

Cowra Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

*“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 year ended 30 June 2016

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Overview

- (i) These financial statements are General Purpose Financial Statements and cover the 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 1993* (LGA).

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

- the ability to provide goods, services and facilities, and to carry out activities appropriate to the current and 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 25 October 2016. Council has the power to amend and reissue these financial statements.
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Cowra Shire Council

General Purpose Financial Statements for the year ended 30 June 2016

Understanding Council's financial statements

Introduction

Each year, individual local governments across New South Wales are required to present a set of audited financial statements to their council and community.

What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2016.

The format of the financial statements is standard across all NSW Councils and complies with both the accounting and reporting requirements of Australian Accounting Standards and requirements as set down by the Office of Local Government.

About the Councillor/Management Statement

The financial statements must be certified by senior staff as 'presenting fairly' the Council's financial results for the year, and are required to be adopted by Council – ensuring both responsibility for and ownership of the financial statements.

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

This statement summarises Council's financial performance for the year, listing all income and expenses.

This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

2. The Statement of Comprehensive Income

This statement primarily records changes in the fair values of Council's infrastructure, property, plant and equipment.

3. The Statement of Financial Position

An end of year snapshot of Council's financial position indicating its assets, liabilities and equity ('net wealth').

4. The Statement of Changes in Equity

The overall change for the year (in dollars) of Council's 'net wealth'.

5. The Statement of Cash Flows

This statement indicates where Council's cash came from and where it was spent. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the five primary financial statements.

About the Auditor's Reports

Council's financial statements are required to be audited by external accountants (that generally specialise in local government). In NSW, the auditor provides 2 audit reports:

1. An opinion on whether the financial statements present fairly the Council's financial performance and position, and
2. Their observations on the conduct of the audit, including commentary on the Council's financial performance and financial position.

Who uses the financial statements?

The financial statements are publicly available documents and must be presented at a Council meeting between seven days and five weeks after the date of the Audit Report.

The public can make submissions to Council up to seven days subsequent to the public presentation of the financial statements.

Council is required to forward an audited set of financial statements to the Office of Local Government.

Cowra Shire Council

General Purpose Financial Statements for the year ended 30 June 2016

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

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

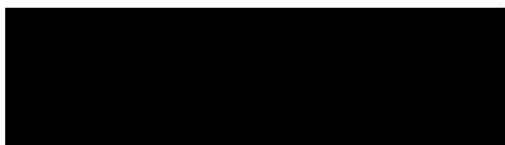
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and professional pronouncements, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

Signed in accordance with a resolution of Council made on 24 October 2016.



Cr WJ West
Mayor



Cr JA Smith
Councillor



Mr P Devery
General Manager



Mr G Aphorpe
Responsible Accounting Officer

Cowra Shire Council

Income Statement

for the year ended 30 June 2016

Budget ¹			Actual	Actual
2016	\$ '000	Notes	2016	2015
Income from continuing operations				
<i>Revenue:</i>				
12,708	Rates and annual charges	3a	12,096	11,749
11,141	User charges and fees	3b	12,876	13,677
534	Interest and investment revenue	3c	765	811
926	Other revenues	3d	829	1,329
6,729	Grants and contributions provided for operating purposes	3e,f	7,330	6,423
839	Grants and contributions provided for capital purposes	3e,f	638	488
<i>Other income:</i>				
280	Net gains from the disposal of assets	5	144	235
–	Net share of interests in joint ventures and associates using the equity method	19	–	–
33,157	Total income from continuing operations		34,678	34,712
Expenses from continuing operations				
11,723	Employee benefits and on-costs	4a	12,862	12,729
1,376	Borrowing costs	4b	1,361	1,434
9,019	Materials and contracts	4c	8,746	8,539
5,733	Depreciation and amortisation	4d	6,197	5,886
–	Impairment	4d	–	–
2,866	Other expenses	4e	3,220	3,187
30,717	Total expenses from continuing operations		32,386	31,775
2,440	Operating result from continuing operations		2,292	2,937
Discontinued operations				
–	Net profit/(loss) from discontinued operations	24	–	–
2,440	Net operating result for the year		2,292	2,937
2,440	Net operating result attributable to Council		2,292	2,937
–	Net operating result attributable to non-controlling interests		–	–
1,601	Net operating result for the year before grants and contributions provided for capital purposes		1,654	2,449

¹ Original budget as approved by Council – refer Note 16

Cowra Shire Council

Statement of Comprehensive Income
for the year ended 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
Net operating result for the year (as per Income Statement)		2,292	2,937
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	(13,608)	(14,625)
Total items which will not be reclassified subsequently to the operating result		(13,608)	(14,625)
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the year		(13,608)	(14,625)
Total comprehensive income for the year		(11,316)	(11,688)
Total comprehensive income attributable to Council		(11,316)	(11,688)
Total comprehensive income attributable to non-controlling interests		-	-

Cowra Shire Council

Statement of Financial Position
as at 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
ASSETS			
Current assets			
Cash and cash equivalents	6a	4,270	4,638
Investments	6b	18,000	14,000
Receivables	7	3,450	3,899
Inventories	8	913	1,195
Other	8	–	175
Non-current assets classified as 'held for sale'	22	–	–
Total current assets		26,633	23,907
Non-current assets			
Investments	6b	–	–
Receivables	7	63	–
Inventories	8	195	–
Infrastructure, property, plant and equipment	9	575,302	588,296
Investments accounted for using the equity method	19	–	–
Investment property	14	–	–
Intangible assets	25	–	–
Other	8	174	–
Total non-current assets		575,734	588,296
TOTAL ASSETS		602,367	612,203
LIABILITIES			
Current liabilities			
Payables	10	2,748	2,509
Borrowings	10	1,185	1,007
Provisions	10	4,283	4,114
Total current liabilities		8,216	7,630
Non-current liabilities			
Payables	10	–	–
Borrowings	10	19,219	18,274
Provisions	10	455	506
Total non-current liabilities		19,674	18,780
TOTAL LIABILITIES		27,890	26,410
Net assets		574,477	585,793
EQUITY			
Retained earnings	20	177,989	175,697
Revaluation reserves	20	396,488	410,096
Council equity interest		574,477	585,793
Non-controlling equity interests		–	–
Total equity		574,477	585,793

Cowra Shire Council

Statement of Changes in Equity

for the year ended 30 June 2016

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling Interest	Total equity
2016						
Opening balance (as per last year's audited accounts)		175,931	410,096	586,027	–	586,027
a. Correction of prior period errors	20 (c)	(234)	–	(234)	–	(234)
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
Revised opening balance (as at 1/7/15)		175,697	410,096	585,793	–	585,793
c. Net operating result for the year		2,292	–	2,292	–	2,292
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	(13,608)	(13,608)	–	(13,608)
– Revaluations: other reserves	20b (ii)	–	–	–	–	–
– Transfers to Income Statement	20b (ii)	–	–	–	–	–
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	–	–	–	–	–
– Joint ventures and associates	19b	–	–	–	–	–
Other comprehensive income		–	(13,608)	(13,608)	–	(13,608)
Total comprehensive income (c&d)		2,292	(13,608)	(11,316)	–	(11,316)
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
Equity – balance at end of the reporting period		177,989	396,488	574,477	–	574,477

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council interest	Non-controlling Interest	Total Equity
2015						
Opening balance (as per last year's audited accounts)		172,994	424,721	597,715	–	597,715
a. Correction of prior period errors	20 (c)	(234)	–	(234)	–	(234)
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
Revised opening balance (as at 1/7/14)		172,760	424,721	597,481	–	597,481
c. Net operating result for the year		2,937	–	2,937	–	2,937
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	(14,625)	(14,625)	–	(14,625)
– Revaluations: other reserves	20b (ii)	–	–	–	–	–
– Transfers to Income Statement	20b (ii)	–	–	–	–	–
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	–	–	–	–	–
– Joint ventures and associates	19b	–	–	–	–	–
Other comprehensive income		–	(14,625)	(14,625)	–	(14,625)
Total comprehensive income (c&d)		2,937	(14,625)	(11,688)	–	(11,688)
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
Equity – balance at end of the reporting period		175,697	410,096	585,793	–	585,793

This statement should be read in conjunction with the accompanying notes.

Cowra Shire Council

Statement of Cash Flows

for the year ended 30 June 2016

Budget 2016	\$ '000	Notes	Actual 2016	Actual 2015
Cash flows from operating activities				
Receipts:				
12,708	Rates and annual charges		12,169	11,900
11,642	User charges and fees		14,234	14,001
534	Investment and interest revenue received		680	759
7,066	Grants and contributions		7,801	7,204
927	Other		2,045	2,324
Payments:				
(11,526)	Employee benefits and on-costs		(12,815)	(12,460)
(9,019)	Materials and contracts		(9,621)	(9,358)
(1,376)	Borrowing costs		(1,342)	(1,416)
–	Bonds, deposits and retention amounts refunded		(4)	(277)
(2,866)	Other		(4,185)	(3,340)
8,090	Net cash provided (or used in) operating activities	11b	8,962	9,337
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		14,000	2,000
281	Sale of infrastructure, property, plant and equipment		338	579
58	Deferred debtors receipts		34	34
Payments:				
–	Purchase of investment securities		(18,000)	(14,000)
(6,916)	Purchase of infrastructure, property, plant and equipment		(6,812)	(6,920)
–	Deferred debtors and advances made		(13)	–
(6,577)	Net cash provided (or used in) investing activities		(10,453)	(18,307)
Cash flows from financing activities				
Receipts:				
120	Proceeds from borrowings and advances		2,129	–
Payments:				
(1,011)	Repayment of borrowings and advances		(1,006)	(1,061)
(891)	Net cash flow provided (used in) financing activities		1,123	(1,061)
622	Net increase/(decrease) in cash and cash equivalents		(368)	(10,031)
18,638	Plus: cash and cash equivalents – beginning of year	11a	4,638	14,669
19,260	Cash and cash equivalents – end of the year	11a	4,270	4,638
Additional Information:				
	plus: Investments on hand – end of year	6b	18,000	14,000
	Total cash, cash equivalents and investments		22,270	18,638

Please refer to Note 11 for information on the following:

- Non-cash financing and investing activities
- Financing arrangements
- Net cash flow disclosures relating to any discontinued operations

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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n/a – not applicable

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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)* and Regulations, 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 IFRSs, 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 and 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

There have been no new accounting standards adopted in this year's financial statements which have had any material impact on reported financial position, performance or cash flows.

(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 2015, except for AASB2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities, which has reduced the fair value disclosures for Level 3 assets.

(v) Basis of accounting

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

- (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 and 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)].

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in Note 3 (g).

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

The Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of s94 of the *EPA Act 1979*.

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

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

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

User charges, fees and other Income

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

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

(i) The Consolidated Fund

In accordance with the provisions of section 409(1) of the 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 that must be applied only for the purposes of or in accordance with the trusts relating to those monies.

Trust monies and property subject to Council's control have been included in these statements.

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

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

(iii) Interests in other entities

Subsidiaries

Council has no interest in any subsidiaries.

Joint arrangements

Council has no material interest in any joint arrangements.

Associates

Council has no interest in any associates.

County councils

Council is not a member of any county councils.

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

Unconsolidated structured entities

Council has no interest in any unconsolidated structured entities.

(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 that 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 and 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.

(i) Loans and receivables

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

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

General accounting and 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 invest in accordance with (and to comply with) section 625 of the *Local Government Act* and s212 of the LG (General) Regulation 2005.

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

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

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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 and 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 that are known to be uncollectible are written off in accordance with Council's policy.

A provision for impairment (i.e. an allowance account) relating to receivables is established when objective evidence shows that 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.

Impairment losses are recognised in the Income Statement within other expenses.

When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account.

Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

(h) Inventories

(i) Raw materials and stores, work in progress and finished goods

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

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

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

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

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

(ii) Inventory held for distribution

Inventory held for distribution is held at cost, adjusted where applicable for any loss of service potential.

(iii) 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

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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:

- **Plant and equipment**
(as approximated by depreciated historical cost)
- **Operational land** (external valuation)
- **Community land** (internal valuation)
- **Land improvements**
(as approximated by depreciated historical cost)
- **Buildings – specialised/non-specialised**
(external valuation)
- **Other structures**
(as approximated by depreciated historical cost)
- **Roads assets including roads, bridges and footpaths** (external valuation)
- **Bulk earthworks** (external valuation)
- **Stormwater drainage** (external valuation)
- **Water and sewerage networks**
(external valuation)
- **Swimming pools** (external valuation)
- **Other open space/recreational assets**
(external valuation)
- **Other infrastructure** (external valuation)
- **Other assets**
(as approximated by depreciated historical cost)

Initial recognition

On initial recognition, an asset's 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 (i.e. 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 and 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

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

Buildings and Land Improvements	
Park Furniture and Equipment	> \$2,000

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

Water and Sewer Assets	
Reticulation extensions	100% Capitalised
Other	> \$5,000

Stormwater Assets	
Drains and Culverts	> \$5,000
Other	> \$5,000

Transport Assets	
Road construction and reconstruction	> \$10,000
Reseal/Re-sheet and major repairs	> \$10,000

Bridge construction and reconstruction	> \$10,000
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Other Infrastructure Assets	
Swimming Pools	> \$10,000
Other Open Space/Recreational Assets	> \$10,000

Other Infrastructure	> \$10,000
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Depreciation

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

Land is not depreciated.

Estimated useful lives for Council's I,PPandE include:

Plant and 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
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Stormwater Drainage	
- Drains	100 years
- Culverts	50 to 75 years
- Flood Structures	80 to 100 years

Transportation Assets	
- Sealed Roads: Surface	62 years
- Sealed Roads: Structure	166 years
- Unsealed roads	55 years

- Bridge: Concrete	70 to 250 years
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Water and Sewer Assets	
- Reservoirs	100 years
- Reticulation pipes	75 years
- Other	25 to 50 years
- Pumping stations	50 years

Other Infrastructure Assets	
- Bulk earthworks	Infinite

- Swimming Pools	50 years
- Other Open Space/ Recreational Assets	5 to 100 years

- Other Assets	5 to 100 years
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Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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.

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) Crown reserves

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

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

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

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

(n) Rural fire service assets

Under section 119 of the *Rural Fires Act 1997*, 'all fire fighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the fire fighting equipment has been purchased or constructed'.

