

Cowra Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2012

*“A leading, innovative and creative
community, proud of our place in history,
offering opportunity with the best of country living”*



Cowra Shire Council

General Purpose Financial Statements for the financial year ended 30 June 2012

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Overview

- (i) These financial statements are General Purpose Financial Statements and cover the consolidated operations for Cowra Shire Council.
- (ii) Cowra 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 (LGA) 1993 of NSW.

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

- carrying out activities and providing goods, services & facilities appropriate to the current & future needs of the Local community and of the wider public
- responsibility for administering regulatory requirements under the LGA and other applicable legislation, &
- a role in the management, improvement and development of the resources of the local government area.

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

- (iii) All figures presented in these financial statements are presented in Australian Currency.
- (iv) These financial statements were authorised for issue by the Council on 29/10/12. Council has the power to amend and reissue the financial statements.
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Cowra Shire Council

General Purpose Financial Statements for the financial year ended 30 June 2012

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

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

- The Local Government Act 1993 (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
- accords with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on **23/7/2012**.



Mr Y. J. West
MAYOR



Cr I.M. Brown
COUNCILLOR



Mr P. Devery
GENERAL MANAGER



Mr G. Apthorpe
RESPONSIBLE ACCOUNTING OFFICER

Cowra Shire Council

Income Statement

for the financial year ended 30 June 2012

Budget ⁽¹⁾				Actual	Actual
2012	\$ '000		Notes	2012	2011
Income from Continuing Operations					
Revenue:					
9,959	Rates & Annual Charges		3a	9,883	9,564
10,077	User Charges & Fees		3b	10,497	10,591
825	Interest & Investment Revenue		3c	1,110	978
504	Other Revenues		3d	711	766
4,573	Grants & Contributions provided for Operating Purposes		3e,f	6,198	4,786
2,236	Grants & Contributions provided for Capital Purposes		3e,f	2,902	6,115
Other Income:					
-	Net gains from the disposal of assets		5	122	-
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method		19	-	-
28,174	Total Income from Continuing Operations			31,423	32,800
Expenses from Continuing Operations					
10,549	Employee Benefits & On-Costs		4a	10,825	10,159
1,569	Borrowing Costs		4b	1,522	1,393
8,626	Materials & Contracts		4c	8,554	8,577
6,701	Depreciation & Amortisation		4d	7,186	6,666
-	Impairment		4d	-	-
2,440	Other Expenses		4e	2,369	2,168
-	Interest & Investment Losses		3c	-	-
-	Net Losses from the Disposal of Assets		5	-	4
29,885	Total Expenses from Continuing Operations			30,456	28,967
(1,711)	Operating Result from Continuing Operations			967	3,833
Discontinued Operations					
-	Net Profit/(Loss) from Discontinued Operations		24	-	-
(1,711)	Net Operating Result for the Year			967	3,833
(1,711)	Net Operating Result attributable to Council			967	3,833
-	Net Operating Result attributable to Minority Interests			-	-
(3,947)	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes			(1,935)	(2,282)

(1) Original Budget as approved by Council - refer Note 16

Cowra Shire Council

Statement of Comprehensive Income

for the financial year ended 30 June 2012

\$ '000	Notes	Actual 2012	Actual 2011
Net Operating Result for the year (as per Income statement)		967	3,833
Other Comprehensive Income			
Gain (loss) on revaluation of I,PP&E	20b (ii)	14,025	2,057
Gain (loss) on revaluation of available-for-sale investments	20b (ii)	-	-
Gain (loss) on revaluation of other reserves	20b (ii)	-	-
Realised (gain) loss on available-for-sale investments recognised in P&L	20b (ii)	-	-
Realised (gain) loss from other reserves recognised in P&L	20b (ii)	-	-
Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-
Total Other Comprehensive Income for the year		14,025	2,057
Total Comprehensive Income for the Year		14,992	5,890
Total Comprehensive Income attributable to Council		14,992	5,890
Total Comprehensive Income attributable to Minority Interests		-	-

Cowra Shire Council

Balance Sheet

as at 30 June 2012

\$ '000	Notes	Actual 2012	Actual 2011
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	16,789	15,104
Investments	6b	-	1,000
Receivables	7	6,217	4,322
Inventories	8	1,296	1,226
Other	8	154	133
Non-current assets classified as "held for sale"	22	-	-
Total Current Assets		24,456	21,785
Non-Current Assets			
Investments	6b	-	-
Receivables	7	-	49
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	592,050	579,092
Investments accounted for using the equity method	19	-	-
Investment Property	14	-	-
Intangible Assets	25	-	-
Total Non-Current Assets		592,050	579,141
TOTAL ASSETS		616,506	600,926
LIABILITIES			
Current Liabilities			
Payables	10	2,427	1,908
Borrowings	10	4,426	4,369
Provisions	10	3,573	2,874
Total Current Liabilities		10,426	9,151
Non-Current Liabilities			
Payables	10	-	14
Borrowings	10	15,746	16,537
Provisions	10	540	422
Total Non-Current Liabilities		16,286	16,973
TOTAL LIABILITIES		26,712	26,124
Net Assets		589,794	574,802
EQUITY			
Retained Earnings	20	174,561	173,594
Revaluation Reserves	20	415,233	401,208
Council Equity Interest		589,794	574,802
Minority Equity Interest		-	-
Total Equity		589,794	574,802

Cowra Shire Council

Statement of Changes in Equity
for the financial year ended 30 June 2012

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Minority Interest	Total Equity
2012						
Opening Balance (as per Last Year's Audited Accounts)		173,594	401,208	574,802	-	574,802
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/11)		173,594	401,208	574,802	-	574,802
c. Net Operating Result for the Year		967	-	967	-	967
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	14,025	14,025	-	14,025
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	14,025	14,025	-	14,025
Total Comprehensive Income (c&d)		967	14,025	14,992	-	14,992
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		174,561	415,233	589,794	-	589,794

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Minority Interest	Total Equity
2011						
Opening Balance (as per Last Year's Audited Accounts)		167,213	399,151	566,364	-	566,364
a. Correction of Prior Period Errors	20 (c)	2,548	-	2,548	-	2,548
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/10)		169,761	399,151	568,912	-	568,912
c. Net Operating Result for the Year		3,833	-	3,833	-	3,833
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	2,057	2,057	-	2,057
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	2,057	2,057	-	2,057
Total Comprehensive Income (c&d)		3,833	2,057	5,890	-	5,890
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		173,594	401,208	574,802	-	574,802

Cowra Shire Council

Statement of Cash Flows

for the financial year ended 30 June 2012

Budget 2012	\$ '000	Notes	Actual 2012	Actual 2011
Cash Flows from Operating Activities				
Receipts:				
9,948	Rates & Annual Charges		10,048	9,696
9,779	User Charges & Fees		9,752	13,127
743	Investment & Interest Revenue Received		1,088	1,062
6,809	Grants & Contributions		7,238	11,192
-	Bonds, Deposits & Retention amounts received		91	128
677	Other		2,613	1,426
Payments:				
(10,534)	Employee Benefits & On-Costs		(10,090)	(10,308)
(7,159)	Materials & Contracts		(9,194)	(10,916)
(1,571)	Borrowing Costs		(1,508)	(1,379)
(2,391)	Other		(2,825)	(2,372)
<u>6,301</u>	Net Cash provided (or used in) Operating Activities	11b	<u>7,213</u>	<u>11,656</u>
Cash Flows from Investing Activities				
Receipts:				
350	Sale of Infrastructure, Property, Plant & Equipment		306	322
33	Deferred Debtors Receipts		34	9
Payments:				
-	Purchase of Investment Securities		1,000	(1,000)
(7,918)	Purchase of Infrastructure, Property, Plant & Equipment		(6,134)	(12,769)
<u>(7,535)</u>	Net Cash provided (or used in) Investing Activities		<u>(4,794)</u>	<u>(13,438)</u>
Cash Flows from Financing Activities				
Receipts:				
1,706	Proceeds from Borrowings & Advances		-	6,753
Payments:				
(754)	Repayment of Borrowings & Advances		(734)	(631)
<u>952</u>	Net Cash Flow provided (used in) Financing Activities		<u>(734)</u>	<u>6,122</u>
<u>(282)</u>	Net Increase/(Decrease) in Cash & Cash Equivalents		<u>1,685</u>	<u>4,340</u>
16,104	plus: Cash & Cash Equivalents - beginning of year	11a	15,104	10,764
<u>15,822</u>	Cash & Cash Equivalents - end of the year	11a	<u>16,789</u>	<u>15,104</u>
Additional Information:				
	plus: Investments on hand - end of year	6b	-	1,000
	Total Cash, Cash Equivalents & Investments		<u>16,789</u>	<u>16,104</u>

Please refer to Note 11 for information on the following:

- Non Cash Financing & Investing Activities.
- Financing Arrangements.
- Net cash flow disclosures relating to any Discontinued Operations

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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n/a - not applicable

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies

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

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

(a) Basis of preparation

(i) Background

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

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

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

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

Because Australian Accounting Standards (AASB's) are sector neutral, some standards either:

- (a) have local Australian content and prescription that is specific to the Not-For-Profit sector (including Local Government) which are not in compliance with IFRS's, or
- (b) specifically exclude application by Not for Profit entities.

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

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

(v) Basis of Accounting

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

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

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

(vi) Changes in Accounting Policies

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

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

(vii) Critical Accounting Estimates

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

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

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

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

(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 entity and specific criteria have been met for each of the Council's activities as described below.

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

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

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

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

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

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those

conditions were undischarged at balance date, the unused grant or contribution is disclosed in Note 3(g).

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

The Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of S94 of the EPA Act 1979.

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

Developer contributions may only be expended for the purposes for which the contributions were required but the Council may apply contributions according to the priorities established in work schedules.

A detailed Note relating to developer contributions can be found at Note 17.

User Charges, Fees and Other Income

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

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

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

Sale of Infrastructure, Property, Plant and Equipment

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

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

Interest and Rents

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

Interest Income from Cash & Investments is accounted for using the Effective Interest method in accordance with AASB 139.

(c) Principles of Consolidation

These financial statements incorporate (i) the assets and liabilities of Council and any Entities (or operations) that it **controls** (as at 30/6/12) and (ii) all the related operating results (for the financial year ended the 30th June 2012).

In the process of reporting on Council's activities as a single unit, all inter-entity year end balances and reporting period transactions have been eliminated in full between Council and its controlled entities.

(i) The Consolidated Fund

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

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

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

- *General Purpose Operations*
- *Cowra Shire Council Water Supply Fund*
- *Cowra Shire Council Sewer Fund*
- *Cowra Shire Council Waste Fund*

(ii) The Trust Fund

In accordance with the provisions of Section 411 of the Local Government Act 1993 (as amended), a separate and distinct Trust Fund is maintained to account for all money and property received by the Council in trust 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 statements.

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

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

(iii) Joint Ventures

Council has no interest in any Joint Venture Entities, Assets or Operations.

(vi) Additional Information

Note 19 provides more information in relation to Joint Venture Entities, Associated Entities and Joint Venture Operations where applicable.

(d) Leases

All Leases entered into by Council are reviewed and classified on inception date as either a Finance Lease or an Operating Lease.

Operating Leases

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

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

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

(e) Cash and Cash Equivalents

Cash and cash equivalents includes;

- cash **on hand**,
- deposits held **at call** with financial institutions,

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

- 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 balance sheet but are incorporated into Cash & Cash Equivalents for presentation of the Cash Flow Statement.

(f) Investments and Other Financial Assets

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

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

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

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

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

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

A financial asset is classified in the “held for trading” category if it is acquired principally for the purpose of selling in the short term.

Assets in this category are primarily classified as current assets as they are primarily held for trading &/or are expected to be realised within 12 months of the balance sheet date.

(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 arise when the Council provides money, goods or services directly to a debtor with no intention (or in some cases ability) of selling the resulting receivable.

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

(iii) Held-to-maturity investments

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

In contrast to the “Loans & Receivables” classification, these investments are generally quoted in an active market.

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

(iv) Available-for-sale financial assets

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

Investments must be designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Accordingly, this classification principally comprises marketable equity securities, but can include all types of financial assets that could otherwise be classified in one of the other investment categories.

They are generally included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date or the term to maturity from the reporting date is less than 12 months.

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

Investments are initially recognised (and measured) at fair value, plus in the case of investments not at "fair value through profit or loss", directly attributable transactions costs

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

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

(ii) Subsequent Measurement

Available-for-sale financial assets and **financial assets at fair value through profit and loss** are subsequently carried at fair value.

Loans and receivables and **held-to-maturity** investments are carried at amortised cost using the effective interest method.

Impairment

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

(iii) Types of Investments

Council has an approved Investment Policy in order to undertake its investment of money in accordance with (and to comply with) Section 625 of the Local Government Act and S212 of the LG (General) Regulation 2005.

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

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

(g) Fair value estimation

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

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

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques.

Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

(h) Receivables

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

Receivables (excluding Rates & Annual Charges) are generally due for settlement no more than 30 days from the date of recognition.

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

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

The amount of the provision is the difference between the asset's carrying amount and the present

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

value of estimated future cash flows, discounted at the effective interest rate.

(i) Inventories

Raw Materials and Stores, Work in Progress and Finished Goods

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

Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

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

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

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.

When development is completed borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made.

Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

(j) Infrastructure, Property, Plant and Equipment (I,PP&E)

Acquisition of assets

Council's non current assets have been progressively revalued to fair value in accordance with a staged implementation as advised by the Division of Local Government.

At balance date, the following classes of I,PP&E were stated at their Fair Value;

- **Investment Properties** – refer Note 1(p),
- **Water and Sewerage Networks**
(External Valuation)
- **Operational Land** (External Valuation)
- **Buildings – Specialised/Non Specialised**
(External Valuation)
- **Plant and Equipment**
(as approximated by depreciated historical cost)
- **Roads Assets incl. roads, bridges & footpaths**
(Internal Valuation)
- **Drainage Assets** (Internal Valuation)
- **Bulk Earthworks** (Internal Valuation)
- **Community Land** (Internal Valuation)
- **Other Structures** (External Valuation)
- **Other Assets**
(Internal Valuation)

Initial Recognition

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

Where settlement of any part of an asset's cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of recognition (ie. date of exchange) of the asset to arrive at fair value.

The discount rate used is the Council's incremental borrowing rate, being the rate at which a similar

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

borrowing could be obtained from an independent financier under comparable terms and conditions.

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

Subsequent costs

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

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

Asset Revaluations (including Indexation)

In accounting for Asset Revaluations relating to Infrastructure, Property, Plant & Equipment:

- 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 the profit or loss, then increase is first recognised in profit or loss.
- Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income statement.

Water and 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.

Capitalisation Thresholds

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

Land	
- council land	100% Capitalised
- open space	100% Capitalised

Plant & Equipment

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

Buildings & Land Improvements

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

Water & Sewer Assets

Reticulation extensions	100% Capitalised
Other	> \$5,000

Stormwater Assets

Drains & Culverts	> \$5,000
Other	> \$5,000

Transport Assets

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

Depreciation

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

Land is not depreciated.

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

Plant & Equipment

- Office Equipment	3 to 5 years
- Office furniture	10 to 20 years

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

- Computer Equipment	4 years
- Vehicles	5 to 8 years
- Heavy Plant/Road Making equip.	5 to 8 years
- Other plant and equipment	5 to 15 years

Buildings

- Buildings : Masonry	50 to 100 years
- Buildings : Other	20 to 40 years

Stormwater Drainage

- Drains	80 to 100 years
- Culverts	50 to 75 years
- Flood Structures	80 to 100 years

Transportation Assets

- Sealed Roads : Surface	15 to 30 years
- Sealed Roads : Structure	20 to 100 years
- Unsealed roads	10 to 20 years
- Bridge : Concrete	100 years

Water & Sewer Assets

- Dams and reservoirs	80 to 100 years
- Bores	20 to 40 years
- Reticulation pipes : PVC	100 years
- Reticulation pipes : Other	25 to 100 years
- Pumps and telemetry	10 to 15 years

Other Infrastructure Assets

- Bulk earthworks	Infinite
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All asset residual values and useful lives are reviewed and adjusted (where appropriate), at each balance sheet date.

