) from continuing operations	–	177
Profit/(loss) for the period	–	177
Total comprehensive income	–	177
Share of income – Council (%)	4.5%	4.5%
Profit/(loss) – Council (\$)	–	8
Total comprehensive income – Council (\$)	–	8
Summarised Statement of cash flows		
Cash flows from operating activities	–	901
Cash flows from investing activities	–	(816)
Net increase (decrease) in cash and cash equivalents	–	85
Reconciliation of the carrying amount		
Opening net assets (1 July)	4,852	4,675
Profit/(loss) for the period	–	177
Closing net assets	4,852	4,852
Council's share of net assets (%)	4.5%	4.5%
Council's share of net assets (\$)	217	217

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 2023

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.

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2023

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

(a) Market risk – interest rate and price risk

\$ '000	2023	2022
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.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	274	200

(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 rates and annual charges			Total
	Not yet overdue	< 5 years	≥ 5 years	
2023				
Gross carrying amount	–	221	6	227
2022				
Gross carrying amount	–	175	4	179

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 2023

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

\$ '000	Not yet overdue	0 - 30 days	Overdue debts			Total
			31 - 60 days	61 - 90 days	> 91 days	
\$ '000	Not yet overdue	0 - 30 days	31 - 60 days	61 - 90 days	> 91 days	Total
2023						
Gross carrying amount	3,975	60	46	59	160	4,300
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	15.00%	0.56%
ECL provision	—	—	—	—	24	24
2022						
Gross carrying amount	4,899	86	12	19	87	5,103
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	15.00%	0.26%
ECL provision	—	—	—	—	13	13

(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		
2023							
Payables	0.00%	239	1,524	—	—	1,763	1,763
Borrowings	2.79%	—	429	1,325	913	2,667	2,667
Total financial liabilities		239	1,953	1,325	913	4,430	4,430
2022							
Payables	0.00%	250	1,786	—	—	2,036	2,036
Borrowings	2.77%	—	417	1,629	1,038	3,084	3,084
Total financial liabilities		250	2,203	1,629	1,038	5,120	5,120

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2023

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).

Fair value measurement hierarchy									
	Notes	Date of latest valuation		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2023	2022	2023	2022	2023	2022	2023	2022
\$ '000						Restated		Restated	
Infrastructure, property, plant and equipment	C1-7								
Plant and equipment		N/A	N/A	–	–	4,931	4,696	4,931	4,696
Office equipment		N/A	N/A	–	–	122	160	122	160
Furniture and fittings		N/A	N/A	–	–	114	121	114	121
Operational land		30/06/23	30/06/18	4,344	3,564	10,890	–	15,234	3,564
Community land		30/06/23	30/06/21	–	–	5,314	3,980	5,314	3,980
Land improvements		N/A	N/A	–	–	44	51	44	51
Buildings – non-specialised		30/06/23	30/06/18	3,518	8,446	11,185	–	14,703	8,446
Buildings – specialised		30/06/23	30/06/18	–	–	28,787	18,549	28,787	18,549
Leasehold improvements		N/A	N/A	–	–	294	328	294	328
Other structures		30/06/23	30/06/18	–	–	2,646	1,513	2,646	1,513
Roads		30/06/20	30/06/20	–	–	98,654	97,220	98,654	97,220
Bridges		30/06/20	30/06/20	–	–	17,105	16,367	17,105	16,367
Footpaths		30/06/20	30/06/20	–	–	5,960	5,424	5,960	5,424
Bulk earthworks (roads)		30/06/20	30/06/20	–	–	71,912	67,899	71,912	67,899
Stormwater drainage		30/06/20	30/06/20	–	–	7,482	7,104	7,482	7,104
Sewerage network		30/06/22	30/06/22	–	–	20,393	19,230	20,393	19,230
Swimming pools		30/06/23	30/06/18	–	–	3,995	1,135	3,995	1,135
Other open space/recreational assets		30/06/23	30/06/18	–	–	6,590	5,520	6,590	5,520
Other Infrastructure		30/06/22	30/06/22	–	–	21,335	17,749	21,335	17,749
Other		N/A	N/A	–	–	777	600	777	600
Total infrastructure, property, plant and equipment				7,862	12,010	318,530	267,646	326,392	279,656

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 2023

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.

A desktop revaluation was undertaken in 2023 by Council's officers. Values were indexed in accordance with 6427.0 Producer Price Indexes, Australia - Table 17. Output of the Construction Industries - 3101 Road and Bridge Construction New South Wales as published by the Australian Bureau of Statistics.

Council's road assets have been impacted by multiple flood events along with prolonged wet conditions which have hampered maintenance schedules. Consequently Council has recognised impairment of \$5.086m in relation to road assets for the year ended 30 June 2023, with an accumulated road impairment of \$6.983m.

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.

A desktop revaluation was undertaken in 2023 by Council's officers. Values were indexed in accordance with 6427.0 Producer Price Indexes, Australia - Table 17. Output of the Construction industries - 3109 Other Heavy & Civil Engineering Construction New South Wales as published by the Australian Bureau of Statistics.

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 2022. 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.

A desktop revaluation was undertaken in 2023 by Council's officers. Values were indexed in accordance with the NSW Office of Water – Rates Reference Manual indices

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 at 01/07/2022 as the fair value.

Operational Land

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2023

E2-1 Fair value measurement (continued)

This asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993. Council engaged Australis Asset Advisory Group to value all of its operational land with an effective date of 30 June 2023 during the current year.

Buildings – Specialised

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

Council engaged Australian Asset Advisory Group to value all of its buildings with an effective date of 30 June 2023 during the current year. 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.

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.

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2023

E2-1 Fair value measurement (continued)

