

Cowra Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2014

*“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 2014

Contents	Page
1. Statement by Councillors & Management	2
2. Primary Financial Statements:	
- Income Statement	3
- Statement of Comprehensive Income	4
- Statement of Financial Position	5
- Statement of Changes in Equity	6
- Statement of Cash Flows	7
3. Notes to the Financial Statements	8
4. Independent Auditor's Reports:	
- On the Financial Statements (Sect 417 [2])	79
- On the Conduct of the Audit (Sect 417 [3])	81

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 detailed in Paragraph 8 of the LGA and includes giving Council;

- the ability to provide goods, services & facilities, and to carry out activities appropriate to the current & future needs of the local community and of the wider public,
- the responsibility for administering regulatory requirements under the LGA and
- a role in the management, improvement and development of the resources in the 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 20 October 2014. Council has the power to amend and reissue these financial statements.

Cowra Shire Council

General Purpose Financial Statements for the financial year ended 30 June 2014

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:

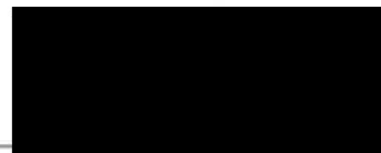
- present fairly the Council's operating result and financial position for the year, and
- accords with Council's accounting and other records.

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 28 July 2014.



Cr W. West
MAYOR



Cr B.E. Miller
COUNCILLOR



Mr P. Devery
GENERAL MANAGER



Mr G. Apthorpe
RESPONSIBLE ACCOUNTING OFFICER

Cowra Shire Council

Income Statement

for the financial year ended 30 June 2014

Budget ¹ 2014	\$ '000	Notes	Actual 2014	Actual 2013
Income from Continuing Operations				
<i>Revenue:</i>				
10,692	Rates & Annual Charges	3a	10,231	9,920
11,264	User Charges & Fees	3b	10,913	12,382
742	Interest & Investment Revenue	3c	876	836
704	Other Revenues	3d	984	730
6,434	Grants & Contributions provided for Operating Purposes	3e,f	4,624 ²	5,610
1,018	Grants & Contributions provided for Capital Purposes	3e,f	712	1,390
<i>Other Income:</i>				
-	Net gains from the disposal of assets	5	229	171
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	-	-
30,854	Total Income from Continuing Operations		28,569	31,039
Expenses from Continuing Operations				
11,104	Employee Benefits & On-Costs	4a	11,365	11,620
1,312	Borrowing Costs	4b	1,291	1,437
7,910	Materials & Contracts	4c	7,153	8,033
7,690	Depreciation & Amortisation	4d	7,076	7,358
-	Impairment	4d	-	-
2,836	Other Expenses	4e	2,965	2,877
30,852	Total Expenses from Continuing Operations		29,850	31,325
2	Operating Result from Continuing Operations		(1,281)	(286)
Discontinued Operations				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
2	Net Operating Result for the Year		(1,281)	(286)
2	Net Operating Result attributable to Council		(1,281)	(286)
-	Net Operating Result attributable to Non-controlling Interests		-	-
(1,016)	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		(1,993)	(1,676)

¹ Original Budget as approved by Council - refer Note 16

² Financial Assistance Grants for 13/14 are lower, reflecting a timing difference due to a change in how the grant is paid - refer Note 3 (e)

Cowra Shire Council

Statement of Comprehensive Income
for the financial year ended 30 June 2014

\$ '000	Notes	Actual 2014	Actual 2013
Net Operating Result for the year (as per Income statement)		(1,281)	(286)
Other Comprehensive Income:			
Amounts which will not be reclassified subsequently to the Operating Result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	1,982	7,506
Total Items which will not be reclassified subsequently to the Operating Result		1,982	7,506
Amounts which will be reclassified subsequently to the Operating Result when specific conditions are met			
Nil			
Total Other Comprehensive Income for the year		1,982	7,506
Total Comprehensive Income for the Year		701	7,220
Total Comprehensive Income attributable to Council		701	7,220
Total Comprehensive Income attributable to Non-controlling Interests		-	-

Cowra Shire Council

Statement of Financial Position

as at 30 June 2014

\$ '000	Notes	Actual 2014	Actual 2013
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	14,669	15,025
Investments	6b	2,000	-
Receivables	7	4,030	5,235
Inventories	8	1,213	1,232
Other	8	175	175
Non-current assets classified as "held for sale"	22	-	-
Total Current Assets		22,087	21,667
Non-Current Assets			
Investments	6b	-	-
Receivables	7	-	-
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	602,206	598,355
Investments accounted for using the equity method	19	-	-
Investment Property	14	-	-
Intangible Assets	25	-	-
Total Non-Current Assets		602,206	598,355
TOTAL ASSETS		624,293	620,022
LIABILITIES			
Current Liabilities			
Payables	10	2,180	2,419
Borrowings	10	1,061	1,246
Provisions	10	3,510	3,476
Total Current Liabilities		6,751	7,141
Non-Current Liabilities			
Payables	10	-	-
Borrowings	10	19,281	15,329
Provisions	10	546	538
Total Non-Current Liabilities		19,827	15,867
TOTAL LIABILITIES		26,578	23,008
Net Assets		597,715	597,014
EQUITY			
Retained Earnings	20	172,994	174,275
Revaluation Reserves	20	424,721	422,739
Council Equity Interest		597,715	597,014
Non-controlling Interests		-	-
Total Equity		597,715	597,014

Cowra Shire Council

Statement of Changes in Equity
for the financial year ended 30 June 2014

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non- controlling Interest	Total Equity
2014						
Opening Balance (as per Last Year's Audited Accounts)		174,275	422,739	597,014	-	597,014
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/13)		174,275	422,739	597,014	-	597,014
c. Net Operating Result for the Year		(1,281)	-	(1,281)	-	(1,281)
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsv	20b (ii)	-	1,982	1,982	-	1,982
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	1,982	1,982	-	1,982
Total Comprehensive Income (c&d)		(1,281)	1,982	701	-	701
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		172,994	424,721	597,715	-	597,715

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non- controlling Interest	Total Equity
2013						
Opening Balance (as per Last Year's Audited Accounts)		174,561	415,233	589,794	-	589,794
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/12)		174,561	415,233	589,794	-	589,794
c. Net Operating Result for the Year		(286)	-	(286)	-	(286)
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsv	20b (ii)	-	7,506	7,506	-	7,506
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	7,506	7,506	-	7,506
Total Comprehensive Income (c&d)		(286)	7,506	7,220	-	7,220
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		174,275	422,739	597,014	-	597,014

Cowra Shire Council

Statement of Cash Flows

for the financial year ended 30 June 2014

Budget 2014	\$ '000	Notes	Actual 2014	Actual 2013
Cash Flows from Operating Activities				
Receipts:				
10,692	Rates & Annual Charges		10,559	9,867
11,264	User Charges & Fees		12,050	12,467
742	Investment & Interest Revenue Received		843	813
7,453	Grants & Contributions		5,856	8,521
-	Bonds, Deposits & Retention amounts received		221	20
704	Other		1,995	1,887
Payments:				
(11,104)	Employee Benefits & On-Costs		(11,383)	(11,791)
(7,910)	Materials & Contracts		(8,300)	(8,952)
(1,312)	Borrowing Costs		(1,274)	(1,419)
(2,836)	Other		(4,007)	(3,628)
7,693	Net Cash provided (or used in) Operating Activities	11b	6,560	7,785
Cash Flows from Investing Activities				
Receipts:				
-	Sale of Infrastructure, Property, Plant & Equipment		570	361
33	Deferred Debtors Receipts		33	34
Payments:				
-	Purchase of Investment Securities		(2,000)	-
(7,631)	Purchase of Infrastructure, Property, Plant & Equipment		(9,286)	(6,347)
(7,598)	Net Cash provided (or used in) Investing Activities		(10,683)	(5,952)
Cash Flows from Financing Activities				
Receipts:				
1,000	Proceeds from Borrowings & Advances		5,061	250
Payments:				
(847)	Repayment of Borrowings & Advances		(1,294)	(3,847)
153	Net Cash Flow provided (used in) Financing Activities		3,767	(3,597)
248	Net Increase/(Decrease) in Cash & Cash Equivalents		(356)	(1,764)
16,185	plus: Cash & Cash Equivalents - beginning of year	11a	15,025	16,789
16,433	Cash & Cash Equivalents - end of the year	11a	14,669	15,025
Additional Information:				
	plus: Investments on hand - end of year	6b	2,000	-
	Total Cash, Cash Equivalents & Investments		16,669	15,025

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 2014

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	9
2(a)	Council Functions / Activities - Financial Information	20
2(b)	Council Functions / Activities - Component Descriptions	21
3	Income from Continuing Operations	22
4	Expenses from Continuing Operations	27
5	Gains or Losses from the Disposal of Assets	29
6(a)	Cash & Cash Equivalent Assets	30
6(b)	Investments	30
6(c)	Restricted Cash, Cash Equivalents & Investments - Details	31
7	Receivables	33
8	Inventories & Other Assets	34
9(a)	Infrastructure, Property, Plant & Equipment	36
9(b)	Externally Restricted Infrastructure, Property, Plant & Equipment	37
9(c)	Infrastructure, Property, Plant & Equipment - Current Year Impairments	37 n/a
10(a)	Payables, Borrowings & Provisions	38
10(b)	Description of (and movements in) Provisions	39
11	Statement of Cash Flows - Additional Information	40
12	Commitments for Expenditure	41
13	Statement of Performance Measures:	
	13a (i) Local Government Industry Indicators (Consolidated)	42
	13a (ii) Local Government Industry Graphs (Consolidated)	43
	13b Local Government Industry Indicators (by Fund)	45
14	Investment Properties	46 n/a
15	Financial Risk Management	46
16	Material Budget Variations	50
17	Statement of Developer Contributions	52
18	Contingencies and Other Liabilities/Assets not recognised	54
19	Controlled Entities, Associated Entities & Interests in Joint Ventures	55 n/a
20	Equity - Retained Earnings and Revaluation Reserves	56
21	Financial Result & Financial Position by Fund	57
22	"Held for Sale" Non Current Assets & Disposal Groups	59 n/a
23	Events occurring after the Reporting Date	59 n/a
24	Discontinued Operations	59 n/a
25	Intangible Assets	60 n/a
26	Reinstatement, Rehabilitation & Restoration Liabilities	60
27	Fair Value Measurement	61

Additional Council Disclosures

28	Council Information & Contact Details	78
----	---------------------------------------	----

n/a - not applicable

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

(a) Basis of preparation

(i) Background

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

- Australian Accounting Standards and Australian Accounting 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 AASBs 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 AASBs.

(iii) New and amended standards adopted by Council

During the current year, the following relevant standards became mandatory for Council and have been adopted:

- AASB 13 Fair Value Measurement
- AASB 119 Employee Benefits

AASB 13 Fair Value Measurement has not affected the assets or liabilities which are to be measured at fair value, however it provides detailed guidance on how to measure fair value in accordance with the accounting standards.

It introduces the concept of highest and best use for non-financial assets and has caused the Council to review their valuation methodology.

The level of disclosures regarding fair value have increased significantly and have been included in the financial statements at Note 27.

AASB 119 Employee Benefits introduced revised definitions for short-term employee benefits.

Whilst the Council has reviewed the annual leave liability to determine the level of annual leave which is expected to be paid more than 12 months after the end of the reporting period, there has been no effect on the amounts disclosed as leave liabilities since Council's existing valuation policy was to discount annual leave payable more than 12 months after the end of the reporting period to present values.

(iv) Early adoption of Accounting Standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2013.

(v) Basis of Accounting

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

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

- (i) certain financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets 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 non current assets (eg. Infrastructure, Property, Plant & Equipment and Investment Property) 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 AASBs).

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 Council and that are believed to be reasonable under the circumstances.

(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 it 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.

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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.

Interest and Rents

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

Interest Income from Cash & Investments is accounted for using the effective interest rate at the date that interest is earned.

Dividend Income

Revenue is recognised when the Council's right to receive the payment is established, which is generally when shareholders approve the dividend.

Other Income

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

(c) Principles of Consolidation

These financial statements incorporate **(i)** the assets and liabilities of Council and any entities (or operations) that it **controls** (as at 30 June 2014) and **(ii)** all the related operating results (for the financial year ended the 30th June 2014).

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.

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

Trust monies and property held by Council but not subject to the control of Council, have also been included 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.

(iv) County Councils

Council is not a member of any County Councils.

(d) Leases

All Leases entered into by Council are Operating Leases.

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

For Statement of Cash Flows (and Statement of Financial Position) presentation purposes, cash and cash equivalents includes;

- cash **on hand**,
- deposits held **at call** with financial institutions,
- other short-term, highly liquid investments **with original maturities of three months or less** that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and
- bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the 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 all of its investments as Loans and Receivables.

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.

Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market.

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

Loans and Receivables investments are carried at amortised cost using the effective interest method.

(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.

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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.

Council amended its policy following revisions to the Ministerial Local Government Investment Order arising from the Cole Inquiry recommendations.

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

(h) Inventories

Raw Materials and Stores and Work in Progress

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.

Inventories held in respect of non-business undertakings have been valued at cost subject to adjustment for loss of service potential.

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.

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

Acquisition of assets

Council's non current assets are continually revalued (over a 5 year period) in accordance with the fair valuation policy as mandated by the Office of Local Government.

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

- **Water and Sewerage Networks**
(External Valuation)

Cowra Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

- **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 Assets**
(as approximated by depreciated historical cost)

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 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 combined carrying amounts of asset classes arising on revaluation are credited to the asset revaluation reserve.
- To the extent that a net asset class increase reverses a decrease previously recognised via the profit or loss, then increase is first recognised in profit or loss.
- Net decreases that reverse previous increases of the same asset class 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.

For all other assets, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date.

If any such indication exists, Council determines the asset's fair value and revalues the asset to that amount.

Full revaluations are undertaken for all assets on a 5 year cycle.

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

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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	4 years
- Office furniture	20 years
- Computer Equipment	4 years
- Vehicles	5 to 8 years
- Heavy Plant/Road Making equip.	5 to 8 years
- Other plant and equipment	3 to 15 years

Buildings

50 to 100 years

Stormwater Drainage

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

Transportation Assets

- Sealed Roads : Surface	33 years
- Sealed Roads : Structure	100 years
- Unsealed roads	20 years
- Bridge : Concrete	100 years

Water & Sewer Assets

- Reservoirs	100 years
- Reticulation pipes	75 years
- Other	25 to 50 years
- Pumping stations	50 to 55 years

Other Infrastructure Assets

- Bulk earthworks	Infinite
-------------------	----------

All asset residual values and useful lives are reviewed and adjusted (if appropriate), at each reporting 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.

(j) 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.

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

(k) Land under roads

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

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

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

(l) Intangible Assets

Council has not classified any assets as Intangible.

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

Council has an obligation to restore and remediate its quarries following closure. Provision has been made in accordance with the accounting standards.

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

(n) 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.

Where an asset is not held principally for cash generating purposes (for example Infrastructure Assets) and would be replaced if the Council was deprived of it then depreciated replacement cost is used as value in use, otherwise value in use is estimated by using a discounted cash flow model.

Non-financial assets that suffered a prior period impairment are reviewed for possible reversal of the impairment at each reporting date.

(o) 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.

(p) Borrowing costs

Borrowing costs are expensed.

(q) 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.

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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.

(r) Employee benefits

(i) Short Term Obligations

Short term employee benefit obligations include liabilities for wages and salaries (including non-monetary benefits), annual leave and vesting sick leave expected to be wholly settled within 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 and annual 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 wholly 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 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.

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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.

The Local Government Superannuation Scheme has advised that as at 30 June 2014 a deficit still exists.

Effective from 1 July 2009, employers are required to contribute additional contributions to assist in extinguishing this deficit.

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of Superannuation Expenses at Note 4(a) for the year ending 30 June 2014 was \$ 306,657.

The amount of additional contributions included in the total employer contribution advised above is \$ 123,508.

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.

Council has, however, disclosed a contingent liability in Note 18 to reflect the possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

Defined Contribution Plans

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

(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 30/6/13.

(s) Self insurance

Council does not self insure.

(t) 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.

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.

(u) 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).

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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.

(v) New accounting standards and interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2014.

Council has not adopted any of these standards early.

(w) Rounding of amounts

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

(x) 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.