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

Disposal and De-recognition

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

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net

disposal proceeds and the carrying amount of the asset) is included in Council's Income Statement in the year the asset is derecognised.

(k) Land

Land (other than Land under Roads) is in accordance with Part 2 of Chapter 6 of the Local Government Act (1993) classified as either Operational or Community.

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

(l) Land under roads

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

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

(m) Intangible Assets

Council has not classified any assets as Intangible.

(n) Provisions for close down, restoration and for environmental clean up costs – including Tips and Quarries

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

Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance.

Costs are estimated on the basis of a closure plan.

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

The cost estimates are calculated annually during the life of the operation to reflect known developments, eg updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Close down, Restoration and Remediation costs are a normal consequence of tip and quarry operations, and the majority of close down and restoration expenditure is incurred at the end of the life of the operations.

Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

The amortisation or 'unwinding' of the discount applied in establishing the net present value of provisions is charged to the income statement in each accounting period.

This amortisation of the discount is disclosed as a borrowing cost in Note 4(b).

Other movements in the provisions for Close down, Restoration and Remediation costs including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are capitalised within property, plant and equipment.

These costs are then depreciated over the lives of the assets to which they relate.

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each balance sheet date and the cost is charged to the income statement.

Provision is made for the estimated present value of the costs of environmental clean up obligations outstanding at the balance sheet date.

These costs are charged to the income statement.

Movements in the environmental clean up provisions are presented as an operating cost, except for the unwind of the discount which is shown as a borrowing cost.

Remediation procedures generally commence soon after the time the damage, remediation process and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other locations.

The expected timing of expenditure can also change, for example in response to changes in quarry reserves or production rates.

As a result there could be significant adjustments to the provision for close down and restoration and environmental clean up, which would affect future financial results.

Specific Information relating to Council's provisions relating to Close down, Restoration and Remediation costs can be found at Note 26.

(o) Impairment of assets

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

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

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

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

For non-cash generating assets of Council such as roads, drains, public buildings etc - value in use is represented by the "deprival value" of the asset which is approximated as its written down replacement cost.

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

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

(p) Payables

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

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

(q) Borrowing costs

Borrowing costs are expensed.

(r) Provisions

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

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

Provisions are not recognised for future operating losses.

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

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

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

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

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

(s) 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 settled within the 12 months after the reporting period.

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

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

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

Wages & salaries, annual leave and vesting sick leave are all classified as Current Liabilities.

(ii) Other Long Term Obligations

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

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

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

Expected future payments are then discounted using market yields at the reporting date based on national government bonds with terms to maturity and currency that match as closely as possible the estimated future cash outflows.

Due to the nature of when and how Long Service Leave can be taken, all Long Service Leave for employees with 4 or more years of service has been classified as Current, as it has been deemed that Council does not have the unconditional right to defer

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

settlement beyond 12 months – even though it is not anticipated that all employees with more than 4 years service (as at reporting date) will apply for and take their leave entitlements in the next 12 months.

(iii) Retirement benefit obligations

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

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

Defined Benefit Plans

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

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

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

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

This Scheme has been deemed to be a "multi employer fund" for the purposes of AASB 119.

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

Accordingly, Council's contributions to the scheme for the current reporting year have been recognised as an expense and disclosed as part of Superannuation Expenses at Note 4(a).

The Local Government Superannuation Scheme has advised member councils that, as a result of the global financial crisis, it has a significant deficiency of assets over liabilities amounting to around \$384 million at 30 June 2012.

As a result, they have asked for significant increases in future contributions to recover that deficiency.

Council's share of that deficiency cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils.

For this reason, no liability for the deficiency has been recognised in these financial statements.

(iv) Employee Benefit On-Costs

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

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30/6/12.

(t) Self insurance

Council does not self insure.

(u) Allocation between current and non-current assets & liabilities

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

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

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

Exceptions

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

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

(v) Taxes

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

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

Goods & Services Tax (GST)

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

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

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

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

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

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

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

(w) New accounting standards and UIG interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2012.

Council has not adopted any of these standards early.

Council's assessment of the impact of these new standards and interpretations is set out below.

Applicable to Local Government with implications:

AASB 9 Financial Instruments, AASB 2009 11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities.

The standard is not applicable until 1 January 2013 but is available for early adoption.

When adopted, the standard will affect in particular the Council's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

There will be no impact on Council's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and Council does not have any such liabilities.

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed

AASB 10 - Consolidated Financial Statements, AASB 11 - Joint Arrangements, AASB 12 - Disclosure of Interests in Other Entities, revised AASB 127 - Separate Financial Statements and AASB 128 - Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities.

The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation.

However, the standard introduces a single definition of control that applies to all entities.

It focuses on the need to have both power and rights or exposure to variable returns.

Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns.

There is also new guidance on participating and protective rights and on agent/principal relationships. Council does not expect the new standard to have a significant impact on its composition.

AASB 11 introduces a principles based approach to accounting for joint arrangements.

The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement.

Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture.

Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted.

Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard.

AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

Council's investment in the joint venture partnership will be classified as a joint venture under the new rules.

As Council already applies the equity method in accounting for this investment, AASB 11 will not have any impact on the amounts recognised in its financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128.

Application of this standard by Council will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to Council's investments.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. Council is still assessing the impact of these amendments.

Council does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)

AASB 13 was released in September 2011.

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

It explains how to measure fair value and aims to enhance fair value disclosures. Council has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance.

It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements.

Council does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

Applicable to Local Government but no implications for Council;

None

Applicable to Local Government but not relevant to Council at this stage;

Revised AASB 119 Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements (effective 1 January 2013)

In September 2011, the AASB released a revised standard on accounting for employee benefits.

It requires the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset.

This replaces the expected return on plan assets that is currently included in profit or loss.

The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits.

The amendments will have to be implemented retrospectively.

Council does not recognise defined benefit assets and liabilities for the reasons set out in note 1 (s)(iii) and so these changes will not have an impact on its reported results.

Not applicable to Local Government per se;

None

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(x) Rounding of amounts

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

(y) 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.

(z) Disclaimer

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

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 2(a). Council Functions / Activities - Financial Information

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Actual	Actual	Actual	Actual
	2012	2012	2011	2012	2012	2011	2012	2012	2011	2012	2011	2012	2011
Governance	-	-	-	685	691	550	(685)	(691)	(550)	232	174	19,550	3,556
Administration	12	497	286	3,514	4,075	3,148	(3,502)	(3,578)	(2,862)	20	3,986	13,956	25,389
Public Order & Safety	309	305	334	414	672	602	(105)	(367)	(268)	226	58	-	1,677
Health	9	8	-	-	-	-	9	8	-	-	-	-	-
Environment	2,450	3,237	2,664	3,396	3,101	3,322	(946)	136	(658)	739	112	296	3,331
Community Services & Education	9	45	72	242	82	64	(233)	(37)	8	39	1	607	602
Housing & Community Amenities	611	605	615	1,684	1,516	1,380	(1,073)	(911)	(765)	87	57	29,685	27,449
Water Supplies	5,491	4,895	5,044	4,140	4,249	5,422	1,351	646	(378)	378	865	47,292	43,621
Sewerage Services	2,947	4,241	6,019	2,745	2,680	2,880	202	1,561	3,139	1,383	64	44,759	35,041
Recreation & Culture	797	622	508	2,553	2,747	2,793	(1,756)	(2,125)	(2,285)	391	69	29,365	29,833
Mining, Manufacturing & Construction	1	1	1	18	47	78	(17)	(46)	(77)	-	-	429	336
Transport & Communication	3,607	4,434	5,961	9,712	9,787	7,892	(6,105)	(5,353)	(1,931)	113	648	424,523	424,130
Economic Affairs	1,484	948	996	782	809	836	702	139	160	3	-	6,044	5,961
Total Functions & Activities	17,727	19,838	22,500	29,885	30,456	28,967	(12,158)	(10,618)	(6,467)	3,611	6,034	616,506	600,926
General Purpose Income ¹	10,447	11,585	10,300	-	-	-	10,447	11,585	10,300	5,220	4,048	-	-
Operating Result from Continuing Operations	28,174	31,423	32,800	29,885	30,456	28,967	(1,711)	967	3,833	8,831	10,082	616,506	600,926

1. Includes: Rates & Annual Charges (incl. Ex-Gratia), Untied General Purpose Grants & Unrestricted Interest & Investment Income.

Cowra Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 2(b). Council Functions / Activities - Component Descriptions

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

GOVERNANCE

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

ADMINISTRATION

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

PUBLIC ORDER & SAFETY

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

HEALTH

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

ENVIRONMENT

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

COMMUNITY SERVICES & EDUCATION

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

HOUSING & COMMUNITY AMENITIES

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

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION & CULTURE

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

MINING, MANUFACTURING & CONSTRUCTION

Building control, abattoirs, quarries & pits, other.

TRANSPORT & COMMUNICATION

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

ECONOMIC AFFAIRS

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

Cowra Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2012	Actual 2011
(a). Rates & Annual Charges			
Ordinary Rates			
Residential		1,992	1,927
Farmland		2,439	2,394
Mining		73	71
Business		1,061	990
Total Ordinary Rates		5,565	5,382
Special Rates			
Nil			
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		2,010	1,956
Water Supply Services		125	133
Sewerage Services		2,183	2,093
Total Annual Charges		4,318	4,182
TOTAL RATES & ANNUAL CHARGES		9,883	9,564

Council has used 2008 year valuations provided by the NSW Valuer General in calculating its rates.

Cowra Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(b). User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Water Supply Services		4,235	3,517
Sewerage Services		532	504
Waste Management Services (non-domestic)		248	277
Total User Charges		5,015	4,298
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
Planning & Building Regulation		165	192
Private Works - Section 67		297	357
Total Fees & Charges - Statutory/Regulatory		462	549
(ii) Fees & Charges - Other (incl. General User Charges) (per s.608)			
Aerodrome		18	18
Caravan Park		98	82
Cemeteries		205	230
RMS (formerly RTA) Charges (State Roads not controlled by Council)		4,045	4,783
Saleyards		420	408
Swimming Centres		141	125
Other		93	98
Total Fees & Charges - Other		5,020	5,744
TOTAL USER CHARGES & FEES		10,497	10,591

Cowra Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(c). Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges		123	104
- Interest earned on Investments (interest & coupon payment income)		965	853
Amortisation of Premiums & Discounts			
- Interest Free (& Interest Reduced) Loans provided		22	21
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>1,110</u>	<u>978</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges (General Fund)		123	104
General Council Cash & Investments		841	764
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		29	20
- Section 64		28	29
Water Fund Operations		36	23
Sewerage Fund Operations		33	26
Domestic Waste Management operations		20	12
Total Interest & Investment Revenue Recognised		<u>1,110</u>	<u>978</u>
(d). Other Revenues			
Rental Income - Other Council Properties		187	199
Fines		70	61
Legal Fees Recovery - Rates & Charges (Extra Charges)		10	43
Diesel Rebate		64	68
Insurance Rebates		14	56
Recycling Income (non domestic)		184	193
Cultural and Community Activities		40	-
Other		142	146
<u>TOTAL OTHER REVENUE</u>		<u>711</u>	<u>766</u>

Cowra Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 3. Income from Continuing Operations (continued)

\$ '000	2012 Operating	2011 Operating	2012 Capital	2011 Capital
(e). Grants				
General Purpose (Untied)				
Financial Assistance - General Component	3,488	2,681	-	-
Financial Assistance - Local Roads Component	1,629	1,254	-	-
Pensioners' Rates Subsidies - General Component	103	113	-	-
Total General Purpose	5,220	4,048	-	-
Specific Purpose				
Pensioners' Rates Subsidies:				
- Water	64	64	-	-
- Sewerage	43	42	-	-
- Domestic Waste Management	82	71	-	-
Water Supplies	-	25	314	1,041
Sewerage Services	-	-	1,340	2,944
Bushfire & Emergency Services	57	78	169	174
Community Care	36	71	-	-
Community Infrastructure	-	-	-	177
Environmental Protection	116	59	545	-
Heritage & Cultural	51	-	297	-
Library	46	45	-	-
Street Lighting	65	63	-	-
Transport (Roads to Recovery)	345	-	-	-
Transport (Other Roads & Bridges Funding)	-	40	-	987
Other	41	153	-	-
Total Specific Purpose	946	711	2,665	5,323
Total Grants	6,166	4,759	2,665	5,323
Grant Revenue is attributable to:				
- Commonwealth Funding	515	3,960	2,199	1,164
- State Funding	5,419	798	297	4,159
- Other Funding	232	1	169	-
	6,166	4,759	2,665	5,323

Cowra Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 3. Income from Continuing Operations (continued)

\$ '000	2012 Operating	2011 Operating	2012 Capital	2011 Capital
(f). Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the NSW LG Act):				
S 94 - Contributions towards amenities/services	-	-	31	162
S 94A - Fixed Development Consent Levies	-	-	53	5
S 64 - Water Supply Contributions	-	-	48	162
S 64 - Sewerage Service Contributions	-	-	71	204
Total Developer Contributions	17	-	203	533
Other Contributions:				
Heritage/Cultural	22	-	-	-
Kerb & Gutter	-	-	24	-
Sewerage (excl. Section 64 contributions)	-	-	4	175
Other	10	27	6	84
Total Other Contributions	32	27	34	259
Total Contributions	32	27	237	792
TOTAL GRANTS & CONTRIBUTIONS	6,198	4,786	2,902	6,115

\$ '000	Actual 2012	Actual 2011
(g). Restrictions relating to Grants and Contributions		
Certain grants & contributions are obtained by Council on condition that they be spent in a specified manner:		
Unexpended at the Close of the Previous Reporting Period	1,768	1,176
add: Grants & contributions recognised in the current period but not yet spent:	-	926
less: Grants & contributions recognised in a previous reporting period now spent:	-	(334)
Net Increase (Decrease) in Restricted Assets during the Period	-	592
Unexpended and held as Restricted Assets	1,768	1,768
Comprising:		
- Specific Purpose Unexpended Grants	88	348
- Developer Contributions	1,680	1,420
	1,768	1,768

Cowra Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2012	Actual 2011
(a) Employee Benefits & On-Costs			
Salaries and Wages		8,523	8,296
Travelling		138	71
Employee Leave Entitlements (ELE)		1,554	1,271
Superannuation - Defined Contribution Plans		793	609
Superannuation - Defined Benefit Plans		332	427
Workers' Compensation Insurance		680	514
Fringe Benefit Tax (FBT)		22	11
Training Costs (other than Salaries & Wages)		131	140
Total Employee Costs		12,173	11,339
less: Capitalised Costs		(1,348)	(1,180)
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>		<u>10,825</u>	<u>10,159</u>
Number of "Equivalent Full Time" Employees at year end		157	161
Number of "Equivalent Full Time" Employees at year end (incl. vacancies)		170	-
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		1,508	1,379
Total Interest Bearing Liability Costs		1,508	1,379
less: Capitalised Costs		-	-
Total Interest Bearing Liability Costs Expensed		1,508	1,379
(ii) Other Borrowing Costs			
Discount adjustments relating to movements in Provisions (other than ELE)			
- Remediation Liabilities	26	14	14
Total Other Borrowing Costs		14	14
<u>TOTAL BORROWING COSTS EXPENSED</u>		<u>1,522</u>	<u>1,393</u>

