

Cowra Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

*“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 2018

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Overview

Cowra Shire Council is constituted under the Local Government Act 1993 (NSW) and has its principal place of business at:

116 Kendal Street
Cowra NSW 2794

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).

Through the use of the internet, we have ensured that our reporting is timely, complete and available at minimum cost. All press releases, financial statements and other information are publicly available on our website: www.cowracouncil.com.au.

Cowra Shire Council

General Purpose Financial Statements for the year ended 30 June 2018

Understanding Council's financial statements

Introduction

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

What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2018.

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 2018

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 other pronouncements of the Australian Accounting Standards Board
- 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,
- 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 27 August 2018.




Cr W J West
Mayor
17 September 2018



CR JA Smith
Councillor
17 September 2018



Mr P Devery
General Manager
17 September 2018



Mr M Jones
Responsible Accounting Officer
17 September 2018

Cowra Shire Council

Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Income from continuing operations				
Revenue:				
13,327	Rates and annual charges	3a	12,796	12,512
12,639	User charges and fees	3b	14,976	15,584
687	Interest and investment revenue	3c	844	794
809	Other revenues	3d	911	826
6,789	Grants and contributions provided for operating purposes	3e,f	7,076	10,093
1,024	Grants and contributions provided for capital purposes	3e,f	1,384	1,865
Other income:				
853	Net gains from the disposal of assets	5	872	148
36,128	Total income from continuing operations		38,859	41,822
Expenses from continuing operations				
13,305	Employee benefits and on-costs	4a	13,262	13,334
1,259	Borrowing costs	4b	1,409	1,343
9,910	Materials and contracts	4c	9,091	11,060
5,937	Depreciation and amortisation	4d	6,544	6,364
3,044	Other expenses	4e	3,316	3,267
33,455	Total expenses from continuing operations		33,622	35,368
2,673	Operating result from continuing operations		5,237	6,454
2,673	Net operating result for the year		5,237	6,454
2,673	Net operating result attributable to Council		5,237	6,454
1,649	Net operating result for the year before grants and contributions provided for capital purposes		3,853	4,589

Cowra Shire Council

Statement of Comprehensive Income
for the year ended 30 June 2018

\$ '000	Notes	2018	2017
Net operating result for the year (as per Income Statement)		5,237	6,454
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9	685	6,937
Total items which will not be reclassified subsequently to the operating result		685	6,937
Amounts that will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the year		685	6,937
Total comprehensive income for the year		5,922	13,391
Total comprehensive income attributable to Council		5,922	13,391

Cowra Shire Council

Statement of Financial Position
as at 30 June 2018

\$ '000	Notes	2018	2017
ASSETS			
Current assets			
Cash and cash equivalents	6a	3,378	3,212
Investments	6b	23,286	20,500
Receivables	7	6,735	6,266
Inventories	8	836	954
Total current assets		34,235	30,932
Non-current assets			
Inventories	8	195	195
Infrastructure, property, plant and equipment	9	584,210	582,977
Other	8	174	174
Total non-current assets		584,579	583,346
TOTAL ASSETS		618,814	614,278
LIABILITIES			
Current liabilities			
Payables	10	2,120	2,506
Borrowings	10	1,289	1,241
Provisions	11	4,798	4,188
Total current liabilities		8,207	7,935
Non-current liabilities			
Borrowings	10	16,689	17,978
Provisions	11	128	497
Total non-current liabilities		16,817	18,475
TOTAL LIABILITIES		25,024	26,410
Net assets		593,790	587,868
EQUITY			
Accumulated surplus		189,680	184,443
Revaluation reserves	12	404,110	403,425
Total equity		593,790	587,868

Cowra Shire Council

Statement of Changes in Equity

for the year ended 30 June 2018

\$ '000	Notes	2018	IPP&E	Total equity	2017	IPP&E	Total equity
		Accumulated surplus	revaluation reserve		Accumulated surplus	revaluation reserve	
Opening balance		184,443	403,425	587,868	177,989	396,488	574,477
Net operating result for the year		5,237	–	5,237	6,454	–	6,454
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	9	–	685	685	–	6,937	6,937
Other comprehensive income		–	685	685	–	6,937	6,937
Total comprehensive income		5,237	685	5,922	6,454	6,937	13,391
Equity – balance at end of the reporting period		189,680	404,110	593,790	184,443	403,425	587,868

Cowra Shire Council

Statement of Cash Flows

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Cash flows from operating activities				
Receipts:				
13,327	Rates and annual charges		12,752	12,297
12,639	User charges and fees		13,643	15,261
687	Investment and interest revenue received		757	737
7,813	Grants and contributions		10,346	10,144
809	Other		1,815	1,633
Payments:				
(12,945)	Employee benefits and on-costs		(13,217)	(13,443)
(9,910)	Materials and contracts		(10,119)	(11,891)
(1,259)	Borrowing costs		(1,395)	(1,331)
–	Bonds, deposits and retention amounts refunded		(183)	(9)
(3,044)	Other		(4,021)	(4,000)
8,117	Net cash provided (or used in) operating activities	13b	10,378	9,398
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		20,500	18,000
1,154	Sale of infrastructure, property, plant and equipment		2,241	533
58	Deferred debtors receipts		35	43
Payments:				
–	Purchase of investment securities		(23,286)	(20,500)
(11,427)	Purchase of infrastructure, property, plant and equipment		(8,461)	(7,347)
(10,215)	Net cash provided (or used in) investing activities		(8,971)	(9,271)
Cash flows from financing activities				
Receipts:				
450	Proceeds from borrowings and advances		–	–
Payments:				
(1,241)	Repayment of borrowings and advances		(1,241)	(1,185)
(791)	Net cash flow provided (used in) financing activities		(1,241)	(1,185)
(2,889)	Net increase/(decrease) in cash and cash equivalents		166	(1,058)
4,000	Plus: cash and cash equivalents – beginning of year	13a	3,212	4,270
1,111	Cash and cash equivalents – end of the year	13a	3,378	3,212
Additional Information:				
	plus: Investments on hand – end of year	6b	23,286	20,500
	Total cash, cash equivalents and investments		26,664	23,712

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 27/08/2018.

Council has the power to amend and reissue these financial statements.

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.

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.

The financial statements are presented in Australian dollars and are rounded to the nearest thousand dollars.

Full dollars have been used in Note 20 Related party disclosures in relation to the disclosure of specific related party transactions.

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts.

Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

- Income statement
- Statement of cash flows
- Note 18 – Material budget variations

and are clearly marked .

(a) New and amended standards adopted by Council

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

(b) 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 infrastructure, property, plant and equipment and investment property.

(c) 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

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

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 – refer Note 9,
- (ii) estimated tip remediation provisions – refer Note 11,
- (iii) employee benefit provisions – refer Note 11.

Significant judgements in applying the Council's accounting policies

- (iv) Impairment of receivables

Council has made a significant judgement about the impairment of a number of its receivables in Note 7.

Monies and other assets received by Council

(a) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the *Local Government Act 1993 (NSW)*, all money and other assets 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
- Water service
- Sewerage service
- Cowra Shire Council Waste Fund

(b) 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 other assets 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 other assets subject to Council's control have been included in 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.

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.

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

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.

As at the date of authorisation of these financial statements, Council considers that the standards and interpretations listed below will have an impact upon future published financial statements ranging from additional and / or revised disclosures to actual changes as to how certain transactions and balances are accounted for.

Effective for annual reporting periods beginning on or after 1 July 2018

- *AASB 9 Financial Instruments*

This replaces AASB 139 Financial Instruments: Recognition and Measurement, and addresses the classification, measurement and disclosure of financial assets and liabilities.

The standard introduces a new impairment model that requires impairment provisions to be based on expected credit losses, rather than incurred credit losses.

Based on assessments to date, Council expects a small increase to impairment losses however the standard is not expected to have a material impact overall.

Effective for annual reporting periods beginning on or after 1 July 2019

- *AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities and AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities*

AASB 15 will replace AASB 118 Revenue, AASB 111 Construction Contracts and a number of Interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15, and AASB 1058 will replace AASB 1004 Contributions.

Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers.

While Council is still reviewing the way that income is measured and recognised to identify whether there will be any material impact arising from these standards, these standards may affect the timing of the recognition of some grants and donations.

- *AASB 16 Leases*

Council is currently a party to leases that are not recognised in the Statement of Financial Position.

It is likely that some of these leases will need to be included in the Statement of Financial Position when this standard comes into effect.

A lease liability will initially be measured at the present value of the lease payments to be made over the lease term.

A corresponding right-of-use asset will also be recognised over the lease term.

Council has not elected to apply any pronouncements before their operative date in these financial statements.

Cowra Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018

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)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Civic Activities	–	–	867	436	(867)	(436)	–	–	–	–
Administration	1,094	331	4,434	3,271	(3,340)	(2,940)	11	6	22,672	22,828
Public Order and Safety	525	559	607	621	(82)	(62)	452	485	3,400	2,141
Health	17	10	–	2	17	8	7	–	1,059	1,020
Environment	3,729	3,342	3,111	4,214	618	(872)	367	181	31,031	29,597
Community Services and Education	15	81	133	192	(118)	(111)	13	1	608	648
Housing and community amenities	950	649	1,941	1,881	(991)	(1,232)	66	86	984	486
Water Supplies	6,867	6,832	5,635	7,338	1,232	(506)	128	136	72,408	72,452
Sewerage services	3,502	5,209	2,323	3,323	1,179	1,886	41	1,729	39,199	38,290
Recreation and culture	346	485	3,584	3,183	(3,238)	(2,698)	74	99	27,284	27,986
Mining, manufacture and construction	1	181	58	87	(57)	94	–	–	512	500
Transport and communications	1,770	1,647	5,248	3,038	(3,478)	(1,391)	1,704	1,638	413,695	411,441
Economic affairs	8,428	9,047	5,681	7,782	2,747	1,265	92	66	5,962	6,889
General purpose income	11,615	13,449	–	–	11,615	13,449	4,511	6,464	–	–
Total functions and activities	38,859	41,822	33,622	35,368	5,237	6,454	7,466	10,891	618,814	614,278

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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:

Civic Activities

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

Noxious 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, manufacture and construction

Building control, quarries and pits.

Transport and communications

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.

General purpose income

Includes rates and annual charges excluding water and sewer, non-capital general purpose grants, interest on overdue rates and charges, and interest on investments excluding externally restricted assets.

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations

\$ '000	2018	2017
(a) Rates and annual charges		
Ordinary rates		
Residential	2,380	2,341
Farmland	2,899	2,848
Mining	19	19
Business	1,250	1,244
Less: pensioner rebates (mandatory)	(185)	(189)
Total ordinary rates	6,363	6,263
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	2,315	2,234
Water supply services	1,644	1,599
Sewerage services	2,587	2,542
Waste management services (non-domestic)	236	228
Less: pensioner rebates (mandatory)	(349)	(354)
Total annual charges	6,433	6,249
<u>TOTAL RATES AND ANNUAL CHARGES</u>	<u>12,796</u>	<u>12,512</u>

Council has used 2016 year valuations provided by the NSW Valuer General in calculating its rates.

Accounting policy for rates and annual charges

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

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(b) User charges and fees		
Specific user charges (per s.502 – specific 'actual use' charges)		
Water supply services	4,949	4,276
Sewerage services	750	715
Total specific user charges	5,699	4,991
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Planning and building regulation	392	374
Private works – section 67	95	1,240
Total fees and charges – statutory/regulatory	487	1,614
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aerodrome	29	25
Caravan park	571	516
Cemeteries	252	265
Fire and emergency services levy (FESL) implementation	2	72
RMS (formerly RTA) charges (state roads not controlled by Council)	6,479	6,847
Saleyards	458	471
Swimming centres	197	200
Waste disposal tipping fees	593	432
Water connection fees	95	42
Other	114	109
Total fees and charges – other	8,790	8,979
TOTAL USER CHARGES AND FEES	14,976	15,584

Accounting policy for user charges and fees

User charges and fees are recognised as revenue when the service has been provided.

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(c) Interest and investment revenue (including losses)		
Interest		
– Overdue rates and annual charges (incl. special purpose rates)	86	80
– Cash and investments	640	596
– Deferred debtors	88	90
Amortisation of premiums and discounts		
– Interest free (and interest reduced) loans provided	30	28
TOTAL INTEREST AND INVESTMENT REVENUE	844	794
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	31	40
General Council cash and investments	710	662
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	15	6
– Section 64	4	35
Water fund operations	25	26
Sewerage fund operations	46	14
Domestic waste management operations	13	11
Total interest and investment revenue recognised	844	794

Accounting policy for interest and investment revenue

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

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(d) Other revenues		
Rental income – other council properties	187	196
Fines	52	56
Legal fees recovery – rates and charges (extra charges)	6	7
Cultural and community activities	35	58
Diesel rebate	87	87
Insurance rebate	67	47
Lease back contributions	93	96
Recycling income (non-domestic)	354	268
Other	30	11
<u>TOTAL OTHER REVENUE</u>	<u>911</u>	<u>826</u>

Accounting policy for other revenue

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.

