

# Cowra Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

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*“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 2017

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

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

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

- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by the Council on 26 October 2017. 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 2017

#### Understanding Council's financial statements

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##### 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 2017.

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

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

Primarily records changes in the fair value of Council's Infrastructure, Property, Plant and Equipment.

##### 3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its assets, liabilities and "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

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 annual financial statements are required to be audited by the NSW Audit Office. 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 2017

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

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

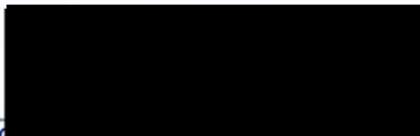
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and professional pronouncements, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

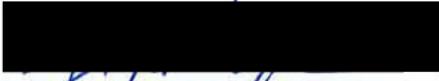
We are not aware of any matter that would render these statements false or misleading in any way.

Signed in accordance with a resolution of Council made on 25 September 2017.

  
C. W. West  
Mayor

  
Councillor

  
Mr P Devery  
General manager

  
Mr G Apthorpe  
Responsible accounting officer

## Cowra Shire Council

## Income Statement

for the year ended 30 June 2017

Budget <sup>1</sup> 2017	\$ '000	Notes	Actual 2017	Actual 2016
<b>Income from continuing operations</b>				
<b>Revenue:</b>				
13,114	Rates and annual charges	3a	12,512	12,096
11,714	User charges and fees	3b	15,584	12,876
547	Interest and investment revenue	3c	794	765
903	Other revenues	3d	826	829
7,540	Grants and contributions provided for operating purposes	3e,f	10,093	7,330
2,183	Grants and contributions provided for capital purposes	3e,f	1,865	638
<b>Other income:</b>				
468	Net gains from the disposal of assets	5	148	144
–	Net share of interests in joint ventures and associates using the equity method	19	–	–
<b>36,469</b>	<b>Total income from continuing operations</b>		<b>41,822</b>	<b>34,678</b>
<b>Expenses from continuing operations</b>				
12,424	Employee benefits and on-costs	4a	13,334	12,862
1,476	Borrowing costs	4b	1,343	1,361
8,914	Materials and contracts	4c	11,060	8,746
5,886	Depreciation and amortisation	4d	6,364	6,197
–	Impairment	4d	–	–
3,091	Other expenses	4e	3,267	3,220
<b>31,791</b>	<b>Total expenses from continuing operations</b>		<b>35,368</b>	<b>32,386</b>
<b>4,678</b>	<b>Operating result from continuing operations</b>		<b>6,454</b>	<b>2,292</b>
<b>Discontinued operations</b>				
–	Net profit/(loss) from discontinued operations	24	–	–
<b>4,678</b>	<b>Net operating result for the year</b>		<b>6,454</b>	<b>2,292</b>
4,678	Net operating result attributable to Council		6,454	2,292
–	Net operating result attributable to non-controlling interests		–	–
<b>2,495</b>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>4,589</b>	<b>1,654</b>

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

## Cowra Shire Council

## Statement of Comprehensive Income

for the year ended 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
<b>Net operating result for the year</b> (as per Income Statement)		<b>6,454</b>	<b>2,292</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	6,937	(13,608)
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>6,937</b>	<b>(13,608)</b>
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
<b>Total other comprehensive income for the year</b>		<b>6,937</b>	<b>(13,608)</b>
<b>Total comprehensive income for the year</b>		<b>13,391</b>	<b>(11,316)</b>
<b>Total comprehensive income attributable to Council</b>		<b>13,391</b>	<b>(11,316)</b>
<b>Total comprehensive income attributable to non-controlling interests</b>		<b>–</b>	<b>–</b>

## Cowra Shire Council

## Statement of Financial Position

as at 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	3,212	4,270
Investments	6b	20,500	18,000
Receivables	7	6,266	3,450
Inventories	8	954	913
Other	8	–	–
<b>Total current assets</b>		<b>30,932</b>	<b>26,633</b>
<b>Non-current assets</b>			
Investments	6b	–	–
Receivables	7	–	63
Inventories	8	195	195
Infrastructure, property, plant and equipment	9	582,977	575,302
Investments accounted for using the equity method	19	–	–
Investment property	14	–	–
Other	8	174	174
<b>Total non-current assets</b>		<b>583,346</b>	<b>575,734</b>
<b>TOTAL ASSETS</b>		<b>614,278</b>	<b>602,367</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	2,506	2,191
Income received in advance	10	–	557
Borrowings	10	1,241	1,185
Provisions	10	4,188	4,283
<b>Total current liabilities</b>		<b>7,935</b>	<b>8,216</b>
<b>Non-current liabilities</b>			
Payables	10	–	–
Income received in advance	10	–	–
Borrowings	10	17,978	19,219
Provisions	10	497	455
<b>Total non-current liabilities</b>		<b>18,475</b>	<b>19,674</b>
<b>TOTAL LIABILITIES</b>		<b>26,410</b>	<b>27,890</b>
<b>Net assets</b>		<b>587,868</b>	<b>574,477</b>
<b>EQUITY</b>			
Retained earnings	20	184,443	177,989
Revaluation reserves	20	403,425	396,488
Other reserves	20	–	–
<b>Council equity interest</b>		<b>587,868</b>	<b>574,477</b>
<b>Non-controlling equity interests</b>		<b>–</b>	<b>–</b>
<b>Total equity</b>		<b>587,868</b>	<b>574,477</b>

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

## Cowra Shire Council

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

\$ '000	Notes	2017					2016						
		Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity	Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity
<b>Opening balance</b> (as per last year's audited accounts)		177,989	396,488	–	<b>574,477</b>	–	<b>574,477</b>	175,931	410,096	–	<b>586,027</b>	–	<b>586,027</b>
a. Correction of prior period errors	20 (c)	–	–	–	–	–	–	(234)	–	–	<b>(234)</b>	–	<b>(234)</b>
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–	–	–	–	–	–	–	–
<b>Revised opening balance</b>		<b>177,989</b>	<b>396,488</b>	<b>–</b>	<b>574,477</b>	<b>–</b>	<b>574,477</b>	<b>175,697</b>	<b>410,096</b>	<b>–</b>	<b>585,793</b>	<b>–</b>	<b>585,793</b>
<b>c. Net operating result for the year</b>		<b>6,454</b>	<b>–</b>	<b>–</b>	<b>6,454</b>	<b>–</b>	<b>6,454</b>	2,292	–	–	<b>2,292</b>	–	<b>2,292</b>
d. Other comprehensive income													
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	6,937	–	<b>6,937</b>	–	<b>6,937</b>	–	(13,608)	–	<b>(13,608)</b>	–	<b>(13,608)</b>
– 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 reserves movements	20b (ii)	–	–	–	–	–	–	–	–	–	–	–	–
<b>Other comprehensive income</b>		<b>–</b>	<b>6,937</b>	<b>–</b>	<b>6,937</b>	<b>–</b>	<b>6,937</b>	<b>–</b>	<b>(13,608)</b>	<b>–</b>	<b>(13,608)</b>	<b>–</b>	<b>(13,608)</b>
<b>Total comprehensive income (c&amp;d)</b>		<b>6,454</b>	<b>6,937</b>	<b>–</b>	<b>13,391</b>	<b>–</b>	<b>13,391</b>	<b>2,292</b>	<b>(13,608)</b>	<b>–</b>	<b>(11,316)</b>	<b>–</b>	<b>(11,316)</b>
e. Distributions to/(contributions from) non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	–
f. Transfers between equity		–	–	–	–	–	–	–	–	–	–	–	–
<b>Equity – balance at end of the reporting period</b>		<b>184,443</b>	<b>403,425</b>	<b>–</b>	<b>587,868</b>	<b>–</b>	<b>587,868</b>	<b>177,989</b>	<b>396,488</b>	<b>–</b>	<b>574,477</b>	<b>–</b>	<b>574,477</b>

## Cowra Shire Council

## Statement of Cash Flows

for the year ended 30 June 2017

Budget 2017	\$ '000	Notes	Actual 2017	Actual 2016
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
13,114	Rates and annual charges		12,297	12,169
11,714	User charges and fees		15,261	14,234
547	Investment and interest revenue received		737	680
9,723	Grants and contributions		10,144	7,801
903	Other		1,633	2,045
<b>Payments:</b>				
(12,163)	Employee benefits and on-costs		(13,443)	(12,815)
(8,914)	Materials and contracts		(11,891)	(9,621)
(1,476)	Borrowing costs		(1,331)	(1,342)
–	Bonds, deposits and retention amounts refunded		(9)	(4)
(3,091)	Other		(4,000)	(4,185)
<b>10,357</b>	<b>Net cash provided (or used in) operating activities</b>	11b	<b>9,398</b>	<b>8,962</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
–	Sale of investment securities		18,000	14,000
476	Sale of infrastructure, property, plant and equipment		533	338
58	Deferred debtors receipts		43	34
<b>Payments:</b>				
–	Purchase of investment securities		(20,500)	(18,000)
(11,096)	Purchase of infrastructure, property, plant and equipment		(7,347)	(6,812)
–	Deferred debtors and advances made		–	(13)
<b>(10,562)</b>	<b>Net cash provided (or used in) investing activities</b>		<b>(9,271)</b>	<b>(10,453)</b>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
580	Proceeds from borrowings and advances		–	2,129
<b>Payments:</b>				
(1,273)	Repayment of borrowings and advances		(1,185)	(1,006)
<b>(693)</b>	<b>Net cash flow provided (used in) financing activities</b>		<b>(1,185)</b>	<b>1,123</b>
<b>(898)</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(1,058)</b>	<b>(368)</b>
22,270	Plus: <b>cash and cash equivalents – beginning of year</b>	11a	4,270	4,638
<b>21,372</b>	<b>Cash and cash equivalents – end of the year</b>	11a	<b>3,212</b>	<b>4,270</b>
Additional Information:				
	plus: <b>Investments on hand – end of year</b>	6b	20,500	18,000
	<b>Total cash, cash equivalents and investments</b>		<b>23,712</b>	<b>22,270</b>

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 2017

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n/a – not applicable

## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

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

##### **(a) Basis of preparation**

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

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

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

AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 and AASB 11] and has had no impact on the financial position or performance.

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

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

##### **(iii) Historical cost convention**

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

##### **(iv) Significant accounting estimates and judgements**

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Council's accounting policies.

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

##### ***Critical accounting estimates and assumptions***

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

(i) Estimated fair values of infrastructure, property, plant and equipment,

(ii) Estimated tip remediation provisions.

##### **(b) Revenue recognition**

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

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

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

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

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

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

## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

rateable property or, where earlier, upon receipt of the rates.

Control over granted assets or 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.

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

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

#### (ii) User charges and fees

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

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

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

#### (iv) Interest

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

#### (v) Rent

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

#### (vi) Other income

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

#### (c) Principles of consolidation

##### (i) The Consolidated Fund

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

Cash and other assets of 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 (NSW) (as amended), a separate and distinct Trust Fund is maintained to account for all money and property received by the Council in trust which must be applied only for the purposes of, or in accordance with the trusts relating to those monies. Trust monies and property subject to Council's control have been included in these reports.

Trust monies and property held by Council but not subject to the control of Council have been excluded from these reports. A separate statement of monies held in the Trust Fund is available for inspection at the Council office by any person free of charge.

##### (iii) County Councils

Council is not a member of any county councils.

##### (iv) Interests in other entities

###### Subsidiaries

Council has no interest in any subsidiaries.

###### Joint arrangements

Council has no material interest in any joint arrangements.

## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

##### **(d) Leases**

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

All leases entered into by Council are operating leases.

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

##### **(e) Impairment of assets**

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

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

##### **(f) Cash and cash equivalents**

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

Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

##### **(g) Inventories**

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

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

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

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

###### **(ii) 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.

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

###### **Classification**

Council classifies all of its financial assets as Loans and Receivable.

## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

##### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which that are classified as non-current assets.

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

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

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

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

##### **Subsequent measurement**

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

##### **Impairment**

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

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

##### **(i) Assets carried at amortised cost**

For loans and receivables the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that

have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Council may measure impairment on the basis of an instrument's fair value using an observable market price.

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The amount of the impairment loss is 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.

##### **Investment Policy**

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

Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order. Council maintains an investment policy that complies with the Act and ensures that it, or its

## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

representatives, exercise the care, diligence and skill that a prudent person would exercise in investing Council funds.

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

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

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

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

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Council uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

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

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

##### Externally valued:

- Operational land
- Buildings – specialised/non-specialised

- Roads assets including roads, bridges and footpaths
- Bulk earthworks
- Stormwater drainage
- Water and sewerage networks
- Swimming pools
- Other open space/recreational assets

##### Internally valued:

- Community land

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

- Plant and equipment
- Land improvements
- Other structures
- Other assets

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

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

Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss.

Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

#### Depreciation

Land is not depreciated.

Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

##### Plant and Equipment

- 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

<b>Buildings</b>	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

##### 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

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

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

#### (k) Payables

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

#### (l) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or finance cost.

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

## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

##### **(m) Borrowing costs**

Borrowing costs are expensed.

##### **(n) Provisions**

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

##### **(o) Employee benefits**

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

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

###### **(ii) Other long-term employee benefit obligations**

The liability for long service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the Statement of Financial Position if the Council

does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

###### **(iii) Retirement benefit obligations**

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

###### **Defined Benefit Plans**

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

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

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. However, when this information is not reliably available, Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable.

###### **Defined Contribution Plans**

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

##### **(p) Land under roads**

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

## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

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

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

##### (q) 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.

##### (r) Rural fire service assets

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

Until such time as discussions on this matter have concluded and the legislation changed, Council will recognise rural fire service assets including land, buildings, plant and vehicles.

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

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to the

taxation authority is included with other receivables or payables in the Statement of Financial Position.

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

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

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

Council does not consider that these standards are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

##### (u) Rounding of amounts

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

##### (v) 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.

##### (w) 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 2017

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current and non-current)	
	Original budget 2017	Actual 2017	Actual 2016	Original budget 2017	Actual 2017	Actual 2016	Original budget 2017	Actual 2017	Actual 2016	Actual 2017	Actual 2016	Actual 2017	Actual 2016
Governance	–	–	–	458	436	336	(458)	(436)	(336)	–	–	–	–
Administration	410	331	277	6,035	3,271	3,522	(5,625)	(2,940)	(3,245)	6	5	22,828	19,862
Public order and safety	983	559	544	661	621	668	322	(62)	(124)	485	413	2,141	2,034
Health	12	10	8	3	2	3	9	8	5	–	–	1,020	1,241
Environment	3,196	3,342	3,158	4,018	4,214	4,017	(822)	(872)	(859)	181	265	29,597	29,039
Community services and education	6	81	18	166	192	163	(160)	(111)	(145)	1	1	648	668
Housing and community amenities	532	649	563	2,409	1,881	1,890	(1,877)	(1,232)	(1,327)	66	66	486	779
Water supplies	6,493	6,832	6,296	5,141	7,338	6,273	1,352	(506)	23	136	124	72,452	60,935
Sewerage services	3,488	5,209	3,296	1,995	3,323	2,838	1,493	1,886	458	1,729	45	38,290	41,937
Recreation and culture	403	485	417	3,275	3,183	3,492	(2,872)	(2,698)	(3,075)	99	133	27,986	29,497
Mining, manufacturing and construction	139	181	172	32	87	42	107	94	130	–	–	500	514
Transport and communication	3,230	1,647	2,496	2,978	3,038	3,640	252	(1,391)	(1,144)	1,638	1,936	411,441	409,009
Economic affairs	6,245	9,047	6,330	4,620	7,782	5,502	1,625	1,265	828	66	11	6,889	6,852
<b>Total functions and activities</b>	<b>25,137</b>	<b>28,373</b>	<b>23,575</b>	<b>31,791</b>	<b>35,368</b>	<b>32,386</b>	<b>(6,654)</b>	<b>(6,995)</b>	<b>(8,811)</b>	<b>4,407</b>	<b>2,999</b>	<b>614,278</b>	<b>602,367</b>
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	–	–	–	–	–	–	–	–	–
General purpose income <sup>1</sup>	11,332	13,449	11,103	–	–	–	11,332	13,449	11,103	6,484	4,327	–	–
<b>Operating result from continuing operations</b>	<b>36,469</b>	<b>41,822</b>	<b>34,678</b>	<b>31,791</b>	<b>35,368</b>	<b>32,386</b>	<b>4,678</b>	<b>6,454</b>	<b>2,292</b>	<b>10,891</b>	<b>7,326</b>	<b>614,278</b>	<b>602,367</b>

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 2017

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

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

##### **GOVERNANCE**

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

##### **ADMINISTRATION**

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

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

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

##### **HEALTH**

Inspection & food control.