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(c) Materials & Contracts			
Raw Materials & Consumables		7,249	7,888
Contractor & Consultancy Costs		1,068	359
Auditors Remuneration ⁽¹⁾		39	64
Legal Expenses:			
- Legal Expenses: Planning & Development		44	26
- Legal Expenses: Other		71	68
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payments ⁽²⁾		83	172
Total Materials & Contracts		8,554	8,577
less: Capitalised Costs		-	-
<u>TOTAL MATERIALS & CONTRACTS</u>		<u>8,554</u>	<u>8,577</u>
1. Auditor Remuneration			
During the year, the following fees were incurred for services provided by the Council's Auditor (& the Auditors of other Consolidated Entities):			
(i) Audit and Other Assurance Services			
- Audit & review of financial statements: Council's Auditor		37	35
- Audit & review of financial statements: Other Consolidated Entity Auditors		-	29
- Other audit & assurance services		2	-
Total Auditor Remuneration		39	64
2. Operating Lease Payments are attributable to:			
Computers		83	172
		83	172

Cowra Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2012	Actual 2011	Actual 2012	Actual 2011
Plant and Equipment		-	-	1,287	1,479
Office Equipment		-	-	3	-
Furniture & Fittings		-	-	36	36
Buildings - Specialised		-	-	359	368
Infrastructure:					
- Roads, Bridges & Footpaths		-	-	2,433	2,352
- Stormwater Drainage		-	-	354	354
- Water Supply Network		-	-	1,434	1,362
- Sewerage Network		-	-	757	576
Other Assets					
- Other		-	-	523	498
Asset Reinstatement Costs	9 & 26	-	-	-	5
Total Depreciation & Impairment Costs		-	-	7,186	7,030
less: Capitalised Costs		-	-	-	(364)
<u>TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED</u>		<u>-</u>	<u>-</u>	<u>7,186</u>	<u>6,666</u>

\$ '000	Notes	Actual 2012	Actual 2011
Advertising		101	81
Bad & Doubtful Debts		7	-
Contributions/Levies to Other Levels of Government		633	736
Councillor Expenses - Mayoral Fee		26	21
Councillor Expenses - Councillors' Fees		86	86
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		57	52
Electricity & Heating		764	597
Insurance		402	304
Street Lighting		194	185
Telephone & Communications		99	106
Total Other Expenses		2,369	2,168
less: Capitalised Costs		-	-
<u>TOTAL OTHER EXPENSES</u>		<u>2,369</u>	<u>2,168</u>

Cowra Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2012	Actual 2011
Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		306	322
less: Carrying Amount of P&E Assets Sold / Written Off		(184)	(326)
Net Gain/(Loss) on Disposal		122	(4)
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		122	(4)

Note 6a. - Cash Assets and Note 6b. - Investment Securities

\$ '000	Notes	2012 Actual Current	2012 Actual Non Current	2011 Actual Current	2011 Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		1,539	-	1,104	-
Cash-Equivalent Assets ¹					
- Short Term Deposits		15,250	-	14,000	-
Total Cash & Cash Equivalents		16,789	-	15,104	-
Investment Securities (Note 6b)					
- Long Term Deposits		-	-	1,000	-
Total Investment Securities		-	-	1,000	-
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		16,789	-	16,104	-

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

**Cash, Cash Equivalents & Investments were
classified at year end in as follows:****Cash & Cash Equivalents**

a. "At Fair Value through the Profit & Loss"		16,789	-	15,104	-
--	--	--------	---	--------	---

Investments

a. "Loans & Receivables"	6(b-i)	-	-	1,000	-
Investments		-	-	1,000	-

Note 6(b-i)**Reconciliation of Investments
classified as "Loans & Receivables"**

Balance at the Beginning of the Year		1,000	-	-	-
Additions		-	-	1,000	-
Disposals (sales & redemptions)		(1,000)	-	-	-
Balance at End of Year		-	-	1,000	-
Comprising:					
- Long Term Deposits		-	-	1,000	-
Total		-	-	1,000	-

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 6c. Restricted Cash, Cash Equivalents & Investments - Details

\$ '000	2012 Actual Current	2012 Actual Non Current	2011 Actual Current	2011 Actual Non Current
Total Cash, Cash Equivalents and Investment Securities	16,789	-	16,104	-
attributable to:				
External Restrictions (refer below)	11,077	-	9,740	-
Internal Restrictions (refer below)	5,033	-	5,171	-
Unrestricted	679	-	1,193	-
	16,789	-	16,104	-

2012 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

Details of Restrictions

External Restrictions - Included in Liabilities

Specific Purpose Unexpended Loans-General (A)	10	-	(3)	7
Specific Purpose Unexpended Loans-Water (A)	465	-	(465)	-
External Restrictions - Included in Liabilities	475	-	(468)	7

External Restrictions - Other

Developer Contributions - General (D)	522	112	-	634
Developer Contributions - Water Fund (D)	453	62	-	515
Developer Contributions - Sewer Fund (D)	445	86	-	531
Specific Purpose Unexpended Grants (F)	348	-	(260)	88
Water Supplies (G)	984	491	-	1,475
Sewerage Services (G)	6,245	1,040	-	7,285
Domestic Waste Management (G)	98	244	-	342
Capital Contributions	170	30	-	200
External Restrictions - Other	9,265	2,065	(260)	11,070
Total External Restrictions	9,740	2,065	(728)	11,077

A Loan moneys which must be applied for the purposes for which the loans were raised.

D Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).

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

G Water, Sewerage, Domestic Waste Management (DWM) & other Special Rates/Levies/Charges are externally restricted assets and must be applied for the purposes for which they were raised.

Cowra Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 6c. Restricted Cash, Cash Equivalents & Investments - Details (continued)

2012 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Plant & Vehicle Replacement	999	527	(500)	1,026
Employees Leave Entitlement	489	54	(146)	397
Carry Over Works	1,156	883	(1,156)	883
Aerodrome	38	-	-	38
Art Gallery	18	-	-	18
Bad Debts	34	-	(1)	33
Business Assistance	50	-	-	50
Caravan Parks	137	44	(2)	179
Depot Redevelopment	200	-	-	200
Election	55	15	-	70
Environmental Projects	8	-	-	8
Fire Mitigation	14	-	-	14
Futures 30	12	-	-	12
Gravel Rehabilitation	342	161	(225)	278
IT Equipment	20	10	-	30
Main St Improvements	249	-	(33)	216
POW Maintenance	3	-	-	3
Risk Management	121	14	-	135
RTA Warranty	291	41	(200)	132
Saleyards	156	29	(31)	154
Unexpended RTA Funds	42	223	(42)	223
Waste	537	293	(28)	802
Works	100	-	(68)	32
Workers Compensation	100	-	-	100
Total Internal Restrictions	5,171	2,294	(2,432)	5,033
TOTAL RESTRICTIONS	14,911	4,359	(3,160)	16,110

Cowra Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 7. Receivables

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		1,094	-	1,259	-
User Charges & Fees		2,517	-	1,236	-
Accrued Revenues					
- Other Income Accruals		450	-	1,750	-
Government Grants & Subsidies		2,113	-	71	-
Deferred Debtors		56	-	19	49
Total		6,230	-	4,335	49
less: Provision for Impairment					
Rates & Annual Charges		(13)	-	(13)	-
Total Provision for Impairment - Receivables		(13)	-	(13)	-
<u>TOTAL NET RECEIVABLES</u>		<u>6,217</u>	<u>-</u>	<u>4,322</u>	<u>49</u>
Externally Restricted Receivables					
Water Supply					
- Specific Purpose Grants		62	-	-	-
- Rates & Availability Charges		475	-	155	-
- Other		1,370	-	1,182	-
Sewerage Services					
- Specific Purpose Grants		1,409	-	1,384	-
- Rates & Availability Charges		356	-	392	-
Domestic Waste Management		308	-	-	-
Total External Restrictions		3,980	-	3,113	-
Internally Restricted Receivables					
Nil					
Unrestricted Receivables		2,237	-	1,209	49
<u>TOTAL NET RECEIVABLES</u>		<u>6,217</u>	<u>-</u>	<u>4,322</u>	<u>49</u>

Notes on Debtors above:

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates & charges at 11.00% (2011 9.00%).
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

Cowra Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 8. Inventories & Other Assets

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
Inventories					
Real Estate for resale (refer below)		195	-	195	-
Stores & Materials		1,101	-	1,031	-
Total Inventories		1,296	-	1,226	-
Other Assets					
Prepayments		1	-	-	-
Shares in Unlisted Companies - StateCover		153	-	132	-
Other		-	-	1	-
Total Other Assets		154	-	133	-
TOTAL INVENTORIES / OTHER ASSETS		1,450	-	1,359	-
Externally Restricted Assets					
Water					
Stores & Materials		4	-	4	-
Total Water		4	-	4	-
Sewerage					
Nil					
Domestic Waste Management					
Nil					
Total Externally Restricted Assets		4	-	4	-
Total Internally Restricted Assets		-	-	-	-
Total Unrestricted Assets		1,446	-	1,355	-
TOTAL INVENTORIES & OTHER ASSETS		1,450	-	1,359	-

Cowra Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 8. Inventories & Other Assets (continued)

\$ '000	2012		2011	
	Current	Non Current	Current	Non Current
(i) Other Disclosures				
(a) Details for Real Estate Development				
Residential	195	-	195	-
Total Real Estate for Resale	195	-	195	-
(Valued at the lower of cost and net realisable value)				
Represented by:				
Acquisition Costs	165	-	165	-
Development Costs	30	-	30	-
Total Costs	195	-	195	-
less: Provision for Under Recovery	-	-	-	-
Total Real Estate for Resale	195	-	195	-
Movements:				
Real Estate assets at beginning of the year	195	-	195	-
Total Real Estate for Resale	195	-	195	-

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

The following Inventories & Other Assets, even though classified as current are not expected to be recovered in the next 12 months;

	2012	2011
Real Estate for Resale	195	-
	195	-

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2011					Asset Movements during the Reporting Period					as at 30/6/2012				
	At	At	Accumulated		Carrying	Asset Additions	WDV of Asset Disposals	Depreciation Expense	Revaluation Decrements to Equity (ARR)	Revaluation Increments to Equity (ARR)	At	At	Accumulated		Carrying
	Cost	Fair Value	Dep'n	Impairment	Value						Cost	Fair Value	Dep'n	Impairment	Value
Plant & Equipment	-	20,337	14,248	-	6,089	982	(184)	(1,287)	-	-	-	20,781	15,181	-	5,600
Office Equipment	-	520	472	-	48	-	-	(3)	-	-	-	520	475	-	45
Furniture & Fittings	-	714	484	-	230	-	-	(36)	-	-	-	713	519	-	194
Land:															
- Operational Land	-	7,597	-	-	7,597	-	-	-	-	-	-	7,597	-	-	7,597
- Community Land	20,311	-	-	-	20,311	-	-	-	-	5,333	-	25,644	-	-	25,644
Buildings - Specialised	-	25,822	8,740	-	17,082	73	-	(359)	-	-	-	25,894	9,098	-	16,796
Infrastructure:															
- Roads, Bridges, Footpaths	-	444,946	26,531	-	418,415	2,979	-	(2,433)	-	-	-	447,931	28,970	-	418,961
- Stormwater Drainage	-	35,422	9,985	-	25,437	-	-	(354)	-	-	-	35,422	10,339	-	25,083
- Water Supply Network	-	102,076	60,300	-	41,776	999	-	(1,434)	-	6,957	-	112,855	64,557	-	48,298
- Sewerage Network	-	48,893	16,306	-	32,587	971	-	(757)	(1,490)	-	-	44,072	12,761	-	31,311
Other Assets:															
- Other	12,691	-	3,307	-	9,384	299	-	(523)	-	3,225	-	18,204	5,819	-	12,385
Reinstatement, Rehabilitation & Restoration Assets (refer Note 26)															
- Quarry Asset	174	-	38	-	136	-	-	-	-	-	-	174	38	-	136
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	33,176	686,327	140,411	-	579,092	6,303	(184)	(7,186)	(1,490)	15,515	-	739,807	147,757	-	592,050

Cowra Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 9b. Externally Restricted Infrastructure, Property, Plant & Equipment

\$ '000 Class of Asset	Actual 2012				Actual 2011			
	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
Water Supply								
Plant & Equipment	-	663	450	213	-	618	445	173
Office Equipment	-	3	3	-	3	-	3	-
Land								
- Operational Land	-	817	-	817	-	1,121	-	1,121
Buildings	-	1,376	846	530	-	1,376	826	550
Infrastructure	-	112,855	64,557	48,298	-	102,076	60,300	41,776
Total Water Supply	-	115,714	65,856	49,858	3	105,191	61,574	43,620
Sewerage Services								
Plant & Equipment	-	44	30	14	-	44	26	18
Land								
- Operational Land	-	2,101	-	2,101	-	1,849	-	1,849
Buildings	-	1,206	638	568	-	1,206	619	587
Infrastructure	-	44,073	12,761	31,312	-	48,893	16,306	32,587
Total Sewerage Services	-	47,424	13,429	33,995	-	51,992	16,951	35,041
Domestic Waste Management								
Plant & Equipment	-	2,406	1,388	1,018	-	2,406	1,193	1,213
Land								
- Operational Land	-	540	-	540	-	540	-	540
Buildings	-	623	218	405	-	623	208	415
Other Assets	-	961	190	771	-	1,961	1,102	859
Total DWM	-	4,530	1,796	2,734	-	5,530	2,503	3,027
TOTAL RESTRICTED I,PP&E	-	167,668	81,081	86,587	3	162,713	81,028	81,688

Note 9c. Infrastructure, Property, Plant & Equipment - Current Year Impairments

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

Cowra Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		1,563	-	1,278	-
Accrued Expenses:					
- Other Expenditure Accruals		259	-	130	-
Security Bonds, Deposits & Retentions		605	-	500	14
Total Payables		2,427	-	1,908	14
Borrowings					
Loans - Secured ¹		4,426	15,746	4,369	16,537
Total Borrowings		4,426	15,746	4,369	16,537
Provisions					
Employee Benefits;					
Annual Leave		1,179	-	1,035	-
Long Service Leave		2,394	267	1,839	163
Sub Total - Aggregate Employee Benefits		3,573	267	2,874	163
Asset Remediation/Restoration (Future Works) ²⁶		-	273	-	259
Total Provisions		3,573	540	2,874	422
Total Payables, Borrowings & Provisions		10,426	16,286	9,151	16,973

(i) Liabilities relating to Restricted Assets

	2012		2011	
	Current	Non Current	Current	Non Current
Externally Restricted Assets				
Water	167	3,272	530	3,329
Sewer	3,916	7,379	4,002	7,572
Domestic Waste Management	-	358	212	570
Liabilities relating to externally restricted assets	4,083	11,009	4,744	11,471
Internally Restricted Assets				
Nil				
Total Liabilities relating to restricted assets	4,083	11,009	4,744	11,471

¹: Loans are secured over the General Rating Income of Council

Disclosures on Liability Interest Rate Risk Exposures, Fair Value Disclosures & Security can be found in Note 15.

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 10a. Payables, Borrowings & Provisions (continued)

\$ '000	2012	2011
(ii) Current Liabilities not anticipated to be settled within the next 12 months		
The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions - Employees Benefits	2,803	2,203
	<u>2,803</u>	<u>2,203</u>

Note 10b. Description of and movements in Provisions

Class of Provision	2011		2012			Closing Balance as at 30/6/12
	Opening Balance as at 1/7/11	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	
Annual Leave	1,035	770	(626)	-	-	1,179
Long Service Leave	2,002	845	(186)	-	-	2,661
Asset Remediation	259	14	-	-	-	273
TOTAL	3,296	1,629	(812)	-	-	4,113

a. Employees Leave Entitlements & 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.

b. Asset Remediation, Reinstatement & Restoration Provisions represent the Present Value estimate of future costs Council will incur in order to remove, restore & remediate assets &/or activities as a result of past operations.