Fines are recognised as revenue when the when the penalty has been paid.

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

Miscellaneous sales are recognised when physical possession has transferred to the customer which is deemed to be the point of transfer of risks and rewards.

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

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	2,981	4,337	–	–
Financial assistance – local roads component	1,428	2,044	–	–
Other				
Pensioners' rates subsidies – general component	102	103	–	–
Total general purpose	4,511	6,484	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	63	64	–	–
– Sewerage	42	43	–	–
– Domestic waste management	87	89	–	–
Sewerage services	–	1,686	–	–
Community care	15	1	–	–
Economic development	5	66	92	–
Employment and training programs	12	6	–	–
Environmental protection	236	85	23	7
Flood restoration	–	–	404	1,107
Heritage and cultural	–	10	–	–
Library	44	44	7	6
LIRS subsidy	64	72	–	–
NSW rural fire services	46	47	406	438
Recreation and culture	23	33	–	6
Street lighting	66	66	–	–
Transport (roads to recovery)	1,293	495	–	–
Transport (other roads and bridges funding)	21	–	6	36
Total specific purpose	2,017	2,807	938	1,600
Total grants	6,528	9,291	938	1,600
Grant revenue is attributable to:				
– Commonwealth funding	5,702	6,876	–	–
– State funding	826	2,348	938	1,595
– Other funding	–	67	–	5
	6,528	9,291	938	1,600

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(f) Contributions					
Developer contributions:					
(s7.4 & s7.11 – EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services		–	–	135	43
S 7.12 – fixed development consent levies		–	–	85	56
S 64 – water supply contributions		–	–	90	70
S 64 – sewerage service contributions		–	–	133	39
Total developer contributions – cash		–	–	443	208
Total developer contributions	21	–	–	443	208
Other contributions:					
Cash contributions					
Heritage/cultural		21	17	–	–
Recreation and culture		–	–	–	55
Roads and bridges		11	–	3	2
RMS contributions (regional roads, block grant)		516	785	–	–
Total other contributions – cash		548	802	3	57
Total other contributions		548	802	3	57
Total contributions		548	802	446	265
TOTAL GRANTS AND CONTRIBUTIONS		7,076	10,093	1,384	1,865

Accounting policy for contributions

Control over grants and contributions is normally obtained upon their receipt (or acquittal) and is valued at the fair value of the granted or contributed asset 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 on the following page.

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.

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Operating grants		
Unexpended at the close of the previous reporting period	83	194
Add: operating grants recognised in the current period but not yet spent	862	72
Less: operating grants recognised in a previous reporting period now spent	(49)	(183)
Unexpended and held as restricted assets (operating grants)	<u>896</u>	<u>83</u>
Capital grants		
Unexpended at the close of the previous reporting period	422	56
Add: capital grants recognised in the current period but not yet spent	45	406
Less: capital grants recognised in a previous reporting period now spent	(258)	(40)
Unexpended and held as restricted assets (capital grants)	<u>209</u>	<u>422</u>
Contributions		
Unexpended at the close of the previous reporting period	1,759	2,193
Add: contributions recognised in the current period but not yet spent	127	249
Less: contributions recognised in a previous reporting period now spent	(1,221)	(683)
Unexpended and held as restricted assets (contributions)	<u>665</u>	<u>1,759</u>

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations

\$ '000	2018	2017
(a) Employee benefits and on-costs		
Salaries and wages	10,484	10,735
Travel expenses	46	22
Employee leave entitlements (ELE)	2,028	1,753
Superannuation – defined contribution plans	990	962
Superannuation – defined benefit plans	299	297
Workers' compensation insurance	268	208
Fringe benefit tax (FBT)	36	29
Training costs (other than salaries and wages)	124	140
Total employee costs	14,275	14,146
Less: capitalised costs	(1,013)	(812)
TOTAL EMPLOYEE COSTS EXPENSED	13,262	13,334

Accounting policy for employee benefits and on-costs

Employee benefit expenses are recorded when the service has been provided by the employee.

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.

Superannuation 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.

Council participates in a Defined Benefit Plan under the Local Government Superannuation Scheme, however, when sufficient information to account for the plan as a defined benefit is not available and therefore 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 – refer to Note 16 for more information.

(b) Borrowing costs

	Notes	2018	2017
(i) Interest bearing liability costs			
Interest on loans		1,252	1,322
Total interest bearing liability costs expensed		1,252	1,322
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	11	21	21
– Legal liabilities		136	–
Total other borrowing costs		157	21
TOTAL BORROWING COSTS EXPENSED		1,409	1,343

Accounting policy for borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(c) Materials and contracts		
Raw materials and consumables	6,652	7,175
Contractor and consultancy costs	2,131	3,651
Auditors remuneration ⁽²⁾	53	48
Legal expenses:		
– Legal expenses: planning and development	51	38
– Legal expenses: other	54	37
Operating leases:		
– Operating lease rentals: minimum lease payments ⁽¹⁾	150	111
<u>TOTAL MATERIALS AND CONTRACTS</u>	<u>9,091</u>	<u>11,060</u>

Operating 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.

1. Operating lease payments are attributable to:

Computers	116	111
Other	34	–
	<u>150</u>	<u>111</u>

2. Auditor remuneration

During the year the following fees were paid or payable for services provided by the auditor of Council, related practices and non-related audit firms

Auditors of the Council – NSW Auditor-General:**(i) Audit and other assurance services**

Audit and review of financial statements	48	43
Remuneration for audit and other assurance services	<u>48</u>	<u>43</u>
Total Auditor-General remuneration	<u>48</u>	<u>43</u>

Non NSW Auditor-General audit firms:**(i) Audit and other assurance services**

Other audit and assurance services	5	5
Remuneration for audit and other assurance services	<u>5</u>	<u>5</u>
Total remuneration of non NSW Auditor-General audit firms	<u>5</u>	<u>5</u>
Total Auditor remuneration	<u>53</u>	<u>48</u>

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	2017
(d) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment		1,224	1,213
Office equipment		14	8
Furniture and fittings		34	45
Infrastructure:			
– Buildings		481	484
– Roads		1,303	1,252
– Bridges		159	160
– Footpaths		61	62
– Other road assets		93	88
– Stormwater drainage		257	256
– Water supply network		1,794	1,741
– Sewerage network		664	576
– Swimming pools		89	85
– Other open space/recreational assets		143	141
Other assets:			
– Other		223	247
Reinstatement, rehabilitation and restoration assets:			
– Quarry assets	9 & 11	5	6
Total depreciation and amortisation costs		<u>6,544</u>	<u>6,364</u>
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED</u>		<u>6,544</u>	<u>6,364</u>

Accounting policy for depreciation, amortisation and impairment expenses

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 9 for IPPE assets.

Impairment of non-financial assets

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

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.

Impairment losses for revalued assets are firstly offset against the amount in the revaluation surplus for the class of asset, with only the excess to be recognised in the Income Statement.

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	2017
(e) Other expenses			
Advertising		91	94
Bad and doubtful debts		–	1
Bank charges		47	71
Contributions/levies to other levels of government		808	793
– Emergency services levy (includes FRNSW, SES, and RFS levies)		268	296
Councillor expenses – mayoral fee		25	24
Councillor expenses – councillors' fees		104	100
Councillors' expenses (incl. mayor) – other (excluding fees above)		50	56
Electricity and heating		933	827
Insurance		431	495
Street lighting		328	265
Telephone and communications		161	187
Valuation fees		70	58
<u>TOTAL OTHER EXPENSES</u>		<u>3,316</u>	<u>3,267</u>

Accounting policy for other expenses

Other expenses are recorded on an accruals basis as the Council receives the goods or services.

Note 5. Gains or losses from the disposal of assets

Property (excl. investment property)	9		
Proceeds from disposal – property		2,000	284
Less: carrying amount of property assets sold/written off		(1,150)	(168)
Net gain/(loss) on disposal		850	116
Plant and equipment	9		
Proceeds from disposal – plant and equipment		241	249
Less: carrying amount of plant and equipment assets sold/written off		(87)	(70)
Net gain/(loss) on disposal		154	179
Infrastructure	9		
Less: carrying amount of infrastructure assets sold/written off		(132)	(147)
Net gain/(loss) on disposal		(132)	(147)
Financial assets ⁽¹⁾	6		
Proceeds from disposal/redemptions/maturities – financial assets		20,500	18,000
Less: carrying amount of financial assets sold/redeemed/matured		(20,500)	(18,000)
Net gain/(loss) on disposal		–	–
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>872</u>	<u>148</u>

Accounting policy for disposal of assets

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

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 6(a). Cash and cash equivalent assets

\$ '000	2018	2017
Cash and cash equivalents		
Cash on hand and at bank	3,328	212
Cash-equivalent assets		
– Deposits at call	50	3,000
Total cash and cash equivalents	3,378	3,212

Accounting policy for 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.

Note 6(b). Investments

\$ '000	2018 Current	2018 Non-current	2017 Current	2017 Non-current
Investments				
'Loans and receivables'	23,286	–	20,500	–
Total investments	23,286	–	20,500	–
<u>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</u>	<u>26,664</u>	<u>–</u>	<u>23,712</u>	<u>–</u>
Loans and receivables				
Long term deposits	23,286	–	20,500	–
Total	23,286	–	20,500	–

Accounting policy for investments

Classification

Council classifies all its financial assets as loans and receivable.

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 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. Investments 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.

Cowra Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018

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

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	26,664	–	23,712	–
attributable to:				
External restrictions (refer below)	16,567	–	13,861	–
Internal restrictions (refer below)	9,893	–	9,590	–
Unrestricted	204	–	261	–
	26,664	–	23,712	–

\$ '000	2018	2017
---------	------	------

Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended loans – general	519	1,270
External restrictions – included in liabilities	519	1,270

External restrictions – other

Developer contributions – general	493	306
Developer contributions – water fund	172	739
Developer contributions – sewer fund	–	714
Specific purpose unexpended grants	1,105	505
Water supplies	4,895	3,631
Sewerage services	6,709	5,737
Sewerage services – Wyangala Sewerage Treatment Plant	1,715	–
Domestic waste management	959	959
External restrictions – other	16,048	12,591
Total external restrictions	16,567	13,861

Cowra Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018

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

\$ '000	2018	2017
Internal restrictions		
Plant and vehicle replacement	1,154	1,311
Infrastructure (Built Asset) replacement	2,007	679
Employees leave entitlement	250	212
Carry over works	1,004	696
Deposits, retentions and bonds	373	556
Aerodrome	25	25
Art gallery	19	19
Bad debts	48	40
Business assistance	172	172
Caravan parks	287	327
Community strategic plan	–	36
Depot redevelopment	141	200
Election	30	5
Environmental projects	8	8
Financial assistance advance payment	2,248	2,171
Fire mitigation	16	16
Gravel rehabilitation	338	354
IT equipment	67	17
Lachlan River precinct	110	98
Main St improvements	161	161
Pedestrian and cycle plan	50	50
POW maintenance	–	3
Risk management	–	237
Saleyards	136	137
S611	300	964
Warranty	250	250
Waste	359	776
Waste Long Service Leave	40	20
Workers compensation	50	50
Statewide	127	–
Statecover	120	–
Rural Roads	2	–
Street Trees	1	–
Total internal restrictions	9,893	9,590
TOTAL RESTRICTIONS	26,460	23,451

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Purpose				
Rates and annual charges	1,285	–	1,241	–
User charges and fees	2,556	–	2,820	–
Accrued revenues				
– Interest on investments	218	–	161	–
– Other income accruals	2	–	4	–
Deferred debtors	13	–	18	–
Government grants and subsidies	68	–	1,921	–
Net GST receivable	91	–	114	–
Due from RMS - State Roads Contract	2,515	–	–	–
Total	6,748	–	6,279	–
Less: provision for impairment				
Rates and annual charges	(13)	–	(13)	–
Total provision for impairment – receivables	(13)	–	(13)	–
TOTAL NET RECEIVABLES	6,735	–	6,266	–
Externally restricted receivables				
Water supply				
– Specific purpose grants	63	–	63	–
– Rates and availability charges	575	–	557	–
– Other	1,697	–	1,519	–
Sewerage services				
– Specific purpose grants	1	–	1,854	–
– Rates and availability charges	368	–	341	–
– Other	69	–	48	–
Domestic waste management	400	–	277	–
Total external restrictions	3,173	–	4,659	–
Unrestricted receivables	3,562	–	1,607	–
TOTAL NET RECEIVABLES	6,735	–	6,266	–
Movement in provision for impairment of receivables			2018	2017
Balance at the beginning of the year			13	13
Balance at the end of the year			13	13

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 7. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

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 are classified as non-current assets. Loans and receivables are included in receivables (Note 7) in the Statement of Financial Position. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

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

Impairment

For 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.

Collectability of receivables is reviewed on an on-going 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. When a receivable for which an impairment allowance had been recognised becomes uncollectable 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.

