

# Temora Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

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“Success through determination and inspiration”



# Temora Shire Council

## General Purpose Financial Statements

for the year ended 30 June 2017

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### Overview

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

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

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

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

- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by the Council on 23 October 2017. Council has the power to amend and reissue these financial statements.
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## Temora Shire Council

### General Purpose Financial Statements for the year ended 30 June 2017

### Statement by Councillors and Management

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

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

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

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

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

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

**Signed in accordance with a resolution of Council made on 21 September 2017.**



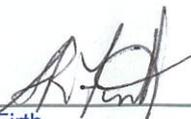
Rick Firman  
Mayor



Graham Sinclair  
Councillor



Gary Lavelle  
General Manager



Steve Firth  
Responsible Accounting Officer

## Temora Shire Council

### Income Statement

for the year ended 30 June 2017

Budget <sup>1</sup>			Actual	Actual
2017	\$ '000	Notes	2017	2016
<b>Income from continuing operations</b>				
<i>Revenue:</i>				
5,063	Rates and annual charges	3a	4,965	4,666
3,453	User charges and fees	3b	6,165	3,897
240	Interest and investment revenue	3c	142	161
846	Other revenues	3d	846	905
7,685	Grants and contributions provided for operating purposes	3e,f	8,832	7,092
1,472	Grants and contributions provided for capital purposes	3e,f	2,389	1,536
<i>Other income:</i>				
335	Net gains from the disposal of assets	5	90	–
<b>19,094</b>	<b>Total income from continuing operations</b>		<b>23,429</b>	<b>18,257</b>
<b>Expenses from continuing operations</b>				
5,662	Employee benefits and on-costs	4a	7,095	6,654
43	Borrowing costs	4b	39	54
3,692	Materials and contracts	4c	4,372	3,700
3,862	Depreciation and amortisation	4d	4,074	3,851
2,403	Other expenses	4e	2,365	2,132
–	Net losses from the disposal of assets	5	–	90
<b>15,662</b>	<b>Total expenses from continuing operations</b>		<b>17,945</b>	<b>16,481</b>
<b>3,432</b>	<b>Operating result from continuing operations</b>		<b>5,484</b>	<b>1,776</b>
<b>3,432</b>	<b>Net operating result for the year</b>		<b>5,484</b>	<b>1,776</b>
3,432	<b>Net operating result attributable to Council</b>		<b>5,484</b>	<b>1,776</b>
<b>1,960</b>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>3,095</b>	<b>240</b>

<sup>1</sup> Original budget as approved by Council – refer Note 16

## Temora Shire Council

### Statement of Comprehensive Income for the year ended 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
<b>Net operating result for the year</b> (as per Income Statement)		<b>5,484</b>	<b>1,776</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	717	207
Impairment (loss) reversal relating to I,PP&E	20b (ii)	(2,266)	–
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>(1,549)</b>	<b>207</b>
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Other movements in reserves	20b (ii)	2	–
<b>Total items which will be reclassified subsequently to the operating result when specific conditions are met</b>		<b>2</b>	<b>–</b>
<b>Total other comprehensive income for the year</b>		<b>(1,547)</b>	<b>207</b>
<b>Total comprehensive income for the year</b>		<b>3,937</b>	<b>1,983</b>
<b>Total comprehensive income attributable to Council</b>		<b>3,937</b>	<b>1,983</b>

## Temora Shire Council

## Statement of Financial Position

as at 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	1,455	867
Investments	6b	6,650	4,101
Receivables	7	1,253	1,247
Inventories	8	632	490
Other	8	110	84
<b>Total current assets</b>		<b>10,100</b>	<b>6,789</b>
<b>Non-current assets</b>			
Receivables	7	33	37
Infrastructure, property, plant and equipment	9	201,622	200,842
<b>Total non-current assets</b>		<b>201,655</b>	<b>200,879</b>
<b>TOTAL ASSETS</b>		<b>211,755</b>	<b>207,668</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	1,857	1,215
Income received in advance	10	15	36
Borrowings	10	296	280
Provisions	10	3,949	4,139
<b>Total current liabilities</b>		<b>6,117</b>	<b>5,670</b>
<b>Non-current liabilities</b>			
Payables	10	1	1
Borrowings	10	312	609
Provisions	10	28	28
<b>Total non-current liabilities</b>		<b>341</b>	<b>638</b>
<b>TOTAL LIABILITIES</b>		<b>6,458</b>	<b>6,308</b>
<b>Net assets</b>		<b>205,297</b>	<b>201,360</b>
<b>EQUITY</b>			
Retained earnings	20	78,820	73,336
Revaluation reserves	20	126,477	128,024
<b>Council equity interest</b>		<b>205,297</b>	<b>201,360</b>
<b>Total equity</b>		<b>205,297</b>	<b>201,360</b>

## Temora Shire Council

Statement of Changes in Equity  
for the year ended 30 June 2017

\$ '000	Notes	2017				2016						
		Retained earnings	Asset revaluation reserve (Refer 20b)	Council interest	Non-controlling interest	Total equity	Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity
<b>Opening balance</b> (as per last year's audited accounts)		73,336	128,024	<b>201,360</b>	–	<b>201,360</b>	71,560	127,817	–	<b>199,377</b>	–	<b>199,377</b>
<b>a. Net operating result for the year</b>		<b>5,484</b>	–	<b>5,484</b>	–	<b>5,484</b>	1,776	–	–	<b>1,776</b>	–	<b>1,776</b>
<b>b. Other comprehensive income</b>												
– Revaluations: IPP&E asset revaluation reserve	20b (ii)	–	717	<b>717</b>	–	<b>717</b>	–	207	–	<b>207</b>	–	<b>207</b>
– Revaluations: other reserves	20b (ii)	–	–	–	–	–	–	–	–	–	–	–
– Transfers to Income Statement	20b (ii)	–	–	–	–	–	–	–	–	–	–	–
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	–	(2,266)	<b>(2,266)</b>	–	<b>(2,266)</b>	–	–	–	–	–	–
– Joint ventures and associates	19	–	–	–	–	–	–	–	–	–	–	–
– Other reserves movements	20b (ii)	–	2	<b>2</b>	–	<b>2</b>	–	–	–	–	–	–
<b>Other comprehensive income</b>		<b>–</b>	<b>(1,547)</b>	<b>(1,547)</b>	<b>–</b>	<b>(1,547)</b>	<b>–</b>	<b>207</b>	<b>–</b>	<b>207</b>	<b>–</b>	<b>207</b>
<b>Total comprehensive income (c&amp;d)</b>		<b>5,484</b>	<b>(1,547)</b>	<b>3,937</b>	<b>–</b>	<b>3,937</b>	<b>1,776</b>	<b>207</b>	<b>–</b>	<b>1,983</b>	<b>–</b>	<b>1,983</b>
<b>c. Distributions to/(contributions from) non-controlling interests</b>		–	–	–	–	–	–	–	–	–	–	–
<b>d. Transfers between equity</b>		–	–	–	–	–	–	–	–	–	–	–
<b>Equity – balance at end of the reporting period</b>		<b>78,820</b>	<b>126,477</b>	<b>205,297</b>	<b>–</b>	<b>205,297</b>	<b>73,336</b>	<b>128,024</b>	<b>–</b>	<b>201,360</b>	<b>–</b>	<b>201,360</b>

## Temora Shire Council

## Statement of Cash Flows

for the year ended 30 June 2017

Budget 2017	\$ '000	Notes	Actual 2017	Actual 2016
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
5,047	Rates and annual charges		4,925	4,672
3,394	User charges and fees		6,499	4,322
235	Investment and interest revenue received		140	155
7,548	Grants and contributions		11,479	8,838
–	Bonds, deposits and retention amounts received		60	11
3,205	Other		1,008	1,145
<b>Payments:</b>				
(5,662)	Employee benefits and on-costs		(7,280)	(6,653)
(6,015)	Materials and contracts		(4,546)	(4,212)
(45)	Borrowing costs		(42)	(58)
(2,402)	Other		(2,598)	(2,447)
<b>5,305</b>	<b>Net cash provided (or used in) operating activities</b>	11b	<b>9,645</b>	<b>5,773</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
–	Sale of investment securities		–	2,008
320	Sale of real estate assets		216	511
232	Sale of infrastructure, property, plant and equipment		311	678
10	Deferred debtors receipts		–	23
<b>Payments:</b>				
–	Purchase of investment securities		(2,549)	(4,101)
(6,051)	Purchase of infrastructure, property, plant and equipment		(6,579)	(5,924)
(250)	Purchase of real estate assets		(171)	(3)
(10)	Deferred debtors and advances made		(4)	–
<b>(5,749)</b>	<b>Net cash provided (or used in) investing activities</b>		<b>(8,776)</b>	<b>(6,808)</b>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
Nil				
<b>Payments:</b>				
(280)	Repayment of borrowings and advances		(281)	(264)
<b>(280)</b>	<b>Net cash flow provided (used in) financing activities</b>		<b>(281)</b>	<b>(264)</b>
<b>(724)</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>588</b>	<b>(1,299)</b>
3,827	Plus: cash and cash equivalents – beginning of year	11a	867	2,166
<b>3,103</b>	<b>Cash and cash equivalents – end of the year</b>	11a	<b>1,455</b>	<b>867</b>
Additional Information:				
	plus: Investments on hand – end of year	6b	6,650	4,101
<b>Total cash, cash equivalents and investments</b>			<b>8,105</b>	<b>4,968</b>

Please refer to Note 11 for additional cash flow information.

## Temora Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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## Temora Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies

The principal accounting policies adopted by Council in the preparation of these consolidated financial statements are set out below in order to assist in its general understanding. These policies have been consistently applied to all the years presented, unless otherwise stated.

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

##### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the Local Government Act 1993 (NSW) and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting. Council is a not for-profit entity for the purpose of preparing these financial statements.

##### (i) New and amended standards adopted by Council

AASB 124 Related Party Disclosures was adopted during the year, the impact of this standard had no impact on reporting financial position or performance, however note 28 has been added.

##### (ii) Early adoption of standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2016.

##### (iii) Historical cost convention

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

##### (iv) 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 estimated fair values of infrastructure, property, plant and equipment.

##### (b) Revenue recognition

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

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

Revenue is measured at the fair value of the consideration received or receivable. Revenue is measured on major income categories as follows:

##### (i) Rates, annual charges, grants and contributions

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

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

## Temora Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

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

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

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

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed in Note 3(g). The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

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.

#### (ii) User charges and fees

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

#### (iii) Sale of infrastructure, property, plant and equipment

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

#### (iv) Interest

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

#### (v) Rent

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

#### (vi) Other income

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

#### (c) Principles of consolidation

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

#### (i) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the 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.

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

The following entities have been included as part of the Consolidated Fund:

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

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

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

## Temora Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

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

<b>Total income from continuing operations</b>	\$31,400
<b>Total Expenditure from continuing operations</b>	\$30,000
<b>Total net assets held (i.e. equity)</b>	\$40,000

**Note:**

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

#### (ii) The Trust Fund

In accordance with the provisions of Section 411 of the Local Government Act 1993 (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.

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

#### (iii) County Councils

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

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

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

Council is of the opinion that it neither controls nor significantly influences the above county council/s and accordingly these entities have not been consolidated or otherwise included within these financial statements.

#### (iv) Interests in other entities

##### Subsidiaries

Council has no interest in any subsidiaries.

##### Joint arrangements

Council has no interest in any joint arrangements.

#### (d) Leases

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

Council does not have any finance leases as at 30<sup>th</sup> June 2017.

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

Lease income from operating leases where Council is a lessor is recognised as income on a straight-line basis over the lease term.

#### (e) Impairment of assets

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

Intangible assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

## Temora Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

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

#### (f) Cash and cash equivalents

For Statement of Cash Flow presentation purposes, cash and cash equivalents includes cash on hand; deposits held at call with financial institutions; other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and 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 but are incorporated into cash and cash equivalents for presentation of the Statement of Cash Flows.

#### (g) Inventories

##### (i) 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.

Cost comprises direct materials, direct labour, and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. 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.

##### (ii) Land held for resale/capitalisation of borrowing costs

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

#### (h) Investments and other financial assets

##### Classification

Council classifies its financial assets in the following categories for measurement purposes: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

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

Council did not classify any financial assets as 'financial assets at fair value through profit or loss'.

##### (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date that are classified as non-current assets. Loans and receivables are included in other receivables (Note 8) and receivables (Note 7) in the Statement of Financial Position.

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.

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

## Temora Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

##### (iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

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

##### (iv) Available-for-sale financial assets

Council did not classify any financial assets as 'Available-for-sale financial assets'.

##### **Recognition and de-recognition**

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset.

Investments are initially recognised at fair value.

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

##### **Subsequent measurement**

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

##### **Impairment**

Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

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

##### **Investment Policy**

Council has an approved investment policy complying with Section 625 of the Local Government Act 1993 (NSW) and Clause 212 of the Local Government (General) Regulation 2005 (NSW).

Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order. Council maintains an investment policy that complies with the Act and ensures that it, or its representatives, exercise the care, diligence and skill that a prudent person would exercise in investing Council funds.

##### **(i) Fair value estimation – financial instruments**

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

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

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

##### **(j) Infrastructure, property, plant and equipment (IPPE)**

Council's assets have been progressively revalued to fair value in accordance with a staged implementation advised by the Office of Local Government. At reporting date, the following classes of IPPE were stated at their fair value:

##### **Externally valued:**

- Operational land
- Community land
- Buildings – specialised/non-specialised
- Swimming pools
- Other open space/recreational assets

##### **Internally valued:**

- Roads assets including roads, bridges and footpaths

## Temora Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

- Bulk earthworks
- Stormwater drainage
- Sewerage networks
- Other infrastructure

##### As approximated by depreciated historical cost:

- Plant and equipment
- Land improvements
- Other structures
- Other open space/recreational assets
- Other infrastructure
- Other assets

Non-specialised assets with short useful lives are measured at depreciated historical cost as an approximation of fair value. Council has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

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

For all other asset classes, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date. If any such indication exists, Council determines the asset's fair value and revalues the asset to that amount. Full revaluations are undertaken for all assets on a five-year cycle.

Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve. To the extent that the increase reverses a decrease previously recognised via 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.

##### Depreciation

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

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

Land is not depreciated.

Council has adopted residual values for items of Heavy Plant & Road Making Equipment. These residual values approximate the anticipated proceeds on disposal of the item. Council also recognises a 30% preserved value on road pavements.

Included in Council's depreciation expense for 2017 is \$237,020 depreciation on Regional Roads. Council does however note that all maintenance and construction costs for Regional Roads are fully grant funded.

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

##### Plant and Equipment

- Office Equipment	5 to 10 years
- Office furniture	10 to 20 years
- Computer Equipment	4 to 7 years
- Vehicles	5 to 10 years
- Heavy Plant/Road Making equip.	5 to 10 years
- Minor plant and equipment	2 to 10 years

##### Other Equipment

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

##### Buildings

- Buildings: All	40 to 100 years
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##### Stormwater Drainage

- Drains	100 years
- Culverts	100 years

## Temora Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

##### Transportation Assets

- Sealed Roads: Surface	18 to 20 years
- Sealed Roads: Structure	100 years
- Unsealed Roads: Structure	100 years
- Unsealed Roads: Surface	15 to 40 years
- Bridge: Concrete	100 years
- Bridge: Other	100 years
- Road Pavements	20 to 100 years
- Kerb, Gutter and Paths	50 to 100 years

##### Sewer Assets

- Earth Lagoons & Reservoirs	200 years
- Sewer Reticulation pipes:	70 to 120 years
- Sewer Maintenance Shafts	150 years
- Sewer Reticulation Connections	100 years
- Pump Stations Structural	100 years
- Effluent Reticulation Pipes	80 years
- Irrigation Network Structural	40 years
- Internal Roads	20 years
- Mechanical	20 to 30 years
- Electrical – 3 phase power	100 years
- Electrical – Other	20 years

##### Other Infrastructure Assets

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

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

##### (k) Investment property

Council does not have any investment properties.

##### (l) Payables

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

##### (m) Borrowings

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

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

##### (n) Borrowing costs

Borrowing costs are expensed.

##### (o) Provisions

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

Provisions are not recognised for future operating losses.

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

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

##### (p) Employee benefits

##### (i) Short-term obligations

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

Liabilities for non-vesting sick leave are recognised at the time when the leave is taken and measured at

## Temora Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

the rates paid or payable, and accordingly no liability has been recognised in these reports.

The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. These provisions are measured at the amounts expected to be paid when the liabilities are settled. All other short-term employee benefit obligations are presented as payables.