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 (30/6/23) 2023	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment			
Plant & Equipment	4,931	Valued at Cost	Cost per unit, useful life, residual value, condition of asset
Office Equipment	122	Valued at Cost	Cost per unit, useful life, residual value, condition of asset
Furniture & Fittings	114	Valued at Cost	Cost per unit, useful life, residual value, condition of asset
Operational Land	10,890	External Valuation using Market or Cost Approach where appropriate	Current replacement cost of modern equivalent asset incorporating unobservable inputs which can include discussions with real estate agents active in the area and review of published reports on specific property segments.
Community Land	5,314	Market approach. Land values obtained from the NSW Valuer-General	Land value, land area, level of restriction
Land Improvements	44	Valued at Cost	Cost per unit, useful life, residual value, condition of asset
Buildings Non-Specialised	11,185	External valuation using Market or Cost Approach where appropriate	Current replacement cost of modern equivalent asset with similar service potential using componentisation, asset condition, remaining lives
Buildings – Specialised	28,787	External Valuation using Cost Approach	Current replacement cost of modern equivalent asset with a similar service potential using componentisation, asset condition, remaining lives
Leasehold Improvements	294	Valued at Cost	Cost per unit, useful life, residual value, condition of asset
Other Structures	2,646	External Valuation using Cost Approach	Current replacement cost of modern equivalent asset with similar service potential using componentisation, asset condition, remaining lives
Roads	98,654	Internal Valuation using Cost Approach indexed	Unit rates, useful life, dimensions & specifications, pattern of consumption, components, condition assessment
Bridges	17,105	Internal Valuation using Cost Approach indexed	Unit rates, useful life, dimensions & specifications, pattern of consumption, components, condition assessment
Footpaths	5,960	Internal Valuation using Cost Approach indexed	Unit rates, useful life, dimensions & specifications, pattern of consumption, components, condition assessment
Bulk Earthworks (Roads)	71,912	Internal Valuation using Cost Approach indexed	Cost per sq metre
Stormwater Drainage	7,482	Internal Valuation using Cost Approach indexed	Asset condition, remaining lives. Cost per unit/metre
Sewerage Network	20,393	Internal Valuation using Cost Approach indexed	Unit rates, useful life, pattern of consumption, components, condition assessment

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2023

E2-1 Fair value measurement (continued)

\$ '000	Fair value (30/6/23) 2023	Valuation technique/s	Unobservable inputs
Swimming Pools	3,995	External Valuation using Cost Approach	Current replacement cost of modern equivalent asset with similar service potential using componentisation, asset condition, remaining lives
Other Open Space/Recreational Assets	6,590	External Valuation using Cost Approach	Current replacement cost of modern equivalent asset with similar service potential using componentisation, asset condition, remaining lives
Other Infrastructure	21,335	Internal Valuation using Cost Approach indexed	Unit rates, useful life, pattern of consumption, condition assessment
Other	777	Valued at Cost	Unit Costs

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2023

E2-1 Fair value measurement (continued)

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	
	2023	2022 Restated
Opening balance	267,646	226,948
Total gains or losses for the period		
Recognised in other comprehensive income – revaluation surplus	42,055	41,868
Other movements		
Purchases (GBV)	8,738	6,289
Disposals (WDV)	(451)	(145)
Depreciation and impairment	(7,116)	(6,057)
Impairment Loss recognised in Equity	(5,086)	(1,257)
Transfers	12,744	–
Closing balance	318,530	267,646

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

There were no transfers from level 3 during the year.

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 2023

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 8% of salaries for the year ending 30 June 2023 (increasing to 8.5% 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 \$20.0 million per annum for 1 January 2022 to 31 December 2024, apportioned according to each employer's share of the accrued liabilities as at 30 June 2022. 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 2023

E3-1 Contingencies (continued)

of outstanding past service 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 2023 was \$50,400.30. The last formal valuation of the Scheme was performed by fund actuary, Richard Boyfield, FIAA as at 30 June 2022.

The amount of additional contributions included in the total employer contribution advised above is \$43,042.92. Council's expected contribution to the plan for the next annual reporting period is \$54,050.40.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2022 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	2,290.9	
Past Service Liabilities	2,236.1	102.4%
Vested Benefits	2,253.6	101.7%

* 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 .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	6.0% per annum
Salary inflation *	3.5% per annum
Increase in CPI	6.0% for FY 22/23 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 the relevant information has been received by the Funds Actuary, the final end of year review, which will be a triennial actuarial investigation will be completed by December 2023

(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 June 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.

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2023

E3-1 Contingencies (continued)

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

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.

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 future liabilities have not been brought to account because:

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

ASSETS NOT RECOGNISED

(i) Land under roads

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

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2023

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	2023	2022
Compensation:		
Short-term benefits	1,260	1,111
Post-employment benefits	102	90
Other long-term benefits	34	33
Total	1,396	1,234

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			Outstanding balances including commitments	Terms and conditions	Impairment provision on outstanding balances	Impairment expense
\$ '000	Ref	Transactions during the year				
2023						
Employee expenses for close family members of KMP	1	452	–	NSW Local Govt State Award	–	–
Catering Supplies	3	2	–	7 day terms on invoices	–	–
Uniform Purchases	2	3	–	7 day terms on invoices	–	–
Real Estate Services	4	–	–	7 day terms on invoices	–	–
Building Services	3	213	–	7 day terms on invoices	–	–
Fees & Charges charged to entities who influence or are influenced by KMP	5	4	–	7 day terms on invoices	–	–

continued on next page ...

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2023

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				
Signwriting	2	42	–	7 day terms on invoices	–	–
Consultancy	2	3	–	7 day terms on invoices	–	–
Parts Supplier	3	91	–	7 day terms on invoices	–	–
Development Infrastructure Deferred Payments	6	123	–	Development Infrastructure Deferred Payments Policy	–	–
2022						
Employee expenses for close family members of KMP	1	443	–	NSW Local Govt State Award	–	–
Catering Supplies	3	–	–	7 day terms on invoices	–	–
Uniform Purchases	2	4	–	7 day terms on invoices	–	–
Real Estate Services	4	–	–	7 day terms on invoices	–	–
Building Services	3	23	–	7 day terms on invoices	–	–
Fees & Charges charged to entities who influence or are influenced by KMP	5	4	–	7 day terms on invoices	–	–
Signwriting	2	4	–	7 day terms on invoices	–	–
Consultancy	2	2	–	7 day terms on invoices	–	–
Parts Supplier	3	53	–	7 day terms on invoices	–	–
Development Infrastructure Deferred Payments	6	627	–	Development Infrastructure Deferred Payments Policy	–	–

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 role they perform. Council employs 188 staff, of which only 9 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
- Signwriting
- Consultancy 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

- Parts Supplies
- Building Services
- Catering Supplies

continued on next page ...

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2023

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

- 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 are 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.
- 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 KMPs. The development applications were assessed and approved in accordance with Council's normal terms and conditions. The KMP did not participate in any decisions related to the applications.
- 6 Council entered into an agreement with a developer which is an entity controlled by a related party of a KMP. The agreement was in accordance with Council's adopted Development Infrastructure Deferred Payments Policy. The KMP did not participate in any decisions related to the agreement.