Cowra Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
(a) Inventories				
(i) Inventories at cost				
Real estate for resale (refer below)	–	195	–	195
Stores and materials	836	–	954	–
Total inventories at cost	836	195	954	195
<u>TOTAL INVENTORIES</u>	<u>836</u>	<u>195</u>	<u>954</u>	<u>195</u>
(b) Other assets				
Shares in unlisted companies – StateCover	–	174	–	174
<u>TOTAL OTHER ASSETS</u>	<u>–</u>	<u>174</u>	<u>–</u>	<u>174</u>
Externally restricted assets				
Water				
Stores and materials	3	–	3	–
Total water	3	–	3	–
Total externally restricted assets	3	–	3	–
Total internally restricted assets	–	–	–	–
Total unrestricted assets	833	369	951	369
<u>TOTAL INVENTORIES AND OTHER ASSETS</u>	<u>836</u>	<u>369</u>	<u>954</u>	<u>369</u>

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 8. Inventories and other assets (continued)

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
(i) Other disclosures				
(a) Details for real estate development				
Residential	–	195	–	195
Total real estate for resale	–	195	–	195
(Valued at the lower of cost and net realisable value)				
Represented by:				
Acquisition costs	–	195	–	195
Total costs	–	195	–	195
Total real estate for resale	–	195	–	195
Movements:				
Real estate assets at beginning of the year	–	195	–	195
Total real estate for resale	–	195	–	195

Accounting policy**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. 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.

Inventory held for distribution

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

Land held for resale/capitalisation of borrowing costs

Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

Cowra Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 9. Infrastructure, property, plant and equipment

Asset class \$ '000	as at 30/6/2017			Asset movements during the reporting period								as at 30/6/2018		
	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	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	1,882	–	1,882	411	1,405	–	–	(1,056)	–	–	–	2,642	–	2,642
Plant and equipment	22,365	16,584	5,781	–	1,350	(87)	(1,224)	–	–	–	–	22,814	16,994	5,820
Office equipment	110	8	102	–	–	–	(14)	–	–	–	–	110	22	88
Furniture and fittings	829	764	65	–	–	–	(34)	–	–	–	–	829	798	31
Land:														
– Operational land	7,087	–	7,087	–	–	(1,150)	–	–	–	–	627	6,564	–	6,564
– Community land	14,400	–	14,400	–	–	–	–	64	–	–	–	14,464	–	14,464
Infrastructure:														
– Buildings	33,989	13,633	20,356	52	286	(132)	(481)	289	226	(1,869)	–	34,709	15,982	18,727
– Roads	127,583	14,824	112,759	2,254	374	–	(1,303)	128	–	–	–	130,339	16,127	114,212
– Bridges	25,936	2,393	23,543	–	–	–	(159)	–	–	–	–	25,936	2,552	23,384
– Footpaths	9,144	919	8,225	–	–	–	(61)	–	–	–	–	9,145	981	8,164
– Other road assets	2,772	1,040	1,732	–	–	–	(93)	–	–	–	–	2,772	1,133	1,639
– Bulk earthworks (non-depreciable)	257,884	–	257,884	–	–	–	–	–	–	–	–	257,884	–	257,884
– Stormwater drainage	32,027	4,620	27,407	171	42	–	(257)	12	–	–	–	32,252	4,877	27,375
– Water supply network	118,802	54,691	64,111	317	81	–	(1,794)	82	–	–	1,346	121,777	57,634	64,143
– Sewerage network	49,702	22,042	27,660	771	29	–	(664)	185	–	–	581	51,732	23,170	28,562
– Swimming pools	2,293	1,209	1,084	–	–	–	(89)	–	–	–	–	2,293	1,298	995
– Other open space/recreational assets	4,301	1,979	2,322	–	–	–	(143)	–	(139)	–	–	4,008	1,968	2,040
Other assets:														
– Other	9,697	3,223	6,474	154	764	–	(223)	296	(87)	–	–	10,772	3,394	7,378
Reinstatement, rehabilitation and restoration assets (refer Note 11):														
– Quarry assets	174	71	103	–	–	–	(5)	–	–	–	–	174	76	98
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	720,977	138,000	582,977	4,130	4,331	(1,369)	(6,544)	–	–	(1,869)	2,554	731,216	147,006	584,210

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

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 9. Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

Infrastructure, property, plant and equipment are held at fair value. Independent valuations are performed at least every five years, however the carrying amount of assets is assessed at each reporting date to confirm that it is not materially different from current fair value.

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Crown Lands and Water (CLAW).

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.

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.

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	Years	Other equipment	Years
Office equipment	4	Playground equipment	5 to 15
Office furniture	20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	3 to 15		
Water and sewer assets		Stormwater assets	
Dams and reservoirs	80 to 100	Drains	100
Bores	20 to 40	Culverts	50 to 75
Reticulation pipes: PVC	70 to 80	Flood control structures	80 to 100
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 20		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	62	Bulk earthworks	infinite
Sealed roads: structure	166	Swimming pools	50
Unsealed roads	55	Other open space/recreational assets	50 to 100
Bridge: concrete	70 to 250	Other assets	5 to 100

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.

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 9. Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment (continued)

Land under roads

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

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

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

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.

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.

Cowra Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 10. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Payables				
Goods and services – operating expenditure	1,153	–	1,390	–
Accrued expenses:				
– Borrowings	87	–	94	–
– Other expenditure accruals	507	–	466	–
Security bonds, deposits and retentions	373	–	556	–
Total payables	2,120	–	2,506	–
Borrowings				
Loans – secured ¹	1,289	16,689	1,241	17,978
Total borrowings	1,289	16,689	1,241	17,978
TOTAL PAYABLES AND BORROWINGS	3,409	16,689	3,747	17,978

(a) Payables and borrowings relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Water	605	5,849	950	6,355
Sewer	236	6,499	248	6,613
Payables and borrowings relating to externally restricted assets	841	12,348	1,198	12,968
Total payables and borrowings relating to restricted assets	841	12,348	1,198	12,968
Total payables and borrowings relating to unrestricted assets	2,568	4,341	2,549	5,010
TOTAL PAYABLES AND BORROWINGS	3,409	16,689	3,747	17,978

¹ Loans are secured over the general rating income of Council

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 17.

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 10. Payables and borrowings (continued)

\$ '000	2018	2017
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(b) Current payables and borrowings not anticipated to be settled within the next twelve months

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

Payables – security bonds, deposits and retentions	200	400
	200	400

(c) Changes in liabilities arising from financing activities

Class of borrowings	2017		Non-cash changes			2018
	Opening balance as at 1/7/17	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance as at 30/6/18
Loans – secured	19,219	(1,241)	–	–	–	17,978
TOTAL	19,219	(1,241)	–	–	–	17,978

\$ '000	2018	2017
---------	------	------

(d) Financing arrangements**(i) Unrestricted access was available at balance date to the following lines of credit:**

Bank overdraft facilities ⁽¹⁾	1,000	1,000
Credit cards/purchase cards	60	45
Total financing arrangements	1,060	1,045
Drawn facilities as at balance date:		
– Credit cards/purchase cards	16	13
Total drawn financing arrangements	16	13
Undrawn facilities as at balance date:		
– Bank overdraft facilities	1,000	1,000
– Credit cards/purchase cards	44	32
Total undrawn financing arrangements	1,044	1,032

1. The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 10. Payables and borrowings (continued)

Accounting policy for payables and borrowings

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.

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 2018

Note 11. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits:				
Annual leave	1,335	–	1,307	–
Long service leave	2,940	128	2,881	131
Asset remediation/restoration:				
Asset remediation/restoration (future works)	387	–	–	366
Sub-total – asset remediation/restoration	387	–	–	366
Other provisions:				
Legal liability	136	–	–	–
Sub-total – other provisions	136	–	–	–
<u>TOTAL PROVISIONS</u>	<u>4,798</u>	<u>128</u>	<u>4,188</u>	<u>497</u>

(a) Provisions relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Water	357	–	–	–
Sewer	49	–	–	–
Provisions relating to externally restricted assets	406	–	–	–
Total provisions relating to restricted assets	406	–	–	–
Total provisions relating to unrestricted assets	4,392	128	4,188	497
<u>TOTAL PROVISIONS</u>	<u>4,798</u>	<u>128</u>	<u>4,188</u>	<u>497</u>

\$ '000	2018	2017
---------	------	------

(b) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	3,200	3,200
	<u>3,200</u>	<u>3,200</u>

Cowra Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 11. Provisions (continued)

\$ '000

(c) Description of and movements in provisions

2018	ELE provisions					Total
	Annual leave	Sick leave	Long service leave	ELE on-costs	Other employee benefits	
At beginning of year	1,307	–	3,012	–	–	4,319
Additional provisions	911	–	371	–	–	1,282
Amounts used (payments)	(863)	–	(315)	–	–	(1,178)
Other	(20)	–	–	–	–	(20)
Total ELE provisions at end of year	1,335	–	3,068	–	–	4,403

2017	ELE provisions					Total
	Annual leave	Sick leave	Long service leave	ELE on-costs	Other employee benefits	
At beginning of year	1,294	–	3,099	–	–	4,393
Additional provisions	837	–	158	–	–	995
Amounts used (payments)	(824)	–	(245)	–	–	(1,069)
Total ELE provisions at end of year	1,307	–	3,012	–	–	4,319

2018	Other provisions			Total
	Legal Liability	Asset remediation		
At beginning of year	–	366		366
Changes to provision:				
Additional provisions	136	–		136
Unwinding of discount	–	21		21
Total other provisions at end of year	136	387		523

2017	Other provisions			Total
	Legal Liability	Asset remediation		
At beginning of year	–	345		345
Changes to provision:				
Unwinding of discount	–	21		21
Total other provisions at end of year	–	366		366

Nature and purpose of non-employee benefit provisions

Asset remediation

Council has a legal/public obligation to make, restore, rehabilitate and reinstate the council tip and quarry.

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Provisions (continued)

Accounting policy for provisions

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

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

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

Employee benefits

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.

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.

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

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.

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Revaluation reserves

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

Note 13. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	3,378	3,212
Balance as per the Statement of Cash Flows		3,378	3,212
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		5,237	6,454
Adjust for non-cash items:			
Depreciation and amortisation		6,544	6,364
Net losses/(gains) on disposal of assets		(872)	(148)
Non-cash capital grants and contributions		–	(140)
Amortisation of premiums, discounts and prior period fair valuations			
– Interest on all fair value adjusted interest free advances made by Council		(30)	(28)
Unwinding of discount rates on reinstatement provisions		21	21
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(474)	(2,768)
Decrease/(increase) in inventories		118	(41)
Increase/(decrease) in payables		(237)	315
Increase/(decrease) in accrued interest payable		(7)	(9)
Increase/(decrease) in other accrued expenses payable		41	18
Increase/(decrease) in other liabilities		(183)	(566)
Increase/(decrease) in employee leave entitlements		84	(74)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		10,378	9,398
(c) Non-cash investing and financing activities			
Bushfire grants		–	140
Total non-cash investing and financing activities		–	140

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. Interests in other entities

\$

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 2019 to provide financial support.

Nature of risks relating to the Unconsolidated Structured Entity

Council currently contributes \$292,884 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.

	2018	2017
Losses (or expenses) incurred by Council relating to the Structured Entity	292,884	285,740

Note 15. Commitments for expenditure

\$ '000

2018

2017

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	87	150
Later than one year and not later than 5 years	120	207
Total non-cancellable operating lease commitments	207	357

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 2018

Note 16. Contingencies and other liabilities/assets not recognised

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

Council participates in an employer-sponsored defined benefit superannuation scheme and makes contributions as determined by the superannuation scheme's trustees.

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

While the scheme's most recent full actuarial review indicated that the net assets of the scheme were sufficient to meet the accrued benefits of the scheme's defined benefit member category, member councils are required to make contributions in future years where the scheme goes into deficit (as has occurred in previous years).

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

Future planned contributions being made to the defined benefit scheme to rectify past (and projected) deficit positions will be recognised as an expense when they become payable – similar to the accounting for defined contributions plans.

Member councils are treated as Pooled Employers for the purposes of AASB119. Pooled Employers are required to pay standard employer contributions and additional lump sum contributions to the Fund.

The standard employer contributions were determined using the new entrant rate method under which a contribution rate sufficient to fund the total benefits over the working life-time of a typical new entrant is calculated. The current standard employer contribution rates are:

Division B	1.9 times employee contributions
Division C	2.5% salaries
Division D	1.64 times employee contributions

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40.0 million per annum from 1 July 2017 for 4 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2017. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as 30 June 2017.

The adequacy of contributions is assessed at each triennial actuarial investigation and monitored annually between triennials.

As stated above, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses.

However, there is no relief under the Fund's trust deed for employers to walk away from their defined benefit obligations. Under limited circumstances, an employer may withdraw from the plan when there are no active members, on full payment of outstanding additional contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the entity.

There are no specific provisions under the Fund's trust deed dealing with deficits or surplus on wind-up.

There is no provision for the allocation of any surplus which may be present at the date of withdrawal of an employer.