#### (ii) 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.

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

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

#### (iii) Retirement benefit obligations

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

#### Defined Benefit Plans

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

The present value of the defined benefit obligation is based on expected future payments that arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. However, when this information is not reliably available, Council 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.

#### Defined Contribution Plans

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

#### Employee Benefit On-Costs

Council has recognised at year end the aggregate on-cost liabilities arising from employee benefits, and in particular those on-cost liabilities that will arise when payment of current employee benefits is made in future periods. These amounts include superannuation and workers compensation expenses which will be payable upon the future payment of certain leave liabilities accrued as at 30 June 2017.

#### (q) 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 2017

#### Note 1. Summary of significant accounting policies (continued)

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

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

Council has not acquired any land under roads since 1 July 2008.

#### (r) Self-insurance

Council does not self-insure.

#### (s) Intangible assets

Council has not classified any assets as intangible.

#### (t) Crown reserves

Crown Reserves under Council's care and control are recognised as assets of the Council.

While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

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

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

#### (u) Rural fire service assets

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

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

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

#### (v) Provision for close down, restoration and for environmental clean-up costs – including tips and quarries

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

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

#### (w) Goods and Services Tax (GST)

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

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

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

## Temora Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

##### (x) New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period and which have not been applied.

##### AASB 9 - Financial Instruments

Significant revisions to the classification and measurement of financial assets, reducing the number of categories and simplifying the measurement choices, including the removal of impairment testing of assets measured at fair value. The amortised cost model is available for debt assets meeting both business model and cash flow characteristics tests. All investments in equity instruments using AASB 9 are to be measured at fair value. Apart from Held-to-maturity term deposits, Council already values all other investments at fair value with the result that there will not be any financial impact for these developments.

The revisions also amend measurement rules for financial liabilities that the Council elects to measure at fair value through profit and loss. Changes in fair value attributable to changes in the Council's own credit risk are presented in other comprehensive income. Council does not have any liabilities that are recorded on this basis and the new requirements will not have any financial impact.

Impairment of assets is now based on expected losses in AASB 9 which requires entities to measure:

- the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date) of full lifetime;
- expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).

A financial impact will only arise if any investments become subject to impairment.

Available-for-sale investments will be classified as fair value through other comprehensive income and will no longer be subject to impairment testing.

##### AASB 15 - Revenue from contracts with customers

AASB 15 will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. AASB 15 will introduce a 5-step process for revenue recognition with the core principle of the new standard being that entities recognise revenue so as to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the Council expects to be entitled in exchange for those goods or services.

The changes in revenue recognition requirements in AASB 15 may cause changes to accounting policies relating to the timing and amount of revenue recorded in the financial statements, as well as additional disclosures.

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

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

##### AASB 16 - Leases

AASB 16 Leases replaces AASB 117 Leases and some associated lease-related Interpretations.

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

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

Council is yet to undertake a detailed assessment of the accounting impacts from AASB 16. However, based on preliminary assessments, impacts from the first time adoption of the standard are likely to not be material.

## Temora Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

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##### **AASB 1058 – Income for Not-for-Profit Entities**

AASB 1058 largely replaces AASB 1004 *Contributions* by clarifying and simplifying income recognition requirements for not-for-profit entities. The standard establishes principles for not-for-profit entities relating to:

- transactions where the consideration to acquire an asset is significantly less than fair value principally to enable a not-for-profit entity to further its objectives; and

- the receipt of volunteer services.

The timing of revenue recognition will depend on whether a transaction gives rise to a liability or other performance obligation, or a contribution by owners, related to the asset received by the not-for-profit entity.

Where a sufficiently specific enforceable performance obligation exists in an arrangement, the not-for-profit entity is required to apply AASB 15 in relation to the performance obligation. For Council this may involve delaying the recognition of revenue to coincide with the satisfaction of performance obligations.

##### **(y) Rounding of amounts**

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

##### **(z) Comparative figures**

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

##### **(aa) Disclaimer**

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

## Temora Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current and non-current)	
	Original budget	Actual	Actual	Original budget	Actual	Actual	Original budget	Actual	Actual	Actual	Actual	Actual	Actual
	2017	2017	2016	2017	2017	2016	2017	2017	2016	2017	2016	2017	2016
Governance	31	29	45	1,230	1,158	948	(1,199)	(1,129)	(903)	48	27	1,907	7,383
Administration	–	251	–	526	1,646	429	(526)	(1,395)	(429)	151	–	4,836	4,834
Public order and safety	468	464	282	912	903	845	(444)	(439)	(563)	369	301	681	449
Health	3	3	4	118	83	83	(115)	(80)	(79)	–	–	2,543	2,581
Environment	739	751	657	1,112	1,024	1,059	(373)	(273)	(402)	80	–	–	–
Community services and education	1,774	2,458	2,078	2,028	2,638	2,193	(254)	(180)	(115)	1,289	1,321	5,027	4,141
Housing and community amenities	147	179	156	544	524	503	(397)	(345)	(347)	40	21	9,271	8,411
Sewerage services	1,884	980	862	784	726	684	1,100	254	178	24	24	12,885	11,301
Recreation and culture	688	922	481	2,377	2,279	2,214	(1,689)	(1,357)	(1,733)	58	98	12,898	12,414
Agriculture	310	258	306	353	407	452	(43)	(149)	(146)	–	–	–	–
Mining, manufacturing and construction	60	67	121	191	232	202	(131)	(165)	(81)	–	–	–	–
Transport and communication	4,951	7,225	5,772	4,111	5,025	5,678	840	2,200	94	3,167	3,459	156,961	153,079
Economic affairs	904	1,371	743	1,376	1,300	1,191	(472)	71	(448)	606	93	4,579	3,075
<b>Total functions and activities</b>	<b>11,959</b>	<b>14,958</b>	<b>11,507</b>	<b>15,662</b>	<b>17,945</b>	<b>16,481</b>	<b>(3,703)</b>	<b>(2,987)</b>	<b>(4,974)</b>	<b>5,832</b>	<b>5,344</b>	<b>211,588</b>	<b>207,668</b>
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	–	–	–	–	–	–	–	–	–
General purpose income <sup>1</sup>	7,135	8,471	6,750	–	–	–	7,135	8,471	6,750	4,774	3,168	167	–
<b>Operating result from continuing operations</b>	<b>19,094</b>	<b>23,429</b>	<b>18,257</b>	<b>15,662</b>	<b>17,945</b>	<b>16,481</b>	<b>3,432</b>	<b>5,484</b>	<b>1,776</b>	<b>10,606</b>	<b>8,512</b>	<b>211,755</b>	<b>207,668</b>

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

## Temora Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

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

##### **GOVERNANCE**

Includes costs relating to Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of Council and policy-making committees, public disclosure (e.g. GIPA), and legislative compliance.

##### **ADMINISTRATION**

Includes corporate support and other support services, and any Council policy compliance.

##### **PUBLIC ORDER AND SAFETY**

Includes fire protection, emergency services, enforcement of regulations and animal control.

##### **HEALTH**

Includes immunisation, food control, etc.

##### **ENVIRONMENT**

Includes noxious plants and insect/vermin control, other environmental protection, drainage and stormwater management.

##### **COMMUNITY SERVICES AND EDUCATION**

Includes administration, youth services, aged and disabled persons services, other family and children's services, including family day care.

##### **HOUSING AND COMMUNITY AMENITIES**

Includes housing, town planning, heritage, street lighting, waste management, street cleaning, public cemeteries, public conveniences, other community amenities.

##### **SEWERAGE SERVICES**

##### **RECREATION AND CULTURE**

Includes public libraries, museums, community centres and halls, sporting grounds and venues, swimming pools, parks, gardens, lakes, and other sporting, recreational and cultural services.

##### **AGRICULTURE**

Temora Agricultural Innovation Centre

##### **MINING, MANUFACTURING AND CONSTRUCTION**

Includes building control, quarries and pits.

##### **TRANSPORT AND COMMUNICATION**

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

##### **ECONOMIC AFFAIRS**

Includes camping areas and caravan parks, tourism and area promotion, industrial development promotion, sale yards and markets, real estate development, and other business undertakings.

## Temora Shire Council

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 3. Income from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Rates and annual charges</b>			
<b>Ordinary rates</b>			
Residential		1,309	1,273
Farmland		1,793	1,763
Business		469	457
<b>Total ordinary rates</b>		<b>3,571</b>	<b>3,493</b>
<b>Special rates</b>			
Nil			
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		417	390
Stormwater management services		48	–
Sewerage services		835	692
Waste management services (non-domestic)		94	91
<b>Total annual charges</b>		<b>1,394</b>	<b>1,173</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>4,965</b>	<b>4,666</b>

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

## Temora Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
<b>(b) User charges and fees</b>			
<b>Specific user charges</b> (per s.502 – specific 'actual use' charges)			
Domestic waste management services		84	67
Sewerage services		13	16
Waste management services (non-domestic)		26	29
<b>Total user charges</b>		<b>123</b>	<b>112</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Planning and building regulation		115	121
Private works – section 67		171	54
Section 149 certificates (EPA Act)		11	10
Section 603 certificates		11	13
<b>Total fees and charges – statutory/regulatory</b>		<b>308</b>	<b>198</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Aerodrome		18	2
Animal control		14	4
Caravan park		161	205
Cemeteries		89	77
Cinema		137	133
CTC – printing and laminating		4	5
Cultural Groups		23	–
Fire and emergency services levy (FESL) implementation		57	–
Frail and aged		1,168	741
RMS (formerly RTA) charges (state roads not controlled by Council)		3,813	2,210
Saleyards		13	23
Sports stadium		17	14
Swimming centres		166	149
Tourism information centre		50	22
Other		4	2
<b>Total fees and charges – other</b>		<b>5,734</b>	<b>3,587</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>6,165</b>	<b>3,897</b>

## Temora Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
<b>(c) Interest and investment revenue (including losses)</b>			
<b>Interest</b>			
– Interest on overdue rates and annual charges (incl. special purpose rates)		12	11
– Interest earned on investments (interest and coupon payment income)		130	150
<b>TOTAL INTEREST AND INVESTMENT REVENUE</b>		<b>142</b>	<b>161</b>
<b>Interest revenue is attributable to:</b>			
<b>Unrestricted investments/financial assets:</b>			
Overdue rates and annual charges (general fund)		12	9
<b>Restricted investments/funds – external:</b>			
Sewerage fund operations		17	34
Domestic waste management operations		10	13
Other externally restricted assets		14	25
<b>Restricted investments/funds – internal:</b>			
Internally restricted assets		89	80
<b>Total interest and investment revenue recognised</b>		<b>142</b>	<b>161</b>
<b>(d) Other revenues</b>			
Rental income – other council properties		209	182
Legal fees recovery – rates and charges (extra charges)		1	21
Bushfire – Hazard Reduction		24	25
Commissions and agency fees – Service NSW		131	145
Reimbursement from Service NSW – travel and training costs		12	–
Contribution for wages		–	24
Diesel rebate		122	57
Donations		4	4
Gravel royalties		–	31
Insurance claim recoveries		28	21
Risk management bonus		69	84
Research station revenues		228	288
Cultural events		–	8
Youth Activities		2	–
Other		16	15
<b>TOTAL OTHER REVENUE</b>		<b>846</b>	<b>905</b>

## Temora Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
Financial assistance – general component	2,995	1,973	–	–
Financial assistance – local roads component	1,714	1,130	–	–
Pensioners' rates subsidies – general component	65	65	–	–
<b>Total general purpose</b>	<b>4,774</b>	<b>3,168</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Sewerage	24	24	–	–
– Domestic Waste Management	21	21	–	–
Bushfire and Emergency Services	339	252	–	–
Cycleways	–	–	–	217
Economic Development	5	–	–	–
Employment and Training Programs	25	13	–	–
Environmental Protection	14	–	–	–
Heritage and Cultural	10	14	54	50
Aged Services	459	467	–	–
Disability Services	813	775	–	–
Library	35	29	–	–
LIRS subsidy	31	43	–	–
Noxious Weeds	45	49	–	–
PAMPs Works	–	–	–	40
Road Safety Officer	82	83	–	–
Street lighting	40	40	–	–
Town Hall Theatre – Kitchen Upgrade	3	–	–	–
Transport (flood damage)	500	–	–	–
Transport (roads to recovery)	1,325	1,552	–	–
Transport (other roads and bridges funding)	–	–	478	–
Transport (repair program)	–	11	–	–
Transport (fixing country roads)	–	126	–	526
Transport (regional roads block grant)	202	331	580	507
Youth services	2	1	–	78
Transport (kerb and gutter)	–	–	–	6
Smarter Safety	–	13	–	–
Fitness Trail to Lake Centenary	–	–	–	20
Army Huts Refurbishment – Bob Aldridge	–	–	–	5
Medical Imaging – Electrical Transformer Upgrade	–	–	–	50
Medical Imaging Facility	–	–	600	–
Innovation Fund – Virtualisation of Servers	–	–	81	–
StateCover Mutual – Nifti-Lift Purchase	–	–	14	–
Nixon Park Lighting	–	–	20	–
Safer Streets Program – CBD & Lake CCTV Project	–	–	30	–
Other	–	1	–	–
<b>Total specific purpose</b>	<b>3,975</b>	<b>3,845</b>	<b>1,857</b>	<b>1,499</b>
<b>Total grants</b>	<b>8,749</b>	<b>7,013</b>	<b>1,857</b>	<b>1,499</b>

(continued on the next page...)

## Temora Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
<b>(e) Grants (continued)</b>				
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	6,493	5,122	630	–
– State funding	2,256	1,877	1,193	1,499
– Other funding	–	14	34	–
	<u>8,749</u>	<u>7,013</u>	<u>1,857</u>	<u>1,499</u>
<b>(f) Contributions</b>				
<b>Developer contributions:</b>				
<b>(s93 &amp; s94 – EP&amp;A Act, s64 of the LGA):</b>				
Nil				
<b>Other contributions:</b>				
Contributions for Taxiways	–	–	–	25
Economic Development – TBEG	6	7	–	–
FBT contributions	29	31	–	–
Footpath contributions	–	7	16	–
Heritage/cultural	–	–	–	3
Kerb and Gutter	1	2	72	–
Lions park – lions club contribution	–	–	–	5
Nixon Park Lighting	–	–	96	–
Sewerage (excl. section 64 contributions)	–	–	31	–
Travel Contributions	7	7	–	–
Aussie Rules Netball – Courts Seating Contribution	–	–	–	4
GWCC Employment Subsidy	38	25	–	–
Youth	1	–	–	–
RFS Community Engagement Centre	–	–	294	–
TEM-FM Relocation	–	–	18	–
Other	1	–	5	–
<b>Total other contributions</b>	<u>83</u>	<u>79</u>	<u>532</u>	<u>37</u>
<b>Total contributions</b>	<u>83</u>	<u>79</u>	<u>532</u>	<u>37</u>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>	<u>8,832</u>	<u>7,092</u>	<u>2,389</u>	<u>1,536</u>

## Temora Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 3. Income from continuing operations (continued)

\$ '000	Actual 2017	Actual 2016
<b>(g) Unspent grants and contributions</b>		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
Unexpended at the close of the previous reporting period	865	691
<b>Add:</b> grants and contributions recognised in the current period but not yet spent:	862	865
<b>Less:</b> grants and contributions recognised in a previous reporting period now spent:	(865)	(691)
<b>Net increase (decrease) in restricted assets during the period</b>	<b>(3)</b>	<b>174</b>
<b>Unexpended and held as restricted assets</b>	<b>862</b>	<b>865</b>
<b>Comprising:</b>		
– Specific purpose unexpended grants	862	865
– Developer contributions	–	–
	<b>862</b>	<b>865</b>

## Temora Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Employee benefits and on-costs</b>			
Salaries and wages		6,123	5,468
Travel expenses		1	1
Employee leave entitlements (ELE)		570	910
ELE on-costs		(13)	(84)
Superannuation – defined contribution plans		537	505
Superannuation – defined benefit plans		193	255
Workers' compensation insurance		312	297
Fringe benefit tax (FBT)		51	124
Training costs (other than salaries and wages)		66	64
Staff uniforms and safety clothing		15	18
<b>Total employee costs</b>		<b>7,855</b>	<b>7,558</b>
Less: capitalised costs		(760)	(904)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>7,095</b>	<b>6,654</b>
Number of 'full-time equivalent' employees (FTE) at year end		<b>100</b>	<b>91</b>
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on loans		39	54
<b>Total interest bearing liability costs expensed</b>		<b>39</b>	<b>54</b>
<b>(ii) Other borrowing costs</b>			
Nil			
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>39</b>	<b>54</b>