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

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

(o) Provisions for close down, restoration and for environmental clean-up costs of quarries

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

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

Specific information about Council's provisions relating to close down, restoration and remediation costs can be found at Note 26.

(p) 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 (other than goodwill) that suffered a prior period impairment are reviewed for possible reversal of the impairment at each reporting date.

(q) Payables

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

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

(r) Borrowings

Borrowing costs are expensed.

(s) Provisions

Council has no other provisions other than Employee Leave Liability and Remediation of Quarries.

(t) 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 and salaries, annual leave and vesting sick leave are all classified as current liabilities.

(ii) Other long-term obligations

The liability for all long service and annual leave in respect of services provided by employees up to the reporting date (which is not expected to be 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

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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.

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.

(u) Self-insurance

Council does not self-insure.

(v) Allocation between current and non-current assets and 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 it is 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.

(w) Taxes

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

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

Goods and 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.

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

Investing and financing cash flows are treated on a net basis (where recoverable from the ATO), i.e. they are exclusive of GST. Instead, the GST component of investing and financing activity cash flows that 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.

(x) New accounting standards and Interpretations issued (not yet effective)

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2016.

Council has not adopted any of these standards early.

These include the following standards that are anticipated will impact on local government:

AASB 9 – Financial Instruments

AASB 15 – Revenue from Contracts with Customers and associated amending standards

AASB ED 260 – Income of Not-for-Profit Entities

AASB16 – Leases

AASB2015-6 – Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities

AASB 2014 – 10 Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture

AASB 2014 – 3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 and AASB 11]

The full impact of the above standards has yet to be ascertained or quantified but will range from

additional and/or revised disclosures to changes in how certain transactions and balances are accounted for.

(y) Rounding of amounts

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

(z) Comparative figures

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

(aa) Disclaimer

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

Cowra Shire Council

Notes to the Financial Statements
for the year ended 30 June 2016

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
	2016	2016	2015	2016	2016	2015	2016	2016	2015	2016	2015	2016	2015
Governance	–	–	–	316	336	296	(316)	(336)	(296)	–	–	–	–
Administration	393	277	411	4,178	3,522	4,038	(3,785)	(3,245)	(3,627)	5	36	19,862	17,066
Public order and safety	484	544	228	648	668	549	(164)	(124)	(321)	413	84	2,034	1,773
Health	10	8	20	2	3	2	8	5	18	–	–	1,241	276
Environment	3,239	3,158	3,077	3,568	4,017	3,815	(329)	(859)	(738)	265	248	29,039	30,371
Community services and education	4	18	9	153	163	14	(149)	(145)	(5)	1	27	668	739
Housing and community amenities	519	563	898	1,985	1,890	1,808	(1,466)	(1,327)	(910)	66	66	779	1,105
Water supplies	6,191	6,296	6,253	6,151	6,273	6,247	40	23	6	124	353	60,935	61,027
Sewerage services	3,360	3,296	3,111	3,074	2,838	2,655	286	458	456	45	45	41,937	42,058
Recreation and culture	357	417	463	3,220	3,492	3,296	(2,863)	(3,075)	(2,833)	133	142	29,497	40,208
Mining, manufacturing and construction	134	172	210	34	42	27	100	130	183	–	–	514	518
Transport and communication	1,484	2,496	1,568	3,101	3,640	2,973	(1,617)	(1,144)	(1,405)	1,936	947	409,009	409,338
Economic affairs	5,832	6,330	7,423	4,287	5,502	6,055	1,545	828	1,368	11	–	6,852	7,724
Total functions and activities	22,007	23,575	23,671	30,717	32,386	31,775	(8,710)	(8,811)	(8,104)	2,999	1,948	602,367	612,203
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	–	–	–	–	–	–	–	–	–
General purpose income ¹	11,150	11,103	11,041	–	–	–	11,150	11,103	11,041	4,327	4,363	–	–
Operating result from continuing operations	33,157	34,678	34,712	30,717	32,386	31,775	2,440	2,292	2,937	7,326	6,311	602,367	612,203

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

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

ADMINISTRATION

Corporate support and other support services, engineering works, and any Council policy compliance.

PUBLIC ORDER AND SAFETY

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

HEALTH

Inspection and food control.

ENVIRONMENT

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

COMMUNITY SERVICES AND EDUCATION

Youth services; aged and disabled persons services.

HOUSING AND COMMUNITY AMENITIES

Public cemeteries; public conveniences; street lighting; town planning; housing other community amenities.

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION AND CULTURE

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

MINING, MANUFACTURING AND CONSTRUCTION

Building control, quarries and pits.

TRANSPORT AND COMMUNICATION

Urban local roads, sealed and unsealed roads, bridges, footpaths, parking areas, bus shelters and aerodromes.

ECONOMIC AFFAIRS

Caravan parks; tourism and area promotion; industrial development promotion; sale yards; real estate development and other business undertakings.

Cowra Shire Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 3. Income from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
(a) Rates and annual charges			
Ordinary rates			
Residential		2,129	2,054
Farmland		2,711	2,657
Mining		20	81
Business		1,228	1,166
Total ordinary rates		6,088	5,958
Special rates			
Nil			
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		1,992	1,908
Water supply services		1,410	1,362
Sewerage services		2,386	2,307
Waste management services (non-domestic)		220	214
Total annual charges		6,008	5,791
TOTAL RATES AND ANNUAL CHARGES		12,096	11,749

Council has used 2014 year valuations provided by the NSW Valuer General in calculating its rates.

Cowra Shire Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(b) User charges and fees			
Specific user charges (per s.502 – specific 'actual use' charges)			
Water supply services		4,616	4,350
Sewerage services		693	662
Total user charges		5,309	5,012
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Planning and building regulation		315	362
Private works – section 67		597	892
Total fees and charges – statutory/regulatory		912	1,254
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome		20	20
Caravan park		508	208
Cemeteries		302	253
RMS (formerly RTA) charges (state roads not controlled by Council)		4,560	5,696
Saleyards		548	507
Swimming centres		189	187
Waste disposal tipping fees		348	309
Water connection fees		75	121
Other		105	110
Total fees and charges – other		6,655	7,411
TOTAL USER CHARGES AND FEES		12,876	13,677

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		55	87
– Interest earned on investments (interest and coupon payment income)		595	607
– Interest on deferred debtors		90	90
Amortisation of premiums and discounts			
– Interest free (and interest reduced) loans provided		25	27
TOTAL INTEREST AND INVESTMENT REVENUE		765	811
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		55	87
General Council cash and investments		633	633
Restricted investments/funds – external:			
Development contributions			
– Section 94		11	16
– Section 64		34	23
Water fund operations		10	27
Sewerage fund operations		13	16
Domestic waste management operations		9	9
Total interest and investment revenue recognised		765	811
(d) Other revenues			
Rental income – other council properties		197	196
Fines		103	293
Legal fees recovery – rates and charges (extra charges)		20	17
Legal fees recovery – other		–	150
Cultural and community activities		59	173
Diesel rebate		83	75
Insurance rebate		56	68
Lease back contributions		90	76
Recycling income (non-domestic)		159	246
Other		62	35
TOTAL OTHER REVENUE		829	1,329

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
(e) Grants				
General purpose (untied)				
Financial assistance – general component	2,865	2,889	–	–
Financial assistance – local roads component	1,355	1,363	–	–
Pensioners' rates subsidies – general component	107	111	–	–
Total general purpose	4,327	4,363	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	66	67	–	–
– Sewerage	45	45	–	–
– Domestic waste management	88	88	–	–
Water supplies	–	–	–	201
Community care	–	27	–	–
Economic development	11	–	–	–
Employment and training programs	5	34	–	–
Environmental protection	170	93	7	67
Heritage and cultural	3	5	–	–
Library	38	45	7	–
LIRS subsidy	58	85	–	–
NSW rural fire services	40	59	360	25
Recreation and culture	45	41	40	51
Street lighting	66	66	–	–
Transport (roads to recovery)	1,836	893	–	–
Transport (other roads and bridges funding)	–	–	100	54
Other	14	2	–	–
Total specific purpose	2,485	1,550	514	398
Total grants	6,812	5,913	514	398
Grant revenue is attributable to:				
– Commonwealth funding	6,056	5,145	–	–
– State funding	756	768	514	398
	6,812	5,913	514	398

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
S 94 – contributions towards amenities/services	–	–	7	1
S 94A – fixed development consent levies	–	–	10	64
S 64 – water supply contributions	–	–	33	–
S 64 – sewerage service contributions	–	–	64	–
Total developer contributions	–	–	114	65
	17			
Other contributions:				
Heritage/cultural	17	17	–	–
Roads and bridges	–	–	1	16
RMS contributions (regional roads, block grant)	501	493	–	–
Water supplies (excl. section 64 contributions)	–	–	–	9
Contribution Toilet Block	–	–	9	–
Total other contributions	518	510	10	25
Total contributions	518	510	124	90
TOTAL GRANTS AND CONTRIBUTIONS	7,330	6,423	638	488

\$ '000	Actual 2016	Actual 2015
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(g) Restrictions relating to grants and contributions**Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:**

Unexpended at the close of the previous reporting period	2,498	2,706
Add: grants and contributions recognised in the current period but not yet spent:	668	337
Less: grants and contributions recognised in a previous reporting period now spent:	(723)	(545)
Net increase (decrease) in restricted assets during the period	(55)	(208)
Unexpended and held as restricted assets	2,443	2,498
Comprising:		
– Specific purpose unexpended grants	250	668
– Developer contributions	1,761	1,725
– Other contributions	432	105
	2,443	2,498

Cowra Shire Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
(a) Employee benefits and on-costs			
Salaries and wages		10,065	9,920
Travel expenses		30	41
Employee leave entitlements (ELE)		1,897	1,846
Superannuation – defined contribution plans		891	837
Superannuation – defined benefit plans		267	305
Workers' compensation insurance		299	292
Fringe benefit tax (FBT)		46	53
Training costs (other than salaries and wages)		154	144
Total employee costs		13,649	13,438
Less: capitalised costs		(787)	(709)
TOTAL EMPLOYEE COSTS EXPENSED		12,862	12,729
Number of 'full-time equivalent' employees (FTE) at year end		168	167
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)		171	173
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		1,342	1,416
Total interest bearing liability costs expensed		1,342	1,416
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	26	19	18
Total other borrowing costs		19	18
TOTAL BORROWING COSTS EXPENSED		1,361	1,434
(c) Materials and contracts			
Raw materials and consumables		6,362	6,651
Contractor and consultancy costs		1,998	1,541
Auditors remuneration ⁽¹⁾		53	36
Legal expenses:			
– Legal expenses: planning and development		95	118
– Legal expenses: other		127	78
Operating leases:			
– Operating lease rentals: minimum lease payments ⁽²⁾		111	115
TOTAL MATERIALS AND CONTRACTS		8,746	8,539

(continued on the next page...)

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Materials and contracts (continued)			
1. Auditor remuneration			
During the year, the following fees were incurred for services provided by the Council's Auditor:			
(i) Audit and other assurance services			
– Audit and review of financial statements: Council's Auditor		37	33
– Other audit and assurance services		16	3
Remuneration for audit and other assurance services		53	36
Total Auditor remuneration		53	36
2. Operating lease payments are attributable to:			
Computers		111	115
		111	115

\$ '000	Notes	Impairment costs		Depreciation/amortisation	
		Actual 2016	Actual 2015	Actual 2016	Actual 2015
(d) Depreciation, amortisation and impairment					
Plant and equipment		–	–	1,047	1,014
Office equipment		–	–	35	3
Furniture and fittings		–	–	36	36
Infrastructure:					
– Buildings		–	–	479	479
– Roads		–	–	1,269	1,233
– Bridges		–	–	161	160
– Footpaths		–	–	58	58
– Stormwater drainage		–	–	252	252
– Water supply network		–	–	1,701	1,645
– Sewerage network		–	–	560	541
– Swimming pools		–	–	91	47
– Other open space/recreational assets		–	–	154	146
Other assets					
– Other		–	–	349	267
Asset reinstatement costs	9 & 26	–	–	5	5
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		–	–	6,197	5,886

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(e) Other expenses			
Other expenses for the year include the following:			
Advertising		143	109
Bad and doubtful debts		14	19
Bank charges		66	71
Contributions/levies to other levels of government		777	733
Emergency Services levy (includes FRNSW, SES, and RFS levies)		252	165
Councillor expenses – mayoral fee		24	23
Councillor expenses – councillors' fees		99	97
Councillors' expenses (incl. mayor) – other (excluding fees above)		50	40
Electricity and heating		788	922
Insurance		519	490
Street lighting		259	276
Telephone and communications		169	156
Valuation fees		60	86
<u>TOTAL OTHER EXPENSES</u>		<u>3,220</u>	<u>3,187</u>

Note 5. Gains or losses from the disposal of assets

Property (excl. investment property)			
Proceeds from disposal – property		–	202
Less: carrying amount of property assets sold/written off		–	(192)
Net gain/(loss) on disposal		–	10
Plant and equipment			
Proceeds from disposal – plant and equipment		338	377
Less: carrying amount of plant and equipment assets sold/written off		(194)	(152)
Net gain/(loss) on disposal		144	225
Financial assets			
Proceeds from disposal/redemptions/maturities – financial assets		14,000	2,000
Less: carrying amount of financial assets sold/redeemed/matured		(14,000)	(2,000)
Net gain/(loss) on disposal		–	–
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>144</u>	<u>235</u>

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	2016 Actual Current	2016 Actual Non-current	2015 Actual Current	2015 Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		370	–	638	–
Cash-equivalent assets ¹					
– Deposits at call		1,900	–	–	–
– Short-term deposits		2,000	–	4,000	–
Total cash and cash equivalents		4,270	–	4,638	–
Investments (Note 6b)					
– Long term deposits		18,000	–	14,000	–
Total investments		18,000	–	14,000	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		22,270	–	18,638	–

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

Cash, cash equivalents and investments were classified at year end in accordance with AASB 139 as follows:

Cash and cash equivalents

a. 'At fair value through the profit and loss'		4,270	–	4,638	–
--	--	-------	---	-------	---

Investments

a. 'Loans and receivables'	6(b-iii)	18,000	–	14,000	–
Investments		18,000	–	14,000	–

Note 6(b-i)**Reconciliation of investments classified as 'loans and receivables'**

Balance at the beginning of the year		14,000	–	2,000	–
Additions		18,000	–	14,000	–
Disposals (sales and redemptions)		(14,000)	–	(2,000)	–
Balance at end of year		18,000	–	14,000	–

Comprising:

– Long term deposits		18,000	–	14,000	–
Total		18,000	–	14,000	–

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 year ended 30 June 2016

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

\$ '000	2016	2016	2015	2015
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	22,270	–	18,638	–
attributable to:				
External restrictions (refer below)	14,534	–	12,144	–
Internal restrictions (refer below)	6,809	–	5,581	–
Unrestricted	927	–	913	–
	22,270	–	18,638	–

2016 \$ '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)	–	2,129	(449)	1,680
External restrictions – included in liabilities	–	2,129	(449)	1,680

External restrictions – other

Developer contributions – general (D)	547	28	(123)	452
Developer contributions – water fund (D)	600	51	–	651
Developer contributions – sewer fund (D)	578	80	–	658
RMS (formerly RTA) contributions (E)	105	327	–	432
Specific purpose unexpended grants (F)	668	–	(418)	250
Water supplies (G)	3,111	409	–	3,520
Sewerage services (G)	5,381	410	–	5,791
Domestic waste management (G)	959	–	–	959
Other capital contributions	195	4	(58)	141
External restrictions – other	12,144	1,309	(599)	12,854
Total external restrictions	12,144	3,438	(1,048)	14,534

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

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

E RMS contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.