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. Contingencies and other liabilities/assets not recognised (continued)

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(i) Defined benefit superannuation contribution plans (continued)

The plan is a defined benefit plan. However, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses (to the extent that they are not borne by members). As such, there is not sufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would for a single employer sponsored defined benefit plan.

The amount of Council employer contributions to the defined benefit section of the Fund and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2018 was \$282,362.

The last valuation of the Fund was by the Actuary, Mr Richard Boyfield, FIAA on 12 December 2017, relating to the period ended 30 June 2017.

Council's expected contributions to the Fund for the next annual reporting period is \$240,427.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2018 is:

Employer reserves only *	\$ millions	Asset Coverage
Assets	1,817.8	
Past Service Liabilities	1,787.5	101.7%
Vested Benefits	1,778.0	102.2%

* excluding member accounts and reserves in both assets and liabilities.

The key economic long term assumptions used to calculate the present value of accrued benefits are:

Investment return	6.0% per annum
Salary inflation *	3.5% per annum
Increase in CPI	2.5% per annum

* Plus promotional increases

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program, however any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group.

Please note that the estimated employer reserves financial position above is a preliminary calculation and once all the relevant information has been received by the Funds Actuary, the 2018 triennial review will be completed around December 2018.

Council's additional lump sum contribution is around 0.327% of the total additional lump sum contributions for all Pooled Employers (of \$40m each year from 1 July 2017 to 30 June 2021) provides an indication of the level of participation of Council compared with other employers in the Pooled Employer sub-group.

(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.

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. Contingencies and other liabilities/assets not recognised (continued)

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

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.

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 2018

Note 17. Financial risk management

\$ '000

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.

Fair value is determined as follows:

- **Cash** and **cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings** are based upon estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. 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 Ministerial Investment Order 625. This policy is regularly reviewed by Council and its staff and a monthly Investment report is provided to Council setting out the make-up and performance of the portfolio as required by Local Government regulations.

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
2018				
Possible impact of a 1% movement in market values	267	267	(267)	(267)
2017				
Possible impact of a 1% movement in interest rates	237	237	(237)	(237)

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. 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:

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	54%	97%	55%	95%
Overdue	46%	3%	45%	5%
	100%	100%	100%	100%

(ii) Ageing of receivables – value

Rates and annual charges

	2018	2017
Current	688	681
< 1 year overdue	282	315
1 – 2 years overdue	164	130
2 – 5 years overdue	114	100
> 5 years overdue	37	15
	1,285	1,241

Other receivables

Current	5,285	4,771
0 – 30 days overdue	138	136
31 – 60 days overdue	–	61
61 – 90 days overdue	3	–
> 91 days overdue	37	70
	5,463	5,038

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. 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	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 – 5 Years	> 5 Years		
2018							
Trade/other payables	0.00%	373	1,747	–	–	2,120	2,120
Loans and advances	6.50%	–	2,463	8,986	18,820	30,269	17,978
Total financial liabilities		373	4,210	8,986	18,820	32,389	20,098
2017							
Trade/other payables	0.00%	556	1,950	–	–	2,506	2,506
Loans and advances	5.67%	–	2,483	9,213	21,056	32,752	19,219
Total financial liabilities		556	4,433	9,213	21,056	35,258	21,725

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 26 June 2017 and is not required to be audited.

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	2018 Budget	2018 Actual	2018 ----- Variance* -----		
REVENUES					
Rates and annual charges	13,327	12,796	(531)	(4%)	U
User charges and fees	12,639	14,976	2,337	18%	F
Additional revenue from Roads and Maritime Services for contract works on State Roads \$1,805,000 Water usage charges were also up by \$634,000					
Interest and investment revenue	687	844	157	23%	F
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.					
Other revenues	809	911	102	13%	F
Income from recycled material was up by \$154,000.					
Operating grants and contributions	6,789	7,076	287	4%	F
Capital grants and contributions	1,024	1,384	360	35%	F
Developer contributions were up by \$210,000 and cannot be budgeted as the timeframe for completion of developments is beyond council control. Council also received a grant of \$92,000 for upgrading of the truck wash.					
Net gains from disposal of assets	853	872	19	2%	F

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
EXPENSES					
Employee benefits and on-costs	13,305	13,262	43	0%	F
Borrowing costs	1,259	1,409	(150)	(12%)	U
Materials and contracts	9,910	9,091	819	8%	F
Depreciation and amortisation	5,937	6,544	(607)	(10%)	U
Depreciation was over budget due to revaluation of assets occurring after the budget has been prepared.					
Other expenses	3,044	3,316	(272)	(9%)	U

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

Cash flows from operating activities	8,117	10,378	2,261	27.9%	F
Council received additional income from fees and charges and capital grants and contributions.					
Cash flows from investing activities	(10,215)	(8,971)	1,244	(12.2%)	F
Council did not complete a number of capital works projects resulting in reduced cash outflows.					
Cash flows from financing activities	(791)	(1,241)	(450)	56.9%	U
Council had proposed to take up a loan of \$450,000 but did not take up the funds.					

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. 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:

2018	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/18	–	–	5,820	5,820
Office furniture	30/06/18	–	–	88	88
Furniture and fittings	30/06/18	–	–	31	31
Operational land	30/06/18	–	2,881	3,683	6,564
Community land	30/06/16	–	–	14,464	14,464
Buildings	30/06/18	–	628	18,099	18,727
Roads	1/07/14	–	–	114,212	114,212
Bridges	1/07/14	–	–	23,384	23,384
Footpaths	1/07/14	–	–	8,164	8,164
Other Road Assets	1/07/14	–	–	1,639	1,639
Bulk earthworks	1/07/14	–	–	257,884	257,884
Stormwater drainage	1/07/14	–	–	27,375	27,375
Water supply	30/06/17	–	–	64,143	64,143
Sewerage network	30/06/17	–	–	28,562	28,562
Swimming pools	30/06/16	–	–	995	995
Other recreational assets	30/06/16	–	–	2,040	2,040
Other assets	30/06/16	–	–	7,378	7,378
Quarry assets	30/06/18	–	–	98	98
Work in Progress	30/06/18	–	–	2,642	2,642
Total infrastructure, property, plant and equipment		–	3,509	580,701	584,210

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Fair value measurement (continued)

\$ '000

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

2017	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
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	30/06/17	—	—	64,111	64,111
Sewerage network	30/06/17	—	—	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	30/06/17	—	—	103	103
Work in Progress	30/06/17	—	—	1,882	1,882
Total infrastructure, property, plant and equipment		—	—	582,977	582,977

(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 2018

Note 19. Fair value measurement (continued)

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

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

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

Infrastructure, Property, Plant & Equipment

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

Valuation Techniques: 'Cost approach'

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

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

Office Equipment – Computers, servers

Valuation Techniques: 'Cost approach'

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

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

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

Valuation Techniques: 'Cost approach'

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

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

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

Valuation Techniques: 'Market approach' and 'Cost approach'

Inputs Used (Levels 2 and 3): Land area and characteristics, rate per square metre, zoning restrictions, geographical location, sales of comparable land, proximity to services

Council's Operational Land was valued by Australis Asset Advisory Group, to inspect, analyse, compare with related assets and to provide a comprehensive valuation in accordance with AASB and OLG as at 30 June 2018.

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

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Fair value measurement (continued)

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: ‘Market 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.

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

Valuation Techniques: ‘Cost approach’

Inputs Used (Levels 2 and 3): Unit rates, useful life, asset condition, use of site, zoning and other restrictions

Council’s buildings were valued at fair value as at 30th June 2018 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 Buildings were valued by Australis Asset Advisory Group as at 30 June 2018. Australis 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.

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

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Fair value measurement (continued)

Roads – Road surface, pavement, formation, major earthworks

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 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
- 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 2018

Note 19. 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 Asset Advisory Group 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 Asset Advisory Group 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.

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

Cowra Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 19. Fair value measurement (continued)

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.

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Fair value measurement (continued)

\$ '000

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

a. The following tables present the changes in level 3 fair value asset classes.

	Total	Total
Opening balance – 1/7/16	575,302	575,302
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
Closing balance – 30/6/17	582,977	582,977
Purchases (GBV)	8,461	8,461
Disposals (WDV)	(1,369)	(1,369)
Depreciation and impairment	(6,544)	(6,544)
FV gains – other comprehensive income	(2,824)	(2,824)
Closing balance – 30/6/18	580,701	580,701

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 (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
IPP&E			
Plant and equipment	5,820	Cost used to approximate fair value	Gross replacement cost, residual value, remaining useful life
Office furniture	88	Cost used to approximate fair value	Gross replacement cost, residual value, remaining useful life
Furniture and fittings	31	Cost used to approximate fair value	Gross replacement cost, residual value, remaining useful life
Operational land	3,683	Market Value	Price per sq metre
Community land	14,464	Land values obtained from NSW Valuer General	Land value, land area
Buildings	18,099	Cost used to approximate fair value	Unit rates, asset condition remaining useful life
Roads	114,212	Cost used to approximate fair value	Unit rates, asset condition remaining useful life
Bridges	23,384	Cost used to approximate fair value	Unit rates, asset condition remaining useful life

Cowra Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 19. Fair value measurement (continued)

\$ '000

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

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

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
IPP&E (continued)			
Footpaths	8,164	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	27,375	Cost used to approximate fair value	Unit rates, asset condition remaining useful life
Water supply	64,143	NSW Reference Rates Manual	Unit rates, asset condition remaining useful life
Sewerage network	28,562	NSW Reference Rates Manual	Unit rates, asset condition remaining useful life
Swimming pools	995	Cost used to approximate fair value	Gross replacement cost, asset condition remaining useful life
Other recreational assets	2,040	Cost used to approximate fair value	Gross replacement cost, asset condition remaining useful life
Other assets	7,378	Cost used to approximate fair value	Gross replacement cost, asset condition remaining useful life
Quarry assets	98	Cost used to approximate fair value	Discounted Future Cash Flow, remaining life, remediation cost estimates
Other Road Assets	1,639	Cost used to approximate fair value	Unit rates, asset condition remaining useful life
Work in Progress	2,642	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 2018

Note 20. Related party transactions

\$ '000

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:

Compensation:	2018	2017
Short-term benefits	905	910
Other long-term benefits	124	19
Total	1,029	929

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Related party transactions (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
	Actual \$	Actual \$		Actual \$	Actual \$
2018					
		Council owes \$7,309 for 8 days payroll accrual and accrued leave balances	Council staff award	—	—
Employee expenses relating to close family members of KMP	56,939				
2017					
		Council owes \$8,307 for 8 days payroll accrual and accrued leave balances	Council staff award	—	—
Employee expenses relating to close family members of KMP	52,772				

Cowra Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 21. Statement of developer contributions

\$ '000

Under the *Environmental Planning and Assessment Act 1979*, Council has significant obligations to provide Section 7.11 (contributions towards provision or improvement of amenities or services) infrastructure in new release areas.

It is possible that the funds contributed may be less than the cost of this infrastructure, requiring Council to borrow or use general revenue to fund the difference.

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	–	6	–	–	(6)	–	–	–
Roads	–	16	–	–	(16)	–	–	–
Parking	11	–	–	–	–	–	11	–
Open space	24	1	–	–	(25)	–	–	–
Community facilities	–	4	–	–	–	–	4	–
Bushfire	–	1	–	–	(1)	–	–	–
Other	128	107	–	7	–	–	242	–
S7.11 contributions – under a plan	163	135	–	7	(48)	–	257	–
S7.12 levies – under a plan	143	85	–	8	–	–	236	–
Total S7.11 and S7.12 revenue under plans	306	220	–	15	(48)	–	493	–
S64 contributions	1,453	223	–	4	(1,508)	–	172	–
Total contributions	1,759	443	–	19	(1,556)	–	665	–

Cowra Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 21. Statement of developer contributions (continued)

\$ '000

S7.11 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	–	6	–	–	(6)	–	–	–
Roads	–	16	–	–	(16)	–	–	–
Parking	11	–	–	–	–	–	11	–
Open space	24	1	–	–	(25)	–	–	–
Community facilities	–	4	–	–	–	–	4	–
Bushfire	–	1	–	–	(1)	–	–	–
Other	128	107	–	7	–	–	242	–
Total	163	135	–	7	(48)	–	257	–

S7.12 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	143	85	–	8	–	–	236	–
Total	143	85	–	8	–	–	236	–

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Financial result and financial position by fund

Income Statement by fund			
\$ '000	2018	2018	2018
Continuing operations	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	1,527	2,511	8,758
User charges and fees	5,012	744	9,220
Interest and investment revenue	29	46	769
Other revenues	818	239	804
Grants and contributions provided for operating purposes	148	42	6,886
Grants and contributions provided for capital purposes	90	133	1,161
Other income			
Net gains from disposal of assets	–	–	872
Total income from continuing operations	7,624	3,715	28,470
Expenses from continuing operations			
Employee benefits and on-costs	1,286	373	11,603
Borrowing costs	391	542	476
Materials and contracts	3,302	1,456	5,283
Depreciation and amortisation	1,896	685	3,963
Other expenses	597	187	2,532
Total expenses from continuing operations	7,472	3,243	23,857
Operating result from continuing operations	152	472	4,613
Net operating result attributable to each council fund	152	472	4,613
Net operating result for the year before grants and contributions provided for capital purposes	62	339	3,452