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2023

F1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2023	2022
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	20	18
Councillor's fees	101	93
Other Councillor's expenses (including Mayor)	63	51
Total	184	162

F2 Other relationships

F2-1 Audit fees

\$ '000	2023	2022
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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

	40	36
Remuneration for audit and other assurance services	40	36

Total Auditor-General remuneration

	40	36
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Non NSW Auditor-General audit firms

(i) Audit and other assurance services

Other audit and assurance services – Grant Acquittals

	8	4
Remuneration for audit and other assurance services	8	4

Total remuneration of non NSW Auditor-General audit firms

	8	4
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Total audit fees

	48	40
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Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2023

G Other matters

G1-1 Statement of Cash Flows information

Reconciliation of net operating result to cash provided from operating activities

\$ '000	2023	2022 Restated
Net operating result from Income Statement	6,479	9,073
Add / (less) non-cash items:		
Depreciation and amortisation	7,163	6,412
(Gain) / loss on disposal of assets	(19)	31
Share of net (profits)/losses of associates/joint ventures using the equity method	–	(8)
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	803	323
Increase / (decrease) in provision for impairment of receivables	1	(1)
(Increase) / decrease of inventories	557	(769)
(Increase) / decrease of other current assets	3	(91)
(Increase) / decrease of contract asset	526	(656)
Increase / (decrease) in payables	(165)	(33)
Increase / (decrease) in accrued interest payable	(2)	–
Increase / (decrease) in other accrued expenses payable	(257)	97
Increase / (decrease) in other liabilities	6	45
Increase / (decrease) in contract liabilities	1,257	189
Increase / (decrease) in employee benefit provision	37	78
Net cash flows from operating activities	16,389	14,690

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2023

G2-1 Commitments

Capital commitments (exclusive of GST)

\$ '000	2023	2022
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Land and Buildings	243	1,661
Plant and equipment	794	55
Other	199	—
Total commitments	1,236	1,716
These expenditures are payable as follows:		
Within the next year	1,236	1,716
Total payable	1,236	1,716
Sources for funding of capital commitments:		
Unrestricted general funds	12	—
Grants and Contributions	430	738
Internally restricted reserves	794	186
Unexpended loans	—	792
Total sources of funding	1,236	1,716
Details of capital commitments		
Commitments for land and buildings is comprised of the unperformed works in relation to the construction of a new amenities building at Bob Aldridge Park. Commitments for Plant & Equipment related to the purchase of a new emulsion truck, a side tipper trailer and a recycling bale press. Commitments for other structures related to lighting upgrades at sporting grounds		

G3-1 Events occurring after the reporting date

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

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2023

G4 Changes from prior year statements

G4-1 Correction of errors

Council has identified assets that have been removed from the asset register as a result of an earlier revaluation which componentised previously grouped assets. This process resulted in certain assets being dropped from the asset register.

The errors identified above have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2021) and taking the adjustment through to accumulated surplus at that date.

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

Changes to the opening Statement of Financial Position at 1 July 2021

\$ '000	Original Balance 1 July, 2021	Impact Increase/ (decrease)	Restated Balance 1 July, 2021
Infrastructure, Property Plant & Equipment	235,740	1,121	236,861
Total non-current assets	238,449	1,121	239,570
Total assets	257,750	1,121	258,871
Net assets	246,647	1,121	247,768
Accumulated Surplus	103,422	–	103,422
IPPE Revaluation Reserve	143,225	1,121	144,346
Total equity	246,647	1,121	247,768

Adjustments to the comparative figures for the year ended 30 June 2022

Statement of Financial Position

\$ '000	Original Balance 30 June, 2022	Impact Increase/ (decrease)	Restated Balance 30 June, 2022
Infrastructure, Property Plant & Equipment	282,096	1,075	283,171
Total non-current assets	288,199	1,075	289,274
Total assets	309,575	1,075	310,650
Net assets	298,144	1,075	299,219
Accumulated Surplus	112,543	(46)	112,497
IPPE Revaluation Reserve	185,601	1,121	186,722
Total equity	298,144	1,075	299,219

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2023

G4-1 Correction of errors (continued)

Income Statement

\$ '000	Original Balance 30 June, 2022	Impact Increase/ (decrease)	Restated Balance 30 June, 2022
Total income from continuing operations	35,581	–	35,581
Depreciation, amortisation and impairment of non-financial assets	6,366	46	6,412
Total expenses from continuing operations	26,462	46	26,508
Net operating result for the year	9,119	(46)	9,073

Statement of Comprehensive Income

\$ '000	Original Balance 30 June, 2022	Impact Increase/ (decrease)	Restated Balance 30 June, 2022
Net operating result for the year	9,119	(46)	9,073
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	43,633	–	43,633
Impairment (loss) reversal / (revaluation decrement) relating to infrastructure, property, plant and equipment	(1,257)	–	(1,257)
Total other comprehensive income for the year	42,376	–	42,376
Total comprehensive income for the year	51,495	(46)	51,449

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2023

G5 Statement of developer contributions as at 30 June 2023

G5-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2022	Contributions received during the year		Non-cash Other	Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2023	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash Land						
S7.12 levies – under a plan	276	118	–	–	–	(130)	–	264	–
Total S7.11 and S7.12 revenue under plans	276	118	–	–	–	(130)	–	264	–
Total contributions	276	118	–	–	–	(130)	–	264	–

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 2022	Contributions received during the year		Non-cash Other	Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2023	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash Land						
S7.12 (former S94A) Contributions Plan 2018									
Drainage	141	50	–	–	–	(38)	–	153	–
Roads	90	–	–	–	–	(29)	–	61	–
Open space	45	68	–	–	–	(63)	–	50	–
Total	276	118	–	–	–	(130)	–	264	–

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2023

G6 Statement of performance measures

G6-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2023	Indicator 2023	Indicators 2022	Indicators 2021	Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	1,613	5.04%	4.21%	0.33%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	31,987				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	20,020	54.34%	54.69%	53.33%	> 60.00%
Total continuing operating revenue ¹	36,841				
3. Unrestricted current ratio					
Current assets less all external restrictions	18,764	4.77x	4.90x	3.25x	> 1.50x
Current liabilities less specific purpose liabilities	3,930				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	8,855	17.85x	17.48x	14.81x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	496				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	238	3.65%	2.99%	3.31%	< 10.00%
Rates and annual charges collectable	6,514				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	27,426	13.05	10.34	9.14	> 3.00
Monthly payments from cash flow of operating and financing activities	2,102	months	months	months	months

(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 2023

G6-2 Statement of performance measures by fund

	General Indicators ³		Sewer Indicators		Benchmark
\$ '000	2023	2022	2023	2022	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1, 2}	3.29%	2.14%	38.68%	45.03%	> 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	52.79%	52.99%	88.83%	98.43%	> 60.00%
Total continuing operating revenue ¹					
3. Unrestricted current ratio					
Current assets less all external restrictions	4.77x	4.90x	∞	∞	> 1.50x
Current liabilities less specific purpose liabilities					
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	15.96x	15.62x	∞	∞	> 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	4.56%	3.71%	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	12.97 months	8.92 months	∞	∞	> 3.00 months
Monthly payments from cash flow of operating and financing activities					

(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

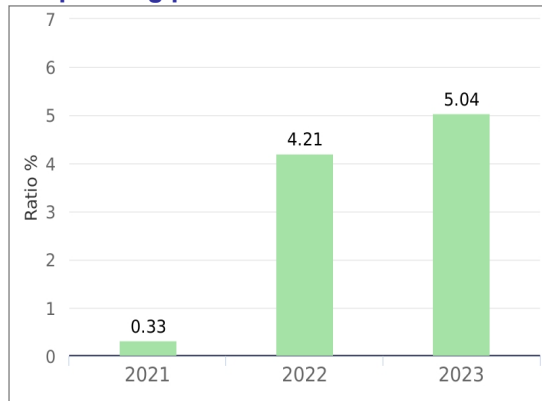
Notes to the Financial Statements

for the year ended 30 June 2023

H Additional Council disclosures

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

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2022/23 result

2022/23 ratio 5.04%

Council has achieved an operating surplus this year, however without the advance payment of the 2023/24 FAGS allocation, Council would have recorded an operating deficit. Increasing depreciation costs as a result of the ongoing revaluation cycle, along with rising costs and limited revenue generating capacity, continue to put pressure on Council's operating result.