## Temora Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
<b>(c) Materials and contracts</b>			
Raw materials and consumables		6,429	4,377
Contractor and consultancy costs		3,577	3,335
Auditors remuneration <sup>(1)</sup>		31	23
Legal expenses:			
– Legal expenses: debt recovery		1	21
– Legal expenses: other		6	2
Operating leases:			
– Operating lease rentals: minimum lease payments <sup>(2)</sup>		60	59
<b>Total materials and contracts</b>		<b>10,104</b>	<b>7,817</b>
Less: capitalised costs		(5,732)	(4,117)
<b>TOTAL MATERIALS AND CONTRACTS</b>		<b>4,372</b>	<b>3,700</b>
<b>1. Auditor remuneration</b>			
a. During the year, the following fees were incurred for services provided by the Auditor-General:			
<b>(i) Audit and other assurance services</b>			
– Audit and review of financial statements: Auditor-General		28	–
<b>Remuneration for audit and other assurance services</b>		<b>28</b>	<b>–</b>
<b>Total Auditor-General remuneration</b>		<b>28</b>	<b>–</b>
b. During the year, the following fees were incurred for services provided by the other Council's Auditors:			
<b>(i) Audit and other assurance services</b>			
– Audit and review of financial statements: Council's Auditor		3	23
<b>Remuneration for audit and other assurance services</b>		<b>3</b>	<b>23</b>
<b>Total remuneration of other Council's Auditors</b>		<b>3</b>	<b>23</b>
<b>Total Auditor remuneration</b>		<b>31</b>	<b>23</b>
<b>2. Operating lease payments are attributable to:</b>			
Photocopiers		60	59
		<b>60</b>	<b>59</b>

## Temora Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
<b>(d) Depreciation, amortisation and impairment</b>			
Plant and equipment		749	686
Office Equipment		60	77
Furniture and Fittings		30	24
Land improvements (depreciable)		27	25
Infrastructure:			
– Buildings – non-specialised		195	200
– Buildings – specialised		230	235
– Other structures		43	40
– Roads (incl k&g)		2,009	1,919
– Bridges		97	93
– Footpaths		90	79
– Stormwater drainage		125	120
– Sewerage network		221	204
– Swimming pools		42	29
– Other open space/recreational assets		38	31
Leasehold improvements		55	46
Other assets			
– Library books		1	1
– Other		135	118
<b>Total gross depreciation and amortisation costs</b>		<b>4,147</b>	<b>3,927</b>
Less: capitalised costs		(73)	(76)
<b>Total depreciation and amortisation costs</b>		<b>4,074</b>	<b>3,851</b>
<b>Impairment</b>			
Infrastructure:			
– Roads		2,266	–
<b>Total gross impairment costs</b>		<b>2,266</b>	<b>–</b>
Less: IPP&E impairments (to)/from equity	9a	(2,266)	–
<b>Total impairment costs</b>		<b>–</b>	<b>–</b>
<b>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</b>		<b>4,074</b>	<b>3,851</b>

## Temora Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
<b>(e) Other expenses</b>			
Advertising		61	58
Bad and doubtful debts		–	38
Bank charges		24	23
Cleaning		111	111
Conferences		5	11
Contributions/levies to other levels of government			
– Bushfire fighting fund		253	217
– Emergency services levy (includes FRNSW, SES, and RFS levies)		11	11
– NSW Fire Brigade Levy		33	32
Councillor expenses – Mayoral Fee		16	15
Councillor expenses – Councillors' Fees		78	76
Councillors' expenses (incl. mayor) – other (excluding fees above)		38	21
Donations, contributions and assistance to other organisations (Section 356)		159	173
Election expenses		39	–
Electricity and heating		275	247
Insurance		428	318
Office expenses (including computer expenses)		235	189
Postage & Freight		38	31
Printing and stationery		71	53
Street lighting		118	106
Subscriptions and publications		44	32
Telephone and communications		167	168
Valuation fees		32	32
Water		129	170
<b><u>TOTAL OTHER EXPENSES</u></b>		<b><u>2,365</u></b>	<b><u>2,132</u></b>

## Temora Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 2017	Actual 2016
<b>Property</b> (excl. investment property)			
Proceeds from disposal – property		35	350
Less: carrying amount of property assets sold/written off		(12)	(399)
<b>Net gain/(loss) on disposal</b>		<b>23</b>	<b>(49)</b>
<b>Plant and equipment</b>			
Proceeds from disposal – plant and equipment		270	328
Less: carrying amount of plant and equipment assets sold/written off		(197)	(275)
<b>Net gain/(loss) on disposal</b>		<b>73</b>	<b>53</b>
<b>Infrastructure</b>			
Less: carrying amount of infrastructure assets sold/written off		–	(7)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>(7)</b>
<b>Real estate assets held for sale</b>			
Proceeds from disposal – real estate assets		216	286
Less: carrying amount of real estate assets sold/written off		(163)	(207)
<b>Net gain/(loss) on disposal</b>		<b>53</b>	<b>79</b>
<b>Financial assets</b>			
Proceeds from disposal/redemptions/maturities – financial assets		–	2,008
Less: carrying amount of financial assets sold/redeemed/matured		–	(2,008)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>Other Assets</b>			
Proceeds from disposal – Other Assets		6	–
Less: carrying amount of Other Assets assets sold/written off		(65)	(166)
<b>Net gain/(loss) on disposal</b>		<b>(59)</b>	<b>(166)</b>
<b><u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u></b>		<b><u>90</u></b>	<b><u>(90)</u></b>

## Temora Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	2017	2017	2016	2016
		Actual Current	Actual Non-current	Actual Current	Actual Non-current
<b>Cash and cash equivalents (Note 6a)</b>					
Cash on hand and at bank		952	–	361	–
Cash-equivalent assets <sup>1</sup>					
– Deposits at call		3	–	3	–
– Short-term deposits		500	–	503	–
<b>Total cash and cash equivalents</b>		<b>1,455</b>	<b>–</b>	<b>867</b>	<b>–</b>
<b>Investments (Note 6b)</b>					
– Long term deposits		6,650	–	4,101	–
<b>Total investments</b>		<b>6,650</b>	<b>–</b>	<b>4,101</b>	<b>–</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>		<b>8,105</b>	<b>–</b>	<b>4,968</b>	<b>–</b>

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

## Temora Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	2017	2017	2016	2016
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	8,105	–	4,968	–
<b>attributable to:</b>				
External restrictions (refer below)	2,244	–	1,940	–
Internal restrictions (refer below)	5,859	–	3,028	–
Unrestricted	2	–	–	–
	<b>8,105</b>	<b>–</b>	<b>4,968</b>	<b>–</b>

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

#### Details of restrictions

##### External restrictions – included in liabilities

Nil

##### External restrictions – other

Specific purpose unexpended grants (A)	865	–	(3)	862
Sewerage services (B)	587	152	–	739
Domestic waste management (B)	488	155	–	643
<b>External restrictions – other</b>	<b>1,940</b>	<b>307</b>	<b>(3)</b>	<b>2,244</b>
<b>Total external restrictions</b>	<b>1,940</b>	<b>307</b>	<b>(3)</b>	<b>2,244</b>

##### Internal restrictions

Plant and vehicle replacement	491	–	(187)	304
Infrastructure replacement	250	300	–	550
Employees leave entitlement	1,204	333	–	1,537
Carry over works	359	182	(113)	428
Gravel royalty	327	49	–	376
Industrial development	199	–	–	199
Izumizaki donation	2	–	–	2
Medical complex	32	10	(11)	31
State roads maintenance	164	294	–	458
Local Roads Reserve	–	372	–	372
Grants Received in Advance	–	1,602	–	1,602
<b>Total internal restrictions</b>	<b>3,028</b>	<b>3,142</b>	<b>(311)</b>	<b>5,859</b>
<b>TOTAL RESTRICTIONS</b>	<b>4,968</b>	<b>3,449</b>	<b>(314)</b>	<b>8,103</b>

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

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

## Temora Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 7. Receivables

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
<b>Purpose</b>					
Rates and annual charges		179	–	139	–
Interest and extra charges		18	–	13	–
User charges and fees		443	–	325	–
Capital debtors					
– Contributions for Assets		121	–	–	–
Accrued revenues					
– Interest on investments		30	–	33	–
– Other income accruals		67	–	112	–
Deferred debtors		19	33	11	37
Government grants and subsidies		273	–	523	–
Net GST receivable		91	–	78	–
Other debtors		16	–	17	–
<b>Total</b>		<b>1,257</b>	<b>33</b>	<b>1,251</b>	<b>37</b>
<b>Less: provision for impairment</b>					
User charges and fees		(4)	–	(4)	–
<b>Total provision for impairment – receivables</b>		<b>(4)</b>	<b>–</b>	<b>(4)</b>	<b>–</b>
<b><u>TOTAL NET RECEIVABLES</u></b>		<b><u>1,253</u></b>	<b><u>33</u></b>	<b><u>1,247</u></b>	<b><u>37</u></b>
<b>Externally restricted receivables</b>					
<b>Sewerage services</b>					
– Rates and availability charges		43	–	29	–
– Other		792	–	741	–
<b>Domestic waste management</b>		<b>28</b>	<b>–</b>	<b>22</b>	<b>–</b>
<b>Total external restrictions</b>		<b>863</b>	<b>–</b>	<b>792</b>	<b>–</b>
<b>Internally restricted receivables</b>					
Nil					
<b>Unrestricted receivables</b>		<b>390</b>	<b>33</b>	<b>455</b>	<b>37</b>
<b>TOTAL NET RECEIVABLES</b>		<b><u>1,253</u></b>	<b><u>33</u></b>	<b><u>1,247</u></b>	<b><u>37</u></b>

#### Notes on debtors above:

- (i) Rates and annual charges outstanding are secured against the property.
- (ii) Interest was charged on overdue rates and charges at 8.50% (2016 8.50%).  
Generally all other receivables are non-interest bearing.
- (iii) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

## Temora Shire Council

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 8. Inventories and other assets

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
<b>(a) Inventories</b>					
<b>(i) Inventories at cost</b>					
Real estate for resale (refer below)		324	–	316	–
Stores and materials		308	–	174	–
<b>Total inventories at cost</b>		<b>632</b>	<b>–</b>	<b>490</b>	<b>–</b>
<b>(ii) Inventories at net realisable value (NRV)</b>					
Nil					
<b>TOTAL INVENTORIES</b>		<b>632</b>	<b>–</b>	<b>490</b>	<b>–</b>
<b>(b) Other assets</b>					
Prepayments		109	–	84	–
Other		1	–	–	–
<b>TOTAL OTHER ASSETS</b>		<b>110</b>	<b>–</b>	<b>84</b>	<b>–</b>
<b>Externally restricted inventories and other assets</b>					
There are no restrictions applicable to the above assets.					
<b>Other disclosures</b>					
<b>Details for real estate development</b>					
Residential		212	–	204	–
Industrial/commercial		112	–	112	–
<b>Total real estate for resale</b>		<b>324</b>	<b>–</b>	<b>316</b>	<b>–</b>
(Valued at the lower of cost and net realisable value)					
<b>Represented by:</b>					
Acquisition & development costs		324	–	316	–
<b>Total costs</b>		<b>324</b>	<b>–</b>	<b>316</b>	<b>–</b>
<b>Total real estate for resale</b>		<b>324</b>	<b>–</b>	<b>316</b>	<b>–</b>
<b>Movements:</b>					
Real estate assets at beginning of the year		316	–	520	–
– Purchases and other costs		171	–	3	–
– WDV of sales (expense)	5	(163)	–	(207)	–
<b>Total real estate for resale</b>		<b>324</b>	<b>–</b>	<b>316</b>	<b>–</b>

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

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

	2017	2016
Real estate for resale	171	–
	<b>171</b>	<b>–</b>

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

## Temora Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 9a. Infrastructure, property, plant and equipment

Asset class	as at 30/6/2016			Asset movements during the reporting period								as at 30/6/2017		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss (recognised in equity)	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
<b>\$ '000</b>														
Capital work in progress	566	–	566	557	32	–	–	–	(466)	–	–	689	–	689
Plant and equipment	8,161	4,010	4,151	1,229	108	(197)	(749)	–	8	–	–	8,769	4,219	4,550
Office equipment	1,288	1,095	193	40	4	(64)	(60)	–	–	–	–	445	332	113
Furniture and fittings	259	135	124	2	152	–	(30)	–	–	–	–	406	158	248
<b>Land:</b>														
– Operational land	3,272	–	3,272	–	113	–	–	–	–	–	–	3,385	–	3,385
– Community land	907	–	907	–	–	–	–	–	–	–	–	907	–	907
Land improvements – depreciable	527	124	403	–	46	–	(27)	–	–	–	–	573	151	422
<b>Infrastructure:</b>														
– Buildings – non-specialised	13,016	4,977	8,039	47	394	(13)	(195)	–	357	–	–	13,624	4,995	8,629
– Buildings – specialised	16,956	4,192	12,764	1	308	–	(230)	–	41	–	–	17,306	4,422	12,884
– Other structures	1,177	393	784	20	43	–	(43)	–	1	(51)	–	1,189	435	754
– Roads	137,794	53,193	84,601	2,058	155	–	(2,009)	(2,266)	–	–	–	137,741	55,202	82,539
– Bridges	9,658	1,866	7,792	–	–	–	(97)	–	–	–	–	9,658	1,963	7,695
– Footpaths	4,267	1,252	3,015	57	283	–	(90)	–	–	–	–	4,606	1,341	3,265
– Bulk earthworks (non-depreciable)	51,007	–	51,007	–	–	–	–	–	–	–	–	51,007	–	51,007
– Stormwater drainage	12,274	5,130	7,144	290	–	–	(125)	–	57	–	–	12,622	5,256	7,366
– Sewerage network	19,599	8,402	11,197	298	16	–	(221)	–	1	5	717	19,239	7,226	12,013
– Swimming pools	2,603	1,486	1,117	–	–	–	(42)	–	–	–	–	2,603	1,528	1,075
– Other open space/recreational assets	525	271	254	–	16	–	(38)	–	–	46	–	587	309	278
– Other infrastructure	–	–	–	87	26	–	–	–	–	–	–	113	–	113
Leasehold improvements	958	217	741	–	–	–	(55)	–	–	–	–	958	272	686
<b>Other assets:</b>														
– Library books	61	18	43	–	–	–	(1)	–	–	–	–	61	19	42
– Other	3,750	1,022	2,728	348	20	–	(135)	–	1	–	–	4,119	1,157	2,962
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>288,625</b>	<b>87,783</b>	<b>200,842</b>	<b>5,034</b>	<b>1,716</b>	<b>(274)</b>	<b>(4,147)</b>	<b>(2,266)</b>	<b>–</b>	<b>–</b>	<b>717</b>	<b>290,607</b>	<b>88,985</b>	<b>201,622</b>

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

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

## Temora Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Actual 2017			Actual 2016		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
<b>Sewerage services</b>						
WIP	10	–	<b>10</b>	4	–	<b>4</b>
Plant and equipment	109	22	<b>87</b>	109	12	<b>97</b>
Other structures	–	–	–	5	–	<b>5</b>
Infrastructure	19,239	7,226	<b>12,013</b>	19,600	8,402	<b>11,198</b>
<b>Total sewerage services</b>	<b>19,358</b>	<b>7,248</b>	<b>12,110</b>	<b>19,718</b>	<b>8,414</b>	<b>11,304</b>
<b>Domestic waste management</b>						
Plant and equipment	277	122	<b>155</b>	274	93	<b>181</b>
Land						
– Operational land	25	–	<b>25</b>	24	–	<b>24</b>
– Improvements – depreciable	47	8	<b>39</b>	46	7	<b>39</b>
Buildings	4	2	<b>2</b>	4	2	<b>2</b>
Other structures	10	4	<b>6</b>	10	4	<b>6</b>
Other assets	43	36	<b>7</b>	43	34	<b>9</b>
<b>Total DWM</b>	<b>406</b>	<b>172</b>	<b>234</b>	<b>401</b>	<b>140</b>	<b>261</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	<b>19,764</b>	<b>7,420</b>	<b>12,344</b>	<b>20,119</b>	<b>8,554</b>	<b>11,565</b>

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

## Impairment losses recognised direct to equity (ARR):

– Road assets were impaired as a result of flood damage		(2,266)	–
<b>Total impairment losses</b>		<b>(2,266)</b>	<b>–</b>
<b>IMPAIRMENT OF ASSETS – DIRECT to EQUITY (ARR)</b>	20 (ii)	<b>(2,266)</b>	<b>–</b>