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

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

Cowra Shire Council

Notes to the Financial Statements

as at 30 June 2018

Note 22. Financial result and financial position by fund (continued)

Statement of Financial Position by fund			
\$ '000	2018	2018	2018
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	660	891	1,827
Investments	4,407	7,533	11,346
Receivables	2,335	438	3,962
Inventories	3	–	833
Total current assets	7,405	8,862	17,968
Non-current assets			
Inventories	–	–	195
Infrastructure, property, plant and equipment	65,003	30,337	488,870
Total non-current assets	65,003	30,337	489,239
TOTAL ASSETS	72,408	39,199	507,207
LIABILITIES			
Current liabilities			
Payables	95	122	1,903
Borrowings	510	114	665
Provisions	357	49	4,392
Total current liabilities	962	285	6,960
Non-current liabilities			
Borrowings	5,849	6,499	4,341
Provisions	–	–	128
Total non-current liabilities	5,849	6,499	4,469
TOTAL LIABILITIES	6,811	6,784	11,429
Net assets	65,597	32,415	495,778
EQUITY			
Accumulated surplus	16,780	22,026	150,874
Revaluation reserves	48,817	10,389	344,904
Total equity	65,597	32,415	495,778

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

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

Cowra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>2,981</u>	8.14%	11.16%	4.45%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>36,603</u>				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>29,527</u>	77.73%	71.31%	76.93%	> 60.00%
Total continuing operating revenue ⁽¹⁾	<u>37,987</u>				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	<u>14,492</u>	4.07x	3.96x	2.53x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>3,560</u>				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>10,934</u>	4.13x	4.81x	3.83x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>2,650</u>				
5(a). Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	<u>1,272</u>	9.01%	9.02%	7.64%	< 10% regional & rural
Rates, annual and extra charges collectible	<u>14,116</u>				
5(b). Rates, annual charges, interest and extra charges outstanding percentage *					
Rates, annual and extra charges outstanding	<u>678</u>	5.01%	5.02%	3.95%	< 10% regional & rural
Rates, annual and extra charges collectible	<u>13,522</u>				
* This calculation excludes items for which the charge has been raised just prior to the year end, and as of 30th June the bill has not yet been received by the customer and so the amount is therefore not collectible.					
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	<u>26,664</u>	10.60			
Payments from cash flow of operating and financing activities	<u>2,515</u>	mths	8.9 mths	9.2 mths	> 3 mths

Notes

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

(2) Refer Notes 6-8 inclusive.

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

(3) Refer to Notes 10 and 11.

(4) Refer to Note 10(b) and 11(b) – 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 2018

Note 23(b). Statement of performance measures – by fund

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund							
1. Operating performance ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	10.26%	11.49%	0.52%	-8.87%	9.16%	35.55%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
2. Own source operating revenue ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	69.80%	66.30%	96.88%	96.98%	95.29%	66.08%	> 60.00%
Total continuing operating revenue ⁽¹⁾							
3. Unrestricted current ratio							
Current assets less all external restrictions ⁽²⁾	4.07x	3.96x	7.52x	6.08x	31.09x	32.18x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)							

Notes

(1) - (4) Refer to Notes at Note 23a 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 2018

Note 23(b). Statement of performance measures – by fund (continued)

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund (continued)							
4. Debt service cover ratio							
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	6.28x	7.45x	2.65x	1.91x	2.40x	4.60x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	3.60%	3.74%	27.26%	27.37%	12.83%	12.36%	< 10% regional & rural
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	7.37	6.70	10.03	8.82	37.96	27.40	> 3 months
Payments from cash flow of operating and financing activities	months	months	months	months	months	months	

Notes

(1) Refer to Notes at Note 23a above.

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

END OF AUDITED FINANCIAL STATEMENTS

Cowra Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018

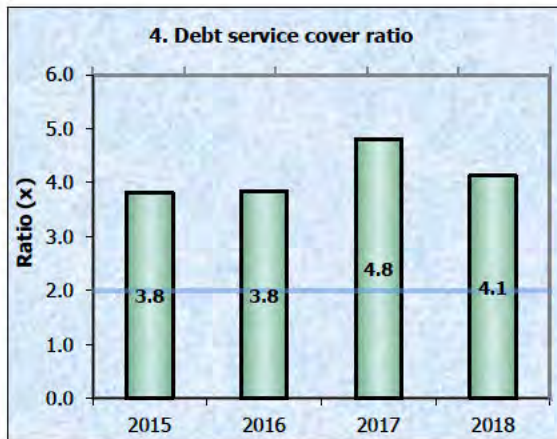
Note 23(c). Statement of performance measures – consolidated results (graphs)

<p>1. Operating performance ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>7%</td> </tr> <tr> <td>2016</td> <td>4%</td> </tr> <tr> <td>2017</td> <td>11%</td> </tr> <tr> <td>2018</td> <td>8%</td> </tr> </tbody> </table>	Year	Ratio %	2015	7%	2016	4%	2017	11%	2018	8%	<p>Purpose of operating performance ratio</p> <p>This ratio measures Council's achievement of containing operating expenditure within operating revenue.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 ratio 8.14%</p> <p>Council's Operating Performance Ratio is still very sound and demonstrates council has again managed its budgets.</p>
Year	Ratio %											
2015	7%											
2016	4%											
2017	11%											
2018	8%											
<p>Benchmark: Minimum >=0.00%</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>		<p> Ratio achieves benchmark</p> <p> Ratio is outside benchmark</p>										
<p>2. Own source operating revenue ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>80%</td> </tr> <tr> <td>2016</td> <td>77%</td> </tr> <tr> <td>2017</td> <td>71%</td> </tr> <tr> <td>2018</td> <td>78%</td> </tr> </tbody> </table>	Year	Ratio %	2015	80%	2016	77%	2017	71%	2018	78%	<p>Purpose of own source operating revenue ratio</p> <p>This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 ratio 77.73%</p> <p>Council's Own Source Revenue Ratio remains well above the industry benchmark.</p>
Year	Ratio %											
2015	80%											
2016	77%											
2017	71%											
2018	78%											
<p>Benchmark: Minimum >=60.00%</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>		<p> Ratio achieves benchmark</p> <p> Ratio is outside benchmark</p>										
<p>3. Unrestricted current ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (x)</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>3.0</td> </tr> <tr> <td>2016</td> <td>2.5</td> </tr> <tr> <td>2017</td> <td>4.0</td> </tr> <tr> <td>2018</td> <td>4.1</td> </tr> </tbody> </table>	Year	Ratio (x)	2015	3.0	2016	2.5	2017	4.0	2018	4.1	<p>Purpose of unrestricted current ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 ratio 4.07x</p> <p>The Unrestricted Current Ratio is again well above the benchmark.</p>
Year	Ratio (x)											
2015	3.0											
2016	2.5											
2017	4.0											
2018	4.1											
<p>Benchmark: Minimum >=1.50</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>		<p> Ratio achieves benchmark</p> <p> Ratio is outside benchmark</p>										

Cowra Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 23(c). Statement of performance measures – consolidated results (graphs)



Purpose of debt service cover ratio

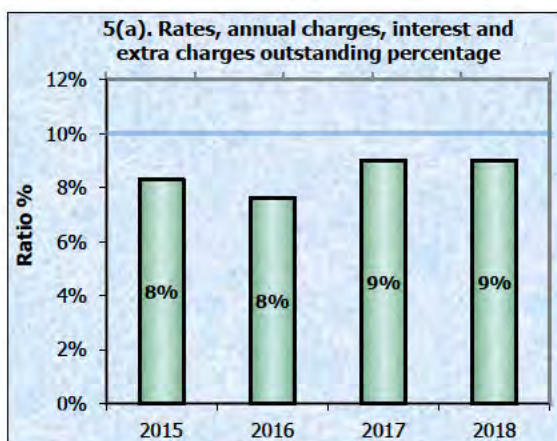
This ratio measures the availability of operating cash to service debt including interest, principal and lease payments

Commentary on 2017/18 result	
2017/18 ratio	4.13x
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 #26

■ Ratio achieves benchmark
■ Ratio is outside benchmark



Purpose of rates and annual charges outstanding ratio

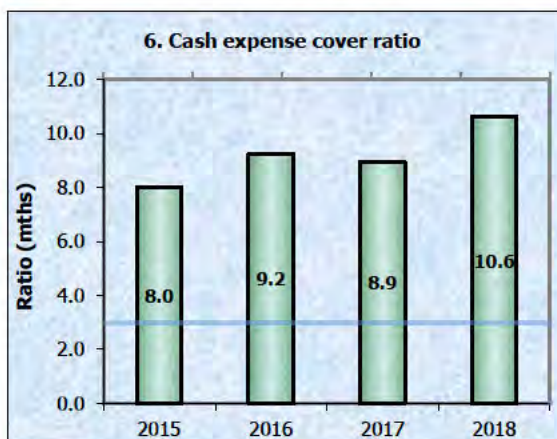
To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.

Commentary on 2017/18 result	
2017/18 ratio	9.01%
Outstanding rates and charges is still within the benchmark despite a very difficult period being experienced by many land holders in rural NSW.	

Benchmark: — Maximum $< 10.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #26

■ 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 2017/18 result	
2017/18 ratio	10.60 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 #26

■ Ratio achieves benchmark
■ Ratio is outside benchmark

Cowra Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 24. Council information and contact details

Principal place of business:

116 Kendal Street
Cowra NSW 2794

Contact details

Mailing address:

Private Bag 342
Cowra NSW 2794

Opening hours:

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

Telephone: 02 6340 2000

Facsimile: 02 6340 2011

Internet: www.cowracouncil.com.au

Email: council@cowra.nsw.gov.au

Officers

GENERAL MANAGER

Mr P Devery

RESPONSIBLE ACCOUNTING OFFICER

Mr M Jones

Elected members

MAYOR

Cr WJ West

Other information

ABN: 26 739 454 579



INDEPENDENT AUDITOR'S REPORT
Report on the general purpose financial report
Cowra Shire Council

To the Councillors of the Cowra Shire Council

Opinion

I have audited the accompanying financial report of Cowra Shire Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, the 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 report:
 - has been presented, in all material respects, in accordance with the requirements of this Division
 - is consistent with the Council's accounting records
 - presents fairly, in all material respects, the financial position of the Council as at 30 June 2018, 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 report 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 Report' 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 Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the financial report and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial report does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the special purpose financial statements and Special Schedule 2 - Permissible income for general rates.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

The Councillors are responsible for the preparation and fair presentation of the financial report 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 report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting except where the Council will be dissolved or amalgamated by an Act of Parliament, or otherwise cease operations.

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:


- obtain reasonable assurance about whether the financial report 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 the financial report.

A description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: 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 Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 18 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule 2 - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.



Karen Taylor
Director, Financial Audit Services

29 October 2018
SYDNEY

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

Contact: Karen Taylor
 Phone no: 02 9275 7311
 Our ref: 1825703/1718

29 October 2018

Dear Mr Mayor

**Report on the Conduct of the Audit
 for the year ended 30 June 2018
 Cowra Shire Council**

I have audited the general purpose financial statements of the Cowra Shire Council (the Council) for the year ended 30 June 2018 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 2018 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

	2018 \$m	2017 \$m	Variance %
Rates and annual charges revenue	12.8	12.5	↑ 2.4
Grants and contributions revenue	8.5	12.0	↓ 29.2
Materials and Contract expenses	9.1	11.1	↓ 18.0
Operating result for the year	5.4	6.5	↓ 16.9
Net operating result before capital amounts	4.0	4.6	↓ 13.0

The growth in rates and annual charges is consistent with the rate-pegging limit of 1.5 per cent and increases in annual charges for water (2.25%), sewer (1.5%) and domestic waste (3.0%).

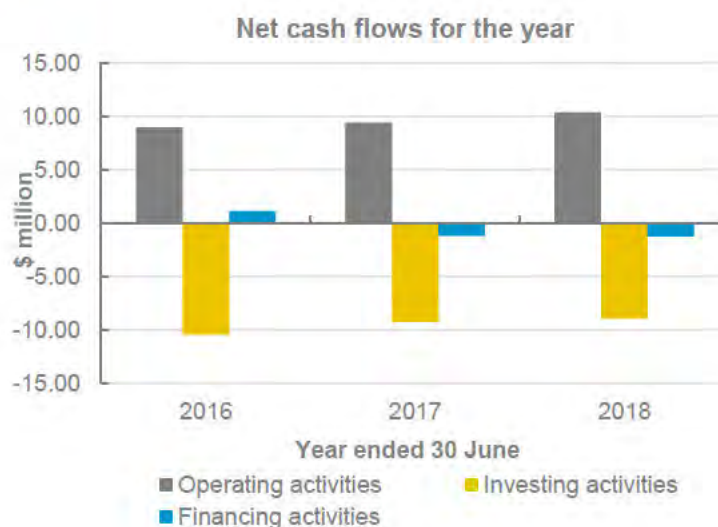
Grants and contributions revenue dipped after a number of one-off payments impacted the 2017 financial year. These included the advance payment of 2018 instalments of the Financial Assistance Grant (\$2.2 million), a state government grant for sewerage maintenance at Wyangla Dam (\$1.7 million) and a state government grant for the repair of flood-damaged roads (\$1.1 million). No such amounts were received in the current year.