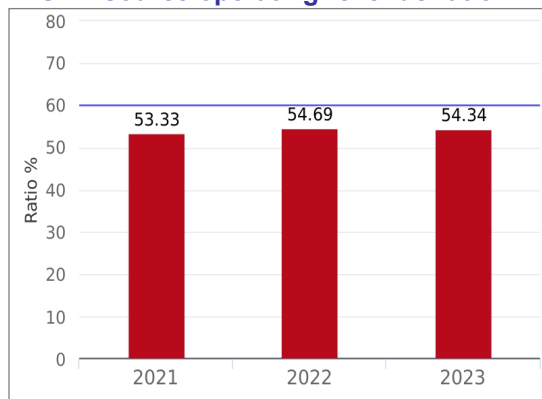
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2022/23 result

2022/23 ratio 54.34%

Grants and contributions continue to represent a significant portion of council's income, which inhibits Council's ability to achieve the 60% benchmark.

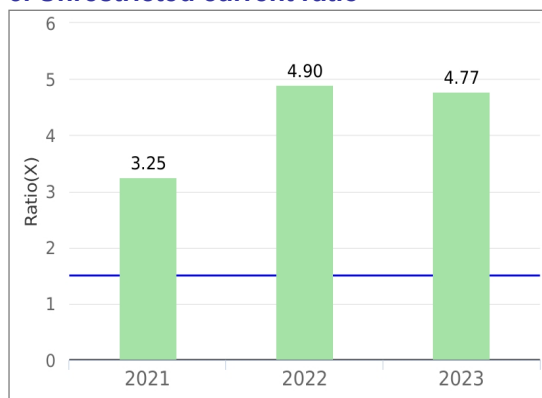
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2022/23 result

2022/23 ratio 4.77x

This ratio is distorted as a result of the receipt of FAGS income in advance.

Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

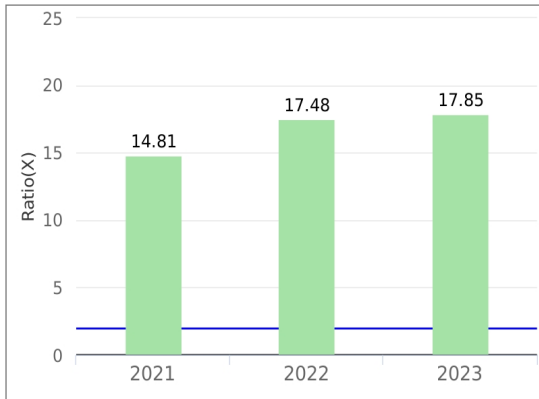
Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2023

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 2022/23 result

2022/23 ratio 17.85x

Council currently has three loans with a combined balance of \$2.667m and has adequate cash to service this level of debt.

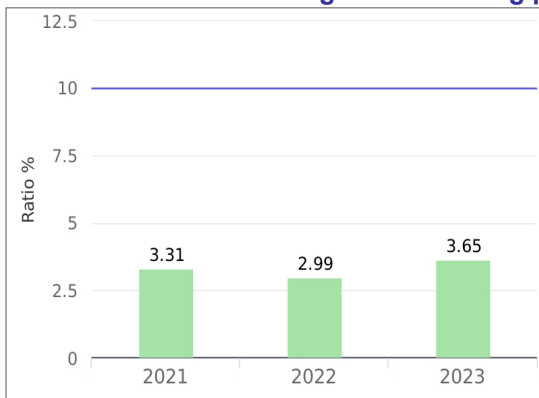
Benchmark: — > 2.00x

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 2022/23 result

2022/23 ratio 3.65%

Council continues to perform exceptionally well in this area however the currently challenging economic conditions have had an impact on the level of rates outstanding.

Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

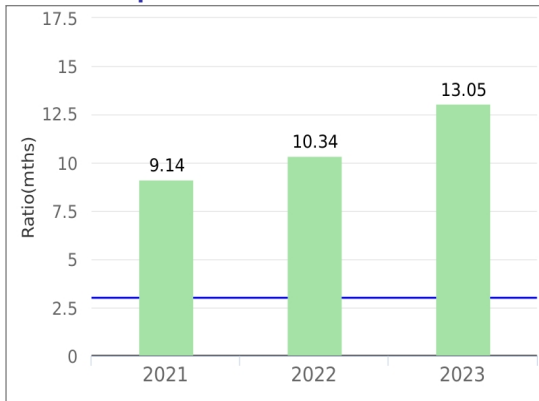
Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2023

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

6. Cash expense cover ratio



Benchmark: — > 3.00months

Source of benchmark: Code of Accounting Practice and Financial Reporting

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 2022/23 result

2022/23 ratio 13.05 months

Council continues to work on building up its cash reserves. This ratio is also distorted by the advance payment of FAGs.

Ratio achieves benchmark

Ratio is outside benchmark

Temora Shire Council

Notes to the Financial Statements

for the year ended 30 June 2023

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.gv.au

Officers

General Manager

Melissa Boxall

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

Belinda Bushell
Jason Goode
Anthony Irvine
Nigel Judd
Claire McLaren
Max Oliver
Lindy Reinhold
Graham Sinclair

Other information

ABN: 55 048 860 109



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Temora Shire Council

To the Councillors of Temora Shire Council

Qualified 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 2023, the Statement of Financial Position as at 30 June 2023, 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, except for the effects of the matter described in the 'Basis for Qualified Opinion' section of my report:

- 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 2023, 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 qualified opinion should be read in conjunction with the rest of this report.

Basis for Qualified Opinion

Non recognition of rural fire-fighting equipment

As disclosed in Note C1-7 'Infrastructure, property, plant and equipment' to the financial statements, the Council has not recognised rural fire-fighting equipment as assets in the Statement of Financial Position at 30 June 2023. In my opinion, these assets are controlled by the Council and should be recognised as assets in accordance with AASB 116 'Property, Plant and Equipment'.