##### **ENVIRONMENT**

Nnoxious plants and insect/vermin control; other environmental protection; solid waste management, including domestic waste; other 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 and 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; and cultural services.

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

Building control, quarries and pits.

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

Urban local, urban regional, 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 2017

## Note 3. Income from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Rates and annual charges</b>			
<b>Ordinary rates</b>			
Residential		2,152	2,129
Farmland		2,848	2,711
Mining		19	20
Business		1,244	1,228
<b>Total ordinary rates</b>		<b>6,263</b>	<b>6,088</b>
<b>Special rates</b>			
Nil			
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		2,075	1,992
Water supply services		1,482	1,410
Sewerage services		2,464	2,386
Waste management services (non-domestic)		228	220
<b>Total annual charges</b>		<b>6,249</b>	<b>6,008</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>12,512</b>	<b>12,096</b>

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 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(b) User charges and fees</b>			
<b>Specific user charges</b> (per s.502 – specific 'actual use' charges)			
Water supply services		4,276	4,616
Sewerage services		715	693
<b>Total user charges</b>		<b>4,991</b>	<b>5,309</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Planning and building regulation		374	315
Private works – section 67		1,240	597
<b>Total fees and charges – statutory/regulatory</b>		<b>1,614</b>	<b>912</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Aerodrome		25	20
Caravan park		516	508
Cemeteries		265	302
Fire and emergency services levy (FESL) implementation		72	–
RMS (formerly RTA) charges (state roads not controlled by Council)		6,847	4,560
Saleyards		471	548
Swimming centres		200	189
Waste disposal tipping fees		432	348
Water connection fees		42	75
Other		109	105
<b>Total fees and charges – other</b>		<b>8,979</b>	<b>6,655</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>15,584</b>	<b>12,876</b>

## Cowra Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(c) Interest and investment revenue (including losses)</b>			
<b>Interest</b>			
– Interest on overdue rates and annual charges (incl. special purpose rates)		80	55
– Interest earned on investments (interest and coupon payment income)		596	595
– Interest on deferred debtors		90	90
<b>Amortisation of premiums and discounts</b>			
– Interest free (and interest reduced) loans provided		28	25
<b><u>TOTAL INTEREST AND INVESTMENT REVENUE</u></b>		<b><u>794</u></b>	<b><u>765</u></b>
<b>Interest revenue is attributable to:</b>			
<b>Unrestricted investments/financial assets:</b>			
Overdue rates and annual charges (general fund)		40	32
General Council cash and investments		662	656
<b>Restricted investments/funds – external:</b>			
Development contributions			
– Section 94		6	11
– Section 64		35	34
Water fund operations		26	10
Sewerage fund operations		14	13
Domestic waste management operations		11	9
<b>Total interest and investment revenue recognised</b>		<b><u>794</u></b>	<b><u>765</u></b>
<b>(d) Other revenues</b>			
Rental income – other council properties		196	197
Fines		56	103
Legal fees recovery – rates and charges (extra charges)		7	20
Cultural and community activities		58	59
Diesel rebate		87	83
Insurance rebate		47	56
Lease back contributions		96	90
Recycling income (non-domestic)		268	159
Other		11	62
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>826</u></b>	<b><u>829</u></b>

## Cowra Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
Financial assistance – general component	4,337	2,865	–	–
Financial assistance – local roads component	2,044	1,355	–	–
Pensioners' rates subsidies – general component	103	107	–	–
<b>Total general purpose</b>	<b>6,484</b>	<b>4,327</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Water	64	66	–	–
– Sewerage	43	45	–	–
– Domestic waste management	89	88	–	–
Sewerage services	1,686	–	–	–
Community care	1	–	–	–
Economic development	66	11	–	–
Employment and training programs	6	5	–	–
Environmental protection	85	170	7	7
Flood restoration	–	–	1,107	–
Heritage and cultural	10	3	–	–
Library	44	38	6	7
LIRS subsidy	72	58	–	–
NSW rural fire services	47	40	438	360
Recreation and culture	33	45	6	40
Street lighting	66	66	–	–
Transport (roads to recovery)	495	1,836	–	–
Transport (other roads and bridges funding)	–	–	36	100
Other	–	14	–	–
<b>Total specific purpose</b>	<b>2,807</b>	<b>2,485</b>	<b>1,600</b>	<b>514</b>
<b>Total grants</b>	<b>9,291</b>	<b>6,812</b>	<b>1,600</b>	<b>514</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	6,876	6,056	–	–
– State funding	2,348	756	1,595	514
– Other funding	67	–	5	–
	<b>9,291</b>	<b>6,812</b>	<b>1,600</b>	<b>514</b>

## Cowra Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
<b>(f) Contributions</b>				
<b>Developer contributions:</b>				
<b>(s93 &amp; s94 – EP&amp;A Act, s64 of the LGA):</b>				
S 94 – contributions towards amenities/services	–	–	43	7
S 94A – fixed development consent levies	–	–	56	10
S 64 – water supply contributions	–	–	70	33
S 64 – sewerage service contributions	–	–	39	64
<b>Total developer contributions</b>	<b>–</b>	<b>–</b>	<b>208</b>	<b>114</b>
<b>Other contributions:</b>				
Contribution toilet block	–	–	–	9
Heritage/cultural	17	17	–	–
Recreation and culture	–	–	55	–
Roads and bridges	–	–	2	1
RMS contributions (regional roads, block grant)	785	501	–	–
<b>Total other contributions</b>	<b>802</b>	<b>518</b>	<b>57</b>	<b>10</b>
<b>Total contributions</b>	<b>802</b>	<b>518</b>	<b>265</b>	<b>124</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>	<b>10,093</b>	<b>7,330</b>	<b>1,865</b>	<b>638</b>

\$ '000	Actual 2017	Actual 2016
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**(g) Unspent 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	2,443	2,498
<b>Add:</b> grants and contributions recognised in the current period but not yet spent:	255	668
<b>Less:</b> grants and contributions recognised in a previous reporting period now spent:	(434)	(723)
<b>Net increase (decrease) in restricted assets during the period</b>	<b>(179)</b>	<b>(55)</b>
<b>Unexpended and held as restricted assets</b>	<b>2,264</b>	<b>2,443</b>
<b>Comprising:</b>		
– Specific purpose unexpended grants	505	250
– Developer contributions	1,759	1,761
– Other contributions	–	432
	<b>2,264</b>	<b>2,443</b>

## Cowra Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Employee benefits and on-costs</b>			
Salaries and wages		10,735	10,065
Travel expenses		22	30
Employee leave entitlements (ELE)		1,753	1,897
Superannuation – defined contribution plans		962	891
Superannuation – defined benefit plans		297	267
Workers' compensation insurance		208	299
Fringe benefit tax (FBT)		29	46
Training costs (other than salaries and wages)		140	154
<b>Total employee costs</b>		<b>14,146</b>	<b>13,649</b>
Less: capitalised costs		(812)	(787)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>13,334</b>	<b>12,862</b>
Number of 'full-time equivalent' employees (FTE) at year end		165	168
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)		169	171
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on loans		1,322	1,342
<b>Total interest bearing liability costs expensed</b>		<b>1,322</b>	<b>1,342</b>
<b>(ii) Other borrowing costs</b>			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	26	21	19
<b>Total other borrowing costs</b>		<b>21</b>	<b>19</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>1,343</b>	<b>1,361</b>

## Cowra Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(c) Materials and contracts</b>			
Raw materials and consumables		7,175	6,362
Contractor and consultancy costs		3,651	1,998
Auditors remuneration <sup>(1)</sup>		48	53
Legal expenses:			
– Legal expenses: planning and development		38	95
– Legal expenses: other		37	127
Operating leases:			
– Operating lease rentals: minimum lease payments <sup>(2)</sup>		111	111
<b>TOTAL MATERIALS AND CONTRACTS</b>		<b>11,060</b>	<b>8,746</b>
<b>1. Auditor remuneration</b>			
a. During the year, the following fees were incurred for services provided by the Auditor-General:			
<b>(i) Audit and other assurance services</b>			
– Audit and review of financial statements: Auditor-General		4	–
<b>Remuneration for audit and other assurance services</b>		<b>4</b>	<b>–</b>
<b>Total Auditor-General remuneration</b>		<b>4</b>	<b>–</b>
b. During the year, the following fees were incurred for services provided by the other Council's Auditors:			
<b>(i) Audit and other assurance services</b>			
– Audit and review of financial statements: Council's Auditor		39	37
– Other audit and assurance services		5	16
<b>Remuneration for audit and other assurance services</b>		<b>44</b>	<b>53</b>
<b>Total remuneration of other Council's Auditors</b>		<b>44</b>	<b>53</b>
<b>Total Auditor remuneration</b>		<b>48</b>	<b>53</b>
<b>2. Operating lease payments are attributable to:</b>			
Computers		–	111
Other		111	–
		<b>111</b>	<b>111</b>

## Cowra Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(d) Depreciation, amortisation and impairment</b>			
Plant and equipment		1,213	1,047
Office equipment		8	35
Furniture and fittings		45	36
Infrastructure:			
– Buildings		484	479
– Roads		1,252	1,269
– Bridges		160	161
– Footpaths		62	58
– Other road assets		88	–
– Stormwater drainage		256	252
– Water supply network		1,741	1,701
– Sewerage network		576	560
– Swimming pools		85	91
– Other open space/recreational assets		141	154
Other assets			
– Other		247	349
Asset reinstatement costs	9 & 26	6	5
<b>Total depreciation and amortisation costs</b>		<b>6,364</b>	<b>6,197</b>
<b>Impairment</b>			
Nil			
<b><u>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</u></b>		<b><u>6,364</u></b>	<b><u>6,197</u></b>

## Cowra Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(e) Other expenses</b>			
Advertising		94	143
Bad and doubtful debts		1	14
Bank charges		71	66
Contributions/levies to other levels of government		793	777
– Emergency services levy (includes FRNSW, SES, and RFS levies)		296	252
Councillor expenses – mayoral fee		24	24
Councillor expenses – councillors' fees		100	99
Councillors' expenses (incl. mayor) – other (excluding fees above)		56	50
Electricity and heating		827	788
Insurance		495	519
Street lighting		265	259
Telephone and communications		187	169
Valuation fees		58	60
<b><u>TOTAL OTHER EXPENSES</u></b>		<b><u>3,267</u></b>	<b><u>3,220</u></b>

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

<b>Property</b> (excl. investment property)			
Proceeds from disposal – property		284	–
Less: carrying amount of property assets sold/written off		(168)	–
<b>Net gain/(loss) on disposal</b>		<b>116</b>	<b>–</b>
<b>Plant and equipment</b>			
Proceeds from disposal – plant and equipment		249	338
Less: carrying amount of plant and equipment assets sold/written off		(70)	(194)
<b>Net gain/(loss) on disposal</b>		<b>179</b>	<b>144</b>
<b>Infrastructure</b>			
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(147)	–
<b>Net gain/(loss) on disposal</b>		<b>(147)</b>	<b>–</b>
<b>Financial assets</b>			
Proceeds from disposal/redemptions/maturities – financial assets		18,000	14,000
Less: carrying amount of financial assets sold/redeemed/matured		(18,000)	(14,000)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b><u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u></b>		<b><u>148</u></b>	<b><u>144</u></b>

## Cowra Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	2017	2017	2016	2016
		Actual Current	Actual Non-current	Actual Current	Actual Non-current
<b>Cash and cash equivalents (Note 6a)</b>					
Cash on hand and at bank		212	–	370	–
Cash-equivalent assets <sup>1</sup>					
– Deposits at call		3,000	–	1,900	–
– Short-term deposits		–	–	2,000	–
<b>Total cash and cash equivalents</b>		<b>3,212</b>	<b>–</b>	<b>4,270</b>	<b>–</b>
<b>Investments (Note 6b)</b>					
– Long term deposits		20,500	–	18,000	–
<b>Total investments</b>		<b>20,500</b>	<b>–</b>	<b>18,000</b>	<b>–</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>		<b>23,712</b>	<b>–</b>	<b>22,270</b>	<b>–</b>

<sup>1</sup> 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**

<b>a. 'At fair value through the profit and loss'</b>	<b>3,212</b>	<b>–</b>	<b>4,270</b>	<b>–</b>
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**Investments**

<b>a. 'Loans and receivables'</b>	20,500	–	18,000	–
<b>Investments</b>	<b>20,500</b>	<b>–</b>	<b>18,000</b>	<b>–</b>

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 2017

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

\$ '000	2017	2017	2016	2016
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	23,712	–	22,270	–
<b>attributable to:</b>				
External restrictions (refer below)	13,861	–	14,534	–
Internal restrictions (refer below)	9,590	–	6,809	–
Unrestricted	261	–	927	–
	<b>23,712</b>	<b>–</b>	<b>22,270</b>	<b>–</b>

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
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## Details of restrictions

## External restrictions – included in liabilities

Specific purpose unexpended loans – general (A)	1,680	–	(410)	1,270
<b>External restrictions – included in liabilities</b>	<b>1,680</b>	<b>–</b>	<b>(410)</b>	<b>1,270</b>

## External restrictions – other

Developer contributions – general (D)	452	105	(251)	306
Developer contributions – water fund (D)	651	88	–	739
Developer contributions – sewer fund (D)	658	56	–	714
RMS (formerly RTA) contributions (E)	432	–	(432)	–
Specific purpose unexpended grants (F)	250	255	–	505
Water supplies (G)	3,520	111	–	3,631
Sewerage services (G)	5,791	–	(54)	5,737
Domestic waste management (G)	959	–	–	959
Other capital contributions	141	2	(143)	–
<b>External restrictions – other</b>	<b>12,854</b>	<b>617</b>	<b>(880)</b>	<b>12,591</b>
<b>Total external restrictions</b>	<b>14,534</b>	<b>617</b>	<b>(1,290)</b>	<b>13,861</b>

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 2017

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

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
<b>Internal restrictions</b>				
Plant and vehicle replacement	701	610	–	1,311
Infrastructure replacement	531	148	–	679
Employees leave entitlement	300	–	(88)	212
Carry over works	809	–	(113)	696
Deposits, retentions and bonds	565	–	(9)	556
Aerodrome	57	–	(32)	25
Art gallery	14	5	–	19
Bad debts	33	7	–	40
Business assistance	172	–	–	172
Caravan parks	294	33	–	327
Community strategic plan	36	–	–	36
Depot redevelopment	200	–	–	200
Election	70	–	(65)	5
Environmental projects	8	–	–	8
Fire mitigation	16	–	–	16
Gravel rehabilitation	339	15	–	354
IT equipment	27	–	(10)	17
Main St improvements	92	69	–	161
POW maintenance	3	–	–	3
Risk management	232	5	–	237
Saleyards	147	–	(10)	137
S611	964	–	–	964
Warranty	120	130	–	250
Waste	997	–	(201)	796
Works	32	–	(32)	–
Workers compensation	50	–	–	50
Financial Assistance Advance Payment	–	2,171	–	2,171
Pedestrian & Cycle Plan	–	50	–	50
Lachlan River Precinct	–	98	–	98
<b>Total internal restrictions</b>	<b>6,809</b>	<b>3,341</b>	<b>(560)</b>	<b>9,590</b>
<b>TOTAL RESTRICTIONS</b>	<b>21,343</b>	<b>3,958</b>	<b>(1,850)</b>	<b>23,451</b>

## Cowra Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 7. Receivables

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
<b>Purpose</b>					
Rates and annual charges		1,241	–	1,026	–
User charges and fees		2,820	–	2,101	63
Accrued revenues					
– Interest on investments		161	–	132	–
– Other income accruals		4	–	18	–
Deferred debtors		18	–	33	–
Government grants and subsidies		1,921	–	70	–
Net GST receivable		114	–	83	–
<b>Total</b>		<b>6,279</b>	<b>–</b>	<b>3,463</b>	<b>63</b>
<b>Less: provision for impairment</b>					
Rates and annual charges		(13)	–	(13)	–
<b>Total provision for impairment – receivables</b>		<b>(13)</b>	<b>–</b>	<b>(13)</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>		<b>6,266</b>	<b>–</b>	<b>3,450</b>	<b>63</b>
<b>Externally restricted receivables</b>					
<b>Water supply</b>					
– Specific purpose grants		63	–	65	–
– Rates and availability charges		557	–	529	–
– Other		1,519	–	1,521	–
<b>Sewerage services</b>					
– Specific purpose grants		1,854	–	1	–
– Rates and availability charges		341	–	280	–
– Other		48	–	79	–
<b>Domestic waste management</b>		<b>277</b>	<b>–</b>	<b>240</b>	<b>–</b>
<b>Total external restrictions</b>		<b>4,659</b>	<b>–</b>	<b>2,715</b>	<b>–</b>
<b>Internally restricted receivables</b>					
Nil					
<b>Unrestricted receivables</b>		<b>1,607</b>	<b>–</b>	<b>735</b>	<b>63</b>
<b>TOTAL NET RECEIVABLES</b>		<b>6,266</b>	<b>–</b>	<b>3,450</b>	<b>63</b>