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

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

Cowra Shire Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 6c. Restricted cash, cash equivalents and investments – details (continued)

2016 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Plant and vehicle replacement	462	239	–	701
Infrastructure replacement	441	90	–	531
Employees leave entitlement	95	205	–	300
Carry over works	286	523	–	809
Deposits, retentions and bonds	285	280	–	565
Aerodrome	235	–	(178)	57
Art gallery	19	–	(5)	14
Bad debts	38	–	(5)	33
Business assistance	172	–	–	172
Caravan parks	292	2	–	294
Community strategic plan	36	–	–	36
Depot redevelopment	200	–	–	200
Election	47	23	–	70
Environmental projects	8	–	–	8
Fire mitigation	16	–	–	16
Gravel rehabilitation	341	–	(2)	339
IT equipment	60	–	(33)	27
Main st improvements	92	–	–	92
POW maintenance	3	–	–	3
Risk management	196	36	–	232
Warranty	97	23	–	120
Saleyards	117	30	–	147
S611	964	–	–	964
Waste	947	50	–	997
Works	32	–	–	32
Workers compensation	100	–	(50)	50
Total internal restrictions	5,581	1,501	(273)	6,809
TOTAL RESTRICTIONS	17,725	4,939	(1,321)	21,343

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 7. Receivables

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
Purpose					
Rates and annual charges		1,026	–	1,099	–
User charges and fees		2,101	63	2,300	–
Accrued revenues					
– Interest on investments		132	–	72	–
– Other income accruals		18	–	337	–
Deferred debtors		33	–	29	–
Government grants and subsidies		70	–	75	–
Net GST receivable		83	–	–	–
Total		3,463	63	3,912	–
Less: provision for impairment					
Rates and annual charges		(13)	–	(13)	–
Total provision for impairment – receivables		(13)	–	(13)	–
TOTAL NET RECEIVABLES		3,450	63	3,899	–
Externally restricted receivables					
Water supply					
– Specific purpose grants		65	–	66	–
– Rates and availability charges		529	–	523	–
– Other		1,521	–	1,388	–
Sewerage services					
– Specific purpose grants		1	–	1	–
– Rates and availability charges		280	–	279	–
– Other		79	–	64	–
Domestic waste management		240	–	254	–
Total external restrictions		2,715	–	2,575	–
Internally restricted receivables					
Nil					
Unrestricted receivables		735	63	1,324	–
TOTAL NET RECEIVABLES		3,450	63	3,899	–

Notes on debtors above:

- (i) Rates and 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 and charges at 8.50% (2015 8.50%).
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 year ended 30 June 2016

Note 8. Inventories and other assets

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
(a) Inventories					
(i) Inventories at cost					
Real estate for resale (refer below)		–	195	195	–
Stores and materials		913	–	1,000	–
Total inventories at cost		913	195	1,195	–
(ii) Inventories at net realisable value (NRV)					
Nil					
<u>TOTAL INVENTORIES</u>		<u>913</u>	<u>195</u>	<u>1,195</u>	<u>–</u>
(b) Other assets					
Prepayments		–	–	1	–
Shares in unlisted companies – StateCover		–	174	174	–
<u>TOTAL OTHER ASSETS</u>		<u>–</u>	<u>174</u>	<u>175</u>	<u>–</u>
Externally restricted assets					
Water					
Stores and materials		3	–	3	–
Total water		3	–	3	–
Sewerage					
Nil					
Domestic waste management					
Nil					
Other					
Nil					
Total externally restricted assets		3	–	3	–
Total internally restricted assets		–	–	–	–
Total unrestricted assets		910	369	1,367	–
TOTAL INVENTORIES AND OTHER ASSETS		<u>913</u>	<u>369</u>	<u>1,370</u>	<u>–</u>

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 8. Inventories and other assets (continued)

\$ '000	2016		2015	
	Current	Non-current	Current	Non-current
(i) Other disclosures				
(a) Details for real estate development				
Residential	–	195	195	–
Total real estate for resale	–	195	195	–
(Valued at the lower of cost and net realisable value)				
Represented by:				
Acquisition costs	(30)	195	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 and other assets, even though classified as current are not expected to be recovered in the next 12 months;

	2016	2015
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.

Cowra Shire Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 9a. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2015					Asset movements during the reporting period								as at 30/6/2016				
	At cost	At fair value	Accumulated		Carrying value	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	At cost	At fair value	Accumulated		Carrying value
			depreciation	impairment												depreciation	impairment	
Capital work in progress	805	–	–	–	805	–	891	–	–	(734)	–	–	–	962	–	–	–	962
Plant and equipment	–	21,307	16,284	–	5,023	–	1,200	(194)	(1,047)	–	91	–	–	–	21,405	16,332	–	5,073
Office equipment	–	520	485	–	35	–	32	–	(35)	46	–	–	–	–	598	520	–	78
Furniture and fittings	–	718	625	–	93	–	–	–	(36)	–	–	–	–	–	718	661	–	57
Land:																		
– Operational land	–	8,779	–	–	8,779	–	–	–	–	–	(1,692)	–	–	–	7,087	–	–	7,087
– Community land	–	25,639	–	–	25,639	–	–	–	–	–	1,692	(12,939)	–	–	14,392	–	–	14,392
Infrastructure:																		
– Buildings	–	33,832	12,925	–	20,907	80	196	–	(479)	6	33	–	–	–	34,148	13,405	–	20,743
– Roads	–	125,999	13,481	–	112,518	3,172	51	–	(1,269)	98	159	(848)	–	–	128,528	14,647	–	113,881
– Bridges	–	25,936	2,072	–	23,864	–	–	–	(161)	–	–	–	–	–	25,936	2,233	–	23,703
– Footpaths	–	7,909	781	–	7,128	–	22	–	(58)	383	–	–	–	–	8,314	839	–	7,475
– Bulk earthworks (non-depreciable)	–	258,950	–	–	258,950	–	–	–	–	–	–	(1,066)	–	–	257,884	–	–	257,884
– Stormwater drainage	–	31,760	4,112	–	27,648	36	113	–	(252)	32	–	–	–	–	31,941	4,364	–	27,577
– Water supply network	–	126,523	73,654	–	52,869	385	310	–	(1,701)	59	–	–	793	–	129,176	76,461	–	52,715
– Sewerage network	–	48,260	15,213	–	33,047	208	42	–	(560)	110	–	–	496	–	49,344	16,001	–	33,343
– Swimming pools	–	2,319	1,041	–	1,278	–	–	–	(91)	–	–	–	–	–	2,319	1,132	–	1,187
– Other open space/recreational assets	–	4,332	2,065	–	2,267	–	–	–	(154)	–	–	–	279	–	4,533	2,141	–	2,392
Other assets:																		
– Other	–	11,288	3,956	–	7,332	228	39	–	(349)	–	(283)	(337)	14	–	9,971	3,327	–	6,644
Reinstatement, rehabilitation and restoration assets (refer Note 26):																		
– Quarry assets	–	174	60	–	114	–	–	–	(5)	–	–	–	–	–	174	65	–	109
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	805	734,245	146,754	–	588,296	4,109	2,896	(194)	(6,197)	–	–	(15,190)	1,582	962	726,468	152,128	–	575,302

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

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

Cowra Shire Council

Notes to the Financial Statements
for the year ended 30 June 2016

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

\$ '000	Actual				Actual			
	2016				2015			
Class of asset	At cost	At fair value	A/Dep & impairm't	Carrying value	At cost	At fair value	A/Dep & impairm't	Carrying value
Water supply								
WIP	140	–	–	140	59	–	–	59
Plant and equipment	–	750	525	225	–	769	469	300
Office equipment	–	3	3	–	–	3	3	–
Land								
– Operational land	–	408	–	408	–	927	–	927
Buildings	–	2,473	1,330	1,143	–	2,473	1,292	1,181
Infrastructure	–	129,176	76,461	52,715	–	126,523	73,654	52,869
Other assets	–	15	–	15	–	–	–	–
Total water supply	140	132,825	78,319	54,646	59	130,695	75,418	55,336
Sewerage services								
WIP	142	–	–	142	147	–	–	147
Plant and equipment	–	76	40	36	–	72	33	39
Land								
– Operational land	–	1,112	–	1,112	–	2,013	–	2,013
Buildings	–	941	445	496	–	941	432	509
Infrastructure	–	49,344	16,001	33,343	–	48,260	15,213	33,047
Total sewerage services	142	51,473	16,486	35,129	147	51,286	15,678	35,755
Domestic waste management								
Plant and equipment	–	1,354	917	437	–	2,738	1,814	924
Land								
– Operational land	–	312	–	312	–	312	–	312
Buildings	–	957	394	563	–	866	381	485
Other assets	–	417	267	150	–	878	339	539
Total DWM	–	3,040	1,578	1,462	–	4,794	2,534	2,260
TOTAL RESTRICTED I,PP&E	282	187,338	96,383	91,237	206	186,775	93,630	93,351

Note 9c. Infrastructure, property, plant and 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 year ended 30 June 2016

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
Payables					
Goods and services – operating expenditure		1,075	–	1,170	–
Payments received in advance		557	–	–	–
Accrued expenses:					
– Other expenditure accruals		551	–	448	–
Security bonds, deposits and retentions		565	–	569	–
ATO – net GST payable		–	–	322	–
Total payables		2,748	–	2,509	–
Borrowings					
Loans – secured ¹		1,185	19,219	1,007	18,274
Total borrowings		1,185	19,219	1,007	18,274
Provisions					
Employee benefits:					
Annual leave		1,294	–	1,412	–
Long service leave		2,989	110	2,702	180
Sub-total – aggregate employee benefits		4,283	110	4,114	180
Asset remediation/restoration (future works)	26	–	345	–	326
Total provisions		4,283	455	4,114	506
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		8,216	19,674	7,630	18,780
(i) Liabilities relating to restricted assets					
		2016		2015	
		Current	Non-current	Current	Non-current
Externally restricted assets					
Water		806	6,844	705	7,307
Sewer		245	6,718	301	6,824
Domestic waste management		31	364	34	395
Liabilities relating to externally restricted assets		1,082	13,926	1,040	14,526
Internally restricted assets					
Nil					
Total liabilities relating to restricted assets		1,082	13,926	1,040	14,526
Total liabilities relating to unrestricted assets		7,134	5,748	6,590	4,254
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		8,216	19,674	7,630	18,780

¹ Loans are secured over the general rating income of Council

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

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Actual 2016	Actual 2015
(ii) Current liabilities not anticipated to be settled within the next twelve months		
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	3,100	3,200
Payables – security bonds, deposits and retentions	400	400
	<u>3,500</u>	<u>3,600</u>

Note 10b. Description of and movements in provisions

Class of provision	2015		2016			
	Opening balance as at 1/7/15	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	Closing balance as at 30/6/16
Annual leave	1,412	752	(870)	–	–	1,294
Long service leave	2,882	471	(254)	–	–	3,099
Asset remediation	326	19	–	–	–	345
TOTAL	4,620	1,242	(1,124)	–	–	4,738

- a. Employees leave entitlements and on-costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.
- b. Asset remediation, reinstatement and restoration provisions represent the present value estimate of future costs Council will incur in order to remove, restore and remediate assets and/or activities as a result of past operations.

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2016	Actual 2015
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	4,270	4,638
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		4,270	4,638
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		2,292	2,937
Adjust for non-cash items:			
Depreciation and amortisation		6,197	5,886
Net losses/(gains) on disposal of assets		(144)	(235)
Non-cash capital grants and contributions		(193)	(25)
Amortisation of premiums, discounts and prior period fair valuations			
– Interest on all fair value adjusted interest free advances made by Council		(25)	(27)
Unwinding of discount rates on reinstatement provisions		19	18
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		390	124
Decrease/(increase) in inventories		87	18
Decrease/(increase) in other assets		1	–
Increase/(decrease) in payables		(95)	78
Increase/(decrease) in other accrued expenses payable		103	206
Increase/(decrease) in other liabilities		231	45
Increase/(decrease) in employee leave entitlements		99	312
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		8,962	9,337

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 11. Statement of cash flows – additional information (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Non-cash investing and financing activities			
Bushfire grants		193	25
Total non-cash investing and financing activities		193	25
(d) Financing arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank overdraft facilities ⁽¹⁾		500	900
Credit cards/purchase cards		45	45
Total financing arrangements		545	945
Amounts utilised as at balance date:			
– Credit cards/purchase cards		7	8
Total financing arrangements utilised		7	8

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

(ii) Secured loan liabilities

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

Note 12. Commitments for expenditure

(a) Capital commitments (exclusive of GST)

Nil

(b) Finance lease commitments

Nil

(c) Operating lease commitments (non-cancellable)**a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:**

Within the next year	129	139
Later than one year and not later than 5 years	119	50
Total non-cancellable operating lease commitments	248	189

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.