The net operating result was mainly generated from the General fund. Note 22 reported surpluses in the General fund of \$4.8 million, Sewer Fund of \$0.5 million and a \$0.1 million surplus in the Water Fund.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows in 2017–18 shows Council generated a net cash inflow of \$0.2 million. When investments are also included, council grew its cash, cash equivalents and investments balance by \$3.0 million.

Over the three-year period graphed, Council has generated operating cash flow surpluses allowing it to maintain and renew community infrastructure.



FINANCIAL POSITION

Cash and Investments

Restricted Cash and Investments	2018	2017	Commentary
	\$m	\$m	
External restrictions	16.6	13.9	Externally restricted balances include unexpended loans, grants, developer contributions water, sewer and domestic waste management charges.
Internal restrictions	9.9	9.5	
Unrestricted	0.2	0.3	
Cash and investments	26.7	23.7	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.

Debt

At 30 June 2018, Council had external borrowings of \$18.0 million (\$19.2 million at 30 June 2017) and access to a \$1.0 million (\$1.0 million at 30 June 2017:) 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 23 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 a spike in the 2017 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 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.

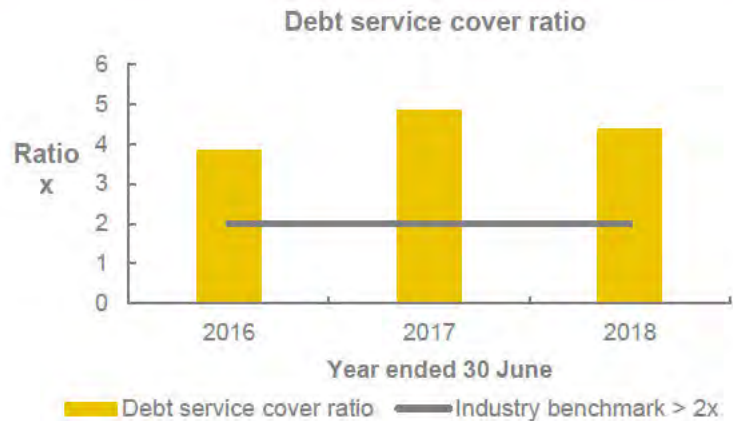
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

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

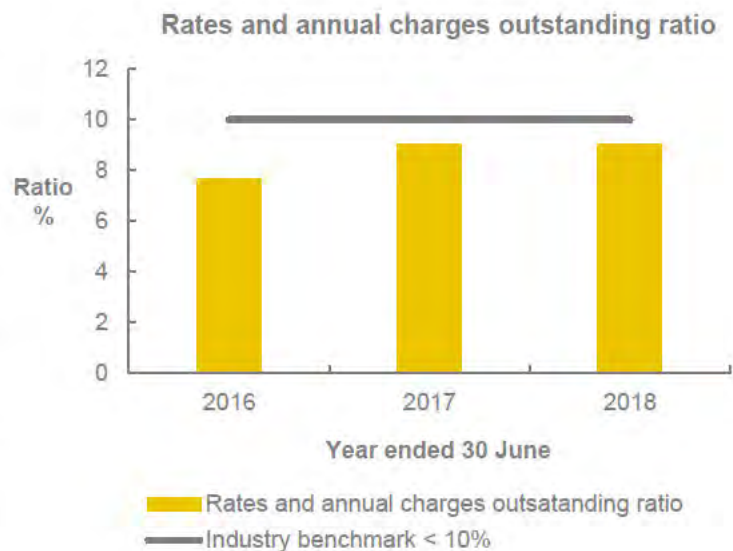
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



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. With the impact of that removed, the outcome in 2018 would be 5%.

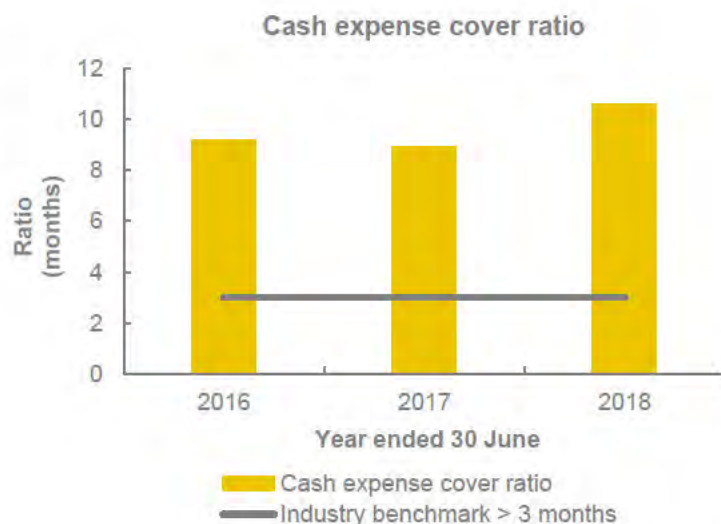
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for rural councils.



Cash expense cover ratio

Council's high level 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.

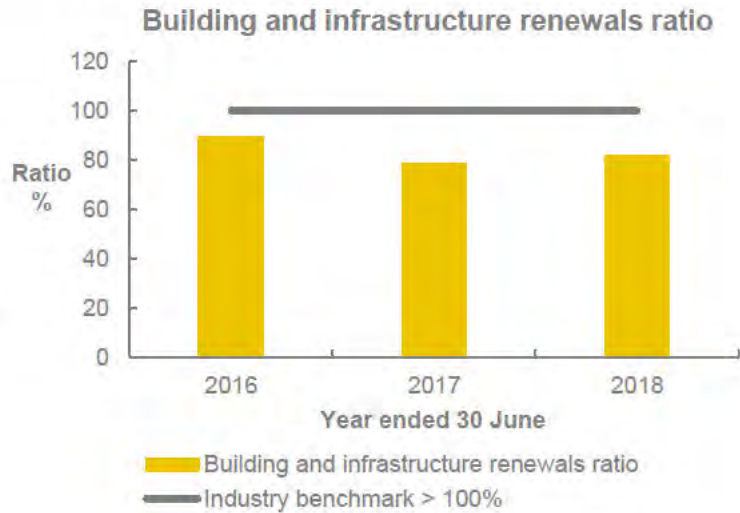


Building and infrastructure renewals ratio

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 2016-2 'Disclosure Initiative – Amendments to AASB 107'

Effective for annual reporting periods beginning on or after 1 January 2017

This Standard requires entities to provide disclosures that enable users of financial statements to evaluate changes (both cash flows and non-cash changes) in liabilities arising from financing activities.

Council's disclosure of the changes in their liabilities arising from financing activities is disclosed in the notes.

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 2018

*“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 2018

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Statement of Financial Position – Sewerage Business Activity	6
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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 2018

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 27 August 2018.



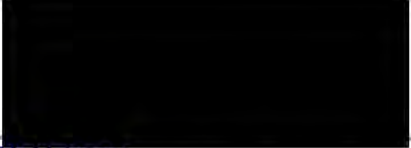
Cr WJ West
Mayor
17 September 2018



CR JA Smith
Councillor
17 September 2018



Mr P Devery
General Manager
17 September 2018



Mr M Jones
Responsible Accounting Officer
17 September 2018

Cowra Shire Council

Income Statement of Council's Water Supply Business Activity
for the year ended 30 June 2018

\$ '000	2018	2017
Income from continuing operations		
Access charges	1,527	1,480
User charges	4,917	4,257
Fees	95	41
Interest	29	44
Grants and contributions provided for non-capital purposes	148	137
Other income	818	803
Total income from continuing operations	7,534	6,762
Expenses from continuing operations		
Employee benefits and on-costs	1,286	1,309
Borrowing costs	391	415
Materials and contracts	3,047	2,982
Depreciation, amortisation and impairment	1,896	1,854
Water purchase charges	255	267
Calculated taxation equivalents	23	24
Other expenses	597	511
Total expenses from continuing operations	7,495	7,362
Surplus (deficit) from continuing operations before capital amounts	39	(600)
Grants and contributions provided for capital purposes	90	70
Surplus (deficit) from continuing operations after capital amounts	129	(530)
Surplus (deficit) from all operations before tax	129	(530)
Less: corporate taxation equivalent (30%) [based on result before capital]	(12)	-
SURPLUS (DEFICIT) AFTER TAX	117	(530)
Plus opening retained profits	16,628	17,134
Plus adjustments for amounts unpaid:		
- Taxation equivalent payments	23	24
- Corporate taxation equivalent	12	-
Closing retained profits	16,780	16,628
Return on capital %	0.7%	-0.3%
Subsidy from Council	1,280	1,754
Calculation of dividend payable:		
Surplus (deficit) after tax	117	(530)
Surplus for dividend calculation purposes	117	-
Potential dividend calculated from surplus	59	-

Cowra Shire Council

Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2018

\$ '000	2018	2017
Income from continuing operations		
Access charges	2,511	2,464
User charges	640	626
Liquid trade waste charges	104	82
Interest	46	31
Grants and contributions provided for non-capital purposes	42	1,728
Other income	239	239
Total income from continuing operations	3,582	5,170
Expenses from continuing operations		
Employee benefits and on-costs	373	639
Borrowing costs	542	549
Materials and contracts	1,456	1,348
Depreciation, amortisation and impairment	685	597
Calculated taxation equivalents	11	9
Other expenses	187	190
Total expenses from continuing operations	3,254	3,332
Surplus (deficit) from continuing operations before capital amounts	328	1,838
Grants and contributions provided for capital purposes	133	39
Surplus (deficit) from continuing operations after capital amounts	461	1,877
Surplus (deficit) from all operations before tax	461	1,877
Less: corporate taxation equivalent (30%) [based on result before capital]	(98)	(551)
SURPLUS (DEFICIT) AFTER TAX	363	1,326
Plus opening retained profits	21,554	19,668
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	11	9
– Corporate taxation equivalent	98	551
Closing retained profits	22,026	21,554
Return on capital %	2.9%	8.1%
Calculation of dividend payable:		
Surplus (deficit) after tax	363	1,326
Surplus for dividend calculation purposes	363	1,326
Potential dividend calculated from surplus	181	663

Cowra Shire Council

Statement of Financial Position – Council's Water Supply Business Activity
as at 30 June 2018

\$ '000	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	660	620
Investments	4,407	3,750
Receivables	2,335	2,139
Inventories	3	3
Total current assets	7,405	6,512
Non-current assets		
Infrastructure, property, plant and equipment	65,003	65,940
Total non-current assets	65,003	65,940
TOTAL ASSETS	72,408	72,452
LIABILITIES		
Current liabilities		
Payables	95	137
Borrowings	510	490
Provisions	357	323
Total current liabilities	962	950
Non-current liabilities		
Borrowings	5,849	6,354
Provisions	–	1
Total non-current liabilities	5,849	6,355
TOTAL LIABILITIES	6,811	7,305
NET ASSETS	65,597	65,147
EQUITY		
Accumulated surplus	16,780	16,628
Revaluation reserves	48,817	48,519
Council equity interest	65,597	65,147
TOTAL EQUITY	65,597	65,147

Cowra Shire Council

Statement of Financial Position – Council's Sewerage Business Activity
as at 30 June 2018

\$ '000	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	891	853
Investments	7,533	5,598
Receivables	438	2,243
Total current Assets	8,862	8,694
Non-current assets		
Infrastructure, property, plant and equipment	30,337	29,596
Total non-current assets	30,337	29,596
TOTAL ASSETS	39,199	38,290
LIABILITIES		
Current liabilities		
Payables	122	72
Borrowings	114	105
Provisions	49	71
Total current liabilities	285	248
Non-current liabilities		
Borrowings	6,499	6,613
Total non-current liabilities	6,499	6,613
TOTAL LIABILITIES	6,784	6,861
NET ASSETS	32,415	31,429
EQUITY		
Accumulated surplus	22,026	21,554
Revaluation reserves	10,389	9,875
Council equity interest	32,415	31,429
TOTAL EQUITY	32,415	31,429

Cowra Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2018

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	12
3	Sewerage Business Best-Practice Management disclosure requirements	14

Cowra Shire Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

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.

Cowra Shire Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2018

Note 1. Significant accounting policies (continued)

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 Crown Lands and Water (CLAW), 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 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 \$629,000 of combined land values attracts **0%**. For the combined land values in excess of \$629,001 up to \$3,846,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$3,846,000 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 Crown Lands and Water (CLAW), 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%.