**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% (2016 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 2017

## Note 8. Inventories and other assets

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
<b>(a) Inventories</b>					
<b>(i) Inventories at cost</b>					
Real estate for resale (refer below)		–	195	–	195
Stores and materials		954	–	913	–
<b>Total inventories at cost</b>		<b>954</b>	<b>195</b>	<b>913</b>	<b>195</b>
<b>(ii) Inventories at net realisable value (NRV)</b>					
Nil					
<b><u>TOTAL INVENTORIES</u></b>		<b><u>954</u></b>	<b><u>195</u></b>	<b><u>913</u></b>	<b><u>195</u></b>
<b>(b) Other assets</b>					
Shares in unlisted companies – StateCover		–	174	–	174
<b><u>TOTAL OTHER ASSETS</u></b>		<b><u>–</u></b>	<b><u>174</u></b>	<b><u>–</u></b>	<b><u>174</u></b>
<b>Externally restricted assets</b>					
<b>Water</b>					
Stores and materials		3	–	3	–
<b>Total water</b>		<b>3</b>	<b>–</b>	<b>3</b>	<b>–</b>
<b>Sewerage</b>					
Nil					
<b>Domestic waste management</b>					
Nil					
<b>Other</b>					
Nil					
<b>Total externally restricted assets</b>		<b>3</b>	<b>–</b>	<b>3</b>	<b>–</b>
<b>Total internally restricted assets</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total unrestricted assets</b>		<b>951</b>	<b>369</b>	<b>910</b>	<b>369</b>
<b>TOTAL INVENTORIES AND OTHER ASSETS</b>		<b><u>954</u></b>	<b><u>369</u></b>	<b><u>913</u></b>	<b><u>369</u></b>

## Cowra Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 8. Inventories and other assets (continued)

\$ '000	2017		2016	
	Current	Non-current	Current	Non-current
<b>(i) Other disclosures</b>				
<b>(a) Details for real estate development</b>				
Residential	–	195	–	195
<b>Total real estate for resale</b>	<b>–</b>	<b>195</b>	<b>–</b>	<b>195</b>
(Valued at the lower of cost and net realisable value)				
<b>Represented by:</b>				
Acquisition costs	–	195	(30)	195
Development costs	–	–	30	–
<b>Total costs</b>	<b>–</b>	<b>195</b>	<b>–</b>	<b>195</b>
<b>Total real estate for resale</b>	<b>–</b>	<b>195</b>	<b>–</b>	<b>195</b>
<b>Movements:</b>				
Real estate assets at beginning of the year	–	195	195	–
– Purchases and other costs	–	–	(195)	195
<b>Total real estate for resale</b>	<b>–</b>	<b>195</b>	<b>–</b>	<b>195</b>

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

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

	2017	2016
Real estate for resale	–	195
	<b>–</b>	<b>195</b>

**(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 2017

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

Asset class \$ '000	as at 30/6/2016			Asset movements during the reporting period										as at 30/6/2017		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Gross Carrying Value Disposed Assets	Accumulated Depreciation Disposed Assets	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	962	–	962	233	1,013	–	–	(326)	–	–	–	–	–	1,882	–	1,882
Plant and equipment	21,405	16,332	5,073	–	2,013	(70)	(1,213)	–	(22)	–	–	–	–	22,365	16,584	5,781
Office equipment	598	520	78	–	32	–	(8)	–	–	(520)	520	–	–	110	8	102
Furniture and fittings	718	661	57	–	–	–	(45)	–	53	(4)	4	–	–	829	764	65
<b>Land:</b>																
– Operational land	7,087	–	7,087	–	–	–	–	–	–	–	–	–	–	7,087	–	7,087
– Community land	14,392	–	14,392	–	–	(14)	–	–	22	–	–	–	–	14,400	–	14,400
<b>Infrastructure:</b>																
– Buildings	34,148	13,405	20,743	77	76	(154)	(484)	45	53	–	–	–	–	33,989	13,633	20,356
– Roads	124,832	13,573	111,259	2,700	–	–	(1,252)	52	–	–	–	–	–	127,583	14,824	112,759
– Bridges	25,936	2,233	23,703	–	–	–	(160)	–	–	–	–	–	–	25,936	2,393	23,543
– Footpaths	9,336	958	8,378	–	50	(141)	(62)	–	–	–	–	–	–	9,144	919	8,225
– Other road assets	2,674	955	1,719	–	40	–	(88)	61	–	(3)	3	–	–	2,772	1,040	1,732
– Bulk earthworks (non-depreciable)	257,884	–	257,884	–	–	–	–	–	–	–	–	–	–	257,884	–	257,884
– Stormwater drainage	31,941	4,364	27,577	86	–	–	(256)	–	–	–	–	–	–	32,027	4,620	27,407
– Water supply network	129,176	76,461	52,715	653	55	–	(1,741)	61	–	–	–	–	12,368	118,802	54,691	64,111
– Sewerage network	49,344	16,001	33,343	250	–	–	(576)	74	–	–	–	(5,431)	–	49,702	22,042	27,660
– Swimming pools	2,319	1,132	1,187	35	–	–	(85)	–	(53)	–	–	–	–	2,293	1,209	1,084
– Other open space/recreational assets	4,533	2,141	2,392	–	77	(6)	(141)	–	–	(295)	295	–	–	4,301	1,979	2,322
<b>Other assets:</b>																
– Other	9,971	3,327	6,644	97	–	–	(247)	33	(53)	(262)	262	–	–	9,697	3,223	6,474
<b>Reinstatement, rehabilitation and restoration assets (refer Note 26):</b>																
– Quarry assets	174	65	109	–	–	–	(6)	–	–	–	–	–	–	174	71	103
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>727,430</b>	<b>152,128</b>	<b>575,302</b>	<b>4,131</b>	<b>3,356</b>	<b>(385)</b>	<b>(6,364)</b>	<b>–</b>	<b>–</b>	<b>(1,084)</b>	<b>1,084</b>	<b>(5,431)</b>	<b>12,368</b>	<b>720,977</b>	<b>138,000</b>	<b>582,977</b>

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

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

## Cowra Shire Council

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

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

\$ '000	Actual 2017			Actual 2016		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
<b>Water supply</b>						
WIP	154	–	154	140	–	140
Plant and equipment	713	566	147	750	525	225
Office equipment	12	12	–	3	3	–
Land						
– Operational land	408	–	408	408	–	408
Buildings	2,473	1,367	1,106	2,473	1,330	1,143
Infrastructure	118,802	54,691	64,111	129,176	76,461	52,715
Other assets	14	–	14	15	–	15
<b>Total water supply</b>	<b>122,576</b>	<b>56,636</b>	<b>65,940</b>	<b>132,965</b>	<b>78,319</b>	<b>54,646</b>
<b>Sewerage services</b>						
WIP	278	–	278	142	–	142
Plant and equipment	111	46	65	76	40	36
Land						
– Operational land	1,112	–	1,112	1,112	–	1,112
Buildings	941	460	481	941	445	496
Infrastructure	49,702	22,042	27,660	49,344	16,001	33,343
<b>Total sewerage services</b>	<b>52,144</b>	<b>22,548</b>	<b>29,596</b>	<b>51,615</b>	<b>16,486</b>	<b>35,129</b>
<b>Domestic waste management</b>						
WIP	68	–	68	–	–	–
Plant and equipment	1,971	1,024	947	1,354	917	437
Land						
– Operational land	312	–	312	312	–	312
– Community land	21	–	21	–	–	–
Buildings	973	408	565	957	394	563
Other assets	374	286	88	417	267	150
<b>Total DWM</b>	<b>3,719</b>	<b>1,718</b>	<b>2,001</b>	<b>3,040</b>	<b>1,578</b>	<b>1,462</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	<b>178,439</b>	<b>80,902</b>	<b>97,537</b>	<b>187,620</b>	<b>96,383</b>	<b>91,237</b>

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 2017

## Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
<b>Payables</b>					
Goods and services – operating expenditure		1,390	–	1,075	–
Accrued expenses:					
– Borrowings		94	–	103	–
– Other expenditure accruals		466	–	448	–
Security bonds, deposits and retentions		556	–	565	–
<b>Total payables</b>		<b>2,506</b>	<b>–</b>	<b>2,191</b>	<b>–</b>
<b>Income received in advance</b>					
Payments received in advance		–	–	557	–
<b>Total income received in advance</b>		<b>–</b>	<b>–</b>	<b>557</b>	<b>–</b>
<b>Borrowings</b>					
Loans – secured <sup>1</sup>		1,241	17,978	1,185	19,219
<b>Total borrowings</b>		<b>1,241</b>	<b>17,978</b>	<b>1,185</b>	<b>19,219</b>
<b>Provisions</b>					
<b>Employee benefits:</b>					
Annual leave		1,307	–	1,294	–
Long service leave		2,881	131	2,989	110
Sub-total – aggregate employee benefits		4,188	131	4,283	110
Asset remediation/restoration (future works)	26	–	366	–	345
<b>Total provisions</b>		<b>4,188</b>	<b>497</b>	<b>4,283</b>	<b>455</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>		<b>7,935</b>	<b>18,475</b>	<b>8,216</b>	<b>19,674</b>
<b>(i) Liabilities relating to restricted assets</b>					
		2017		2016	
		Current	Non-current	Current	Non-current
<b>Externally restricted assets</b>					
Water		950	6,355	806	6,844
Sewer		248	6,613	245	6,718
Domestic waste management		–	–	31	364
Liabilities relating to externally restricted assets		1,198	12,968	1,082	13,926
<b>Internally restricted assets</b>					
Nil		–	–	–	–
<b>Total liabilities relating to restricted assets</b>		<b>1,198</b>	<b>12,968</b>	<b>1,082</b>	<b>13,926</b>
<b>Total liabilities relating to unrestricted assets</b>		<b>6,737</b>	<b>5,507</b>	<b>7,134</b>	<b>5,748</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>		<b>7,935</b>	<b>18,475</b>	<b>8,216</b>	<b>19,674</b>

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

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

## Cowra Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Actual 2017	Actual 2016
<b>(ii) Current liabilities not anticipated to be settled within the next twelve months</b>		
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	3,200	3,100
Payables – security bonds, deposits and retentions	400	400
	<b>3,600</b>	<b>3,500</b>

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

Class of provision	2016		2017			
	Opening balance as at 1/7/16	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	Closing balance as at 30/6/17
Annual leave	1,294	837	(824)	–	–	1,307
Long service leave	3,099	158	(245)	–	–	3,012
Asset remediation	345	21	–	–	–	366
<b>TOTAL</b>	<b>4,738</b>	<b>1,016</b>	<b>(1,069)</b>	<b>–</b>	<b>–</b>	<b>4,685</b>

- a. Employees leave entitlements and on-costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.
- 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 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	3,212	4,270
Less bank overdraft	10	–	–
<b>Balance as per the Statement of Cash Flows</b>		<b>3,212</b>	<b>4,270</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>6,454</b>	<b>2,292</b>
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		6,364	6,197
Net losses/(gains) on disposal of assets		(148)	(144)
Non-cash capital grants and contributions		(140)	(193)
Amortisation of premiums, discounts and prior period fair valuations			
– Interest on all fair value adjusted interest free advances made by Council		(28)	(25)
Unwinding of discount rates on reinstatement provisions		21	19
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		(2,768)	390
Decrease/(increase) in inventories		(41)	87
Decrease/(increase) in other assets		–	1
Increase/(decrease) in payables		315	(95)
Increase/(decrease) in accrued interest payable		(9)	–
Increase/(decrease) in other accrued expenses payable		18	103
Increase/(decrease) in other liabilities		(566)	231
Increase/(decrease) in employee leave entitlements		(74)	99
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>9,398</b>	<b>8,962</b>

## Cowra Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(c) Non-cash investing and financing activities</b>			
Bushfire grants		140	193
<b>Total non-cash investing and financing activities</b>		<b>140</b>	<b>193</b>
<b>(d) Financing arrangements</b>			
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>			
Bank overdraft facilities <sup>(1)</sup>		1,000	500
Credit cards/purchase cards		45	45
<b>Total financing arrangements</b>		<b>1,045</b>	<b>545</b>
<b>Amounts utilised as at balance date:</b>			
– Credit cards/purchase cards		13	7
<b>Total financing arrangements utilised</b>		<b>13</b>	<b>7</b>

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

**(ii) Secured loan liabilities**

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

## 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	150	129
Later than one year and not later than 5 years	207	119
<b>Total non-cancellable operating lease commitments</b>	<b>357</b>	<b>248</b>

**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 2017

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

\$ '000	Amounts		Indicator	Prior periods		Benchmark
	2017	2017		2016	2015	
<b>Local government industry indicators – consolidated</b>						
<b>1. Operating performance ratio</b>						
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<u>4,441</u>		11.16%	4.45%	6.51%	>0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<u>39,809</u>					
<b>2. Own source operating revenue ratio</b>						
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<u>29,716</u>		71.31%	76.93%	79.95%	>60.00%
Total continuing operating revenue <sup>(1)</sup>	<u>41,674</u>					
<b>3. Unrestricted current ratio</b>						
Current assets less all external restrictions <sup>(2)</sup>	<u>12,409</u>		3.96x	2.53x	3.01x	>1.5x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<u>3,137</u>					
<b>4. Debt service cover ratio</b>						
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<u>12,148</u>		4.81x	3.83x	3.82x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>2,528</u>					
<b>5(a). Rates, annual charges, interest and extra charges outstanding percentage</b>						
Rates, annual and extra charges outstanding	<u>1,228</u>		9.02%	7.64%	8.30%	< 5% Metro <10% Rural
Rates, annual and extra charges collectible	<u>13,612</u>					
<b>5(b). Rates, annual charges, interest and extra charges outstanding percentage *</b>						
Rates, annual and extra charges outstanding	<u>657</u>		5.02%	3.95%	5.58%	
Rates, annual and extra charges collectible	<u>13,080</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.						
<b>6. Cash expense cover ratio</b>						
Current year's cash and cash equivalents plus all term deposits	<u>23,712</u>		8.93 mths	9.2 mths	8.0 mths	> 3 mths
Payments from cash flow of operating and financing activities	<u>2,655</u>	x12				

## Notes

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

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

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

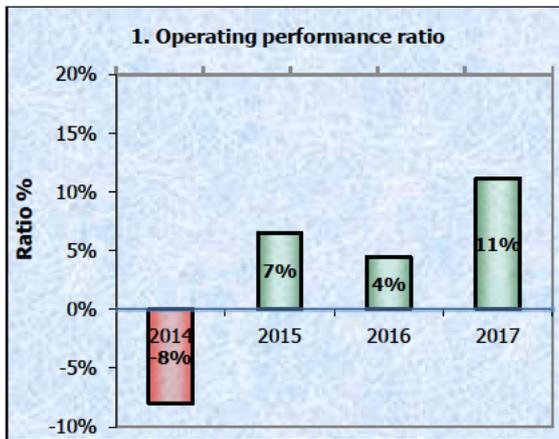
<sup>(3)</sup> Refer to Note 10(a).

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

Cowra Shire Council

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

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



**Purpose of operating performance ratio**

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

**Commentary on 2016/17 result**

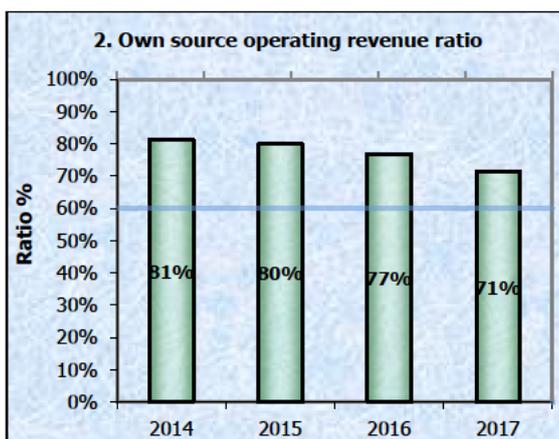
**2016/17 ratio 11.16%**

Council's Operating Performance Ratio is still very sound but has been boosted by the advance payment of 50% of the Financial Assistance Grant. Had this not been received the ratio would be 6%.