## Temora Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
<b>Payables</b>					
Goods and services – operating expenditure		1,119	–	666	–
Goods and services – capital expenditure		261	–	165	–
Accrued expenses:					
– Borrowings		8	–	11	–
– Salaries and wages		87	–	43	–
– Other expenditure accruals		197	1	205	1
Security bonds, deposits and retentions		185	–	125	–
<b>Total payables</b>		<b>1,857</b>	<b>1</b>	<b>1,215</b>	<b>1</b>
<b>Income received in advance</b>					
Payments received in advance		15	–	36	–
<b>Total income received in advance</b>		<b>15</b>	<b>–</b>	<b>36</b>	<b>–</b>
<b>Borrowings</b>					
Loans – secured <sup>1</sup>		296	312	280	609
<b>Total borrowings</b>		<b>296</b>	<b>312</b>	<b>280</b>	<b>609</b>
<b>Provisions</b>					
<b>Employee benefits:</b>					
Annual leave		892	–	985	–
Sick leave		1,325	–	1,381	–
Long service leave		1,732	28	1,773	28
<b>Total provisions</b>		<b>3,949</b>	<b>28</b>	<b>4,139</b>	<b>28</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>		<b>6,117</b>	<b>341</b>	<b>5,670</b>	<b>638</b>

**(i) Liabilities relating to restricted assets**

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

<sup>1</sup> Loans are secured over the general rating income of Council

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

## Temora Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Actual 2017	Actual 2016
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#### (ii) Current liabilities not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	2,882	3,404
	<u>2,882</u>	<u>3,404</u>

#### Note 10b. Description of and movements in provisions

Class of provision	2016		2017			Closing balance as at 30/6/17
	Opening balance as at 1/7/16	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	
Annual leave	985	408	(454)	(47)	–	892
Sick leave	1,381	164	(163)	(57)	–	1,325
Long service leave	1,801	187	(139)	(89)	–	1,760
<b>TOTAL</b>	<b>4,167</b>	<b>759</b>	<b>(756)</b>	<b>(193)</b>	<b>–</b>	<b>3,977</b>

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

## Temora Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	1,455	867
<b>Balance as per the Statement of Cash Flows</b>		<b>1,455</b>	<b>867</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>5,484</b>	<b>1,776</b>
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		4,074	3,851
Net losses/(gains) on disposal of assets		(90)	90
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		2	186
Decrease/(increase) in inventories		(134)	5
Decrease/(increase) in other assets		(26)	(42)
Increase/(decrease) in payables		453	(48)
Increase/(decrease) in accrued interest payable		(3)	(4)
Increase/(decrease) in other accrued expenses payable		36	(84)
Increase/(decrease) in other liabilities		39	47
Increase/(decrease) in employee leave entitlements		(190)	(4)
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>9,645</b>	<b>5,773</b>
<b>(c) Non-cash investing and financing activities</b>			
Nil			
<b>(d) Financing arrangements</b>			
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>			
Bank overdraft facilities <sup>(1)</sup>		200	200
Credit cards/purchase cards		30	30
<b>Total financing arrangements</b>		<b>230</b>	<b>230</b>
<b>Amounts utilised as at balance date:</b>			
– Credit cards/purchase cards		7	6
<b>Total financing arrangements utilised</b>		<b>7</b>	<b>6</b>

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

#### **(ii) Secured loan liabilities**

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

## Temora Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Capital commitments (exclusive of GST)</b>			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
<b>Property, plant and equipment</b>			
Buildings		1,350	–
<b>Total commitments</b>		<b>1,350</b>	<b>–</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		1,350	–
<b>Total payable</b>		<b>1,350</b>	<b>–</b>
<b>Sources for funding of capital commitments:</b>			
New loans (to be raised)		1,350	–
<b>Total sources of funding</b>		<b>1,350</b>	<b>–</b>

#### Details of capital commitments

Council will be purchasing the Works Depot, which is currently leased.

#### (b) Finance lease commitments

Nil

#### (c) Operating lease commitments (non-cancellable)

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

Within the next year	51	51
Later than one year and not later than 5 years	24	75
Later than 5 years	–	–
<b>Total non-cancellable operating lease commitments</b>	<b>75</b>	<b>126</b>

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

The operating lease is in place for Photocopiers and is for a 60 month term.

Contingent rentals may be payable depending on the condition of items or usage during the lease term.

##### Conditions relating to operating leases:

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

#### (d) Investment property commitments

Nil

## Temora Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Amounts 2017	Indicator 2017	Prior periods		Benchmark
			2016	2015	
<b>Local government industry indicators – consolidated</b>					
<b>1. Operating performance ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<u>3,005</u>	<b>14.34%</b>	1.97%	-3.52%	>0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<u>20,950</u>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<u>12,118</u>	<b>51.92%</b>	52.74%	53.73%	>60.00%
Total continuing operating revenue <sup>(1)</sup>	<u>23,339</u>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions <sup>(2)</sup>	<u>6,822</u>	<b>2.11x</b>	1.79x	1.69x	>1.5x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<u>3,235</u>				
<b>4. Debt service cover ratio</b>					
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<u>7,118</u>	<b>22.24x</b>	13.32x	9.73x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>320</u>				
<b>5. Rates and annual charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<u>197</u>	<b>3.84%</b>	3.12%	3.56%	< 5% Metro
Rates, annual and extra charges collectible	<u>5,130</u>				<10% Rural
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<u>8,105</u>	<b>6.60 mths</b>	4.4 mths	3.8 mths	> 3 mths
Payments from cash flow of operating and financing activities	<u>1,229</u>				

#### Notes

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

<sup>(2)</sup> Refer Notes 6-8 inclusive.

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

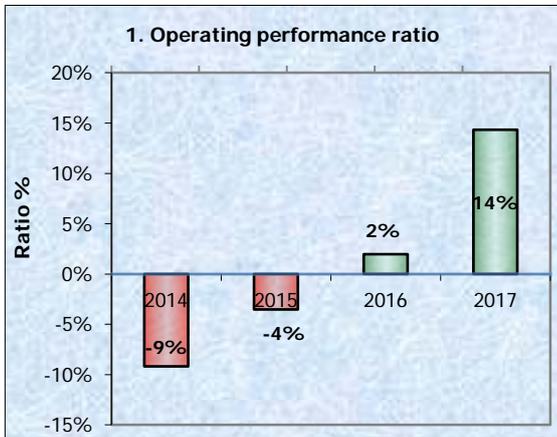
<sup>(3)</sup> Refer to Note 10(a).

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

# Temora Shire Council

## Notes to the Financial Statements for the year ended 30 June 2017

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



**Purpose of operating performance ratio**

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

**Commentary on 2016/17 result**

**2016/17 ratio 14.34%**

Council's operating performance has improved on last year largely due to the advance payment of half of the 2017/18 FAGs grant in June 2017.

Benchmark: — Minimum  $\geq 0.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

 Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of own source operating revenue ratio**

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

**Commentary on 2016/17 result**

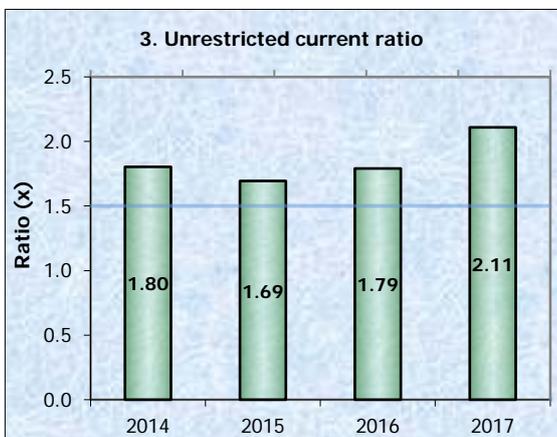
**2016/17 ratio 51.92%**

Grants and Contributions continue to represent a significant portion of Council's income. Both 2016 and 2017 have seen a significant increase in Roads to Recovery funding. Funding levels are due to return to normal in 2018/19.

Benchmark: — Minimum  $\geq 60.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

 Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of unrestricted current ratio**

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

**Commentary on 2016/17 result**

**2016/17 ratio 2.11x**

This ratio is a reflection of Council's sound financial position, although it is distorted this year, with the advance payment of half of the 2017/18 FAGs grant in June 2017.

Benchmark: — Minimum  $\geq 1.50$

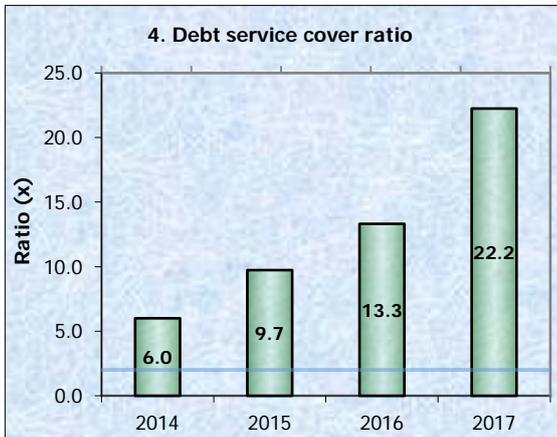
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

 Ratio achieves benchmark  
 Ratio is outside benchmark

# Temora Shire Council

## Notes to the Financial Statements for the year ended 30 June 2017

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



**Purpose of debt service cover ratio**

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

**Commentary on 2016/17 result**

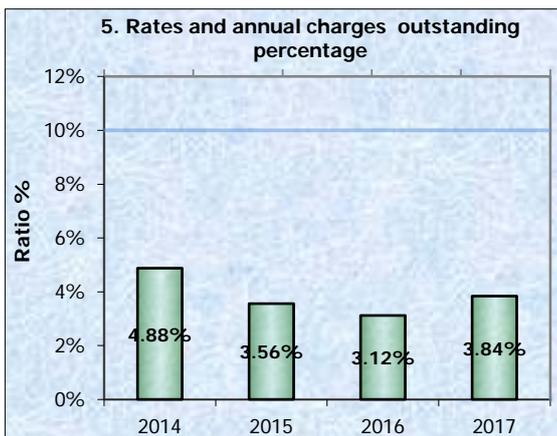
**2016/17 ratio 22.24x**

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

Benchmark: Minimum  $\geq 2.00$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of rates and annual charges outstanding ratio**

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

**Commentary on 2016/17 result**

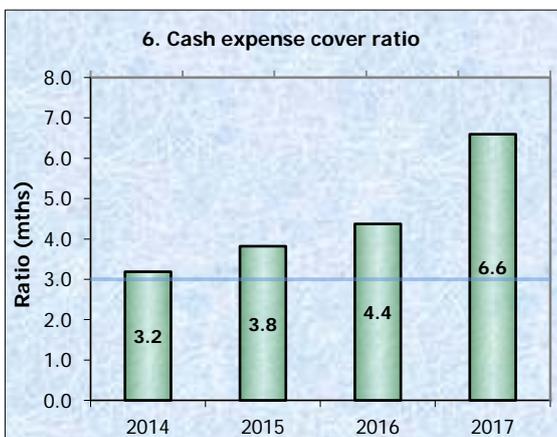
**2016/17 ratio 3.84%**

Council continues to perform well in this area.

Benchmark: Maximum  $< 10.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio is within Benchmark  
 Ratio is outside Benchmark



**Purpose of cash expense cover ratio**

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

**Commentary on 2016/17 result**

**2016/17 ratio 6.60 mths**

Council plans to build up its cash reserves over the coming years. This ratio is distorted by the advance payment of half of the 2017/18 FAGs grant in late June 2017.

Benchmark: Minimum  $\geq 3.00$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark  
 Ratio is outside benchmark

## Temora Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	General indicators <sup>5</sup>		Sewer indicators		Benchmark
	2017	2016	2017	2016	
<b>Local government industry indicators – by fund</b>					
<b>1. Operating performance ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<b>13.55%</b>	0.96%	<b>29.58%</b>	20.53%	>0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions					
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<b>50.12%</b>	50.68%	<b>90.98%</b>	94.32%	>60.00%
Total continuing operating revenue <sup>(1)</sup>					
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions <sup>(2)</sup>	<b>2.11x</b>	1.79x	<b>No liabilities</b>	No liabilities	>1.5x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>					

#### Notes

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

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

## Temora Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	General indicators <sup>5</sup>		Sewer indicators		Benchmark
	2017	2016	2017	2016	
<b>Local government industry indicators – by fund (continued)</b>					
<b>4. Debt service cover ratio</b>					
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<b>20.56x</b>	12.10x	<b>0.00x</b>	0.00x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)					
<b>5. Rates and annual charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<b>3.61%</b>	2.97%	<b>4.95%</b>	4.01%	< 5% Metro <10% Rural
Rates, annual and extra charges collectible					
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<b>5.99</b>	3.86	<b>0.00</b>	0.00	> 3 months
Payments from cash flow of operating and financing activities	<b>months</b>	months	<b>months</b>	months	

#### Notes

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

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

## Temora Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 14. Investment properties

\$ '000

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

#### Note 15. Financial risk management

##### Risk management

Council's activities expose it to a variety of financial risks including price risk, credit risk, liquidity risk and interest rate risk.

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

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

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

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

	Carrying value		Fair value	
	2017	2016	2017	2016
<b>Financial assets</b>				
Cash and cash equivalents	1,455	867	1,455	867
Investments				
– 'Held to maturity'	6,650	4,101	6,650	4,101
Receivables	1,286	1,284	1,286	1,284
<b>Total financial assets</b>	<b>9,391</b>	<b>6,252</b>	<b>9,391</b>	<b>6,252</b>
<b>Financial liabilities</b>				
Payables	1,858	1,216	1,858	1,216
Loans/advances	608	889	646	889
<b>Total financial liabilities</b>	<b>2,466</b>	<b>2,105</b>	<b>2,504</b>	<b>2,105</b>

Fair value is determined as follows:

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

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

## Temora Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 15. Financial risk management (continued)

\$ '000

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

The finance section manages the cash and Investments portfolio.

Council has an investment policy which complies with the *Local Government Act* and Minister's order. This policy is regularly reviewed by Council and an investment report is tabled before Council on a monthly basis setting out the portfolio make-up and performance of the portfolio.

The risks associated with the investments held are:

- **Price risk** – the risk that the capital value of investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns.
- **Credit risk** – the risk that a contracting entity will not complete their obligations under a financial instrument, resulting in a financial loss to Council.

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2017</b>				
Possible impact of a 1% movement in interest rates	81	81	(81)	(81)
<b>2016</b>				
Possible impact of a 1% movement in interest rates	50	50	(50)	(50)

## Temora Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 15. Financial risk management (continued)

\$ '000

##### (b) Credit risk

Council's major receivables comprise rates and annual charges and user charges and fees.

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

Council manages this risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery policies.

Credit risk on rates and annual charges is minimised by the ability of Council to recover these debts as a secured charge over the land; 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 payment.

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

Council makes suitable provision for doubtful receivables as required.

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

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

	2017 Rates and annual charges	2017 Other receivables	2016 Rates and annual charges	2016 Other receivables
<b>(i) Ageing of receivables – %</b>				
Current (not yet overdue)	0%	100%	0%	81%
Overdue	100%	0%	100%	19%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

		2017 Rates and annual charges	2017 Other receivables	2016 Rates and annual charges	2016 Other receivables
<b>(ii) Ageing of receivables – value</b>					
<b>Rates and annual charges</b>	<b>Other receivables</b>				
Current	Current	–	947	–	935
< 1 year overdue	0 – 30 days overdue	104	23	88	6
1 – 2 years overdue	31 – 60 days overdue	48	8	29	5
2 – 5 years overdue	61 – 90 days overdue	14	88	13	2
> 5 years overdue	> 91 days overdue	13	45	9	201
		<b>179</b>	<b>1,111</b>	<b>139</b>	<b>1,149</b>

##### (iii) Movement in provision for impairment of receivables

	2017	2016
Balance at the beginning of the year	4	4
<b>Balance at the end of the year</b>	<b>4</b>	<b>4</b>

## Temora Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 15. Financial risk management (continued)

\$ '000

##### (c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
<b>2017</b>									
Trade/other payables	185	1,673	–	–	–	–	–	1,858	1,858
Loans and advances	–	323	323	–	–	–	–	646	608
<b>Total financial liabilities</b>	<b>185</b>	<b>1,996</b>	<b>323</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,504</b>	<b>2,466</b>
<b>2016</b>									
Trade/other payables	125	1,091	–	–	–	–	–	1,216	1,216
Loans and advances	–	323	323	324	–	–	–	970	889
<b>Total financial liabilities</b>	<b>125</b>	<b>1,414</b>	<b>323</b>	<b>324</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,186</b>	<b>2,105</b>

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

The following interest rates were applicable

to Council's borrowings at balance date:	2017		2016	
	Carrying value	Weighted average interest rate	Carrying value	Weighted average interest rate
Trade/other payables	1,858	N/A	1,216	N/A
Loans and advances – fixed interest rate	608	5.40%	889	5.40%
	<u>2,466</u>		<u>2,105</u>	

## Temora Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 16. Material budget variations

\$ '000

Council's original financial budget for 16/17 was adopted by the Council on 16 June 2016.