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Amounts 2016	Indicator 2016	Prior periods	
			2015	2014
Local government industry indicators – consolidated				
1. Operating performance ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>1,510</u>	4.45%	6.51%	-8.04%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>33,896</u>			
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>26,566</u>	76.93%	79.95%	81.17%
Total continuing operating revenue ⁽¹⁾	<u>34,534</u>			
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	<u>9,186</u>	2.53x	3.01x	3.02x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>3,634</u>			
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>9,068</u>	3.83x	3.82x	2.38x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>2,367</u>			
5(a). Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	<u>1,013</u>	7.64%	8.30%	9.67%
Rates, annual and extra charges collectible	<u>13,257</u>			
5(b). Rates, annual charges, interest and extra charges outstanding percentage *				
Rates, annual and extra charges outstanding	<u>504</u>	3.95%	5.58%	7.07%
Rates, annual and extra charges collectible	<u>12,750</u>			
* This calculation excludes items for which the charge has been raised just prior to the year end, and as of 30th June the bill has not yet been received by the customer and so the amount is therefore not collectible.				
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	<u>22,270</u>	9.22 mths	8.0 mths	7.6 mths
Payments from cash flow of operating and financing activities	<u>2,414</u>			

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

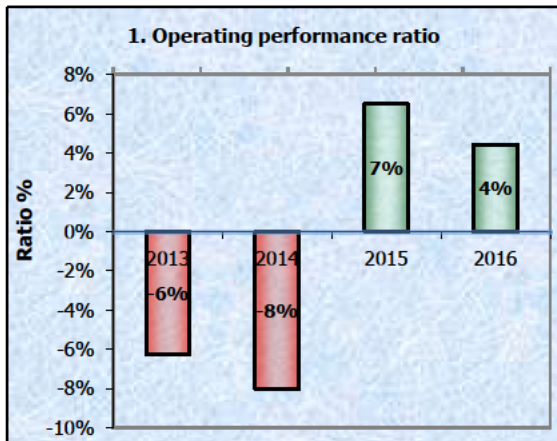
⁽³⁾ Refer to Note 10(a).

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

Cowra Shire Council

Notes to the Financial Statements
for the year ended 30 June 2016

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 2015/16 result

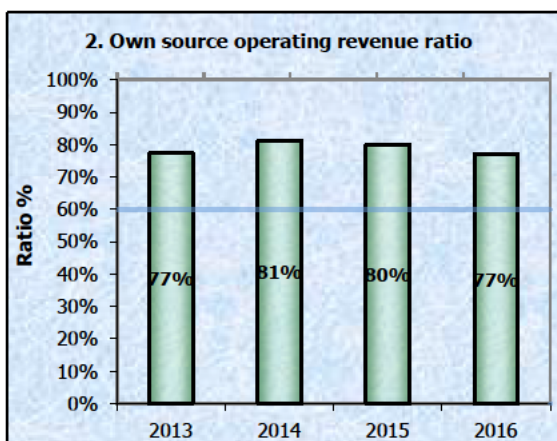
2015/16 ratio 4.45%

Council's Operating Performance Ratio is very sound and above the industry benchmark.

Benchmark: — Minimum >=0.00%

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of own source operating revenue ratio

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

Commentary on 2015/16 result

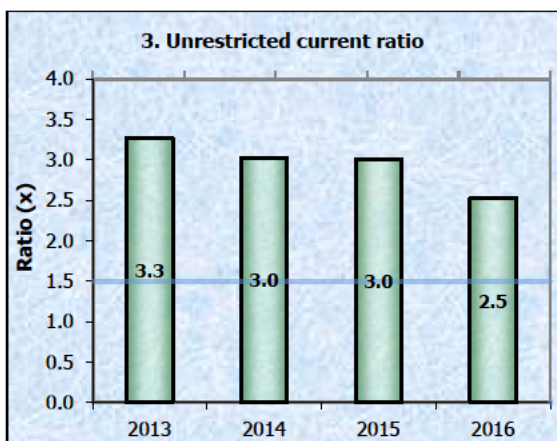
2015/16 ratio 76.93%

Council's Own Source Revenue Ratio remains well above the industry benchmark of 60%.

Benchmark: — Minimum >=60.00%

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of unrestricted current ratio

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

Commentary on 2015/16 result

2015/16 ratio 2.53x

The Unrestricted Current Ratio is again well above the benchmark although it has been impacted by a one off advance payment which has increased current liabilities. Excluding the one off item the ratio would be 3.09x.

Benchmark: — Minimum >=1.50

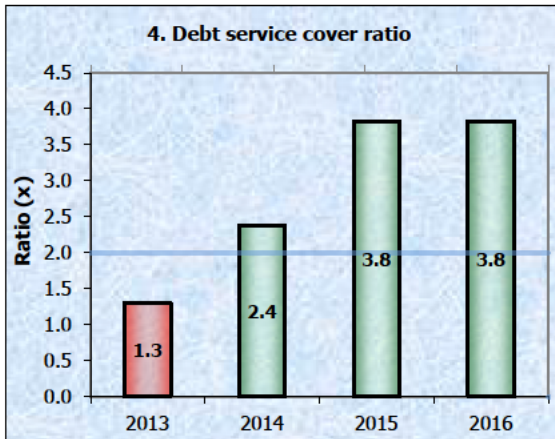
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark
 Ratio is outside benchmark

Cowra Shire Council

Notes to the Financial Statements
for the year ended 30 June 2016

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



Purpose of debt service cover ratio

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

Commentary on 2015/16 result

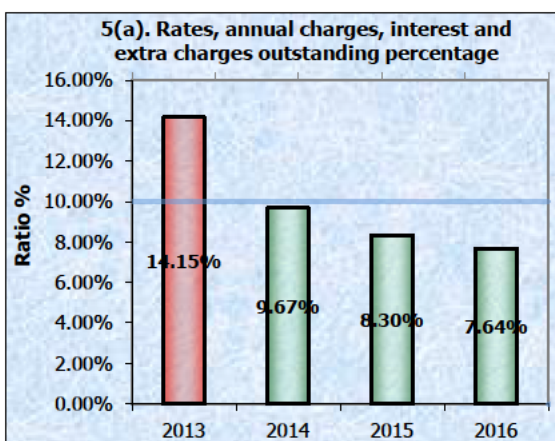
2015/16 ratio 3.83x

Council's Debt Service Cover Ratio shows that there is more than adequate cash to service loan repayments.

Benchmark: ——— Minimum >=2.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of rates and annual charges outstanding ratio

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

Commentary on 2015/16 result

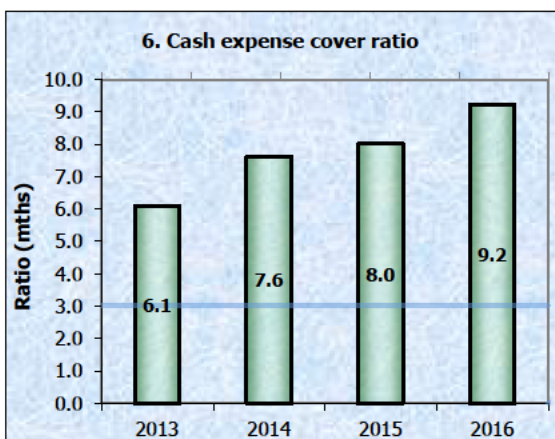
2015/16 ratio 7.64%

Outstanding rates and charges have again reduced and reflects the active debt recovery program Council adopted some years ago,

Benchmark: ——— Maximum <10.00%

Source for Benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio is within Benchmark
 Ratio is outside Benchmark



Purpose of cash expense cover ratio

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

Commentary on 2015/16 result

2015/16 ratio 9.22 mths

The ratio is well above the benchmark of 3 and shows that Council has more than adequate cash to meet its normal cash outgoings.

Benchmark: ——— Minimum >=3.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark
 Ratio is outside benchmark

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Water 2016	Sewer 2016	General ⁵ 2016
Local government industry indicators – by fund			
1. Operating performance ratio			
<u>Total continuing operating revenue⁽¹⁾ excluding capital grants and contributions less operating expenses</u>	-0.18%	11.48%	4.84%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	prior period: -3.38%	13.30%	8.42%
2. Own source operating revenue ratio			
<u>Total continuing operating revenue⁽¹⁾ excluding all grants and contributions</u>	97.79%	96.82%	67.92%
Total continuing operating revenue ⁽¹⁾	prior period: 94.86%	98.61%	73.12%
3. Unrestricted current ratio			
<u>Current assets less all external restrictions⁽²⁾</u>	7.00x	25.11x	2.53x
Current liabilities less specific purpose liabilities ^(3, 4)	prior period: 6.90x	18.29x	3.01x
4. Debt service cover ratio			
<u>Operating result⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation</u>	2.57x	2.23x	6.58x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	prior period: 2.26x	2.24x	6.52x
5. Rates, annual charges, interest and extra charges outstanding percentage			
<u>Rates, annual and extra charges outstanding</u>	27.27%	10.46%	2.36%
Rates, annual and extra charges collectible	prior period: 27.75%	10.72%	3.30%
6. Cash expense cover ratio			
<u>Current year's cash and cash equivalents plus all term deposits</u> x12	8.80 mths	30.81 mths	6.73 mths
Payments from cash flow of operating and financing activities	prior period: 7.84 mths	30.47 mths	5.41 mths

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 and sewer activities which are listed separately.

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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.

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

Financial assets

Cash and cash equivalents	4,270	4,638	4,270	4,638
Investments				
– 'Loans and receivables'	18,000	14,000	18,000	14,000
Receivables	3,513	3,899	3,513	3,899
Other financial assets	174	174	174	174
Total financial assets	25,957	22,711	25,957	22,711
Financial liabilities				
Payables	2,191	2,509	2,073	2,509
Loans/advances	20,404	19,281	20,404	19,281
Total financial liabilities	22,595	21,790	22,477	21,790

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 15. Financial risk management (continued)

\$ '000

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

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

Council has an investment policy which complies with the *Local Government Act 1993* and Minister's investment order. This policy is regularly reviewed by Council and its staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

The 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.

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

The following represents a summary of the sensitivity of Council's Income Statement and accumulated surplus (for the reporting period) 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
2016				
Possible impact of a 1% movement in interest rates	222	222	(222)	(222)
2015				
Possible impact of a 1% movement in interest rates	180	180	(180)	(180)

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

Council's major receivables comprise (i) rates and annual charges and (ii) user charges and fees.

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

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

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:

	2016 Rates and annual charges	2016 Other receivables	2015 Rates and annual charges	2015 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	50%	91%	49%	89%
Overdue	50%	9%	51%	11%
	100%	100%	100%	100%

		2016 Rates and annual charges	2016 Other receivables	2015 Rates and annual charges	2015 Other receivables
(ii) Ageing of receivables – value					
Rates and annual charges	Other receivables				
Current	Current	510	2,236	540	2,499
< 1 year overdue	0 – 30 days overdue	80	163	87	102
1 – 2 years overdue	30 – 60 days overdue	149	3	161	75
2 – 5 years overdue	60 – 90 days overdue	242	–	262	108
> 5 years overdue	> 90 days overdue	45	98	49	29
		1,026	2,500	1,099	2,813

(iii) Movement in provision for impairment of receivables

	2016	2015
Balance at the beginning of the year	13	13
Balance at the end of the year	13	13

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

The contractual undiscounted cash outflows (ie. principal and interest) of Council's payables and borrowings are set out in the maturity table below:

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2016									
Trade/other payables	565	1,626	–	–	–	–	–	2,191	2,191
Loans and advances	–	2,493	2,483	2,463	2,250	2,250	23,306	35,245	20,404
Total financial liabilities	565	4,119	2,483	2,463	2,250	2,250	23,306	37,436	22,595
2015									
Trade/other payables	569	1,940	–	–	–	–	–	2,509	2,509
Loans and advances	–	2,332	2,250	2,240	2,220	2,007	24,100	35,149	19,281
Total financial liabilities	569	4,272	2,250	2,240	2,220	2,007	24,100	37,658	21,790

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

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

	2016		2015	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	2,191	0.00%	2,509	0.00%
Loans and advances – fixed interest rate	20,404	5.87%	19,281	6.80%
	<u>22,595</u>		<u>21,790</u>	

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 16. Material budget variations

\$ '000

Council's original financial budget for 15/16 was adopted by the Council on 22 June 2015.

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

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

Note that for variations* of budget to actual :

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

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

\$ '000	2016 Budget	2016 Actual	2016 ----- Variance* -----	
REVENUES				
Rates and annual charges	12,708	12,096	(612)	(5%) U
User charges and fees	11,141	12,876	1,735	16% F
Additional revenue from Roads and Maritime Services for contract work on State Roads \$860,000. Council also took over the control of the caravan park and received income of \$508,000 which was not included in original budget. Additional water consumption charges of \$370,000 were also received.				
Interest and investment revenue	534	765	231	43% F
Returns on investment were higher than original budget due to a higher level of invested funds. Council generally takes a conservative approach when budgeting for interest income due to the falling rates over the past years.				
Other revenues	926	829	(97)	(10%) U
Income in this area was reduced due lower prices being received for scrap metal, \$91,000 below original budget.				
Operating grants and contributions	6,729	7,330	601	9% F
The Roads to Recovery Program for all councils was increased for 2015/16 & 2016/17 and councils received an additional \$551,000 in funding. Environmental grants of \$101,000 were also received for land rehabilitation and to combat illegal dumping.				
Capital grants and contributions	839	638	(201)	(24%) U
Grants from NSW Rural Fire Service for capital equipment were less than original budget.				
Net gains from disposal of assets	280	144	(136)	(49%) U
Council had budgeted to sell a number of parcels of land and caravan park cabins however these did not proceed. However profit on disposal of plant and vehicles was higher than budgeted, \$144,000.				