Benchmark: — Minimum  $\geq 0.00\%$

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

 Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of own source operating revenue ratio**

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

**Commentary on 2016/17 result**

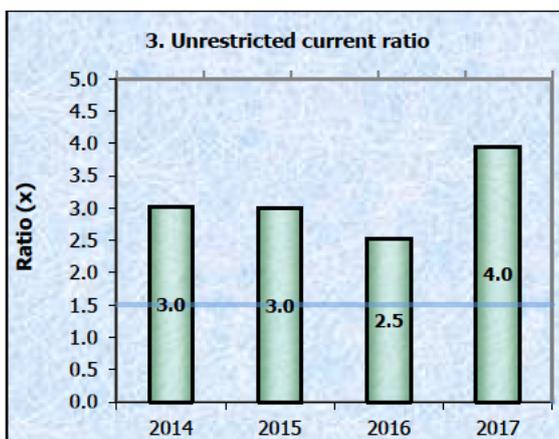
**2016/17 ratio 71.31%**

Council's Own Source Revenue Ratio remains well above the industry benchmark but has also be impacted by the advance payment of 50% of the Financial Assistance Grant. The ratio would be 75% without this payment.

Benchmark: — Minimum  $\geq 60.00\%$

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

 Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of unrestricted current ratio**

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

**Commentary on 2016/17 result**

**2016/17 ratio 3.96x**

The Unrestricted Current Ratio is again well above the benchmark.

Benchmark: — Minimum  $\geq 1.50$

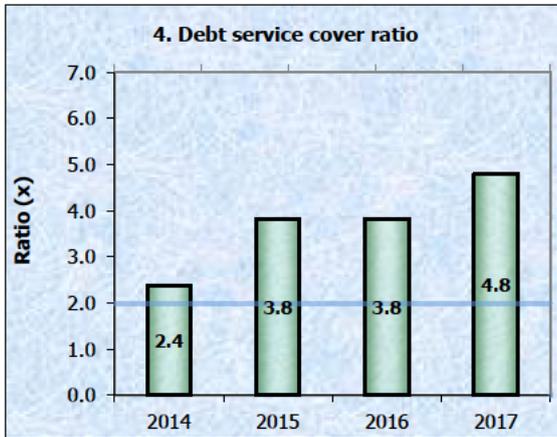
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

 Ratio achieves benchmark  
 Ratio is outside benchmark

Cowra Shire Council

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

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



**Purpose of debt service cover ratio**

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

**Commentary on 2016/17 result**

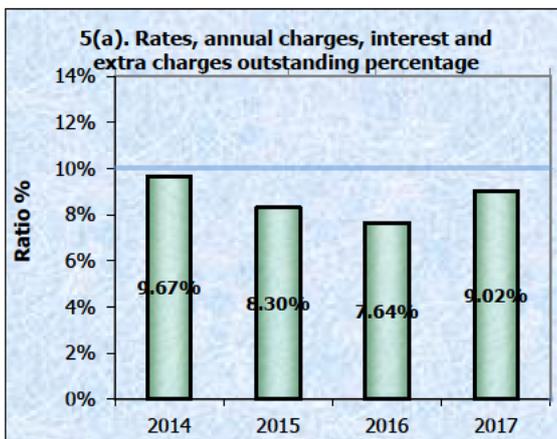
**2016/17 ratio 4.81x**

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

Benchmark: — Minimum >=2.00

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

Ratio achieves benchmark  
 Ratio is outside benchmark



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

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

**Commentary on 2016/17 result**

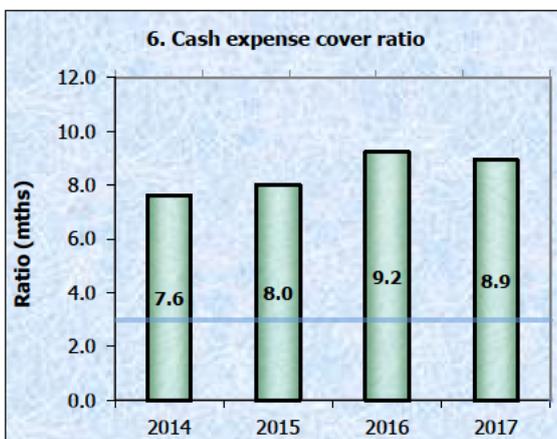
**2016/17 ratio 9.02%**

Outstanding rates and charges has risen slightly but is still within the benchmark.

Benchmark: — Maximum <10.00%

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

Ratio is within Benchmark  
 Ratio is outside Benchmark



**Purpose of cash expense cover ratio**

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

**Commentary on 2016/17 result**

**2016/17 ratio 8.93 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 #25

Ratio achieves benchmark  
 Ratio is outside benchmark

## Cowra Shire Council

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

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

\$ '000	General indicators <sup>5</sup>		Water indicators		Sewer indicators		Benchmark
	2017	2016	2017	2016	2017	2016	
<b>Local government industry indicators – by fund</b>							
<b>1. Operating performance ratio</b>							
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<b>11.49%</b>	4.84%	<b>-8.87%</b>	-0.18%	<b>35.55%</b>	11.48%	>0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions							
<b>2. Own source operating revenue ratio</b>							
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<b>66.30%</b>	67.92%	<b>96.98%</b>	97.79%	<b>66.08%</b>	96.82%	>60.00%
Total continuing operating revenue <sup>(1)</sup>							
<b>3. Unrestricted current ratio</b>							
Current assets less all external restrictions <sup>(2)</sup>	<b>3.96x</b>	2.53x	<b>6.08x</b>	7.06x	<b>32.18x</b>	25.11x	>1.5x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>							

## Notes

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

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

## Cowra Shire Council

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

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

\$ '000	General indicators <sup>5</sup>		Water indicators		Sewer indicators		Benchmark
	2017	2016	2017	2016	2017	2016	
Local government industry indicators – by fund (continued)							
<b>4. Debt service cover ratio</b>							
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation							
<hr/>							
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
	<b>7.45x</b>	6.58x	<b>1.91x</b>	2.57x	<b>4.60x</b>	2.23x	>2x
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>							
Rates, annual and extra charges outstanding							
<hr/>							
Rates, annual and extra charges collectible							
	<b>3.74%</b>	2.36%	<b>27.37%</b>	27.27%	<b>12.36%</b>	10.46%	< 5% Metro <10% Rural
<b>6. Cash expense cover ratio</b>							
Current year's cash and cash equivalents plus all term deposits							
<hr/>							
Payments from cash flow of operating and financing activities							
	<b>11.56</b>	6.73	<b>1.25</b>	8.80	<b>3.62</b>	30.81	> 3 months
	<b>months</b>	months	<b>months</b>	months	<b>months</b>	months	

## Notes

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

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

## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 14. Investment properties

\$ '000

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

#### Note 15. Financial risk management

##### Risk management

Council's activities expose it to a variety of financial risks including **(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.

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

	Carrying value		Fair value	
	2017	2016	2017	2016
<b>Financial assets</b>				
Cash and cash equivalents	3,212	4,270	3,212	4,270
Investments				
– 'Loans and receivables'	20,500	18,000	20,500	18,000
Receivables	6,266	3,513	6,172	3,513
Other financial assets	174	174	174	174
<b>Total financial assets</b>	<b>30,152</b>	<b>25,957</b>	<b>30,058</b>	<b>25,957</b>
<b>Financial liabilities</b>				
Payables	2,506	2,191	2,495	2,073
Loans/advances	19,219	20,404	19,219	20,404
<b>Total financial liabilities</b>	<b>21,725</b>	<b>22,595</b>	<b>21,714</b>	<b>22,477</b>

## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000

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

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
<b>2017</b>				
Possible impact of a 1% movement in interest rates	237	237	(237)	(237)
<b>2016</b>				
Possible impact of a 1% movement in interest rates	222	222	(222)	(222)

## Cowra Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 15. Financial risk management (continued)

\$ '000

## (b) Credit risk

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

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

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures. It also encourages ratepayers to pay their rates by the due date through incentives.

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:

	2017 Rates and annual charges	2017 Other receivables	2016 Rates and annual charges	2016 Other receivables
<b>(i) Ageing of receivables – %</b>				
Current (not yet overdue)	55%	95%	50%	91%
Overdue	45%	5%	50%	9%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

**(ii) Ageing of receivables – value**

Rates and annual charges	Other receivables	2017 Rates and annual charges	2017 Other receivables	2016 Rates and annual charges	2016 Other receivables
Current	Current	681	4,771	510	2,236
< 1 year overdue	0 – 30 days overdue	315	136	80	163
1 – 2 years overdue	31 – 60 days overdue	130	61	149	3
2 – 5 years overdue	61 – 90 days overdue	100	–	242	–
> 5 years overdue	> 91 days overdue	15	70	45	98
		<b>1,241</b>	<b>5,038</b>	<b>1,026</b>	<b>2,500</b>

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

	2017	2016
Balance at the beginning of the year	13	13
<b>Balance at the end of the year</b>	<b>13</b>	<b>13</b>

## Cowra Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 15. Financial risk management (continued)

\$ '000

## (c) Liquidity risk

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

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

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

The contractual undiscounted cash 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		
<b>2017</b>									
Trade/other payables	556	1,950	–	–	–	–	–	2,506	<b>2,506</b>
Loans and advances	–	2,483	2,463	2,250	2,250	2,250	21,056	32,752	<b>19,219</b>
<b>Total financial liabilities</b>	<b>556</b>	<b>4,433</b>	<b>2,463</b>	<b>2,250</b>	<b>2,250</b>	<b>2,250</b>	<b>21,056</b>	<b>35,258</b>	<b>21,725</b>
<b>2016</b>									
Trade/other payables	565	1,626	–	–	–	–	–	2,191	<b>2,191</b>
Loans and advances	–	2,493	2,483	2,463	2,250	2,250	23,306	35,245	<b>20,404</b>
<b>Total financial liabilities</b>	<b>565</b>	<b>4,119</b>	<b>2,483</b>	<b>2,463</b>	<b>2,250</b>	<b>2,250</b>	<b>23,306</b>	<b>37,436</b>	<b>22,595</b>

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

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

	2017		2016	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	2,506	0.00%	2,191	0.00%
Loans and advances – fixed interest rate	19,219	5.87%	20,404	5.87%
	<u>21,725</u>		<u>22,595</u>	

## Cowra Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 16. Material budget variations

\$ '000

Council's original financial budget for 16/17 was adopted by the Council on 27 June 2016.

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

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

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

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

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

\$ '000	2017 Budget	2017 Actual	2017 ----- Variance* -----		
<b>REVENUES</b>					
<b>Rates and annual charges</b>	<b>13,114</b>	<b>12,512</b>	<b>(602)</b>	(5%)	<b>U</b>
<b>User charges and fees</b>	<b>11,714</b>	<b>15,584</b>	<b>3,870</b>	33%	<b>F</b>
Additional revenue from Roads and Maritime Services for contract works on State Roads \$3,340,000. Private Works income \$352,000, bridge construction John Holland. Additional planning and building fees \$84,000.					
<b>Interest and investment revenue</b>	<b>547</b>	<b>794</b>	<b>247</b>	45%	<b>F</b>
Council generally takes a conservative approach when budgeting for interest income particularly with the falling interest rates over the past years. Returns were higher due to a higher level of invested funds.					
<b>Other revenues</b>	<b>903</b>	<b>826</b>	<b>(77)</b>	(9%)	<b>U</b>
<b>Operating grants and contributions</b>	<b>7,540</b>	<b>10,093</b>	<b>2,553</b>	34%	<b>F</b>
An advance payment of 50% of the 2017/18 Financial Assistance Grants was received, \$2,171,000. Wyangala sewerage scheme handover \$1,686,000 and reduction in Roads to Recovery Grant \$1,625,000.					
<b>Capital grants and contributions</b>	<b>2,183</b>	<b>1,865</b>	<b>(318)</b>	(15%)	<b>U</b>
Flood damage grants of \$1,107,000, for road repairs due to prolonged wet weather July - September 2016 Kendall Street upgrade grant not received \$1,050,000, Rural Fire Service grant less than anticipated due to delay in commencement of fire shed construction, \$384,000.					
<b>Net gains from disposal of assets</b>	<b>468</b>	<b>148</b>	<b>(320)</b>	(68%)	<b>U</b>
Council had projected sales of land for the airport subdivision however this has not occurred at this stage. Profits were received from the sale of plant and equipment.					

## Cowra Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 16. Material budget variations (continued)

\$ '000	2017 Budget	2017 Actual	2017 ----- Variance* -----		
<b>EXPENSES</b>					
<b>Employee benefits and on-costs</b>	<b>12,424</b>	<b>13,334</b>	<b>(910)</b>	(7%)	<b>U</b>
<b>Borrowing costs</b>	<b>1,476</b>	<b>1,343</b>	<b>133</b>	9%	<b>F</b>
Council had proposed a new loan for West Cowra Sewerage extension however the project has not yet commenced.					
<b>Materials and contracts</b>	<b>8,914</b>	<b>11,060</b>	<b>(2,146)</b>	(24%)	<b>U</b>
Materials and contract costs increased significantly due to the additional works carried out for Roads and Maritime Services on State Roads.					
<b>Depreciation and amortisation</b>	<b>5,886</b>	<b>6,364</b>	<b>(478)</b>	(8%)	<b>U</b>
<b>Other expenses</b>	<b>3,091</b>	<b>3,267</b>	<b>(176)</b>	(6%)	<b>U</b>

## Budget variations relating to Council's Cash Flow Statement include:

<b>Cash flows from operating activities</b>	<b>10,357</b>	<b>9,398</b>	<b>(959)</b>	(9.3%)	<b>U</b>
<b>Cash flows from investing activities</b>	<b>(10,562)</b>	<b>(9,271)</b>	<b>1,291</b>	(12.2%)	<b>F</b>
Council purchased additional investments of \$2,500,000 during the year and capital works of \$3,750,000 were not undertaken.					
<b>Cash flows from financing activities</b>	<b>(693)</b>	<b>(1,185)</b>	<b>(492)</b>	71.0%	<b>U</b>
Council had proposed to take up a loan of \$580,000 but did not take up the funds.					

## Cowra Shire Council

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

## 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	45	1	–	–	(46)	–	–	–
Roads	52	2	–	–	(54)	–	–	–
Parking	98	–	–	1	(88)	–	11	–
Open space	23	1	–	–	–	–	24	–
Community facilities	21	2	–	–	(23)	–	–	–
Other	105	37	–	3	(17)	–	128	–
<b>S94 contributions – under a plan</b>	<b>344</b>	<b>43</b>	<b>–</b>	<b>4</b>	<b>(228)</b>	<b>–</b>	<b>163</b>	<b>–</b>
<b>S94A levies – under a plan</b>	<b>108</b>	<b>56</b>	<b>–</b>	<b>2</b>	<b>(23)</b>	<b>–</b>	<b>143</b>	<b>–</b>
<b>Total S94 revenue under plans</b>	<b>452</b>	<b>99</b>	<b>–</b>	<b>6</b>	<b>(251)</b>	<b>–</b>	<b>306</b>	<b>–</b>
S64 contributions	1,309	109	–	35	–	–	1,453	–
<b>Total contributions</b>	<b>1,761</b>	<b>208</b>	<b>–</b>	<b>41</b>	<b>(251)</b>	<b>–</b>	<b>1,759</b>	<b>–</b>

## Cowra Shire Council

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

## 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	45	1	–	–	(46)	–	–	–
Roads	52	2	–	–	(54)	–	–	–
Parking	98	–	–	1	(88)	–	11	–
Open space	23	1	–	–	–	–	24	–
Community facilities	21	2	–	–	(23)	–	–	–
Other	105	37	–	3	(17)	–	128	–
<b>Total</b>	<b>344</b>	<b>43</b>	<b>–</b>	<b>4</b>	<b>(228)</b>	<b>–</b>	<b>163</b>	<b>–</b>

**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	108	56	–	2	(23)	–	143	–
<b>Total</b>	<b>108</b>	<b>56</b>	<b>–</b>	<b>2</b>	<b>(23)</b>	<b>–</b>	<b>143</b>	<b>–</b>

## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### 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.

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 2017 was \$278,261. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 2/12/16 and covers the period ended 30 June 2016.

However the position is monitored annually and the actuary has estimated that, as at 30 June 2017, a deficit still exists. Effective from 1 July 2009, employers are required to make additional contributions to assist in extinguishing the deficit. The amount of additional contributions included in the total employer contribution advised above is \$130,876. Council's expected contributions to the plan for the next reporting period is \$277,608.