(y) Disclaimer

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

Notes to the Financial Statements
for the financial year ended 30 June 2014

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
	2014	2014	2013	2014	2014	2013	2014	2014	2013	2014	2013	2014	2013
Governance	-	-	-	345	323	391	(345)	(323)	(391)	-	-	-	138
Administration	315	492	250	5,493	3,307	4,550	(5,178)	(2,815)	(4,300)	11	9	14,967	17,055
Public Order & Safety	688	274	579	690	442	714	(2)	(168)	(135)	172	472	1,836	1,922
Health	9	38	8	2	1	2	7	37	6	-	-	281	-
Environment	3,208	2,865	2,532	2,780	3,464	3,558	428	(599)	(1,026)	209	182	2,515	2,511
Community Services & Education	2	51	86	128	184	258	(126)	(133)	(172)	2	42	743	764
Housing & Community Amenities	449	588	486	833	1,792	1,454	(384)	(1,204)	(968)	66	66	25,732	25,995
Water Supplies	5,428	5,600	5,905	5,200	6,576	5,562	228	(976)	343	148	265	60,601	55,422
Sewerage Services	3,134	3,126	3,090	1,760	2,663	2,682	1,374	463	408	59	94	41,252	40,773
Recreation & Culture	615	449	710	2,323	3,169	3,150	(1,708)	(2,720)	(2,440)	137	436	40,689	40,393
Mining, Manufacturing & Construction	113	158	97	51	119	70	62	39	27	-	-	536	553
Transport & Communication	1,474	2,267	1,179	9,258	4,678	4,880	(7,784)	(2,411)	(3,701)	1,377	651	427,170	426,535
Economic Affairs	4,659	3,903	5,689	1,989	3,132	4,054	2,670	771	1,635	-	-	7,971	7,961
Total Functions & Activities	20,094	19,811	20,611	30,852	29,850	31,325	(10,758)	(10,039)	(10,714)	2,181	2,217	624,293	620,022
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	-	-	-	-	-	-	-	-	-	-	-	-
General Purpose Income ¹	10,760	8,758	10,428	-	-	-	10,760	8,758	10,428	2,203	4,153	-	-
Operating Result from Continuing Operations	30,854	28,569	31,039	30,852	29,850	31,325	2	(1,281)	(286)	4,384	6,370	624,293	620,022

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 2014

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, enforcement of local government regulations, emergency services, other.

HEALTH

Inspection, food control.

ENVIRONMENT

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

COMMUNITY SERVICES & EDUCATION

Youth services, aged and disabled.

HOUSING & COMMUNITY AMENITIES

Housing, town planning, street lighting, public conveniences, other community amenities.

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION & CULTURE

Public libraries, art galleries, community centres, public halls, other cultural services, swimming pools, sporting grounds, parks and gardens.

MINING, MANUFACTURING & CONSTRUCTION

Building control, quarries & pits.

TRANSPORT & COMMUNICATION

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

ECONOMIC AFFAIRS

Caravan parks, tourism and area promotion, industrial development promotion, saleyards, real estate development, other business undertakings.

Cowra Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2014	Actual 2013
(a) Rates & Annual Charges			
Ordinary Rates			
Residential		1,949	1,879
Farmland		2,627	2,545
Mining		79	76
Business		1,143	1,083
Total Ordinary Rates		5,798	5,583
Special Rates			
Nil			
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		1,827	1,756
Water Supply Services		87	164
Sewerage Services		2,311	2,229
Waste Management Services (non-domestic)		208	188
Total Annual Charges		4,433	4,337
TOTAL RATES & ANNUAL CHARGES		10,231	9,920

Council has used 2011 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 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(b) User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Water Supply Services		5,189	5,260
Sewerage Services		640	625
Total User Charges		5,829	5,885
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
Planning & Building Regulation		309	215
Private Works - Section 67		458	537
Total Fees & Charges - Statutory/Regulatory		767	752
(ii) Fees & Charges - Other (incl. General User Charges) (per s.608)			
Aerodrome		20	20
Caravan Park		111	112
Cemeteries		229	199
RMS (formerly RTA) Charges (State Roads not controlled by Council)		2,734	4,367
Saleyards		465	402
Swimming Centres		191	194
Waste Disposal Tipping Fees		369	289
Water Connection Fees		96	50
Other		102	112
Total Fees & Charges - Other		4,317	5,745
TOTAL USER CHARGES & FEES		10,913	12,382

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(c) Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates)		115	136
- Interest earned on Investments (interest & coupon payment income)		596	677
- Interest on Deferred Debtors		141	-
Amortisation of Premiums & Discounts			
- Interest Free (& Interest Reduced) Loans provided		24	23
TOTAL INTEREST & INVESTMENT REVENUE		876	836
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges (General Fund)		115	136
General Council Cash & Investments		642	556
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		20	26
- Section 64		26	29
Water Fund Operations		37	41
Sewerage Fund Operations		22	29
Domestic Waste Management operations		14	19
Total Interest & Investment Revenue Recognised		876	836
(d) Other Revenues			
Rental Income - Other Council Properties		218	192
Fines		76	84
Legal Fees Recovery - Rates & Charges (Extra Charges)		44	22
Cultural and Community Activities		101	72
Diesel Rebate		57	68
Insurance Rebate		68	68
Recycling Income (non domestic)		276	117
Lease Back Contributions		68	69
Other		76	38
TOTAL OTHER REVENUE		984	730

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	2014 Operating	2013 Operating	2014 Capital	2013 Capital
(e) Grants				
General Purpose (Untied)				
Financial Assistance - General Component	1,426	2,768	-	-
Financial Assistance - Local Roads Component	670	1,281	-	-
Pensioners' Rates Subsidies - General Component	107	104	-	-
Total General Purpose	2,203	4,153	-	-
¹ The Financial Assistance Grant for 13/14 reflects a one off reduction due to the fact that this grant is no longer being paid in advance by up to 50% as has occurred in previous years - it does not represent a loss of income but is instead a timing difference.				
Specific Purpose				
Pensioners' Rates Subsidies:				
- Water	65	64	-	-
- Sewerage	43	44	-	-
- Domestic Waste Management	85	85	-	-
Water Supplies	-	-	83	201
Sewerage Services	-	50	16	-
Community Care	2	42	-	-
Employment & Training Programs	11	-	-	-
Environmental Protection	124	97	-	-
Heritage & Cultural	26	6	42	332
Library	61	46	-	-
NSW Rural Fire Services	58	66	114	406
Recreation & Culture	-	-	8	-
Street Lighting	66	66	-	-
Transport (Roads to Recovery)	1,377	336	-	-
Transport (Other Roads & Bridges Funding)	-	-	-	315
Other	-	61	-	-
Total Specific Purpose	1,918	963	263	1,254
Total Grants	4,121	5,116	263	1,254
Grant Revenue is attributable to:				
- Commonwealth Funding	3,473	4,435	-	332
- State Funding	648	673	247	886
- Other Funding	-	8	16	36
	4,121	5,116	263	1,254

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	2014 Operating	2013 Operating	2014 Capital	2013 Capital
(f) Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the LGA):				
S 94 - Contributions towards amenities/services	-	-	52	50
S 94A - Fixed Development Consent Levies	-	-	15	9
S 64 - Water Supply Contributions	-	-	4	55
S 64 - Sewerage Service Contributions	-	-	5	5
Total Developer Contributions	17	-	76	119
Other Contributions:				
Heritage/Cultural	17	15	-	-
Roads & Bridges	-	-	371	-
RMS Contributions (Regional Roads, Block Grant)	486	479	-	-
Sewerage (excl. Section 64 contributions)	-	-	-	17
Other	-	-	2	-
Total Other Contributions	503	494	373	17
Total Contributions	503	494	449	136
TOTAL GRANTS & CONTRIBUTIONS	4,624	5,610	712	1,390

\$ '000	Actual 2014	Actual 2013
---------	----------------	----------------

(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	2,722	1,768
add: Grants & contributions recognised in the current period but not yet spent:	499	1,287
less: Grants & contributions recognised in a previous reporting period now spent:	(515)	(333)
Net Increase (Decrease) in Restricted Assets during the Period	(16)	954
Unexpended and held as Restricted Assets	2,706	2,722
Comprising:		
- Specific Purpose Unexpended Grants	998	1,011
- Developer Contributions	1,708	1,711
	2,706	2,722

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2014	Actual 2013
(a) Employee Benefits & On-Costs			
Salaries and Wages		9,165	8,952
Travelling		78	183
Employee Leave Entitlements (ELE)		1,514	1,546
Superannuation - Defined Contribution Plans		781	761
Superannuation - Defined Benefit Plans		307	318
Workers' Compensation Insurance		181	422
Fringe Benefit Tax (FBT)		48	32
Training Costs (other than Salaries & Wages)		247	120
Total Employee Costs		12,321	12,334
less: Capitalised Costs		(956)	(714)
TOTAL EMPLOYEE COSTS EXPENSED		11,365	11,620
Number of "Equivalent Full Time" Employees at year end		167	162
Number of "Equivalent Full Time" Employees at year end (incl. vacancies)		173	170
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		1,274	1,419
Total Interest Bearing Liability Costs Expensed		1,274	1,419
(ii) Other Borrowing Costs			
Discount adjustments relating to movements in Provisions (other than ELE)			
- Remediation Liabilities	26	17	18
Total Other Borrowing Costs		17	18
TOTAL BORROWING COSTS EXPENSED		1,291	1,437
(c) Materials & Contracts			
Raw Materials & Consumables		5,608	5,344
Contractor & Consultancy Costs		1,189	2,382
Auditors Remuneration ⁽¹⁾		36	33
Legal Expenses:			
- Legal Expenses: Planning & Development		132	60
- Legal Expenses: Other		58	31
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payments ⁽²⁾		130	183
TOTAL MATERIALS & CONTRACTS		7,153	8,033

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(c) Materials & Contracts (continued)			
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		33	24
- Other audit & assurance services		3	9
Remuneration for audit and other assurance services		36	33
Total Auditor Remuneration		36	33
2. Operating Lease Payments are attributable to:			
Computers		130	183
		130	183

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2014	Actual 2013	Actual 2014	Actual 2013
(d) Depreciation, Amortisation & Impairment					
Plant and Equipment		-	-	1,112	1,268
Office Equipment		-	-	4	3
Furniture & Fittings		-	-	35	35
Buildings - Specialised		-	-	478	329
Infrastructure:					
- Roads		-	-	2,281	2,196
- Bridges		-	-	171	171
- Footpaths		-	-	121	121
- Stormwater Drainage		-	-	355	354
- Water Supply Network		-	-	1,545	1,475
- Sewerage Network		-	-	517	499
- Swimming Pools		-	-	46	45
- Other Open Space/Recreational Assets		-	-	146	332
Other Assets					
- Other		-	-	259	525
Asset Reinstatement Costs	9 & 26	-	-	6	5
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		-	-	7,076	7,358

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		117	145
Bad & Doubtful Debts		10	-
Bank Charges		1	1
Contributions/Levies to Other Levels of Government		845	839
Councillor Expenses - Mayoral Fee		23	22
Councillor Expenses - Councillors' Fees		94	86
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		38	37
Electricity & Heating		975	932
Insurance		450	437
Street Lighting		263	240
Telephone & Communications		149	138
<u>TOTAL OTHER EXPENSES</u>		<u>2,965</u>	<u>2,877</u>

Note 5. Gains or Losses from the Disposal of Assets

Property (excl. Investment Property)			
Proceeds from Disposal - Property		110	-
less: Carrying Amount of Property Assets Sold / Written Off		(13)	-
Net Gain/(Loss) on Disposal		<u>97</u>	<u>-</u>
Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		460	361
less: Carrying Amount of P&E Assets Sold / Written Off		(328)	(190)
Net Gain/(Loss) on Disposal		<u>132</u>	<u>171</u>
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>229</u>	<u>171</u>

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 6a. - Cash Assets and Note 6b. - Investments

\$ '000	Notes	2014 Actual Current	2014 Actual Non Current	2013 Actual Current	2013 Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		1,169	-	2,775	-
Cash-Equivalent Assets ¹					
- Short Term Deposits		13,500	-	12,250	-
Total Cash & Cash Equivalents		14,669	-	15,025	-
Investments (Note 6b)					
- Long Term Deposits		2,000	-	-	-
Total Investments		2,000	-	-	-
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		16,669	-	15,025	-

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

Cash, Cash Equivalents & Investments were classified at year end in accordance with AASB 139 as follows:

Cash & Cash Equivalents

a. "At Fair Value through the Profit & Loss"		14,669	-	15,025	-
--	--	--------	---	--------	---

Investments

b. "Loans & Receivables"	6(b-iii)	2,000	-	-	-
Investments		2,000	-	-	-

Note 6(b-i)

Reconciliation of Investments classified as "Held to Maturity"

Additions		2,000	-	-	-
Balance at End of Year		2,000	-	-	-

Comprising:

- Long Term Deposits		2,000	-	-	-
Total		2,000	-	-	-

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of investments held.

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	2014	2014	2013	2013
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investments	16,669	-	15,025	-
attributable to:				
External Restrictions (refer below)	12,485	-	8,894	-
Internal Restrictions (refer below)	3,922	-	4,246	-
Unrestricted	262	-	1,885	-
	16,669	-	15,025	-

2014 \$ '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)	7		(7)	-
Specific Purpose Unexpended Loans-Water (A)	-	722	-	722
External Restrictions - Included in Liabilities	7	722	(7)	722

External Restrictions - Other

Developer Contributions - General (B)	576	102	(125)	553
Developer Contributions - Water Fund (B)	586	2	-	588
Developer Contributions - Sewer Fund (B)	549	18	-	567
Specific Purpose Unexpended Grants (C)	1,011	377	(390)	998
Water Supplies (D)	788	2,260	-	3,048
Sewerage Services (D)	4,840	420	-	5,260
Domestic Waste Management (D)	342	122	-	464
Other	195	90	-	285
External Restrictions - Other	8,887	3,391	(515)	11,763
Total External Restrictions	8,894	4,113	(522)	12,485

- A** Loan moneys which must be applied for the purposes for which the loans were raised.
- B** Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- C** Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1)
- D** 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 2014

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

2014 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Plant & Vehicle Replacement	642	308	(670)	280
Infrastructure Replacement	-	376	(25)	351
Employees Leave Entitlement	12	196	(190)	18
Carry Over Works	838	478	(838)	478
Aerodrome	38	-	-	38
Art Gallery	11	-	-	11
Bad Debts	33	8	(10)	31
Business Assistance	207	-	-	207
Caravan Parks	213	45	(10)	248
Depot Redevelopment	200	-	-	200
Election	6	20	-	26
Environmental Projects	8	-	-	8
Fire Mitigation	10	3	-	13
Futures 30	12	-	(12)	-
Gravel Rehabilitation	312	92	(150)	254
IT Equipment	40	10	-	50
Main St Improvements	216	-	-	216
POW Maintenance	3	-	-	3
Risk Management	127	58	(12)	173
Warranty	166	11	(76)	101
Saleyards	112	9	(20)	101
Waste	802	366	(221)	947
Works	114	-	(82)	32
Workers Compensation	100	-	-	100
Community Strategic Plan	24	12	-	36
Total Internal Restrictions	4,246	1,992	(2,316)	3,922
TOTAL RESTRICTIONS	13,140	6,105	(2,838)	16,407

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 7. Receivables

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		819	-	1,147	-
User Charges & Fees		2,225	-	2,883	-
Accrued Revenues					
- Interest on Investments		47	-	38	-
- Other Income Accruals		20	-	30	-
Government Grants & Subsidies		331	-	744	-
Deferred Debtors		36	-	45	-
Net GST Receivable		565	-	361	-
Total		4,043	-	5,248	-
less: Provision for Impairment					
Rates & Annual Charges		(13)	-	(13)	-
Total Provision for Impairment - Receivables		(13)	-	(13)	-
TOTAL NET RECEIVABLES		4,030	-	5,235	-
Externally Restricted Receivables					
Water Supply					
- Specific Purpose Grants		63	-	63	-
- Rates & Availability Charges		67	-	133	-
- Other		1,489	-	1,873	-
Sewerage Services					
- Specific Purpose Grants		1	-	627	-
- Rates & Availability Charges		279	-	370	-
- Other		122	-	134	-
Domestic Waste Management		278	-	381	-
Total External Restrictions		2,299	-	3,581	-
Internally Restricted Receivables					
Nil					
Unrestricted Receivables		1,731	-	1,654	-
TOTAL NET RECEIVABLES		4,030	-	5,235	-

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 9.00% (2013 10.00%).
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 2014

Note 8. Inventories & Other Assets

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Inventories					
Real Estate for resale (refer below)		195	-	195	-
Stores & Materials		1,018	-	1,037	-
Total Inventories		1,213	-	1,232	-
Other Assets					
Prepayments		1	-	1	-
Shares in Unlisted Companies - StateCover		174	-	174	-
Total Other Assets		175	-	175	-
TOTAL INVENTORIES / OTHER ASSETS		1,388	-	1,407	-
Externally Restricted Assets					
Water					
Stores & Materials		4	-	4	-
Total Water		4	-	4	-
Sewerage					
Nil					
Domestic Waste Management					
Nil					
Other					
Nil					
Total Externally Restricted Assets		4	-	4	-
Total Internally Restricted Assets		-	-	-	-
Total Unrestricted Assets		1,384	-	1,403	-
TOTAL INVENTORIES & OTHER ASSETS		1,388	-	1,407	-

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 8. Inventories & Other Assets (continued)

\$ '000	2014		2013	
	Current	Non Current	Current	Non Current
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	-
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;

	2014	2013
Real Estate for Resale	195	195
	195	195

(c) Inventory Write Downs

There were no amounts recognised as an expense relating to the write down of Inventory balances held during the year.