Cowra Shire Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

Note 1. Significant accounting policies (continued)

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 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

Cowra Shire Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

Note 1. Significant accounting policies (continued)

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.63% at 30/6/18.

(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 2018 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.

END OF AUDITED SPECIAL PURPOSE FINANCIAL STATEMENTS

Cowra Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2018Note 2. Water supply business
best-practice management disclosure requirements

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

2018

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	23,000
(ii)	Number of assessments multiplied by \$3/assessment	17,898
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	17,898
(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]	58,650
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	161,082
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	(392,700)

2018 Surplus	117,300	2017 Surplus	(530,000)	2016 Surplus	20,000
		2017 Dividend	–	2016 Dividend	–

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

3. Required outcomes for 6 criteria

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

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Full cost recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	– Complying charges [item 2 (b) in table 1]	YES
	– DSP with commercial developer charges [item 2 (e) in table 1]	YES
	– If dual water supplies, complying charges [item 2 (g) in table 1]	YES
(iii)	Sound water conservation and demand management implemented	YES
(iv)	Sound drought management implemented	YES
(v)	Complete performance reporting form (by 15 September each year)	YES
(vi)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	NO

Cowra Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2018Note 2. Water supply business
best-practice management disclosure requirements (continued)

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

2018

National Water Initiative (NWI) financial performance indicators

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	7,620
NWI F4	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	76.31%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	64,143
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	4,370
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	503
NWI F17	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	2.08%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

- Notes:
- References to w (e.g. w12) refer to item numbers within Special Schedules 3 and 4 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

Cowra Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2018Note 3. Sewerage business
best-practice management disclosure requirements

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

2018

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	11,000
(ii)	Number of assessments multiplied by \$3/assessment	11,118
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	11,000
(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]	181,300
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	100,180
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	2,022,400

2018 Surplus	362,600	2017 Surplus	1,325,600	2016 Surplus	334,200
		2017 Dividend	–	2016 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	100,180
(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? ^a	YES

3. Required outcomes for 4 criteria

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

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

Cowra Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2018Note 3. Sewerage business
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2018

National Water Initiative (NWI) financial performance indicators

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	3,686
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	28,562
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	1,911
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	800
NWI F18	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	3.59%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

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

NWI F3	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	11,306
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	0.93%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	1,303
NWI F19	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	2.56%
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 2018Note 3. Sewerage business
best-practice management disclosure requirements (continued)

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

2018

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

NWI F22	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	<input type="text" value="-0.53%"/>
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest Earnings before interest and tax (EBIT): <input type="text" value="2,444"/> 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: <input type="text" value="904"/> Interest expense (w4a + s4a) – interest income (w9 + s10)		<input type="text" value="3"/>
NWI F24	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	<input type="text" value="624"/>
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	<input type="text" value="105"/>

- 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 report
Cowra Shire Council

To the Councillors of the Cowra Shire Council

Opinion

I have audited the accompanying special purpose financial report (the financial report) of Cowra Shire Council's (the Council) Declared Business Activities, which comprise the Income Statement of each Declared Business Activity for the year ended 30 June 2018, the Statement of Financial Position of each Declared Business Activity as at 30 June 2018, 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 report presents fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2018, and its financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

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

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 Report' 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 report which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the LG Code. As a result, the financial report may not be suitable for another purpose.

Other Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the financial report and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial report does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and Special Schedule 2 - Permissible income for general rates.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

The Councillors are responsible for the preparation and fair presentation of the financial report and for determining that the accounting policies, described in Note 1 to the financial report, 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 report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:


- obtain reasonable assurance about whether the financial report 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 the financial report.

A description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: 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 report
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.



Karen Taylor
Director, Financial Audit Services

29 October 2018
SYDNEY

Cowra Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2018

*“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 2018

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¹ Special Schedules are not audited (with the exception of Special Schedule 2).

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 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	867	–	–	(867)
Administration	4,435	1,094	–	(3,341)
Public order and safety				
Fire service levy, fire protection, emergency services	417	46	407	36
Beach control	–	–	–	–
Enforcement of local government regulations	–	–	–	–
Animal control	190	72	–	(118)
Other	–	–	–	–
Total public order and safety	607	118	407	(82)
Health	–	17	–	17
Environment				
Noxious plants and insect/vermin control	461	71	–	(390)
Other environmental protection	34	166	–	132
Solid waste management	2,553	3,442	23	912
Street cleaning	–	–	–	–
Drainage	63	21	6	(36)
Stormwater management	–	–	–	–
Total environment	3,111	3,700	29	618
Community services and education				
Administration and education	133	15	–	(118)
Social protection (welfare)	–	–	–	–
Aged persons and disabled	–	–	–	–
Children's services	–	–	–	–
Total community services and education	133	15	–	(118)
Housing and community amenities				
Public cemeteries	236	269	–	33
Public conveniences	112	–	–	(112)
Street lighting	328	66	–	(262)
Town planning	1,264	416	199	(649)
Other community amenities	–	–	–	–
Total housing and community amenities	1,940	751	199	(990)
Water supplies	5,635	6,777	90	1,232
Sewerage services	2,323	3,369	133	1,179

Cowra Shire Council

Special Schedule 1 – Net Cost of Services (continued)
for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	930	52	7	(871)
Museums	–	–	–	–
Art galleries	299	39	–	(260)
Community centres and halls	107	14	–	(93)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	141	5	–	(136)
Sporting grounds and venues	189	1	1	(187)
Swimming pools	476	202	–	(274)
Parks and gardens (lakes)	1,404	6	–	(1,398)
Other sport and recreation	39	20	–	(19)
Total recreation and culture	3,585	339	8	(3,238)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	15	1	–	(14)
Other mining, manufacturing and construction	43	–	–	(43)
Total mining, manufacturing and const.	58	1	–	(57)
Transport and communication				
Urban roads (UR) – local	3,927	–	20	(3,907)
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	478	1,293	406	1,221
Sealed rural roads (SRR) – regional	383	516	–	133
Unsealed rural roads (URR) – local	–	–	–	–
Unsealed rural roads (URR) – regional	266	–	–	(266)
Bridges on UR – local	–	–	–	–
Bridges on SRR – local	12	–	–	(12)
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	–	–	–	–
Footpaths	24	–	–	(24)
Aerodromes	152	29	–	(123)
Other transport and communication	6	21	–	15
Total transport and communication	5,248	1,859	426	(2,963)
Economic affairs				
Camping areas and caravan parks	362	571	–	209
Other economic affairs	5,318	7,249	92	2,023
Total economic affairs	5,680	7,820	92	2,232
Totals – functions	33,622	25,860	1,384	(6,378)
General purpose revenues ⁽¹⁾		11,615		11,615
Share of interests – joint ventures and associates using the equity method	–	–	–	–
NET OPERATING RESULT ⁽²⁾	33,622	37,475	1,384	5,237

(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 – Permissible income for general rates

for the year ended 30 June 2019

\$'000		Calculation 2018/19	Calculation 2017/18
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	6,583	6,496
Plus or minus adjustments ⁽²⁾	b	16	(4)
Notional general income	c = (a + b)	6,599	6,492
Permissible income calculation			
Special variation percentage ⁽³⁾	d		
Or rate peg percentage	e	2.30%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f		
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	–	–
Or plus rate peg amount	i = c x e	152	97
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
Sub-total	k = (c + g + h + i + j)	6,751	6,589
Plus (or minus) last year's carry forward total	l	(6)	(12)
Less valuation objections claimed in the previous year	m	–	–
Sub-total	n = (l + m)	(6)	(12)
Total permissible income	o = k + n	6,745	6,577
Less notional general income yield	p	6,753	6,583
Catch-up or (excess) result	q = o – p	(8)	(6)
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	–	–
Less unused catch-up ⁽⁵⁾	s	–	–
Carry forward to next year	t = q + r – s	(8)	(6)

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 2 in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule 2 - Permissible Income for general rates

Cowra Shire Council

To the Councillors of Cowra Shire Council

Opinion

I have audited the accompanying Special Schedule 2 – Permissible Income for general rates (the Schedule) of Cowra Shire Council (the Council) for the year ending 30 June 2019.

In my opinion, the Schedule of the Council for the year ending 30 June 2019 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.

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 Schedule' 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 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 special purpose framework used to prepare the Schedule. The Schedule had been prepared for the purpose of fulfilling the Council's reporting obligations under the LG Code. As a result, the Schedule may not be suitable for another purpose.

Other Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and the Special Schedules excluding Special Schedule 2 (the other Schedules).

My opinion on the Schedule does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and the special purpose financial statements.

In connection with my audit of the Schedule, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Schedule or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

The Councillors are responsible for the preparation of the Schedule 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 the Schedule that is free from material misstatement, whether due to fraud or error.

In preparing the Schedule, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

- obtain reasonable assurance whether the Schedule 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 the Schedule.

A description of my responsibilities for the audit of the Schedule is located at the Auditing and Assurance Standards Board website at: 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 Schedule on any website where it may be presented
- about any other information which may have been hyperlinked to/from the Schedule.



Karen Taylor
Director, Financial Audit Services

29 October 2018
SYDNEY

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 2018

\$'000	2018	2017
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	38	40
b. Engineering and supervision	317	342
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
– Mains		
c. Operation expenses	78	87
d. Maintenance expenses	574	617
– Reservoirs		
e. Operation expenses	–	–
f. Maintenance expenses	62	59
– Pumping stations		
g. Operation expenses (excluding energy costs)	140	147
h. Energy costs	464	366
i. Maintenance expenses	–	–
– Treatment		
j. Operation expenses (excluding chemical costs)	463	477
k. Chemical costs	290	259
l. Maintenance expenses	241	161
– Other		
m. Operation expenses	1,441	1,424
n. Maintenance expenses	7	4
o. Purchase of water	255	267
3. Depreciation expenses		
a. System assets	1,794	1,741
b. Plant and equipment	102	113
4. Miscellaneous expenses		
a. Interest expenses	395	415
b. Revaluation decrements	–	–
c. Other expenses	811	819
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	7,472	7,338

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 2018

\$'000	2018	2017
Income		
6. Residential charges		
a. Access (including rates)	937	902
b. Usage charges	3,019	2,675
7. Non-residential charges		
a. Access (including rates)	590	578
b. Usage charges	1,898	1,582
8. Extra charges	25	26
9. Interest income	4	18
10. Other income	913	845
10a. Aboriginal Communities Water and Sewerage Program	–	–
11. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	63	64
c. Other grants	85	72
12. Contributions		
a. Developer charges	90	70
b. Developer provided assets	–	–
c. Other contributions	–	–
13. Total income	7,624	6,832
14. Gain (or loss) on disposal of assets	–	–
15. Operating result	152	(506)
15a. Operating result (less grants for acquisition of assets)	152	(506)

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 2018

\$'000	2018	2017
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	81	129
b. New assets for growth	–	–
c. Renewals	317	653
d. Plant and equipment	105	34
17. Repayment of debt	485	459
18. Totals	988	1,275
Non-operating funds employed		
19. Proceeds from disposal of assets	–	–
20. Borrowing utilised	–	–
21. Totals	–	–
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	4,654	4,537
b. Residential (unoccupied, ie. vacant lot)	477	462
c. Non-residential (occupied)	835	786
d. Non-residential (unoccupied, ie. vacant lot)	–	–
23. Number of ETs for which developer charges were received	18 ET	14 ET
24. Total amount of pensioner rebates (actual dollars)	\$ 115,464	\$ 116,685

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 2018

\$'000	Current	Non-current	Total
ASSETS			
25. Cash and investments			
a. Developer charges	172	–	172
b. Special purpose grants	–	–	–
c. Accrued leave	114	–	114
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	4,781	–	4,781
26. Receivables			
a. Specific purpose grants	63	–	63
b. Rates and availability charges	575	–	575
c. User charges	1,697	–	1,697
d. Other	–	–	–
27. Inventories	3	–	3
28. Property, plant and equipment			
a. System assets	–	64,143	64,143
b. Plant and equipment	–	860	860
29. Other assets	–	–	–
30. Total assets	7,405	65,003	72,408
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	95	–	95
33. Borrowings	510	5,849	6,359
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	357	–	357
35. Total liabilities	962	5,849	6,811
36. NET ASSETS COMMITTED	6,443	59,154	65,597
EQUITY			
37. Accumulated surplus			16,780
38. Asset revaluation reserve			48,817
39. Other reserves			–
40. TOTAL EQUITY			65,597
Note to system assets:			
41. Current replacement cost of system assets			121,777
42. Accumulated current cost depreciation of system assets			(57,634)
43. Written down current cost of system assets			64,143

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 2018

\$'000	2018	2017
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	384	483
b. Engineering and supervision	437	575
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	–	–
b. Maintenance expenses	250	259
– Pumping stations		
c. Operation expenses (excluding energy costs)	51	50
d. Energy costs	23	26
e. Maintenance expenses	51	48
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	96	101
g. Chemical costs	109	94
h. Energy costs	105	95
i. Effluent management	–	–
j. Biosolids management	137	62
k. Maintenance expenses	82	116
– Other		
l. Operation expenses	183	177
m. Maintenance expenses	3	1
3. Depreciation expenses		
a. System assets	664	576
b. Plant and equipment	21	21
4. Miscellaneous expenses		
a. Interest expenses	542	549
b. Revaluation decrements	–	–
c. Other expenses	105	90
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	3,243	3,323