##### (ii) Statewide Limited

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

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

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

##### (iii) StateCover Limited

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

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

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

## Cowra Shire Council

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

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

\$ '000

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

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 2017

#### Note 19. Interests in other entities

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\$ '000

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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;

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##### **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)**

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## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 19. Interests in other entities (continued)

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\$ '000

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##### (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 \$285,740 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.

	<b>2017</b>	<b>2016</b>
Losses (or expenses) incurred by Council relating to the Structured Entity	285,740	278,770

##### (e) Subsidiaries, joint arrangements and associates not recognised

None.

## Cowra Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Retained earnings</b>			
<b>Movements in retained earnings were as follows:</b>			
Balance at beginning of year (from previous years audited accounts)		177,989	175,931
a. Correction of prior period errors	20 (c)	–	(234)
b. Net operating result for the year		6,454	2,292
<b>Balance at end of the reporting period</b>		<b>184,443</b>	<b>177,989</b>
<b>(b) Revaluation reserves</b>			
<b>(i) Reserves are represented by:</b>			
– Infrastructure, property, plant and equipment revaluation reserve		403,425	396,488
<b>Total</b>		<b>403,425</b>	<b>396,488</b>
<b>(ii) Reconciliation of movements in reserves:</b>			
<b>Infrastructure, property, plant and equipment revaluation reserve</b>			
– Opening balance		396,488	410,096
– Revaluations for the year	9(a)	6,937	(13,608)
– <b>Balance at end of year</b>		<b>403,425</b>	<b>396,488</b>
<b>TOTAL VALUE OF RESERVES</b>		<b>403,425</b>	<b>396,488</b>
<b>(iii) Nature and purpose of reserves</b>			
<b>Infrastructure, property, plant and equipment revaluation reserve</b>			
– 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 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(c) Correction of error/s relating to a previous reporting period</b>			
<b>Correction of errors as disclosed in last year's financial statements:</b>			
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)
<b>In accordance with AASB 108 – Accounting Policies, Changes in Accounting Estimates and Errors, the above prior period errors have been recognised retrospectively.</b>			
<b>These amounted to the following equity adjustments:</b>			
– Adjustments to opening equity – 1/7/15 (relating to adjustments for the 30/6/15 reporting year end and prior periods)		–	(234)
– Adjustments to closing equity – 30/6/16 (relating to adjustments for the 30/6/16 year end)		–	–
<b>Total prior period adjustments – prior period errors</b>		<b>–</b>	<b>(234)</b>

**(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 2017

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

Income Statement by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
<b><u>Continuing operations</u></b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Income from continuing operations</b>			
Rates and annual charges	1,480	2,464	8,568
User charges and fees	4,298	708	10,578
Interest and investment revenue	44	31	719
Other revenues	803	239	734
Grants and contributions provided for operating purposes	137	1,728	8,228
Grants and contributions provided for capital purposes	70	39	1,756
<b>Other income</b>			
Net gains from disposal of assets	–	–	148
Share of interests in joint ventures and associates using the equity method	–	–	–
<b>Total income from continuing operations</b>	<b>6,832</b>	<b>5,209</b>	<b>30,731</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	1,309	639	11,386
Borrowing costs	415	549	379
Materials and contracts	2,982	1,348	7,680
Depreciation and amortisation	1,854	597	3,913
Impairment	–	–	–
Other expenses	778	190	2,299
<b>Total expenses from continuing operations</b>	<b>7,338</b>	<b>3,323</b>	<b>25,657</b>
<b>Operating result from continuing operations</b>	<b>(506)</b>	<b>1,886</b>	<b>5,074</b>
<b><u>Discontinued operations</u></b>			
Net profit/(loss) from discontinued operations	–	–	–
<b>Net operating result for the year</b>	<b>(506)</b>	<b>1,886</b>	<b>5,074</b>
<b>Net operating result attributable to each council fund</b>	<b>(506)</b>	<b>1,886</b>	<b>5,074</b>
<b>Net operating result attributable to non-controlling interests</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>(576)</b>	<b>1,847</b>	<b>3,318</b>

<sup>1</sup> 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 2017

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

Statement of Financial Position by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
<b>ASSETS</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Current assets</b>			
Cash and cash equivalents	620	853	1,739
Investments	3,750	5,598	11,152
Receivables	2,139	2,243	1,884
Inventories	3	–	951
<b>Total current assets</b>	<b>6,512</b>	<b>8,694</b>	<b>15,726</b>
<b>Non-current assets</b>			
Investments	–	–	–
Receivables	–	–	–
Inventories	–	–	195
Infrastructure, property, plant and equipment	65,940	29,596	487,441
Investments accounted for using the equity method	–	–	–
Other	–	–	174
<b>Total non-current assets</b>	<b>65,940</b>	<b>29,596</b>	<b>487,810</b>
<b>TOTAL ASSETS</b>	<b>72,452</b>	<b>38,290</b>	<b>503,536</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	137	72	2,297
Income received in advance	–	–	–
Borrowings	490	105	646
Provisions	323	71	3,794
<b>Total current liabilities</b>	<b>950</b>	<b>248</b>	<b>6,737</b>
<b>Non-current liabilities</b>			
Payables	–	–	–
Income received in advance	–	–	–
Borrowings	6,354	6,613	5,011
Provisions	1	–	496
<b>Total non-current liabilities</b>	<b>6,355</b>	<b>6,613</b>	<b>5,507</b>
<b>TOTAL LIABILITIES</b>	<b>7,305</b>	<b>6,861</b>	<b>12,244</b>
<b>Net assets</b>	<b>65,147</b>	<b>31,429</b>	<b>491,292</b>
<b>EQUITY</b>			
Retained earnings	16,628	21,554	146,261
Revaluation reserves	48,519	9,875	345,031
Other reserves	–	–	–
<b>Total equity</b>	<b>65,147</b>	<b>31,429</b>	<b>491,292</b>

<sup>1</sup> 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 2017

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

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\$ '000

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

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

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

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

Accordingly, the 'authorised for issue' date is 26/10/17.

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

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

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

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

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

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

#### Note 24. Discontinued operations

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

#### Note 25. Intangible assets

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

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

## Cowra Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## 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	
		2017	2016
Quarries	2024 & 2044	366	345
<b>Balance at end of the reporting period</b>	10(a)	<b>366</b>	<b>345</b>

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	345	326
Amortisation of discount (expensed to borrowing costs)	21	19
<b>Total – reinstatement, rehabilitation and restoration provision</b>	<b>366</b>	<b>345</b>

## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 27. Fair value measurement

\$ '000

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

– Infrastructure, property, plant and equipment

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:

2017	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Infrastructure, property, plant and equipment</b>					
Plant and equipment	30/06/16	–	–	5,781	5,781
Office furniture	30/06/16	–	–	102	102
Furniture and fittings	30/06/16	–	–	65	65
Operational land	30/06/13	–	–	7,087	7,087
Community land	30/06/16	–	–	14,400	14,400
Buildings specialised	30/06/13	–	–	20,356	20,356
Roads	1/07/14	–	–	112,759	112,759
Bridges	1/07/14	–	–	23,543	23,543
Footpaths	1/07/14	–	–	8,225	8,225
Other Road Assets	1/07/14	–	–	1,732	1,732
Bulk earthworks	1/07/14	–	–	257,884	257,884
Stormwater drainage	1/07/14	–	–	27,407	27,407
Water supply	30/06/12	–	–	64,111	64,111
Sewerage network	30/06/12	–	–	27,660	27,660
Swimming pools	30/06/16	–	–	1,084	1,084
Other recreational assets	30/06/16	–	–	2,322	2,322
Other assets	30/06/16	–	–	6,474	6,474
Quarry assets	1/07/12	–	–	103	103
Work in Progress	30/06/16	–	–	1,882	1,882
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>–</b>	<b>582,977</b>	<b>582,977</b>

## Cowra Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 27. Fair value measurement (continued)

\$ '000

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

2016	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Infrastructure, property, plant and equipment</b>					
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	30/06/17	—	—	52,715	52,715
Sewerage network	30/06/17	—	—	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
Work in Progress	30/06/16	—	—	962	962
<b>Total infrastructure, property, plant and equipment</b>		<b>—</b>	<b>—</b>	<b>575,302</b>	<b>575,302</b>

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

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

## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

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##### **(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:

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##### **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 2017

#### 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 2017

#### 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 30<sup>th</sup> 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 2017

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

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- 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 2017

#### 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 Treatment Plants were valued by Australis Valuers with other system assets valued by council staff as at 30 June 2017. The valuation was based on the Department of Primary Industries Water (DPIW) *Reference Rates Manual 2014 updated to May 2017*.

The asset register was compiled in 2012 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.

Unit rates were 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 Treatment Plant was valued by Australis Valuers with other network assets valued by council staff as at 30 June 2017. The valuation was based on the Department of Primary Industries Water (DPIW) *Reference Rates Manual 2014 updated to May 2017*.

The asset register was compiled in 2012 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.

Unit rates were 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.

## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

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##### **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.

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.

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## Cowra Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## 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
<b>Opening balance – 1/7/15</b>	588,349	588,349
Purchases (GBV)	7,003	7,003
Disposals (WDV)	(194)	(194)
Depreciation and impairment	(6,248)	(6,248)
FV gains – other comprehensive income	(13,608)	(13,608)
<b>Closing balance – 30/6/16</b>	<b>575,302</b>	<b>575,302</b>
Purchases (GBV)	7,487	7,487
Disposals (WDV)	(385)	(385)
Depreciation and impairment	(6,364)	(6,364)
FV gains – other comprehensive income	6,937	6,937
<b>Closing balance – 30/6/17</b>	<b>582,977</b>	<b>582,977</b>

## 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 (30/6/17) \$'000	Valuation technique/s	Unobservable inputs
<b>I,PP&amp;E</b>			
Plant and equipment	5,781	Cost used to approximate fair value	Gross replacement cost, residual value, remaining useful life
Office furniture	102	Cost used to approximate fair value	Gross replacement cost, residual value, remaining useful life
Furniture and fittings	65	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	14,400	Land values obtained from NSW Valuer General	Land value, land area
Buildings specialised	20,356	Cost used to approximate fair value	Unit rates, asset condition remaining useful life
Roads	112,759	Cost used to approximate fair value	Unit rates, asset condition remaining useful life

(continued on the next page...)

## Cowra Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## 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 (continued).

Class	Fair value (30/6/17) \$'000	Valuation technique/s	Unobservable inputs
<b>I,PP&amp;E (continued)</b>			
Bridges	23,543	Cost used to approximate fair value	Unit rates, asset condition remaining useful life
Footpaths	8,225	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	27,407	Cost used to approximate fair value	Unit rates, asset condition remaining useful life
Water supply	64,111	NSW Reference Rates Manual	Unit rates, asset condition remaining useful life
Sewerage network	27,660	NSW Reference Rates Manual	Unit rates, asset condition remaining useful life
Swimming pools	1,084	Cost used to approximate fair value	Gross replacement cost, asset condition remaining useful life
Other recreational assets	2,322	Cost used to approximate fair value	Gross replacement cost, asset condition remaining useful life
Other assets	6,474	Cost used to approximate fair value	Gross replacement cost, asset condition remaining useful life
Quarry assets	103	Cost used to approximate fair value	Discounted Future Cash Flow, remaining life, remediation cost estimates
Other Road Assets	1,732	Cost used to approximate fair value	Unit rates, asset condition remaining useful life
Work in Progress	1,882	Cost used to approximate fair value	Gross replacement cost, residual value, remaining useful life

## 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 treatment plants which were valued by external valuers 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 2017

#### Note 28. Related party disclosures

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\$

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##### a. Key management personnel

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

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

	Actual 2017
<b>Compensation:</b>	
Short-term benefits	910,085
Other long-term benefits	19,205
<b>Total</b>	<u><b>929,290</b></u>

## Cowra Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 28. Related party disclosures (continued)

\$

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

Council has determined that transactions at arm's length between KMP and Council as part of Council delivering a public service objective (e.g. access to library or Council swimming pool by KMP) will not be disclosed.

Nature of the transaction	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
	\$			\$	\$
Employee expenses relating to close family members of KMP	52,772	Council owes \$8,307 for 8 days payroll accrual and accrued leave balances	Council staff award	—	—

**c. Other related party transactions**

Nil

## Cowra Shire Council

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

#### Note 29. Council information and contact details

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**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](http://www.cowracouncil.com.au)

**Email:** [council@cowra.nsw.gov.au](mailto:council@cowra.nsw.gov.au)

**Officers**

**GENERAL MANAGER**

Mr P Devery

**Elected members**

**MAYOR**

Cr WJ West

**RESPONSIBLE ACCOUNTING OFFICER**

Mr G Apthorpe

**Other information**

**ABN:** 26 739 454 579



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### Cowra Shire Council

To the Councillors of the Cowra Shire Council

### Opinion

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

In my opinion,

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

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

### Basis for Opinion

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

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

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

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

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

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

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

### **Other Matter**

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 25 October 2016.

### **The Councillors' Responsibility for the Financial Statements**

The Councillors are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the *Local Government Act 1993*, and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's Responsibility for the Audit of the Financial Statements**

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements.

Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf). The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, Note 2(a) and Note 16 budget variation explanations
- on the attached Special Schedules
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Karen Taylor  
Director, Financial Audit Services

26 October 2017  
SYDNEY

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

Contact: Karen Taylor  
Phone no: 02 9275 7311  
Our ref: D1726876/1718

26 October 2017

Dear Mr Mayor

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

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

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

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2017 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

**INCOME STATEMENT**

**Operating result**

	2017	2016	Variance
	\$m	\$m	%
<b>Rates and annual charges revenue</b>	12.5	12.1	3.4 ↑
<b>User Charges and fees</b>	15.6	12.9	21.0 ↑
<b>Grants and contributions revenue</b>	12.0	8.0	50.0 ↑
<b>Materials and Contract expenses</b>	11.1	8.7	26.5 ↑

	2017	2016	Variance
	\$m	\$m	%
<b>Operating result for the year</b>	6.5	2.3	281.6 ↑
<b>Net operating result before capital amounts</b>	4.6	1.7	277.4 ↑

The growth in rates and annual charges is consistent with the rate-pegging limit of 1.8 per cent and an increase in annual charges for water, sewer and domestic waste.

User charges and fees revenue increase was due to Council performing more work on State-owned roads, funded by Roads and Maritime Services (RMS), as well as conducting more private works.

Operating result was also impacted by:

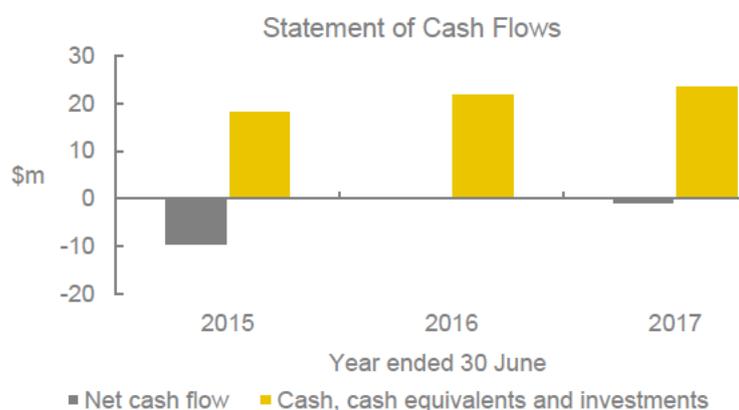
- advance receipt of the 2017–18 financial assistance grant in 2016–17 of \$2.2 million.
- higher materials and contract expenses to perform the additional RMS works mentioned above.

The net operating result was mainly within General fund. Note 21 reported surpluses in the General fund of \$3.3 million and the Sewer Fund of \$1.8 million, offset by a \$0.5 million deficit in the Water Fund.

## STATEMENT OF CASH FLOWS

While 2016–17 saw a net cash outflow of \$1.1 million, Council grew its cash, cash equivalents and investments balance over the past three years.

Over this period, Council has generated operating cash flow surpluses allowing it to maintain and renew community infrastructure.



## FINANCIAL POSITION

### Cash and Investments

Restricted Cash and Investments	2017	2016	Commentary
	\$m	\$m	
External restrictions	13.9	14.5	Externally restricted balances include unexpended loans, grants, developer contributions water, sewer and domestic waste management charges.
Internal restrictions	9.6	6.8	
Unrestricted	0.3	0.9	Balances are internally restricted due to Council policy or decisions for forward plans including works program. Unrestricted balances provide liquidity for day-to-day operations.
<b>Cash and investments</b>	<b>23.8</b>	<b>22.2</b>	

## Debt

At 30 June 2017, Council had external borrowings of \$19.2 million (\$20.4 million at 30 June 2016) and access to a \$1.0 million (\$0.5 million at 30 June 2016:) bank overdraft facility. This facility was unused at year-end.