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 16. Material budget variations (continued)

\$ '000	2016 Budget	2016 Actual	2016 ----- Variance* -----		
EXPENSES					
Employee benefits and on-costs	11,723	12,862	(1,139)	(10%)	U
Council completed additional works for Roads and Maritime Services increasing the wages costs. Capital wages were also less than original budget therefore increasing employee costs.					
Borrowing costs	1,376	1,361	15	1%	F
Materials and contracts	9,019	8,746	273	3%	F
Depreciation and amortisation	5,733	6,197	(464)	(8%)	U
Other expenses	2,866	3,220	(354)	(12%)	U
There were a number of variations to other expenses, the following being the major increases; insurance \$31,000, contribution to Regional Library \$21,000, Section 356 donations \$27,000, Caravan Park electricity \$50,000, recycling expenses \$15,000.					
Budget variations relating to Council's Cash Flow Statement include:					
Cash flows from operating activities	8,090	8,962	872	10.8%	F
Cash flows from investing activities	(6,577)	(10,453)	(3,876)	58.9%	U
Council purchased additional investments during the year.					
Cash flows from financing activities	(891)	1,123	2,014	(226.0%)	F
Council originally budgeted to borrow \$120,000 however decided to bring forward a number of items in the borrowing program due to the extremely favourable interest being offered by TCorp.					

Cowra Shire Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 17. Statement of developer contributions

\$ '000

Council recovers contributions, raises levies and 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 and levies and the value of all remaining funds which are 'restricted' in their future use.

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	75	1	–	1	(32)	–	45	–
Roads	129	2	–	1	(80)	–	52	–
Parking	96	–	–	2	–	–	98	–
Open space	22	–	–	1	–	–	23	–
Community facilities	20	1	–	–	–	–	21	–
Other	99	3	–	3	–	–	105	–
S94 contributions – under a plan	441	7	–	8	(112)	–	344	–
S94A levies – under a plan	106	10	–	3	(11)	–	108	–
Total S94 revenue under plans	547	17	–	11	(123)	–	452	–
S64 contributions	1,178	97	–	34	–	–	1,309	–
Total contributions	1,725	114	–	45	(123)	–	1,761	–

Cowra Shire Council

Notes to the Financial Statements
for the year ended 30 June 2016

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	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	75	1	–	1	(32)	–	45	–
Roads	129	2	–	1	(80)	–	52	–
Parking	96	–	–	2	–	–	98	–
Open space	22	–	–	1	–	–	23	–
Community facilities	20	1	–	–	–	–	21	–
Other	99	3	–	3	–	–	105	–
Total	441	7	–	8	(112)	–	344	–

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	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Other	106	10	–	3	(11)	–	108	–
Total	106	10	–	3	(11)	–	108	–

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 18. Contingencies and 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 and disclosure is considered relevant to the users of Council's financial report.

The share of this deficit, that is broadly attributed to Council, is estimated to be in the order of \$247,673 as at 30 June 2016.

Council's share of the deficiency cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils. For this reason no liability for the deficiency has been recognised in Council's accounts.

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named The Local Government Superannuation Scheme - Pool B (the Scheme) which is a defined benefit plan that has been deemed to be a "multi-employer fund" for purposes of AASB119 Employee Benefits. Sufficient information is not available to account for the Scheme as a defined benefit plan in accordance with AASB119 because the assets to the Scheme are pooled together for all Councils.

The amount of employer contributions to the defined benefit section of the Scheme and recognised as an expense for the year ending 30 June 2016 was \$248,817. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 24/2/16 and covers the period ended 30 June 2015.

However the position is monitored annually and the actuary has estimated that, as at 30 June 2016, a deficit still exists. Effective from 1 July 2009, employers are required to make additional contributions to assist in extinguishing the deficit. The amount of additional contributions included in the total employer contribution advised above is \$123,508. Council's expected contributions to the plan for the next reporting period is \$279,511

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

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

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

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

(ii) S94 plans

Council levies section 94/94A contributions upon various development across the Council area through the required contributions plans.

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

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

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

ASSETS NOT RECOGNISED:

(i) Land under roads

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

(ii) Infringement notices/fines

Fines and penalty income, the result of Council issuing infringement notices is followed up and collected by the Infringement Processing Bureau.

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

Accordingly, at year end, there is a potential asset due to Council representing issued but unpaid infringement notices.

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

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 19. Interests in other entities

\$ '000

Council's objectives can and in some cases are best met through the use of separate entities and operations.

These operations and entities range from 100% ownership and control through to lower levels of ownership and control via co-operative arrangements with other councils, bodies and other outside organisations.

The accounting and reporting for these various entities, operations and arrangements varies in accordance with accounting standards, depending on the level of council's (i) interest and (ii) control and the type (form) of entity/operation, as follows;

Controlled entities (subsidiaries)

Note 19(a)

Operational arrangements where Council's control (but not necessarily interest) exceeds 50%.

Joint ventures and associates

Note 19(b)

Joint ventures are operational arrangements where the parties that have joint control have rights to the net assets of the arrangement.

Associates are separate entities where Council has significant influence over the operations (but neither controls nor jointly controls them).

Joint operations

Note 19(c)

Operational arrangements where the parties that have joint control have rights to specific assets and obligations for specific liabilities relating to the arrangement rather than a right to the net assets of the arrangement.

Unconsolidated structured entities

Note 19(d)

Unconsolidated structured entities represent "special vehicles" that Council has an interest in but which are not controlled by Council and therefore not consolidated as a subsidiary, joint arrangement or associate. Attributes of structured entities include restricted activities, a narrow and well-defined objective and insufficient equity to finance its activities without financial support.

Subsidiaries, joint arrangements and associates not recognised

Note 19(e)

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 19. Interests in other entities (continued)

\$ '000

(a) Controlled entities (subsidiaries) – being entities and operations controlled by Council

Council has no interest in any controlled entities (subsidiaries).

(b) Joint ventures and associates

Council has no interest in any joint ventures or associates.

(c) Joint operations

Council has no interest in any joint operations.

(d) Unconsolidated structured entities

Council did not consolidate the following structured entities:

Cowra Tourism

Council contributes to the operation of Cowra Tourism and has an agreement until 30 June 2017 to provide financial support.

Nature of risks relating to the Unconsolidated Structured Entity

Council currently contributes \$278,770 to the operation of the organisation including part funding of an Events Management Officer.

Council has no obligation to meet any costs other than the contribution amount.

	2016	2015
Losses (or expenses) incurred by Council relating to the Structured Entity	278,770	271,971

(e) Subsidiaries, joint arrangements and associates not recognised

None.

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		175,931	172,994
a. Correction of prior period errors	20 (c)	(234)	(234)
b. Net operating result for the year		2,292	2,937
Balance at end of the reporting period		<u>177,989</u>	<u>175,697</u>
(b) Revaluation reserves			
(i) Reserves are represented by:			
– Infrastructure, property, plant and equipment revaluation reserve		396,488	410,096
Total		<u>396,488</u>	<u>410,096</u>
(ii) Reconciliation of movements in reserves:			
Infrastructure, property, plant and equipment revaluation reserve			
– Opening balance		410,096	424,721
– Revaluations for the year	9(a)	(13,608)	(14,625)
– Balance at end of year		<u>396,488</u>	<u>410,096</u>
TOTAL VALUE OF RESERVES		<u>396,488</u>	<u>410,096</u>
(iii) Nature and purpose of reserves			
Infrastructure, property, plant and equipment revaluation reserve			
– The infrastructure, property, plant and equipment revaluation reserve is used to record increments/decrements of non-current asset values due to their revaluation.			

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Correction of error/s relating to a previous reporting period			
Correction of errors disclosed in this year's financial statements:			
Correction of understatement of long service leave liability for years 2013/14, \$234,000 & 2015/16, \$368,000 2015/16 Income Statement adjusted by \$368,000 Note 4 employee expenses. Retained Earnings reduced by \$234,000 in 2013/14, and \$368,000 in 2014/15.		(234)	–
These amounted to the following equity adjustments:			
– Adjustments to opening equity – 1/7/14 (relating to adjustments for the 30/6/14 reporting year end and prior periods)		(234)	
– Adjustments to closing equity – 30/6/15 (relating to adjustments for the 30/6/15 year end)		–	
Total prior period adjustments – prior period errors		(234)	–

(d) Voluntary changes in accounting policies

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

(e) Changes in accounting estimates

Council made no changes in accounting estimates during the year.

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 21. Financial result and financial position by fund

Income Statement by fund \$ '000	Actual 2016	Actual 2016	Actual 2016
<u>Continuing operations</u>	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	1,408	2,386	8,302
User charges and fees	4,675	688	7,513
Interest and investment revenue	27	30	708
Other revenues	829	214	716
Grants and contributions provided for operating purposes	124	45	7,161
Grants and contributions provided for capital purposes	33	64	541
Other income			
Net gains from disposal of assets	–	–	144
Share of interests in joint ventures and associates using the equity method	–	–	–
Total income from continuing operations	7,096	3,427	25,085
Expenses from continuing operations			
Employee benefits and on-costs	1,059	288	11,515
Borrowing costs	443	563	355
Materials and contracts	3,228	1,341	4,177
Depreciation and amortisation	1,816	580	4,731
Impairment	–	–	–
Other expenses	521	195	2,504
Total expenses from continuing operations	7,067	2,967	23,282
Operating result from continuing operations	29	460	1,803
<u>Discontinued operations</u>			
Net profit/(loss) from discontinued operations	–	–	–
Net operating result for the year	29	460	1,803
Net operating result attributable to each council fund	29	460	1,803
Net operating result attributable to non-controlling interests	–	–	–
Net operating result for the year before grants and contributions provided for capital purposes	(4)	396	1,262

¹ General fund refers to all Council's activities other than Water and Sewer.

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

Cowra Shire Council

Notes to the Financial Statements

as at 30 June 2016

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

Statement of Financial Position by fund \$ '000	Actual 2016	Actual 2016	Actual 2016
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	801	1,237	2,232
Investments	3,370	5,212	9,418
Receivables	2,115	360	975
Inventories	3	–	910
Other	–	–	–
Non-current assets classified as 'held for sale'	–	–	–
Total current assets	6,289	6,809	13,535
Non-current assets			
Investments	–	–	–
Receivables	–	–	63
Inventories	–	–	195
Infrastructure, property, plant and equipment	54,646	35,129	485,527
Investments accounted for using the equity method	–	–	–
Investment property	–	–	–
Intangible assets	–	–	–
Total non-current assets	54,646	35,129	485,959
TOTAL ASSETS	60,935	41,938	499,494
LIABILITIES			
Current liabilities			
Payables	83	53	2,612
Borrowings	459	99	627
Provisions	257	93	3,933
Total current liabilities	799	245	7,172
Non-current liabilities			
Payables	–	–	–
Borrowings	6,844	6,718	5,657
Provisions	7	–	448
Total non-current liabilities	6,851	6,718	6,105
TOTAL LIABILITIES	7,650	6,963	13,277
Net assets	53,285	34,975	486,217
EQUITY			
Retained earnings	17,134	19,668	141,187
Revaluation reserves	36,151	15,307	345,030
Total equity	53,285	34,975	486,217

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

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

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 22. 'Held for sale' non-current assets and 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 (30 June 2016) 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 25/10/16.

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 2016.

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

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 30 June 2016 and which are only indicative of conditions that arose after 30 June 2016.

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'.

Note 25. Intangible assets

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

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

Cowra Shire Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 26. Reinstatement, rehabilitation and restoration liabilities

\$ '000

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

Asset/operation	Estimated year of restoration	NPV of provision	
		2016	2015
Quarries		345	326
Balance at end of the reporting period	10(a)	<u>345</u>	<u>326</u>

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

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

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

Reconciliation of movement in provision for year:

Balance at beginning of year	326	308
Amortisation of discount (expensed to borrowing costs)	19	18
Total – reinstatement, rehabilitation and restoration provision	<u>345</u>	<u>326</u>

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

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 and recognised at fair values:

2016	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/16	–	–	5,073	5,073
Office furniture	30/06/16	–	–	78	78
Furniture and fittings	30/06/16	–	–	57	57
Operational land	30/06/13	–	–	7,087	7,087
Community land	30/06/16	–	–	14,392	14,392
Buildings specialised	30/06/13	–	–	20,743	20,743
Roads	1/07/14	–	–	113,881	113,881
Bridges	1/07/14	–	–	23,703	23,703
Footpaths	1/07/14	–	–	7,475	7,475
Bulk earthworks	1/07/14	–	–	257,884	257,884
Stormwater drainage	1/07/14	–	–	27,577	27,577
Water supply	30/06/12	–	–	52,715	52,715
Sewerage network	30/06/12	–	–	33,343	33,343
Swimming pools	30/06/16	–	–	1,187	1,187
Other recreational assets	30/06/16	–	–	2,392	2,392
Other assets	30/06/16	–	–	6,644	6,644
Quarry assets	1/07/12	–	–	109	109
Total infrastructure, property, plant and equipment		–	–	574,340	574,340

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

2015	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					
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/15	—	—	5,023	5,023
Office furniture	30/06/15	—	—	35	35
Furniture and fittings	30/06/15	—	—	93	93
Operational land	30/06/13	—	—	8,779	8,779
Community land	30/06/12	—	—	25,639	25,639
Buildings specialised	30/06/13	—	—	20,907	20,907
Roads	1/07/14	—	—	112,518	112,518
Bridges	1/07/14	—	—	23,864	23,864
Footpaths	1/07/14	—	—	7,128	7,128
Bulk earthworks	1/07/14	—	—	258,950	258,950
Stormwater drainage	1/07/14	—	—	27,648	27,648
Water supply	30/06/12	—	—	52,869	52,869
Sewerage network	30/06/12	—	—	33,047	33,047
Swimming pools	1/07/12	—	—	1,278	1,278
Other recreational assets	1/07/12	—	—	2,267	2,267
Other assets	1/07/12	—	—	7,332	7,332
Quarry assets	1/07/12	—	—	114	114
Total infrastructure, property, plant and equipment		—	—	587,491	587,491

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

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

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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:

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.

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.

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

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 arm's length transaction after proper marketing wherein the parties have each acted knowledgeably, prudently and without compulsion." "Asset includes property." Council has 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 2016)

Council's 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.

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.

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

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".

Council's 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).

Roads – Road surface, pavement, formation, major earthworks

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Replacement cost, residual value, split between short-life and long-life part, valuation profile and consumption score

Council's road infrastructure assets were last valued on 1 July 2014 by APV Valuers & Asset Management. As per Paragraph 43 of AASB116, Council's roads infrastructure assets were segmented and componentised into the following categories (each representing a significant part of the overall asset):

- Road Surface
- Pavement

Cowra Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

- Formation & Major Earthworks
- Kerb and Gutter
- Culverts

Roads – Sealed and Unsealed, Culverts and Kerb Gutter

Valuations were performed by APV Valuers & Asset Management using the assets data in Council's Asset Management System.