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

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2013					Asset Movements during the Reporting Period					as at 30/6/2014				
	At	At	Accumulated		Carrying	Asset Additions	WDV of Asset Disposals	Depreciation Expense	Adjustments & Transfers	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	-	21,454	15,857	-	5,597	1,131	(328)	(1,112)	-	-	-	21,440	16,152	-	5,288
Office Equipment	-	520	478	-	42	-	-	(4)	-	-	-	520	482	-	38
Furniture & Fittings	-	714	555	-	159	-	-	(35)	-	-	-	714	590	-	124
Land:															
- Operational Land	-	8,824	-	-	8,824	31	(13)	-	5	-	-	8,847	-	-	8,847
- Community Land	-	25,644	-	-	25,644	-	-	-	(5)	-	-	25,639	-	-	25,639
Buildings - Specialised	-	33,781	11,969	-	21,812	52	-	(478)	-	-	-	33,832	12,446	-	21,386
Infrastructure:															
- Roads	-	143,855	26,503	-	117,352	3,292	-	(2,281)	-	-	-	147,147	28,784	-	118,363
- Bridges	-	17,087	3,539	-	13,548	797	-	(171)	-	-	-	17,884	3,710	-	14,174
- Footpaths	-	8,620	1,410	-	7,210	-	-	(121)	-	-	-	8,620	1,531	-	7,089
- Bulk Earthworks (non-depreciable)	-	280,625	-	-	280,625	-	-	-	-	-	-	280,625	-	-	280,625
- Stormwater Drainage	-	35,539	10,693	-	24,846	86	-	(355)	-	-	-	35,625	11,048	-	24,577
- Water Supply Network	-	117,241	67,646	-	49,595	2,972	-	(1,545)	-	1,202	-	123,145	70,921	-	52,224
- Sewerage Network	-	45,262	13,578	-	31,684	529	-	(517)	-	780	-	46,924	14,448	-	32,476
- Swimming Pools	-	2,319	948	-	1,371	-	-	(46)	-	-	-	2,319	994	-	1,325
- Other Open Space/Recreational Assets	-	4,269	1,772	-	2,497	9	-	(146)	-	-	-	4,278	1,918	-	2,360
Other Assets:															
- Other	-	11,073	3,649	-	7,424	387	-	(259)	-	-	-	11,241	3,689	-	7,552
Reinstatement, Rehabilitation & Restoration Assets (refer Note 26):															
- Quarry Assets	-	174	49	-	125	-	-	(6)	-	-	-	174	55	-	119
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	-	757,001	158,646	-	598,355	9,286	(341)	(7,076)	-	1,982	-	768,974	166,768	-	602,206

Additions to Buildings & Infrastructure Assets are made up of Asset Renewals (\$4,123) and New Assets (\$4,001).
Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of other Infrastructure, Property, Plant & Equipment.

Cowra Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

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

\$ '000 Class of Asset	Actual 2014				Actual 2013			
	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	-	679	428	251	-	626	461	165
Office Equipment	-	3	3	-	-	3	3	-
Land								
- Operational Land	-	927	-	927	-	927	-	927
Buildings	-	2,473	1,255	1,218	-	2,473	1,218	1,255
Infrastructure	-	123,145	70,921	52,224	-	117,241	67,646	49,595
Total Water Supply	-	127,227	72,607	54,620	-	121,270	69,328	51,942
Sewerage Services								
Plant & Equipment	-	44	34	10	-	44	34	10
Land								
- Operational Land	-	2,013	-	2,013	-	2,013	-	2,013
Buildings	-	941	417	524	-	941	403	538
Infrastructure	-	46,924	14,448	32,476	-	45,262	13,578	31,684
Total Sewerage Services	-	49,922	14,899	35,023	-	48,260	14,015	34,245
Domestic Waste Management								
Plant & Equipment	-	2,759	1,681	1,078	-	2,733	1,568	1,165
Land								
- Operational Land	-	312	-	312	-	312	-	312
Buildings	-	866	368	498	-	866	354	512
Other Assets	-	871	288	583	-	966	460	506
Total DWM	-	4,808	2,337	2,471	-	4,877	2,382	2,495
TOTAL RESTRICTED I,PP&E	-	181,957	89,843	92,114	-	174,407	85,725	88,682

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 2014

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		1,092	-	1,543	-
Accrued Expenses:					
- Other Expenditure Accruals		242	-	251	-
Security Bonds, Deposits & Retentions		846	-	625	-
Total Payables		2,180	-	2,419	-
Borrowings					
Loans - Secured ¹		1,061	19,281	1,246	15,329
Total Borrowings		1,061	19,281	1,246	15,329
Provisions					
Employee Benefits;					
Annual Leave		1,367	-	1,250	-
Long Service Leave		2,143	238	2,226	247
Sub Total - Aggregate Employee Benefits		3,510	238	3,476	247
Asset Remediation/Restoration (Future Works)	26	-	308	-	291
Total Provisions		3,510	546	3,476	538
Total Payables, Borrowings & Provisions		6,751	19,827	7,141	15,867
(i) Liabilities relating to Restricted Assets					
		2014		2013	
		Current	Non Current	Current	Non Current
Externally Restricted Assets					
Water		626	7,747	163	3,223
Sewer		314	6,948	828	7,190
Domestic Waste Management		262	574	99	560
Liabilities relating to externally restricted assets		1,202	15,269	1,090	10,973
Internally Restricted Assets					
Nil					
Total Liabilities relating to restricted assets		1,202	15,269	1,090	10,973
Total Liabilities relating to Unrestricted Assets		5,549	4,558	6,051	4,894
TOTAL PAYABLES, BORROWINGS & PROVISIONS		6,751	19,827	7,141	15,867

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 2014

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

\$ '000	Actual 2014	Actual 2013
---------	----------------	----------------

(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	2,700	2,804
Payables - Security Bonds, Deposits & Retentions	500	500
	<u>3,200</u>	<u>3,304</u>

Note 10b. Description of and movements in Provisions

Class of Provision	2013		2014			
	Opening Balance as at 1/7/13	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	Closing Balance as at 30/6/14
Annual Leave	1,250	776	(659)	-	-	1,367
Long Service Leave	2,473	107	(199)	-	-	2,381
Asset Remediation	291	17	-	-	-	308
TOTAL	4,014	900	(858)	-	-	4,056

- 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 2014

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2014	Actual 2013
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	14,669	15,025
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		14,669	15,025
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		(1,281)	(286)
Adjust for non cash items:			
Depreciation & Amortisation		7,076	7,358
Net Losses/(Gains) on Disposal of Assets		(229)	(171)
Amortisation of Premiums, Discounts & Prior Period Fair Valuations			
- Interest on all fair value adjusted Interest Free Advances made by Council		(24)	(23)
Unwinding of Discount Rates on Reinstatement Provisions		17	18
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		1,196	1,131
Decrease/(Increase) in Inventories		19	64
Decrease/(Increase) in Other Assets		-	(21)
Increase/(Decrease) in Payables		(451)	(180)
Increase/(Decrease) in other accrued Expenses Payable		(9)	(8)
Increase/(Decrease) in Other Liabilities		221	20
Increase/(Decrease) in Employee Leave Entitlements		25	(117)
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		6,560	7,785
(c) Non-Cash Investing & Financing Activities			
Nil			
(d) Financing Arrangements			
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		6	11
Total Financing Arrangements Utilised		6	11

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.

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2014	Actual 2013
(a) Capital Commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, Plant & Equipment			
Darbys Falls Water Filtration Plant		263	217
Cowra Water Treatment Plant Automation		404	-
Total Commitments		667	217
These expenditures are payable as follows:			
Within the next year		667	217
Total Payable		667	217
Sources for Funding of Capital Commitments:			
Future Grants & Contributions		130	108
Externally Restricted Reserves		-	109
Unexpended Loans		537	-
Total Sources of Funding		667	217

(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		139	139
Later than one year and not later than 5 years		176	321
Total Non Cancellable Operating Lease Commitments		315	460

b. Non Cancellable Operating Leases include the following assets:

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

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Amounts 2014	Indicator 2014	Prior Periods 2013 2012	
Local Government Industry Indicators - Consolidated				
1. Operating Performance Ratio				
Total continuing operating revenue ⁽¹⁾				
<u>(excl. Capital Grants & Contributions) - Operating Expenses</u>	<u>(2,222)</u>	-8.04%	-6.27%	-7.64%
Total continuing operating revenue ⁽¹⁾ (excl. Capital Grants & Contributions)	27,628			
2. Own Source Operating Revenue Ratio				
Total continuing operating revenue ⁽¹⁾				
<u>(less ALL Grants & Contributions)</u>	<u>23,004</u>	81.17%	77.32%	69.03%
Total continuing operating revenue ⁽¹⁾	28,340			
3. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽²⁾	<u>7,104</u>	3.02 : 1	3.27	2.53
Current Liabilities less Specific Purpose Liabilities ^(3, 4)	<u>2,349</u>			
4. Debt Service Cover Ratio				
Operating Result ⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation (EBITDA)	<u>6,145</u>	2.38	1.31	2.92
Principal Repayments (from the Statement of Cash Flows) + Borrowing Interest Costs (from the Income Statement)	<u>2,585</u>			
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual and Extra Charges Outstanding	<u>806</u>	6.99%	10.16%	9.96%
Rates, Annual and Extra Charges Collectible	<u>11,524</u>			
6. Cash Expense Cover Ratio				
Current Year's Cash and Cash Equivalents including All Term Deposits	<u>16,669</u>	7.62	6.08	8.80
Payments from cash flow of operating and financing activities	<u>2,188</u>			

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

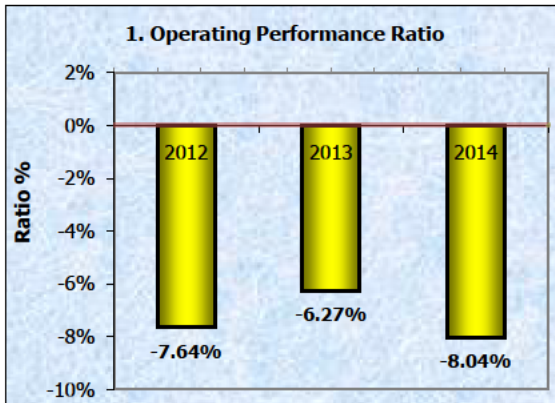
⁽³⁾ Refer to Note 10(a).

⁽⁴⁾ Refer to Note 10(a)(ii) - excludes all payables & provisions not expected to be paid in the next 12 months (incl. ELE).

Cowra Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 13a(ii). Local Government Industry Indicators - Graphs (Consolidated)



Purpose of Operating Performance Ratio

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

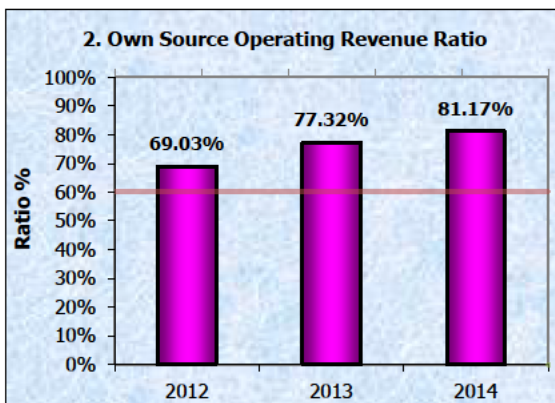
Commentary on 2013/14 Result

2013/14 Ratio -8.04%

Council received an advance payment of the Financial Assistance Grant of \$2.1m in June 2013 and the amount was deducted from the 2014 payments. Had it been received in 2014 the Operating Performance Ratio would be 0.25%.

— Minimum 0.00%

Source for Benchmark: Code of Accounting Practice and Financial Reporting



Purpose of Own Source Operating Revenue Ratio

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

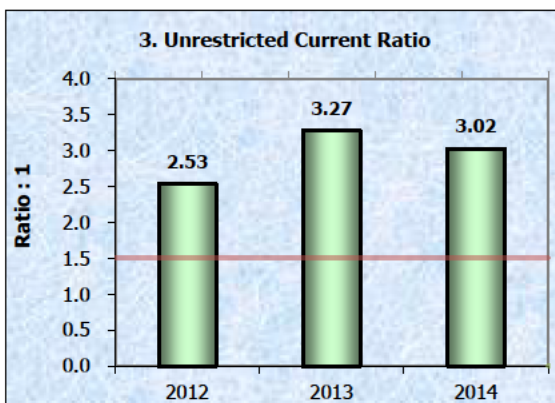
Commentary on 2013/14 Result

2013/14 Ratio 81.17%

Council has a very strong Own Source Revenue Ratio which is well above the 60% benchmark.

— Minimum 60.00%

Source for Benchmark: Code of Accounting Practice and Financial Reporting



Purpose of Unrestricted Current Ratio

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

Commentary on 2013/14 Result

2013/14 Ratio 3.02 : 1

The Unrestricted Current Ratio of 3.02 is also well above the benchmark.

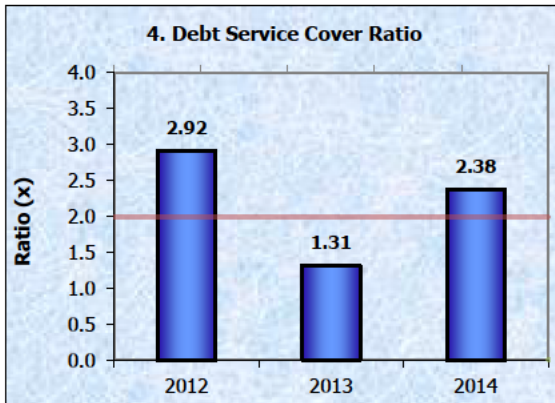
— Minimum 1.50

Source for Benchmark: Code of Accounting Practice and Financial Reporting

Cowra Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 13a(ii). Local Government Industry Indicators - Graphs (Consolidated)



— Minimum 2.00

Source for Benchmark: NSW Treasury Corporation

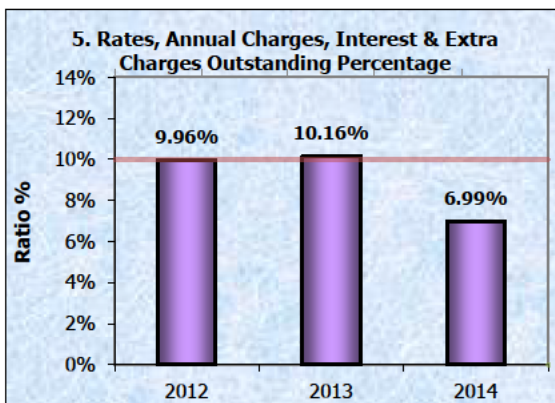
Purpose of Debt Service Cover Ratio

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

Commentary on 2013/14 Result

2013/14 Ratio 2.38

Council's Debt Service Cover Ratio is above benchmark and has been affected by recent substantial borrowings for the Sewer Treatment Plant and Water Treatment Plant infrastructure projects.