Cowra Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2012	Actual 2011
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	16,789	15,104
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		16,789	15,104
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		967	3,833
Adjust for non cash items:			
Depreciation & Amortisation		7,186	6,666
Net Losses/(Gains) on Disposal of Assets		(122)	4
Non Cash Capital Grants and Contributions		(169)	(174)
Amortisation of Premiums, Discounts & Prior Period Fair Valuations			
- Interest on all fair value adjusted Interest Free Advances made by Council		(22)	-
Unwinding of Discount Rates on Reinstatement Provisions		14	14
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		(1,858)	1,715
Decrease/(Increase) in Inventories		(70)	28
Decrease/(Increase) in Other Assets		(21)	(1)
Increase/(Decrease) in Payables		285	(450)
Increase/(Decrease) in other accrued Expenses Payable		129	(5)
Increase/(Decrease) in Other Liabilities		91	128
Increase/(Decrease) in Employee Leave Entitlements		803	(102)
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		7,213	11,656

Cowra Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 11. Statement of Cash Flows - Additional Information (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(c) Non-Cash Investing & Financing Activities			
Bushfire Grants		169	174
Total Non-Cash Investing & Financing Activities		169	174
(d) Financing Arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank Overdraft Facilities ⁽¹⁾		900	900
Credit Cards / Purchase Cards		29	29
Total Financing Arrangements		929	929
Amounts utilised as at Balance Date:			
- Credit Cards / Purchase Cards		11	8
Total Financing Arrangements Utilised		11	8

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 & Other Payables are disclosed in Note 15.

(ii) Secured Loan Liabilities

Loans are secured by a mortgage over future years Rate Revenue only.

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 12. Commitments for Expenditure

\$ '000	Actual 2012	Actual 2011
(a) Capital Commitments (exclusive of GST)		
Nil		
(b) Finance Lease Commitments		
Nil		
(c) Operating Lease Commitments (Non Cancellable)		
a. Commitments under Non Cancellable Operating Leases at the Reporting date, but not recognised as Liabilities are payable:		
Within the next year	149	149
Later than one year and not later than 5 years	-	149
Later than 5 years	-	-
Total Non Cancellable Operating Lease Commitments	149	298

b. Non Cancellable Operating Leases include the following assets:

Computer Equipment

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

(e) Investment in Associates / Joint Ventures - Commitments

For Capital Commitments and Other Commitments relating to Investments in Associates & Joint Ventures, refer to Note 19 (b)

Cowra Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 13a. Statement of Performance Measurement - Indicators (Consolidated)

\$ '000	Amounts 2012	Indicator 2012	Prior Periods 2011 2010	
Local Government Industry Indicators				
1. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽¹⁾	<u>9,200</u>	2.60 : 1	4.05	2.71
Current Liabilities less Specific Purpose Liabilities ^(2,3)	<u>3,540</u>			
2. Debt Service Ratio				
Debt Service Cost	<u>2,240</u>	8.13%	7.75%	5.58%
Income from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions	<u>27,543</u>			
3. Rates & Annual Charges Coverage Ratio				
Rates & Annual Charges	<u>9,883</u>	31.45%	29.16%	36.57%
Income from Continuing Operations	<u>31,423</u>			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual & Extra Charges Outstanding	<u>1,081</u>	9.60%	11.15%	14.00%
Rates, Annual & Extra Charges Collectible	<u>11,262</u>			
5. Building & Infrastructure Renewals Ratio				
Asset Renewals ⁽⁴⁾	<u>3,339</u>	62.56%	53.29%	65.62%
Depreciation, Amortisation & Impairment	<u>5,337</u>			

Notes

(1) Refer Notes 6-8 inclusive.

Also excludes any Real Estate & Land for resale not expected to be sold in the next 12 months

(2) Refer to Note 10(a).

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

(4) Asset Renewals represent the replacement &/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. Asset Renewals include building and infrastructure assets only.

Cowra Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 14. Investment Properties

\$ '000

Council has not classified any Land or Buildings as "Investment Properties"

Note 15. Financial Risk Management

Risk Management

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

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

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

Financial risk management is carried out by Council's Finance Section under policies approved by the Council.

A comparison by category of the carrying amounts and fair values of Council's Financial Assets & Financial Liabilities recognised in the financial statements is presented below.

	Carrying Value		Fair Value	
	2012	2011	2012	2011
Financial Assets				
Cash and Cash Equivalents	16,789	15,104	15,278	15,104
Investments				
- "Loans & Receivables"	-	1,000	1,000	1,000
Receivables	6,217	4,371	4,853	4,371
Other Financial Assets	153	132	153	132
Total Financial Assets	23,159	20,607	21,284	20,607
Financial Liabilities				
Payables	2,427	1,922	544	1,922
Loans / Advances	20,172	20,906	20,255	20,906
Total Financial Liabilities	22,599	22,828	20,799	22,828

Fair Value is determined as follows:

- **Cash & Cash Equivalents, Receivables, Payables** - are estimated to be the carrying value which approximates mkt value.
- **Borrowings & Held to Maturity Investments** - are based upon estimated future cash flows discounted by the current market interest rates applicable to assets & liabilities with similar risk profiles, unless quoted market prices are available.
- Financial Assets classified (i) "**at fair value through profit & 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.

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 15. Financial Risk Management (continued)

\$ '000

(a) Cash & Cash Equivalents, Financial assets 'at fair value through the profit & Loss', "Available-for-sale" financial assets & "Held-to-maturity" Investments

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

Council has an Investment Policy which complies with the Local Government Act & Minister's Investment Order. This Policy is regularly reviewed by Council and its staff and an Investment Report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

The major risk associated with Investments is price risk - the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.

Cash & Investments are also subject to interest rate risk - the risk that movements in interest rates could affect returns and income.

A further risk associated with Cash & Investments is credit risk - the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council - be it of a capital or income nature.

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

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

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

	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
2012				
Possible impact of a 1% movement in Interest Rates	166	166	(166)	(166)
2011				
Possible impact of a 1% movement in Interest Rates	155	155	(155)	(155)

Cowra Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 15. Financial Risk Management (continued)

\$ '000

(b) Receivables

Council's major receivables comprise **(i) Rates & Annual charges** and **(ii) User Charges & Fees**.

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

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

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

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

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

Council makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

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:

	2012	2012	2011	2011
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(i) Ageing of Receivables				
Current (not yet overdue)	-	3,683	-	1,417
Past due	1,094	1,453	1,259	1,708
	<u>1,094</u>	<u>5,136</u>	<u>1,259</u>	<u>3,125</u>
(ii) Movement in Provision for Impairment of Receivables			2012	2011
Balance at the beginning of the year			13	13
Balance at the end of the year			<u>13</u>	<u>13</u>

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 15. Financial Risk Management (continued)

\$ '000

(c) Payables & Borrowings

Payables & 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 & overdraft facilities utilised as required.

The contractual undiscounted cash outflows (ie. principal and interest) of Council's Payables & Borrowings are set out in the Liquidity 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		
2012									
Trade/Other Payables	605	1,475	-	-	-	-	-	2,080	2,427
Loans & Advances	-	4,404	698	712	672	579	13,191	20,256	20,172
Total Financial Liabilities	605	5,879	698	712	672	579	13,191	22,336	22,599
2011									
Trade/Other Payables	514	1,408	-	-	-	-	-	1,922	1,922
Loans & Advances	-	4,385	739	698	712	640	13,733	20,907	20,906
Total Financial Liabilities	514	5,793	739	698	712	640	13,733	22,829	22,828

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

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

	2012		2011	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	2,427	0.0%	1,922	0.0%
Loans & Advances - Fixed Interest Rate	16,507	7.0%	17,257	7.0%
Loans & Advances - Variable Interest Rate	3,665	6.8%	3,649	6.8%
	<u>22,599</u>		<u>22,828</u>	

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 11/12 was adopted by the Council on 27 June 2011.

While the Income Statement included in this General Purpose Financial Report must disclose the Original Budget adopted by Council, the Local Government Act 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	2012 Budget	2012 Actual	2012 ----- Variance* -----		
REVENUES					
Rates & Annual Charges	9,959	9,883	(76)	(1%)	U
User Charges & Fees	10,077	10,497	420	4%	F
Interest & Investment Revenue	825	1,110	285	35%	F
Interest & Investment Revenue exceeded the budget amount due to conservative rate-of-return projections which was based on global market sentiments at the time of budget preparation.					
Other Revenues	504	711	207	41%	F
The increase in Other Revenues was attributed to a number of budget areas, but the significant improvements that exceeded original budget projections are: Cultural activities of \$14,000 was received and there was a \$17,000 improvement in property rental income.					
Operating Grants & Contributions	4,573	6,198	1,625	36%	F
Operating Grants and Contributions received during the year were greater than estimated. Additional grants were received for Environmental Protection, Heritage / Cultural and Roads projects. In addition, the NSW Local Government Grants Commission paid half of the 2012/13 Financial Assistance Grant in advance.					
Capital Grants & Contributions	2,236	2,902	666	30%	F
Council received additional Capital Grants during the year for Waste Water Services, Environmental Protection (gasworks site investigation) and Water Supply.					
Net Gains from Disposal of Assets	-	122	122	0%	F

Cowra Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 16. Material Budget Variations (continued)

\$ '000	2012 Budget	2012 Actual	2012 ----- Variance* -----		
EXPENSES					
Employee Benefits & On-Costs	10,549	10,825	(276)	(3%)	U
Borrowing Costs	1,569	1,522	47	3%	F
Materials & Contracts	8,626	8,554	72	1%	F
Depreciation & Amortisation	6,701	7,186	(485)	(7%)	U
Other Expenses	2,440	2,369	71	3%	F

Budget Variations relating to Council's Cash Flow Statement include:

Cash Flows from Operating Activities	6,301	7,213	912	14.5%	F
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The original 2011/12 Estimates were based on receiving fewer Grants and income from investments was based conservative interest rate projections.

Cash Flows from Investing Activities	(7,535)	(4,794)	2,741	(36.4%)	F
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The major capital plant purchase program was not achieved due to longer than expected delivery timeframes. Significant projects included the Darbys Falls Water Treatment Plant & Cowra Treatment Plant automation.

Cash Flows from Financing Activities	952	(734)	(1,686)	(177.1%)	U
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The drawdown of the loan program did not occur as it was not required to meet the cashflow demands of Waste Water Treatment project during 2011/12.

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 17. Statement of Developer Contributions

\$ '000

Council recovers contributions, raises levies & enters into planning agreements on development works that are subject to a development consent issued by Council. All contributions must be spent/utilised for the specific purpose they were levied and any interest applicable to unspent funds must be attributed to remaining funds.

The following tables detail the receipt, interest and use of the above contributions & levies and the value of all remaining funds which are "restricted" in their future use.

SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	58	3	-	3	-	-	64	-	-	64	-
Roads	234	14	-	12	-	-	260	-	-	260	-
Parking	82	-	-	4	-	-	86	-	-	86	-
Open Space	16	1	-	1	-	-	18	-	-	18	-
Community Facilities	58	3	-	3	-	-	64	-	-	64	-
Other	8	10	-	1	-	-	19	-	-	19	-
S94 Contributions - under a Plan	456	31	-	24	-	-	511	-	-	511	-
S94A Levies - under a Plan	65	53	-	5	-	-	123				-
Total S94 Revenue Under Plans	521	84	-	29	-	-	634				-
S94 not under Plans	-	-	-	-	-	-	-	-	-	-	-
S64 Contributions	899	119	-	28	-	-	1,046				-
Total Contributions	1,420	203	-	57	-	-	1,680	-	-	511	-

Cowra Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN NUMBER - COWRA SHIRE COUNCIL

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	58	3	-	3	-	-	64	-	-	64	-
Roads	234	14	-	12	-	-	260	-	-	260	-
Parking	82	-	-	4	-	-	86	-	-	86	-
Open Space	16	1	-	1	-	-	18	-	-	18	-
Community Facilities	58	3	-	3	-	-	64	-	-	64	-
Other	8	10	-	1	-	-	19	-	-	19	-
Total	456	31	-	24	-	-	511	-	-	511	-

S94A LEVIES - UNDER A PLAN

CONTRIBUTION PLAN NUMBER - COWRA SHIRE COUNCIL

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Other	65	53	-	5	-	-	123	-	-	-	-
Total	65	53	-	5	-	-	123	-	-	-	-

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

The following assets and liabilities do not qualify for recognition in the Balance Sheet, but their knowledge & disclosure is considered relevant to the users of Council's Financial Report.

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined Benefit Superannuation Contribution Plans

Council participates in an employer sponsored Defined Benefit Superannuation Scheme, and makes contributions as determined by the Superannuation Scheme's Trustees.

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

The Schemes most recent full actuarial review indicated that the Net Assets of the Scheme were not sufficient to meet the accrued benefits of the Schemes Defined Benefit member category with member Councils required to make significantly higher contributions in future years.

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

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

StateCover is a company providing workers compensation insurance cover to the NSW Local Government Industry and specifically Council.

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

These future equity contributions would be required to maintain the company's minimum level of Net Assets in accordance with its Licence Requirements.

(iv) Other Guarantees

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

Cowra Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 18. Contingencies & Other Assets/Liabilities Not Recognised (continued)

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other Liabilities

(i) Third Party Claims

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

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

(ii) S94 Plans

Council levies Section 94/94A Contributions upon various development across the Council area through the required Contributions Plans.

As part of these Plans, Council has received funds for which it will be required to expend the monies in accordance with those Plans.

As well, these Plans indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years or where a shortfall exists by the use of Council's General Funds.

These future expenses do not yet qualify as liabilities as of the Reporting Date, but represent Council's intention to spend funds in the manner and timing set out in those Plans.

(iii) Potential Land Acquisitions due to Planning Restrictions imposed by Council

Council has classified a number of privately owned land parcels as Local Open Space or Bushland.

As a result, where notified in writing by the various owners, Council will be required to purchase these land parcels.

At reporting date, reliable estimates as to the value of any potential liability (& subsequent land asset) from such potential acquisitions has not been possible.

ASSETS NOT RECOGNISED:

(i) Land Under Roads

As permitted under AASB 1051, Council has elected not to bring to account Land Under Roads that it owned or controlled up to & including 30/6/08.

(ii) Infringement Notices/Fines

Fines & Penalty Income, the result of Council issuing Infringement Notices is followed up and collected by the Infringement Processing Bureau.

Council's Revenue Recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at Year End, there is a potential asset due to Council representing issued but unpaid Infringement Notices.

Due to the limited information available on the status, value and duration of outstanding Notices, Council is unable to determine the value of outstanding income.

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 19. Controlled Entities, Associated Entities & Interests in Joint Ventures

\$ '000

Council has no interest in any Controlled Entities, Associated Entities or Joint Ventures.

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2012	Actual 2011
a. Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		173,594	167,213
a. Correction of Prior Period Errors	20 (c)	-	2,548
b. Changes in Accounting Policies (prior period effects)	20 (d)	-	-
c. Other Comprehensive Income (excl. direct to Reserves transactions)		-	-
d. Net Operating Result for the Year		967	3,833
e. Distributions to/(Contributions from) Minority Interests		-	-
f. Transfers between Equity		-	-
Balance at End of the Reporting Period		<u>174,561</u>	<u>173,594</u>
b. Reserves			
(i) Reserves are represented by:			
- Infrastructure, Property, Plant & Equipment Revaluation Reserve		415,233	401,208
Total		<u>415,233</u>	<u>401,208</u>
(ii). Reconciliation of movements in Reserves:			
Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- Opening Balance		401,208	399,151
- Revaluations for the year	9(a)	14,025	2,057
- Balance at End of Year		<u>415,233</u>	<u>401,208</u>
TOTAL VALUE OF RESERVES		<u>415,233</u>	<u>401,208</u>
(iii). Nature & Purpose of Reserves			
Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- The Infrastructure, Property, Plant & Equipment Revaluation Reserve is used to record increments/ decrements of Non Current Asset values due to their revaluation.			