Australian Accounting Standards refer to control of an asset as being the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. Control includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, an asset.

Rural fire-fighting equipment is controlled by the Council as:

- these assets are vested in the Council under section 119(2) of the *Rural Fires Act 1997* (Rural Fires Act), giving the Council legal ownership
- the Council has the ability, outside of emergency events as defined in section 44 of the Rural Fires Act, to prevent the NSW Rural Fire Service from directing the use of the rural fire-fighting equipment by either not entering into a service agreement, or cancelling the existing service agreement that was signed on 17 June 2013
- the Council has specific responsibilities for fire mitigation and safety works and bush fire hazard reduction under Part 4 of the Rural Fires Act. The Council obtains economic benefits from the rural fire-fighting equipment as these assets are used to fulfil Council's responsibilities
- in the event of the loss of an asset, the insurance proceeds must be paid into the New South Wales Rural Fire Fighting Fund (section 119(4) of the Rural Fires Act) and be used to reacquire or build a similar asset, which is again vested in the Council as an asset provided free of charge.

The Council has not undertaken procedures to confirm the completeness, accuracy, existence or condition of these assets. Nor has the Council performed procedures to identify the value of assets vested in it during the year. When these assets are vested, no financial consideration is required from the Council and as such these are assets provided to Council free-of-charge.

This is a limitation on the scope of my audit as I was unable to obtain sufficient appropriate audit evidence to:

- support the carrying values of rural fire-fighting equipment assets that should be recorded in the Statement of Financial Position and related notes as at 30 June 2023
- determine the impact on the 'Accumulated surplus' in the Statement of Changes in Equity and Statement of Financial Position
- determine the amount of 'Grants and contributions provided for capital purposes' income from any rural fire-fighting equipment assets vested as an asset received free of charge during the year and/or 'Depreciation, amortisation and impairment of non-financial assets' expense that should be recognised in the Income Statement for the year ended 30 June 2023
- determine the impact on the 'Operating performance' and 'Own source operating revenue' ratios in Note G5-1 'Statement of performance measures – consolidated results' and Note G5-2 'Statement of performance measures by fund'.

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).

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

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

Other Information

The Council's annual report for the year ended 30 June 2023 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.

A handwritten signature in black ink, appearing to read 'Soh Wee Hong', with a horizontal line underneath.

Hong Wee Soh
Delegate of the Auditor-General for New South Wales

30 October 2023
SYDNEY



Rick Firman
Mayor
Temora Shire Council
105 Loftus Street
TEMORA NSW 2666

Contact: Hong Wee Soh
Phone no: 02 9275 7397
Our ref: R008-16585809-47157/1793

30 October 2023

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2023
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 2023 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed a modified 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 2023 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.

Modification to the opinion in the Independent Auditor's Report

Non-recognition of rural fire-fighting equipment

The Council has not recognised rural fire-fighting equipment as assets within 'Infrastructure, property, plant and equipment' in the Statement of Financial Position at 30 June 2023. In my opinion, these assets are controlled by the Council and should be recognised as assets in accordance with AASB 116 'Property, Plant and Equipment'.

Australian Accounting Standards refers to control of an asset as being the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. Control includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, an asset.

Rural fire-fighting equipment is controlled by the Council as:

- these assets are vested in the Council under section 119(2) of the *Rural Fires Act 1997* (Rural Fires Act), giving the Council legal ownership
- the Council has the ability, outside of emergency events as defined in section 44 of the Rural Fires Act, to prevent the NSW Rural Fire Service from directing the use of the rural fire-fighting equipment by either not entering into a service agreement, or cancelling the existing service agreement that was signed on 17 June 2013
- the Council has specific responsibilities for fire mitigation and safety works and bush fire hazard reduction under Part 4 of the Rural Fires Act. The Council obtains economic benefits from the rural fire-fighting equipment as these assets are used to fulfil Council's responsibilities
- in the event of the loss of an asset, the insurance proceeds must be paid into the New South Wales Rural Fire Fighting Fund (section 119(4) of the Rural Fires Act) and be used to reacquire or build a similar asset, which is again vested in the Council as an asset provided free of charge.

The Council has not undertaken procedures to confirm the completeness, accuracy, existence or condition of these assets. Nor has the Council performed procedures to identify the value of assets vested in it during the year. When these assets are vested, no financial consideration is required from the Council and as such these are assets provided to Council free-of-charge.

Consequently, we were unable to determine the carrying values of rural firefighting equipment assets and related amounts that should be recorded and recognised in the council's 30 June 2023 financial statements.

This has resulted in the audit opinion on the Council's 30 June 2023 GPFS to be modified.

Refer to the Independent Auditor's report on the GPFS.

INCOME STATEMENT

Operating result

	2023 \$m	2022 \$m	Variance %
Rates and annual charges revenue	6.3	6.1	3.3
Grants and contributions revenue	16.8	16.1	4.3
Operating result from continuing operations*	6.5	9.1	(28.6)
Net operating result before capital grants and contributions*	1.6	1.1	45.5

* The 2022 comparatives have been restated to correct a prior period error. Note G4 of the financial statements provides details of the prior period error.

The Council's operating result from continuing operations (\$6.5 million including depreciation and amortisation expense of \$7.2 million) was \$2.6 million lower than the 2021–22 result.

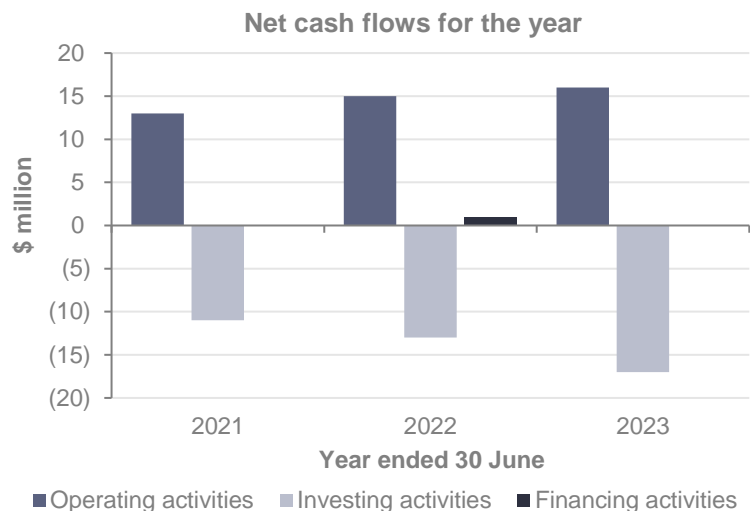
The net operating result before capital grants and contributions (\$1.6 million) was \$0.5 million more than the 2021–22 result.