— Maximum 10.00%

Source for Benchmark: Office of Local Govt - Comparative Information (10/11)

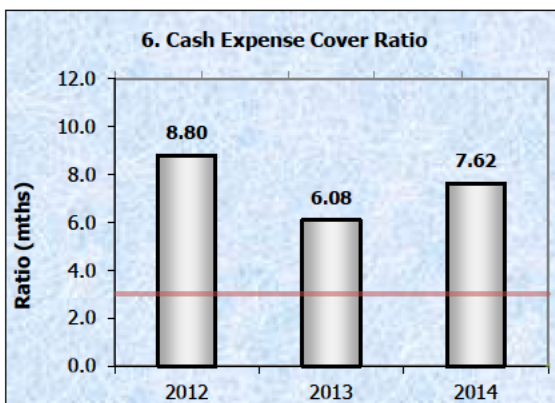
Purpose of Rates & Annual Charges Outstanding Ratio

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

Commentary on 2013/14 Result

2013/14 Ratio 6.99%

Council's outstanding rates and charges have reduced significantly in 2014 to well below the benchmark for rural councils of 10%.



— Minimum 3.00

Source for Benchmark: Code of Accounting Practice and Financial Reporting

Purpose of Cash Expense Cover Ratio

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

Commentary on Result

2013/14 Ratio 7.62

The ratio is well above the benchmark of 3 and provides Council with more than adequate cash to meet its normal cash out goings.

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 13b. Statement of Performance Measurement - Indicators (by Fund)

\$ '000	Water 2014	Sewer 2014	General ⁵ 2014
Local Government Industry Indicators - by Fund			
1. Operating Performance Ratio			
Total continuing operating revenue ⁽¹⁾			
<u>(excl. Capital Grants & Contributions) - Operating Expenses</u>	-19.72%	13.46%	-8.17%
Total continuing operating revenue ⁽¹⁾			
(excl. Capital Grants & Contributions)	prior period: 1.13%	11.76%	-11.61%
2. Own Source Operating Revenue Ratio			
Total continuing operating revenue ⁽¹⁾			
<u>(less ALL Grants & Contributions)</u>	97.29%	97.95%	73.90%
Total continuing operating revenue ⁽¹⁾			
	prior period: 95.23%	96.41%	68.65%
3. Unrestricted Current Ratio			
<u>Current Assets less all External Restrictions⁽²⁾</u>	7.46 : 1	18.03 : 1	3.02 : 1
Current Liabilities less Specific Purpose Liabilities ^(3, 4)			
	prior period: 21.15	7.88	3.27
4. Debt Service Cover Ratio			
Operating Result ⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation (EBITDA)			
<u>Principal Repayments (from the Statement of Cash Flows)</u>	2.21	1.14	4.39
+ Borrowing Interest Costs (from the Income Statement)			
	prior period: 6.69	0.41	3.68
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage			
<u>Rates, Annual and Extra Charges Outstanding</u>	4.41%	10.32%	6.30%
Rates, Annual and Extra Charges Collectible			
	prior period: 8.77%	13.76%	10.75%
6. Cash Expense Cover Ratio			
Current Year's Cash and Cash Equivalents including All Term Deposits			
<u>Payments from cash flow of operating and financing activities</u> x12	10.40	24.18	4.24
	prior period: 3.37	11.52	5.18

Notes

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

(5) General Fund refers to all of Council's activities except for its Water & Sewer activities which are listed separately.

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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	
	2014	2013	2014	2013
Financial Assets				
Cash and Cash Equivalents	14,669	15,025	14,669	15,025
Investments				
- "Loans & Receivables"	2,000	-	2,000	-
Receivables	4,030	5,235	4,030	5,235
Other Financial Assets	174	174	174	174
Total Financial Assets	20,873	20,434	20,873	20,434
Financial Liabilities				
Payables	2,180	2,419	2,180	2,179
Loans / Advances	20,342	16,575	20,342	16,575
Total Financial Liabilities	22,522	18,994	22,522	18,754

Fair Value is determined as follows:

- **Cash & Cash Equivalents, Receivables, Payables** - are estimated to be the carrying value which approximates mkt value.
- **Borrowings** 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**" are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of financial assets & liabilities

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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's Finance area manages the Cash & Investments portfolio.

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

The risks associated with the investments held are:

- **Price Risk** - the risk that the capital value of Investments may fluctuate due to changes in market prices, whether there changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest Rate Risk** - the risk that movements in interest rates could affect returns and income.
- **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
2014				
Possible impact of a 1% movement in Interest Rates	16	16	(16)	(16)
2013				
Possible impact of a 1% movement in Interest Rates	28	28	(28)	(28)

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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.

Council makes suitable provision for doubtful receivables as required.

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

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

	2014 Rates & Annual Charges	2014 Other Receivables	2013 Rates & Annual Charges	2013 Other Receivables
(i) Ageing of Receivables - %				
Current (not yet overdue)	0%	85%	0%	99%
Overdue	100%	15%	100%	1%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
(ii) Ageing of Receivables - value				
Current (not yet overdue)	-	2,754	-	4,041
Past due	819	470	1,147	60
	<u>819</u>	<u>3,224</u>	<u>1,147</u>	<u>4,101</u>
(iii) Movement in Provision for Impairment of Receivables			2014	2013
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 2014

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 maturity table below:

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2014									
Trade/Other Payables	846	1,334	-	-	-	-	-	2,180	2,180
Loans & Advances	-	2,446	2,332	2,250	2,240	2,220	26,106	37,594	20,342
Total Financial Liabilities	846	3,780	2,332	2,250	2,240	2,220	26,106	39,774	22,522
2013									
Trade/Other Payables	625	1,794	-	-	-	-	-	2,419	2,419
Loans & Advances	-	2,540	1,950	1,836	1,754	1,743	25,350	35,173	16,575
Total Financial Liabilities	625	4,334	1,950	1,836	1,754	1,743	25,350	37,592	18,994

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:

	2014		2013	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	2,180	-	2,419	-
Loans & Advances - Fixed Interest Rate	20,342	6.8%	16,020	7.0%
Loans & Advances - Variable Interest Rate	-	-	555	6.8%
	<u>22,522</u>		<u>18,994</u>	

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 13/14 was adopted by the Council on 24 June 2013.

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	2014 Budget	2014 Actual	2014 ----- Variance* -----	
REVENUES				
Interest & Investment Revenue	742	876	134	18% F
Council received better than anticipated return on investments. A conservative approach is generally taken when budgeting interest on investments.				
Other Revenues	704	984	280	40% F
Additional income was received from the sale of recycled material \$160,000 and recovery of legal fees on debt collection.				
Operating Grants & Contributions	6,434	4,624	(1,810)	(28%) U
Council received an advance payment of \$2,120,978 in Financial Assistance Grant in June 2013 which significantly reduced the 2013/14 grant payments.				
Capital Grants & Contributions	1,018	712	(306)	(30%) U
Council did not receive capital equipment issue from the Rural Fire Service.				
Net Gains from Disposal of Assets	-	229	229	0% F
Proceeds from the sale of plant and equipment were better than anticipated.				

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 16. Material Budget Variations (continued)

\$ '000	2014 Budget	2014 Actual	2014 ----- Variance* -----		
EXPENSES					
Materials & Contracts	7,910	7,153	757	10%	F
Council's budget is based on a "normal" mix of self-constructed and contract works. The process of calling and accepting tenders during the year can impact significantly on the mix, resulting in the variation of this item.					
Budget Variations relating to Council's Cash Flow Statement include:					
Cash Flows from Operating Activities	7,693	6,560	(1,133)	(14.7%)	U
As reported above council received an advance payment of the Financial Assistance Grant in June 2013 which reduced the 2013/14 income.					
Cash Flows from Investing Activities	(7,598)	(10,683)	(3,085)	40.6%	U
Additional capital works projects were completed particularly water infrastructure.					
Cash Flows from Financing Activities	153	3,767	3,614	2362.1%	F
Council took up additional loan funds to complete water infrastructure projects.					

Notes to the Financial Statements
for the financial year ended 30 June 2014

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	75	-	-	3	-	-	78	-	(78)	-	-
Roads	175	-	-	6	(21)	-	160	-	(160)	-	-
Parking	90	-	-	3	-	-	93	-	(93)	-	-
Open Space	21	-	-	-	-	-	21	-	(21)	-	-
Community Facilities	37	-	-	1	(19)	-	19	-	(19)	-	-
Other	40	52	-	3	-	-	95	-	(95)	-	-
S94 Contributions - under a Plan	438	52	-	16	(40)	-	466	-	(466)	-	-
S94A Levies - under a Plan	138	15	-	4	(70)	-	87				-
Total S94 Revenue Under Plans	576	67	-	20	(110)	-	553				-
S64 Contributions	1,135	9	-	26	(15)	-	1,155				
Total Contributions	1,711	76	-	46	(125)	-	1,708	-	(466)	-	-

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	75	-	-	3	-	-	78	-	(78)	-	-
Roads	175	-	-	6	(21)	-	160	-	(160)	-	-
Parking	90	-	-	3	-	-	93	-	(93)	-	-
Open Space	21	-	-	-	-	-	21	-	(21)	-	-
Community Facilities	37	-	-	1	(19)	-	19	-	(19)	-	-
Other	40	52	-	3	-	-	95	-	(95)	-	-
Total	438	52	-	16	(40)	-	466	-	(466)	-	-

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	138	15	-	4	(70)	-	87	-	-	-	-
Total	138	15	-	4	(70)	-	87				-

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position, 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 Councils 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 2014

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 Councils intention to spend funds in the manner and timing set out in those Plans.

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.

Councils 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.

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

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

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2014	Actual 2013
(a) Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		174,275	174,561
a. Net Operating Result for the Year		<u>(1,281)</u>	<u>(286)</u>
Balance at End of the Reporting Period		<u>172,994</u>	<u>174,275</u>

(b) Reserves**(i) Reserves are represented by:**

- Infrastructure, Property, Plant & Equipment Revaluation Reserve		424,721	422,739
Total		<u>424,721</u>	<u>422,739</u>

(ii) Reconciliation of movements in Reserves:

Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- Opening Balance		422,739	415,233
- Revaluations for the year	9(a)	<u>1,982</u>	<u>7,506</u>
- Balance at End of Year		<u>424,721</u>	<u>422,739</u>
TOTAL VALUE OF RESERVES		<u>424,721</u>	<u>422,739</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.

(c) Correction of Error/s relating to a Previous Reporting Period

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

(d) Voluntary Changes in Accounting Policies

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

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 21. Financial Result & Financial Position by Fund

Income Statement by Fund \$ '000	Actual 2014	Actual 2014	Actual 2014
Continuing Operations	Water	Sewer	General¹
Income from Continuing Operations			
Rates & Annual Charges	1,350	2,311	6,570
User Charges & Fees	4,023	639	6,251
Interest & Investment Revenue	51	34	791
Other Revenues	5	78	901
Grants & Contributions provided for Operating Purposes	65	43	4,516
Grants & Contributions provided for Capital Purposes	87	21	604
Other Income			
Net Gains from Disposal of Assets	19	-	210
Share of interests in Joint Ventures & Associates using the Equity Method	-	-	-
Total Income from Continuing Operations	5,600	3,126	19,843
Expenses from Continuing Operations			
Employee Benefits & on-costs	1,166	334	9,865
Borrowing Costs	281	586	424
Materials & Contracts	2,929	971	3,253
Depreciation & Amortisation	1,645	531	4,900
Impairment	-	-	-
Other Expenses	555	241	2,169
Total Expenses from Continuing Operations	6,576	2,663	20,611
Operating Result from Continuing Operations	(976)	463	(768)
Discontinued Operations			
Net Profit/(Loss) from Discontinued Operations	-	-	-
Net Operating Result for the Year	(976)	463	(768)
Net Operating Result attributable to each Council Fund	(976)	463	(768)
Net Operating Result attributable to Non-controlling Interests	-	-	-
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	(1,063)	442	(1,372)

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 2014

Note 21. Financial Result & Financial Position by Fund (continued)

Statement of Financial Position by Fund \$ '000	Actual 2014	Actual 2014	Actual 2014
ASSETS	Water	Sewer	General¹
Current Assets			
Cash & Cash Equivalents	4,358	5,827	4,484
Investments	-	-	2,000
Receivables	1,619	402	2,009
Inventories	4	-	1,209
Other	-	-	175
Non-current assets classified as 'held for sale'	-	-	-
Total Current Assets	5,981	6,229	9,877
Non-Current Assets			
Investments	-	-	-
Receivables	-	-	-
Inventories	-	-	-
Infrastructure, Property, Plant & Equipment	54,620	35,023	512,563
Investments Accounted for using the equity method	-	-	-
Investment Property	-	-	-
Intangible Assets	-	-	-
Total Non-Current Assets	54,620	35,023	512,563
TOTAL ASSETS	60,601	41,252	522,440
LIABILITIES			
Current Liabilities			
Payables	34	47	2,099
Borrowings	412	201	448
Provisions	180	66	3,264
Total Current Liabilities	626	314	5,811
Non-Current Liabilities			
Payables	-	-	-
Borrowings	7,735	6,941	4,605
Provisions	12	7	527
Total Non-Current Liabilities	7,747	6,948	5,132
TOTAL LIABILITIES	8,373	7,262	10,943
Net Assets	52,228	33,990	511,497
EQUITY			
Retained Earnings	17,110	18,756	137,128
Revaluation Reserves	35,118	15,234	374,369
Total Equity	52,228	33,990	511,497

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 2014

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 the Reporting Date

Events that occur between the end of the reporting period (ending 30 June 2014) and the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

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

Accordingly, the "authorised for issue" date is 20/10/14.

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

(i) Events that provide evidence of conditions that existed at the Reporting Period

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2014.

(ii) Events that provide evidence of conditions that arose after the Reporting Period

These financial statements (& figures therein) do not incorporate any "non-adjusting events" that have occurred after 30 June 2014 and which are only indicative of conditions that arose after 30 June 2014.

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

Note 24. Discontinued Operations

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

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 25. Intangible Assets

\$ '000

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	
		2014	2013
Quarries	2044	308	291
Balance at End of the Reporting Period	10(a)	308	291

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.

Reconciliation of movement in Provision for year:

Balance at beginning of year	291	273
Amounts capitalised to new or existing assets:		
Amortisation of discount (expensed to borrowing costs)	17	18
Total - Reinstatement, rehabilitation and restoration provision	308	291

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement

\$ '000

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

- Infrastructure, Property, Plant and Equipment
- Investment Property
- Financial Assets & Liabilities

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

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

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

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

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

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

2014	Date of latest Valuation	Fair Value Measurement Hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring Fair Value Measurements					
Financial Assets					
Cash & Short Term Investments	30/06/14	-	14,669	-	14,669
Investments					
- "Loans & Receivables"	30/06/14		2,000		2,000
Shares in Unlisted Companies - StateCover	30/06/14	-		174	174
Total Financial Assets		-	16,669	174	16,843
Financial Liabilities					
Payables	30/06/14	-	2,180	-	2,180
Loans / Advances	30/06/14	-	20,342	-	20,342
Total Financial Liabilities		-	22,522	-	22,522

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

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

2014	Date of latest Valuation	Fair Value Measurement Hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring Fair Value Measurements (continued)					
Infrastructure, Property, Plant & Equipment					
Plant & Equipment	30/06/14	-	-	5,288	5,288
Office Furniture	30/06/14	-	-	38	38
Furniture & Fittings	30/06/14	-	-	124	124
Operational Land	30/06/13	-	-	8,847	8,847
Community Land	30/06/12	-	-	25,639	25,639
Buildings Specialised	30/06/13	-	-	21,386	21,386
Roads	30/06/10	-	-	118,363	118,363
Bridges	30/06/10	-	-	14,174	14,174
Footpaths	30/06/10	-	-	7,089	7,089
Bulk Earthworks	30/06/10	-	-	280,625	280,625
Stormwater Drainage	30/06/10	-	-	24,577	24,577
Water Supply	30/06/12	-	-	52,224	52,224
Sewerage Network	30/06/12	-	-	32,476	32,476
Swimming Pools	30/06/12	-	-	1,325	1,325
Other Recreational Assets	30/06/12	-	-	2,360	2,360
Other Assets	30/06/12	-	-	7,552	7,552
Quarry Assets	30/06/12	-	-	119	119
Total Infrastructure, Property, Plant & Equipment		-	-	602,206	602,206

(2) Transfers between Level 1 & Level 2 Fair Value Hierarchies

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

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

(3) Valuation techniques used to derive Level 2 and Level 3 Fair Values

Where Council is unable to derive Fair Valuations using quoted market prices of identical assets (i.e. Level 1 inputs), Council instead utilises a spread of both observable inputs (Level 2 inputs) and unobservable inputs (Level 3 inputs).