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 20. Equity - Retained Earnings and Revaluation Reserves (continued)

\$ '000	Notes	Actual 2012	Actual 2011
c. Correction of Error/s relating to a Previous Reporting Period			
Correction of errors disclosed in this year's financial statements:			
As part of Council's transition to measuring all it's I,PP&E at Fair Values, Council this year reviewed and brought to account Fair Values for the following Asset Classes:			
- Other Assets - Other			
As part of that evaluation & measurement process, the remaining useful life of each asset has been reassessed to actual.			
This reassessment has resulted in a material difference as to where some assets actually sit in relation to their asset life cycle relative to what the value of accumulated depreciation in Council's Financial Reports had previously indicated.			
Council does not have sufficient and reliable information that will allow the restatement of information prior to 30/6/11 (the closing date for the comparative figures in this report).			
As a result, Council has adjusted the accumulated depreciation for the following asset classes as at 30/6/11 to reflect the correct value of accumulated depreciation;			
Other Assets - Other (increase)/decrease to accumulated depreciation		2,548	
This adjustment resulted in net increase / (decrease) in Council's Accumulated Surplus as at 30/6/11.			
In accordance with AASB 108 - Accounting Policies, Changes in Accounting Estimates and Errors, the above Prior Period Errors have been recognised retrospectively.			
These amounted to the following Equity Adjustments:			
- Adjustments to Opening Equity - 1/7/10 (relating to adjustments for the 30/6/10 reporting year end and prior periods)		-	2,548
Total Prior Period Adjustments - Prior Period Errors		-	2,548

d. Voluntary Changes in Accounting Policies

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

Cowra Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 21. Financial Result & Financial Position by Fund

Income Statement by Fund \$ '000	Actual 2012	Actual 2012	Actual 2012
Continuing Operations	Water	Sewer	General¹
Income from Continuing Operations			
Rates & Annual Charges	1,832	2,218	5,833
User Charges & Fees	2,572	532	7,393
Interest & Investment Revenue	50	47	1,013
Other Revenues	5	216	490
Grants & Contributions provided for Operating Purposes	64	43	6,091
Grants & Contributions provided for Capital Purposes	362	1,354	1,186
Other Income			
Net Gains from Disposal of Assets	12	-	110
Share of interests in Joint Ventures & Associates using the Equity Method	-	-	-
Total Income from Continuing Operations	4,897	4,410	22,116
Expenses from Continuing Operations			
Employee Benefits & on-costs	837	367	9,621
Borrowing Costs	181	855	486
Materials & Contracts	1,592	800	6,162
Depreciation & Amortisation	1,489	779	4,918
Impairment	-	-	-
Other Expenses	125	-	2,244
Interest & Investment Losses	-	-	-
Total Expenses from Continuing Operations	4,224	2,801	23,431
Operating Result from Continuing Operations	673	1,609	(1,315)
Discontinued Operations			
Net Profit/(Loss) from Discontinued Operations	-	-	-
Net Operating Result for the Year	673	1,609	(1,315)
Net Operating Result attributable to each Council Fund	673	1,609	(1,315)
Net Operating Result attributable to Minority Interests	-	-	-
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	311	255	(2,501)

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

NB. All amounts disclosed above are Gross - that is, they include internal charges & recoveries made between the Funds.

Cowra Shire Council

Notes to the Financial Statements

as at 30 June 2012

Note 21. Financial Result & Financial Position by Fund

Balance Sheet by Fund \$ '000	Actual 2012	Actual 2012	Actual 2012
ASSETS	Water	Sewer	General¹
Current Assets			
Cash & Cash Equivalents	1,990	7,816	6,983
Investments	-	-	-
Receivables	1,907	1,765	2,545
Inventories	4	-	1,292
Other	-	-	154
Non-current assets classified as 'held for sale'	-	-	-
Total Current Assets	3,901	9,581	10,974
Non-Current Assets			
Investments	-	-	-
Receivables	-	-	-
Inventories	-	-	-
Infrastructure, Property, Plant & Equipment	49,858	33,995	508,197
Investments Accounted for using the equity method	-	-	-
Investment Property	-	-	-
Intangible Assets	-	-	-
Total Non-Current Assets	49,858	33,995	508,197
TOTAL ASSETS	53,759	43,576	519,171
LIABILITIES			
Current Liabilities			
Payables	37	21	2,369
Borrowings	95	3,856	475
Provisions	64	39	3,470
Total Current Liabilities	196	3,916	6,314
Non-Current Liabilities			
Payables	-	-	-
Borrowings	3,156	7,347	5,243
Provisions	87	32	421
Total Non-Current Liabilities	3,243	7,379	5,664
TOTAL LIABILITIES	3,439	11,295	11,978
Net Assets	50,320	32,281	507,193
EQUITY			
Retained Earnings	18,466	18,496	137,599
Revaluation Reserves	31,854	13,785	369,594
Council Equity Interest	50,320	32,281	507,193
Minority Interests	-	-	-
Total Equity	50,320	32,281	507,193

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

NB. All amounts disclosed above are Gross - that is, they include internal receivables & payables between the Funds.

Cowra Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 22. "Held for Sale" Non Current Assets & Disposal Groups

\$ '000

Council did not classify any Non Current Assets or Disposal Groups as "Held for Sale".

Note 23. Events occurring after Balance Sheet Date

Events that occur after the reporting date of 30 June 2012, up to and including 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 appropriate "authorised for issue" date relating to these General Purpose Financial Statements.

Accordingly, the "authorised for issue" date is 29/10/12.

Events that occur after the Reporting Date represent one of two types:

(i) Events that have provided evidence of conditions that existed at the Reporting Date

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2012.

(ii) Events that have provided evidence of conditions that arose after the Reporting Date

These financial statements (& figures therein) do not incorporate any "non adjusting events" that have occurred after 30 June 2012 and which are only indicative of conditions that arose after 30 June 2012.

The passage of the Clean Air Legislation (Clean Energy Act 2011 and supporting legislation) will have an impact on Council's operating results going forward.

Council expects to pay more for its energy usage including electricity, gas, water and fuel but will be compensated to some extent through additional rate revenue and domestic waste management charges that it proposes to raise.

The operation of Council's landfill site is expected to result in Council being liable for a carbon tax on gas emissions but it is proposed to increase tipping fees to cover this additional cost.

Council also expects construction materials such as concrete and asphalt to increase in price but is unable to quantify the effect of these increases at the present time.

No financial effects of the Clean Air Legislation have not been brought to account at 30 June 2012.

Cowra Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 24. Discontinued Operations

\$ '000

Council has not classified any of its Operations as "Discontinued".

Note 25. Intangible Assets

Intangible Assets represent identifiable non-monetary asset 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 & Restoration Liabilities

Council has legal/public obligations to make restore, rehabilitate and reinstate the following assets/operations:

Asset/Operation	Estimated year of restoration	NPV of Provision	
		2012	2011
Quarries	2044	273	259
Balance at End of the Reporting Period	10(a)	273	259

Under AASB 116 - Property, Plant & Equipment, where the use of an asset results in the obligation to dismantle or remove the asset and restore the site on which the asset stands, an estimate of such costs is required to be included in the cost of the asset.

An equivalent liability must be recognised under AASB 137 - Provisions, Contingent Liabilities and Contingent Assets.

The provision has been calculated by determining the present value of the future expenditures expected to be incurred. The discount rate used is the risk free borrowing rate applicable to Council.

Reconciliation of movement in Provision for year:

Balance at beginning of year	259	245
Amounts capitalised to new or existing assets:		
Amortisation of discount (expensed to borrowing costs)	14	14
Total - Reinstatement, rehabilitation and restoration provision	273	259

Amount of Expected Reimbursements

Of the above Provisions for Reinstatement, Rehabilitation and Restoration works, those applicable to Garbage Services & Waste Management are able to be funded through future charges incorporated within Council's Annual Domestic Waste Management Charge.

Cowra Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 27. Council Information & Contact Details

Principal Place of Business:

116 Kendal Street
Cowra NSW 2794

Contact Details

Mailing Address:

Private Bag 342
Cowra NSW 2794

Opening Hours:

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

Telephone: 02 6340 2000

Facsimile: 02 6340 2011

Internet: www.cowra.nsw.gov.au

Email: council@cowra.nsw.gov.au

INDEPENDENT AUDITOR'S REPORT TO COUNCIL ON THE GENERAL PURPOSE FINANCIAL STATEMENTS OF COWRA SHIRE COUNCIL

Report on the Financial Statements

We have audited the accompanying financial statements of Cowra Shire Council for the financial year ended 30 June 2012. The financial statements comprise the Statement by Councillors and Management, Income Statement, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows and accompanying Notes to the Financial Statements.

Councils' Responsibility for the Financial Statements

The Council are responsible for the preparation and fair presentation of the financial statements in accordance with the Local Government Act 1993. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. Our audit responsibility does not extend to the original budget figures included in the Income Statement and Statement of Cash Flows, the original budget disclosures in Notes 2(a) and 16, nor the projected revenue and expenditure of developer contributions reported in Note 17 and accordingly, we express no opinion on them. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Independence

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

Matters Relating to the Electronic Presentation of the Audited Financial Statements

This auditor's report relates to the general purpose financial statements of Cowra Shire Council for the year ended 30 June 2012 included on Council's web site. Council is responsible for the integrity of their web site. We have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.

Audit Opinion

In our opinion:

- (a) the Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993, Chapter 13, Part 3, Division 2;
- (b) the Council's financial statements:
 - (i) have been prepared in accordance with the requirements of this Division;
 - (ii) are consistent with the Council's accounting records;
 - (iii) present fairly the Council's financial position, the results of its operations and cashflows; and
 - (iv) are in accordance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations).
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial statements that have come to light in the course of the audit.



MORSE GROUP

237 Lords Place
Orange
Dated: 29 October 2012



JDO MALLEY
PARTNER

29 October 2012

The Mayor
Councillor Bill West
Cowra Shire Council
Private Bag 342
COWRA NSW 2794

Dear Mr Mayor

**INDEPENDENT AUDITOR'S REPORT ON THE CONDUCT OF THE AUDIT - Section 417(3)
COWRA SHIRE COUNCIL YEAR ENDED 30 JUNE 2012**

We have audited the financial statements of Cowra Shire Council (Council) for the financial year ended 30 June 2012. Our audit resulted in the issuing of an unmodified audit report on both the general purpose and special purpose financial statements of Council.

In accordance with Section 417 of the Local Government Act 1993 we submit our report on the conduct of the audit of Cowra Shire Council for the year ended 30 June 2012. Our audit reports on the general purpose financial statements of Council and the special purpose financial statements on Council's business units outline the framework for our audit and should be referred to in order to establish the context in which our comments are made.

Council's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

The following comments are provided in accordance with Section 415(3) of the Local Government Act 1993 and Regulation 227 of the Local Government (General) Regulation 2005 to assist in the understanding of the financial statements and our reports.

Review of Financial Results

(a) Operating Result

As disclosed in Council's Income Statement the year's operations resulted in a net operating result of \$967,000 (2011 - \$3,833,000). Selected items of note in the operating statement include:

- The operating result from ordinary activities *before* capital amounts was a deficit of \$1,935,000 (2011 deficit - \$2,282,000).
- Income from operating grants and contributions increased \$1,412,000 to \$6,198,000 (2011 - \$4,786,000) the increase mainly attributable to the early payment of the 2013 instalments of the Federal financial assistance grant (FAG).
- Conversely, income from capital grants and contributions decreased by \$3,213,000 to \$2,902,000 (2011 - \$6,115,000) returning to trend levels following significant grants in 2011 of \$2,944,000 for a sewer treatment plant project and \$1,041,000 for emergency water supply.
- Employee costs were relatively consistent with 2011. The slight increase was mainly due to the reduction in discount rates applied to employee leave entitlements.
- Depreciation and Amortisation has increased slightly, as was expected following the revaluation of roads, bridges and footpaths infrastructure last year. The expense was \$7,186,000 this year compared with \$6,666,000 in 2011.

Council's other major items of income and expenditure remained relatively consistent with the prior period.

(b) Financial Position

The Balance Sheet discloses that for the year ended 30 June 2012 Council's net assets stood at \$589,794,000 (2011 - \$574,802,000), which represents an increase of \$14,992,000. The increase represents the net operating surplus after capital amounts of \$967,000 and the net revaluation increment resulting from the revaluation of water, sewerage and other infrastructure assets of \$14,025,000

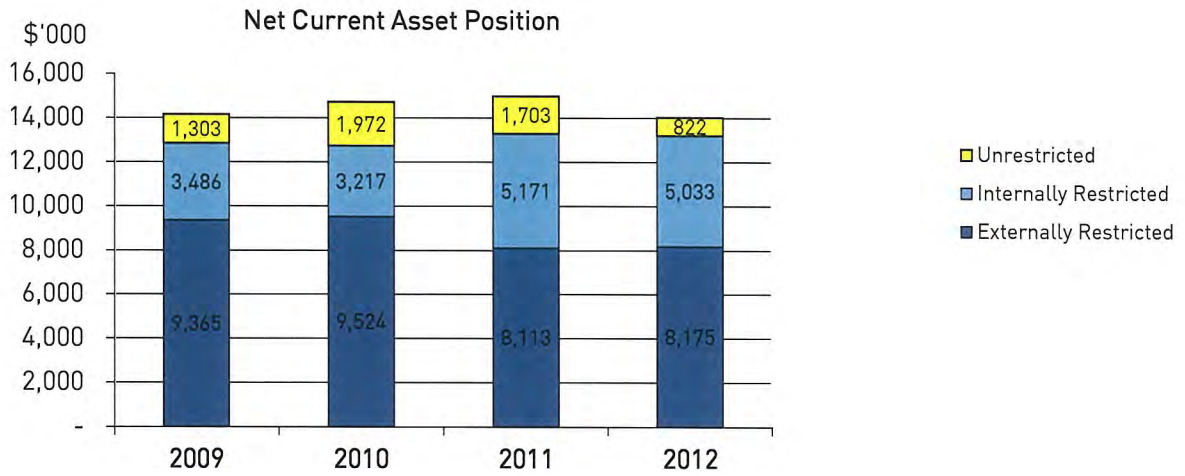
To assess the health of Council's net current asset position (available working capital) it is necessary to review the level of restrictions placed against the use of Council's assets. The notes to the financial statements indicate clearly where restrictions exist, and the effect of the restrictions is summarised on the following page.

Unrestricted Net Current Assets

	2012 \$'000	2011 \$'000
Net current assets	14,030	12,634
Less: Amounts externally restricted for special purposes refer Notes 6; 7; & 8 of financial statements	(15,061)	(12,857)
Less: Council internally imposed restrictions (refer Note 6 of financial statements)	(5,033)	(5,171)
Add: Applicable current liabilities refer Note 10		
- Domestic Waste Management	-	212
- Water Supply	167	530
- Sewerage Services	3,916	4,002
Add: Employee Leave Entitlements to be paid > 12 months	2,803	2,203
Unrestricted net current asset surplus/(deficit)	<u>822</u>	<u>1,553</u>
Unrestricted net current assets comprise: -		
Assets		
Cash	679	1,193
Receivables	2,237	1,209
Real estate development land	195	195
Inventories	1,097	1,027
Other	154	133
Less:	4,362	3,757
Liabilities	(6,343)	(4,407)
Plus:		
Employee Leave Entitlements To be paid > 12 months	2,803	2,203
Unrestricted net current asset surplus/ (deficit)	<u>822</u>	<u>1,553</u>

Council's continues to enjoy a surplus of net current assets to cover the restrictions placed on those assets.