Bridges – (excluding culverts under 6 metres in length)

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Replacement cost, split between short-life and long-life part, valuation profile and consumption score

Council's bridge infrastructure assets were last valued on 1 July 2014 by APV Valuers & Asset Management.

Footpaths – Footways including cycleways

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Replacement cost, split between short-life and long-life part, valuation profile and consumption score

Council's bridge infrastructure assets were last valued on 1 July 2014 by APV Valuers & Asset Management.

Stormwater Drainage – includes pits, drains

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Replacement cost, split between short-life and long-life part, valuation profile and consumption score

Council's bridge infrastructure assets were last valued on 1 July 2014 by APV Valuers & Asset Management.

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

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

Council's 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

Council's 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.

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

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 and pumping stations.

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 2016 based on a quotation from Swimplex Aquatics.

Other 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 2016

By using a combination of market information, unit rates and an 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.

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

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

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.

Valuations are based on actual timing of costs and future environmental management requirement

Cowra Shire Council

Notes to the Financial Statements
for the year ended 30 June 2016

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 asset classes.**

	Total	Total
Opening balance – 1/7/14	602,206	602,206
Purchases (GBV)	6,140	6,140
Disposals (WDV)	(344)	(344)
Depreciation and impairment	(5,833)	(5,833)
FV gains – other comprehensive income	(14,625)	(14,625)
Closing balance – 30/6/15	<u>587,544</u>	<u>587,544</u>
Purchases (GBV)	6,846	6,846
Disposals (WDV)	(194)	(194)
Depreciation and impairment	(6,248)	(6,248)
FV gains – other comprehensive income	(13,608)	(13,608)
Closing balance – 30/6/16	<u>574,340</u>	<u>574,340</u>

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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.

Class	Fair value (30/6/16) \$'000	Valuation technique/s	Unobservable inputs
I,PP&E			
Plant and equipment	5,073	Cost used to approximate fair value	Gross replacement cost, residual value, remaining useful life
Office furniture	78	Cost used to approximate fair value	Gross replacement cost, residual value, remaining useful life
Furniture and fittings	57	Cost used to approximate fair value	Gross replacement cost, residual value, remaining useful life
Operational land	7,087	Market Value	Price per sq metre
Community land	14,392	Land values obtained from NSW Valuer General	Land value, land area
Buildings specialised	20,743	Cost used to approximate fair value	Unit rates, asset condition remaining useful life
Roads	113,881	Cost used to approximate fair value	Unit rates, asset condition remaining useful life
Bridges	23,703	Cost used to approximate fair value	Unit rates, asset condition remaining useful life
Footpaths	7,475	Cost used to approximate fair value	Unit rates, asset condition remaining useful life
Bulk earthworks	257,884	Cost used to approximate fair value	Unit rates, asset condition remaining useful life
Stormwater drainage	27,577	Cost used to approximate fair value	Unit rates, asset condition remaining useful life
Water supply	52,715	NSW Reference Rates Manual	Unit rates, asset condition remaining useful life
Sewerage network	33,343	NSW Reference Rates Manual	Unit rates, asset condition remaining useful life
Swimming pools	1,187	Cost used to approximate fair value	Gross replacement cost, asset condition remaining useful life
Other recreational assets	2,392	Cost used to approximate fair value	Gross replacement cost, asset condition remaining useful life
Other assets	6,644	Cost used to approximate fair value	Gross replacement cost, asset condition remaining useful life
Quarry assets	109	Cost used to approximate fair value	Discounted Future Cash Flow, remaining life, remediation cost estimates

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

c. The valuation process for level 3 fair value measurements

The valuation processes have been described above.

Management determines who will undertake the valuations.

The level 3 valuations are reviewed by councils assets and finance staff post valuation.

Valuations are undertaken in house with the exception of Operational Land, Buildings, Roads including bridges, footpaths and bulk earthworks, stormwater drainage, water and sewer assets which were completed by external appointed by council.

(5). Highest and best use

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

Cowra Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 28. Council information and 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.cowracouncil.com.au

Email: council@cowra.nsw.gov.au

Officers

GENERAL MANAGER

Mr P Devery

RESPONSIBLE ACCOUNTING OFFICER

Mr G Apthorpe

Other information

ABN: 26 739 454 579

Elected members

MAYOR

Cr WJ West

**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 2016. 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 2016 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.


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John O'Malley
Director

14 Sale Street
Orange NSW
Dated: 25 October 2016

JO'M:CSC002

25 October 2016

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 OF
COWRA SHIRE COUNCIL FOR THE YEAR ENDED 30 JUNE 2016**

We have audited the financial statements of Cowra Shire Council (Council) for the financial year ended 30 June 2016. 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 2016. 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 417(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 consolidated operating surplus of \$2,292,000 (2015 - surplus \$2,937,000). Selected items of note in the operating statement include:

- The operating result from ordinary activities *before* capital amounts was a surplus of \$1,654,000 (2015 surplus – \$2,449,000).

Revenue

- User Charges and Fee income fell slightly to \$12,876,000 (2015 - \$13,677,000). The decrease coming mainly from a reduction in work opportunities on state roads controlled by Roads and Maritime Services (RMS).
- Other revenue was also a little lower at \$829,000 (2015 - \$1,329,000) largely due to the imposition in the 2015 year, of a substantial fine for the demolition of a house that was about to be heritage listed.
- Income from operating grants and contributions was higher at \$7,330,000 (2015 - \$6,423,000) the increase was primarily through increased "Roads to Recovery" funding.

Expenses

- Expenses across all categories were very similar to the 2015 year, typically falling within 5% of that level.

(b) Financial Position

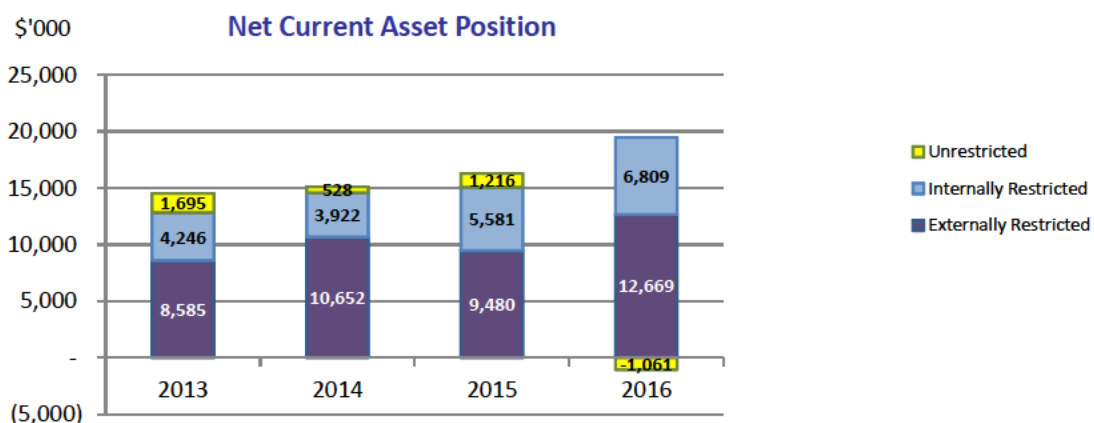
The Statement of Financial Position discloses that for the year ended 30 June 2016 Council's net assets stood at \$574,477,000 (2015 - \$585,793,000), which represents a decrease of \$11,316,000. The decrease represents the net operating surplus after capital amounts of \$2,292,000 and the overall net revaluation decrement of (\$13,608,000) resulting from the revaluation of community land, other structure and other infrastructure assets combined with the indexed revaluation of water and sewerage infrastructure assets.

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.

	2016 \$'000	2015 \$'000
Net Current Assets	18,417	16,277
Less: Amounts externally restricted for special purposes (refer Notes 6; 7; & 8 of financial statements)	(17,251)	(14,722)
Less: Council internally imposed restrictions (refer Note 6 of financial statements)	(6,809)	(5,581)
Add: Applicable current liabilities refer Note 10		
- Water	806	705
- Sewerage	245	301
- Domestic Waste Management	31	34
Add: Employee Leave Entitlements to be paid > 12 months	3,500	3,600
	(1,061)	614
Unrestricted net current assets comprise: -		
Assets		
Cash	927	913
Receivables	736	1,324
Land held for resale	-	195
Inventories	910	997
Other	-	175
Less: General Purpose Liabilities	(7,134)	(6,590)
Add: Employee Leave Entitlements to be paid > 12 months	3,500	3,600
	(1,061)	614

Although Council's shows an apparent deficit of net current assets to cover the restrictions placed on those assets, the deficit is attributable to a \$1,228,000 increase in internal restrictions, which can be altered at the discretion of council. As such, the deficit is not, of itself, a cause for concern regarding liquidity.

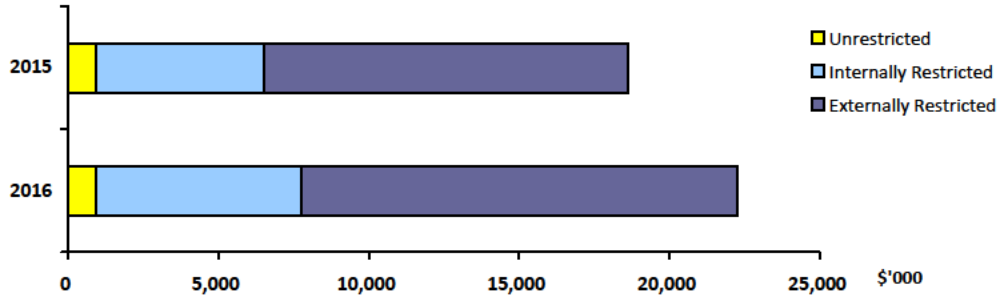
The following table shows the Council's calculated net current asset position over the past four years:



Cash & Investments

Note 6 to the accounts discloses total cash and investments of \$22,270,000 (2015 - \$18,638,000), of this amount \$14,534,000 (2015 - \$12,144,000) is subject to external restrictions requiring Council to commit those funds to the purposes for which they were provided and \$6,809,000 (2015 - \$5,581,000) 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 \$927,000 (2015 - \$913,000) 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 ratio expresses council's ability to keep operating expenses, including depreciation, within its continuing operating revenue. The outcome of 4.45% (2015 – 6.51%) represents the excess between continuing operating revenue and continuing operating expenses.

Unrestricted Current Ratio

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

Council's ratio of 2.53:1 (2015 – 3.01:1) indicates council is able to meet its debts as and when they fall due.

Debt Service Cover Ratio

This ratio 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 3.83 times (2015 – 3.82 times) Cowra Shire Council's ratio indicates that it can meet its current levels of debt.

Rates & Annual Charges, Interest & Extra Charges Outstanding Ratio - Note 13.5(b)

The rates and annual charges, interest and extra charges outstanding percentage is a measure of management efficiency. Because prevailing economic conditions and the timing of billing runs influence Council's ability to collect revenue, this supplementary ratio has been prepared to enable a comparison that excludes the items for which the charge has been raised just prior to the year end, so as of 30th June the bill has not yet been received by the customer and the amount is therefore not collectible.

Cowra Shire Council's rates and annual charges, interest and extra charges outstanding percentage based upon this revised measure becomes 4.08% (2015 – 5.58%) and has again improved compared with the prior period. The "raw" measure, prior to modification is a still commendable 7.27% (2015 - 8.3%).

(d) Cash Flow Statement

It should be noted that cash for the purpose of this statement constitutes only cash and short-term (original term to maturity < three months), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Accordingly, while the level of cash assets for the purpose of this statement has decreased, the combined value of cash and investments has increased by \$1,969,000.

The Statement of Cash Flows reports a net decrease in cash assets held of \$368,000 (2015 decrease - \$10,031,000) as follows:

	2016 \$'000	2015 \$'000	Movement \$'000
Cash flow provided by / (used in)			
Operating activities	8,962	9,337	(375)
Investing activities	(10,453)	(18,307)	7,854
Financing activities	1,123	(1,061)	2,184
	<hr/>		
Net increase / (decrease) in cash held	(368)	(10,031)	(9,663)

Cash flows from operating activities

The cashflows provided by operating activities were reasonably consistent with the prior financial year.

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 investment securities totaling \$4,000,000.

Cash flows from financing activities

The cash outflow provided by financing activities totaled \$1,123,000 and represents the drawdown of new loans totaling \$2,129,000 less repayment of principal on council's external borrowings of \$1,006,000.

(e) Comparison of Actual and Budgeted Performance

Council's operating surplus from ordinary activities after capital amounts of \$2,292,000 came in remarkably close to the original estimate of a surplus of \$2,440,000.

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 2016. 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 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 unmodified audit report on the special purpose statements for the year ended 30 June 2016 has been issued.

Management Letters

Our most recent management letter was issued on 1 July 2016. Our experience in subsequent visits has generally been that matters raised via management letters have been satisfactorily addressed.

(g) Progress of Asset Revaluation Program

Council's asset revaluation program is in compliance with the timetable established by the Office of Local Government.

(h) 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

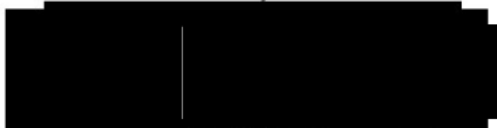
This auditor's report relates to the financial statements of Cowra Shire Council for the year ended 30 June 2016 included on Council's web site. Council is responsible for the integrity of their web site. We have not been engaged to report on the integrity of the web site. The auditor's report refers 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.



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John O'Malley
Director

Cowra Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

*“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 year ended 30 June 2016

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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
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Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
 - (ii) The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.
 - (iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).
 - (iv) In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).
-

Cowra Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2016

Statement by Councillors and Management

made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

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

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

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

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

Signed in accordance with a resolution of Council made on 24 October 2016.