The Fair Valuation techniques Council has employed while utilising Level 2 and Level 3 inputs are as follows:

Financial Assets

Loans and Receivables – Term deposits valued at fair value

Valuation Technique: 'Cost approach'

Inputs Used (Level 2): Original investment value

Cash and Short Term Deposits – Cash and short term deposits valued at fair value

Valuation Technique: 'Cost approach'

Inputs Used (Level 2): Original investment value

Financial Liabilities

Payables – Outstanding creditor payments, security bonds & deposits

Valuation Technique: 'Cost approach'

Inputs Used (Level 2): Cost of product or service.

Cowra Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

Loans/Advances – Outstanding bank loans

Valuation Technique: 'Cost approach'

Inputs Used (Level 2): Loan borrowing amount

Shares in Unlisted Companies – StateCover

Valuation Technique: 'Cost approach'

Inputs Used (Level 2): Cost of product or service.

Infrastructure, Property, Plant & Equipment

Plant and Equipment – Major plant (graders, loaders trucks etc.), fleet vehicles (cars, utes etc.) and minor plant (chainsaws, mowers etc.)

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Purchase price, useful lives (current replacement cost)

Plant and Equipment are valued at cost but are disclosed at fair value.

Office Equipment – Computers, servers

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Purchase price, useful lives (current replacement cost)

Office Equipment is valued at cost but is disclosed at fair value.

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

Furniture and Fittings – Desks, chairs, air conditioners, cupboards

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Purchase price, useful lives (current replacement cost)

Furniture and Fittings are valued at cost but are disclosed at fair value.

Operational Land – Industrial land, quarries, aerodrome, depot.

Valuation Techniques: 'Market approach'

Inputs Used (Level 3): Land area, rate per square metre, zoning restrictions, geographical location, sales of comparable land

By taking into account the land characteristics, location, zoning and proximity to services. By acquiring services of an independent valuer (Regional and Rural Valuers) to inspect, analyse, compare with related assets and to provide a comprehensive valuation in accordance with AASB and OLG.

Under the NSW Legislation we have considered the subject land and the surrounding land to determine the form of valuation, taking into account the land characteristics, location, zoning, proximity to services. Market Value of Land as stated as per the Australian Property Institute in accordance with the guidelines "... the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arms' length transaction after proper marketing wherein the parties have each acted knowledgeably, prudently and without compulsion." "Asset includes property." Council have identified the subject property by a copy of the location map and the plans provided by Cowra Council and based upon our visual inspection.

Community Land – Parkland, sporting grounds, reserves, land under public buildings (halls & community centres)

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): The NSW Valuer General's valuations (as at 30 June 2012)

Councils community land is land intended for public access and use, or where other restrictions applying to the land create some obligation to maintain public access (such as a trust deed, or dedication under section 94 of the Environmental Planning and Assessment Act 1979). This gives rise to the restrictions in the Act, intended to preserve the qualities of the land.

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

Community Land:

- Cannot be sold
- Cannot be leased, licensed, or any other estate granted over the land for more than 21 years and
- Must have a plan of management for it.

In relation to the valuing of Community Land the Office of Local Government has authorised the use of the NSW Valuer General's valuations as a sufficient basis to represent fair value for the revaluation of community land under clause 31 of AASB 116.

Buildings -Specialised – Community halls, toilet blocks, council offices, library, civic centre, works depot

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition

Council's buildings were valued at fair value on 30th June 2013 in accordance with Compiled Accounting Standard AASB116 *Property, Plant and Equipment*, the guidance contained in the NSW Treasury Accounting Policy tpp 07-1 and the NSW Department of Local Government Guidelines. 'Fair value' is the best estimate of the price reasonably obtainable in the market at the date of valuation. As defined in AASB 116, it is "the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction"

Councils Specialised Buildings were valued by Scott Fullarton Valuation (SFV) P/L as at 30 June 2013. SFV provided a valuation for each building based on applying a unit rate to a structure or a square metre rate to a building, based on its current replacement cost, which is the lowest cost of replacing the economic benefits of the existing asset using modern technology. These rates were derived from substantial analysis of construction costs from over one hundred and twenty (120) Councils throughout New South Wales.

SFV estimated the Total Life and Residual Life of each building/structure and, where the building is considered a complex asset, for each component, as they have useful lives different from those of the non-current assets to which they relate. In regard to componentisation, Paragraph 43 of AASB116 requires each part of the asset with a cost that is **significant** in relation to the asset be depreciated separately (structure, internal finishes, electrical services, mechanical services, fire/security and roof).

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

Roads – Road surface, pavement, formation, major earthworks

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition

Councils road infrastructure assets were last valued in-house on 30 June 2010. As per Paragraph 43 of AASB116, Councils roads infrastructure assets were segmented and componentised into the following categories (each representing a significant part of the overall asset):

- Road Surface
- Pavement
- Formation & Major Earthworks
- Kerb and Gutter
- Culverts

Roads – Sealed and Unsealed, Culverts and Kerb Gutter

Valuations were performed in-house by identifying the assets through the Asset Management System and using unit rates based on current market costs and NSW Reference Rates. Individual assets and Unit rates are determined by the Manager – Assets and Manager – Cowra Works.

Council categorised Roads based on Sealed and Unsealed and further categorised by width of the road. Valuations for the road, carriageway, comprising surface, pavement and formation were based on calculating unit rates. Based on each category Council determines a cost to build one kilometre of road in present terms. The costs include, plant, machinery, materials and other cost such as design and miscellaneous activities. After arriving at the cost of construction per kilometre of road, the unit rate for per square meter was determined and applied it to all assets in the same category

Bridges – (excluding culverts under 6 metres in length)

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimension and specifications (concrete/timber), bridge traffic

Councils bridge infrastructure assets were last valued on 30 June 2010.

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

Council categorised Bridges as Steel/Concrete, Timber and Box Culvert bridges. Based on each category Council determined cost to build one square meter of each component, such as the Frame, Surface, Culvert Cost, Headwall Cost and Installation. After arriving at the cost of construction one square meter, it was applied it to all assets in the same category.

Footpaths – Footways including cycleways

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimensions and specifications (concrete/bitumen)

Footpaths assets were valued in-house as at 30 June 2010. Council determined a cost to build a one kilometre Footpath in present terms. The cost include, plant, machinery, materials and other cost such as design and miscellaneous activities. The cost was then applied as a unit rate for one square meter and calculated to all assets in the same category.

Stormwater Drainage – includes pits, pipes

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimensions and specifications

Assets within this class comprise pits, pipes, open channels, headwalls and various types of water quality devices. The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. The unit rates based on linear metres of certain diameter pipes, prices per pit and cost of installation.

Water Supply – water mains, pump stations, treatment plant, reservoirs, meters

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimensions and specifications

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

Councils Water Supply was valued by CPE Associates as at 30 June 2012. The valuation was based on the NSW Office of Water's *NSW Reference Rates Tables* issued in July 2012, a supplement to the former Ministry of Energy and Utilities' 2003 document *NSW Reference Rates Manual: Valuation of Water Supply, Sewerage and Stormwater Assets*. Valuations in the updated tables are for June 2012.

The asset register was built using Council GIS data with modifications made to achieve the correct level of componentisation and to collect additional details regarding material and capacities of the assets.

CPE conducted a field survey, involving a physical inspection of the ground-level facility assets in the system such as treatment plants, pumping stations & reservoirs.

The object of the survey was to uncover any evidence that will challenge the default useful life for that asset class such as corrosion (or lack of), obvious mechanical/electrical defects or structural damage. Field survey sheets were completed and a photographic record also was made.

Unit rates were then applied across the network. Condition data was then applied to each individual asset to provide a written down value.

Sewerage Network – Sewer pipes, pump stations, treatment plant, telemetry system, manholes

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimensions and specifications

Councils Sewer Network was valued by CPE Associates as at 30 June 2012. The valuation was based on the NSW Office of Water's *NSW Reference Rates Tables* issued in July 2012, a supplement to the former Ministry of Energy and Utilities' 2003 document *NSW Reference Rates Manual: Valuation of Water Supply, Sewerage and Stormwater Assets*. Valuations in the updated tables are for June 2012.

The asset register was built using Council GIS data with modifications made to achieve the correct level of componentisation and to collect additional details regarding material and capacities of the assets.

CPE conducted a field survey, involving a physical inspection of the ground-level facility assets in the system such as treatment plants, pumping stations..

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

The object of the survey was to uncover any evidence that will challenge the default useful life for that asset class such as corrosion (or lack of), obvious mechanical/electrical defects or structural damage. Field survey sheets were completed and a photographic record also was made.

Unit rates were then applied across the network. Condition data was then applied to each individual asset to provide a written down value.

Swimming Pool

Council's swimming pool was last valued as at 30 June 2012 based on a quotation from "Swimplex" Aquatics

Other Assets including Recreation Assets - Structures, Skate Park, Netball Courts, Cricket Nets, Basketball Courts Caravan Park Cabins, Play Units, Memorials and Sheds

Council's other assets were last valued as at 30 June 2012

By using a combination of market information, unit rates and expert knowledge in that area. The fair value was assessed by identifying individual assets, location and its services to the public.

Structures and shelters were valued by an independent valuer (Scott Fullarton Valuations Pty Ltd). The process included inspection, analysis and comparison with related assets and to provide a comprehensive valuation in accordance with AASB and OLG. The Gross Replacement Value is determined as at the date of valuation to allow for replacement with similar improvements in a condition equal to, but not better nor more extensive than, its condition when new. An additional allowance is made for professional costs such as architect, surveyor and consulting engineer fees. If the date of valuation differs significantly from the policy commencement date, then an adjustment to the value may be necessary.

BBQs - Market price based on quotation of "Mobile Outdoor Products" Quote.

Balance of the assets in this class are based on internal knowledge of Manager – Cowra Services and Manager – Assets.

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

Quarry Assets – Reinstatement, rehabilitation and restoration

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimensions and specifications

It has been recognised that there will be significant costs associated with the closure and post closure management of the landfill and quarry sites. Closure of the landfill and quarry sites will involve a wide range of activities including final capping of the landfill waste and site re-vegetation, monitoring of landfill gas, revision of the surface water management system and leachate management infrastructure to suit post-closure operation.

Valuation are based on actual timing of costs and future environmental management requirements.

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (Level 3)

a. The following tables present the changes in Level 3 Fair Value for Infrastructure, Property, Plant & Equipment.

	Total
Opening Balance 1 July 2013	598,355
Purchases (GBV)	9,286
Disposals (WDV)	(341)
Depreciation & Impairment	(7,076)
FV Gains - Other Comprehensive Income	1,982
Closing Balance - 30/6/14	<u>602,206</u>

Cowra Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

(4). Fair value measurements using significant unobservable inputs (Level 3)

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

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various Level 3 Asset Class fair values.

I,PP&E

Class	Fair Value (30/6/14) \$'000	Valuation Techniques	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Plant & Equipment	\$5,288	Cost Approach	<ul style="list-style-type: none"> Gross Replacement Cost Remaining Useful Life 	<ul style="list-style-type: none"> Various 5 to 15 years 	Any changes in the gross replacement value or pattern of consumption will have an impact on fair value.
Office Equipment	\$38	Cost Approach	<ul style="list-style-type: none"> Gross Replacement Cost Remaining Useful Life 	<ul style="list-style-type: none"> Various 4 years 	Any changes in the gross replacement value or pattern of consumption will have an impact on fair value.
Furniture & Fittings	\$124	Cost Approach	<ul style="list-style-type: none"> Gross Replacement Cost Remaining Useful Life 	<ul style="list-style-type: none"> Various 20 years 	Any changes in the gross replacement value or pattern of consumption will have an impact on fair value.
Operational Land	\$8,847	Market Approach	<ul style="list-style-type: none"> Price per square metre 	<ul style="list-style-type: none"> \$1 - \$118 per sq. metre 	Changes in land zoning restrictions can have significant impacts on land values per sq. metre. Changes in comparable land sales and availability of land can also have a significant impact.

Cowra Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

Class	Fair Value (30/6/14) \$'000	Valuation Techniques	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Community Land	\$25,639	Cost Approach	<ul style="list-style-type: none"> NSW Valuer Generals Valuation (Unimproved Capital Value) 	<ul style="list-style-type: none"> Per Valuer General 	Any change in the average unimproved capital value will increase/decrease fair value.
Buildings – Specialised	\$21,386	Cost Approach	<ul style="list-style-type: none"> Gross replacement cost Asset Conditions Useful Life 	<ul style="list-style-type: none"> Various New (0) to Failed (5) 50 to 100 years 	Any change in the component pricing and asset condition will have an impact on fair value.
Swimming Pool	\$1,325	Cost Approach	<ul style="list-style-type: none"> Gross replacement cost Asset Conditions Useful Life 	<ul style="list-style-type: none"> Various New (0) to Failed (5) 50 years 	Any change in the component pricing and asset condition will have an impact on fair value.

Cowra Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

Class	Fair Value (30/6/14) \$'000	Valuation Techniques	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Roads	\$118,363	Cost Approach	<ul style="list-style-type: none"> Unit Rates Asset Conditions Useful Life 	<ul style="list-style-type: none"> \$6 - \$13 per sq. metre (roads) \$58 - \$64 (kerb and gutter) \$331 - \$19,200 per lineal metre (culverts) Excellent (1) to Poor (5) 20 to 100 years (roads) 100 years (kerb & gutter) 100 years (culverts) 	Any change in the component pricing and asset condition will have an impact on fair value.
Bridges	\$14,174	Cost Approach	<ul style="list-style-type: none"> Unit Rates Asset Conditions Useful Life 	<ul style="list-style-type: none"> \$2,300 per sq. metre Excellent (1) to Poor (5) 100 years 	Any change in the component pricing and asset condition will have an impact on fair value.
Footpaths	\$7,089	Cost Approach	<ul style="list-style-type: none"> Unit Rates Asset Conditions Useful Life 	<ul style="list-style-type: none"> \$137 - \$150 per lineal metre Excellent (1) to Poor (5) 100 years 	Any change in the component pricing and asset condition will have an impact on fair value.

Cowra Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

Class	Fair Value (30/6/14) \$'000	Valuation Techniques	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Bulk Earthworks	\$280,625	Cost Approach	<ul style="list-style-type: none"> Unit Rates Asset Conditions 	<ul style="list-style-type: none"> \$20 - \$63 per cubic metre Excellent (1) to Poor (5) 	Any change in the component pricing and asset condition will have an impact on fair value.
Stormwater Drainage	\$24,577	Cost Approach	<ul style="list-style-type: none"> Unit Rates Asset Conditions Useful Life 	<ul style="list-style-type: none"> \$319 - \$1,834 per lineal metre Excellent (1) to Poor (5) 100 years 	Any change in the component pricing and asset condition will have an impact on fair value.
Water Supply	\$52,224	Cost Approach	<ul style="list-style-type: none"> Unit Rates Useful Life Residual Life Asset Conditions 	<ul style="list-style-type: none"> Various 10 to 100 years (mean) 11 to 77 years Excellent (1) to Poor (5) 	Any change in the component pricing and asset condition will have an impact on fair value.
Sewerage Network	\$32,476	Cost Approach	<ul style="list-style-type: none"> Unit Rates Useful Life Residual Life Asset Conditions 	<ul style="list-style-type: none"> Various 10 to 100 years (mean) 11 to 77 years Excellent (1) to Poor (5) 	Any change in the component pricing and asset condition will have an impact on fair value.
Other Assets including Recreation Assets	\$9,912	Cost Approach	<ul style="list-style-type: none"> Gross replacement cost Useful Life Asset Conditions 	<ul style="list-style-type: none"> Various 5 to 100 years Excellent (1) to Poor (5) 	Any change in the component pricing and asset condition will have an impact on fair value

Cowra Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

Class	Fair Value (30/6/14) \$'000	Valuation Techniques	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Quarries	\$119	Cost Approach	<ul style="list-style-type: none"> • Discounted Future Cash Flow • Remaining Life • Remediation cost estimates 	<ul style="list-style-type: none"> • Anticipated inflation rate - 5.895% 	Any changes in the future cost estimates and discount rate will have an impact on fair value.

c. The Valuation Process for Level 3 Fair Value Measurements - Refer to above.