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

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

**Note that for variations\* of budget to actual :**

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

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

\$ '000	2017 Budget	2017 Actual	2017 ----- Variance* -----	
<b>REVENUES</b>				
<b>Rates and annual charges</b>	5,063	4,965	(98)	(2%) <b>U</b>
<b>User charges and fees</b>	3,453	6,165	2,712	79% <b>F</b>
Revenue from State Roads RMCC contract works was significantly over the budgeted amount, as was revenue from Pinnacle Services in relation to aged and disability services. The reimbursement for the Fire & Emergency Services Levy implementation costs was unbudgeted. Other less significant variations from budget were in relation to aerodrome landing fees, caravan parks and cemeteries.				
<b>Interest and investment revenue</b>	240	142	(98)	(41%) <b>U</b>
This variation is due to the low level of reserves, combined with historically low interest rates.				
<b>Other revenues</b>	846	846	-	0% <b>F</b>
<b>Operating grants and contributions</b>	7,685	8,832	1,147	15% <b>F</b>
The most significant variation to operating grants and contributions was the advance payment of half of the 2017/18 FAGS allocation in June 2017. The amount of this advance payment was \$1,602k. Council also received \$500k in flood damage/disaster recovery funding which was unbudgeted. Partially offsetting the above variations is the fact that at the time of budget preparation our entire regional roads allocation is classified as operating due to the uncertainty regarding the allocation of expenditure. In this years' statements \$580k was classified as capital. Our roads to recovery allocation was also less than budgeted.				
<b>Capital grants and contributions</b>	1,472	2,389	917	62% <b>F</b>
Council received a \$600k grant for the construction of a medical imaging facility which was unbudgeted. Council also received \$478k under the Fixing Country Roads Program to construct the Tara Bectric Road Bridge. Council also received the following unbudgeted grants - \$317k for the RFS Community Engagement Centre at the Rural Museum, \$81k from the Innovation Fund for the virtualisation of our servers, \$54k for the Railway Station Heritage Precinct walking trail, and \$30k under the Safer Streets Program for the upgrade of our CCTV network and to install CCTV at Lake Centenary. Offsetting the above items, grants & contributions towards the Nixon Park Lighting project were less than budgeted, and budgeted grants/contributions for a new taxi rank (\$140k), the extension of the cycleways (\$40k) and the construction of a dam at Temora Agricultural Innovation Centre (\$300k) did not come to fruition.				
<b>Net gains from disposal of assets</b>	335	90	(245)	(73%) <b>U</b>
Gains on sale of Aviation Estate properties were approximately \$85k less than anticipated. Other assets with a written down value of \$78k were also written off, which was not included in budget estimates. Sales of other items of plant did not achieve the anticipated profits.				

## Temora Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 16. Material budget variations (continued)

\$ '000	2017 Budget	2017 Actual	2017 ----- Variance* -----	
<b>EXPENSES</b>				
<b>Employee benefits and on-costs</b>	5,662	7,095	(1,433)	(25%) <b>U</b>
Council's employee costs are over budget. Council paid a significant amount of overtime during the flood emergency in September 2016. Council has also employed a number of casual staff to enable flood remediation works to be carried out, as well as the increased commitment to the RMS State Roads contracts. The number of staff at Pinnacle Services has also increased dramatically with the increase in packaged care options. This variation can also be partially attributed to differing budget allocations between salaries & wages and materials & contracts.				
<b>Borrowing costs</b>	43	39	4	9% <b>F</b>
<b>Materials and contracts</b>	3,692	4,372	(680)	(18%) <b>U</b>
This variation can be attributed to the increase in works undertaken for the RMS on State Roads, but can also be attributed to differing budget allocations between salaries & wages and materials & contracts.				
<b>Depreciation and amortisation</b>	3,862	4,074	(212)	(5%) <b>U</b>
<b>Other expenses</b>	2,403	2,365	38	2% <b>F</b>

## Temora Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 17. Statement of Developer Contributions

\$ '000

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

#### Note 18. Contingencies and other assets/liabilities not recognised

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

##### LIABILITIES NOT RECOGNISED:

##### 1. Guarantees

##### (i) Defined benefit superannuation 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 the purposes of AASB 119 *Employee Benefits*.

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

The amount of employer contributions to the defined benefit section of the Scheme and recognised as an expense for the year ending 30 June 2017 was \$193,067. The last valuation of the Scheme was performed by Richard Boyfield (FIAA) on 2 December 2016 and covers the year ended 30 June 2017.

However, the position is monitored annually and the actuary has estimated that as at 30 June 2017, a deficit still exists. Effective from 1 July 2009, employers are required to make additional contributions to assist in extinguishing this deficit. The amount of additional contributions included in the total employer contribution advised above is \$178,476. Council's expected contribution to the plan for the next annual reporting period is \$145,249.

Council's share of the 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.

##### (ii) Statewide Limited

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

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

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

##### (iii) StateCover Limited

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

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

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

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

##### (iv) Other guarantees

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

## Temora Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

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\$ '000

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##### **LIABILITIES NOT RECOGNISED (continued):**

##### **2. Other liabilities**

##### **(i) Third party claims**

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

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

##### **(ii) Fencing of Quarries**

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

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

These future liabilities have not been brought to account because:

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

#### Note 19. Interests in other entities

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

## Temora Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Retained earnings</b>			
<b>Movements in retained earnings were as follows:</b>			
Balance at beginning of year (from previous years audited accounts)		73,336	71,560
a. Net operating result for the year		5,484	1,776
<b>Balance at end of the reporting period</b>		<b>78,820</b>	<b>73,336</b>
<b>(b) Revaluation reserves</b>			
<b>(i) Reserves are represented by:</b>			
– Infrastructure, property, plant and equipment revaluation reserve		126,477	128,024
<b>Total</b>		<b>126,477</b>	<b>128,024</b>
<b>(ii) Reconciliation of movements in reserves:</b>			
<b>Infrastructure, property, plant and equipment revaluation reserve</b>			
– Opening balance		128,024	127,817
– Revaluations for the year	9(a)	717	207
– (Impairment of revalued assets)/impairment reversals	9(a),(c)	(2,266)	–
– Other movements		2	–
<b>– Balance at end of year</b>		<b>126,477</b>	<b>128,024</b>
<b>TOTAL VALUE OF RESERVES</b>		<b>126,477</b>	<b>128,024</b>

**(iii) Nature and purpose of reserves****Infrastructure, property, plant and equipment revaluation reserve**

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

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

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

**(d) Voluntary changes in accounting policies**

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

## Temora Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 21. Financial result and financial position by fund

Income Statement by fund	Actual	Actual
\$ '000	2017	2017
<b><u>Continuing operations</u></b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Income from continuing operations</b>		
Rates and annual charges	866	4,099
User charges and fees	44	6,121
Interest and investment revenue	17	125
Other revenues	12	834
Grants and contributions provided for operating purposes	61	8,771
Grants and contributions provided for capital purposes	31	2,358
<b>Other income</b>		
Net gains from disposal of assets	–	90
<b>Total income from continuing operations</b>	<b>1,031</b>	<b>22,398</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	178	6,917
Borrowing costs	–	39
Materials and contracts	255	4,117
Depreciation and amortisation	233	3,841
Other expenses	60	2,305
<b>Total expenses from continuing operations</b>	<b>726</b>	<b>17,219</b>
<b>Operating result from continuing operations</b>	<b>305</b>	<b>5,179</b>
<b>Net operating result for the year</b>	<b>305</b>	<b>5,179</b>
<b>Net operating result attributable to each council fund</b>	305	5,179
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	274	2,821

<sup>1</sup> General fund refers to all Council's activities other than Sewer.

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

## Temora Shire Council

## Notes to the Financial Statements

as at 30 June 2017

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

Statement of Financial Position by fund \$ '000	Actual 2017	Actual 2017
<b>ASSETS</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Current assets</b>		
Cash and cash equivalents	739	716
Investments	–	6,650
Receivables	835	418
Inventories	–	632
Other	–	110
<b>Total current assets</b>	<b>1,574</b>	<b>8,526</b>
<b>Non-current assets</b>		
Receivables	–	33
Infrastructure, property, plant and equipment	12,110	189,512
<b>Total non-current assets</b>	<b>12,110</b>	<b>189,545</b>
<b>TOTAL ASSETS</b>	<b>13,684</b>	<b>198,071</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	–	1,857
Income received in advance	–	15
Borrowings	–	296
Provisions	–	3,949
<b>Total current liabilities</b>	<b>–</b>	<b>6,117</b>
<b>Non-current liabilities</b>		
Payables	–	1
Borrowings	–	312
Provisions	–	28
<b>Total non-current liabilities</b>	<b>–</b>	<b>341</b>
<b>TOTAL LIABILITIES</b>	<b>–</b>	<b>6,458</b>
<b>Net assets</b>	<b>13,684</b>	<b>191,613</b>
<b>EQUITY</b>		
Retained earnings	7,199	71,621
Revaluation reserves	6,485	119,992
<b>Total equity</b>	<b>13,684</b>	<b>191,613</b>

<sup>1</sup> General Fund refers to all Council's activities other than Sewer.

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

## Temora Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

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\$ '000

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

#### Note 23. Events occurring after the reporting date

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Events that occur between the end of the reporting period (30 June 2017) and the date when the financial statements are 'authorised for issue' have been taken into account in preparing these statements.

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

Accordingly, the 'authorised for issue' date is 23/10/17.

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

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

These financial statements (and the figures therein) incorporate all 'adjusting events' that provided evidence of conditions that existed at 30 June 2017.

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

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 30 June 2017 and which are only indicative of conditions that arose after 30 June 2017.

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

#### Note 24. Discontinued operations

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

#### Note 25. Intangible assets

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

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

#### Note 26. Reinstatement, rehabilitation and restoration liabilities

---

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

## Temora Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 27. Fair value measurement

\$ '000

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

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

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

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

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

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

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

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

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

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

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

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

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

2017	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Financial assets</b>					
Investments					
– "Held to maturity"	30/06/17	–	6,650	–	6,650
Receivables	30/06/17	–	1,289	–	1,289
<b>Total financial assets</b>		<b>–</b>	<b>7,939</b>	<b>–</b>	<b>7,939</b>
<b>Financial liabilities</b>					
Payables	30/06/17	–	1,858	–	1,858
Loans/advances	30/06/17	–	608	–	608
<b>Total financial liabilities</b>		<b>–</b>	<b>2,466</b>	<b>–</b>	<b>2,466</b>

## Temora Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 27. Fair value measurement (continued)

\$ '000

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

2017	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Infrastructure, property, plant and equipment</b>					
Work in progress	30/06/17	–	689	–	689
Plant and equipment	30/06/17	–	–	4,550	4,550
Office equipment	30/06/17	–	–	113	113
Furniture and fittings	30/06/17	–	–	248	248
Operational land	30/06/13	–	3,385	–	3,385
Community land	30/06/16	–	–	907	907
Land improvements	30/06/17	–	–	422	422
Buildings – non-specialised	30/06/13	–	8,629	–	8,629
Buildings – specialised	30/06/13	–	–	12,884	12,884
Leasehold improvements	30/06/17	–	–	686	686
Other structures	30/06/13	–	–	754	754
Roads	30/06/15	–	–	82,539	82,539
Bridges	30/06/15	–	–	7,695	7,695
Footpaths	30/06/15	–	–	3,265	3,265
Bulk earthworks (roads)	30/06/15	–	–	51,007	51,007
Stormwater drainage	30/06/15	–	–	7,366	7,366
Sewerage network	30/06/17	–	–	12,013	12,013
Swimming pools	30/06/13	–	–	1,075	1,075
Other open space/recreational assets	30/06/13	–	–	278	278
Other Infrastructure	30/06/17	–	–	113	113
Library books	30/06/17	–	–	42	42
Other	30/06/17	–	–	2,962	2,962
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>12,703</b>	<b>188,919</b>	<b>201,622</b>

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

## Temora Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 27. Fair value measurement (continued)

\$ '000

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

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

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

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

## Temora Shire Council

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 27. Fair value measurement (continued)

##### (3) Reconciliation of Movements

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

Opening balance 1 July 2015	187,454
Purchases (GBV)	5,512
Disposals (WDV)	(439)
Depreciation and impairment	(3,727)
FV gains – other comprehensive income	207
Transfers	<u>(42)</u>
<b>Closing balance – 30/06/2016</b>	<b><u>188,965</u></b>
Purchases (GBV)	5,607
Disposals (WDV)	(261)
Depreciation and impairment	(3,952)
FV gains – other comprehensive income	717
Impairment Loss recognised in Equity	(2,266)
Transfers	<u>109</u>
<b>Closing balance – 30/06/2017</b>	<b><u>188,919</u></b>

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

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

Not applicable

## Temora Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 28. Related party disclosures

\$

##### a. Key management personnel

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

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

	Actual 2017
<b>Compensation:</b>	
Short-term benefits	940,943
Post-employment benefits	83,542
Other long-term benefits	24,883
Termination benefits	99,107
<b>Total</b>	<u><b>1,148,475</b></u>

## Temora Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 28. Related party disclosures (continued)

\$ '000

**b. Other transactions with KMP and their related parties**

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.

<b>Nature of the transaction</b>		<b>Value of transactions during year</b>	<b>Outstanding balance</b>	<b>Terms and conditions</b>	<b>Provisions for doubtful debts outstanding</b>	<b>Doubtful debts expense recognised</b>
	Note	\$'000	(incl. loans and commitments) \$'000		\$'000	\$'000
Employee expenses for close family members of KMP	1	495	–	NSW Local Govt State Award	–	–
Plumbing Services	3	63	–	7 day terms on invoices	–	–
Uniform Purchases	2	3	–	7 day terms on invoices	–	–
Laundry Services	2	10	–	7 day terms on invoices	–	–
Catering Supplies	3	1	–	7 day terms on invoices	–	–
Catering Services/Giftware	2	1	–	7 day terms on invoices	–	–
Training Services	2	1	–	7 day terms on invoices	–	–
Real Estate Services	4	13	–	3% on settlement	–	–
Fees & Charges charged to entities who influence or are influenced by KMP	5	6	–		–	–

## Temora Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 28. Related party disclosures (continued)

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\$ '000

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##### b. Other transactions with KMP and their related parties (continued)

- 1 All close family members of KMP were employed through an arm's length process. They are paid in accordance with the Award for the job they perform. Council employs 149 staff, of which only 8 are close family members of KMP.
- 2 Council purchased the following materials and services from entities that are controlled by KMP. All purchases were at arm's length and were in the normal course of Council operations. Amounts were billed based on normal rates for such services/supplies and were due and payable under normal payment terms following Council's procurement processes.
  - Work Uniforms
  - Laundry Services
  - Catering Services/Giftware
  - Training Services
- 3 Council purchased the following materials and services from entities that are controlled by a related party of a KMP. All purchases were at arm's length and were in the normal course of Council operations. Amounts were billed based on normal rates for such services/supplies and were due and payable under normal payment terms following Council's procurement processes.
  - Plumbing Services
  - Catering Supplies
- 4 Council engages the services of a local real estate agency, of which one of the principals is a related party of a KMP. All real estate listings were at arm's length and in the normal course of Council operations. Commission is deducted from the property sale proceeds at a rate of 3% of the sale price. All properties listed for sale are also listed with another reputable real estate agent in the area on the same terms and conditions.
- 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 a partnership of which a KMP is a partner. The development application was assessed and approved in accordance with Council's normal terms and conditions. The KMP did not participate in any decisions related to the application.
  - Development Application fees received from a two related parties of KMPs. The development applications were assessed and approved in accordance with Council's normal terms and conditions. The KMPs did not participate in any decisions related to the applications.