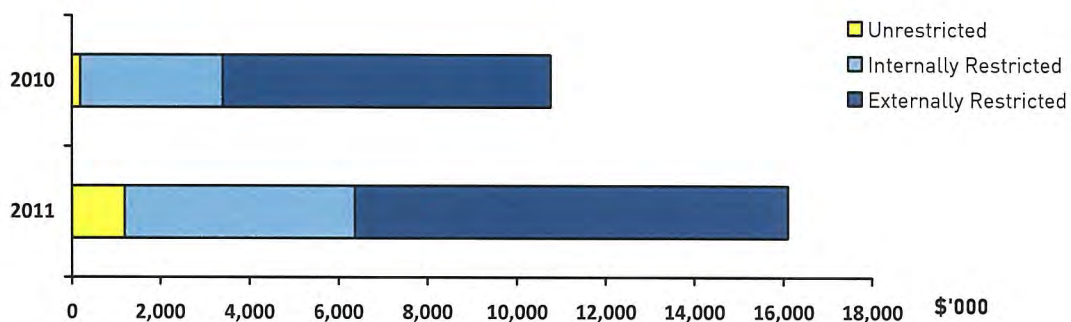
The following table shows the Council's calculated net current asset position over the past four years:



Cash & Investments

Note 6 to the accounts discloses total cash and investments of \$16,789,000 (2011 - \$16,104,000), of this amount \$11,077,000 (2011 - \$9,740,000) is subject to external restrictions requiring Council to commit those funds to the purposes for which they were provided and \$5,033,000 (2011 - \$5,171,000) is subject to internal restrictions agreed upon by Council for designated purposes. These internal restrictions may be altered at the discretion of Council, consistent with their management plan.

The unrestricted balance of \$679,000 (2011 - \$1,193,000) represents funds available to cover non-budgeted discretionary expenditure and short-term cash flow requirements and reflects Council's sound financial position.



Whilst the consolidated financial statements displays healthy levels of cash and investments, we remind the reader that the consolidated data is not necessarily reflective of the position of the individual funds (General, Water & Sewer) and this is equally applicable when reviewing the performance indicators considered below. General information on the financial position and performance by fund is provided in Note 21 to the financial statements.

(c) Performance Indicators

Note 13 to the Financial Statements provide a measure of Council's performance using a number of selected ratios as follows:

Unrestricted Current Ratio

The Unrestricted Current Ratio is a measure of Council's liquidity that demonstrates Council's ability to satisfy obligations out of short-term and immediate asset balances.

Council's ratio of 2.60:1 indicates council is able to comfortably meet its debts as and when they fall due.

Debt Service Ratio

The cost of repaying debt is reflected in the debt service ratio, which expresses that cost as a percentage of revenue from ordinary activities.

Whilst there is no definitive guide on what constitutes an acceptable ratio it is generally accepted that a ratio of up to 20% depending on the level of long-term development (infrastructure) plans, is considered tolerable. At 8.13% (2011 – 7.75%) Cowra Shire Council's ratio is below these industry benchmarks and represents manageable debt.

Rates & Annual Charges Coverage Ratio

The ability of Council to meet community expectations for the delivery of services and provision of facilities is directly influenced by the discretion it can exercise in the allocation of resources.

In relation to rates, a high level of dependency on rates income provides Council with a degree of flexibility in the nature and timing of how funds are spent. The purpose of this ratio is to assess the degree of dependence upon revenues from rates and annual charges and to assess the security of Council's income.

Cowra Shire Council's ratio of 31.45% (2011 – 29.16%) is up on the prior period which was reduced through the impact of capital grants received during 2011.

The ratio is comparable with other regional councils with similar characteristics of population and geographic size.

Rates & Annual Charges, Interest & Extra Charges Outstanding Ratio

The rates and annual charges, interest and extra charges outstanding percentage is a measure of management efficiency. Whilst prevailing economic conditions may influence Council's ability to collect revenue, the efficiency and application of collection procedures are still the largest determinant of this ratio.

Cowra Shire Council's rates and annual charges, interest and extra charges outstanding percentage of 9.60% (2011 – 11.15%) has improved markedly compared with the prior period and reflects a continued effort to improve collections. While in the case of Cowra council, this ratio can be significantly impacted by the timing of water billing, the ratio is now trending down towards industry averages, indicating effective debtor management. Each percentage point improvement in this ratio equates to \$113,000.

Assets Renewal Ratio

The purpose of this ratio is to assess the rate at which infrastructure assets are being renewed against the rate at which they are depreciating.

The distinction between replacements, renewals and repairs is not well defined, making it difficult to make meaningful analysis with this ratio. The fact that this ratio is at 62.56% and has ranged from 66% to 152% over the previous three years emphasises this point.

(d) Cash Flow Statement

The Statement of Cash Flows reports a net increase in cash assets held of \$1,685,000 (2011 increase - \$4,340,000) as follows:

	2012 \$'000	2011 \$'000	Movement \$'000
Cash flow provided by / (used in)			
Operating activities	7,213	11,656	(4,443)
Investing activities	(4,794)	(13,438)	8,644
Financing activities	(734)	6,122	(6,856)
Net increase / (decrease) in cash held	1,685	4,340	(2,655)

Cash flows from operating activities

The cashflows provided by operating activities has decreased against the prior financial year, the main reason being the decrease in grants and contributions. All material movements have been explained in the commentary on the income statement above.

Cash flows from investing activities

The major cash inflows and outflows from investing activities related to the sale and acquisition of infrastructure, property, plant and equipment.

Cash flows from financing activities

The net cash flow used in financing activities was \$734,000 which related solely to the repayment of borrowings during the year. No new loans were drawn down in the 2012 year.

(e) Comparison of Actual and Budgeted Performance

Council's operating result from ordinary activities after capital amounts of \$967,000 was well above Council's original estimate of a deficit of (\$1,711,000).

It is not the intent of this report to provide detailed analysis of individual budget variations, though it appears that the main variance was in relation to the budgeted amount for Operating Grants and Contributions being well above the actual result. Note 16 of Council's financial statements addresses the contributing factors to budget variations in detail.

(f) Other Matters

National Competition Policy

In accordance with the requirements of National Competition Policy guidelines, Cowra Shire Council has prepared special purpose financial statements on its business units for the year ended 30 June 2012. Council has determined that it has two business units within its operations: Water and Sewerage.

The Department of Local Government's July 1997 guidelines 'Pricing and Costing for Council Businesses: A Guide to Competitive Neutrality' outlines the process for identifying and allocating costs of activities and provide a standard of disclosure requirements. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, rate of return on investments in business units and dividends paid.

An unqualified audit report on the special purpose statements for the year ended 30 June 2012 has been issued unqualified.

Management Letters

Our most recent management letter was issued on 30 July 2012. Our experience in subsequent visits has generally been that matters raised via management letters have been satisfactorily addressed.

(g) Legislative compliance

As a result of our audit we advise that there are no material deficiencies in the accounting records or financial statements that have come to our attention during the conduct of the audit and that Cowra Shire Council's accounting records have been kept in accordance with the requirements of the Local Government Act, 1993 and regulations.

Matters Relating to the Electronic Presentation of the Audited Financial Statements

This auditor's report relates to the financial statements of Cowra Shire Council for the year ended 30 June 2012 included on Council's web site. Council is responsible for the integrity of their web site. We have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.

Conclusion

- (a) The Council's accounting records have been kept in a manner and form that facilitated the preparation of the general purpose financial statements and allowed proper and effective audit of these statements;
- (b) The Council's accounting records have been kept in a manner and form that facilitated the preparation of the special purpose financial statements and allowed proper and effective audit of these statements; and
- (c) All information relevant to the conduct of the audit has been obtained.



MORSE GROUP

237 Lords Place
Orange
Dated: 29 October 2012



J D O'MALLEY
PARTNER

Cowra Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2012

*“A leading, innovative and creative
community, proud of our place in history,
offering opportunity with the best of country living”*



Cowra Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2012

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- Income Statement of Other Business Activities	n/a
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- Balance Sheet of Other Business Activities	n/a
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Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Division 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 & 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 over \$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 & debt guarantee fees (where the business benefits from councils borrowing position by comparison with commercial rates).
-

Cowra Shire Council

Special Purpose Financial Statements for the financial year ended 30 June 2012

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 & Costing for Council Businesses - A Guide to Competitive Neutrality".
- The Local Government Code of Accounting Practice and Financial Reporting.
- The NSW Office of Water (Department of Environment, Climate Change and Water) Guidelines - "Best Practice Management of Water and Sewerage".

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 **23/7/2012**.



Cr W.J. West
MAYOR



Cr I.M. Brown
COUNCILLOR



Mr P. Devery
GENERAL MANAGER



Mr G. Apthorpe
RESPONSIBLE ACCOUNTING OFFICER

Cowra Shire Council

Income Statement of Council's Water Supply Business Activity

for the financial year ended 30 June 2012

\$ '000	Actual 2012	Actual 2011	Actual 2010
Income from continuing operations			
Access charges	1,832	1,811	1,637
User charges	2,528	1,903	2,164
Fees	44	-	-
Interest	50	39	33
Grants and contributions provided for non capital purposes	64	838	786
Profit from the sale of assets	12	19	-
Other income	5	-	56
Total income from continuing operations	4,535	4,610	4,676
Expenses from continuing operations			
Employee benefits and on-costs	837	699	2,131
Borrowing costs	181	215	229
Materials and contracts	1,592	2,841	1,280
Depreciation and impairment	1,489	1,456	1,393
Water purchase charges	125	211	203
Loss on sale of assets	-	-	-
Calculated taxation equivalents	14	14	16
Debt guarantee fee (if applicable)	-	3	3
Other expenses	-	-	-
Total expenses from continuing operations	4,238	5,439	5,255
Surplus (deficit) from Continuing Operations before capital amounts	297	(829)	(579)
Grants and contributions provided for capital purposes	362	1,203	976
Surplus (deficit) from Continuing Operations after capital amounts	659	374	397
Surplus (deficit) from discontinued operations	-	-	-
Surplus (deficit) from ALL Operations before tax	659	374	397
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(89)	-	-
SURPLUS (DEFICIT) AFTER TAX	570	374	397
plus Opening Retained Profits	17,807	17,416	17,000
plus/less: Prior Period Adjustments	-	-	-
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	14	14	16
- Debt guarantee fees	-	3	3
- Corporate taxation equivalent	89	-	-
less:			
- Tax Equivalent Dividend paid	-	-	-
- Surplus dividend paid	-	-	-
Closing Retained Profits	18,480	17,807	17,416
Return on Capital %	1.0%	-1.4%	-0.8%
Subsidy from Council	1,033	2,887	2,487
Calculation of dividend payable:			
Surplus (deficit) after tax	570	374	397
less: Capital grants and contributions (excluding developer contributions)	(314)	(1,186)	(895)
Surplus for dividend calculation purposes	256	-	-
Potential Dividend calculated from surplus	128	-	-

Cowra Shire Council

Income Statement of Council's Sewerage Business Activity

for the financial year ended 30 June 2012

\$ '000	Actual 2012	Actual 2011	Actual 2010
Income from continuing operations			
Access charges	2,218	2,597	2,514
User charges	532	-	-
Liquid Trade Waste charges	-	-	-
Fees	-	-	-
Interest	47	40	35
Grants and contributions provided for non capital purposes	43	176	42
Profit from the sale of assets	-	-	-
Other income	216	192	142
Total income from continuing operations	3,056	3,005	2,733
Expenses from continuing operations			
Employee benefits and on-costs	367	356	848
Borrowing costs	855	767	85
Materials and contracts	800	1,155	510
Depreciation and impairment	779	602	332
Loss on sale of assets	-	-	-
Calculated taxation equivalents	24	24	24
Debt guarantee fee (if applicable)	-	12	1
Other expenses	-	-	-
Total expenses from continuing operations	2,825	2,916	1,800
Surplus (deficit) from Continuing Operations before capital amounts	231	89	933
Grants and contributions provided for capital purposes	1,354	3,148	1,056
Surplus (deficit) from Continuing Operations after capital amounts	1,585	3,237	1,989
Surplus (deficit) from discontinued operations	-	-	-
Surplus (deficit) from ALL Operations before tax	1,585	3,237	1,989
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(69)	(27)	(280)
SURPLUS (DEFICIT) AFTER TAX	1,516	3,210	1,709
plus Opening Retained Profits	16,910	13,637	11,623
plus/less: Prior Period Adjustments	-	-	-
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	24	24	24
- Debt guarantee fees	-	12	1
- Corporate taxation equivalent	69	27	280
less:			
- Tax Equivalent Dividend paid	-	-	-
- Surplus dividend paid	-	-	-
Closing Retained Profits	18,519	16,910	13,637
Return on Capital %	3.2%	2.4%	3.8%
Subsidy from Council	-	970	345
Calculation of dividend payable:			
Surplus (deficit) after tax	1,516	3,210	1,709
less: Capital grants and contributions (excluding developer contributions)	(1,279)	(3,132)	(962)
Surplus for dividend calculation purposes	237	78	747
Potential Dividend calculated from surplus	118	39	374

Cowra Shire Council

Balance Sheet of Council's Water Supply Business Activity

as at 30 June 2012

\$ '000	Actual 2012	Actual 2011
ASSETS		
Current Assets		
Cash and cash equivalents	1,990	1,902
Investments	-	-
Receivables	1,907	1,337
Inventories	4	4
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	3,901	3,243
Non-Current Assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	49,858	43,620
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	49,858	43,620
TOTAL ASSETS	53,759	46,863
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	37	406
Interest bearing liabilities	95	92
Provisions	64	32
Total Current Liabilities	196	530
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	3,156	3,250
Provisions	87	79
Total Non-Current Liabilities	3,243	3,329
TOTAL LIABILITIES	3,439	3,859
NET ASSETS	50,320	43,004
EQUITY		
Retained earnings	18,466	17,807
Revaluation reserves	31,854	25,197
Council equity interest	50,320	43,004
Minority equity interest	-	-
TOTAL EQUITY	50,320	43,004

Cowra Shire Council

Balance Sheet of Council's Sewerage Business Activity

as at 30 June 2012

\$ '000	Actual 2012	Actual 2011
ASSETS		
Current Assets		
Cash and cash equivalents	7,816	6,690
Investments	-	-
Receivables	1,765	1,776
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	9,581	8,466
Non-Current Assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	33,995	35,041
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	33,995	35,041
TOTAL ASSETS	43,576	43,507
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	21	139
Interest bearing liabilities	3,856	3,843
Provisions	39	19
Total Current Liabilities	3,916	4,001
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	7,347	7,540
Provisions	32	33
Total Non-Current Liabilities	7,379	7,573
TOTAL LIABILITIES	11,295	11,574
NET ASSETS	32,281	31,933
EQUITY		
Retained earnings	18,496	16,910
Revaluation reserves	13,785	15,023
Council equity interest	32,281	31,933
Minority equity interest	-	-
TOTAL EQUITY	32,281	31,933

Cowra Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2012

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
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2	Water Supply Business Best Practice Management disclosure requirements	11
3	Sewerage Business Best Practice Management disclosure requirements	13

Cowra Shire Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2012

Note 1. Significant Accounting Policies

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

For the purposes of these statements, the Council's business activities (reported herein) are not reporting entities.

These special purpose financial statements, unless otherwise stated, have been prepared in accordance with;

- applicable Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board,
- Australian Accounting Interpretations,
- the Local Government Act and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

National Competition Policy

Council has adopted the principle of 'competitive neutrality' to its business activities as part of the national competition policy which is being applied throughout Australia at all levels of government.

The framework for its application is set out in the June 1996 Government Policy statement on the "Application of National Competition Policy to Local Government".

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

The pricing & costing guidelines outline the process for identifying and allocating costs to activities and provide a standard of 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 & 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)

a. Cowra Shire Council Water Supply

Water supply activities servicing the town of Cowra, surrounding villages & rural properties.

Category 2

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

b. Cowra Shire Sewerage Service

Sewerage reticulation & treatment activities servicing the town of Cowra.

Monetary Amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest one thousand dollars, with the exception of some figures disclosed in Note 2 (Water Supply Best Practice Management Disclosures) and Note 3 (Sewerage Best Practice Management Disclosures).

As required by the NSW Office of Water (Department of Environment, Climate Change and Water) some amounts shown in Notes 2 and Note 3 are disclosed in whole dollars.

(i) Taxation Equivalent Charges

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

Cowra Shire Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2012

Note 1. Significant Accounting Policies (continued)

However, where Council is exempt from paying taxes which are generally paid by private sector businesses (such as income tax), equivalent tax payments have been applied to all Council nominated business activities and are reflected in these financial statements.