(5). Highest and best use

All of Council's non financial assets are considered to be utilised at their highest and best use.

Cowra Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 28. 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

Officers**GENERAL MANAGER**

Mr P. Devery

RESPONSIBLE ACCOUNTING OFFICER

Mr G.Apthorpe

PUBLIC OFFICER

Mr G.Apthorpe

AUDITORS

Intentus Chartered Accountants
PO Box 885
Orange NSW 2800
6362 5100

Other Information

ABN: 26 739 454 579

Elected Members**MAYOR**

Cr W.J West

COUNCILLORS

Cr J.A. Smith - Deputy Mayor

Cr I.M.Brown

Cr R. A Fagan

Cr R.J. Walsh

Cr J.N.Mallon

Cr B.E. Miller

Cr P.B. Wright

Cr K. Wright

**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 (Council) for the financial year ended 30 June 2014. The financial statements comprise the Statement by Councillors and Management, Income Statement, Statement of Comprehensive Income, Statement of Financial Position, 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, 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.

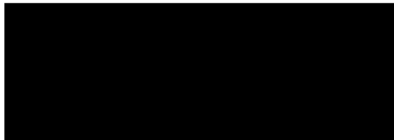
Matters Relating to the Electronic Presentation of the Audited Financial Statements

This auditor's report relates to the general purpose financial statements of Cowra Shire Council for the year ended 30 June 2014 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

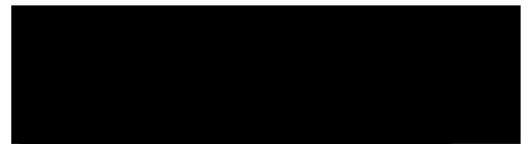
In our opinion:

- (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.



intentus

14 Sale Street
Orange NSW
Dated: 20 October 2014



John O'Malley
Director

JO'M:CSC002

20 October 2014

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 2014**

We have audited the financial statements of Cowra Shire Council (Council) for the financial year ended 30 June 2014. 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 2014. 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 deficit of \$1,281,000 (2013 - deficit \$286,000). Selected items of note in the operating statement include:

- The operating result from ordinary activities *before* capital amounts was a deficit of \$1,993,000 (2013 deficit – \$1,676,000).

Revenue

- User Charges and Fee income decreased \$1,469,000 (12%) to \$10,913,000 (2013 - \$12,382,000) mainly through decreased work opportunities on state roads controlled by Roads and Maritime Services (RMS).
- Income from operating grants and contributions decreased \$986,000 to \$4,624,000 (2013 - \$5,610,000) mainly as a result of the early payment in 2013 of the first 2014 instalment of the Federal Financial Assistance Grant which was then recognised as income in the 2013 year.
- Income from capital grants and contributions also decreased by \$678,000 to \$712,000 (2013 – \$1,390,000) returning to trend levels following significant grants previous years for the sewer treatment plant project and emergency water supply.

Expenses

- Consistent with the decline in roadwork performed for the RMS, there was a decline in the costs of materials and contracts which decreased to \$7,153,000 (2013 - \$8,033,000).

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

(b) Financial Position

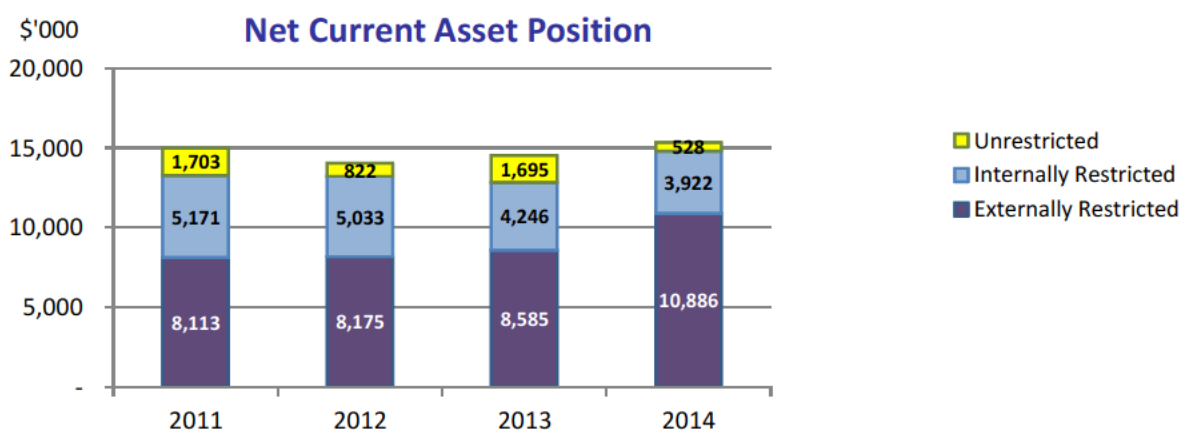
The Balance Sheet discloses that for the year ended 30 June 2014 Council's net assets stood at \$597,715,000 (2013 - \$597,014,000), which represents an increase of \$701,000. The increase represents the net operating deficit after capital amounts of (\$1,281,000) and the net revaluation increment resulting from the indexed revaluation of water and sewerage infrastructure assets totaling \$1,982,000.

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.

	2014 \$'000	2013 \$'000
Net Current Assets	15,336	14,526
Less: Amounts externally restricted for special purposes (refer Notes 6; 7; & 8 of financial statements)	(14,788)	(12,479)
Less: Council internally imposed restrictions (refer Note 6 of financial statements)	(3,922)	(4,246)
Add: Applicable current liabilities refer Note 10		
- Water	626	163
- Sewerage	314	828
- Domestic Waste Management	262	99
Add: Employee Leave Entitlements to be paid > 12 months	2,700	2,804
	<hr/>	<hr/>
Unrestricted net current asset surplus/(deficit)	528	1,695
Unrestricted net current assets comprise: -		
Assets		
Cash	262	1,885
Receivables	1,731	1,654
Land held for resale	195	195
Inventories	1,014	1,033
Other	175	175
Less: General Purpose Liabilities	(5,549)	(6,051)
Add: Employee Leave Entitlements to be paid > 12 months	2,700	2,804
	<hr/>	<hr/>
Unrestricted net current asset surplus/(deficit)	528	1,695

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

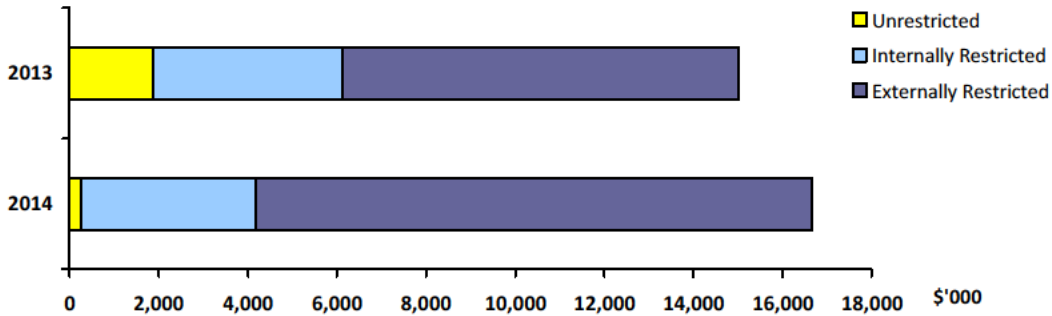
The following table shows the Council's calculated net current asset position over the past four years:



Cash & Investments

Note 6 to the accounts discloses total cash and investments of \$16,669,000 (2013 - \$15,025,000), of this amount \$12,485,000 (2013 - \$8,894,000) is subject to external restrictions requiring Council to commit those funds to the purposes for which they were provided and \$3,922,000 (2013 - \$4,246,000) 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 \$262,000 (2013 - \$1,885,000) represents funds available to cover non-budgeted discretionary expenditure and short-term cash flow requirements.



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:

Operating Performance Ratio

This is a new ratio that expresses council's ability to keep operating expenses, including depreciation, within its continuing operating revenue. The outcome of -8.04% (2013 – 6.27%) represents the shortfall between continuing operating revenue and continuing operating expenses. The decline in this ratio has many contributors, but in particular the prepayment of the 2014 Federal Assistance Grant in 2013 has served to boost the ratio in that year and suppress it in 2014.

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 3.02:1 indicates council is able to comfortably meet its debts as and when they fall due.

Debt Service Cover Ratio

Another new ratio this year, this measures the ability of council to service debt by expressing that capacity as a multiple of the operating result from continuing operations, excluding capital items and depreciation / impairment, over the principal and interest costs.

At 2.38 times (2013 – 1.31) Cowra Shire Council's ratio indicates that it can meet its current levels of debt.

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 or the timing of billing runs 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 6.99% (2013 – 10.16%) has improved markedly compared with the prior period and is now within the benchmark levels set by the Office of Local Government.

(d) Cash Flow Statement

The Statement of Cash Flows reports a net decrease in cash assets held of \$356,000 (2013 decrease - \$1,764,000) as follows:

	2014 \$'000	2013 \$'000	Movement \$'000
Cash flow provided by / (used in)			
Operating activities	6,560	7,785	1,225
Investing activities	(10,683)	(5,952)	(4,731)
Financing activities	3,767	(3,597)	7,364
	<hr/>		
Net increase / (decrease) in cash held	(356)	(1,764)	1,408

Cash flows from operating activities

The cashflows provided by operating activities have decreased against the prior financial year, the main reason being the timing of payments of the Financial Assistance Grant mentioned 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 and the net purchase of investments.

Cash flows from financing activities

The net cash flow provided by financing activities was \$3,767,000 which was considerably higher than 2013 due to drawdown of new loans of \$3,875,000 for the automation of the water treatment plant. 2013 also saw the repayment of the variable portion of the loan for the sewer treatment plant that was met by grant funding. The combination of these factors has generated a significant reversal in financing cashflows.

(e) Comparison of Actual and Budgeted Performance

Council's operating deficit from ordinary activities after capital amounts of (\$1,281,000) was below Council's original estimate of a surplus of (\$2,000).

It is not the intent of this report to provide detailed analysis of individual budget variations. 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 2014. 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 2014 has been issued.

Management Letters

Our most recent management letter was issued on 8 July 2014. 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 2014 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.



intentus



John O'Malley
Director

A handwritten signature in blue ink, appearing to read 'John O'Malley', written over the printed name and partially overlapping the redacted area.

Cowra Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2014

*“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 2014

Contents	Page
1. Statement by Councillors & Management	2
2. Special Purpose Financial Statements:	
Income Statement - Water Supply Business Activity	3
Income Statement - Sewerage Business Activity	4
Income Statement - Other Business Activities	n/a
Statement of Financial Position - Water Supply Business Activity	5
Statement of Financial Position - Sewerage Business Activity	6
Statement of Financial Position - Other Business Activities	n/a
3. Notes to the Special Purpose Financial Statements	7
4. Auditor's Report	16

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 2014

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 28 July 2014.



Cr W. J. West
MAYOR



Cr B. E. Miller
COUNCILLOR



Mr P. Devery
GENERAL MANAGER



Mr G. Aporne
RESPONSIBLE ACCOUNTING OFFICER

Cowra Shire Council

Income Statement of Council's Water Supply Business Activity

for the financial year ended 30 June 2014

\$ '000	Actual 2014	Actual 2013
Income from continuing operations		
Access charges	1,350	1,855
User charges	3,927	3,568
Fees	96	50
Interest	51	56
Grants and contributions provided for non capital purposes	65	64
Profit from the sale of assets	19	8
Other income	5	846
Total income from continuing operations	5,513	6,447
Expenses from continuing operations		
Employee benefits and on-costs	1,166	928
Borrowing costs	281	207
Materials and contracts	2,610	2,774
Depreciation and impairment	1,645	1,539
Water purchase charges	319	454
Loss on sale of assets	-	-
Calculated taxation equivalents	24	14
Debt guarantee fee (if applicable)	-	-
Other expenses	555	458
Total expenses from continuing operations	6,600	6,374
Surplus (deficit) from Continuing Operations before capital amounts	(1,087)	73
Grants and contributions provided for capital purposes	87	256
Surplus (deficit) from Continuing Operations after capital amounts	(1,000)	329
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	(1,000)	329
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	(22)
SURPLUS (DEFICIT) AFTER TAX	(1,000)	307
plus Opening Retained Profits	18,086	17,743
plus/less: Prior Period Adjustments	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	24	14
- Debt guarantee fees	-	-
- Corporate taxation equivalent	-	22
less:		
- Tax Equivalent Dividend paid	-	-
- Surplus dividend paid	-	-
Closing Retained Profits	17,110	18,086
Return on Capital %	-1.5%	0.5%
Subsidy from Council	2,750	1,678
Calculation of dividend payable:		
Surplus (deficit) after tax	(1,000)	307
less: Capital grants and contributions (excluding developer contributions)	(83)	(201)
Surplus for dividend calculation purposes	-	106
Potential Dividend calculated from surplus	-	53

Cowra Shire Council

Income Statement of Council's Sewerage Business Activity

for the financial year ended 30 June 2014

\$ '000	Actual 2014	Actual 2013
Income from continuing operations		
Access charges	2,311	2,229
User charges	583	566
Liquid Trade Waste charges	56	59
Fees	-	-
Interest	34	43
Grants and contributions provided for non capital purposes	43	94
Profit from the sale of assets	-	-
Other income	78	215
Total income from continuing operations	3,105	3,206
Expenses from continuing operations		
Employee benefits and on-costs	334	317
Borrowing costs	586	761
Materials and contracts	971	1,009
Depreciation and impairment	531	508
Loss on sale of assets	-	-
Calculated taxation equivalents	24	24
Debt guarantee fee (if applicable)	-	-
Other expenses	241	225
Total expenses from continuing operations	2,687	2,844
Surplus (deficit) from Continuing Operations before capital amounts	418	362
Grants and contributions provided for capital purposes	21	22
Surplus (deficit) from Continuing Operations after capital amounts	439	384
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	439	384
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(125)	(109)
SURPLUS (DEFICIT) AFTER TAX	314	275
plus Opening Retained Profits	18,293	17,885
plus/less: Prior Period Adjustments	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	24	24
- Debt guarantee fees	-	-
- Corporate taxation equivalent	125	109
less:		
- Tax Equivalent Dividend paid	-	-
- Surplus dividend paid	-	-
Closing Retained Profits	18,756	18,293
Return on Capital %	2.9%	3.3%
Subsidy from Council	243	168
Calculation of dividend payable:		
Surplus (deficit) after tax	314	275
less: Capital grants and contributions (excluding developer contributions)	(16)	(17)
Surplus for dividend calculation purposes	298	258
Potential Dividend calculated from surplus	149	129

Cowra Shire Council

Statement of Financial Position - Council's Water Supply Business Activity

as at 30 June 2014

\$ '000	Actual 2014	Actual 2013
ASSETS		
Current Assets		
Cash and cash equivalents	4,358	1,374
Investments	-	-
Receivables	1,619	2,069
Inventories	4	4
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	5,981	3,447
Non-Current Assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	54,620	51,942
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	54,620	51,942
TOTAL ASSETS	60,601	55,389
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	34	29
Interest bearing liabilities	412	69
Provisions	180	65
Total Current Liabilities	626	163
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	7,735	3,116
Provisions	12	107
Total Non-Current Liabilities	7,747	3,223
TOTAL LIABILITIES	8,373	3,386
NET ASSETS	52,228	52,003
EQUITY		
Retained earnings	17,110	18,086
Revaluation reserves	35,118	33,917
Council equity interest	52,228	52,003
Non-controlling equity interest	-	-
TOTAL EQUITY	52,228	52,003

Cowra Shire Council

Statement of Financial Position - Council's Sewerage Business Activity

as at 30 June 2014

\$ '000	Actual 2014	Actual 2013
ASSETS		
Current Assets		
Cash and cash equivalents	5,827	5,389
Investments	-	-
Receivables	402	1,131
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	6,229	6,520
Non-Current Assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	35,023	34,245
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	35,023	34,245
TOTAL ASSETS	41,252	40,765
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	47	42
Interest bearing liabilities	201	742
Provisions	66	43
Total Current Liabilities	314	827
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	6,941	7,160
Provisions	7	31
Total Non-Current Liabilities	6,948	7,191
TOTAL LIABILITIES	7,262	8,018
NET ASSETS	33,990	32,747
EQUITY		
Retained earnings	18,756	18,293
Revaluation reserves	15,234	14,454
Council equity interest	33,990	32,747
Non-controlling equity interest	-	-
TOTAL EQUITY	33,990	32,747

Cowra Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2014

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	8
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 2014

Note 1. Significant Accounting Policies

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

For the purposes of these statements, the Council is not a reporting not-for-profit entity.