## Temora Shire Council

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 29. Financial review

\$ '000

#### Key financial figures of Council over the past 5 years

<b>Financial performance figures</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Inflows:</b>					
Rates and annual charges revenue	<b>4,965</b>	4,666	4,493	4,316	4,144
User charges revenue	<b>6,165</b>	3,897	3,212	5,114	4,318
Interest and investment revenue (losses)	<b>142</b>	161	138	208	199
Grants income – operating and capital	<b>10,606</b>	8,512	7,319	5,852	8,067
Total income from continuing operations	<b>23,429</b>	18,257	16,516	17,064	17,523
Sale proceeds from I,PP&E	<b>527</b>	1,189	542	854	389
New loan borrowings and advances	<b>–</b>	–	–	–	1,643
<b>Outflows:</b>					
Employee benefits and on-cost expenses	<b>7,095</b>	6,654	6,822	6,250	5,468
Borrowing costs	<b>39</b>	54	68	103	–
Materials and contracts expenses	<b>4,372</b>	3,700	3,167	4,767	5,548
Total expenses from continuing operations	<b>17,945</b>	16,481	15,714	16,591	16,212
Total cash purchases of I,PP&E	<b>6,579</b>	5,924	5,334	6,244	5,336
Total loan repayments (incl. finance leases)	<b>281</b>	264	252	238	–
Operating surplus/(deficit) (excl. capital income)	<b>3,095</b>	240	(612)	(1,116)	523
<b>Financial position figures</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Current assets	<b>10,100</b>	6,789	6,603	6,956	9,523
Current liabilities	<b>6,117</b>	5,670	5,706	5,804	6,041
Net current assets	<b>3,983</b>	1,119	897	1,152	3,482
Available working capital (Unrestricted net current assets)	<b>(928)</b>	(233)	(3)	1,210	504
Cash and investments – unrestricted	<b>2</b>	–	–	2	2
Cash and investments – internal restrictions	<b>5,859</b>	3,028	2,183	2,154	4,973
Cash and investments – total	<b>8,105</b>	4,968	4,174	3,923	6,920
Total borrowings outstanding (Loans, advances and finance leases)	<b>608</b>	889	1,153	1,405	1,643
Total value of I,PP&E (excl. land and earthworks)	<b>235,308</b>	233,439	228,455	270,455	265,181
Total accumulated depreciation	<b>88,985</b>	87,783	84,297	117,384	114,904
Indicative remaining useful life (as a % of GBV)	62%	62%	63%	57%	57%

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

## Temora Shire Council

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 30. Council information and contact details

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**Principal place of business:**

105 Loftus Street  
TEMORA NSW 2666

**Contact details**

**Mailing address:**

PO Box 262  
TEMORA NSW 2666

**Opening hours:**

8am to 4.30pm  
Monday to Friday

**Telephone:** 02 6980 1100

**Facsimile:** 02 6980 1138

**Internet:** [www.temora.nsw.gov.au](http://www.temora.nsw.gov.au)

**Email:** [temshire@temora.nsw.gov.au](mailto:temshire@temora.nsw.gov.au)

**Officers**

**GENERAL MANAGER**

Gary Lavelle

**RESPONSIBLE ACCOUNTING OFFICER**

Steve Firth

**PUBLIC OFFICER**

Steve Firth

**AUDITORS**

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

**Elected members**

**MAYOR**

Rick Firman

**COUNCILLORS**

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

**Other information**

**ABN:** 55 048 860 109



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### Temora Shire Council

To the Councillors of the Temora Shire Council

### Opinion

I have audited the accompanying financial statements of Temora Shire Council (the Council), which comprise the statement of financial position as at 30 June 2017, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
  - have been presented, in all material respects, in accordance with the requirements of this Division
  - are consistent with the Council's accounting records
  - present fairly, in all material respects, the financial position of the Council as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

### Basis for Opinion

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

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

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

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

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

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

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

### **Other Matter**

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 13 October 2016.

### **The Councillors' Responsibility 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 must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

### **Auditor's Responsibility 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/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf). The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, Note 2(a) and Note 16 budget variation explanations
- on the attached Special Schedules
- 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.



Reiky Jiang  
Director, Financial Audit Services

23 October 2017  
SYDNEY

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

Contact: Reiky Jiang  
Phone no: 02 9275 7100  
Our ref: D1727450/1793

23 October 2017

Dear Mr Firman

**Report on the Conduct of the Audit  
for the year ended 30 June 2017  
Temora Shire Council**

We have audited the general purpose financial statements of the Temora Shire Council (the Council) for the year ended 30 June 2017 as required by s415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's general purpose financial statements.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2017 is issued in accordance with section 417 of the Act. Section 417(3) requires us to consider and report on matters pertinent to the Council's financial statements and audit. This Report should be read in conjunction with our audit opinion on the general purpose financial statements issued under s417(2) of the Act.

**SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS**

We did not identify any significant audit issues and observations during our audit of the Council's financial statements.

## INCOME STATEMENT

### Operating result

	2017 \$'000	2016 \$'000	Variance %
Rates and annual charges revenue	4,965	4,666	6.4 ↑
Grants and contributions revenue	11,221	8,628	30.0 ↑
Operating result for the year	5,484	1,776	208.8 ↑
Net operating result before capital amounts	3,095	240	1189.6 ↑

Council's operating surplus improved from \$1.8 million in 2016 to \$5.5 million in 2017. This was mainly due to the Financial Assistance Grant received in advance and additional RMS funding in 2017 described below. Council budgeted for a surplus of \$3.4 million.

The net operating result before capital contributions was a surplus of \$3.1 million comparing to previous year's surplus of \$0.2 million.

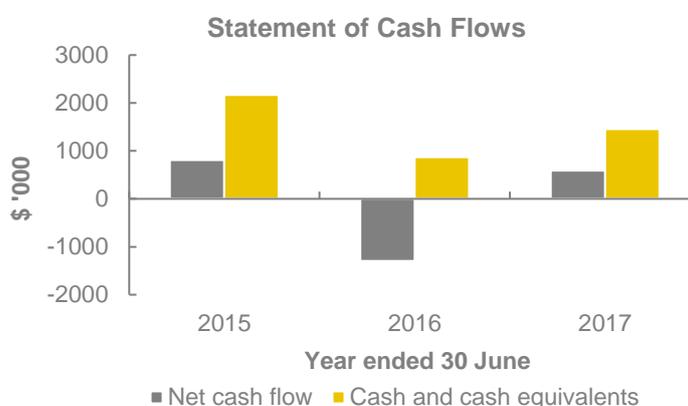
Rates and annual charges are consistent with prior year with a slight increase of \$0.3 million (or 6.4 per cent).

Grants and contributions provided for operating purposes has increased by \$1.7 million (or 24.5 per cent) to \$8.8 million in 2017. The increase was largely due to receipt of the \$2.1 million from RMS to repair state roads due to flood damage and the Financial Assistance Grant advance payment of \$1.6 million.

Council's depreciation and amortisation expense was consistent with prior year, increasing by only \$0.2 million from prior year.

## STATEMENT OF CASH FLOWS

- Council recorded a net increase in cash and cash equivalents of \$0.6 million in 2017 compared to a decrease of \$1.3 million in the prior year.
- Net cash provided by operating activities amounted to \$9.6 million.
- Net cash used in investing activities amounted to \$8.8 million. This is largely due to the net cash outflow from the purchase of investment securities of \$2.5 million and a net cash outflow of \$6.6 million for I,PP&E additions during the year, including \$2.2 million for roads.



## FINANCIAL POSITION

### Cash and Investments

Restricted Cash and Investments	2017	2016	Commentary
	\$'000	\$'000	
External restrictions	2,244	1,940	<ul style="list-style-type: none"> <li>Externally restricted cash and investments are restricted in their use by externally imposed requirements. The movement in externally restricted cash balances is predominantly driven by sewerage services restriction increase of \$0.2 million.</li> </ul>
Internal restrictions	5,859	3,028	
Unrestricted	2	-	
<b>Cash and investments</b>	<b>8,105</b>	<b>4,968</b>	<ul style="list-style-type: none"> <li>Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. The movement in internally restricted cash balances included an extra \$1.6 million relating to the Financial Assistance Grant payment received in advance.</li> </ul>

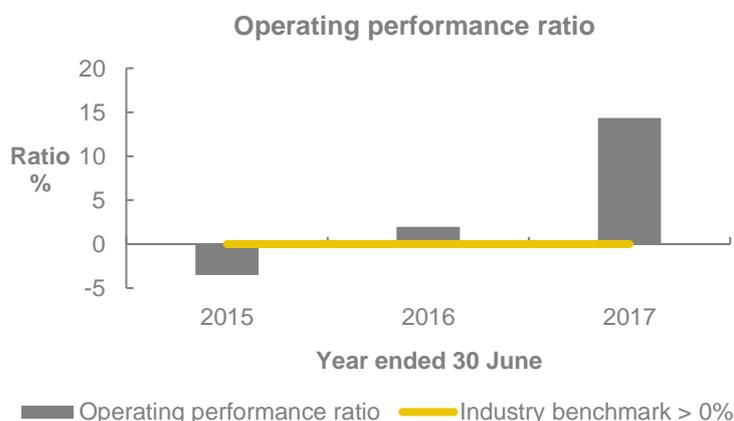
### Debt

- The Council had borrowings of \$0.6 million as at 30 June 2017 (2016: \$0.9 million).

## PERFORMANCE RATIOS

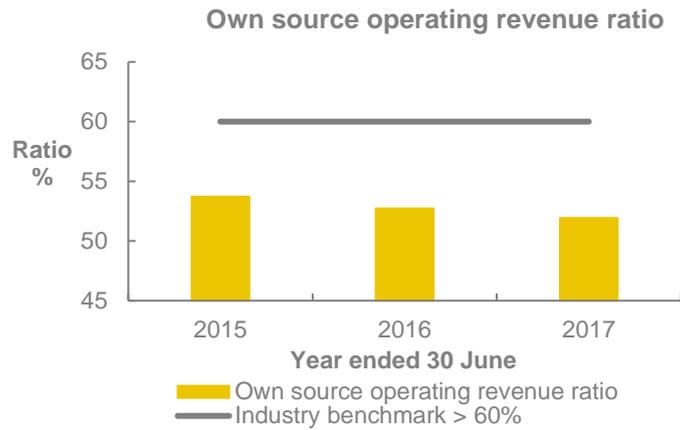
### Operating performance ratio

- The 'operating performances ratio' measures how well Council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than zero per cent.
- The operating performance ratio improved to 14.34 per cent and remained well above the industry benchmark.
- The operating performance ratio improved this year due to additional grant income (predominately Financial Assistance Grants in advance and RMS funding).



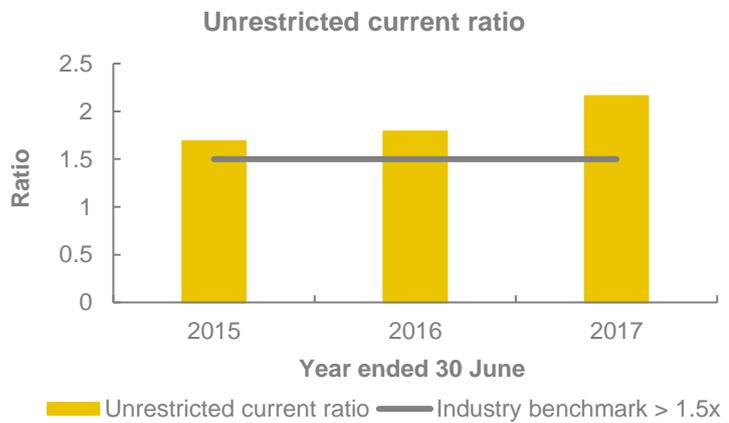
## Own source operating revenue ratio

- 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 own source operating revenue ratio decreased slightly to 51.92 per cent.
- The ratio remained below the industry benchmark due to the level of grant funding received by Council.



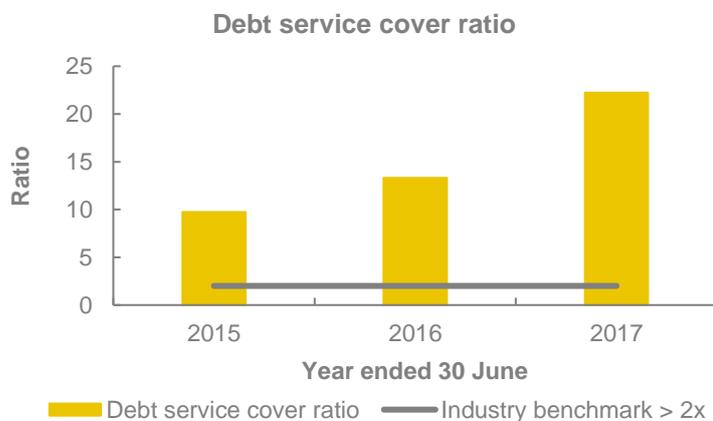
## Unrestricted current ratio

- 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.
- Council's liquidity position increased compared to the prior year due to the timing of receipt of the Financial Assistance Grants in advance.
- Council continues to meet the industry benchmark and has sufficient liquidity to pay its current liabilities when they fall due.



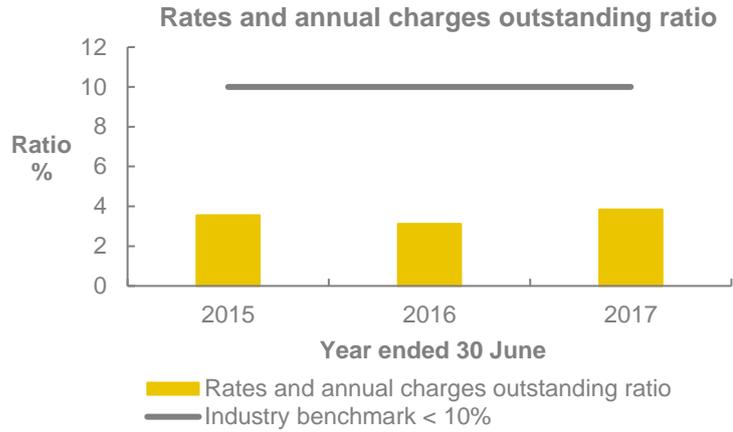
## Debt service cover ratio

- The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.
- This ratio indicates 22.24 times (2016: 13.32 times) of Council's operating cash is available to service its debts.
- Council continues to demonstrate that it has ability to generate sufficient cash from operations to fund loan repayments.



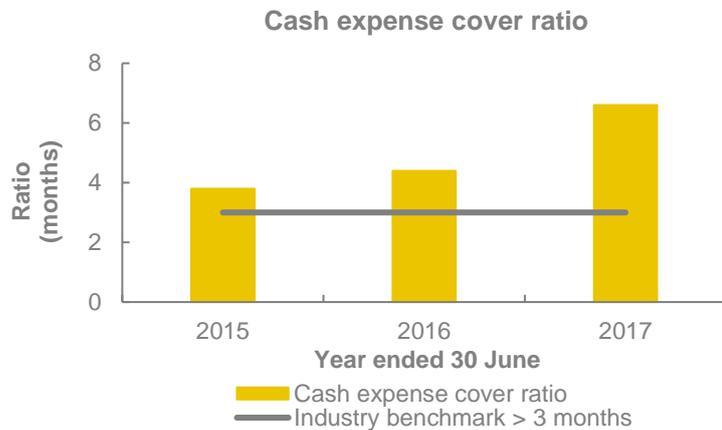
## Rates and annual charges outstanding ratio

- The 'rates and annual charges outstanding ratio' 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 outstanding rates per cent has increased slightly since the prior year but is still well below the benchmark for rural councils. This reflects Council's ongoing debt recovery effort.



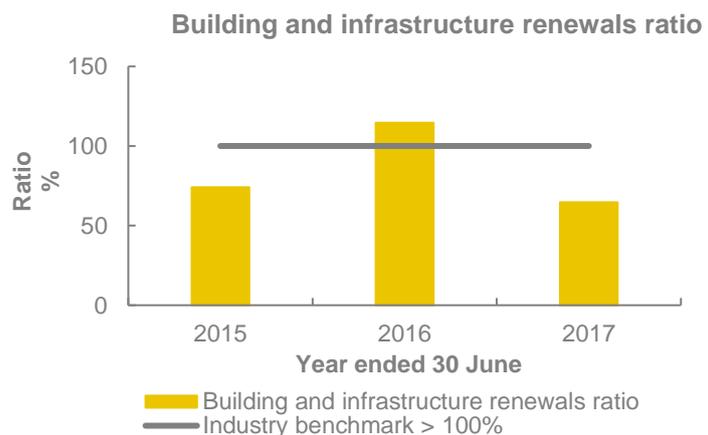
## Cash expense cover ratio

- 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.
- This ratio has continued to improve as Council plans to build up its cash reserves. This ratio is impacted by the advance payment of Financial Assistance Grants in 2017 as discussed above.