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 2018

\$'000	2018	2017
Income		
6. Residential charges (including rates)	2,511	2,464
7. Non-residential charges		
a. Access (including rates)	640	626
b. Usage charges	104	82
8. Trade waste charges		
a. Annual fees	–	–
b. Usage charges	–	–
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
9. Extra charges	17	14
10. Interest income	29	17
11. Other income	239	239
11a. Aboriginal Communities Water and Sewerage Program	–	–
12. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	42	43
c. Other grants	–	1,685
13. Contributions		
a. Developer charges	133	39
b. Developer provided assets	–	–
c. Other contributions	–	–
14. Total income	<u>3,715</u>	<u>5,209</u>
15. Gain (or loss) on disposal of assets	–	–
16. Operating result	<u>472</u>	<u>1,886</u>
16a. Operating result (less grants for acquisition of assets)	472	1,886

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 2018

\$'000	2018	2017
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	29	177
c. Renewals	771	283
d. Plant and equipment	–	2
18. Repayment of debt	105	99
19. Totals	905	561
Non-operating funds employed		
20. Proceeds from disposal of assets	–	–
21. Borrowing utilised	–	–
22. Totals	–	–
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	3,216	3,219
b. Residential (unoccupied, ie. vacant lot)	151	165
c. Non-residential (occupied)	339	322
d. Non-residential (unoccupied, ie. vacant lot)	–	–
24. Number of ETs for which developer charges were received	23 ET	7 ET
25. Total amount of pensioner rebates (actual dollars)	\$ 75,534	\$ 78,067

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 2018

\$'000	Current	Non-current	Total
ASSETS			
26. Cash and investments			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	107	–	107
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	8,317	–	8,317
27. Receivables			
a. Specific purpose grants	1	–	1
b. Rates and availability charges	368	–	368
c. User charges	52	–	52
d. Other	17	–	17
28. Inventories	–	–	–
29. Property, plant and equipment			
a. System assets	–	28,562	28,562
b. Plant and equipment	–	1,775	1,775
30. Other assets	–	–	–
31. Total assets	8,862	30,337	39,199
LIABILITIES			
32. Bank overdraft	–	–	–
33. Creditors	122	–	122
34. Borrowings	114	6,499	6,613
35. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	49	–	49
36. Total liabilities	285	6,499	6,784
37. NET ASSETS COMMITTED	8,577	23,838	32,415
EQUITY			
38. Accumulated surplus			22,026
39. Asset revaluation reserve			10,389
40. Other reserves			–
41. TOTAL EQUITY			32,415
Note to system assets:			
42. Current replacement cost of system assets			51,732
43. Accumulated current cost depreciation of system assets			(23,170)
44. Written down current cost of system assets			28,562

Cowra Shire Council

Notes to Special Schedules 3 and 5 for the year ended 30 June 2018

Administration ⁽¹⁾

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

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

Engineering and supervision ⁽¹⁾

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

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

Operational expenses (item 2 of Special Schedules 3 and 5) comprise the day to day operational expenses excluding maintenance expenses.

Maintenance expenses (item 2 of Special Schedules 3 and 5) comprise the day to day repair and maintenance expenses. (Refer to Section 5 of the Local Government Asset Accounting Manual regarding capitalisation principles and the distinction between capital and maintenance expenditure).

Other expenses (item 4c of Special Schedules 3 and 5) includes all expenses not recorded elsewhere.

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

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

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

Residential charges ⁽²⁾ (items 6a, 6b and item 6 of Special Schedules 3 and 5 respectively) include all income from residential charges. Item 6 of Schedule 3 should be separated into 6a access charges (including rates if applicable) and 6b usage charges.

Non-residential charges ⁽²⁾ (items 7a, 7b of Special Schedules 3 and 5) include all income from non-residential charges separated into 7a access charges (including rates if applicable) and 7b usage charges.

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

Other income (items 10 and 11 of Special Schedules 3 and 5 respectively) include all income not recorded elsewhere.

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

Notes:

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

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

Cowra Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018

\$'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	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Council Offices/ Administration Centres			148	148	3,155	6,187	0%	100%	0%	0%	0%
	Council Works Depot			103	95	701	1,554	0%	50%	50%	0%	0%
	Public Halls			111	103	2,014	3,863	0%	95%	5%	0%	0%
	Libraries			104	109	2,136	4,094	0%	100%	0%	0%	0%
	Houses			15	3	297	594	0%	0%	100%	0%	0%
	RFS Sheds			6	1	1,996	2,533	0%	50%	50%	0%	0%
	Amenities/Toilets			171	162	2,642	5,532	12%	52%	28%	8%	0%
	Other			174	150	5,786	10,352	21%	36%	38%	5%	0%
	Sub-total		-	-	832	771	18,727	34,709	8.2%	65.1%	24.0%	2.8%

Cowra Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018 (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	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Roads	Sealed roads structure			349	463	48,169	51,619	26%	67%	7%	0%	0%
	Sealed roads surface			716	688	20,959	25,928	26%	60%	14%	0%	0%
	Unsealed roads			914	1,513	15,908	19,209	46%	32%	19%	3%	0%
	Bridges			38	9	23,384	25,936	45%	48%	2%	5%	0%
	Footpaths			42	24	8,164	9,144	26%	64%	9%	0%	0%
	Other road assets			317	335	1,518	2,523	0%	50%	50%	0%	0%
	Bulk earthworks			–	–	257,884	257,884	100%	0%	0%	0%	0%
	Kerb & Gutter			45	47	17,094	18,815	16%	81%	3%	0%	0%
	Culverts & pipes			74	64	12,082	14,768	5%	85%	9%	1%	0%
	Road Furniture			53	67	121	250	0%	0%	100%	0%	0%
	Sub-total		–	–	2,548	3,210	405,283	426,076	71.5%	24.3%	3.7%	0.5%
Water supply network	Mains	2,280	2,280	701	677	40,131	76,011	18%	15%	39%	25%	3%
	Reservoirs			75	62	7,395	17,363	0%	3%	69%	28%	0%
	Pumping Stations			475	605	4,301	7,580	8%	30%	59%	3%	0%
	Treatment Plant	199	199	1,233	1,380	11,482	19,864	26%	42%	14%	17%	1%
	Meters			170	193	834	959	0%	25%	65%	10%	0%
	Sub-total	2,479	2,479	2,654	2,917	64,143	121,777	16.0%	18.7%	40.6%	22.6%	2.0%

Cowra Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018 (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	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Sewerage network	Mains			358	383	13,268	31,714	16%	11%	62%	11%	0%
	Pumping Stations			171	124	1,353	2,188	22%	25%	43%	10%	0%
	Treatment Plant			501	438	13,941	17,830	90%	10%	0%	0%	0%
	Sub-total	-	-	1,030	945	28,562	51,732	41.8%	11.2%	39.8%	7.2%	0.0%
Stormwater drainage	Conduits			42	37	20,127	23,637	40%	48%	11%	0%	0%
	Inlet & Junction Pits			14	12	7,248	8,615	57%	32%	11%	0%	0%
	Sub-total	-	-	56	49	27,375	32,252	44.8%	44.0%	11.1%	0.0%	0.0%
Open space/recreational assets	Swimming pools			238	265	995	2,293	0%	0%	100%	0%	0%
	Other Recreational Assets	40	40	1,199	1,157	2,040	4,008	19%	64%	13%	2%	1%
	Sub-total	40	40	1,437	1,422	3,035	6,301	12.3%	41.0%	44.8%	1.3%	0.6%
	TOTAL – ALL ASSETS	2,519	2,519	8,557	9,314	547,125	672,847	54.1%	25.5%	14.9%	5.1%	0.4%

Notes:

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

Infrastructure asset condition assessment 'key'

1	Excellent/very good	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Satisfactory	Maintenance work required

4	Poor	Renewal required
5	Very poor	Urgent renewal/upgrading required

Cowra Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2018

	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
Infrastructure asset performance indicators * consolidated					
1. Buildings and infrastructure renewals ratio ⁽¹⁾					
Asset renewals ⁽²⁾	4,130	81.88%	78.41%	89.29%	>= 100%
Depreciation, amortisation and impairment	5,044				
2. Infrastructure backlog ratio ⁽¹⁾					
Estimated cost to bring assets to a satisfactory standard	2,519	0.46%	1.90%	1.93%	< 2.00%
Net carrying amount of infrastructure assets	547,125				
3. Asset maintenance ratio					
Actual asset maintenance	9,314	108.85%	105.36%	95.03%	> 100%
Required asset maintenance	8,557				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	2,519	0.37%	0.83%	0.00%	
Gross replacement cost	672,847				

Notes

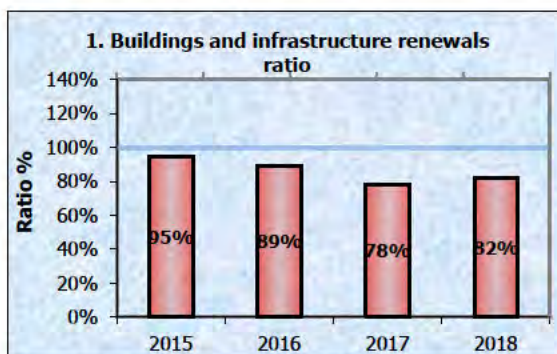
* All asset performance indicators are calculated using the asset classes identified in the previous table.

(1) Excludes Work In Progress (WIP)

(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 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2018



Benchmark: Minimum $\geq 100.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Purpose of asset renewals ratio

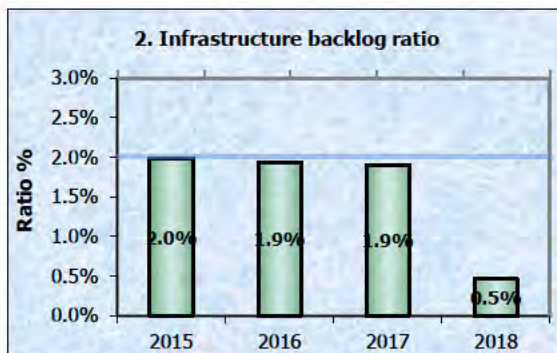
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

Commentary on 2017/18 result

2017/18 Ratio 81.88%

The building and infrastructure renewals ratio is not a true indication of councils asset renewal. Some assets particularly water and sewer have major components which have very long useful lives and therefore only require renewal after many years of consumption.

Ratio achieves benchmark
Ratio is outside benchmark



Benchmark: Maximum $< 2.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Purpose of infrastructure backlog ratio

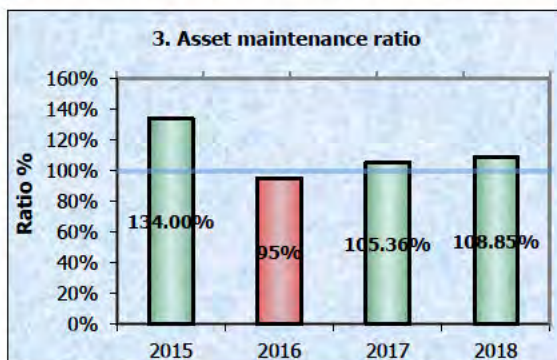
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

Commentary on 2017/18 result

2017/18 Ratio 0.46%

The infrastructure backlog ratio is below the maximum benchmark which indicates that councils assets are in a good condition.

Ratio achieves benchmark
Ratio is outside benchmark



Benchmark: Minimum $> 100.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Purpose of asset maintenance ratio

Compares actual vs. required annual asset maintenance. A ratio above 100% indicates Council is investing enough funds to stop the infrastructure backlog growing.

Commentary on 2017/18 result

2017/18 Ratio 108.85%

Council maintenance expenditure is above the required level.

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.

Commentary on 2017/18 result

2017/18 Ratio 0.37%

The cost to bring assets to agreed service level is very low and again reflects that assets are generally in a very good condition.

Cowra Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2018

	General indicators ⁽¹⁾		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Infrastructure asset performance indicators by fund							
1. Buildings and infrastructure renewals ratio ⁽²⁾							
Asset renewals ⁽³⁾	120.00%	116.92%	17.31%	36.73%	113.72%	42.37%	>= 100%
Depreciation, amortisation and impairment							
2. Infrastructure backlog ratio ⁽²⁾							
Estimated cost to bring assets to a satisfactory standard	0.01%	0.61%	3.86%	5.78%	0.00%	2.08%	< 2.00%
Net carrying amount of infrastructure assets							
3. Asset maintenance ratio							
Actual asset maintenance	111.88%	101.67%	109.91%	116.69%	91.75%	96.22%	> 100%
Required asset maintenance							
4. Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	0.01%	0.24%	2.04%	3.12%	0.00%	1.15%	
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) Excludes Work In Progress (WIP)
- (3) 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.