Rates and annual charges revenue (\$6.3 million) increased by \$0.2 million (3.3 per cent) in 2021–22 due to increase in rateable properties and increase rate peg of 2.0%.

Grants and contributions revenue (\$16.8 million) increased by \$0.7 million (4.3 per cent) in 2021–22.

STATEMENT OF CASH FLOWS

- The Council's cash and cash equivalents was \$3.6 million at 30 June 2023 (\$4.8 million at 30 June 2022). There was a net decrease in cash and cash equivalents of \$1.2 million during 2022–23.
- Net cash provided by operating activities has increased by \$1.7 million. This is mainly due to the increase in user charges and fees of \$4.8 million.
- Net cash used in investing activities has increased by \$3.6 million, which is driven by the increase in acquisitions of term deposits of \$7.1 million and decrease in payments for purchase of IPPE.
- Net cash used in financing activities increased by \$1.2 million, as \$1.2 million external borrowing was drawn by the Council during 2021–22.



FINANCIAL POSITION

Cash and investments

Cash and investments	2023	2022	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	27.4	20.0	<ul style="list-style-type: none"> Externally restricted balances comprise mainly of specific purpose unexpended grants - general fund, sewer funds and domestic waste management. The increase of \$1.9 million is primarily due to a \$0.7 million increase in specific purpose unexpended grants and a \$0.9 million increase in sewer funds
Restricted cash and investments:			
• External restrictions	8.6	6.7	<ul style="list-style-type: none"> Internal allocations are determined by council policies or decisions, which are subject to change. The increase of \$5.8 million in the internal allocations is primarily due to a \$1.9 million increase in the Regional Local Roads Repair Program received in advance, \$1.0 million increase in financial assistance grants in advance and \$1.3 million increase in Pinnacle internal reserves.
• Internal allocations	18.3	12.5	

Debt

The Council has \$2.7 million of borrowings as at 30 June 2023 (2022: \$3.1 million). The borrowings are drawn through New South Wales Treasury Corporation related to the Swimming Pool project, Depot, and Supported Independent Living House.

The Council also has a \$0.2 million bank overdraft facility, which was not drawn as at 30 June 2023 and 30 June 2022.

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 and Environment.

Operating performance ratio

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

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

The 2022 comparative ratio has been restated to correct a prior period error.



Own source operating revenue ratio

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

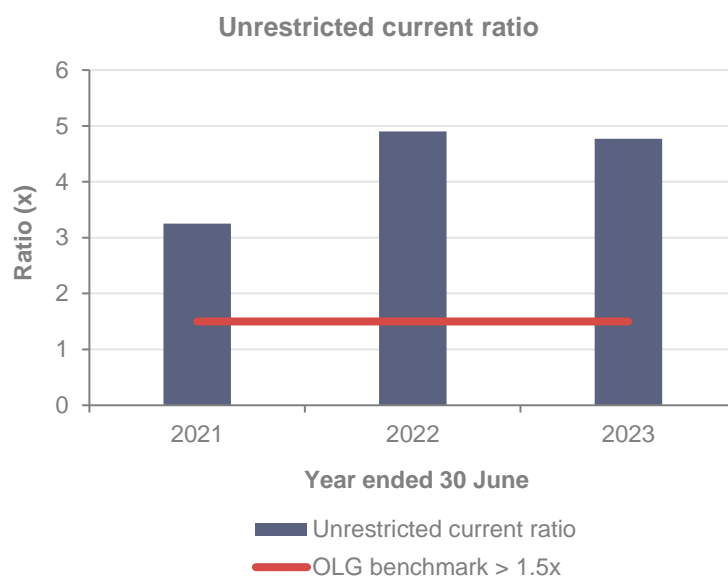
The Council did not meet the OLG benchmark for the current reporting period.



Unrestricted current ratio

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

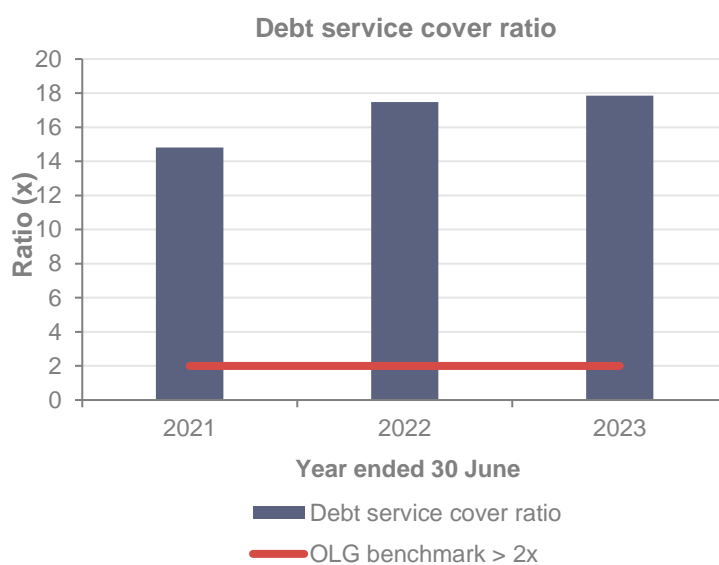
The Council met the OLG benchmark for the current reporting period.



Debt service cover ratio

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

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

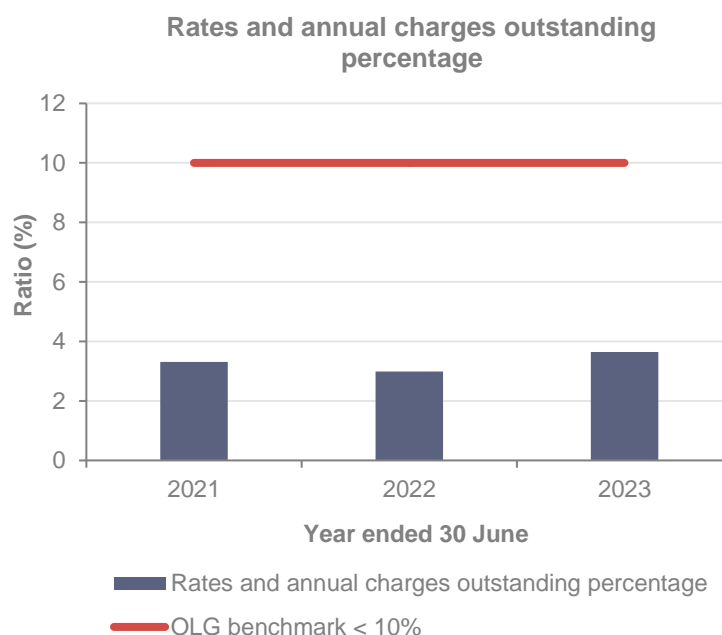


Rates and annual charges outstanding percentage

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

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

The rates and annual charges outstanding remained consistent for the last three years which reflects sound debt recovery at the Council.