## Building and infrastructure renewals ratio

- The 'infrastructure renewals ratio' represents the rate at which assets are being renewed relative to the rate at which they are depreciating.
- This ratio is sourced from information contained in Council's Special Schedule 7 which has not been audited.
- Council has fallen below the industry benchmark in the current period. Council has recorded a \$2.2 million impairment of its road assets related to flooding damage which has impacted on the ratio in 2017.



## OTHER MATTERS

### New accounting standards implemented

#### AASB 124 'Related Party Disclosures'

Effective for annual reporting periods beginning on or 1 July 2016

AASB 2015-6 extended the scope of AASB 124 to include not-for-profit public sector entities. As a result, Council's financial statements disclosed the:

- compensation paid to their key management personnel
- nature of their related party relationships
- amount and nature of their related party transactions, outstanding balances and commitments and outstanding balances (including commitments).

### Legislative compliance

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

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



Reiky Jiang  
Director, Financial Audit Services

23 October 2017  
SYDNEY

cc: Mr Gary Lavelle, General Manager  
Mr Stephen Firth, Director of Administration & Finance  
Tim Hurst, Acting Chief Executive of the Office of Local Government

# Temora Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

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“Success through determination and inspiration”



## Temora Shire Council

### Special Purpose Financial Statements

for the year ended 30 June 2017

Contents	Page
<b>1. Statement by Councillors and Management</b>	2
<b>2. Special Purpose Financial Statements:</b>	
Income Statement – Water Supply Business Activity	n/a
Income Statement – Sewerage Business Activity	3
Income Statement – Other Business Activities	n/a
Statement of Financial Position – Water Supply Business Activity	n/a
Statement of Financial Position – Sewerage Business Activity	4
Statement of Financial Position – Other Business Activities	n/a
<b>3. Notes to the Special Purpose Financial Statements</b>	5
<b>4. Auditor’s Report</b>	11

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#### Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
  - (ii) The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.  
  
Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.
  - (iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.  
  
These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).
  - (iv) In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).
-

## Temora Shire Council

### Special Purpose Financial Statements for the year ended 30 June 2017

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

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

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

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

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

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

**Signed in accordance with a resolution of Council made on 21 September 2017.**



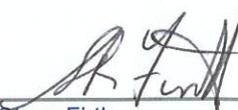
Rick Firman  
Mayor



Graham Sinclair  
Councillor



Gary Lavelle  
General Manager



Steve Firth  
Responsible Accounting Officer

## Temora Shire Council

### Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2017

\$ '000	Actual 2017	Actual 2016
<b>Income from continuing operations</b>		
Access charges	866	721
User charges	44	49
Interest	17	34
Grants and contributions provided for non-capital purposes	61	49
Profit from the sale of assets	–	–
Share of profit from equity accounted investment	–	–
Other income	12	9
<b>Total income from continuing operations</b>	<b>1,000</b>	<b>862</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	178	199
Borrowing costs	–	–
Materials and contracts	255	225
Depreciation, amortisation and impairment	233	211
Loss on sale of assets	–	–
Calculated taxation equivalents	–	–
Debt guarantee fee (if applicable)	–	–
Other expenses	60	50
<b>Total expenses from continuing operations</b>	<b>726</b>	<b>685</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>274</b>	<b>177</b>
Grants and contributions provided for capital purposes	31	–
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>305</b>	<b>177</b>
Surplus (deficit) from discontinued operations	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>305</b>	<b>177</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(82)	(53)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>223</b>	<b>124</b>
Plus opening retained profits	6,894	6,717
Plus/less: prior period adjustments	–	–
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	–	–
– Debt guarantee fees	–	–
– Corporate taxation equivalent	82	53
<b>Less:</b>		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
<b>Closing retained profits</b>	<b>7,199</b>	<b>6,894</b>
<b>Return on capital %</b>	<b>2.3%</b>	<b>1.6%</b>
<b>Subsidy from Council</b>	<b>14</b>	<b>68</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	223	124
Less: capital grants and contributions (excluding developer contributions)	(31)	–
<b>Surplus for dividend calculation purposes</b>	<b>192</b>	<b>124</b>
<b>Potential dividend calculated from surplus</b>	<b>96</b>	<b>62</b>

## Temora Shire Council

Statement of Financial Position – Council's Sewerage Business Activity  
as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	739	587
Investments	–	–
Receivables	835	770
Inventories	–	–
Other	–	–
<b>Total current Assets</b>	<b>1,574</b>	<b>1,357</b>
<b>Non-current assets</b>		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	12,110	11,305
<b>Total non-current assets</b>	<b>12,110</b>	<b>11,305</b>
<b>TOTAL ASSETS</b>	<b>13,684</b>	<b>12,662</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank overdraft	–	–
Payables	–	–
Income received in advance	–	–
Borrowings	–	–
Provisions	–	–
<b>Total current liabilities</b>	<b>–</b>	<b>–</b>
<b>Non-current liabilities</b>		
Payables	–	–
Income received in advance	–	–
Borrowings	–	–
Provisions	–	–
<b>Total non-current liabilities</b>	<b>–</b>	<b>–</b>
<b>TOTAL LIABILITIES</b>	<b>–</b>	<b>–</b>
<b>NET ASSETS</b>	<b>13,684</b>	<b>12,662</b>
<b>EQUITY</b>		
Retained earnings	7,199	6,894
Revaluation reserves	6,485	5,768
Other reserves	–	–
Council equity interest	13,684	12,662
Non-controlling equity interest	–	–
<b>TOTAL EQUITY</b>	<b>13,684</b>	<b>12,662</b>

## Temora Shire Council

### Special Purpose Financial Statements

for the year ended 30 June 2017

#### Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	6
2	Water Supply Business Best-Practice Management disclosure requirements	n/a
3	Sewerage Business Best-Practice Management disclosure requirements	8

## Temora Shire Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

#### Note 1. Significant accounting policies

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

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

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

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

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

#### National Competition Policy

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

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

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

The pricing and costing guidelines outline the process for identifying and allocating costs to

activities and provide a standard for disclosure requirements.

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

#### Declared business activities

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

##### Category 1

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

**Council has no Category 1 business activities.**

##### Category 2

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

#### Sewerage Service

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

#### Monetary amounts

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

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

#### (i) Taxation-equivalent charges

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

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

## Temora Shire Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

#### Note 1. Significant accounting policies (continued)

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

##### Notional rate applied (%)

###### Corporate income tax rate – 30%

In accordance with the Department of Primary Industries Water (DPIW), 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 NSW Office of Water Guidelines as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

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

##### Income tax

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

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

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

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

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

The rate applied of 30% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

##### (ii) Subsidies

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

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

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

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

##### (iii) Dividends

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

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

Each dividend must be calculated and approved in accordance with the DPIW guidelines and must not exceed:

- (i) 50% of this surplus in any one year, or
- (ii) the number of sewerage assessments at 30 June 2017 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the DPIW guidelines a Dividend Payment Form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the DPIW prior to making the dividend and only after it has approved the payment.

## Temora Shire Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

#### Note 3. Sewerage business best-practice management disclosure requirements

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

2017

##### 1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	-
(ii)	Number of assessments multiplied by \$3/assessment	6,468
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	-
(iv)	Amounts actually paid for tax equivalents	-

##### 2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	95,900
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	64,680
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	443,800

2017 Surplus	191,800	2016 Surplus	123,900	2015 Surplus	128,100
		2016 Dividend	-	2015 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	64,680
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	-
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? <sup>a</sup>	YES

##### 3. Required outcomes for 4 criteria

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

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

## Temora Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2017Note 3. Sewerage business  
best-practice management disclosure requirements (continued)

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Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2017


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**National Water Initiative (NWI) financial performance indicators**

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	1,016
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	12,013
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	493
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	314
NWI F18	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	2.40%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

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

NWI F3	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	1,016
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	2.36%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	314
NWI F19	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	2.40%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
NWI F21	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

## Temora Shire Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

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

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

2017

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

<b>NWI F22</b>	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	-5.40%
<b>NWI F23</b>	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest  Earnings before interest and tax (EBIT): <span style="border: 1px solid black; padding: 2px;">290</span> Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c)  Net interest: <span style="border: 1px solid black; padding: 2px;">- 15</span> Interest expense (w4a + s4a) – interest income (w9 + s10)		> 100
<b>NWI F24</b>	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	305
<b>NWI F25</b>	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	24

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



**INDEPENDENT AUDITOR'S REPORT**  
**Report on the special purpose financial statement**  
**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, which comprise the statement of financial position of each Declared Business Activity as at 30 June 2017, the income statement of each Declared Business Activity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information for the Business Activity declared by Council, and the Statement by Councillors and Management.

The Declared Business Activity of the Council is:

- sewerage business activity.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activity as at 30 June 2017, and its financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

My opinion should be read in conjunction with the rest of this report and in particular, the Emphasis of Matter referring to the basis of accounting.

### **Basis for Opinion**

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

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

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

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

### **Emphasis of Matter - Basis of Accounting**

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

## Other Matter

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 13 October 2016.

## The Councillors' Responsibility for the Financial Statements

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

In preparing the financial statements, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting, as it affects the Council's Declared Business Activities.

## Auditor's Responsibility 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:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf).

The description forms part of my auditor's report.

My opinion does not provide assurance:

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



Reiky Jiang  
Director, Financial Audit Services

23 October 2017  
SYDNEY

# Temora Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2017

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“Success through determination and inspiration”



# Temora Shire Council

## Special Schedules for the year ended 30 June 2017

Contents		Page
<b>Special Schedules<sup>1</sup></b>		
<b>Special Schedule 1</b>	Net Cost of Services	2
<b>Special Schedule 2(a)</b>	Statement of Long Term Debt (all purposes)	4
<b>Special Schedule 2(b)</b>	Statement of Internal Loans (Sect. 410(3) LGA 1993)	n/a
<b>Special Schedule 3</b>	Water Supply Operations – incl. Income Statement	n/a
<b>Special Schedule 4</b>	Water Supply – Statement of Financial Position	n/a
<b>Special Schedule 5</b>	Sewerage Service Operations – incl. Income Statement	5
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<b>Notes to Special Schedule 5</b>		9
<b>Special Schedule 7</b>	Report on Infrastructure Assets	10
<b>Special Schedule 8</b>	Permissible Income Calculation	16

<sup>1</sup> Special Schedules are not audited (with the exception of Special Schedule 8).

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### Background

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

## Temora Shire Council

Special Schedule 1 – Net Cost of Services  
for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Governance</b>	<b>1,158</b>	<b>29</b>	<b>–</b>	<b>(1,129)</b>
<b>Administration</b>	<b>1,646</b>	<b>156</b>	<b>95</b>	<b>(1,395)</b>
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	682	420	–	(262)
Enforcement of local government regulations	37	–	–	(37)
Animal control	141	14	–	(127)
Other	43	–	30	(13)
<b>Total public order and safety</b>	<b>903</b>	<b>434</b>	<b>30</b>	<b>(439)</b>
<b>Health</b>	<b>83</b>	<b>3</b>	<b>–</b>	<b>(80)</b>
<b>Environment</b>				
Noxious plants and insect/vermin control	86	45	–	(41)
Other environmental protection	15	14	–	(1)
Solid waste management	536	644	–	108
Street cleaning	251	–	–	(251)
Stormwater management	136	48	–	(88)
<b>Total environment</b>	<b>1,024</b>	<b>751</b>	<b>–</b>	<b>(273)</b>
<b>Community services and education</b>				
Administration and education	99	2	–	(97)
Aged persons and disabled	2,429	2,451	–	22
Children's services	110	5	–	(105)
<b>Total community services and education</b>	<b>2,638</b>	<b>2,458</b>	<b>–</b>	<b>(180)</b>
<b>Housing and community amenities</b>				
Public cemeteries	184	89	–	(95)
Public conveniences	80	–	–	(80)
Street lighting	119	40	–	(79)
Town planning	121	46	–	(75)
Other community amenities	20	4	–	(16)
<b>Total housing and community amenities</b>	<b>524</b>	<b>179</b>	<b>–</b>	<b>(345)</b>
<b>Sewerage services</b>	<b>726</b>	<b>949</b>	<b>31</b>	<b>254</b>

## Temora Shire Council

Special Schedule 1 – Net Cost of Services (continued)  
for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Recreation and culture</b>				
Public libraries	334	40	–	(294)
Museums	172	2	317	147
Community centres and halls	108	9	–	(99)
Other cultural services	181	34	54	(93)
Sporting grounds and venues	460	36	116	(308)
Swimming pools	329	166	–	(163)
Parks and gardens (lakes)	542	3	–	(539)
Other sport and recreation	153	145	–	(8)
<b>Total recreation and culture</b>	<b>2,279</b>	<b>435</b>	<b>487</b>	<b>(1,357)</b>
<b>Agriculture</b>	<b>407</b>	<b>258</b>	<b>–</b>	<b>(149)</b>
<b>Mining, manufacturing and construction</b>				
Building control	218	67	–	(151)
Other mining, manufacturing and construction	14	–	–	(14)
<b>Total mining, manufacturing and const.</b>	<b>232</b>	<b>67</b>	<b>–</b>	<b>(165)</b>
<b>Transport and communication</b>				
Urban roads (UR) – local	697	–	–	(697)
Sealed rural roads (SRR) – local	1,050	–	–	(1,050)
Sealed rural roads (SRR) – regional	451	202	580	331
Unsealed rural roads (URR) – local	1,705	–	–	(1,705)
Bridges on SRR – local	97	–	478	381
Parking areas	–	–	–	–
Footpaths	114	–	16	(98)
Aerodromes	326	23	–	(303)
Other transport and communication	585	5,854	72	5,341
<b>Total transport and communication</b>	<b>5,025</b>	<b>6,079</b>	<b>1,146</b>	<b>2,200</b>
<b>Economic affairs</b>				
Camping areas and caravan parks	194	161	–	(33)
Other economic affairs	1,106	610	600	104
<b>Total economic affairs</b>	<b>1,300</b>	<b>771</b>	<b>600</b>	<b>71</b>
<b>Totals – functions</b>	<b>17,945</b>	<b>12,569</b>	<b>2,389</b>	<b>(2,987)</b>
<b>General purpose revenues</b> <sup>(1)</sup>		<b>8,471</b>		<b>8,471</b>
<b>Share of interests – joint ventures and associates using the equity method</b>	<b>–</b>	<b>–</b>		<b>–</b>
<b>NET OPERATING RESULT</b> <sup>(2)</sup>	<b>17,945</b>	<b>21,040</b>	<b>2,389</b>	<b>5,484</b>

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

## Temora Shire Council

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

for the year ended 30 June 2017

\$'000

Classification of debt	Principal outstanding at beginning of the year			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
<b>Loans (by source)</b>											
Financial institutions	280	609	<b>889</b>	–	281	–	–	39	296	312	<b>608</b>
<b>Total loans</b>	<b>280</b>	<b>609</b>	<b>889</b>	<b>–</b>	<b>281</b>	<b>–</b>	<b>–</b>	<b>39</b>	<b>296</b>	<b>312</b>	<b>608</b>
<b>Total debt</b>	<b>280</b>	<b>609</b>	<b>889</b>	<b>–</b>	<b>281</b>	<b>–</b>	<b>–</b>	<b>39</b>	<b>296</b>	<b>312</b>	<b>608</b>

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

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

## Temora Shire Council

### Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	59	43
b. Engineering and supervision	–	–
<b>2. Operation and maintenance expenses</b>		
– mains		
a. Operation expenses	149	155
b. Maintenance expenses	–	–
– Pumping stations		
c. Operation expenses (excluding energy costs)	–	–
d. Energy costs	2	1
e. Maintenance expenses	12	20
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	–	–
g. Chemical costs	–	–
h. Energy costs	37	29
i. Effluent management	130	127
j. Biosolids management	–	–
k. Maintenance expenses	104	98
– Other		
l. Operation expenses	–	–
m. Maintenance expenses	–	–
<b>3. Depreciation expenses</b>		
a. System assets	221	204
b. Plant and equipment	12	7
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	–	–
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
<b>5. Total expenses</b>	<b>726</b>	<b>684</b>