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

Notional Rate Applied %

Corporate Income Tax Rate – 30%

Land Tax – The first **\$396,000** of combined land values attracts **0%**. From \$396,001 to \$2,421,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,421,000, a premium marginal rate of **2.0%** applies.

Payroll Tax – **5.45%** on the value of taxable salaries and wages in excess of \$678,000.

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

The payment of taxation equivalent charges, referred in the Best Practice Management of Water Supply and Sewerage Guides to as a "Dividend for Taxation equivalent", may be applied for any purpose allowed under the Local Government Act, 1993.

Achievement of substantial compliance against the guidelines for Best Practice Management of Water Supply and Sewerage 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.

Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be

taken into account of 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 positive gain/(loss) from ordinary activities before capital amounts has been achieved.

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

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

Local Government Rates & Charges

A calculation of the equivalent rates and charges payable on all Category 1 businesses has been applied to all land assets owned or exclusively used by the business activity.

Loan & Debt Guarantee Fees

The debt guarantee fee is designed to ensure that council business activities face "true" commercial borrowing costs in line with private sector competitors.

In order to calculate a debt guarantee fee, council has determined what the differential borrowing rate would have been between the commercial rate and the council's borrowing rate for its business activities.

(ii) Subsidies

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

Cowra Shire Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2012

Note 1. Significant Accounting Policies (continued)

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

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 the council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of Business Activities.

(iii) Return on Investments (Rate of Return)

The Policy statement requires that councils with Category 1 businesses "would be expected to generate a return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field".

Such funds are subsequently available for meeting commitments or financing future investment strategies.

The Rate of Return on Capital is calculated as follows:

Operating Result before Capital Income + Interest Expense

Written Down Value of I,PP&E as at 30 June

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 3.03% at 30/6/12.

The actual rate of return achieved by each business activity is disclosed at the foot of each respective Income Statement.

(iv) Dividends

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

Local Government Water Supply and Sewerage Businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

The dividend, calculated and approved in accordance with the Best Practice Management Guidelines, must not exceed either **(i)** 50% of this surplus in any one year, or **(ii)** the number of water supply or sewerage assessments at 30 June 2012 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

Cowra Shire Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2012

Note 2. Water Supply Business Best Practice Management disclosure requirements

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)

2012

1. Calculation and Payment of Tax-Equivalents

[All Local Government Local Water Utilities must pay this dividend for tax-equivalents]

(i)	Calculated Tax Equivalents	14,000
(ii)	No of assessments multiplied by \$3/assessment	16,635
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	14,000
(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]	127,950												
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	152,350												
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2012, less the cumulative dividends paid for the 2 years to 30 June 2011 & 30 June 2010	(1,054,100)												
<table border="1"> <tr> <td>2012 Surplus</td> <td>255,900</td> <td>2011 Surplus</td> <td>(812,000)</td> <td>2010 Surplus</td> <td>(498,000)</td> </tr> <tr> <td></td> <td></td> <td>2011 Dividend</td> <td>-</td> <td>2010 Dividend</td> <td>-</td> </tr> </table>			2012 Surplus	255,900	2011 Surplus	(812,000)	2010 Surplus	(498,000)			2011 Dividend	-	2010 Dividend	-
2012 Surplus	255,900	2011 Surplus	(812,000)	2010 Surplus	(498,000)									
		2011 Dividend	-	2010 Dividend	-									
(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	n/a												
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]													

3. Required outcomes for 6 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)	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 [Item 2(b) in Table 1]	YES
	- DSP with Commercial Developer Charges [Item 2(e) in Table 1]	YES
	- If Dual Water Supplies, Complying Charges [Item 2(g) in Table 1]	YES
(iii)	Sound Water Conservation and Demand Management implemented	YES
(iv)	Sound Drought Management implemented	YES
(v)	Complete Performance Reporting Form (by 15 September each year)	YES
(vi)	a. Integrated Water Cycle Management Evaluation	NO
	b. Complete and implement Integrated Water Cycle Management Strategy	NO

Cowra Shire Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2012Note 2. Water Supply Business
Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2012

National Water Initiative (NWI) Financial Performance Indicators

NWI F1	Total Revenue (Water) Total Income (w13) - Grants for the Acquisition of Assets (w11a) - Interest Income (w9)	\$'000	5,296
NWI F4	Revenue from Residential Usage Charges (Water) Income from Residential Usage Charges (w6b) x 100 divided by the sum of [Income from Residential Usage Charges (w6a) + Income from Residential Access Charges (w6b)]	%	53.63%
NWI F9	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	49,644
NWI F11	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	3,312
NWI F14	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	999
NWI F17	Economic Real Rate of Return (Water) [Total Income (w13) - Interest Income (w9) - Grants for acquisition of assets (w11a) - Operating Costs (NWI F11) - Current Cost Depreciation (w3)] x 100 divided by [Written Down Current Cost of System Assets (w47) + Plant & Equipment (w33b)]	%	0.99%
NWI F26	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000	314

- Notes:
- References to w (eg. w12) refer to item numbers within Special Schedules No. 3 & 4 of Council's Annual Financial Statements.
 - The NWI Performance Indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators & Definitions.

Cowra Shire Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2012

Note 3. Sewerage Business Best Practice Management disclosure requirements

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)

2012

1. Calculation and Payment of Tax-Equivalents

[All Local Government Local Water Utilities must pay this dividend for tax-equivalents]

(i) Calculated Tax Equivalents	24,000
(ii) No of assessments multiplied by \$3/assessment	11,187
(iii) Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	11,187
(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]	118,350
(ii) No. of assessments x (\$30 less tax equivalent charges per assessment)	100,683
(iii) Cumulative surplus before dividends for the 3 years to 30 June 2012, less the cumulative dividends paid for the 2 years to 30 June 2011 & 30 June 2010	1,062,100

2012 Surplus	236,700	2011 Surplus	78,300	2010 Surplus	747,100
		2011 Dividend	-	2010 Dividend	-

(iv) Maximum dividend from surplus [least of (i), (ii) and (iii) above]	100,683
(v) Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]	

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]	YES
DSP with Commercial Developer Charges [Item 2(e) in Table 1]	YES
Liquid Trade Waste Approvals & Policy [Item 2(f) in Table 1]	YES
(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

Cowra Shire Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2012Note 3. Sewerage Business
Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2012

National Water Initiative (NWI) Financial Performance Indicators

NWI F2	Total Revenue (Sewerage) Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10)	\$'000	3,021
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	33,980
NWI F12	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	1,156
NWI F15	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	971
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 (ie. WDCC) of System Assets (s48) + Plant & Equipment (s34b)]	%	3.19%
NWI F27	Capital Works Grants (Sewerage) Grants for the Acquisition of Assets (12a)	\$'000	1,340

**National Water Initiative (NWI) Financial Performance Indicators
Water & Sewer (combined)**

NWI F3	Total Income (Water & 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	8,329
NWI F8	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	1.28%
NWI F16	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	1,970
NWI F19	Economic Real Rate of Return (Water & 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 & equipment (w33b + s34b)]	%	1.89%
NWI F20	Dividend (Water & Sewerage) Dividend paid from surplus (2(v) of Note 2 + 2(v) of Note 3)	\$'000	-
NWI F21	Dividend Payout Ratio (Water & Sewerage) Dividend (NWI F20) x 100 divided by Net Profit after tax (NWI F24)	%	0.00%

Cowra Shire Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2012Note 3. Sewerage Business
Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)

2012

National Water Initiative (NWI) Financial Performance Indicators
Water & Sewer (combined)

NWI F22	Net Debt to Equity (Water & Sewerage) Overdraft (w36 + s37) + Borrowings (w38 + s39) - Cash & Investments (w30 + s31) x 100 divided by [Total Assets (w35 + s36) - Total Liabilities (w40 + s41)]	%	5.63%
NWI F23	Interest Cover (Water & Sewerage) Earnings before Interest & Tax (EBIT) divided by Net Interest Earnings before Interest & Tax (EBIT): 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: Interest Expense (w4a + s4a) - Interest Income (w9 + s10)		2
NWI F24	Net Profit After Tax (Water & Sewerage) Surplus before dividends (w15a + s16a) - Tax equivalents paid (Note 2-1(iv) + Note 3-1(iv))	\$'000	590
NWI F25	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	107

- Notes:
- References to w (eg. s12) refer to item numbers within Special Schedules No. 5 & 6 of Council's Annual Financial Statements.
 - The NWI Performance Indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators & Definitions.

INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL ON THE SPECIAL PURPOSE FINANCIAL STATEMENTS OF COWRA SHIRE COUNCIL

Report on the Financial Statements

We have audited the special purpose financial statements of Cowra Shire Council for the year ended 30 June 2012, comprising the Statement by Council, Income Statement by Business Activities, Balance Sheet by Business Activities, and accompanying Notes to the Financial Statements. Our audit responsibility does not extend to the best practice management disclosures in Notes 2 and 3 and accordingly we express no opinion on them.

Councils' Responsibility for the Financial Statements

The Council are responsible for the preparation and fair presentation of the financial statements and have determined that the accounting policies described in Note 1 to the financial statements are appropriate to meet the financial reporting requirements of the Council and the Division of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting. The Council's responsibility also includes establishing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Independence

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

Matters Relating to the Electronic Presentation of the Audited Financial Statements

This auditor's report relates to the special purpose financial statements of Cowra Shire Council for the year ended 30 June 2012 included on Council's web site. Council is responsible for the integrity of their web site. We have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.

Audit Opinion

In our opinion, the special purpose financial statements of Cowra Shire Council are presented fairly in accordance with the requirements of those applicable accounting policies detailed in Note 1, the accounting requirements of the Local Government Act 1993 and the Local Government Code of Accounting Practice and Financial Reporting.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describes the basis of accounting. The special purpose financial statements have been prepared for distribution to the Council and the Division of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting. As a result, the financial statements may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report or on the financial statements to which it relates to any person other than the Council or the Division of Local Government or for any purpose other than for which the statements were prepared.



MORSE GROUP

237 Lords Place
Orange
Dated: 29 October 2012



JD O'MALLEY
PARTNER

Cowra Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2012

*“A leading, innovative and creative
community, proud of our place in history,
offering opportunity with the best of country living”*



Cowra Shire Council

Special Schedules

for the financial year ended 30 June 2012

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¹ Special Purpose Schedules are not audited.

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,
 - the Department of Environment, Climate Change and Water, and
 - the Division of Local Government (DLG).
- (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.

Cowra Shire Council

Special Schedule No. 1 - Net Cost of Services
 for the financial year ended 30 June 2012

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Governance	691	-	-	(691)
Administration	4,075	497	-	(3,578)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	495	57	170	(268)
Beach Control	-	-	-	-
Enforcement of Local Govt. Regulations	-	-	-	-
Animal Control	177	78	-	(99)
Other	-	-	-	-
Total Public Order & Safety	672	135	170	(367)
Health	-	8	-	8
Environment				
Noxious Plants and Insect/Vermin Control	261	56	-	(205)
Other Environmental Protection	126	43	545	462
Solid Waste Management	2,656	2,546	-	(110)
Street Cleaning	58	20	27	(11)
Drainage	-	-	-	-
Stormwater Management	-	-	-	-
Total Environment	3,101	2,665	572	136
Community Services and Education				
Administration & Education	82	45	-	(37)
Social Protection (Welfare)	-	-	-	-
Aged Persons and Disabled	-	-	-	-
Children's Services	-	-	-	-
Total Community Services & Education	82	45	-	(37)
Housing and Community Amenities				
Public Cemeteries	190	220	-	30
Public Conveniences	106	-	-	(106)
Street Lighting	199	65	-	(134)
Town Planning	1,021	250	70	(701)
Other Community Amenities	-	-	-	-
Total Housing and Community Amenities	1,516	535	70	(911)
Water Supplies	4,249	4,533	362	646
Sewerage Services	2,680	2,827	1,414	1,561

Cowra Shire Council

Special Schedule No. 1 - Net Cost of Services (continued)
 for the financial year ended 30 June 2012

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Recreation and Culture				
Public Libraries	776	51	-	(725)
Museums	213	44	-	(169)
Art Galleries	-	-	-	-
Community Centres and Halls	-	-	-	-
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	114	39	297	222
Sporting Grounds and Venues	175	-	3	(172)
Swimming Pools	335	142	-	(193)
Parks & Gardens (Lakes)	1,111	28	-	(1,083)
Other Sport and Recreation	23	18	-	(5)
Total Recreation and Culture	2,747	322	300	(2,125)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	7	1	-	(6)
Other Mining, Manufacturing & Construction	40	-	-	(40)
Total Mining, Manufacturing and Const.	47	1	-	(46)
Transport and Communication				
Urban Roads (UR) - Local	5,902	-	9	(5,893)
Urban Roads - Regional	373	344	5	(24)
Sealed Rural Roads (SRR) - Local	2,398	4,045	-	1,647
Sealed Rural Roads (SRR) - Regional	990	-	-	(990)
Unsealed Rural Roads (URR) - Local	-	-	-	-
Unsealed Rural Roads (URR) - Regional	-	-	-	-
Bridges on UR - Local	-	-	-	-
Bridges on SRR - Local	-	-	-	-
Bridges on URR - Local	-	-	-	-
Bridges on Regional Roads	-	-	-	-
Parking Areas	-	-	-	-
Footpaths	-	-	-	-
Aerodromes	121	18	-	(103)
Other Transport & Communication	3	13	-	10
Total Transport and Communication	9,787	4,420	14	(5,353)
Economic Affairs				
Camping Areas & Caravan Parks	9	98	-	89
Other Economic Affairs	800	850	-	50
Total Economic Affairs	809	948	-	139
Totals – Functions	30,456	16,936	2,902	(10,618)
General Purpose Revenues⁽²⁾		11,585		11,585
Share of interests - joint ventures & associates using the equity method	-	-		-
NET OPERATING RESULT ⁽¹⁾	30,456	28,521	2,902	967

(1) As reported in the Income Statement | (2) Includes: Rates & Annual Charges (incl. Ex Gratia, excl. Water & Sewer), Non Capital General Purpose Grants & Interest on Investments (excl. Ext. Restricted Assets)

Cowra Shire Council

Special Schedule No. 2(a) - Statement of Long Term Debt (all purpose)
for the financial year ended 30 June 2012

\$'000

Classification of Debt	Principal outstanding at beginning of the year			New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the year		
	Current	Non Current	Total		From Revenue	Sinking Funds			Current	Non Current	Total
Loans (by Source)											
Commonwealth Government	-	-	-	-	-	-	-	-	-	-	-
Treasury Corporation	-	-	-	-	-	-	-	-	-	-	-
Other State Government	-	-	-	-	-	-	-	-	-	-	-
Public Subscription	-	-	-	-	-	-	-	-	-	-	-
Financial Institutions	4,369	16,537	20,906	-	732	-	-	1,508	4,426	15,748	20,174
Other	-	-	-	-	-	-	-	-	-	-	-
Total Loans	4,369	16,537	20,906	-	732	-	-	1,508	4,426	15,748	20,174
Other Long Term Debt											
Ratepayers Advances	-	-	-	-	-	-	-	-	-	-	-
Government Advances	-	-	-	-	-	-	-	-	-	-	-
Finance Leases	-	-	-	-	-	-	-	-	-	-	-
Deferred Payments	-	-	-	-	-	-	-	-	-	-	-
Total Long Term Debt	-	-	-	-	-	-	-	-	-	-	-
Total Debt	4,369	16,537	20,906	-	732	-	-	1,508	4,426	15,748	20,174

Notes: Excludes (i) Internal Loans & (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).