The figures presented in these special purpose financial statements, unless otherwise stated, have been prepared in accordance with:

- the recognition and measurement criteria of relevant Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB) &
- Australian Accounting Interpretations.

The disclosures in these special purpose financial statements have been prepared in accordance with:

- 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, 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 Office 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.

b. Cowra Shire Sewerage Service

Sewerage reticulation & treatment activities servicing the town of Cowra.

Category 2

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

NIL

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 Primary Industries) the 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

Cowra Shire Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2014

Note 1. Significant Accounting Policies

statements as a cost of operations just like all other costs.

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 **\$412,000** of combined land values attracts **0%**. From \$412,001 to \$2,519,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,519,000, a premium marginal rate of **2.0%** applies.

Payroll Tax – **5.45%** on the value of taxable salaries and wages in excess of \$750,000.

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 each reported Business Activity.

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 General Purpose Financial Statements.

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.

Cowra Shire Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2014

Note 1. Significant Accounting Policies

(ii) Subsidies

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

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

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 each reported Business Activity.

(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 3.56% at 30/6/14.

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 2014 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 the payment.

Cowra Shire Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2014Note 2. Water Supply Business
Best Practice Management disclosure requirements

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

2014

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	18,543
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	18,543
(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]	-
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	166,887
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2014, less the cumulative dividends paid for the 2 years to 30 June 2013 & 30 June 2012	(1,365,900)

2014 Surplus	(1,083,000)	2013 Surplus	106,100	2012 Surplus	(389,000)
		2013 Dividend	-	2012 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	YES
	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 2014

Note 2. Water Supply Business Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2014

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) - Aboriginal Communities W&S Program Income (w10a)	\$'000	5,484
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)]	%	76.89%
NWI F9	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	52,224
NWI F11	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	3,798
NWI F14	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	2,972
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)]	%	0.08%
NWI F26	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000	83

- Notes:
1. References to w (eg. w12) refer to item numbers within Special Schedules No. 3 & 4 of Council's Annual Financial Statements.
 2. 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 2014

Note 3. Sewerage Business Best Practice Management disclosure requirements

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

2014

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	11,175
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	11,175
(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]	148,800
(ii)	No. of assessments x (\$30 less tax equivalent charges per assessment)	100,575
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2014, less the cumulative dividends paid for the 2 years to 30 June 2013 & 30 June 2012	228,000

2014 Surplus	297,600	2013 Surplus	258,400	2012 Surplus	(328,000)
		2013 Dividend	-	2012 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	100,575
(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	YES
	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 2014Note 3. Sewerage Business
Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2014

National Water Initiative (NWI) Financial Performance Indicators

NWI F2	Total Revenue (Sewerage) Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10) - Aboriginal Communities W&S Program Income (w10a)	\$'000	3,098
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	32,476
NWI F12	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	1,480
NWI F15	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	529
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)]	%	3.10%
NWI F27	Capital Works Grants (Sewerage) Grants for the Acquisition of Assets (12a)	\$'000	16

**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	8,601
NWI F8	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	1.26%
NWI F16	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	3,501
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)]	%	1.26%
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 2014Note 3. Sewerage Business
Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2014

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)]	%	5.92%
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)		1
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	(612)
NWI F25	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	108

- Notes:
1. References to w (eg. s12) refer to item numbers within Special Schedules No. 5 & 6 of Council's Annual Financial Statements.
 2. 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 2014, comprising the Statement by Council, Income Statement by Business Activities, Statement of Financial Position 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 Office 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 2014 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 Office 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 Office of Local Government or for any purpose other than for which the statements were prepared.



intentus

14 Sale Street
Orange NSW
Dated: 20 October 2014



John O'Malley
Director

A handwritten signature in blue ink, appearing to read 'John O'Malley', written over the printed name and title.

Cowra Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2014

*“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 2014

Contents

Page

Special Schedules¹

- Special Schedule No. 1	Net Cost of Services	2
- Special Schedule No. 2(a)	Statement of Long Term Debt (all purposes)	4
- Special Schedule No. 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993)	n/a
- Special Schedule No. 3	Water Supply Operations - incl. Income Statement	5
- Special Schedule No. 4	Water Supply - Statement of Financial Position	9
- Special Schedule No. 5	Sewerage Service Operations - incl. Income Statement	10
- Special Schedule No. 6	Sewerage Service - Statement of Financial Position	14
- Notes to Special Schedules No. 3 & 5		15
- Special Schedule No. 7	Report on Infrastructure Assets (as at 30 June 2014)	16
- Special Schedule No. 8	Financial Projections	21
- Special Schedule No. 9	Permissible Income Calculation	22

¹ Special Schedules are not audited (with the exception of Special Schedule 9).

Background

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

Cowra Shire Council

Special Schedule No. 1 - Net Cost of Services

for the financial year ended 30 June 2014

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Governance	323	-	-	(323)
Administration	3,307	492	-	(2,815)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	242	66	114	(62)
Beach Control	-	-	-	-
Enforcement of Local Govt. Regulations	-	-	-	-
Animal Control	200	94	-	(106)
Other	-	-	-	-
Total Public Order & Safety	442	160	114	(168)
Health	1	38	-	37
Environment				
Noxious Plants and Insect/Vermin Control	241	59	-	(182)
Other Environmental Protection	151	-	-	(151)
Solid Waste Management	2,460	2,800	-	340
Street Cleaning	235	-	-	(235)
Drainage	377	6	-	(371)
Stormwater Management	-	-	-	-
Total Environment	3,464	2,865	-	(599)
Community Services and Education				
Administration & Education	184	51	-	(133)
Social Protection (Welfare)	-	-	-	-
Aged Persons and Disabled	-	-	-	-
Children's Services	-	-	-	-
Total Community Services & Education	184	51	-	(133)
Housing and Community Amenities				
Public Cemeteries	211	245	-	34
Public Conveniences	77	-	-	(77)
Street Lighting	259	66	-	(193)
Town Planning	1,245	210	67	(968)
Other Community Amenities	-	-	-	-
Total Housing and Community Amenities	1,792	521	67	(1,204)
Water Supplies	6,576	5,513	87	(976)
Sewerage Services	2,663	3,105	21	463

Cowra Shire Council

Special Schedule No. 1 - Net Cost of Services (continued)
for the financial year ended 30 June 2014

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Recreation and Culture				
Public Libraries	279	66	-	(213)
Museums	-	-	-	-
Art Galleries	288	53	-	(235)
Community Centres and Halls	101	32	-	(69)
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	71	15	42	(14)
Sporting Grounds and Venues	257	23	-	(234)
Swimming Pools	384	191	-	(193)
Parks & Gardens (Lakes)	1,788	17	10	(1,761)
Other Sport and Recreation	1	-	-	(1)
Total Recreation and Culture	3,169	397	52	(2,720)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	-	158	-	158
Other Mining, Manufacturing & Construction	119	-	-	(119)
Total Mining, Manufacturing and Const.	119	158	-	39
Transport and Communication				
Urban Roads (UR) - Local	821	-	-	(821)
Urban Roads - Regional	-	-	-	-
Sealed Rural Roads (SRR) - Local	1,391	1,390	371	370
Sealed Rural Roads (SRR) - Regional	486	486	-	-
Unsealed Rural Roads (URR) - Local	924	-	-	(924)
Unsealed Rural Roads (URR) - Regional	-	-	-	-
Bridges on UR - Local	183	-	-	(183)
Bridges on SRR - Local	4	-	-	(4)
Bridges on URR - Local	-	-	-	-
Bridges on Regional Roads	-	-	-	-
Parking Areas	48	-	-	(48)
Footpaths	117	-	-	(117)
Aerodromes	186	20	-	(166)
Other Transport & Communication	518	-	-	(518)
Total Transport and Communication	4,678	1,896	371	(2,411)
Economic Affairs				
Camping Areas & Caravan Parks	22	111	-	89
Other Economic Affairs	3,110	3,792	-	682
Total Economic Affairs	3,132	3,903	-	771
Totals – Functions	29,850	19,099	712	(10,039)
General Purpose Revenues ⁽²⁾		8,758		8,758
Share of interests - joint ventures & associates using the equity method	-	-		-
NET OPERATING RESULT ⁽¹⁾	29,850	27,857	712	(1,281)

(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) & Interest on overdue Rates & Annual Charges

Cowra Shire Council

Special Schedule No. 2(a) - Statement of Long Term Debt (all purpose)
for the financial year ended 30 June 2014

\$'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	1,246	15,329	16,575	5,061	1,294	-	-	1,274	1,061	19,281	20,342
Other	-	-	-	-	-	-	-	-	-	-	-
Total Loans	1,246	15,329	16,575	5,061	1,294	-	-	1,274	1,061	19,281	20,342
Other Long Term Debt											
Ratepayers Advances	-	-	-	-	-	-	-	-	-	-	-
Government Advances	-	-	-	-	-	-	-	-	-	-	-
Finance Leases	-	-	-	-	-	-	-	-	-	-	-
Deferred Payments	-	-	-	-	-	-	-	-	-	-	-
Total Long Term Debt	-	-	-	-	-	-	-	-	-	-	-
Total Debt	1,246	15,329	16,575	5,061	1,294	-	-	1,274	1,061	19,281	20,342

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. 3 - Water Supply Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2014

\$'000	Actuals 2014	Actuals 2013
A Expenses and Income		
Expenses		
1. Management expenses		
a. Administration	49	48
b. Engineering and Supervision	245	214
2. Operation and Maintenance expenses		
- Dams & Weirs		
a. Operation expenses	-	-
b. Maintenance expenses	-	-
- Mains		
c. Operation expenses	87	41
d. Maintenance expenses	567	505
- Reservoirs		
e. Operation expenses	-	-
f. Maintenance expenses	83	56
- Pumping Stations		
g. Operation expenses (excluding energy costs)	57	59
h. Energy costs	413	342
i. Maintenance expenses	-	-
- Treatment		
j. Operation expenses (excluding chemical costs)	416	414
k. Chemical costs	194	296
l. Maintenance expenses	124	113
- Other		
m. Operation expenses	1,244	1,087
n. Maintenance expenses	-	-
o. Purchase of water	319	454
3. Depreciation expenses		
a. System assets	1,545	1,475
b. Plant and equipment	100	64
4. Miscellaneous expenses		
a. Interest expenses	281	207
b. Revaluation Decrements	-	-
c. Other expenses	852	985
d. Impairment - System assets	-	-
e. Impairment - Plant and equipment	-	-
f. Aboriginal Communities Water & Sewerage Program	-	-
g. Tax Equivalents Dividends (actually paid)	-	-
5. Total expenses	6,576	6,360

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 2014

\$'000	Actuals 2014	Actuals 2013
Income		
6. Residential charges		
a. Access (including rates)	799	1,315
b. Usage charges	2,659	2,130
7. Non-residential charges		
a. Access (including rates)	550	540
b. Usage charges	1,247	1,417
8. Extra charges	37	41
9. Interest income	14	15
10. Other income	123	917
10a. Aboriginal Communities Water and Sewerage Program	-	-
11. Grants		
a. Grants for acquisition of assets	83	201
b. Grants for pensioner rebates	65	64
c. Other grants	-	-
12. Contributions		
a. Developer charges	4	55
b. Developer provided assets	-	-
c. Other contributions	-	-
13. Total income	5,581	6,695
14. Gain (or loss) on disposal of assets	19	8
15. Operating Result	(976)	343
15a. Operating Result (less grants for acquisition of assets)	(1,059)	142

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 2014

\$'000	Actuals 2014	Actuals 2013
B Capital transactions		
Non-operating expenditures		
16. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	2,732	1,329
b. New Assets for Growth	-	-
c. Renewals	240	235
d. Plant and equipment	-	-
17. Repayment of debt		
a. Loans	99	65
b. Advances	-	-
c. Finance leases	-	-
18. Transfer to sinking fund	-	-
19. Totals	3,071	1,629
Non-operating funds employed		
20. Proceeds from disposal of assets	53	-
21. Borrowing utilised		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
22. Transfer from sinking fund	-	-
23. Totals	53	-
C Rates and charges		
24. Number of assessments		
a. Residential (occupied)	4,510	5,077
b. Residential (unoccupied, ie. vacant lot)	484	-
c. Non-residential (occupied)	1,187	569
d. Non-residential (unoccupied, ie. vacant lot)	-	-
25. Number of ETs for which developer charges were received	1 ET	14 ET
26. Total amount of pensioner rebates (actual dollars)	\$ 117,697	\$ 116,803

Cowra Shire Council

Special Schedule No. 3 - Water Supply Cross Subsidies

for the financial year ended 30 June 2014

\$'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"/> YES	<input type="checkbox"/>	
If Yes, go to 28a.			
If No, please report if council has removed land value from access charges (ie rates)?	<input type="checkbox"/>	<input type="checkbox"/>	
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.			
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"/> YES	<input type="checkbox"/>	
b. Total cross-subsidy in water supply developer charges for 2012/13 (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 Statement of Financial Position

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2014

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
30. Cash and investments			
a. Developer charges	588	-	588
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	722	-	722
e. Sinking fund	-	-	-
f. Other	3,048	-	3,048
31. Receivables			
a. Specific purpose grants	63	-	63
b. Rates and Availability Charges	67	-	67
c. User Charges	1,489	-	1,489
d. Other	-	-	-
32. Inventories	4	-	4
33. Property, plant and equipment			
a. System assets	-	52,224	52,224
b. Plant and equipment	-	2,396	2,396
34. Other assets	-	-	-
35. Total assets	5,981	54,620	60,601
LIABILITIES			
36. Bank overdraft	-	-	-
37. Creditors	34	-	34
38. Borrowings			
a. Loans	412	7,735	8,147
b. Advances	-	-	-
c. Finance leases	-	-	-
39. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	180	12	192
40. Total liabilities	626	7,747	8,373
41. NET ASSETS COMMITTED	5,355	46,873	52,228
EQUITY			
42. Accumulated surplus			17,110
43. Asset revaluation reserve			35,118
44. TOTAL EQUITY			52,228
Note to system assets:			
45. Current replacement cost of system assets			123,145
46. Accumulated current cost depreciation of system assets			(70,921)
47. Written down current cost of system assets			52,224

Cowra Shire Council

Special Schedule No. 5 - Sewerage Service Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2014

\$'000	Actuals 2014	Actuals 2013
A Expenses and Income		
Expenses		
1. Management expenses		
a. Administration	300	260
b. Engineering and Supervision	324	288
2. Operation and Maintenance expenses		
- Mains		
a. Operation expenses	-	21
b. Maintenance expenses	231	189
- Pumping Stations		
c. Operation expenses (excluding energy costs)	32	28
d. Energy costs	32	29
e. Maintenance expenses	35	36
- Treatment		
f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	126	132
g. Chemical costs	55	47
h. Energy costs	118	154
i. Effluent Management	-	-
j. Biosolids Management	22	18
k. Maintenance expenses	45	94
- Other		
l. Operation expenses	160	198
m. Maintenance expenses	-	-
3. Depreciation expenses		
a. System assets	517	499
b. Plant and equipment	14	9
4. Miscellaneous expenses		
a. Interest expenses	586	768
b. Revaluation Decrements	-	-
c. Other expenses	66	50
d. Impairment - System assets	-	-
e. Impairment - Plant and equipment	-	-
f. Aboriginal Communities Water & Sewerage Program	-	-
g. Tax Equivalents Dividends (actually paid)	-	-
5. Total expenses	2,663	2,820

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 2014

\$'000	Actuals 2014	Actuals 2013
Income		
6. Residential charges (including rates)	2,311	2,229
7. Non-residential charges		
a. Access (including rates)	583	566
b. Usage charges	56	59
8. Trade Waste Charges		
a. Annual Fees	-	-
b. Usage charges	-	-
c. Excess mass charges	-	-
d. Re-inspection fees	-	-
9. Extra charges	22	29
10. Interest income	12	14
11. Other income	78	215
11a. Aboriginal Communities Water & Sewerage Program	-	-
12. Grants		
a. Grants for acquisition of assets	16	-
b. Grants for pensioner rebates	43	44
c. Other grants	-	50
13. Contributions		
a. Developer charges	5	5
b. Developer provided assets	-	-
c. Other contributions	-	17
14. Total income	3,126	3,228
15. Gain (or loss) on disposal of assets	-	-
16. Operating Result	463	408
16a. Operating Result (less grants for acquisition of assets)	447	408