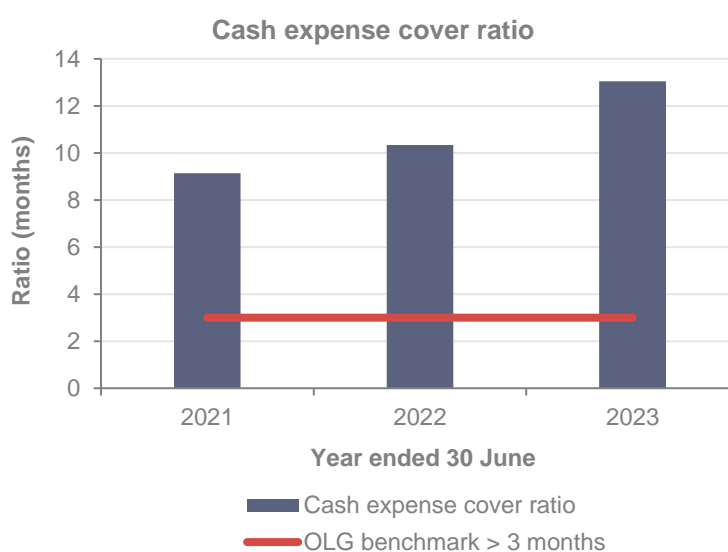


Cash expense cover ratio

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.

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

The council's cash expense cover has increased due to an increase in cash held.



Infrastructure, property, plant and equipment renewals

The Council renewed \$6.1 million of assets in 2022–23, compared to \$8.1 million of assets in 2021–22.

OTHER MATTERS

Legislative compliance

My audit procedures identified a material deficiency in the Council's financial statements due to the non-recognition of rural fire-fighting equipment which will be reported in the Management Letter.

Except for the matter outlined above, the Council's:

- accounting records were maintained in a manner and form that facilitated the preparation and the effective audit of the GPFS
- staff provided all accounting records and information relevant to the audit.



Hong Wee Soh

Delegate of the Auditor-General for New South Wales

cc: Melissa Boxall, General Manager
Peter Veneris, Chair of Audit, Risk and Improvement Committee
Elizabeth Smith, Director of Administration & Finance

Temora Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2023

"Success through determination and inspiration"

Special Purpose Financial Statements

for the year ended 30 June 2023

Contents	Page
Statement by Councillors and Management	3
Special Purpose Financial Statements:	
Income Statement of sewerage business activity	4
Statement of Financial Position of sewerage business activity	5
Note – Significant Accounting Policies	6
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 2023

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:

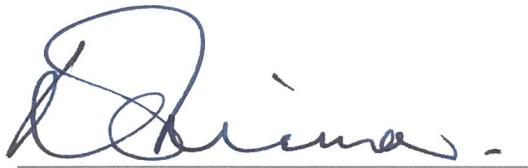
- NSW Government Policy Statement, *Application of National Competition Policy to Local Government*
- Division of Local Government Guidelines, *Pricing and Costing for Council Businesses: A Guide to Competitive Neutrality*
- The Local Government Code of Accounting Practice and Financial Reporting
- Sections 3 and 4 of the NSW Department of Planning and Environment, *Water's Regulatory and assurance framework for local water utilities*.

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,
- accord with Council's accounting and other records; and
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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

Signed in accordance with a resolution of Council made on 21 September 2023.



Rick Firman
Mayor
27 October 2023



Graham Sinclair
Councillor
27 October 2023



Melissa Boxall
General Manager
27 October 2023



Elizabeth Smith
Responsible Accounting Officer
27 October 2023

Temora Shire Council

Income Statement of sewerage business activity

for the year ended 30 June 2023

\$ '000	2023	2022
Income from continuing operations		
Access charges	1,298	1,217
User charges	29	54
Interest and investment income	64	25
Grants and contributions provided for operating purposes	177	21
Other income	17	20
Total income from continuing operations	1,585	1,337
Expenses from continuing operations		
Employee benefits and on-costs	167	122
Materials and services	480	394
Depreciation, amortisation and impairment	325	210
Net loss from the disposal of assets	–	9
Total expenses from continuing operations	972	735
Surplus (deficit) from continuing operations before capital amounts	613	602
Surplus (deficit) from continuing operations after capital amounts	613	602
Surplus (deficit) from all operations before tax	613	602
Less: corporate taxation equivalent (25%) [based on result before capital]	(153)	(151)
Surplus (deficit) after tax	460	451
Plus accumulated surplus	10,011	9,410
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	153	150
Closing accumulated surplus	10,624	10,011
Return on capital %	3.0%	3.1%
Subsidy from Council	208	103
Calculation of dividend payable:		
Surplus (deficit) after tax	460	451
Surplus for dividend calculation purposes	460	451
Potential dividend calculated from surplus	230	226

Temora Shire Council

Statement of Financial Position of sewerage business activity

as at 30 June 2023

\$ '000	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	170	2,747
Investments	3,471	–
Receivables	2,978	2,956
Total current assets	6,619	5,703
Non-current assets		
Infrastructure, property, plant and equipment	20,420	19,263
Total non-current assets	20,420	19,263
Total assets	27,039	24,966
Net assets	27,039	24,966
EQUITY		
Accumulated surplus	10,624	10,011
Revaluation reserves	16,415	14,955
Total equity	27,039	24,966

Temora Shire Council

Significant Accounting Policies

for the year ended 30 June 2023

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 2021* (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.

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):

Temora Shire Council

Significant Accounting Policies

for the year ended 30 June 2023

Note – Significant Accounting Policies (continued)

Notional rate applied (%)

Corporate income tax rate – 25% (2021/22 25%)

In accordance with section 4 of Department of Planning and Environment (DPE) – Water's regulatory and assurance framework, 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 regulatory and assurance framework as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the Local Government Act, 1993.

Achievement of substantial compliance to sections 3 and 4 of DPE – Water's regulatory and assurance framework 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 25% (21/22 25%).

Income tax is only applied where a gain 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 25% 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.

A local government sewerage business is permitted to pay annual dividends from their sewerage business surpluses. Each dividend must be calculated and approved in accordance with section 4 of DPE – Water's regulatory and assurance framework and must not exceed 50% of the relevant surplus in any one year, or the number of sewerage assessments at 30 June 2023 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with section 4 of DPE – Water's regulatory and assurance framework, statement of compliance and statement of dividend payment, dividend payment form and unqualified independent financial audit report are submitted to DPE – 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 2023, the Statement of Financial Position of the Declared Business Activity as at 30 June 2023 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 2023, 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 2022–23 (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).

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

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 2023 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, appearing to read 'Soh W. H.', with a stylized flourish at the end.