Cowra Shire Council

Special Schedule No. 2(b) - Statement of Internal Loans [Section 410(3) LGA 1993]
for the financial year ended 30 June 2012

\$'000

Summary of Internal Loans

Borrower (by purpose)	Amount originally raised	Total repaid during the year (Principal & Interest)	Principal Outstanding at end of year
General	-	-	-
Water	-	-	-
Sewer	-	-	-
Domestic Waste Management	580	49	268
Gas	-	-	-
Other	-	-	-
Totals	580	49	268

Note: The summary of Internal Loans (above) represents the total of Council's Internal Loans categorised according to the borrower.

Details of Individual Internal Loans

Borrower (by purpose)	Lender (by purpose)	Date of Minister's Approval	Date Raised	Term (years)	Dates of Maturity	Rate of Interest	Amount Originally raised	Total repaid during year (Princ. & Int.)	Principal Outstanding at end of year
Waste Fund	General Fund	31/12/97	31/12/97	20	31/12/17	8.00%	500	45	221
Waste Fund	General Fund	30/06/00	30/06/00	20	30/06/20	8.00%	80	4	47
Totals							580	49	268

Cowra Shire Council

Special Schedule No. 3 - Water Supply Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2012

\$'000	Actuals 2012	Actuals 2011
A Expenses and Income Expenses		
1. Management expenses		
a. Administration	121	283
b. Engineering and Supervision	221	62
2. Operation and Maintenance expenses		
- Dams & Weirs		
a. Operation expenses	-	-
b. Maintenance expenses	-	-
- Mains		
c. Operation expenses	-	-
d. Maintenance expenses	545	628
- Reservoirs		
e. Operation expenses	-	82
f. Maintenance expenses	65	46
- Pumping Stations		
g. Operation expenses (excluding energy costs)	38	43
h. Energy costs	361	209
i. Maintenance expenses	-	-
- Treatment		
j. Operation expenses (excluding chemical costs)	334	376
k. Chemical costs	286	261
l. Maintenance expenses	112	76
- Other		
m. Operation expenses	1,081	1,306
n. Maintenance expenses	-	-
o. Purchase of water	148	211
3. Depreciation expenses		
a. System assets	1,489	1,456
b. Plant and equipment	-	-
4. Miscellaneous expenses		
a. Interest expenses	212	215
b. Revaluation Decrements	-	-
c. Other expenses	-	168
d. Tax Equivalent Dividends (actually paid)	-	-
5. Total expenses	5,013	5,422

Cowra Shire Council

Special Schedule No. 3 - Water Supply Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2012

\$'000	Actuals 2012	Actuals 2011
Income		
6. Residential charges		
a. Access (including rates)	1,329	1,330
b. Usage charges	1,537	1,038
7. Non-residential charges		
a. Access (including rates)	494	482
b. Usage charges	991	798
8. Extra charges	-	-
9. Interest income	50	39
10. Other income	833	815
11. Grants		
a. Grants for acquisition of assets	314	1,041
b. Grants for pensioner rebates	64	64
c. Other grants	-	25
12. Contributions		
a. Developer charges	48	1
b. Developer provided assets	-	-
c. Other contributions	-	161
13. Total income	5,660	5,794
14. Gain (or loss) on disposal of assets	12	19
15. Operating Result	659	391
15a. Operating Result (less grants for acquisition of assets)	345	(650)

Cowra Shire Council

Special Schedule No. 3 - Water Supply Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2012

\$'000	Actuals 2012	Actuals 2011
B Capital transactions		
Non-operating expenditures		
16. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	712	1,489
b. New Assets for Growth	-	
c. Renewals	287	339
d. Plant and equipment	-	-
17. Repayment of debt		
a. Loans	61	57
b. Advances	-	-
c. Finance leases	-	-
18. Transfer to sinking fund	-	-
19. Totals	1,060	1,885
Non-operating funds employed		
20. Proceeds from disposal of assets	-	-
21. Borrowing utilised		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
22. Transfer from sinking fund	-	-
23. Totals	-	-
C Rates and charges		
24. Number of assessments		
a. Residential (occupied)	5,034	5,034
b. Residential (unoccupied, ie. vacant lot)	-	-
c. Non-residential (occupied)	511	511
d. Non-residential (unoccupied, ie. vacant lot)	-	-
25. Number of ETs for which developer charges were received	14 ET	- ET
26. Total amount of pensioner rebates (actual dollars)	\$ 115,824	\$ 116,000

Cowra Shire Council

Special Schedule No. 3 - Water Supply Cross Subsidies

for the financial year ended 30 June 2012

\$'000	Yes	No	Amount
D Best practice annual charges and developer charges*			
27. Annual charges			
a. Does Council have best-practice water supply annual charges and usage charges*?	<input type="checkbox"/>	<input type="checkbox"/>	
If Yes, go to 28a.			
If No, please report if council has removed land value from access charges (ie rates)?			
<p>NB. Such charges for both residential customers and non-residential customers comply with section 3.2 of Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.</p>			
b. Cross-subsidy from residential customers using less than allowance (page 25 of Guidelines)			<input type="text"/>
c. Cross-subsidy to non-residential customers (page 24 of Guidelines)			<input type="text"/>
d. Cross-subsidy to large connections in unmetered supplies (page 26 of Guidelines)			<input type="text"/>
28. Developer charges			
a. Has council completed a water supply Development Servicing** Plan?	<input type="checkbox"/>	<input type="checkbox"/>	
b. Total cross-subsidy in water supply developer charges for 2011/12 (page 47 of Guidelines)			<input type="text"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
29. Disclosure of cross-subsidies			
Total of cross-subsidies (27b +27c + 27d + 28b)			<input type="text" value="-"/>

* Councils which have not yet implemented best practice water supply pricing should disclose cross-subsidies in items 27b, 27c and 27d above.

However, disclosure of cross-subsidies is **not** required where a Council has implemented best practice pricing and is phasing in such pricing over a period of 3 years.

Cowra Shire Council

Special Schedule No. 4 - Water Supply Balance Sheet

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2012

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
30. Cash and investments			
a. Developer charges	515	-	515
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	-	-	-
e. Sinking fund	-	-	-
f. Other	1,475	-	1,475
31. Receivables			
a. Specific purpose grants	62	-	62
b. Rates and Availability Charges	475	-	475
c. Other (including User Charges)	1,370	-	1,370
32. Inventories	4	-	4
33. Property, plant and equipment			
a. System assets	-	49,644	49,644
b. Plant and equipment	-	214	214
34. Other assets	-	-	-
35. Total assets	3,901	49,858	53,759
LIABILITIES			
36. Bank overdraft	-	-	-
37. Creditors	37	-	37
38. Borrowings			
a. Loans	65	3,185	3,250
b. Advances	-	-	-
c. Finance leases	-	-	-
39. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	65	87	152
40. Total liabilities	167	3,272	3,439
41. NET ASSETS COMMITTED	3,734	46,586	50,320
EQUITY			
42. Accumulated surplus			18,466
43. Asset revaluation reserve			31,854
44. TOTAL EQUITY			50,320
Note to system assets:			
45. Current replacement cost of system assets			115,051
46. Accumulated current cost depreciation of system assets			(65,407)
47. Written down current cost of system assets			49,644

Cowra Shire Council

Special Schedule No. 5 - Sewerage Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2012

\$'000	Actuals 2012	Actuals 2011
A Expenses and Income Expenses		
1. Management expenses		
a. Administration	210	235
b. Engineering and Supervision	112	120
2. Operation and Maintenance expenses		
- Mains		
a. Operation expenses	46	-
b. Maintenance expenses	191	285
- Pumping Stations		
c. Operation expenses (excluding energy costs)	33	26
d. Energy costs	25	20
e. Maintenance expenses	30	35
- Treatment		
f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	141	96
g. Chemical costs	61	-
h. Energy costs	106	18
i. Effluent Management	89	-
j. Biosolids Management	-	-
k. Maintenance expenses	61	49
- Other		
l. Operation expenses	6	627
m. Maintenance expenses	45	-
3. Depreciation expenses		
a. System assets	779	594
b. Plant and equipment	-	8
4. Miscellaneous expenses		
a. Interest expenses	855	767
b. Revaluation Decrements	-	-
c. Other expenses	-	-
d. Tax Equivalents Dividends (actually paid)	-	-
5. Total expenses	2,790	2,880

Cowra Shire Council

Special Schedule No. 5 - Sewerage Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2012

\$'000	Actuals 2012	Actuals 2011
Income		
6. Residential charges (including rates)	2,182	2,093
7. Non-residential charges		
a. Access (including rates)	532	504
b. Usage charges	-	-
8. Trade Waste Charges		
a. Annual Fees	1	-
b. Usage charges	-	-
c. Excess mass charges	-	-
d. Re-inspection fees	-	-
9. Extra charges	33	27
10. Interest income	14	13
11. Other income	155	162
12. Grants		
a. Grants for acquisition of assets	1,340	2,944
b. Grants for pensioner rebates	43	42
c. Other grants	-	164
13. Contributions		
a. Developer charges	71	204
b. Developer provided assets	-	-
c. Other contributions	4	-
14. Total income	<u>4,375</u>	<u>6,153</u>
15. Gain (or loss) on disposal of assets	-	-
16. Operating Result	<u>1,585</u>	<u>3,273</u>
16a. Operating Result (less grants for acquisition of assets)	245	329

Cowra Shire Council

Special Schedule No. 5 - Sewerage Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2012

\$'000	Actuals 2012	Actuals 2011
B Capital transactions		
Non-operating expenditures		
17. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	-	-
b. New Assets for Growth	971	8,149
c. Renewals	-	-
d. Plant and equipment	-	-
18. Repayment of debt		
a. Loans	195	123
b. Advances	-	-
c. Finance leases	-	-
19. Transfer to sinking fund	-	-
20. Totals	<u>1,166</u>	<u>8,272</u>
Non-operating funds employed		
21. Proceeds from disposal of assets	-	-
22. Borrowing utilised		
a. Loans	-	6,753
b. Advances	-	-
c. Finance leases	-	-
23. Transfer from sinking fund	-	-
24. Totals	<u>-</u>	<u>6,753</u>
C Rates and charges		
25. Number of assessments		
a. Residential (occupied)	3,272	3,272
b. Residential (unoccupied, ie. vacant lot)	-	-
c. Non-residential (occupied)	457	457
d. Non-residential (unoccupied, ie. vacant lot)	-	-
26. Number of ETs for which developer charges were received	14 ET	- ET
27. Total amount of pensioner rebates (actual dollars)	\$ 78,536	\$ 77,000

Cowra Shire Council

Special Schedule No. 5 - Sewerage Cross Subsidies

for the financial year ended 30 June 2012

\$'000	Yes	No	Amount
D Best practice annual charges and developer charges*			
28. Annual charges			
a. Does Council have best-practice sewerage annual charges, usage charges and trade waste fees & charges*?	<input type="checkbox"/>	<input type="checkbox"/> No	
If Yes, go to 29a. If No, please report if council has removed land value from access charges (ie rates)?	<input type="checkbox"/> Yes	<input type="checkbox"/>	
NB. Such charges for both residential customers and non-residential customers comply with section 4.2 & 4.3 of the Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.			
b. Cross-subsidy to non-residential customers (page 45 of Guidelines)			<input type="text"/>
c. Cross-subsidy to trade waste discharges (page 46 of Guidelines)			<input type="text"/>
29. Developer charges			
a. Has council completed a sewerage Development Servicing** Plan?	<input type="checkbox"/> Yes	<input type="checkbox"/>	
b. Total cross-subsidy in sewerage developer charges for 2011/12 (page 47 of Guidelines)			<input type="text"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
30. Disclosure of cross-subsidies			
Total of cross-subsidies (28b + 28c + 29b)			<input type="text"/> -

* Councils which have not yet implemented best practice sewer pricing & liquid waste pricing should disclose cross-subsidies in items 28b and 28c above.

However, disclosure of cross-subsidies is **not** required where a Council has implemented best practice sewerage and liquid waste pricing and is phasing in such pricing over a period of 3 years.

Cowra Shire Council

Special Schedule No. 6 - Sewerage Balance Sheet

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2012

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
31. Cash and investments			
a. Developer charges	531	-	531
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	-	-	-
e. Sinking fund	-	-	-
f. Other	7,285	-	7,285
32. Receivables			
a. Specific purpose grants	1,409	-	1,409
b. Rates and Availability Charges	356	-	356
c. Other (including User Charges)	-	-	-
33. Inventories	-	-	-
34. Property, plant and equipment			
a. System assets	-	33,980	33,980
b. Plant and equipment	-	15	15
35. Other assets	-	-	-
36. Total Assets	9,581	33,995	43,576
LIABILITIES			
37. Bank overdraft	-	-	-
38. Creditors	21	-	21
39. Borrowings			
a. Loans	3,856	7,347	11,203
b. Advances	-	-	-
c. Finance leases	-	-	-
40. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	39	32	71
41. Total Liabilities	3,916	7,379	11,295
42. NET ASSETS COMMITTED	5,665	26,616	32,281
EQUITY			
42. Accumulated surplus			18,496
44. Asset revaluation reserve			13,785
45. TOTAL EQUITY			32,281
Note to system assets:			
46. Current replacement cost of system assets			47,379
47. Accumulated current cost depreciation of system assets			(13,399)
48. Written down current cost of system assets			33,980

Cowra Shire Council

Notes to Special Schedule No.'s 3 & 5

for the financial year ended 30 June 2012

Administration ⁽¹⁾

(item 1a of Special Schedules 3 and 5) comprises the following:

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

Engineering and supervision ⁽¹⁾

(item 1b of Special Schedules 3 and 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 Schedules 3 and 5) comprise the day to day operational expenses excluding maintenance expenses.

Maintenance expenses (item 2 of Special Schedules 3 and 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 Schedules 3 and 5) includes all expenses not recorded elsewhere.

Revaluation decrements (item 4b of Special Schedules 3 and 5) is to be used when I,PP&E decreases in FV.

Residential charges ⁽²⁾ (items 6a, 6b and item 6 of Special Schedules 3 and 5 respectively) 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 ⁽²⁾ (items 7a, 7b of Special Schedules 3 and 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 (items 10 and 11 of Special Schedules 3 and 5 respectively) include all income not recorded elsewhere.

Other contributions (items 12c and 13c of Special Schedules 3 and 5 respectively) incl. capital contributions for water supply or sewerage services received by Council under Section 565 of the Local Government Act.

Notes:

⁽¹⁾ Administration and engineering costs for the development of capital works projects should be reported as part of the capital cost of the project and not as part of the recurrent expenditure (ie. in item 16 for water supply and item 17 for sewerage, and **not** in items 1a and 1b).

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

Cowra Shire Council

Special Schedule No. 8 - Financial Projections

as at 30 June 2012

\$'000	Actual ¹⁾ 11/12	Forecast 12/13	Forecast 13/14	Forecast ⁽³⁾ 14/15	Forecast ⁽³⁾ 15/16
(i) OPERATING BUDGET					
Income from continuing operations	31,423	34,586	28,340	29,103	29,891
Expenses from continuing operations	30,456	29,942	29,509	30,173	30,890
Operating Result from Continuing Operations	967	4,644	(1,169)	(1,070)	(999)
(ii) CAPITAL BUDGET					
New Capital Works ⁽²⁾	2,206	2,917	1,000	-	-
Replacement/Refurbishment of Existing Assets	2,599	5,272	2,631	2,668	2,738
Total Capital Budget	4,805	8,189	3,631	2,668	2,738
Funded by:					
– Loans	1,658	2,842	1,000	-	-
– Asset sales	-	-	-	-	-
– Reserves	931	1,289	600	600	600
– Grants/Contributions	1,800	2,585	798	798	830
– Recurrent revenue	416	1,473	1,233	1,270	1,308
– Other	-	-	-	-	-
	4,805	8,189	3,631	2,668	2,738

Notes:

(1) From 11/12 Income Statement.

(2) New Capital Works are major non-recurrent projects, eg new Leisure Centre, new Library, new Swimming pool etc.

(3) If Council has only adopted 3 years of projections then only show 3 years.

(4) Financial Projections should be in accordance with Council's Integrated Planning & Reporting framework.