## Temora Shire Council

### Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
<b>Income</b>		
<b>6. Residential charges</b> (including rates)	686	563
<b>7. Non-residential charges</b>		
a. Access (including rates)	–	–
b. Usage charges	180	158
<b>8. Trade waste charges</b>		
a. Annual fees	–	–
b. Usage charges	–	–
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
<b>9. Extra charges</b>	2	2
<b>10. Interest income</b>	15	32
<b>11. Other income</b>	55	58
<b>11a. Aboriginal Communities Water and Sewerage Program</b>	–	–
<b>12. Grants</b>		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	24	24
c. Other grants	–	–
<b>13. Contributions</b>		
a. Developer charges	–	–
b. Developer provided assets	–	–
c. Other contributions	69	25
<b>14. Total income</b>	<u>1,031</u>	<u>862</u>
<b>15. Gain (or loss) on disposal of assets</b>	–	–
<b>16. Operating result</b>	<u>305</u>	<u>178</u>
<b>16a. Operating result (less grants for acquisition of assets)</b>	305	178

## Temora Shire Council

### Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>17. Acquisition of fixed assets</b>		
a. New assets for improved standards	49	29
b. New assets for growth	–	–
c. Renewals	265	578
d. Plant and equipment	–	95
<b>18. Repayment of debt</b>	–	–
<b>19. Totals</b>	<b>314</b>	<b>702</b>
<b>Non-operating funds employed</b>		
<b>20. Proceeds from disposal of assets</b>	–	–
<b>21. Borrowing utilised</b>	–	–
<b>22. Totals</b>	<b>–</b>	<b>–</b>
<b>C Rates and charges</b>		
<b>23. Number of assessments</b>		
a. Residential (occupied)	1,799	1,787
b. Residential (unoccupied, ie. vacant lot)	63	72
c. Non-residential (occupied)	245	242
d. Non-residential (unoccupied, ie. vacant lot)	49	57
<b>24. Number of ETs for which developer charges were received</b>	– ET	– ET
<b>25. Total amount of pensioner rebates (actual dollars)</b>	\$ 43,458	\$ 43,830

## Temora Shire Council

## Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis  
as at 30 June 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
<b>ASSETS</b>			
<b>26. Cash and investments</b>			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	739	–	739
<b>27. Receivables</b>			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	43	–	43
c. User charges	–	–	–
d. Other	792	–	792
<b>28. Inventories</b>	–	–	–
<b>29. Property, plant and equipment</b>			
a. System assets	–	12,013	12,013
b. Plant and equipment	–	87	87
c. Work in Progress	–	10	10
<b>30. Other assets</b>	–	–	–
<b>31. Total assets</b>	<u>1,574</u>	<u>12,110</u>	<u>13,684</u>
<b>LIABILITIES</b>			
<b>32. Bank overdraft</b>	–	–	–
<b>33. Creditors</b>	–	–	–
<b>34. Borrowings</b>	–	–	–
<b>35. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
<b>36. Total liabilities</b>	<u>–</u>	<u>–</u>	<u>–</u>
<b>37. NET ASSETS COMMITTED</b>	<u>1,574</u>	<u>12,110</u>	<u>13,684</u>
<b>EQUITY</b>			
<b>38. Accumulated surplus</b>			6,460
<b>39. Asset revaluation reserve</b>			6,485
<b>40. Other reserves</b>			739
<b>41. TOTAL EQUITY</b>			<u>13,684</u>
<b>Note to system assets:</b>			
<b>42. Current replacement cost</b> of system assets			19,239
<b>43. Accumulated current cost</b> depreciation of system assets			(7,226)
<b>44. Written down current cost</b> of system assets			<u>12,013</u>

## Temora Shire Council

### Notes to Special Schedule 5 for the year ended 30 June 2017

#### Administration <sup>(1)</sup>

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

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

#### Engineering and supervision <sup>(1)</sup>

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

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

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

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

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

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

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

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

**Residential charges** <sup>(2)</sup> (item 6 of Special Schedule 5) include all income from residential charges. Item 6 of Schedule 3 should be separated into 6a access charges (including rates if applicable) and 6b usage charges.

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

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

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

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

#### Notes:

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

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

## Temora Shire Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance <sup>a</sup>	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost						
								1	2	3	4	5		
<b>Buildings</b>	Council Chambers / Administration Building	–	–	104	83	3,274	4,215		100%					0%
	Town Hall/Cinema	–	–	61	66	2,594	3,747		100%					0%
	Grey Street House	–	–	–	2	46	156		100%					0%
	Museum	–	–	34	36	2,061	2,354		100%					0%
	Pre School	–	–	8	9	667	1,010		100%					0%
	Recreation Centre	–	–	51	42	1,752	2,100		100%					0%
	Aerodrome	–	–	80	51	1,258	1,698		100%					0%
	NRCC House	–	–	95	79	2,653	4,147		100%					0%
	Research Station	–	–	152	74	722	2,531		100%					0%
	Medical Complex	–	–	23	30	2,400	2,500	100%						0%
	Nixon Park	–	–	–	–	725	1,170		100%					0%
	Bob Aldridge Park	–	–	–	–	344	430	100%						0%
	Medical Imaging	–	–	1	9	747	751	100%						0%
	SES Building	–	–	–	–	362	500		100%					0%
	Recreation Ground	–	–	–	–	205	328		100%					0%
	Ariah Park Recreation Ground	–	–	–	–	143	275		100%					0%
	Federal Park	–	–	–	–	190	250		100%					0%
Lake Centenary	–	–	–	–	135	214		100%					0%	
Other	–	–	–	–	1,235	2,554		100%					0%	
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>609</b>	<b>481</b>	<b>21,513</b>	<b>30,930</b>	<b>11.9%</b>	<b>88.1%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	
<b>Other structures</b>	Other structures	–	–	–	–	754	1,189		100%					0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>754</b>	<b>1,189</b>	<b>0.0%</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	

## Temora Shire Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance <sup>a</sup>	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Roads	Regional Roads	–	–	145	214	12,673	21,411	4%	60%	36%	0%	0%
	Urban Sealed Roads	277	277	239	237	19,985	35,145	9%	50%	31%	8%	2%
	Urban Unsealed	–	–	29	34	696	971	37%	34%	17%	12%	0%
	Bridges	–	–	5	–	7,695	9,658	61%	23%	16%	0%	0%
	Rural Sealed Roads	538	538	261	479	29,241	47,466	18%	52%	23%	6%	1%
	Footpaths	475	475	42	24	3,264	4,606	37%	12%	37%	14%	0%
	Rural Unsealed Roads	64	64	784	1,103	12,637	18,718	12%	37%	43%	8%	0%
	Bulk earthworks	–	–	–	–	51,007	51,007	100%				0%
	Kerb & Gutter	2,827	2,827	27	50	7,279	13,998	5%	30%	42%	19%	4%
	Other	–	–	–	–	29	32	100%				0%
	<b>Sub-total</b>	<b>4,181</b>	<b>4,181</b>	<b>1,532</b>	<b>2,141</b>	<b>144,506</b>	<b>203,012</b>	<b>36.7%</b>	<b>34.2%</b>	<b>23.1%</b>	<b>5.2%</b>	<b>0.9%</b>
Sewerage network	Sewerage Reticulation Network	279	279	105	146	9,428	14,082	7%	50%	35%	5%	3%
	Sewerage Reticulation Pump Stations	–	–	10	14	236	368	24%	42%	0%	34%	0%
	Sewerage Treatment Plant	200	200	126	138	784	1,400	2%	37%	43%	18%	0%
	Effluent Reticulation Pipes	–	–	76	70	233	298	15%	85%	0%	0%	0%
	Effluent Irrigation Network	56	56	132	60	658	1,041	0%	63%	31%	0%	6%
	Effluent Infrastructure – Storage	–	–	–	–	660	1,210	0%	0%	91%	0%	9%
	Effluent Infrastructure – Pump Stations	101	101	–	–	469	840	30%	36%	22%	3%	9%
	<b>Sub-total</b>	<b>636</b>	<b>636</b>	<b>449</b>	<b>428</b>	<b>12,013</b>	<b>19,239</b>	<b>7.3%</b>	<b>46.4%</b>	<b>37.1%</b>	<b>5.8%</b>	<b>3.5%</b>

## Temora Shire Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance <sup>a</sup>	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost					
								1	2	3	4	5	
<b>Stormwater drainage</b>	Stormwater drainage	–	–	17	8	7,366	12,622						100%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>17</b>	<b>8</b>	<b>7,366</b>	<b>12,622</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>100.0%</b>
<b>Open space/recreational assets</b>	Swimming pools	–	–	113	104	1,075	2,603						100%
	Open Space Assets	–	–	–	–	278	587		100%				0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>113</b>	<b>104</b>	<b>1,353</b>	<b>3,190</b>	<b>0.0%</b>	<b>18.4%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>81.6%</b>
<b>Other infrastructure assets</b>	Other Infrastructure	–	–	–	–	113	113	100%					0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>113</b>	<b>113</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
	<b>TOTAL – ALL ASSETS</b>	<b>4,817</b>	<b>4,817</b>	<b>2,720</b>	<b>3,162</b>	<b>187,618</b>	<b>270,295</b>	<b>29.5%</b>	<b>39.7%</b>	<b>20.0%</b>	<b>4.3%</b>	<b>6.5%</b>	

## Notes:

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

## Infrastructure asset condition assessment 'key'

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

## Temora Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)  
for the year ended 30 June 2017

\$ '000	Amounts	Indicator	Benchmark	Prior periods	
	2017	2017		2016	2015
<b>Infrastructure asset performance indicators * consolidated</b>					
<b>1. Infrastructure renewals ratio</b>					
Asset renewals <sup>(1)</sup>	<u>3,467</u>	<b>64.73%</b>	>= 100%	114.58%	74.01%
Depreciation, amortisation and impairment	<u>5,356</u>				
<b>2. Infrastructure backlog ratio</b>					
Estimated cost to bring assets to a satisfactory standard	<u>4,817</u>	<b>3.52%</b>	< 2%	0.00%	0.00%
Net carrying amount of infrastructure assets	<u>137,033</u>				
<b>3. Asset maintenance ratio</b>					
Actual asset maintenance	<u>3,162</u>	<b>1.16</b>	> 1.00	1.11	1.07
Required asset maintenance	<u>2,720</u>				

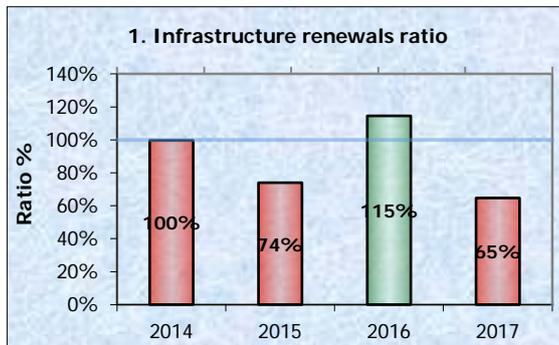
## Notes

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

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

# Temora Shire Council

## Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2017



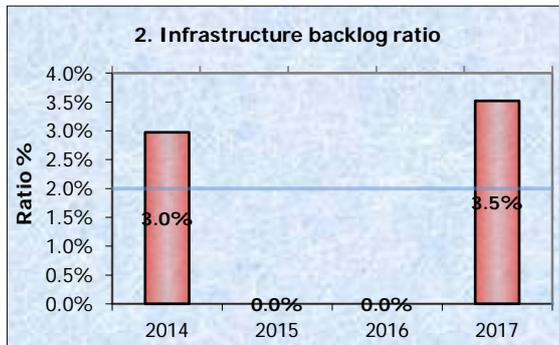
### Purpose of asset renewals ratio

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

**2016/17 Ratio 64.73%**

Benchmark: ——— 100.00%  
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

■ Ratio achieves benchmark  
■ Ratio is outside benchmark



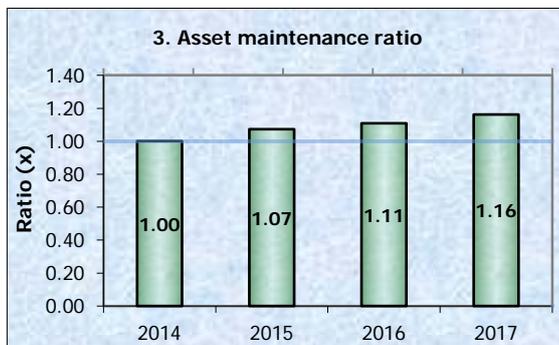
### Purpose of infrastructure backlog ratio

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

**2016/17 Ratio 3.52%**

Benchmark: ——— 2.00%  
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

■ Ratio achieves benchmark  
■ Ratio is outside benchmark



### Purpose of asset maintenance ratio

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

**2016/17 Ratio 1.16 x**

Benchmark: ——— 1.00  
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

■ Ratio achieves benchmark  
■ Ratio is outside benchmark

## Temora Shire Council

### Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2017

\$ '000	Benchmark	Sewer 2017	General <sup>(1)</sup> 2017
<b>Infrastructure asset performance indicators by fund</b>			
<b>1. Infrastructure renewals ratio</b>			
<u>Asset renewals <sup>(2)</sup></u>		<b>134.84%</b>	<b>61.71%</b>
Depreciation, amortisation and impairment	>= 100%		
	prior period:	280.88%	102.22%
<b>2. Infrastructure backlog ratio</b>			
<u>Estimated cost to bring assets to a satisfactory standard</u>		<b>5.29%</b>	<b>3.34%</b>
Net carrying amount of infrastructure assets	< 2%		
	prior period:	0.00%	0.00%
<b>3. Asset maintenance ratio</b>			
<u>Actual asset maintenance</u>		<b>0.95</b>	<b>1.20</b>
Required asset maintenance	> 1.00		
	prior period:	0.99	1.13

#### Notes

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

## Temora Shire Council

### Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2018

\$'000		Calculation 2016/17	Calculation 2017/18
<b>Notional general income calculation <sup>(1)</sup></b>			
Last year notional general income yield	a	3,663	3,746
Plus or minus adjustments <sup>(2)</sup>	b	17	1
<b>Notional general income</b>	<b>c = (a + b)</b>	<b>3,680</b>	<b>3,747</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>(3)</sup>	d	0.00%	0.00%
Or rate peg percentage	e	1.80%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	–	–
Or plus rate peg amount	i = c x e	66	56
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
<b>Sub-total</b>	<b>k = (c + g + h + i + j)</b>	<b>3,746</b>	<b>3,803</b>
Plus (or minus) last year's carry forward total	l	12	12
Less valuation objections claimed in the previous year	m	–	–
<b>Sub-total</b>	<b>n = (l + m)</b>	<b>12</b>	<b>12</b>
<b>Total permissible income</b>	<b>o = k + n</b>	<b>3,758</b>	<b>3,816</b>
Less notional general income yield	p	3,746	3,800
<b>Catch-up or (excess) result</b>	<b>q = o – p</b>	<b>12</b>	<b>16</b>
Plus income lost due to valuation objections claimed <sup>(4)</sup>	r	–	–
Less unused catch-up <sup>(5)</sup>	s	–	(12)
<b>Carry forward to next year</b>	<b>t = q + r – s</b>	<b>12</b>	<b>4</b>

#### Notes

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



## INDEPENDENT AUDITOR'S REPORT

### Special Schedule No. 8

### Temora Shire Council

To the Councillors of Temora Shire Council

#### Opinion

I have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Temora Shire Council (the Council) for the year ending 30 June 2018.

In my opinion, Special Schedule No. 8 of the Council for 2017-18 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), 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, and in particular the Emphasis of Matter paragraph, which describes the basis of accounting.

#### 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 Special Schedule No.8' section of my report.

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

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

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

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

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

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

## **Emphasis of Matter - Basis of Accounting**

Without modifying my opinion, I draw attention to the notes and explanations in Special Schedule No. 8 that instruct councils in its preparation so it complies with OLG's requirements as described in the LG Code. As a result, Special Schedule No. 8 may not be suitable for another purpose.

## **Councillors' Responsibility for Special Schedule No. 8**

The Councillors of the Council are responsible for the preparation of Special Schedule No. 8 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 Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error.

In preparing Special Schedule No.8, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

## **Auditor's Responsibility for the Audit of Special Schedule No. 8**

My objectives are to:

- obtain reasonable assurance whether Special Schedule No. 8 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 Special Schedule No.8.

A description of my responsibilities for the audit of Special Schedule No.8 is located at the Auditing and Assurance Standards Board website at [http://www.auasb.gov.au/auditors\\_responsibilities/ar8.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar8.pdf). The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Special Schedule No.8 on any website where they may be presented
- about any other information which may have been hyperlinked to/from Special Schedule No 8.



Reiky Jiang  
Director, Financial Audit Services

27 October 2017  
SYDNEY