Hong Wee Soh
Delegate of the Auditor-General for New South Wales

30 October 2023
SYDNEY

Temora Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2023

"Success through determination and inspiration"

Temora Shire Council

Special Schedules

for the year ended 30 June 2023

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Permissible income for general rates

\$ '000	Notes	Calculation 2022/23	Calculation 2023/24
Notional general income calculation ¹			
Last year notional general income yield	a	4,243	4,334
Plus or minus adjustments ²	b	6	21
Notional general income	$c = a + b$	4,249	4,355
Permissible income calculation			
Or rate peg percentage	e	2.00%	3.70%
Or plus rate peg amount	$i = e \times (c + g)$	85	161
Sub-total	$k = (c + g + h + i + j)$	4,334	4,516
Plus (or minus) last year's carry forward total	l	5	5
Sub-total	$n = (l + m)$	5	5
Total permissible income	$o = k + n$	4,339	4,521
Less notional general income yield	p	4,334	4,520
Catch-up or (excess) result	$q = o - p$	5	1
Carry forward to next year ⁶	$t = q + r - s$	5	1

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916 (NSW)*.
- (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 Act. 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 2024.

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 2022–23 (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).

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

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 2023 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 2023'.

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.



Hong Wee Soh
Delegate of the Auditor-General for New South Wales

30 October 2023
SYDNEY

Temora Shire Council

Report on infrastructure assets as at 30 June 2023

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2022/23 Required maintenance ^a	2022/23 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	1	2	3	4	5
Buildings	Other	—	—	665	648	43,491	67,251	34.0%	33.0%	33.0%	0.0%	0.0%
	Sub-total	—	—	665	648	43,491	67,251	34.0%	33.0%	33.0%	0.0%	0.0%
Other structures	Other structures	—	—	—	—	2,646	4,084	47.0%	19.0%	34.0%	0.0%	0.0%
	Sub-total	—	—	—	—	2,646	4,084	47.0%	19.0%	34.0%	0.0%	0.0%
Roads	Regional Roads	—	—	200	381	15,824	27,914	2.0%	19.0%	78.0%	1.0%	0.0%
	Urban Sealed Roads	2,661	2,661	250	289	25,102	48,611	6.0%	18.0%	66.0%	9.0%	1.0%
	Urban Unsealed Roads	339	339	38	27	182	655	2.0%	1.0%	54.0%	32.0%	11.0%
	Bridges	—	—	5	—	17,105	23,249	68.0%	18.0%	14.0%	0.0%	0.0%
	Rural Sealed Roads	—	—	311	668	36,072	71,556	4.0%	32.0%	61.0%	3.0%	0.0%
	Rural Unsealed Roads	1,118	1,118	1,120	1,333	13,111	30,992	27.0%	22.0%	41.0%	10.0%	0.0%
	Footpaths	730	730	26	42	5,960	8,382	51.0%	10.0%	28.0%	12.0%	(1.0%)
	Bulk earthworks	—	—	—	—	71,912	71,912	0.0%	100.0%	0.0%	0.0%	0.0%
	Kerb & Gutter	2,565	2,565	67	61	8,363	17,362	8.0%	17.0%	55.0%	16.0%	4.0%
	Other	—	—	—	—	(1)	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	7,413	7,413	2,017	2,801	193,630	300,633	12.0%	41.1%	41.8%	4.6%	0.5%
Sewerage network	Other	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Sewerage Reticulation Network	100	100	272	111	15,437	24,168	8.0%	50.0%	35.0%	5.0%	2.0%
	Sewerage Reticulation Pump Stations	—	—	19	15	892	1,443	18.0%	24.0%	12.0%	46.0%	0.0%
	Sewerage Treatment Plant	380	380	142	159	1,097	1,806	0.0%	47.0%	48.0%	5.0%	0.0%
	Effluent Reticulation Pipes	—	—	118	51	1,128	1,885	0.0%	100.0%	0.0%	0.0%	0.0%
	Effluent Infrastructure – Storage	—	—	—	—	1,163	2,011	0.0%	6.0%	86.0%	0.0%	8.0%
	Effluent Infrastructure – Pump Stations	140	140	—	—	676	913	38.0%	29.0%	21.0%	3.0%	9.0%
	Sub-total	620	620	551	336	20,393	32,226	7.9%	48.3%	35.4%	6.2%	2.2%
Stormwater drainage	Stormwater drainage	—	—	46	18	7,482	13,711	1.0%	30.0%	61.0%	8.0%	0.0%
	Other	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	—	—	46	18	7,482	13,711	1.0%	30.0%	61.0%	8.0%	0.0%

Temora Shire Council

Report on infrastructure assets as at 30 June 2023 (continued)

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2022/23 Required maintenance ^a	2022/23 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	1	2	3	4	5
Open space / recreational assets	Swimming pools	—	—	128	160	3,995	5,071	57.0%	29.0%	13.0%	1.0%	0.0%
	Open Space Assets	—	—	—	—	6,590	9,611	15.0%	55.0%	30.0%	0.0%	0.0%
	Sub-total	—	—	128	160	10,585	14,682	29.5%	46.0%	24.1%	0.3%	0.1%
Other infrastructure assets	Other	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Other Infrastructure	—	—	—	—	21,335	24,593	77.0%	23.0%	0.0%	0.0%	0.0%
	Sub-total	—	—	—	—	21,335	24,593	77.0%	23.0%	0.0%	0.0%	0.0%
Total – all assets		8,033	8,033	3,407	3,963	299,562	457,180	19.0%	39.1%	37.8%	3.7%	0.4%

(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

Report on infrastructure assets as at 30 June 2023

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2023	Indicator 2023	Indicators 2022 2021		Benchmark
Buildings and infrastructure renewals ratio					
Asset renewals ¹	5,004	43.47%	104.42%	151.30%	> 100.00%
Depreciation, amortisation and impairment	11,512				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	8,033	2.68%	2.73%	3.27%	< 2.00%
Net carrying amount of infrastructure assets	299,790				
Asset maintenance ratio					
Actual asset maintenance	3,963	116.32%	116.48%	108.92%	> 100.00%
Required asset maintenance	3,407				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	8,033	1.76%	1.80%	3.00%	
Gross replacement cost	457,180				

(*) 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 2023

Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Sewer fund		Benchmark
	2023	2022	2023	2022	
Buildings and infrastructure renewals ratio					
Asset renewals ¹					
Depreciation, amortisation and impairment	44.51%	107.27%	6.60%	11.06%	> 100.00%
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard					
Net carrying amount of infrastructure assets	2.65%	2.63%	3.04%	3.98%	< 2.00%
Asset maintenance ratio					
Actual asset maintenance					
Required asset maintenance	127.00%	130.15%	60.98%	53.65%	> 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	1.74%	1.74%	1.92%	2.54%	

(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.