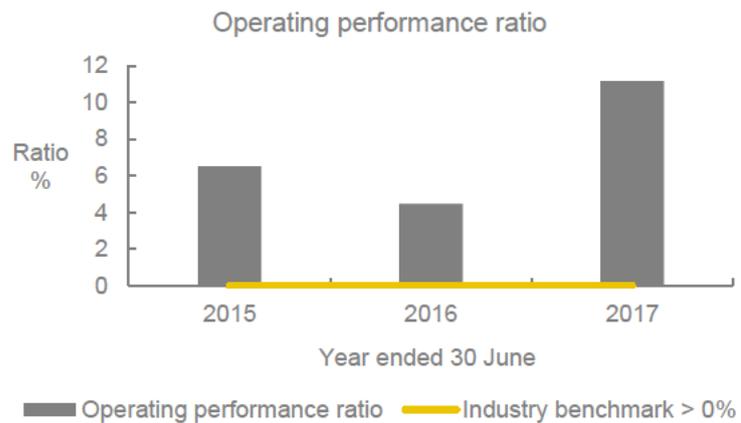
## PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 13 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's unaudited Special Schedule 7.

### Operating performance ratio

Council's operating performance ratio exceeded the industry benchmark over the past three years. Advance receipt of the 2017–18 financial assistance grant contributed to this result.

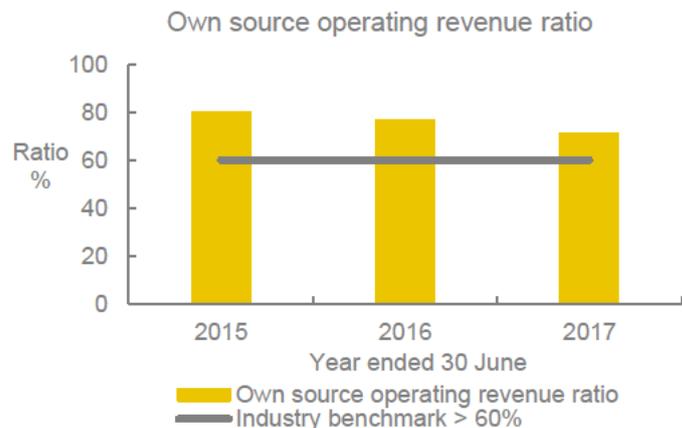
The 'operating performances ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than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



### Own source operating revenue ratio

The increased level of grants and contributions, particularly from the advance receipt of the financial assistance grant, decreases Council's own source operating revenue ratio. Despite this, Council has continued to exceed the benchmark.

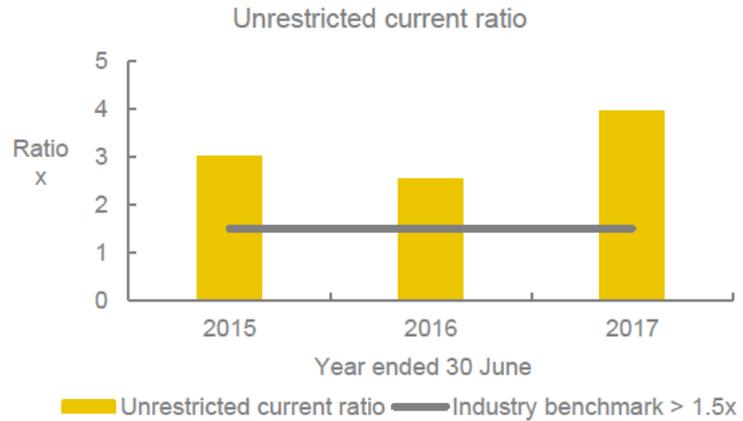
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



### Unrestricted current ratio

Council's unrestricted current ratio exceeded the industry benchmark over the past three years.

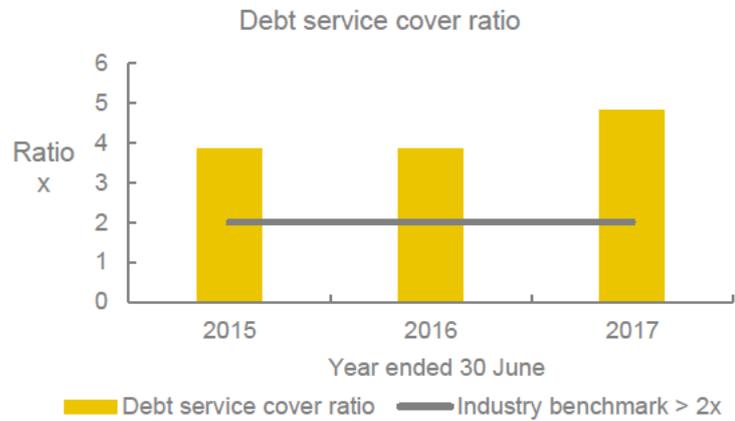
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



### Debt service cover ratio

Council's debt service cover ratio exceeded the industry benchmark over the past three years.

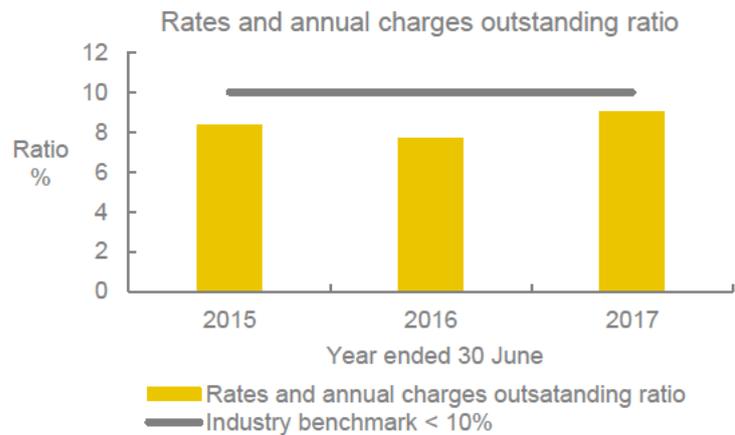
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



### Rates and annual charges outstanding ratio

Council's rates and annual charges outstanding ratio is better than the benchmark for rural councils over the past three years. The ratio reflects Council's sustained effort to effectively manage rates and charges recovery. The measure by this ratio is adversely affected by the water billing run completed immediately prior to year-end. Removing the impact results in 5 per cent for 2017.

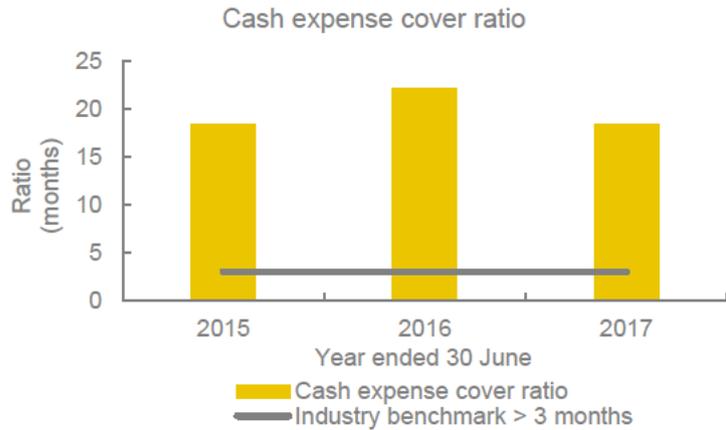
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for rural councils.



## Cash expense cover ratio

Council's high levels of liquidity results in being well over the benchmark for the cash expense cover ratio over the past three years.

This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.

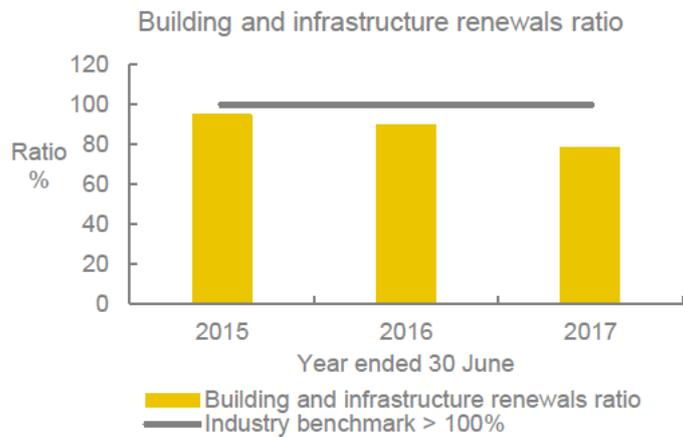


## Building and infrastructure renewals ratio

Council has not met the benchmark for the building and infrastructure renewals ratio over the past three years. Council continues to focus on renewing its assets to maintain a standard acceptable to the community.

The 'building and infrastructure renewals ratio assesses the rate at which these assets are being renewed against the rate at which they are depreciating. The benchmark set by OLG is greater than 100 per cent.

This ratio is sourced from council's Special Schedule 7 which has not been audited.



## OTHER MATTERS

### New accounting standards implemented

#### AASB 124 'Related Party Disclosures'

Effective for annual reporting periods beginning on or 1 July 2016

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

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

## Legislative compliance

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

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



Karen Taylor  
Director, Financial Audit Services

# Cowra Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

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*“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 2017

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<b>2. Special Purpose Financial Statements:</b>	
Income Statement – Water Supply Business Activity	3
Income Statement – Sewerage Business Activity	4
Income Statement – Other Business Activities	n/a
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Statement of Financial Position – Other Business Activities	n/a
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#### Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the 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 2017

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

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

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

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

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

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

**Signed in accordance with a resolution of Council made on 25 September 2017.**

  
Cr W.J. 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 2017

\$ '000	Actual 2017	Actual 2016
<b>Income from continuing operations</b>		
Access charges	1,480	1,408
User charges	4,257	4,600
Fees	41	75
Interest	44	27
Grants and contributions provided for non-capital purposes	137	124
Profit from the sale of assets	–	–
Share of profit from equity accounted investment	–	–
Other income	803	829
<b>Total income from continuing operations</b>	<b>6,762</b>	<b>7,063</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	1,309	1,059
Borrowing costs	415	443
Materials and contracts	2,982	2,984
Depreciation, amortisation and impairment	1,854	1,816
Water purchase charges	267	244
Calculated taxation equivalents	24	9
Debt guarantee fee (if applicable)	–	–
Other expenses	511	521
<b>Total expenses from continuing operations</b>	<b>7,362</b>	<b>7,076</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(600)</b>	<b>(13)</b>
Grants and contributions provided for capital purposes	70	33
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(530)</b>	<b>20</b>
Surplus (deficit) from discontinued operations	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>(530)</b>	<b>20</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	–	–
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(530)</b>	<b>20</b>
<b>Plus opening retained profits</b>	<b>17,134</b>	<b>17,105</b>
<b>Plus/less: prior period adjustments</b>	<b>–</b>	<b>–</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	24	9
– Debt guarantee fees	–	–
– Corporate taxation equivalent	–	–
<b>Less:</b>		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
<b>Closing retained profits</b>	<b>16,628</b>	<b>17,134</b>
<b>Return on capital %</b>	<b>-0.3%</b>	<b>0.8%</b>
<b>Subsidy from Council</b>	<b>1,754</b>	<b>657</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	(530)	20
Less: capital grants and contributions (excluding developer contributions)	–	–
<b>Surplus for dividend calculation purposes</b>	<b>–</b>	<b>20</b>
<b>Potential dividend calculated from surplus</b>	<b>–</b>	<b>10</b>

## Cowra Shire Council

## Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2017

\$ '000	Actual 2017	Actual 2016
<b>Income from continuing operations</b>		
Access charges	2,464	2,386
User charges	626	623
Liquid trade waste charges	82	65
Fees	–	–
Interest	31	30
Grants and contributions provided for non-capital purposes	1,728	45
Profit from the sale of assets	–	–
Share of profit from equity accounted investment	–	–
Other income	239	214
<b>Total income from continuing operations</b>	<b>5,170</b>	<b>3,363</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	639	288
Borrowing costs	549	563
Materials and contracts	1,348	1,341
Depreciation, amortisation and impairment	597	580
Calculated taxation equivalents	9	10
Debt guarantee fee (if applicable)	–	–
Other expenses	190	195
<b>Total expenses from continuing operations</b>	<b>3,332</b>	<b>2,977</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>1,838</b>	<b>386</b>
Grants and contributions provided for capital purposes	39	64
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>1,877</b>	<b>450</b>
Surplus (deficit) from discontinued operations	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>1,877</b>	<b>450</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(551)	(116)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>1,326</b>	<b>334</b>
<b>Plus opening retained profits</b>	19,668	19,208
<b>Plus/less: prior period adjustments</b>	–	–
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	9	10
– Debt guarantee fees	–	–
– Corporate taxation equivalent	551	116
<b>Less:</b>		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
<b>Closing retained profits</b>	<b>21,554</b>	<b>19,668</b>
<b>Return on capital %</b>	<b>8.1%</b>	<b>2.7%</b>
<b>Subsidy from Council</b>	–	–
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	1,326	334
Less: capital grants and contributions (excluding developer contributions)	–	–
<b>Surplus for dividend calculation purposes</b>	<b>1,326</b>	<b>334</b>
<b>Potential dividend calculated from surplus</b>	<b>663</b>	<b>167</b>

## Cowra Shire Council

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

as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	620	801
Investments	3,750	3,370
Receivables	2,139	2,115
Inventories	3	3
Other	–	–
Non-current assets classified as held for sale	–	–
<b>Total current assets</b>	<b>6,512</b>	<b>6,289</b>
<b>Non-current assets</b>		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	65,940	54,646
Investments accounted for using equity method	–	–
Investment property	–	–
Other	–	–
<b>Total non-current assets</b>	<b>65,940</b>	<b>54,646</b>
<b>TOTAL ASSETS</b>	<b>72,452</b>	<b>60,935</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank overdraft	–	–
Payables	137	83
Income received in advance	–	–
Borrowings	490	459
Provisions	323	257
<b>Total current liabilities</b>	<b>950</b>	<b>799</b>
<b>Non-current liabilities</b>		
Payables	–	–
Income received in advance	–	–
Borrowings	6,354	6,844
Provisions	1	7
<b>Total non-current liabilities</b>	<b>6,355</b>	<b>6,851</b>
<b>TOTAL LIABILITIES</b>	<b>7,305</b>	<b>7,650</b>
<b>NET ASSETS</b>	<b>65,147</b>	<b>53,285</b>
<b>EQUITY</b>		
Retained earnings	16,628	17,134
Revaluation reserves	48,519	36,151
Other reserves	–	–
Council equity interest	65,147	53,285
Non-controlling equity interest	–	–
<b>TOTAL EQUITY</b>	<b>65,147</b>	<b>53,285</b>

## Cowra Shire Council

## Statement of Financial Position – Council's Sewerage Business Activity

as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	853	1,237
Investments	5,598	5,212
Receivables	2,243	360
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
<b>Total current Assets</b>	<b>8,694</b>	<b>6,809</b>
<b>Non-current assets</b>		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	29,596	35,129
Investments accounted for using equity method	–	–
Investment property	–	–
Other	–	–
<b>Total non-current assets</b>	<b>29,596</b>	<b>35,129</b>
<b>TOTAL ASSETS</b>	<b>38,290</b>	<b>41,938</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank overdraft	–	–
Payables	72	53
Income received in advance	–	–
Borrowings	105	99
Provisions	71	93
<b>Total current liabilities</b>	<b>248</b>	<b>245</b>
<b>Non-current liabilities</b>		
Payables	–	–
Income received in advance	–	–
Borrowings	6,613	6,718
Provisions	–	–
<b>Total non-current liabilities</b>	<b>6,613</b>	<b>6,718</b>
<b>TOTAL LIABILITIES</b>	<b>6,861</b>	<b>6,963</b>
<b>NET ASSETS</b>	<b>31,429</b>	<b>34,975</b>
<b>EQUITY</b>		
Retained earnings	21,554	19,668
Revaluation reserves	9,875	15,307
Other reserves	–	–
Council equity interest	31,429	34,975
Non-controlling equity interest	–	–
<b>TOTAL EQUITY</b>	<b>31,429</b>	<b>34,975</b>

## Cowra Shire Council

### Special Purpose Financial Statements

for the year ended 30 June 2017

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

Note	Details	Page
1	Summary of significant accounting policies	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 2017

#### Note 1. Significant accounting policies

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

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

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

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

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

#### National Competition Policy

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

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

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

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

activities and provide a standard for disclosure requirements.