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 2014

\$'000	Actuals 2014	Actuals 2013
B Capital transactions		
Non-operating expenditures		
17. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	-	-
b. New Assets for Growth	-	-
c. Renewals	529	89
d. Plant and equipment	-	-
18. Repayment of debt		
a. Loans	760	3,301
b. Advances	-	-
c. Finance leases	-	-
19. Transfer to sinking fund	-	-
20. Totals	1,289	3,390
Non-operating funds employed		
21. Proceeds from disposal of assets	-	-
22. Borrowing utilised		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
23. Transfer from sinking fund	-	-
24. Totals	-	-
C Rates and charges		
25. Number of assessments		
a. Residential (occupied)	3,430	3,181
b. Residential (unoccupied, ie. vacant lot)	-	-
c. Non-residential (occupied)	295	416
d. Non-residential (unoccupied, ie. vacant lot)	-	-
26. Number of ETs for which developer charges were received	1 ET	1 ET
27. Total amount of pensioner rebates (actual dollars)	\$ 78,522	\$ 79,507

Cowra Shire Council

Special Schedule No. 5 - Sewerage Cross Subsidies

for the financial year ended 30 June 2014

\$'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"/>	
If Yes, go to 29a.			
If No, please report if council has removed land value from access charges (ie rates)?	<input type="checkbox"/>	<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"/>	<input type="checkbox"/>	
b. Total cross-subsidy in sewerage developer charges for 2012/13 (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" value="-"/>

* 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 Service Statement of Financial Position

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2014

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
31. Cash and investments			
a. Developer charges	567	-	567
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	-	-	-
e. Sinking fund	-	-	-
f. Other	5,260	-	5,260
32. Receivables			
a. Specific purpose grants	1	-	1
b. Rates and Availability Charges	279	-	279
c. User Charges	102	-	102
d. Other	20	-	20
33. Inventories	-	-	-
34. Property, plant and equipment			
a. System assets	-	32,476	32,476
b. Plant and equipment	-	2,547	2,547
35. Other assets	-	-	-
36. Total Assets	6,229	35,023	41,252
LIABILITIES			
37. Bank overdraft	-	-	-
38. Creditors	47	-	47
39. Borrowings			
a. Loans	201	6,941	7,142
b. Advances	-	-	-
c. Finance leases	-	-	-
40. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	66	7	73
41. Total Liabilities	314	6,948	7,262
42. NET ASSETS COMMITTED	5,915	28,075	33,990
EQUITY			
42. Accumulated surplus			18,756
44. Asset revaluation reserve			15,234
45. TOTAL EQUITY			33,990
Note to system assets:			
46. Current replacement cost of system assets			46,924
47. Accumulated current cost depreciation of system assets			(14,448)
48. Written down current cost of system assets			32,476

Cowra Shire Council

Notes to Special Schedule No.'s 3 & 5

for the financial year ended 30 June 2014

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.

Impairment Losses (item 4d & 4e of Special Schedules 3 and 5) are to be used when the carrying amount of an asset exceeds its recoverable amount (refer to page D-31).

Aboriginal Communities Water and Sewerage Program (item 4f of Special Schedules 3 and 5) is to be used when operation and maintenance work has been undertaken on behalf of the Aboriginal Communities Water and Sewerage Program. Similarly, income for item 11a of Special Schedule 3 and item 12a of Special Schedule 5 are for services provided to the Aboriginal Communities Water and Sewerage Program and is not part of Council's water supply and sewerage revenue.

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. 7 - Report on Infrastructure Assets
as at 30 June 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard ⁽¹⁾	Required Annual Maintenance ⁽²⁾	Actual Maintenance 2013/14 ⁽³⁾	Written Down Value (WDV) ⁽⁴⁾	Assets in Condition as a % of WDV ^{(4), (5)}				
						1	2	3	4	5
Buildings	Council Offices / Administration Centres	-	16	13	4,179		100%			0%
	Council Works Depot	2	14	7	752		99%		1%	0%
	Council Public Halls	-	25	14	3,913		99%	1%		0%
	Libraries	-	99	58	2,116		50%	50%		0%
	Council Houses	61	39	27	434			100%		0%
	RFS Sheds	-	25	5	471		50%	50%		0%
	Amenities/Toilets	6	68	36	2,896	6%	68%	25%	1%	0%
	Other	62	34	18	6,625	40%	43%	14%	3%	0%
	sub total	131	320	178	21,386	13.2%	69.7%	16.0%	1.1%	0.0%
Roads	Sealed Roads Surface	906	548	516	17,116	25%	40%	17%	18%	0%
	Sealed Roads Structure	732	86	54	48,462	32%	39%	22%	7%	0%
	Unsealed Roads	1,496	569	537	31,319	15%	32%	34%	19%	0%
	Bridges	250	20	20	14,174	67%	14%	12%	7%	0%
	Footpaths	86	74	42	7,089	13%	48%	34%	5%	0%
	Cycle ways	-	7	-	780	100%				0%
	Kerb and Gutter	49	99	67	6,268	13%	58%	26%	3%	0%
	Other Road Assets	-	17	-	1,715		50%	50%		0%
	Culverts & Pipes	412	126	-	12,636	5%	35%	49%	11%	0%
	Road Furniture		1	-	67			100%		0%
	sub total	3,931	1,547	1,236	139,626	26.6%	35.9%	26.6%	11.0%	0.0%

Special Schedule No. 7 - Report on Infrastructure Assets (continued)
as at 30 June 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard ⁽¹⁾	Required Annual Maintenance ⁽²⁾	Actual Maintenance 2013/14 ⁽³⁾	Written Down Value (WDV) ⁽⁴⁾	Assets in Condition as a % of WDV ^{(4), (5)}				
						1	2	3	4	5
Water Supply Network	Mains	4,831	852	664	39,019	6%	11%	53%	30%	0%
	Reservoirs	993	106	83	6,065		1%	69%	30%	0%
	Pumping Station/s	61	603	470	1,857		12%	82%	6%	0%
	Treatment	-	990	772	4,907		100%			0%
	Meters	40	93	93	376			50%	50%	0%
	sub total		5,925	2,644	2,082	52,224	4.5%	18.2%	50.9%	26.5%
Sewerage Network	Mains	836	193	142	17,634	12%	10%	64%	14%	0%
	Pumping Station/s	47	85	63	1,115		10%	80%	10%	0%
	Treatment	-	424	314	13,727	100%				0%
	sub total		883	702	519	32,476	48.8%	5.8%	37.5%	7.9%

Special Schedule No. 7 - Report on Infrastructure Assets (continued)
as at 30 June 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard ⁽¹⁾	Required Annual Maintenance ⁽²⁾	Actual Maintenance 2013/14 ⁽³⁾	Written Down Value (WDV) ⁽⁴⁾	Assets in Condition as a % of WDV ^{(4), (5)}				
						1	2	3	4	5
Stormwater Drainage	Stormwater Conduits	686	-	-	17,789	16%	25%	46%	13%	0%
	Inlet and Junction Pits	240	61	22	6,788	21%	26%	40%	13%	0%
	sub total	926	61	22	24,577	17.4%	25.3%	44.3%	13.0%	0.0%
Open Space/ Recreational Assets	Swimming Pools	-	397	384	1,325			100%		0%
	Other Recreational Assets	214	236	203	2,360		50%	25%	25%	0%
	sub total	214	633	587	3,685	0.0%	32.0%	52.0%	16.0%	0.0%
TOTAL - ALL ASSETS		12,010	5,907	4,624	273,974	22.8%	30.6%	33.6%	13.1%	0.0%

Notes:

- (1). Satisfactory is defined as "satisfying expectations or needs, leaving no room for complaint, causing satisfaction, adequate".
The estimated cost to bring assets to a satisfactory standard is the amount of money that is required to be spent on an asset to ensure that it is in a satisfactory standard.
This estimated cost should not include any planned enhancements (ie. to heighten, intensify or improve the facilities).
- (2). Required Annual Maintenance is "what should be spent to maintain assets in a satisfactory standard."
- (3). Actual Maintenance is what has been spent in the current year to maintain the assets.
Actual Maintenance may be higher or lower than the required annual maintenance due to the timing of when the maintenance actually occurs.
- (4). Written Down Value is in accordance with Note 9 of Council's General Purpose Financial Statements
- (5). **Infrastructure Asset Condition Assessment "Key"**

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

Cowra Shire Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)
for the financial year ended 30 June 2014

\$ '000	Amounts 2014	Indicator 2014	Prior Periods 2013 2012	
Infrastructure Asset Performance Indicators Consolidated				
1. Building and Infrastructure Renewals Ratio				
Asset Renewals (Building and Infrastructure) ⁽¹⁾	<u>4,123</u>	72.84%	48.30%	62.04%
Depreciation, Amortisation & Impairment	<u>5,660</u>			
2. Infrastructure Backlog Ratio				
Estimated Cost to bring Assets to a Satisfactory Condition	<u>12,010</u>	0.04	0.05	0.04
Total value ⁽²⁾ of Infrastructure, Building, Other Structures & depreciable Land Improvement Assets	<u>273,974</u>			
3. Asset Maintenance Ratio				
Actual Asset Maintenance	<u>4,624</u>	0.78	0.76	0.74
Required Asset Maintenance	<u>5,907</u>			
4. Capital Expenditure Ratio				
Annual Capital Expenditure	<u>8,945</u>	1.26	0.84	0.85
Annual Depreciation	<u>7,076</u>			

Notes

⁽¹⁾ 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.

⁽²⁾ Written down value

Cowra Shire Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)
for the financial year ended 30 June 2014

\$ '000	Water 2014	Sewer 2014	General ⁽¹⁾ 2014
Infrastructure Asset Performance Indicators By Fund			
1. Building and Infrastructure Renewals Ratio			
<u>Asset Renewals (Building and Infrastructure)⁽¹⁾</u>	15.17%	103.58%	93.97%
Depreciation, Amortisation & Impairment			
prior period:	15.71%	17.62%	66.54%
2. Infrastructure Backlog Ratio			
<u>Estimated Cost to bring Assets to a Satisfactory Condition</u>	0.11	0.03	0.03
Total value ⁽³⁾ of Infrastructure, Building, Other Structures & Depreciable Land Improvement Assets			
prior period:	0.07	0.14	0.02
3. Asset Maintenance Ratio			
<u>Actual Asset Maintenance</u>	0.79	0.74	0.79
Required Asset Maintenance			
prior period:	0.77	1.01	0.69
4. Capital Expenditure Ratio			
<u>Annual Capital Expenditure</u>	1.79	1.00	1.12
Annual Depreciation			
prior period:	1.01	0.18	0.85

Notes

⁽¹⁾ General Fund refers to all of Council's activities except for its Water & Sewer activities which are listed separately.

⁽²⁾ 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.

⁽³⁾ Written down value

Cowra Shire Council

Special Schedule No. 8 - Financial Projections

as at 30 June 2014

\$'000	Actual ⁽¹⁾ 13/14	Forecast ⁽³⁾ 14/15	Forecast ⁽³⁾ 15/16	Forecast ⁽³⁾ 16/17	Forecast ⁽³⁾ 17/18	Forecast ⁽³⁾ 18/19	Forecast ⁽³⁾ 19/20	Forecast ⁽³⁾ 20/21	Forecast ⁽³⁾ 21/22	Forecast ⁽³⁾ 22/23	Forecast ⁽³⁾ 23/24
(i) OPERATING BUDGET											
Income from continuing operations	28,569	31,787	31,067	31,985	32,920	33,460	34,434	35,435	36,467	37,528	39,371
Expenses from continuing operations	29,850	30,199	30,853	31,601	32,651	33,418	34,455	35,156	36,010	36,652	37,488
Operating Result from Continuing Operations	(1,281)	1,588	214	384	269	42	(21)	279	457	876	1,883
(ii) CAPITAL BUDGET											
New Capital Works ⁽²⁾	-	-	-	-	-	-	-	-	-	-	-
Replacement/Refurbishment of Existing Assets	4,123	5,565	2,731	3,184	2,755	3,097	3,499	3,639	4,443	3,718	3,949
Total Capital Budget	4,123	5,565	2,731	3,184	2,755	3,097	3,499	3,639	4,443	3,718	3,949
Funded by:											
- Loans	-	-	-	-	-	-	500	-	500	-	500
- Asset sales	-	-	-	-	-	-	-	-	-	-	-
- Reserves	770	2,266	850	1,150	660	940	650	720	950	650	700
- Grants/Contributions	1,301	2,179	650	650	650	650	650	650	650	650	650
- Recurrent revenue	2,052	1,120	1,231	1,384	1,445	1,507	1,699	2,269	2,343	2,418	2,099
- Other	-	-	-	-	-	-	-	-	-	-	-
	4,123	5,565	2,731	3,184	2,755	3,097	3,499	3,639	4,443	3,718	3,949

Notes:

(1) From 13/14 Income Statement.

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

(3) Financial projections should be in accordance with Council's Integrated Planning and Reporting framework.

Cowra Shire Council

Special Schedule No. 9 - Permissible Income Calculation

for the financial year ended 30 June 2015

\$'000		Calculation 2013/14	Calculation 2014/15
Notional General Income Calculation ⁽¹⁾			
Last Year Notional General Income Yield	a	5,807	6,010
Plus or minus Adjustments ⁽²⁾	b	6	25
Notional General Income	c	5,813	6,035
Permissible Income Calculation			
Special variation percentage ⁽³⁾	d		
or Rate peg percentage	e	3.40%	2.30%
or Crown land adjustment incl. rate peg percentage	f		
less expiring Special variation amount	g	-	-
plus Special variation amount	h = c x d	-	-
or plus Rate peg amount	i = c x e	198	139
or plus Crown land adjustment and rate peg amount	j = c x f	-	-
sub-total	k = (c+g+h+i+j)	6,011	6,174
plus (or minus) last year's Carry Forward Total	l	6	7
less Valuation Objections claimed in the previous year	m	-	-
sub-total	n = (l + m)	6	7
Total Permissible income	o = k + n	6,017	6,180
less Notional General Income Yield	p	6,010	6,179
Catch-up or (excess) result	q = o - p	7	1
plus Income lost due to valuation objections claimed ⁽⁴⁾	r	-	-
less Unused catch-up ⁽⁵⁾	s	-	(1)
Carry forward to next year	t = q + r - s	7	0

Notes

- ¹ The Notional General Income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- ² Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called "supplementary valuations" as defined in the Valuation of Land Act 1916.
- ³ The Special Variation Percentage is inclusive of the Rate Peg percentage and where applicable crown land adjustment.
- ⁴ Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- ⁵ Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.

**INDEPENDENT AUDITOR'S REPORT
PERMISSIBLE GENERAL INCOME OF COWRA SHIRE COUNCIL**

Scope

We have audited the special purpose financial report comprising the reconciliation of total permissible general income of Cowra Shire Council for 2014-'15.

The Council is responsible for the preparation and presentation of the report in accordance with a directive of the Chief Executive, Local Government, Department of Premier and Cabinet. We have conducted an independent audit of the report in order to express an opinion on its preparation and presentation.

The report has been prepared for the Division of Local Government in the Department of Premier and Cabinet for the purpose of ensuring compliance by the Council with its financial reporting requirements under the Local Government Act 1993.

Our audit has been conducted in accordance with Australian Auditing Standards so as to provide reasonable assurance as to whether the report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the report. We have not examined forecasts of expenditure or the impact of present or future policy decisions on the report. These procedures have been undertaken to form an opinion as to whether, in all material respects, the report is presented fairly in accordance with the requirements of the Chief Executive, Local Government.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the reconciliation of Council's total permissible general income which shows a carry forward total for 2014-'15 of **\$Nil (\$0)** is properly drawn up in accordance with the requirements of the Chief Executive, Local Government and in accordance with the books and records of the Council.

Basis of Accounting and Restriction on Distribution

Without modifying our opinion, we draw attention to the fact that the reconciliation of total permissible general income is a special purpose financial report which has been prepared for distribution to the Council and the Division of Local Government for the purpose of fulfilling the requirements of the directive of the Chief Executive, Local Government, Department of Premier and Cabinet. As a result, the financial report 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 financial report was prepared.

[Redacted signature area]

intentus
14 Sale Street
Orange
Dated: 20 October 2014

[Redacted signature area]

John O'Malley
Director