Cr WJ West
Mayor



Cr JA Smith
Councillor



Mr P Devery
General Manager



Mr G Apthorpe
Responsible Accounting Officer

Cowra Shire Council

Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2016

\$ '000	Actual 2016	Actual 2015
Income from continuing operations		
Access charges	1,408	1,360
User charges	4,600	4,332
Fees	75	121
Interest	27	39
Grants and contributions provided for non-capital purposes	124	152
Profit from the sale of assets	–	14
Other income	829	825
Total income from continuing operations	7,063	6,843
Expenses from continuing operations		
Employee benefits and on-costs	1,059	995
Borrowing costs	443	469
Materials and contracts	2,984	2,906
Depreciation and impairment	1,816	1,756
Water purchase charges	244	334
Loss on sale of assets	–	–
Calculated taxation equivalents	9	13
Debt guarantee fee (if applicable)	–	–
Other expenses	521	587
Total expenses from continuing operations	7,076	7,060
Surplus (deficit) from continuing operations before capital amounts	(13)	(217)
Grants and contributions provided for capital purposes	33	210
Surplus (deficit) from continuing operations after capital amounts	20	(7)
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	20	(7)
Less: corporate taxation equivalent (30%) [based on result before capital]	–	–
SURPLUS (DEFICIT) AFTER TAX	20	(7)
Plus opening retained profits	17,105	17,110
Plus/less: prior period adjustments	–	(11)
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	9	13
– Debt guarantee fees	–	–
– Corporate taxation equivalent	–	–
Less:		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
Closing retained profits	17,134	17,105
Return on capital %	0.8%	0.5%
Subsidy from Council	657	1,397
Calculation of dividend payable:		
Surplus (deficit) after tax	20	(7)
Less: capital grants and contributions (excluding developer contributions)	–	(210)
Surplus for dividend calculation purposes	20	–
Potential dividend calculated from surplus	10	–

Cowra Shire Council

Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2016

\$ '000	Actual 2016	Actual 2015
Income from continuing operations		
Access charges	2,386	2,307
User charges	623	588
Liquid trade waste charges	65	65
Fees	–	–
Interest	30	27
Grants and contributions provided for non-capital purposes	45	45
Profit from the sale of assets	–	1
Other income	214	208
Total income from continuing operations	3,363	3,241
Expenses from continuing operations		
Employee benefits and on-costs	288	359
Borrowing costs	563	572
Materials and contracts	1,341	1,079
Depreciation and impairment	580	555
Loss on sale of assets	–	–
Calculated taxation equivalents	10	24
Debt guarantee fee (if applicable)	–	–
Other expenses	195	220
Total expenses from continuing operations	2,977	2,809
Surplus (deficit) from continuing operations before capital amounts	386	432
Grants and contributions provided for capital purposes	64	–
Surplus (deficit) from continuing operations after capital amounts	450	432
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	450	432
Less: corporate taxation equivalent (30%) [based on result before capital]	(116)	(130)
SURPLUS (DEFICIT) AFTER TAX	334	302
Plus opening retained profits	19,208	18,756
Plus/less: prior period adjustments	–	(4)
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	10	24
– Debt guarantee fees	–	–
– Corporate taxation equivalent	116	130
Less:		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
Closing retained profits	19,668	19,208
Return on capital %	2.7%	2.8%
Subsidy from Council	–	68
Calculation of dividend payable:		
Surplus (deficit) after tax	334	302
Less: capital grants and contributions (excluding developer contributions)	–	–
Surplus for dividend calculation purposes	334	302
Potential dividend calculated from surplus	167	151

Cowra Shire Council

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

as at 30 June 2016

\$ '000	Actual 2016	Actual 2015
ASSETS		
Current assets		
Cash and cash equivalents	801	855
Investments	3,370	2,856
Receivables	2,115	1,977
Inventories	3	3
Other	–	–
Non-current assets classified as held for sale	–	–
Total current assets	6,289	5,691
Non-current assets		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	54,646	55,336
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
Total non-current assets	54,646	55,336
TOTAL ASSETS	60,935	61,027
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	83	58
Borrowings	459	432
Provisions	257	248
Total current liabilities	799	738
Non-current liabilities		
Payables	–	–
Borrowings	6,844	7,303
Provisions	7	4
Total non-current liabilities	6,851	7,307
TOTAL LIABILITIES	7,650	8,045
NET ASSETS	53,285	52,982
EQUITY		
Retained earnings	17,134	17,105
Revaluation reserves	36,151	35,877
Council equity interest	53,285	52,982
Non-controlling equity interest	–	–
TOTAL EQUITY	53,285	52,982

Cowra Shire Council

Statement of Financial Position – Council's Sewerage Business Activity

as at 30 June 2016

\$ '000	Actual 2016	Actual 2015
ASSETS		
Current assets		
Cash and cash equivalents	1,237	1,381
Investments	5,212	4,578
Receivables	360	344
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
Total Current Assets	6,809	6,303
Non-current assets		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	35,129	35,755
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
Total non-current assets	35,129	35,755
TOTAL ASSETS	41,938	42,058
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	53	105
Borrowings	99	125
Provisions	93	83
Total current liabilities	245	313
Non-current liabilities		
Payables	–	–
Borrowings	6,718	6,816
Provisions	–	8
Total non-current liabilities	6,718	6,824
TOTAL LIABILITIES	6,963	7,137
NET ASSETS	34,975	34,921
EQUITY		
Retained earnings	19,668	19,208
Revaluation reserves	15,307	15,713
Council equity interest	34,975	34,921
Non-controlling equity interest	–	–
TOTAL EQUITY	34,975	34,921

Cowra Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2016

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 year ended 30 June 2016

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 the SPFS, 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), and
- Australian Accounting Interpretations.

The disclosures in the SPFS have been prepared in accordance with:

- the Local Government Act (1993) NSW,
- the Local Government (General) Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

The statements are 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, *Application of National Competition Policy to Local Government*.

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

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide standards for disclosure. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, return on investments (rate of return), and dividends paid.

Declared business activities

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

Category 1

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

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 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 Note 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 year ended 30 June 2016

Note 1. Significant accounting policies (continued)

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 **\$482,000** of combined land values attracts **0%**. For that valued from \$482,001 to \$2,947,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,947,000, 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 Best-Practice Management of Water Supply and Sewerage Guidelines, 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 Guidelines 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 Best-Practice Management of Water Supply and Sewerage Guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

Income tax

An income tax equivalent has been applied on the profits of each reported business activity.

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

Accordingly, the return on capital invested is set at a pre-tax level (gain or 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 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 30% rate applied 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 and 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 and 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 Council's borrowing rate for its business activities.

(ii) Subsidies

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

Cowra Shire Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

Note 1. Significant accounting policies (continued)

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

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

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

(iii) 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 1.99% at 30/6/16.

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 of

Water Supply and Sewerage 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 2016 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, 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 year ended 30 June 2016Note 2. Water supply business
best-practice management disclosure requirements

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

2016

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	9,000
(ii)	Number of assessments multiplied by \$3/assessment	18,432
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	9,000
(iv)	Amounts actually paid for tax equivalents	–

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	10,000
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	175,320
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	(1,280,000)

2016 Surplus	20,000	2015 Surplus	(217,000)	2014 Surplus	(1,083,000)
		2015 Dividend	–	2014 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]	–
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? ^a	YES

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 year ended 30 June 2016Note 2. Water supply business
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2016

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	7,078
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)]	%	76.98%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	52,715
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	3,978
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	769
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 and equipment (w33b)]	%	2.35%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

- Notes:
1. References to w (e.g. w12) refer to item numbers within Special Schedules 3 and 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 and Definitions.
- a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007

Cowra Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2016Note 3. Sewerage business
best-practice management disclosure requirements

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

2016

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	10,000
(ii)	Number of assessments multiplied by \$3/assessment	11,241
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	10,000
(iv)	Amounts actually paid for tax equivalents	–

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	167,100
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	102,410
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	934,200

2016 Surplus	334,200	2015 Surplus	302,400	2014 Surplus	297,600
		2015 Dividend	–	2014 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	102,410
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	–
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? ^a	YES

3. Required outcomes for 4 criteria

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

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Pricing with full cost-recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	Complying charges	
	(a) Residential [item 2 (c) in table 1]	YES
	(b) Non-residential [item 2 (c) in table 1]	YES
	(c) Trade waste [item 2 (d) in table 1]	YES
	DSP with commercial developer charges [item 2 (e) in table 1]	YES
	Liquid trade waste approvals and 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 year ended 30 June 2016Note 3. Sewerage business
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2016

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	3,410
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	33,343
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	1,753
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	322
NWI F18	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	3.07%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

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

NWI F3	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	10,488
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.06%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	1,091
NWI F19	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	2.63%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
NWI F21	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

Cowra Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2016Note 3. Sewerage business
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2016

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

NWI F22	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	3.97%
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest Earnings before interest and 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)		-
NWI F24	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	489
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	111

- Notes:
1. References to w (eg. s12) refer to item numbers within Special Schedules 5 and 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 and Definitions.
 - a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007

**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 2016, 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 2016 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



John C. Manley
Director

14 Sale Street
Orange NSW
Dated: 25 October 2016

Cowra Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2016

*“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 year ended 30 June 2016

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¹ Special Schedules are not audited (with the exception of Special Schedule 8).

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 1 – Net Cost of Services
for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	336	–	–	(336)
Administration	3,522	277	–	(3,245)
Public order and safety				
Fire service levy, fire protection, emergency services	421	47	360	(14)
Beach control	–	–	–	–
Enforcement of local government regulations	–	–	–	–
Animal control	247	137	–	(110)
Other	–	–	–	–
Total public order and safety	668	184	360	(124)
Health	3	8	–	5
Environment				
Noxious plants and insect/vermin control	384	70	–	(314)
Other environmental protection	568	101	–	(467)
Solid waste management	2,679	2,979	7	307
Street cleaning	97	–	–	(97)
Drainage	24	–	1	(23)
Stormwater management	265	–	–	(265)
Total environment	4,017	3,150	8	(859)
Community services and education				
Administration and education	163	18	–	(145)
Social protection (welfare)	–	–	–	–
Aged persons and disabled	–	–	–	–
Children's services	–	–	–	–
Total community services and education	163	18	–	(145)
Housing and community amenities				
Public cemeteries	247	319	–	72
Public conveniences	83	–	–	(83)
Street lighting	259	66	–	(193)
Town planning	1,240	165	13	(1,062)
Other community amenities	61	–	–	(61)
Total housing and community amenities	1,890	550	13	(1,327)
Water supplies	6,273	6,263	33	23
Sewerage services	2,838	3,232	64	458

Cowra Shire Council

Special Schedule 1 – Net Cost of Services (continued)
for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	320	46	7	(267)
Museums	–	–	–	–
Art galleries	256	48	–	(208)
Community centres and halls	115	30	1	(84)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	114	18	–	(96)
Sporting grounds and venues	247	22	–	(225)
Swimming pools	333	189	–	(144)
Parks and gardens (lakes)	2,080	4	50	(2,026)
Other sport and recreation	27	2	–	(25)
Total recreation and culture	3,492	359	58	(3,075)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	–	172	–	172
Other mining, manufacturing and construction	42	–	–	(42)
Total mining, manufacturing and const.	42	172	–	130
Transport and communication				
Urban roads (UR) – local	347	–	52	(295)
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	2,567	1,848	–	(719)
Sealed rural roads (SRR) – regional	501	501	–	–
Unsealed rural roads (URR) – local	–	–	–	–
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	1	–	–	(1)
Bridges on SRR – local	39	–	–	(39)
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	–	–	–	–
Footpaths	25	25	–	–
Aerodromes	160	20	–	(140)
Other transport and communication	–	–	50	50
Total transport and communication	3,640	2,394	102	(1,144)
Economic affairs				
Camping areas and caravan parks	392	508	–	116
Other economic affairs	5,110	5,822	–	712
Total economic affairs	5,502	6,330	–	828
Totals – functions	32,386	22,937	638	(8,811)
General purpose revenues ⁽¹⁾		11,103		11,103
Share of interests – joint ventures and associates using the equity method	–	–	–	–
NET OPERATING RESULT ⁽²⁾	32,386	34,040	638	2,292

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

Cowra Shire Council

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

for the year ended 30 June 2016

\$'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	1,007	18,274	19,281	2,129	1,006	–	–	1,342	1,185	19,219	20,404
Other	–	–	–							–	–
Total loans	1,007	18,274	19,281	2,129	1,006	–	–	1,342	1,185	19,219	20,404
Other long term debt											
Ratepayers advances	–	–	–							–	–
Government advances	–	–	–							–	–
Finance leases	–	–	–							–	–
Deferred payments	–	–	–							–	–
Total long term debt	–	–	–	–	–	–	–	–	–	–	–
Total debt	1,007	18,274	19,281	2,129	1,006	–	–	1,342	1,185	19,219	20,404

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

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

Cowra Shire Council

Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	36	31
b. Engineering and supervision	300	291
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
– Mains		
c. Operation expenses	98	89
d. Maintenance expenses	528	550
– Reservoirs		
e. Operation expenses	–	–
f. Maintenance expenses	77	62
– Pumping stations		
g. Operation expenses (excluding energy costs)	86	51
h. Energy costs	388	449
i. Maintenance expenses	–	–
– Treatment		
j. Operation expenses (excluding chemical costs)	360	541
k. Chemical costs	172	230
l. Maintenance expenses	159	45
– Other		
m. Operation expenses	1,529	1,316
n. Maintenance expenses	1	3
o. Purchase of water	244	334
3. Depreciation expenses		
a. System assets	1,701	1,645
b. Plant and equipment	115	111
4. Miscellaneous expenses		
a. Interest expenses	443	469
b. Revaluation decrements	–	–
c. Other expenses	830	830
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	7,067	7,047

Cowra Shire Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
Income		
6. Residential charges		
a. Access (including rates)	852	806
b. Usage charges	2,849	2,653
7. Non-residential charges		
a. Access (including rates)	556	554
b. Usage charges	1,751	1,679
8. Extra charges	9	27
9. Interest income	18	12
10. Other income	904	946
10a. Aboriginal Communities Water and Sewerage Program	–	–
11. Grants		
a. Grants for acquisition of assets	–	201
b. Grants for pensioner rebates	66	67
c. Other grants	58	85
12. Contributions		
a. Developer charges	33	9
b. Developer provided assets	–	–
c. Other contributions	–	–
13. Total income	7,096	7,039
14. Gain (or loss) on disposal of assets	–	14
15. Operating result	29	6
15a. Operating result (less grants for acquisition of assets)	29	(195)