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

#### Declared business activities

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

#### Category 1

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

##### 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, except for 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. Where this is the case, they are disclosed as a cost of operations just like all other costs.

However, where Council does not pay some taxes which are generally paid by private sector

## Cowra Shire Council

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

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

businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in Special Purpose Financial Statements.

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

#### Notional rate applied (%)

##### Corporate income tax rate – 30%

Land tax – the first \$549,000 of combined land values attracts 0%. For the combined land values in excess of \$549,001 up to \$3,357,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$3,357,000 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 Department of Primary Industries Water (DPIW), a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

The payment of taxation equivalent charges, referred to in the NSW Office of Water 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 to the NSW Office of Water Guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

#### Income tax

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

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

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities

before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

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

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

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

#### 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.

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

## Cowra Shire Council

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

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

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

The rate of return 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 2.38% at 30/6/17.

#### (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.

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

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

In accordance with the DPIW guidelines a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the DPIW.

## Cowra Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2017Note 2. Water supply business  
best-practice management disclosure requirements

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

2017

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

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

(i)	Calculated tax equivalents	24,000
(ii)	Number of assessments multiplied by \$3/assessment	17,355
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	17,355
(iv)	Amounts actually paid for tax equivalents	–

**2. Dividend from surplus**

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	–
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	156,195
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	(727,000)

2017 Surplus	(530,000)	2016 Surplus	20,000	2015 Surplus	(217,000)
		2016 Dividend	–	2015 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? <sup>a</sup>	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 2017Note 2. Water supply business  
best-practice management disclosure requirements (continued)

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


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## National Water Initiative (NWI) financial performance indicators

NWI 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	6,814
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)]	%	74.78%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	64,111
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	4,250
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	816
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)]	%	1.08%
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 2017Note 3. Sewerage business  
best-practice management disclosure requirements

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

2017

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

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

(i)	Calculated tax equivalents	9,000
(ii)	Number of assessments multiplied by \$3/assessment	11,118
(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]	662,800
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	102,180
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	1,962,200

2017 Surplus	1,325,600	2016 Surplus	334,200	2015 Surplus	302,400
		2016 Dividend	–	2015 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	102,180
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	–
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? <sup>a</sup>	YES

**3. Required outcomes for 4 criteria**

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

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Pricing with full cost-recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	Complying charges	
	(a) Residential [item 2 (c) in table 1]	YES
	(b) Non-residential [item 2 (c) in table 1]	YES
	(c) Trade waste [item 2 (d) in table 1]	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 2017Note 3. Sewerage business  
best-practice management disclosure requirements (continued)

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


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

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	5,192
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	27,660
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	2,087
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	462
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)]	%	8.47%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

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

NWI F3	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	12,006
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	0.89%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	1,278
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)]	%	3.37%
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 2017Note 3. Sewerage business  
best-practice management disclosure requirements (continued)

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

2017

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

<b>NWI F22</b>	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	2.84%
<b>NWI F23</b>	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest  Earnings before interest and tax (EBIT): 3,218 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: 929 Interest expense (w4a + s4a) – interest income (w9 + s10)		3
<b>NWI F24</b>	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	1,380
<b>NWI F25</b>	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	107

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



**INDEPENDENT AUDITOR'S REPORT**  
**Report on the special purpose financial statement**  
**Cowra Shire Council**

To the Councillors of the Cowra Shire Council

## Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Cowra Shire Council's (the Council) Declared Business Activities, which comprise the statement of financial position of each Declared Business Activity as at 30 June 2017, the income statement of each Declared Business Activity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information for the Business Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council are:

- Water Supply
- Sewerage.

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

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

## Basis for Opinion

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

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

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

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

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

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

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

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

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

## **Other Matter**

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 25 October 2016.

## **The Councillors' Responsibility for the Financial Statements**

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

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

## **Auditor's Responsibility for the Audit of the Financial Statements**

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf).

The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the best practice management disclosures in Notes 2 and 3 of the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Karen Taylor  
Director, Financial Audit Services

26 October 2017  
SYDNEY

# Cowra Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2017

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*“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 2017

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<b>Special Schedule 2(b)</b>	Statement of Internal Loans (Sect. 410(3) LGA 1993)	n/a
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<sup>1</sup> Special Schedules are not audited (with the exception of Special Schedule 8).

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#### Background

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

## Cowra Shire Council

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

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Governance</b>	436	–	–	(436)
<b>Administration</b>	3,271	331	–	(2,940)
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	459	58	438	37
Beach control	–	–	–	–
Enforcement of local government regulations	–	–	–	–
Animal control	162	63	–	(99)
Other	–	–	–	–
<b>Total public order and safety</b>	<b>621</b>	<b>121</b>	<b>438</b>	<b>(62)</b>
<b>Health</b>	<b>2</b>	<b>10</b>	<b>–</b>	<b>8</b>
<b>Environment</b>				
Noxious plants and insect/vermin control	277	59	–	(218)
Other environmental protection	139	–	–	(139)
Solid waste management	3,201	3,276	7	82
Street cleaning	126	–	–	(126)
Drainage	–	–	–	–
Stormwater management	471	–	–	(471)
<b>Total environment</b>	<b>4,214</b>	<b>3,335</b>	<b>7</b>	<b>(872)</b>
<b>Community services and education</b>				
Administration and education	192	81	–	(111)
Social protection (welfare)	–	–	–	–
Aged persons and disabled	–	–	–	–
Children's services	–	–	–	–
<b>Total community services and education</b>	<b>192</b>	<b>81</b>	<b>–</b>	<b>(111)</b>
<b>Housing and community amenities</b>				
Public cemeteries	256	282	6	32
Public conveniences	86	–	–	(86)
Street lighting	265	66	–	(199)
Town planning	1,172	196	99	(877)
Other community amenities	102	–	–	(102)
<b>Total housing and community amenities</b>	<b>1,881</b>	<b>544</b>	<b>105</b>	<b>(1,232)</b>
<b>Water supplies</b>	<b>7,338</b>	<b>6,762</b>	<b>70</b>	<b>(506)</b>
<b>Sewerage services</b>	<b>3,323</b>	<b>5,170</b>	<b>39</b>	<b>1,886</b>

## Cowra Shire Council

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

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Recreation and culture</b>				
Public libraries	409	57	6	(346)
Museums	–	–	–	–
Art galleries	305	54	–	(251)
Community centres and halls	275	21	–	(254)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	98	15	–	(83)
Sporting grounds and venues	273	73	55	(145)
Swimming pools	545	200	–	(345)
Parks and gardens (lakes)	1,266	4	–	(1,262)
Other sport and recreation	12	–	–	(12)
<b>Total recreation and culture</b>	<b>3,183</b>	<b>424</b>	<b>61</b>	<b>(2,698)</b>
<b>Fuel and energy</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Agriculture</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Mining, manufacturing and construction</b>				
Building control	19	181	–	162
Other mining, manufacturing and construction	68	–	–	(68)
<b>Total mining, manufacturing and const.</b>	<b>87</b>	<b>181</b>	<b>–</b>	<b>94</b>
<b>Transport and communication</b>				
Urban roads (UR) – local	445	–	2	(443)
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	1,581	477	1,107	3
Sealed rural roads (SRR) – regional	–	–	–	–
Unsealed rural roads (URR) – local	–	–	–	–
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	72	–	–	(72)
Bridges on SRR – local	1	–	–	(1)
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	–	–	–	–
Footpaths	–	–	36	36
Aerodromes	243	25	–	(218)
Other transport and communication	696	–	–	(696)
<b>Total transport and communication</b>	<b>3,038</b>	<b>502</b>	<b>1,145</b>	<b>(1,391)</b>
<b>Economic affairs</b>				
Camping areas and caravan parks	394	536	–	142
Other economic affairs	7,388	8,511	–	1,123
<b>Total economic affairs</b>	<b>7,782</b>	<b>9,047</b>	<b>–</b>	<b>1,265</b>
<b>Totals – functions</b>	<b>35,368</b>	<b>26,508</b>	<b>1,865</b>	<b>(6,995)</b>
<b>General purpose revenues <sup>(1)</sup></b>		<b>13,449</b>		<b>13,449</b>
<b>Share of interests – joint ventures and associates using the equity method</b>	<b>–</b>	<b>–</b>		<b>–</b>
<b>NET OPERATING RESULT <sup>(2)</sup></b>	<b>35,368</b>	<b>39,957</b>	<b>1,865</b>	<b>6,454</b>

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

## Cowra Shire Council

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

for the year ended 30 June 2017

\$'000

Classification of debt	Principal outstanding at beginning of the year			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
<b>Loans (by source)</b>											
Commonwealth Government	–	–	–							–	–
NSW Treasury Corporation	–	–	–							–	–
Other State Government	–	–	–							–	–
Public subscription	–	–	–							–	–
Financial institutions	1,185	19,219	20,404	–	1,185	–	–	1,322	1,241	17,978	19,219
Other	–	–	–							–	–
<b>Total loans</b>	<b>1,185</b>	<b>19,219</b>	<b>20,404</b>	<b>–</b>	<b>1,185</b>	<b>–</b>	<b>–</b>	<b>1,322</b>	<b>1,241</b>	<b>17,978</b>	<b>19,219</b>
<b>Other long term debt</b>											
Ratepayers advances	–	–	–							–	–
Government advances	–	–	–							–	–
Finance leases	–	–	–							–	–
Deferred payments	–	–	–							–	–
<b>Total long term debt</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total debt</b>	<b>1,185</b>	<b>19,219</b>	<b>20,404</b>	<b>–</b>	<b>1,185</b>	<b>–</b>	<b>–</b>	<b>1,322</b>	<b>1,241</b>	<b>17,978</b>	<b>19,219</b>

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

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

## 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 2017

\$'000	Actuals 2017	Actuals 2016
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	40	36
b. Engineering and supervision	342	300
<b>2. Operation and maintenance expenses</b>		
– <b>dams and weirs</b>		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
– <b>Mains</b>		
c. Operation expenses	87	98
d. Maintenance expenses	617	528
– <b>Reservoirs</b>		
e. Operation expenses	–	–
f. Maintenance expenses	59	77
– <b>Pumping stations</b>		
g. Operation expenses (excluding energy costs)	147	86
h. Energy costs	366	388
i. Maintenance expenses	–	–
– <b>Treatment</b>		
j. Operation expenses (excluding chemical costs)	477	360
k. Chemical costs	259	172
l. Maintenance expenses	161	159
– <b>Other</b>		
m. Operation expenses	1,424	1,529
n. Maintenance expenses	4	1
o. Purchase of water	267	244
<b>3. Depreciation expenses</b>		
a. System assets	1,741	1,701
b. Plant and equipment	113	115
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	415	443
b. Revaluation decrements	–	–
c. Other expenses	819	830
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
<b>5. Total expenses</b>	<b>7,338</b>	<b>7,067</b>

## 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 2017

\$'000	Actuals 2017	Actuals 2016
<b>Income</b>		
<b>6. Residential charges</b>		
a. Access (including rates)	902	852
b. Usage charges	2,675	2,849
<b>7. Non-residential charges</b>		
a. Access (including rates)	578	556
b. Usage charges	1,582	1,751
<b>8. Extra charges</b>	26	9
<b>9. Interest income</b>	18	18
<b>10. Other income</b>	845	904
<b>10a. Aboriginal Communities Water and Sewerage Program</b>	–	–
<b>11. Grants</b>		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	64	66
c. Other grants	72	58
<b>12. Contributions</b>		
a. Developer charges	70	33
b. Developer provided assets	–	–
c. Other contributions	–	–
<b>13. Total income</b>	<b>6,832</b>	<b>7,096</b>
<b>14. Gain (or loss) on disposal of assets</b>	–	–
<b>15. Operating result</b>	<b>(506)</b>	<b>29</b>
<b>15a. Operating result (less grants for acquisition of assets)</b>	(506)	29

## 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 2017

\$'000	Actuals 2017	Actuals 2016
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>16. Acquisition of fixed assets</b>		
a. New assets for improved standards	129	360
b. New assets for growth	–	–
c. Renewals	653	385
d. Plant and equipment	34	24
<b>17. Repayment of debt</b>	459	432
<b>18. Totals</b>	<u>1,275</u>	<u>1,201</u>
<b>Non-operating funds employed</b>		
<b>19. Proceeds from disposal of assets</b>	–	23
<b>20. Borrowing utilised</b>	–	722
<b>21. Totals</b>	<u>–</u>	<u>745</u>
<b>C Rates and charges</b>		
<b>22. Number of assessments</b>		
a. Residential (occupied)	4,537	4,718
b. Residential (unoccupied, ie. vacant lot)	462	444
c. Non-residential (occupied)	786	982
d. Non-residential (unoccupied, ie. vacant lot)	–	–
<b>23. Number of ETs for which developer charges were received</b>	14 ET	7 ET
<b>24. Total amount of pensioner rebates (actual dollars)</b>	\$ 116,685	\$ 119,711

## 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 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
<b>ASSETS</b>			
<b>25. Cash and investments</b>			
a. Developer charges	739	–	739
b. Special purpose grants	–	–	–
c. Accrued leave	95	–	95
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	3,536	–	3,536
<b>26. Receivables</b>			
a. Specific purpose grants	63	–	63
b. Rates and availability charges	557	–	557
c. User charges	1,519	–	1,519
d. Other	–	–	–
<b>27. Inventories</b>	3	–	3
<b>28. Property, plant and equipment</b>			
a. System assets	–	64,111	64,111
b. Plant and equipment	–	1,829	1,829
<b>29. Other assets</b>	–	–	–
<b>30. Total assets</b>	<b>6,512</b>	<b>65,940</b>	<b>72,452</b>
<b>LIABILITIES</b>			
<b>31. Bank overdraft</b>	–	–	–
<b>32. Creditors</b>	137	–	137
<b>33. Borrowings</b>	490	6,354	6,844
<b>34. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	323	1	324
<b>35. Total liabilities</b>	<b>950</b>	<b>6,355</b>	<b>7,305</b>
<b>36. NET ASSETS COMMITTED</b>	<b>5,562</b>	<b>59,585</b>	<b>65,147</b>
<b>EQUITY</b>			
<b>37. Accumulated surplus</b>			16,628
<b>38. Asset revaluation reserve</b>			48,519
<b>39. Other reserves</b>			–
<b>40. TOTAL EQUITY</b>			<b>65,147</b>
<b>Note to system assets:</b>			
<b>41. Current replacement cost</b> of system assets			118,802
<b>42. Accumulated current cost</b> depreciation of system assets			(54,691)
<b>43. Written down current cost</b> of system assets			<b>64,111</b>

## 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 2017

\$'000	Actuals 2017	Actuals 2016
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	483	380
b. Engineering and supervision	575	429
<b>2. Operation and maintenance expenses</b>		
– mains		
a. Operation expenses	–	–
b. Maintenance expenses	259	202
– Pumping stations		
c. Operation expenses (excluding energy costs)	50	43
d. Energy costs	26	20
e. Maintenance expenses	48	51
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	101	105
g. Chemical costs	94	111
h. Energy costs	95	101
i. Effluent management	–	–
j. Biosolids management	62	58
k. Maintenance expenses	116	93
– Other		
l. Operation expenses	177	154
m. Maintenance expenses	1	6
<b>3. Depreciation expenses</b>		
a. System assets	576	560
b. Plant and equipment	21	20
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	549	563
b. Revaluation decrements	–	–
c. Other expenses	90	71
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
<b>5. Total expenses</b>	<b>3,323</b>	<b>2,967</b>

## 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 2017

\$'000	Actuals 2017	Actuals 2016
<b>Income</b>		
<b>6. Residential charges</b> (including rates)	2,464	2,386
<b>7. Non-residential charges</b>		
a. Access (including rates)	626	623
b. Usage charges	82	65
<b>8. Trade waste charges</b>		
a. Annual fees	–	–
b. Usage charges	–	–
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
<b>9. Extra charges</b>	14	13
<b>10. Interest income</b>	17	17
<b>11. Other income</b>	239	214
<b>11a. Aboriginal Communities Water and Sewerage Program</b>	–	–
<b>12. Grants</b>		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	43	45
c. Other grants	1,685	–
<b>13. Contributions</b>		
a. Developer charges	39	64
b. Developer provided assets	–	–
c. Other contributions	–	–
<b>14. Total income</b>	<b>5,209</b>	<b>3,427</b>
<b>15. Gain (or loss) on disposal of assets</b>	–	–
<b>16. Operating result</b>	<b>1,886</b>	<b>460</b>
<b>16a. Operating result (less grants for acquisition of assets)</b>	1,886	460

## 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 2017

\$'000	Actuals 2017	Actuals 2016
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>17. Acquisition of fixed assets</b>		
a. New assets for improved standards	–	–
b. New assets for growth	177	–
c. Renewals	283	318
d. Plant and equipment	2	4
<b>18. Repayment of debt</b>	99	124
<b>19. Totals</b>	<b>561</b>	<b>446</b>
<b>Non-operating funds employed</b>		
<b>20. Proceeds from disposal of assets</b>	–	–
<b>21. Borrowing utilised</b>	–	–
<b>22. Totals</b>	<b>–</b>	<b>–</b>
<b>C Rates and charges</b>		
<b>23. Number of assessments</b>		
a. Residential (occupied)	3,219	3,207
b. Residential (unoccupied, ie. vacant lot)	165	221
c. Non-residential (occupied)	322	319
d. Non-residential (unoccupied, ie. vacant lot)	–	–
<b>24. Number of ETs for which developer charges were received</b>	7 ET	12 ET
<b>25. Total amount of pensioner rebates (actual dollars)</b>	\$ 78,067	\$ 80,439

## 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 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
<b>ASSETS</b>			
<b>26. Cash and investments</b>			
a. Developer charges	714	–	714
b. Special purpose grants	–	–	–
c. Accrued leave	95	–	95
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	5,642	–	5,642
<b>27. Receivables</b>			
a. Specific purpose grants	1,854	–	1,854
b. Rates and availability charges	341	–	341
c. User charges	46	–	46
d. Other	2	–	2
<b>28. Inventories</b>	–	–	–
<b>29. Property, plant and equipment</b>			
a. System assets	–	27,660	27,660
b. Plant and equipment	–	1,936	1,936
<b>30. Other assets</b>	–	–	–
<b>31. Total assets</b>	<b>8,694</b>	<b>29,596</b>	<b>38,290</b>
<b>LIABILITIES</b>			
<b>32. Bank overdraft</b>	–	–	–
<b>33. Creditors</b>	72	–	72
<b>34. Borrowings</b>	105	6,613	6,718
<b>35. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	71	–	71
<b>36. Total liabilities</b>	<b>248</b>	<b>6,613</b>	<b>6,861</b>
<b>37. NET ASSETS COMMITTED</b>	<b>8,446</b>	<b>22,983</b>	<b>31,429</b>
<b>EQUITY</b>			
<b>38. Accumulated surplus</b>			21,554
<b>39. Asset revaluation reserve</b>			9,875
<b>40. Other reserves</b>			–
<b>41. TOTAL EQUITY</b>			<b>31,429</b>
<b>Note to system assets:</b>			
<b>42. Current replacement cost</b> of system assets			49,702
<b>43. Accumulated current cost</b> depreciation of system assets			(22,042)
<b>44. Written down current cost</b> of system assets			<b>27,660</b>

## Cowra Shire Council

### Notes to Special Schedules 3 and 5

for the year ended 30 June 2017

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

(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 <sup>(1)</sup>

(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** <sup>(2)</sup> (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** <sup>(2)</sup> (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:

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

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

## Cowra Shire Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance <sup>a</sup>	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
<b>Buildings</b>	Council Offices/ Administration Centres	–	–	147	132	4,008	5,719	0%	100%	0%	0%	0%
	Council Works Depot	–	–	101	84	695	1,281	0%	50%	50%	0%	0%
	Public Halls	–	–	108	82	3,687	5,025	0%	95%	2%	0%	3%
	Libraries	–	–	99	98	1,980	3,037	0%	100%	0%	0%	0%
	Houses	–	–	35	4	369	1,458	0%	0%	100%	0%	0%
	RFS Sheds	–	–	6	–	718	1,133	0%	50%	50%	0%	0%
	Amenities/Toilets	36	36	167	162	2,694	4,762	12%	52%	28%	8%	0%
	Other	114	114	169	146	6,205	11,574	21%	36%	35%	5%	3%
	<b>Sub-total</b>	<b>150</b>	<b>150</b>	<b>832</b>	<b>708</b>	<b>20,356</b>	<b>33,989</b>	<b>8.8%</b>	<b>62.9%</b>	<b>24.0%</b>	<b>2.8%</b>	<b>1.5%</b>
<b>Roads</b>	Sealed roads structure	–	–	297	499	48,165	51,330	26%	67%	7%	0%	0%
	Sealed roads surface	74	74	704	631	20,640	25,181	26%	60%	14%	0%	0%
	Unsealed roads	437	437	1,141	1,463	14,618	17,595	46%	32%	19%	3%	0%
	Bridges	138	138	9	13	23,543	25,936	45%	48%	2%	5%	0%
	Footpaths	–	–	43	17	7,462	8,364	26%	64%	9%	0%	0%
	Other road assets	–	–	348	299	1,599	2,522	0%	50%	50%	0%	0%
	Bulk earthworks	–	–	–	–	257,884	257,884	100%	0%	0%	0%	0%
	Kerb & Gutter	136	136	44	77	17,225	18,815	16%	81%	3%	1%	0%
	Culverts & pipes	269	269	72	56	12,111	14,662	5%	85%	9%	2%	0%
	Road Furniture	–	–	52	33	133	250	0%	0%	100%	0%	0%
	Cycleways	–	–	–	–	763	780	100%	0%	0%	0%	0%
	<b>Sub-total</b>	<b>1,054</b>	<b>1,054</b>	<b>2,710</b>	<b>3,088</b>	<b>404,143</b>	<b>423,319</b>	<b>71.9%</b>	<b>24.1%</b>	<b>3.5%</b>	<b>0.5%</b>	<b>0.0%</b>

## Cowra Shire Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance <sup>a</sup>	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Water supply network	Mains	2,945	2,945	697	758	39,758	74,173	18%	15%	39%	25%	4%
	Reservoirs	468	468	46	59	7,462	17,006	0%	3%	69%	28%	0%
	Pumping Stations	26	26	436	513	4,445	7,409	8%	30%	59%	4%	0%
	Treatment Plant	247	247	1,098	1,338	11,780	19,456	26%	42%	14%	17%	1%
	Meters	19	19	161	177	666	758	0%	25%	65%	10%	0%
	<b>Sub-total</b>	<b>3,705</b>	<b>3,705</b>	<b>2,438</b>	<b>2,845</b>	<b>64,111</b>	<b>118,802</b>	<b>15.7%</b>	<b>18.5%</b>	<b>40.7%</b>	<b>22.4%</b>	<b>2.7%</b>
Sewerage network	Mains	335	335	350	320	12,489	30,278	16%	11%	62%	11%	0%
	Pumping Stations	218	218	130	123	1,330	2,098	22%	25%	43%	10%	0%
	Treatment Plant	21	21	499	499	13,841	17,326	90%	10%	0%	0%	0%
	<b>Sub-total</b>	<b>574</b>	<b>574</b>	<b>979</b>	<b>942</b>	<b>27,660</b>	<b>49,702</b>	<b>42.1%</b>	<b>11.1%</b>	<b>39.6%</b>	<b>7.2%</b>	<b>0.0%</b>

## Cowra Shire Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance <sup>a</sup>	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Conduits	–	–	41	13	20,267	23,588	40%	48%	11%	0%	0%
	Inlet & Junction Pits	–	–	14	4	7,140	8,439	57%	32%	11%	0%	0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>55</b>	<b>17</b>	<b>27,407</b>	<b>32,027</b>	<b>44.8%</b>	<b>44.1%</b>	<b>11.1%</b>	<b>0.0%</b>	<b>0.0%</b>
Open space/recreational assets	Swimming pools	–	–	237	233	1,084	2,293	0%	0%	100%	0%	0%
	Other Recreational Assets	–	–	1,245	1,118	2,322	4,301	19%	64%	13%	2%	1%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>1,482</b>	<b>1,351</b>	<b>3,406</b>	<b>6,594</b>	<b>12.7%</b>	<b>42.0%</b>	<b>43.3%</b>	<b>1.4%</b>	<b>0.7%</b>
	<b>TOTAL – ALL ASSETS</b>	<b>5,483</b>	<b>5,483</b>	<b>8,496</b>	<b>8,951</b>	<b>547,083</b>	<b>664,433</b>	<b>54.5%</b>	<b>25.2%</b>	<b>14.7%</b>	<b>5.0%</b>	<b>0.6%</b>

## Notes:

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

## Infrastructure asset condition assessment 'key'

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

## Cowra Shire Council

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

\$ '000	Amounts	Indicator	Benchmark	Prior periods	
	2017	2017		2016	2015
<b>Infrastructure asset performance indicators * consolidated</b>					
<b>1. Infrastructure renewals ratio</b>					
Asset renewals <sup>(1)</sup>	<u>3,799</u>	<b>78.41%</b>	>= 100%	89.29%	94.72%
Depreciation, amortisation and impairment	<u>4,845</u>				
<b>2. Infrastructure backlog ratio</b>					
Estimated cost to bring assets to a satisfactory standard	<u>5,483</u>	<b>1.90%</b>	< 2.00%	1.93%	1.99%
Net carrying amount of infrastructure assets	<u>289,199</u>				
<b>3. Asset maintenance ratio</b>					
Actual asset maintenance	<u>8,951</u>	<b>1.05</b>	> 1.00	0.95	1.34
Required asset maintenance	<u>8,496</u>				
<b>4. Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	<u>5,483</u>	<b>0.83%</b>		0.00%	
Gross replacement cost	<u>664,433</u>				

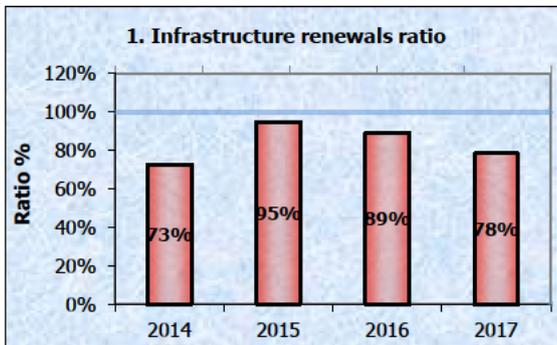
## Notes

\* 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 2017



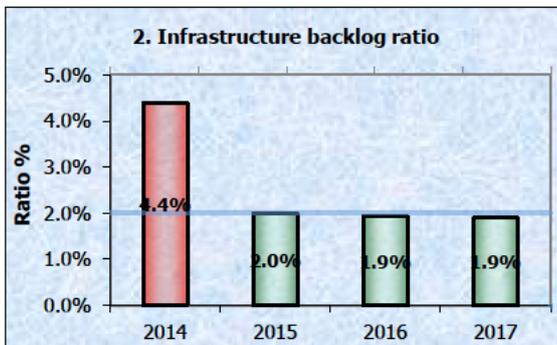
**Purpose of asset renewals ratio**

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

<b>2016/17 Ratio</b>	<b>78.41%</b>
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Benchmark: ——— 100.00%  
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

■ Ratio achieves benchmark  
■ Ratio is outside benchmark



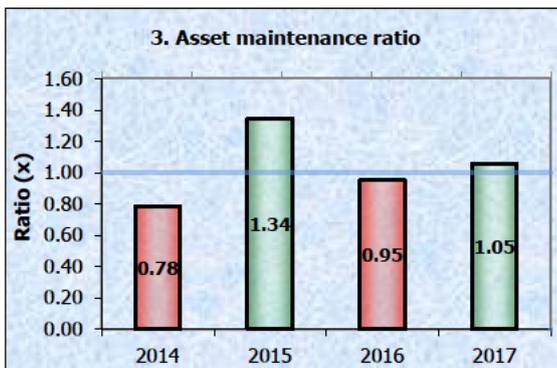
**Purpose of infrastructure backlog ratio**

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

<b>2016/17 Ratio</b>	<b>1.90%</b>
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Benchmark: ——— 2.00%  
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

■ Ratio achieves benchmark  
■ Ratio is outside benchmark



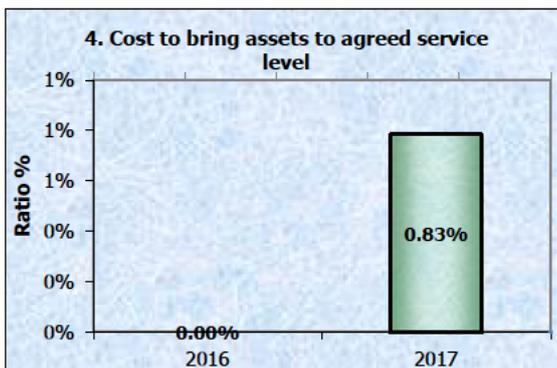
**Purpose of asset maintenance ratio**

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

<b>2016/17 Ratio</b>	<b>1.05 x</b>
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Benchmark: ——— 1.00  
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

■ Ratio achieves benchmark  
■ Ratio is outside benchmark



**Purpose of agreed service level ratio**

This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.

<b>2016/17 Ratio</b>	<b>0.83%</b>
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## Cowra Shire Council

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

\$ '000	Benchmark	Water 2017	Sewer 2017	General <sup>(1)</sup> 2017
<b>Infrastructure asset performance indicators by fund</b>				
<b>1. Infrastructure renewals ratio</b>				
<u>Asset renewals <sup>(2)</sup></u>	>= 100%	<b>37.51%</b>	<b>43.40%</b>	<b>114.56%</b>
Depreciation, amortisation and impairment	prior period:	22.63%	56.79%	142.69%
<b>2. Infrastructure backlog ratio</b>				
<u>Estimated cost to bring assets to a satisfactory standard</u>	< 2.00%	<b>5.78%</b>	<b>2.08%</b>	<b>0.61%</b>
Net carrying amount of infrastructure assets	prior period:	5.79%	1.89%	0.91%
<b>3. Asset maintenance ratio</b>				
<u>Actual asset maintenance</u>	> 1.00	<b>1.17</b>	<b>0.96</b>	<b>1.02</b>
Required asset maintenance	prior period:	1.02	0.88	0.93
<b>4. Cost to bring assets to agreed service level</b>				
<u>Estimated cost to bring assets to an agreed service level set by Council</u>		<b>3.12%</b>	<b>1.15%</b>	<b>0.24%</b>
Gross replacement cost				

## 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 2018

\$'000		Calculation 2016/17	Calculation 2017/18
<b>Notional general income calculation <sup>(1)</sup></b>			
Last year notional general income yield	a	6,344	6,496
Plus or minus adjustments <sup>(2)</sup>	b	(38)	(4)
<b>Notional general income</b>	c = (a + b)	<b>6,306</b>	<b>6,492</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>(3)</sup>	d	0.00%	0.00%
Or rate peg percentage	e	1.80%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	–	–
Or plus rate peg amount	i = c x e	114	97
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>6,420</b>	<b>6,589</b>
Plus (or minus) last year's carry forward total	l	64	(12)
Less valuation objections claimed in the previous year	m	–	–
<b>Sub-total</b>	n = (l + m)	<b>64</b>	<b>(12)</b>
<b>Total permissible income</b>	o = k + n	<b>6,484</b>	<b>6,577</b>
Less notional general income yield	p	6,496	6,583
<b>Catch-up or (excess) result</b>	q = o – p	<b>(12)</b>	<b>(6)</b>
Plus income lost due to valuation objections claimed <sup>(4)</sup>	r	–	–
Less unused catch-up <sup>(5)</sup>	s	–	–
<b>Carry forward to next year</b>	t = q + r – s	<b>(12)</b>	<b>(6)</b>

**Notes**

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



## INDEPENDENT AUDITOR'S REPORT

### Special Schedule No. 8

### Cowra Shire Council

To the Councillors of Cowra Shire Council

### Opinion

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

In my opinion, Special Schedule No. 8 of Cowra Shire Council for 30 June 2018 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

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

### Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of Special Schedule No.8' section of my report.

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

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

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

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

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

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

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

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

## **Other Matter**

Special Schedule No.8 of the Council for the year ended 30 June 2017 was audited by another auditor who expressed an unmodified opinion on Special Schedule No. 8 on 25 October 2016.

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

The Councillors of the Council are responsible for the preparation of Special Schedule No. 8 in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error.

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

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

My objectives are to:

- obtain reasonable assurance whether Special Schedule No. 8 as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on Special Schedule No.8.

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

My opinion does not provide assurance:

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



Karen Taylor  
Director, Financial Audit Services

26 October 2017  
SYDNEY