Cowra Shire Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	360	1,069
b. New assets for growth	–	–
c. Renewals	385	520
d. Plant and equipment	24	133
17. Repayment of debt	432	412
18. Totals	1,201	2,134
Non-operating funds employed		
19. Proceeds from disposal of assets	–	23
20. Borrowing utilised	–	722
21. Totals	–	745
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	4,718	4,694
b. Residential (unoccupied, ie. vacant lot)	444	460
c. Non-residential (occupied)	982	976
d. Non-residential (unoccupied, ie. vacant lot)	–	–
23. Number of ETs for which developer charges were received	7 ET	2 ET
24. Total amount of pensioner rebates (actual dollars)	\$ 119,711	\$ 122,167

Cowra Shire Council

Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
25. Cash and investments			
a. Developer charges	651	–	651
b. Special purpose grants	–	–	–
c. Accrued leave	91	–	91
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	3,429	–	3,429
26. Receivables			
a. Specific purpose grants	65	–	65
b. Rates and availability charges	529	–	529
c. User charges	1,521	–	1,521
d. Other	–	–	–
27. Inventories	3	–	3
28. Property, plant and equipment			
a. System assets	–	52,715	52,715
b. Plant and equipment	–	1,931	1,931
29. Other assets	–	–	–
30. Total assets	6,289	54,646	60,935
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	83	–	83
33. Borrowings	459	6,844	7,303
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	264	–	264
35. Total liabilities	806	6,844	7,650
36. NET ASSETS COMMITTED	5,483	47,802	53,285
EQUITY			
37. Accumulated surplus			17,134
38. Asset revaluation reserve			36,151
39. TOTAL EQUITY			53,285
Note to system assets:			
40. Current replacement cost of system assets			129,176
41. Accumulated current cost depreciation of system assets			(76,461)
42. Written down current cost of system assets			52,715

Cowra Shire Council

Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	380	296
b. Engineering and supervision	429	346
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	–	–
b. Maintenance expenses	202	233
– Pumping stations		
c. Operation expenses (excluding energy costs)	43	67
d. Energy costs	20	25
e. Maintenance expenses	51	62
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	105	120
g. Chemical costs	111	94
h. Energy costs	101	111
i. Effluent management	–	–
j. Biosolids management	58	–
k. Maintenance expenses	93	69
– Other		
l. Operation expenses	154	150
m. Maintenance expenses	6	2
3. Depreciation expenses		
a. System assets	560	540
b. Plant and equipment	20	15
4. Miscellaneous expenses		
a. Interest expenses	563	572
b. Revaluation decrements	–	–
c. Other expenses	71	83
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	2,967	2,785

Cowra Shire Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
Income		
6. Residential charges (including rates)	2,386	2,307
7. Non-residential charges		
a. Access (including rates)	623	588
b. Usage charges	65	65
8. Trade waste charges		
a. Annual fees	–	–
b. Usage charges	–	–
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
9. Extra charges	13	16
10. Interest income	17	11
11. Other income	214	208
11a. Aboriginal Communities Water and Sewerage Program	–	–
12. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	45	45
c. Other grants	–	–
13. Contributions		
a. Developer charges	64	–
b. Developer provided assets	–	–
c. Other contributions	–	–
14. Total income	<u>3,427</u>	<u>3,240</u>
15. Gain (or loss) on disposal of assets	–	1
16. Operating result	<u>460</u>	<u>456</u>
16a. Operating result (less grants for acquisition of assets)	460	456

Cowra Shire Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	–	–
c. Renewals	318	779
d. Plant and equipment	4	29
18. Repayment of debt	124	125
19. Totals	446	933
Non-operating funds employed		
20. Proceeds from disposal of assets	–	1
21. Borrowing utilised	–	–
22. Totals	–	1
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	3,207	3,195
b. Residential (unoccupied, ie. vacant lot)	221	225
c. Non-residential (occupied)	319	313
d. Non-residential (unoccupied, ie. vacant lot)	–	–
24. Number of ETs for which developer charges were received	12 ET	– ET
25. Total amount of pensioner rebates (actual dollars)	\$ 80,439	\$ 80,968

Cowra Shire Council

Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
26. Cash and investments			
a. Developer charges	658	–	658
b. Special purpose grants	–	–	–
c. Accrued leave	116	–	116
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	5,675	–	5,675
27. Receivables			
a. Specific purpose grants	1	–	1
b. Rates and availability charges	280	–	280
c. User charges	55	–	55
d. Other	24	–	24
28. Inventories	–	–	–
29. Property, plant and equipment			
a. System assets	–	33,343	33,343
b. Plant and equipment	–	1,786	1,786
30. Other assets	–	–	–
31. Total assets	6,809	35,129	41,938
LIABILITIES			
32. Bank overdraft	–	–	–
33. Creditors	53	–	53
34. Borrowings	99	6,718	6,817
35. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	93	–	93
36. Total liabilities	245	6,718	6,963
37. NET ASSETS COMMITTED	6,564	28,411	34,975
EQUITY			
38. Accumulated surplus			19,668
39. Asset revaluation reserve			15,307
40. TOTAL EQUITY			34,975
Note to system assets:			
41. Current replacement cost of system assets			49,344
42. Accumulated current cost depreciation of system assets			(16,001)
43. Written down current cost of system assets			33,343

Cowra Shire Council

Notes to Special Schedules 3 and 5 for the year ended 30 June 2016

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 and 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) including 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 7 – Report on Infrastructure Assets as at 30 June 2016

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance ^a	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Council Offices/ Administration Centres	–		145	112	4,065	5,719	0%	100%	0%	0%	0%
	Council Works Depot	–		98	84	715	1,281	0%	50%	50%	0%	0%
	Public Halls	–		101	113	3,762	5,025	0%	95%	2%	0%	3%
	Libraries	–		96	86	2,025	3,037	0%	100%	0%	0%	0%
	Houses	–		34	12	551	1,877	0%	0%	100%	0%	0%
	RFS Sheds	–		6	–	672	1,070	0%	50%	50%	0%	0%
	Amenities/Toilets	36		171	150	2,702	4,700	12%	52%	28%	8%	0%
	Other	114		168	135	6,251	11,439	21%	36%	35%	5%	3%
Sub-total	150	–	819	692	20,743	34,148	8.7%	62.4%	24.9%	2.6%	1.3%	
Roads	Sealed roads structure	–		265	324	48,448	51,328	26%	67%	7%	0%	0%
	Sealed roads surface	74		699	711	20,079	24,209	26%	60%	14%	0%	0%
	Unsealed roads	437		886	828	13,159	15,844	46%	32%	19%	3%	0%
	Bulk earthworks	–		–	–	257,884	257,884	100%	0%	0%	0%	0%
	Bridges	138		9	4	23,703	25,936	45%	48%	2%	5%	0%
	Footpaths	–		45	33	7,475	8,314	26%	64%	9%	0%	0%
	Cycleways	–		–	–	763	780	100%	0%	0%	0%	0%
	Kerb & Gutter	136		43	54	17,355	18,815	16%	81%	3%	1%	0%
	Other road assets	–		348	270	1,790	2,735	0%	50%	50%	0%	0%
	Culverts & pipes	269		70	74	12,220	14,637	5%	85%	9%	2%	0%
	Road Furniture	–		52	43	67	180	0%	0%	100%	0%	0%
Sub-total	1,054	–	2,417	2,341	402,943	420,662	72.0%	24.0%	3.5%	0.5%	0.0%	

Cowra Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance ^a	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Water supply network	Mains	2,220		650	642	38,720	83,486	19%	8%	46%	27%	0%
	Reservoirs	470		64	77	6,335	17,475	0%	0%	73%	27%	0%
	Pumping Stations	297		435	473	1,771	5,262	5%	10%	79%	6%	0%
	Treatment Plant	–		1,102	1,090	5,285	22,283	0%	100%	0%	0%	0%
	Meters	67		167	175	604	670	0%	25%	65%	10%	0%
	Sub-total	3,054	–	2,418	2,457	52,715	129,176	12.8%	23.1%	43.0%	21.1%	0.0%
Sewerage network	Mains	420		342	260	18,518	31,562	8%	10%	69%	12%	0%
	Pumping Stations	209		135	114	1,156	2,497	13%	9%	70%	8%	0%
	Treatment Plant	–		522	502	13,669	15,285	0%	100%	0%	0%	0%
	Sub-total	629	–	999	876	33,343	49,344	5.5%	38.1%	48.0%	8.4%	0.1%
Stormwater drainage	Conduits	290		118	18	20,369	23,503	40%	48%	11%	0%	0%
	Inlet & Junction Pits	94		42	6	7,208	8,439	57%	32%	11%	0%	0%
	Sub-total	384	–	160	24	27,577	31,942	44.4%	43.9%	11.1%	0.3%	0.3%
Open space/recreational assets	Swimming pools	116		284	219	1,187	2,319	0%	0%	100%	0%	0%
	Other Recreational Assets	81		1,126	1,205	2,392	4,533	19%	64%	13%	2%	1%
	Sub-total	197	–	1,410	1,424	3,579	6,852	12.6%	42.5%	42.5%	1.5%	0.8%
	TOTAL – ALL ASSETS	5,468	–	8,223	7,814	540,900	672,124	50.6%	28.0%	16.2%	5.2%	0.1%

Notes:

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

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 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2016

\$ '000	Amounts	Indicator	Prior periods	
	2016	2016	2015	2014
Infrastructure asset performance indicators * consolidated				
1. Infrastructure renewals ratio				
Asset renewals ⁽¹⁾	<u>4,219</u>	89.29%	94.72%	72.84%
Depreciation, amortisation and impairment	<u>4,725</u>			
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	<u>5,468</u>	1.93%	1.99%	4.38%
Carrying value of infrastructure assets	<u>283,016</u>			
3. Asset maintenance ratio				
Actual asset maintenance	<u>7,814</u>	0.95	1.34	0.78
Required asset maintenance	<u>8,223</u>			

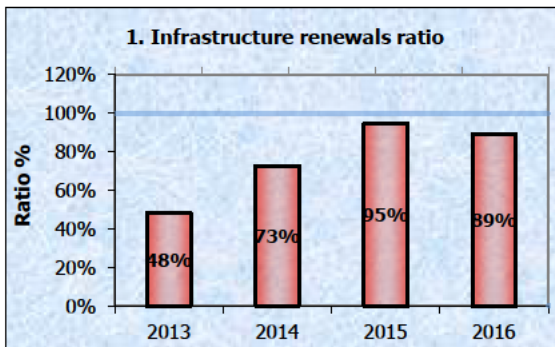
Notes

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

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

Cowra Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2016



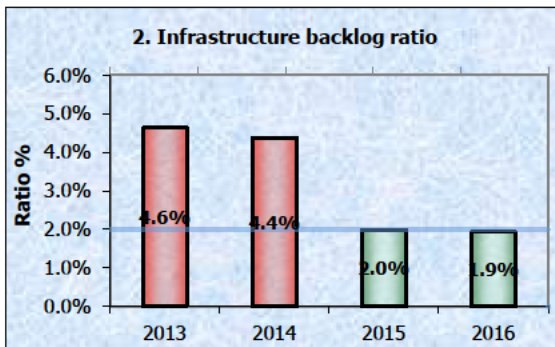
Purpose of asset renewals ratio

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

2015/16 Ratio	89.29%
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Benchmark: — Minimum $\geq 100.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

■ Ratio achieves benchmark
■ Ratio is outside benchmark



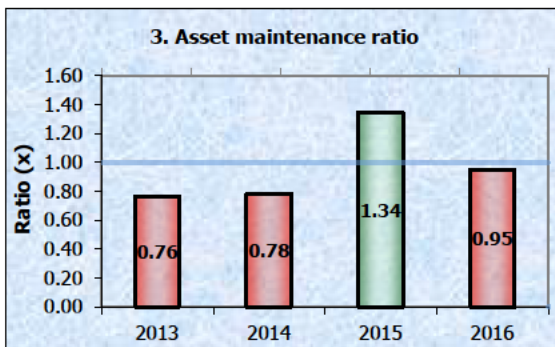
Purpose of infrastructure backlog ratio

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

2015/16 Ratio	1.93%
----------------------	--------------

Benchmark: — Maximum $< 2.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

■ Ratio achieves benchmark
■ Ratio is outside benchmark



Purpose of asset maintenance ratio

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

2015/16 Ratio	0.95 x
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Benchmark: — Minimum > 1.00
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

■ Ratio achieves benchmark
■ Ratio is outside benchmark

Cowra Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2016

\$ '000	Water 2016	Sewer 2016	General ⁽¹⁾ 2016
Infrastructure asset performance indicators by fund			
1. Infrastructure renewals ratio			
Asset renewals ⁽²⁾	22.63%	56.79%	142.69%
Depreciation, amortisation and impairment	prior period: 30.92%	141.62%	129.69%
2. Infrastructure backlog ratio			
Estimated cost to bring assets to a satisfactory standard	5.79%	1.89%	0.91%
Carrying value of infrastructure assets	prior period: 5.62%	1.25%	1.14%
3. Asset maintenance ratio			
Actual asset maintenance	1.02	0.88	0.93
Required asset maintenance	prior period: 1.06	2.25	1.32

Notes

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

Cowra Shire Council

Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2017

\$'000		Calculation 2015/16	Calculation 2016/17
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	6,179	6,344
Plus or minus adjustments ⁽²⁾	b	79	(38)
Notional general income	c = (a + b)	6,258	6,306
Permissible income calculation			
Special variation percentage ⁽³⁾	d		
Or rate peg percentage	e	2.40%	1.80%
Or crown land adjustment (incl. rate peg percentage)	f		
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	–	–
Or plus rate peg amount	i = c x e	150	114
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
Sub-total	k = (c + g + h + i + j)	6,408	6,420
Plus (or minus) last year's carry forward total	l	–	64
Less valuation objections claimed in the previous year	m	–	–
Sub-total	n = (l + m)	–	64
Total permissible income	o = k + n	6,408	6,484
Less notional general income yield	p	6,344	6,496
Catch-up or (excess) result	q = o – p	64	(12)
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	–	–
Less unused catch-up ⁽⁵⁾	s	–	–
Carry forward to next year	t = q + r – s	64	(12)

Notes

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

**INDEPENDENT AUDITOR'S REPORT
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 2017-'18.

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 Office 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 excess for 2017-'18 of **twelve thousand one hundred and fifty-nine dollars \$-12,159** 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 Office 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 Office of Local Government or for any purpose other than for which the financial report was prepared.



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14 Sale Street
Orange
Dated: 25 October 2016



John O'Malley
Director